

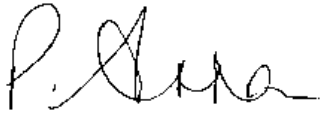
## GWŶS Y CYNGOR

Rydych dan wŷs trwy hyn i ddod i gyfarfod CYNGOR DINAS A SIR ABERTAWWE i'w gynnal yn Siambr y Cyngor, Neuadd y Ddinas, Abertawe Dydd Iau, 25 Chwefror 2016 am 5.00 pm

Cynigir trafod y materion canlynol:

1. **Ymddiheuriadau am absenoldeb.**
2. **Datgeliadau o fuddiannau personol a rhagfarnol.**  
<http://www.swansea.gov.uk/DisclosuresofInterests>
3. **Cofnodion.** **1 - 15**  
Cymeradwyo a llofnodi fel cofnod cywir gofnodion y cyfarfodydd blaenorol.
4. **Ymatebion ysgrifenedig i gwestiynau a ofynnwyd yng nghyfarfod cyffredinol diwethaf y Cyngor.** **16 - 19**
5. **Cyhoeddiadau'r Aelod Llywyddol.**
6. **Cyhoeddiadau Arweinydd y Cyngor.**
7. **Cwestiynau gan y Cyhoedd.**  
Rhaid i'r cwestiynau ymwneud â materion ar ran agored agenda'r cyfarfod, ac ymdrinnir â hwy o fewn 10 munud.
8. **Cyflwyniad Cyhoeddus -**
9. **Polisi Cydymffurfio â Safon Ansawdd Tai Cymru (SATC).** **20 - 36**
10. **Enwebu Darpar Arglwydd Faer a Darpar Ddirprwy Arglwydd Faer 2016-2017.** **37 - 48**
11. **Cynllunio Ariannol Tymor Canolig 2017/18 - 2019/20.** **49 - 83**
12. **Cyllideb Refeniw 2016/17.** **84 - 162**
13. **Cyllideb a Rhaglen Gyfalaf 2015/16 - 2019/20.** **163 - 178**
14. **Strategaeth Rheoli'r Trysorlys, Dangosyddion Darbodus, Strategaeth Buddsoddi a Datganiad Polisi Darpariaeth Isafswm Refeniw 2016/17.** **179 - 221**
15. **Cyllideb Refeniw'r Cyfrif Refeniw Tai (CRT) 2016/17.** **222 - 227**
16. **Cyfrif Refeniw Tai - Cyllideb a Rhaglen Gyfalaf 2015/16 - 2019/20.** **228 - 246**
17. **Cwestiynau gan y Cynghorwyr.** **247 - 250**

**Cyfarfod Nesaf - 5pm ar 10 Mawrth 2015.**



Patrick Arran  
Pennaeth Gwasanaethau Cyfreithiol a Democrataidd  
Canolfan Ddinesig  
Abertawe  
**Dydd Mawrth, 16 Chwefror 2016**  
**I: Bob Aelod o'r Cyngor**

## CITY AND COUNTY OF SWANSEA

### MINUTES OF THE COUNCIL

HELD AT COUNCIL CHAMBER, GUILDHALL, SWANSEA ON  
THURSDAY, 28 JANUARY 2016 AT 4.30 PM

**PRESENT:** Councillor D W W Thomas (Presiding Member) Presided

<b>Councillor(s)</b>	<b>Councillor(s)</b>	<b>Councillor(s)</b>
C Anderson	J C Bayliss	P M Black
J E Burtonshaw	M C Child	R A Clay
U C Clay	A C S Colburn	D W Cole
A M Cook	S E Crouch	J P Curtice
A M Day	P Downing	C R Evans
W Evans	R Francis-Davies	F M Gordon
J A Hale	J E C Harris	T J Hennegan
C A Holley	B Hopkins	D H Hopkins
L James	A J Jones	S M Jones
E T Kirchner	C E Lloyd	P Lloyd
K E Marsh	P N May	P M Meara
H M Morris	J Newbury	C L Philpott
J A Raynor	T H Rees	I M Richard
C Richards	P B Smith	R V Smith
R C Stewart	D G Sullivan	C Thomas
C M R W D Thomas	L G Thomas	M Thomas
G D Walker	L V Walton	T M White
N M Woollard		

#### **Apologies for Absence**

Councillor(s): V M Evans, E W Fitzgerald, P R Hood-Williams, M H Jones, J W Jones, E J King, A S Lewis, B G Owen, D Phillips, R J Stanton, G J Tanner and L J Tyler-Lloyd

#### 136. **DISCLOSURES OF PERSONAL AND PREJUDICIAL INTERESTS.**

The Head of Legal and Democratic Services gave advice regarding the potential personal and prejudicial interests that Councillors and / Officers may have on the agenda.

The Head of Democratic Services reminded Councillors and Officers that the "Disclosures of Personal and Prejudicial Interests" sheet should only be completed if the Councillor / Officer actually had an interest to declare. Nil returns were not required. Councillors and Officers were also informed that any declarable interest must be made orally and in writing on the sheet.

In accordance with the provisions of the Code of Conduct adopted by the City and County of Swansea no interests were declared.

137. **EXCLUSION OF THE PUBLIC.**

Council were requested to exclude the public from the meeting during consideration of the item(s) of business identified in the recommendations to the report(s) on the grounds that it / they involve the likely disclosure of exempt information as set out in the exclusion paragraph of Schedule 12A of the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007 relevant to the items of business set out in the report(s).

Council considered the Public Interest Test in deciding whether to exclude the public from the meeting for the item of business where the Public Interest Test was relevant as set out in the report.

**RESOLVED** that the public be excluded for the following item(s) of business.

**CLOSED SESSION**

138. **APPOINTMENT OF CHIEF EXECUTIVE.**

The Head of Human Resources and Organisational Development submitted a report which sought to appoint a Chief Executive for a period of 12 months.

Steve Thomas, Chief Executive of the Welsh Local Government Association (WLGA) had been appointed as the Authority's Technical Advisor for the process. He stated that the Appointments Committee had met at 2.00pm on 28 January 2016 to interview the candidate. The interview process involved a presentation and a series of questions.

He stated that the Appointments Committee were unanimous in their recommendation to Council that Phil Roberts be appointed as Chief Executive.

**RESOLVED** that Phil Roberts be appointed as Chief Executive for a period of 12 months.

**Note:** Following the resolution of Council, Phil Roberts was invited into the Council Chamber and formally offered the post. Mr Roberts indicated that he would accept the post.

The meeting ended at 4.37 pm

**CHAIR**

# **CITY AND COUNTY OF SWANSEA**

## **MINUTES OF THE COUNCIL**

**HELD AT COUNCIL CHAMBER, GUILDHALL, SWANSEA ON  
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**PRESENT:** Councillor D W W Thomas (Presiding Member) Presided

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C Anderson	J C Bayliss	P M Black
J E Burtonshaw	M C Child	R A Clay
U C Clay	A C S Colburn	D W Cole
A M Cook	S E Crouch	J P Curtice
N J Davies	A M Day	P Downing
C R Doyle	C R Evans	W Evans
R Francis-Davies	F M Gordon	J A Hale
J E C Harris	T J Hennegan	C A Holley
B Hopkins	D H Hopkins	L James
Y V Jardine	M H Jones	A J Jones
S M Jones	J W Jones	E J King
E T Kirchner	R D Lewis	C E Lloyd
P Lloyd	K E Marsh	P M Matthews
P N May	P M Meara	H M Morris
J Newbury	G Owens	C L Philpott
J A Raynor	T H Rees	I M Richard
C Richards	P B Smith	R V Smith
R C Stewart	D G Sullivan	C Thomas
C M R W D Thomas	L G Thomas	M Thomas
G D Walker	L V Walton	T M White
N M Woollard		

### **Apologies for Absence**

Councillor(s): V M Evans, E W Fitzgerald, P R Hood-Williams, A S Lewis, B G Owen, D Phillips, R J Stanton, G J Tanner and L J Tyler-Lloyd

### 139. **DISCLOSURES OF PERSONAL AND PREJUDICIAL INTERESTS.**

The Head of Legal and Democratic Services gave advice regarding the potential personal and prejudicial interests that Councillors and / Officers may have on the agenda.

The Head of Legal and Democratic Services reminded Councillors and Officers that the "Disclosures of Personal and Prejudicial Interests" sheet should only be completed if the Councillor / Officer actually had an interest to declare. Nil returns were not required. Councillors and Officers were also informed that any declarable interest must be made orally and in writing on the sheet.

In accordance with the provisions of the Code of Conduct adopted by the City and County of Swansea the following interests were declared:

### **Councillors**

- 1) Councillors J E Burtonshaw, M C Child, J P Curtice, P Downing, C R Doyle, A J Jones, E T Kirchner, C E Lloyd, P Lloyd, P M Meara, H M Morris, J Newbury, C L Philpott, C Richards, C Thomas, M Thomas and T M White declared a Personal and Prejudicial Interest in Minute 146 "Adoption of the Council Tax Reduction Scheme" and withdrew from the meeting prior to its consideration;
- 2) Councillors J C Bayliss and N M Woollard declared a Personal & Prejudicial Interest in Minute 152 "Notice of Motion (Fracking)" and withdrew from the meeting prior to its consideration;
- 3) Councillors J P Curtice, S M Jones, E T Kirchner, P M Meara, J A Raynor and C Richards declared a Personal Interest in Minute 148 "Amendments to the Council Constitution".

### **Officers**

- 4) Chris Sivers declared a Personal and Prejudicial Interest in Minute 146 "Adoption of the Council Tax Reduction Scheme" and withdrew from the meeting prior to its consideration.

#### **140. MINUTES.**

**RESOLVED** that the following Minutes be approved and signed as a correct record:

- 1) Extraordinary Meeting of Council held on 17 December 2015;
- 2) Ordinary Meeting of Council held on 17 December 2015.

#### **141. WRITTEN RESPONSES TO QUESTIONS ASKED AT THE LAST ORDINARY MEETING OF COUNCIL.(FOR INFORMATION REPORT - NOT FOR DISCUSSION)**

The Head of Legal and Democratic Services submitted an information report setting out the written responses to questions asked at the last Ordinary Meeting of Council.

#### **142. ANNOUNCEMENTS OF THE PRESIDING MEMBER.**

##### **1) Condolences**

##### **a) Clare Louise Watson, Daughter of Alan Thomas, Chair of Audit Committee**

The Presiding Member referred with sadness to the recent death of Clare Louise Watson, daughter of Alan Thomas, Chair of Audit Committee. He stated that the Council's thoughts were with Clare's parents Alan and Wendy; her husband Simon and 8 year old daughter Caitlin.

**b) Clive George Walton, former Vice Chair of Standards Committee**

The Presiding Member referred with sadness to the recent death of Clive George Walton, former Vice Chair of Standards Committee. He stated that the Council's thoughts were with Clive's family.

All present stood as a mark of sympathy and respect.

**2) Illness**

**a) Councillor Mary H Jones**

The Presiding Member stated that he was pleased to welcome Councillor Mary H Jones back following her recent surgery.

**b) Ieuan Jones, husband of Councillor Susan M Jones - Illness**

The Presiding Member stated that many may be aware that Ieuan Jones, husband of Councillor Susan M Jones was currently undergoing treatment with his illness. On behalf of the Council he sent best wishes.

**3) New Years Honours**

The Presiding Member stated that the following were Citizens of Swansea who had received awards in the New Year Honours.

**a) Officer of the Order of the British Empire (OBE)**

- i) Carolyn Kirby. President Mental Health Review Tribunal for Wales and Chairman, Cancer Information Support Services, South West Wales. For services to Justice and Cancer Care (Gower);
- ii) William Bruce McLernon. For Services to Social Care and Local Government;
- iii) Dr. Alan Roy Willson. Formerly director of the 1,000 Lives Improvement Service, Public Health Wales. For services to Quality and Safety of Healthcare in Wales.

**b) Member of the Order of the British Empire (MBE)**

- i) Terence Donald Bravin. For voluntary and charitable services to Young People in South West Wales.
- ii) Lyndon Richard Jones. Deputy Chairman Welsh Conservative Party and Chairman, Gower Conservative Association. For political service.
- iii) Jo-ann Clare Walsh. Keeping in touch Strategy Manager, Swansea. For services to Young People in Swansea.

**c) British Empire Medal (BEM)**

- i) Wendy Angharad Churchouse. Arrhythmia Nurse Morriston Hospital, Swansea. For services to Cardia Patients in South West Wales.

**4) Congratulations**

**a) St David Awards 2016**

- i) The Presiding Member congratulated 'Ed Up', Olchfa Comprehensive School Enterprise Team for recently being announced as a finalist in the Young Person category of the St David Awards 2016. They were nominated as twelve Year 10 pupils from the School devised an innovative app to help GCSE pupils revise.
- ii) The Presiding Member congratulated Dan Biggar, Ospreys, Wales and Lions rugby player for recently being announced as a finalist in the Sport category of the St David Awards 2016. He was nominated for his contribution to Wales' success at the 2015 Rugby World Cup.

**b) Friends of Coed Bach Park, Pontarddulais - 'Getting Active Award'**

The Presiding Member announced that the Friends of Coed Bach Park, Pontarddulais had been recognised for their role in the park being awarded the 'Getting Active Award' at the Fields in Trust UK wide awards ceremony at Lord's cricket ground in London.

New accessible play equipment has been provided as part of the upgraded play facility. The bowls clubs have formed a new association and now have qualified coaches which will increase participation for juniors as well as the older generation. Estimated annual usage in sport and physical activity has increased by 15% from 23,000 to 26,500, not including dog walking and casual walking.

Sandie Evans, Margaret Evans, Clive Davies, Winsor Clark and Christine Thomas from Friends of Coed Back Park were present to receive the award.

**c) Cosmic Classroom - Blaen y Maes Primary School**

The Presiding Member stated that Tim Peake (@astro\_timpeake) was a European Space Agency (ESA) astronaut assigned to join the International Space Station crew for Expedition 46/47 for six months in 2015-2016. He recently sent out a Tweet on Twitter asking Teachers to sign up and join the #CosmicClassroom, where Tim will speak live to students live from the International Space Station on the afternoon of 2 February 2016. It is thought that this will be the World's largest schools and space science event.

The #CosmicClassroom builds on more than 100 years of supporting teachers and education. The objective being to support science learning by providing a spark on which to build inspiration in classrooms.



Mrs Smith's class within Blaen y Maes Primary School was one of the many classes that signed up to #CosmicClassroom. I'm pleased to announce that Mrs Smith's class at Blaen y Maes Primary School have been selected as one of 10 classes within Wales and England to take part in the Cosmic Classroom experience on 2 February 2016.

**d) National School Categorisation System Outcomes**

The Presiding Member stated that the National School Categorisation System outcomes had been published earlier that day. The system looks at schools' capacity to self-improve (letters A-D) and generates a colour support category that triggers a bespoke programme of support, challenge and intervention. The support category is also used to plan and deploy resources.

The excellent results enhance the reputation of the City and County of Swansea. Our future prosperity depends on providing a well educated workforce.

The results show the East / West Divide in the quality of education no longer exists. Swansea is the only Authority in Wales with over 50% of its Secondary Schools in Green.

The strategy of a challenge and support system in which all Schools work with each other is a strong and proven driver for improvement.

The outcomes for each School may be viewed at  
<http://mylocalschool.wales.gov.uk/>

He thanked all Head Teachers, staff and parents for contributing to this excellent achievement.

**5) Changes / Amendments to the Council Summons**

**a) Item 15 "Notice of Motion - Fracking"**

The Presiding Member stated that Item 15 "Notice of Motion - Fracking" would be considered immediately following Item 8 "Public Presentation - Frack Free Wales".

**b) Urgent Notice of Motion "Loss of Jobs at TATA Steel"**

The Presiding Member stated that he had agreed that the "Notice of Motion relating to the loss of jobs at TATA Steel" be considered at this meeting as a matter of urgency.

**c) Item 17 "Judicial Review - Jewish Human Rights Watch"**

The Presiding Member stated that Item 17 "Judicial Review - Jewish Human Rights Watch" had been withdrawn. As such Item 16 "Exclusion of the Public" would not be required.

143. **ANNOUNCEMENTS OF THE LEADER OF THE COUNCIL.**

1) **Tidal Bay Lagoon**

The Leader of the Council stated that he was hopeful that a deal would be reached soon with the UK Government in relation to the Tidal Bay Lagoon.

2) **City Deal**

The Leader of the Council stated that he had recently held a positive meeting with Minister Hutt of the Welsh Government in relation to the City Deal.

3) **City Centre Regeneration**

The Leader of the Council Developers stated that Rivington Land and Trebor Developments had been brought in to manage the regeneration of the heart of the City Centre and the Civic Centre site. He played fly through video of the regeneration scheme to Council.

4) **Phil Roberts - Appointment as Chief Executive**

The Leader of the Council congratulated Phil Roberts on his appointment as Chief Executive. He also thanked Jack Straw (current Chief Executive) for his work and leadership during his period in office.

144. **PUBLIC QUESTIONS.**

A number of questions were asked by members of the public. The relevant Cabinet Member responded.

**A)** Those questions **not** requiring a written response are listed below:

- a) Questions were asked in relation to Minute 151 "Councillors Questions - Question 1".

**B)** Those questions requiring a written response are listed below:

- 1) David Davies asked a question in relation to Minute 148 "Amendments to the Council Constitution":

- a) *"At Council on 22 October 2015, I asked that consideration be given so as to allow members of the Public to ask questions of any Councillor during Public Question Time. What progress has been made with this?"*

The Leader of the Council stated that the issue would be considered by the Constitution Working Group and that their response would be provided in writing.

- 2) Richard Copp asked questions in relation to Minute 151 "Councillors Questions - Question 1":

- a) *"The hedge on Pentyla Road is suggested to be only 20 years old. Where is this information from?"*

*I have conclusive evidence that the hedge is much older than this. Residents in my area have lived here for 50 years and say the landscape has not changed. The hedge has always been there. There is even a Swansea Council book named "The Townhill Enclosure Act" that states that the hedge was constructed as a boundary in 1760. I also have photographic evidence obtained from the archives in County Hall. Why are you lying? It's an ancient hedgerow."*

The Enterprise, Development and Regeneration Cabinet Member stated that a written response would be provided.

145. **PUBLIC PRESENTATION - FRACK FREE WALES.**

Ian Ross of Frack Free Wales gave a presentation on the work of 'Frack Free Wales'. He outlined his concerns of fracking across Wales. He referred to the "Unconventional Gas Development (Shale Gas, Coal Bed Methane Extraction, Underground Coal Gasification and "Fracking") motion which the Council would be considering later on the agenda and urged all to support it.

He stated that adoption of the motion would set the City and County of Swansea on course to becoming a Frack Free Local Authority and join over 50 Local Authorities across the UK who have already pledged to make their areas fossil free by 2050.

Further information on the work of Frack Free Wales was available on their website <http://www.frackfreewales.org/>

Councillor M C Child, Wellbeing and Healthy City Cabinet Member gave thanks for the presentation.

146. **ADOPTION OF THE COUNCIL TAX REDUCTION SCHEME.**

The Section 151 Officer submitted a report which outlined the requirement to annually consider whether to revise or replace the Council's existing Council Tax Reduction Scheme and the requirement to either adopt a new scheme or re-adopt the existing scheme by 31 January 2016. The report proposed to re-adopt the current scheme as set out in Section 3 of the report from 2016-2017.

**RESOLVED** that:

- 1) The Council Tax Reduction Schemes and Prescribed Requirements (Wales) Regulations 2013 ("the Prescribed Requirements Regulations") by the National Assembly for Wales (NAfW) on 26 November 2013, as amended be noted;
- 2) The proposed amendments to "the Prescribed Requirements Regulations" contained in the draft Council Tax Reduction Schemes (Prescribed Requirements and Default Scheme) (Wales) (Amendment) Regulations 2016, due to be considered and approved by NAfW on 20 January 2016 be noted;

- 3) The outcome of the consultation exercise undertaken by the Council in December 2014 on the discretionary areas of the current scheme be noted;
- 4) The current scheme (2015-2016) in relation to the discretionary areas (as set out in section 3 of the report) remain unchanged for 2016-2017.

**Note:** Councillor P M Meara asked that consideration be given to extend the scheme in future years in order to include those that had recently left care.

Councillor C Richards, Deputy Leader of the Council indicated that she would look into the excellent suggestion.

147. **MEMBERSHIP OF COMMITTEES.**

The Transformation and Performance Cabinet Member submitted a report which sought approval of the nominations / amendment to the membership of Council Bodies.

He referred to the report stating that the Leader of the Council had made the following changes to the Authority's Outside Bodies:

- 1) **Abertawe Bro Morgannwg University Health Board (ABMUHB) - Children and Young People Emotional and Mental Health Planning Group**  
Add Councillor J E C Harris.
- 2) **Inter Authority Agreement Partnership Board (Food Waste)**  
Add Councillors M C Child and D H Hopkins.
- 3) **Mid and West Wales Fire Authority**  
Remove Councillor J C Bayliss.  
Add Councillor C Anderson.

148. **AMENDMENTS TO THE COUNCIL CONSTITUTION.**

The Presiding Member, Monitoring Officer and Head of Democratic Services jointly submitted a report which sought to make amendments in order to simplify, improve and / or add to the Council Constitution in relation to the following area(s):

- 1) Part 3 - Responsibility for Functions - Terms of Reference - Corporate Parenting Forum.

**RESOLVED** that the changes to the Council Constitution as outlined in Paragraph 4 of the report together with any further consequential changes be adopted.

149. **COUNCILLOR TRAINING AND DEVELOPMENT PROGRAMME 2016-2017.**

The Head of Democratic Services submitted a report which considered the responses to the Councillors / Co-opted Member Training Needs Analysis (TNA) and sought agreement for the principles set out in the Councillor Training and Development Programme 2016-2017.

Councillor E T Kirchner proposed that Domestic Abuse training also be added to the list of compulsory training topics.

**RESOLVED** that:

- 1) The 14 training sessions for Councillors and Co-opted Members as listed in paragraph 2.2 of the report be deemed compulsory;
- 2) Regular reports on attendance or non-attendance of Councillors at training / development events be passed to the relevant Political Group Leaders / Political Whips by the Head of Democratic Services in order to encourage increased attendance;
- 3) All training sessions, where possible, be timetabled with both a daytime and an evening session in order to encourage better attendance;
- 4) Training sessions be adapted into e-learning programmes wherever possible to compliment the Councillors / Co-opted Members Training Programme;
- 5) Training be divided into 3 categories namely Compulsory, Recommended and Councillor / Co-opted Member Requested;
- 6) There be greater use of e-learning;
- 7) The Head of Democratic Services work closely with the Senior Organisational Development Officer / Corporate Training Lead in order to commence work on an e-learning programme targeting as many of the necessary courses as possible;
- 8) Councillors / Co-opted Members should attend relevant / compulsory training or development sessions at least once per electoral term or more frequently should the content of the training change significantly due to legislation / guidance etc.;
- 9) The priority training areas for the coming period as set out in paragraph 7.3 of the report be agreed;
- 10) The Chair of the Democratic Services Committee and Head of Democratic Services in consultation with the Democratic Services Committee continue to add to the priority training areas as required;
- 11) Domestic Abuse training be added to the list of compulsory training topics.

150. **SCRUTINY DISPATCHES – QUARTERLY IMPACT REPORT.**

The Chair of the Scrutiny Programme Committee submitted an information report setting out the Scrutiny Dispatches - Quarterly Impact Report.

151. **COUNCILLORS' QUESTIONS.**

1) **Part A 'Supplementary Questions'**

Eight (8) Part A 'Supplementary Questions' were submitted. The relevant Cabinet Member(s) responded by way of written answers contained in the Council Summons.

The following supplementary question(s) required a written response.

a) Question 1. Councillor P N May asked:

*"What is the actual cost to the Tax Payer of Swansea for the repeated resubmission of this planning application? (I would expect full breakdown in this answer e.g.; officer time, printing of papers, councillors' travel expenses, re consultation with statutory bodies etc.)."*

The Enterprise, Development and Regeneration Cabinet Member stated that a written response would be provided.

2) **Part B 'Questions not requiring Supplementary Questions'**

No (0) Part B 'Questions not requiring Supplementary Questions' were submitted.

152. **NOTICE OF MOTION: COUNCILLORS R C STEWART, A S LEWIS, R A CLAY, M C CHILD, U C CLAY, C ANDERSON. C THOMAS, W EVANS, J E C HARRIS, J P CURTICE, N J DAVIES, T M WHITE & C R EVANS.**

The following motion was proposed by Councillor R A Clay and seconded by Councillor M C Child.

**"Unconventional Gas Development - (Shale Gas, Coal Bed Methane Extraction, Underground Coal Gasification and "Fracking")"**

*There is a growing public concern that unconventional gas extraction entails significant risks to the environment and to the health and wellbeing of neighbouring communities. These include, but are not limited to, potential air pollution, pollution of water resources and increased industrialisation of the countryside. There is also concern that exploration and extraction of fossil fuels by unconventional means undermines and diverts resources away from investment in a safe and secure renewable energy future.*

*There appears to be insufficient regulation and scrutiny of current unconventional gas extraction operations in the UK and as a consequence these operations risk irreversibly polluting fragile water courses and established nature and tourism.*

*The possibility of unconventional gas extraction in South Wales has led to significant concern among the local population, as evidenced by the level of objections to planning applications for test drilling and a growing number of petitions being submitted to Local Planning Authorities and the Welsh Government regarding this issue.*

*Council notes that it has a responsibility to protect the local environment and the wellbeing of local communities, and to play its part in supporting the ongoing renewable energy programme to provide sustainable energy for our future generations. Council aims to take steps within its statutory powers to work to harness the abundant sustainable and renewable energy resources available; such as our unsurpassed tidal range and windy hill sides. Council aims to work towards becoming fossil free by 2025 and aspires to be a leading provider of Tidal and Wind power within the UK."*

*Notice of Motion:*

*Council is minded to adopt a policy which would contain a presumption that as a matter of planning policy it would not support applications for the unconventional exploration or extraction of gas, including the practice commonly known as 'Fracking', within the City and County of Swansea. This would also include test drilling. This would not stop planning applications being made and would take the form of a rebuttable presumption with the individual circumstances of each case considered.*

*Welsh Government is clearly concerned about the issue of unconventional oil and gas extraction as it has issued the Town and Country Planning (Notification) (Unconventional Oil and Gas) (Wales) Direction 2015. The effect of this Direction is that no local authority can grant an application for unconventional extraction for a period of 21 days which is to give Welsh Government an opportunity to call in the application. The Direction does not apply to test drilling and Council is of the view that Welsh Government should consider the inclusion of test drilling within the Direction.*

*In taking this approach Council hopes that its commitment to a cleaner energy future will show the rest of Wales how important it is to protect our environment for future generations and to allow us to stand together with other progressive Local Authorities.*

*Council further resolves that:*

- 1) The Head of Economic Regeneration and Planning prepare a detailed report for Council to consider in March setting out the implications and a recommendation as to the possibility of the adoption of a change to planning policy relating to unconventional oil and gas extraction.*
- 2) The Head of Economic Regeneration and Planning write to Welsh Government to suggest that the Direction be extended to include drilling solely for the purposes of unconventional gas exploration and extraction."*

**RESOLVED** that the motion as outlined above be approved.

153. **URGENT ITEM**

The Presiding Member stated that pursuant to paragraph 100B (4)(b) of the Local Government Act 1972, he considered that the "Notice of Motion: Councillors R C Stewart, C Richards, C E Lloyd, R Francis-Davies, J A Raynor, J E C Harris, A S Lewis, D H Hopkins, M C Child and W Evans in relation to the TATA Steel Job Losses" should be considered at the meeting as a matter of urgency.

154. **URGENT NOTICE OF MOTION: COUNCILLORS R C STEWART, C RICHARDS, C E LLOYD, R FRANCIS-DAVIES, J A RAYNOR, J E C HARRIS, A S LEWIS, D H HOPKINS, M C CHILD AND W EVANS**

**Reason for Urgency:** Given the recent announcement by TATA Steel to cut so many jobs locally, there is a need to act swiftly to seek ways of supporting those affected.

The following motion was proposed by Councillor C E Lloyd and seconded by Councillor R C Stewart.

*"Council is shocked by the recent devastating announcement of 1050 job losses within the UK steel industry but particularly at the Port Talbot steel works which will see 750 high quality, high paid manufacturing jobs lost to the town of Port Talbot and the wider Swansea Bay City Region. In addition, it is estimated that a further 1200 jobs could be at risk in the support and supply sectors, according to the Institute for Public Policy Research.*

*Council condemns the inactivity and lack of intervention by the UK Conservative Government at Westminster on issues such as offering reduced energy costs to this sector, dealing with the cheap steel imports from China, which is crippling this industry and generally failure to support this important manufacturing industry, as has been the case in fellow European countries like Italy and Germany.*

*To this end we propose that the Leader of Council write to the Prime Minister expressing our grave concern over this announcement, the impact this will have on our local communities and asking him to:*

- 1. Commit to more direct intervention and extra Government resources over the medium and long term to secure the sustainability of the steel manufacturing industry in the UK.*
- 2. Urgently support Welsh Government in its efforts to assist those employees made redundant, particularly in regards to redeployment, retraining and reskilling.*
- 3. Support Welsh Government proposals to create an Enterprise Zone that encompasses the Port Talbot steel works site including the use of Enhanced Capital Allowances.*

*Finally, Council resolves to take whatever steps it can to help mitigate the impacts of this devastating announcement."*

**RESOLVED** that the motion as outlined above be approved.



155. **EXCLUSION OF THE PUBLIC.**

The Presiding Member stated that this item had been withdrawn.

156. **JUDICIAL REVIEW - JEWISH HUMAN RIGHTS WATCH.**

The Presiding Member stated that this item had been withdrawn.

The meeting ended at 8.33 pm

**CHAIR**

# Agenda Item 4.

## Report of the Head of Legal and Democratic Services

Council – 25 February 2016

### WRITTEN RESPONSES TO QUESTIONS ASKED AT THE LAST ORDINARY MEETING OF COUNCIL

The report provides an update on the responses to Questions asked during the last Ordinary Meeting of Council on 28 January 2016.

#### FOR INFORMATION

#### 1. INTRODUCTION

- 1.1 It was agreed at Council on 8 April 2010 that a standing item be added to the Council Summons entitled “Written Responses to Questions Asked at the Last Ordinary Meeting of Council”.
- 1.2 A “For Information” report will be compiled by the Democratic Services Team collating all written responses from the last Ordinary Meeting of Council and placed in the Agenda Pack;
- 1.3 Any consequential amendments be made to the Council Constitution.

#### 2. RESPONSES

- 2.1 Responses to questions asked during the last ordinary meeting of Council are included as Appendix A.

**Background Papers:** None

**Appendices:** Appendix A (Questions & Responses)

**Providing Council with Written Responses to Questions at Council  
28 January 2016**

1.	<p><b>Mr David Davies</b> At Council on 22 October 2015, I asked that consideration be given so as to allow members of the Public to ask questions of any Councillor during Public Question Time. What progress has been made with this?</p> <p><b>Response of the Leader</b> I can confirm that the Constitution Working Group at its meeting on 25 November 2015 considered your request that Council Procedure Rule 26 “Public Presentation and Question Time” be amended so as to allow members of the public to ask questions of any Councillor at a Council meeting.</p> <p>The Constitution Working Group felt that the Council Procedure Rule had deliberately been drafted so as to exclude questions to other Councillors in order to ensure the effective and efficient running of business. One of the main responsibilities of Council is to ensure that the Cabinet is held to account. Members of the public are encouraged to take part in this by asking questions of the Cabinet Members, Chairs or Vice Chairs of any Committee or Board of the City and County of Swansea on any matter included on the open part of the agenda. This allows them to participate in holding the Cabinet to account. As such, the Constitution Working Group agreed unanimously that the Council Procedure Rule should remain unchanged.</p> <p>Should members of the public wish to ask questions of other Councillors then they can do so by communicating directly with them or by attending Councillor Surgeries. The contact details for Councillors may be viewed at <a href="http://www.swansea.gov.uk/councillors">www.swansea.gov.uk/councillors</a>.</p> <p>Personally I have no issue with any Member being asked or answering a question as part of the democratic processes.</p> <p>We will continue to challenge and review the processes and procedures of the Council and change them if required.</p>
2.	<p><b>Richard Copp</b> The hedge on Pentyla Road is suggested to be only 20 years old. Where is this information from.</p> <p>I have conclusive evidence that the hedge is much older than this. Residents in my area have lived here for 50 years and say the landscape has not changed. The hedge has always been there. There is even a Swansea Council book named “The Townhill Enclosure Act” that states that the hedge was constructed as a boundary in 1760. I also have photographic evidence obtained from the archives in County Hall. Why are you lying. It’s an ancient hedgerow.</p>

**Response of the Cabinet Member for Enterprise, Development & Regeneration**

I write in response to your question in relation to the hedgerow at the above site following Councillors' Questions at Council on 28<sup>th</sup> January 2016.

There is certainly no disputing that the alignment of the hedgerow follows a field boundary dating back over 170 years which is shown on the Tythe Map of 1843. However this does not mean that the current hedgerow dates from that time, or even if parts could be demonstrated to be 'ancient', this does not classify it as 'important' under the 1997 Hedgerow Regulations.

The importance of the hedgerow is determined by its features such as archaeology, wildlife and woody species. The Council's ecologist who has assessed the hedgerow advises that it does not contain sufficient features to be classified as important.

Regardless of its age and importance the hedgerow could be cut back and re-laid outside the nesting season. Moreover, on the basis that it is not an important hedgerow, it would be possible to dig up and replant it to align with the rear boundaries of the adjoining properties along Pentyla Road.

The hedgerow is not therefore an obstacle to, or reason for refusing, development on this land. However, should planning permission be granted at any future date I would expect it to be a condition of the planning permission that the hedgerow is either retained as far as possible in situ, or repositioned to the rear of the site.

3.

**Councillor P May**

What is the actual cost to the Tax Payer of Swansea for the repeated resubmission of this planning application? (I would expect full breakdown in this answer e.g.; officer time, printing of papers, councillors' travel expenses, re consultation with statutory bodies etc.

**Response of the Cabinet Member for Enterprise, Development & Regeneration**

It is not possible to quantify all the costs incurred in the way requested.

Submission of this application fell within the normal day to day duties of an officer in Corporate Property as part of the wider review of all Council assets. As is usual in such cases no time-recording records are kept regarding this case.

The previous application for planning permission submitted dated 31 October 2006 following Cabinet approval cost £1,152 in application fees. An archaeological survey was also commissioned at a cost of £815.00 +VAT.

A Coal Authority report which is required for all planning applications cost £50.00 + VAT.

The application 2015/2432 cost £1,320 in fees. The only statutory consultation in connection with the submission of this application was made to the Coal Authority in order to establish if there are any records of historic mine workings in the area. The copy of this one report was £59.00 plus VAT.

Following refusal contrary to planning officer recommendation this application 2015/2432 was resubmitted within 12 months, no further fee was incurred. That application was subsequently deferred for 6 months 30/01/2016.

Members travel costs are paid at the standard rate of 45p a mile.

The printing costs of the Committee Reports and related documents costs 6 pence per side.

# Agenda Item 9.

## Report of the Cabinet Member for Next Generation Services

Council - 25 February 2016

### WELSH HOUSING QUALITY STANDARD COMPLIANCE POLICY

<b>Purpose:</b>	To seek approval for the Welsh Housing Quality Standard Compliance Policy
<b>Policy Framework:</b>	Local Housing Strategy 2015 - 2020
<b>Reason for Decision:</b>	To approve the policy before the Welsh Government's submission deadline of April 1 <sup>st</sup> 2016.
<b>Consultation:</b>	Legal, Finance, Access to Services
<b>Recommendation(s):</b>	It is recommended that:  1) The Welsh Housing Quality Standard Compliance Policy is approved and submitted to the Welsh Government.
<b>Report Author:</b>	Peter Williams
<b>Finance Officer:</b>	Aimee Dyer
<b>Legal Officer:</b>	Sandie Richards
<b>Access to Services Officer:</b>	Phil Couch

#### 1. Background

- 1.1 The Welsh Government's Housing Act 2014 states that all Local Authorities in Wales must bring their properties up to the Welsh Housing Quality Standard (WHQS) by 2020.
- 1.2 In July 2015, all social landlords in Wales received a letter from the Welsh Government regarding their expectations with respect to Authorities working towards Welsh Housing Quality Standard compliance. Included in these expectations, is that a Welsh Housing Quality Standard Compliance Policy must be produced and be in place by 1st April 2016 and reviewed annually.

## **2. Contents of the Compliance Policy**

2.1 A draft Compliance Policy has been drafted (see appendix A) and it contains 10 distinct sections. There are:-

- The framework for delivery, which covers time frames, governance arrangements, business planning and key performance indicators.
- WHQS definitions, including details of the components of the standard.
- The interpretation and recording of 'acceptable fails'
- WHQS data collection and storage arrangements
- WHQS progress and reporting mechanisms
- Verification processes to prove the standard is being met
- Improvements to properties over and above the WHQS
- Annual financial Investment
- Reporting progress to tenants
- The interpretation and measurement of community benefits.

## **3.0 Equality and Engagement Implications**

3.1 An Equality Impact Assessment screening exercise has been undertaken regarding the policy. The exercise concluded that a full Equality Impact Assessment was not required as the Welsh Government have already undertaken a full Equality Impact Assessment on the Welsh Housing Quality Standard when the standard was made a legal requirement under the Housing Act 2014.

## **4.0 Financial Implications**

4.1 The Council has a Housing Revenue Account Business plan which is updated annually. The Business Plan indicates that the Welsh Housing Quality Standard will be met by 2020. Any additional costs related to measuring WHQS compliance will be met by the Housing Revenue Account.

## **5.0 Legal Implications**

5.1 The Housing (Wales) Act 2014 allows the Welsh Ministers to ensure that the Welsh Housing Quality Standard is placed on a statutory footing for all local authorities. The Act also revised the statutory date for local

authorities to be WHQS compliant by 2020. The receipt of the Council's Major Repair Allowance (MRA) is conditional upon meeting WHQS within timescales agreed with the Welsh Government.

- 5.2 There is a statutory duty for all local authorities to submit a 30 year Business Plan to the Welsh Government outlining how it intends to reach the WHQS.

**Background Papers:** None

**Appendices:** Appendix A - Welsh Housing Quality Standard Compliance Policy



**Appendix A**

**Welsh Housing Quality Standard:  
Compliance Policy**

## **Introduction**

All stock retaining Authorities have to bring their properties up to the Welsh Housing Quality Standard by 2020.

On behalf of Welsh Government (WG), Altair was commissioned to research and verify progress made by social landlords in Wales on achieving the Welsh Housing Quality Standard (WHQS). The final report in 2014 highlighted that many of the social landlords interpreted the standard differently depending on their circumstances and their approach.

Following the recommendations made by Altair, the Welsh Government has requested that each landlord prepare and implement a WHQS Compliance Policy which sets out its approach to interpreting, delivering, and measuring WHQS Compliance. The following is the Council's WHQS compliance policy.

## **What the Policy Covers**

The format of the policy follows the recommendations contained within Welsh Government's Guidance for Landlords: WHQS Compliance Policy (March 2015) and includes:

1. Framework for Delivery
2. Interpretation of WHQS, reflecting resources and circumstances
3. Interpretation and recording of 'acceptable fails'
4. Data collection and data storage
5. WHQS progress and reporting
6. Verification
7. WHQS+ Standard
8. Summarised annual financial investment in the stock
9. How progress and performance will be reported, communicated and linked to WG returns
10. Interpretation and measurement of Community Benefits.

### **1. WHQS Framework for Delivery**

The Council has in place a framework for delivering the WHQS:

#### ***Time Frame for Delivery***

The target for reaching the Welsh Housing Quality Standard and maintaining thereafter will be the end of financial year 2020/21. This also coincides with the statutory deadline for achievement.

### ***Financial Business Plan***

The Council will prepare an annual financial business plan that sets out the investment needs and financial calculations that demonstrate how the WHQS will be met financially. All financial plans will be signed off internally by the Council's Section 151 Officer (Section 151 Local Government Act 1972).

### ***Organisational Structure***

The Council will maintain an organisational structure and governance arrangements to ensure WHQS is delivered.

The Council will include as part of its structure teams that will deliver future planning and programming, design, liaison and consultation, delivery, progress monitoring and WHQS reporting.

### ***Technical Assessment***

The Council will gather and maintain technical data on its housing stock against the requirements of the Welsh Hosing Quality Standard.

### ***Measurement and Key Performance Indicators (KPI)***

Each year the Council will provide KPI data that measures current WHQS compliance and set out short term aims and objectives, these will include:

- Number of properties meeting selected components of the WHQS
- Number of properties fully meeting the WHQS
- Number of properties scheduled for improvement across item of work and number completed
- Acceptable Fail Data
- Customer satisfaction
- Standard Assessment Procedure (SAP) Rating
- Major Repairs Allowance (MRA) Grant Data:
- Community Benefits – Training Hours
- Community Benefits – Apprenticeships (Beyond Bricks and Mortar)

## **2. Interpretation of WHQS, Reflecting Resources and Circumstances**

### **WHQS Interpretation and Definitions**

The Council will comply with the requirements of the WHQS where they are prescriptive and explicit. Where interpretation is required, the Council will use the guiding principles of Better Homes for People in Wales and it's vision that "all households in Wales shall have the opportunity to live in good quality dwellings".

Below sets out how the Council interpret each part of the WHQS and where it has been expanded and developed beyond the immediate requirements:

### ***Good State of Repair***

Condition and dilapidation are measured based on typical industry standards and Welsh Government stock condition survey guidance.

### ***Safe and Secure***

The Council will ensure that the requirements of the WHQS are met through its three methods of delivery – responsive, servicing and its planned maintenance to ensure homes are safe and secure.

With reference to specific elements of the WHQS the Council will:

2 (g) Is there an external fire escape:

The Council has a separate fire safety strategy to meet its obligations within the Regulatory Reform (Fire Safety) Order 2006. The key approach as agreed with the Fire Service will be a 'stay put if safe to do so' and combines physical upgrades to fire separation, fire suppression (in selected areas), automatic fire detection and warning systems, regular advice and communication with tenants and residents as well as partnership approach to developing future improvements through working with the Fire Service and related external agencies. External fire escapes will be considered as part of the wider strategy but not be installed as an automatic requirement for managing fire safety.

2 (n) The dwelling must have a reasonable level of physical security.

The Council will observe the requirements of Secured by Design but will, where appropriate, opt for items which are not specifically approved but have the equivalent British Standards certification.

2 (o) Is the rear garden easy to maintain, reasonably private, safe for young children to play in?

Rear gardens will be made reasonably safe for occupants based on Housing Health and Safety assessments.

### ***Adequately heated, Fuel Efficient and Well Insulated***

That the average SAP rating for Council's homes is 65 based on a representative sample of energy performance certificates (EPCs).

### ***Well Managed***

The Council has the following service objectives which directly support the WHQS element of providing homes that are 'well managed' and include:

- Providing an acceptable HRA Business Plan that maximises available resources and is in compliance with WG terms and conditions (annual requirement).

- Producing a Local Housing Strategy.
- Meeting key performance indicators, that contribute to the continual improvement of services provided to tenants and their communities.
- Maximising the level of investment in energy efficiency measures for homes in Swansea.

### ***Located in Attractive and Safe Environments***

The Council will use mechanisms within its Tenant Participation Strategy to enable specific consultation with existing tenant and leaseholder groups including the Estate Management group and Building and Repairs group together with consultation exercises which aim to reach and gather views from the wider community.

The Council also has a number of ways to collect background information which will be used to support the tenant consultation process to prioritise and develop environmental plans. For example street inspection surveys on a street by street basis, (in addition to the local knowledge available via District housing office staff), Local Ward Members and community projects and feedback from tenant surveys/groups. Hotspot monitoring information and reports to the Neighbourhood support unit also help pinpoint areas where anti-social behaviour is prevalent and may be used to help design out key problems. Overall tenant satisfaction will continue to be measured via tenant surveys and other mechanisms as set out in the Tenant Participation Strategy.

### ***Suit the Specific Needs of the Individual***

To meet the needs of the individual the Council will ensure staff engaging with tenants and residents are suitably trained and aware to identify individual needs and ensure that their needs are considered within the delivery of the WHQS. Activities will include:

- identifying needs of the individual via its communication and liaison activities (Neighbourhood Officer activities, improvement scheme liaison and promotion of disabled adaptation service)
- meet individual needs at the point where improvement schemes are being prepared or via the Council's disabled adaptations service.
- Staff training and awareness
- Promotion of available services.

## **Method of Measurement and Component Life Expectancy**

### ***Physical Measurement of Homes***

To measure homes against the WHQS the Council will:

- Hold and maintain a comprehensive list of building components for each individual property
- Record a predicted replacement year against each building component
- Apply a future replacement year based on WG Guidance on Building Component Life-cycles
- Apply a replacement or improvement costs against each building component
- Periodically carry out stock condition surveys
- Update results when renewal and improvements are completed
- Update results where dilapidation occurs prematurely
- Source and hold relevant guarantees for materials and workmanship

### ***Consultation***

Consultation is used to gauge how people feel about their homes, their aspirations and future planned repairs. To undertake this, the Council will use the various mechanisms within its Tenant Participation Strategy to enable specific consultation with existing tenant and leaseholder groups including:

- Estate Management group
- Building and Repairs group
- Issue specific consultation events ranging from one-off to small series of events.
- Surveys within the tenant magazine 'Open House'
- Liaison in preparation of major improvements
- Consultation exercises which aim to reach and gather views from the wider community.

### ***Conventions for Measuring the WHQS***

The council will apply the following conventions when measuring WHQS compliance:

- WHQS compliance will be calculated on the basis of a wide range of individual WHQS elements.
- Each WHQS element has to be compliant for a home to be WHQS compliant
- The 'Replacement Year' listed against each WHQS element will be the year where it is anticipated to be no longer WHQS compliant. Elements which have exceeded their anticipated useful life but are judged to be in good condition will be classed as compliant and a new replacement year applied.
- That all replacement years past and present will be considered 'fails'
- Tenants' improvements will be considered compliant if appropriate and assessed by a relevant member of staff. These will be given a new replacement year based on condition.

### **The Council's approach to meeting WHQS (Whole Stock and Component Basis)**

The Council will ensure all improvement and repairs are designed and specified to ensure WHQS compliance.

Delivery will be through a range of approaches from single or multiple element improvements, through to whole house refurbishment. The Council will apply whichever approach is suitable to homes depending on the needs of the dwellings, historical repairs, cost effectiveness and tenant preferences.

Compliance will be based on the assessment of individual building components.

### **Available Resources to Meet and Maintain the Standard**

The Council will, on an annual basis, prepare a long term financial business plan for the purposes of identifying how current and future investment needs will be made available to ensure WHQS is reached and maintained.

The business plan will be in the form of a narrative that includes the financial figures and stress tests against risk.

### **SMART goals**

By 2020, the Council will:

- Target 100% of our properties to have a valid, current electrical test
- Ensure that for each year 100% of our properties will have a valid, current gas service certificate
- Have renewed smoke alarms to ensure uninterrupted protection in all properties
- Ensure that at least 95% of our properties will have a combination type boiler.
- Ensure that 100% of properties which open onto a communal areas will have a 60 minute fire door.

### **3. Interpretation and recording of 'acceptable fails'**

Acceptable fails are permitted within the WG standard and apply to building components which have been judged to have failed or be non WHQS compliant and where the Council is unable to undertake a repair or improvement. The following sets out each category of acceptable fail and the how they will be interpreted:

#### ***Cost of Remedy***

The Council's Business Plan contains a 3% contingency for repairs and improvements to bring it up to the Welsh Housing Quality Standard; where the cost of delivery is above the typical cost by the 3% contingency the repair will be considered by a panel as to whether an alternative route for future repair/improvement can be undertaken (specification, timing, how it is procured, delivered etc.), and whether the size and scale of the repair places the funding for delivering WHQS at risk. If no alternatives are available and delivery of the WHQS is placed at risk, the planned repair or improvement will not be undertaken and marked as Acceptable Fail: Cost of Remedy.

#### ***Resident choice***

Residents will be consulted on major works to their home prior to work being undertaken. There will be an expectation that these works will take place but in very limited circumstances, the Council may agree to delay or reschedule the work.

Tenants' own upgrades will be considered and either judged to be compliant or judged as an acceptable fail, where they are marginally outside of WHQS requirements but where it would be unreasonable to repeat the work. The judgement will be made by the technical officer responsible for administering the respective contract. The Council will classify the WHQS element(s) as 'Acceptable Fail: Resident Choice'.

Where a resident refuses to allow access without a stated reason the Council will classify the WHQS element(s) as 'Acceptable Fail: Resident's Choice' but noted as Resident Refusal.

### ***Physical constraint***

Where a repair or improvement is required but the physical nature or structural design of the building prevent or constrain the work, this will be marked as Acceptable Fail: Physical Constraint.

### ***Timing of remedy***

Meeting the WHQS requires the delivery of major repair and improvement schemes containing multiple building elements. The Council will therefore mark any component forming part of a larger scheme as an acceptable fail until the major component is either due for renewal or scheduled to be renewed. The main areas where this will apply are listed below:

All items forming a kitchen will be delivered in a single scheme. Therefore all items ancillary to the full replacement (extraction, floor covering etc.) will be marked an acceptable fail until the kitchen is due for renewal.

All items forming a bathroom will be delivered in a single scheme. Therefore items ancillary to the full replacement (extraction, over-bath shower, tiling and floor covering) will be marked as an acceptable fail until the bathroom is due for renewal.

Where specific types of properties require major invasive repairs which may affect the majority of the home, other related repairs will be marked as an acceptable fail until the work can be undertaken as a whole package.

This will be marked as 'Acceptable Fail: Timing of Remedy'.

### **Undertaking Repairs and Improvements to Acceptable Fails**

The Council will monitor WHQS elements recorded as Acceptable Fail and re-schedule these annually (where it is known that they can be delivered) or when the property becomes void if this is feasible.



The Council will operate a liaison facility within its delivery structure that provides a link between tenants and major improvements works which aims to understand individual needs, maximise take up by tenants and leaseholders and monitor delivery.

## **4. Data Collection and Data Storage**

### **Approach to Data Collection**

The Council will collect data on WHQS compliance via a range of different sources which will be collated and stored via a database managed and maintained by the Housing Service.

The main body of information will be collected via a stock condition survey undertaken by an independent third party. All surveys will make up a representative sample (minimum of 10%) of the housing stock and will be undertaken at intervals of approximately 5 years.

Specialist surveys will be undertaken periodically depending on the specific needs e.g. passenger lifts, structural assessment of highrise and system built structures, asbestos surveys

Energy use and efficiency data will be collected by undertaking Energy Performance Certificates.

Estate management surveys will be undertaken by in-house staff.

Response lead data capture will be undertaken and inform where problems emerge or occur outside of the predicted failure time-scale.

Information relating to long term repairs and improvements will be recorded by the overseeing officer and stored centrally. The information will be used to update the stock condition survey data and revise future predicted failure dates.

### **Data Storage**

Data collection, analysis and reporting is undertaken by the Housing Service.

### **Software System**

The Council will operate an asset management system that links to the Council's Housing Management System allowing it to measure and monitor WHQS compliance and link in with wider housing management activity.

## Process Mapping

The stages for gathering, issuing and updating records include:

Activity	Responsibility
1. Data collection, analysis and data storage	Housing Service, Business Planning Division, Corporate Building and Property Services
2. Long Term Investment Planning	Housing Service, Business Planning Division and Finance
3. Developing Repair and Improvement Schemes	Housing Service, Business Planning Division
4. Issuing information and Long Term Repair Scheme details	Housing Service, Business Planning Division
5. Undertaking Repairs, Improvements and Reporting completions	Corporate Building and Property Services
6. Updating record sets	Housing Service, Business Planning Division

## 5. WHQS Progress and Reporting

Compliance for each property and the whole stock will be measured against the checklist contained within the WHQS. The progress towards compliance will be measured annually and those improvement schemes designed to bring homes towards the standard will monitored each financial year.

The Council will report WHQS compliance through the following methods:

- Annually to the Welsh Government via its reporting portal
- Annually to tenants and leaseholders via the Council's tenant magazine 'Open House'
- By information sharing as outlined in the Council's Tenant Liaison Strategy

## 6. Verification

WHQS compliance is currently gauged through the stock condition survey process which is undertaken by an independent third party. This approach is currently considered sufficiently robust to provide statistical returns to the Welsh Government, to inform the HRA Business Plan and to inform the evidence for financial borrowing.

The Council will put in place a verification process that will annually review the following stages that measure WHQS compliance:

## **Desktop Analysis**

- Confirmation that verifiers are independent
- Document review
- Data gathering procedures
- Management of the asset management database
- Processes used for calculating WHQS Compliance

## **Site Assessment**

- Physical check of selected properties

## **7. WHQS+ Standard**

The Council currently carries out improvements to homes that are over and above the requirements of WHQS. Below is the list of improvement to homes which the Council will undertake as part of its WHQS+ :

- Install sprinkler systems to improve fire safety in large and medium sheltered housing complexes
- Install one hour fire doors (FDS 60) to flats with communal areas as standard to improve fire safety
- Install Carbon Monoxide Detectors to homes with solid fuel heating and as a standard component of electrical rewiring.
- Convert communal lighting systems to LED lights to improve lighting levels, to reduce energy use and minimise servicing requirements.
- Provide emergency lighting to small blocks of flats with communal areas
- Install renewable energy generation to selected properties, typically those in rural areas which do not have the opportunity to connect to mains gas
- Provide mobility scooter storage and charging areas to selected sheltered complexes
- Introduce Juliet Balconies to selected flats in order to enhance appearance and living standards
- Integrate the principles of visual and tonal variations into decoration and painting schemes to enhance surroundings for those with visual impairment
- Convert unused ground floor areas into new and suitable living accommodation for disabled tenants

## **8. Summarised Annual Financial Investment**

Each year the will Council prepare a Housing Revenue Account (HRA) Business Plan which will set out the investment needed to reach and maintain the WHQS.

Since the exit from the Housing Revenue Account Subsidy System (HRAS) in April 2015, the Council has become 'self-financing' and, the future investment profile will reflect the financial implications of the HRAS exit.

Each year a summary of the business plan followed by a short term capital investment programme which will be reported to Council.

The Council will share a summary of this information through the Council's Open House magazine which is distributed to tenants and leaseholders. The Council will also disseminate a summarised financial report via the various approaches outlined within the Tenant Liaison Strategy.

## **9. How Progress and Performance will be reported, communicated and linked to WG returns**

The Cabinet Member will be regularly kept up to date regarding progress in meeting the WHQS.

All Members will receive information annually on:-

- The current level of compliance with the WHQS on an individual element and whole stock basis
- Level of progress achieved in the previous year
- Level of improvements planned for the current year
- Future plans contained within the agreed four year programme (as agreed at Council)

The Council will share information on WHQS compliance with tenants and leaseholders via:

- Its tenant magazine 'Open House'
- The Housing Service's public website
- In discussion with tenant and leasehold groups
- In local forums and one-off participation meetings
- In response to individual enquiries

New tenants will be provided with the following information:

- Background to the WHQS and what it contains
- The type of improvements being carried out to homes
- The type of cyclical repairs they can expect
- The time-scales for reaching the WHQS

## **10. Interpretation and measurement of Community Benefits**

The Council will continue to include as part of its procurement policy, social benefit clauses in all its Housing work contracts. The initiative, entitled 'Beyond Bricks and Mortar' has a dedicated team that sets targeted recruitment and training targets within each contract. The contract clauses are a core part of the contract with each tender applicant required to set out how they will achieve the targets.

Each contractor is required to carry out training for long term unemployed and economically inactive participants sourced through the 'Beyond Bricks and Mortar' team, in partnership with external agencies (Jobcentre Plus, Work Programme, Careers Wales, Shaw Trust and others) to ensure trainees are from the hardest to reach groups who have most to gain from the additional training places. The 'Beyond

Bricks and Mortar' team monitor each contract and work directly with the contractor to ensure the agreed outcomes are achieved.

The Council will set out the following goals:

- That for each major scheme training or work related opportunity will be sought
- That for each £1m spent on capital programmes, the Council will seek 52 weeks of training from Contractors.
- Training will be varied including formal apprenticeships, informal training and awareness and/or training in skills that support employment such as basic skills, IT literacy etc. and will depend on the nature of the employment and the needs of the individual.
- Achievements will be reported annually as part of the HRA Submission process to Welsh Government.

Prepare by: Dave Bratley, Senior Programmes Officer  
Last Updated: October 2015

**References:**

Welsh Government (July 2008) Welsh Housing Quality Standard

Altair on Behalf of Welsh Government (2014) - Welsh Housing Quality Standard: Verification of Progress in Achieving the Standard. Welsh Government Social Research.

Letter: Kath Palmer, Welsh Government (July 2015) – The Welsh Housing Quality Standard (WHQS) – Verification in Achieving and Maintaining the Standards: Next Steps. Welsh Government

Letter: Kath Palmer, Welsh Government (March 2015) – The Welsh Housing Quality Standard (WHQS – Verification in Achieving and Maintaining the Standards: Next Steps. Welsh Government

National Assembly for Wales (2006) – Housing Health and Safety Rating System Operational Guidance. Welsh Government

(2005) Regulatory Reform (Fire Safety) Order + various Fire Safety Standards and guidance

Principles of Secured By Design

Tenant Liaison Policy

Savills Stock Condition Survey 2012

## Joint Report of the Presiding Member, Monitoring Officer and Head of Democratic Services

Council – 25 February 2016

### NOMINATION OF LORD MAYOR ELECT AND DEPUTY LORD MAYOR ELECT 2016-2017

<b>Purpose:</b>	To nominate the Lord Mayor elect and Deputy Lord Mayor elect for 2016-2017 to enable the arrangements for the Inauguration of the Lord Mayor and Deputy Lord Mayor event to proceed.
<b>Policy Framework:</b>	Lord Mayor and Deputy Lord Mayor Protocol.
<b>Consultation:</b>	Constitution Working Group, Political Group Leader and their Deputies, Access to Services, Finance, Legal.
<b>Recommendation(s):</b>	It is recommended that:  1) Councillor David H Hopkins be nominated as Lord Mayor Elect 2016-2017; 2) Councillor Phil Downing be nominated as Deputy Lord Mayor Elect 2016-2017; 3) The Constitution Working Group conduct a review of the Lord Mayor and Deputy Lord Mayor Protocol and report back to a future Council meeting within 6 months.
<b>Report Author:</b>	Huw Evans
<b>Finance Officer:</b>	Carl Billingsley
<b>Legal Officer:</b>	Patrick Arran
<b>Access to Services Officer:</b>	Phil Couch

#### 1. Introduction

- 1.1 The Lord Mayor and Deputy Lord Mayor Protocol, set out within the Council Constitution, was initially approved by Council on 28 February 2008. The latest version was amended by Council on 18 March 2014. The Protocol is attached as **Appendix 1**.

#### 2. Nominations

- 2.1 In line with the Protocol, the Head of Democratic Services sent an e-mail to the Political Group Leaders and their Deputies on 12 November 2015 asking them to determine whether the candidates outlined met the criteria set out in the Protocol and the candidate's appropriateness for the role of Lord Mayor and Deputy Lord Mayor.

2.2 As there was not unanimous agreement regarding the appropriateness of the candidates, the matter was discussed at a meeting of the Constitution Working Group on 25 November 2015.

2.3 The Constitution Working Group voted that the candidates were appropriate for the role of Lord Mayor and Deputy Lord Mayor.

### **3. Deferment of Term of Office**

3.1 Since, the meeting of the Constitution Working Group on 25 November 2015, Councillor D Phillips approached the Leader of the Council asking that his term of office be deferred for a period of one year. Paragraph 8 of the Lord Mayor and Deputy Lord Mayor Protocol deals with the issue of deferral stating:

“8.1 If a Councillor chooses to defer their term of office, then it would only be allowed in exceptional circumstances and subject to approval from all Political Group Leaders e.g. in the case of illness of the Councillor or close member of their family.”

3.2 In line with the Protocol, the Head of Democratic Services sent an e-mail to the Political Group Leaders on 12 February 2016 asking whether they supported Councillor D Phillips’ request to defer his term of Office for a period of one year. The Political Group Leader’s indicated unanimously that they supported the request.

3.3 The e-mail also asking them to determine whether the next candidate (Councillor P Downing) met the criteria set out in the Protocol and the candidate’s appropriateness for the role of Lord Mayor and Deputy Lord Mayor. The Political Group Leader’s indicated unanimously that Councillor P Downing met the criteria and was appropriate for the role.

### **4. Review of the Lord Mayor and Deputy Lord Mayor Protocol**

4.1 Since the last review of the Protocol in 2014, a few issues have come to light regarding the Protocol. It is therefore proposed that the Constitution Working Group be tasked with conducting a review of the Protocol and reporting back to Council within a period of 6 months.

### **5. Equality and Engagement Implications**

5.1 An Equality Impact Assessment (EIA) screening process took place prior to the consultation period. The outcome indicated that it was low priority and a full report was not required.

### **6. Financial Implications**

6.1 There are no financial implications associated with this report.



## **7. Legal Implications**

7.1 There are no legal implications associated with this report.

**Background Papers:** Equality Impact Assessment (EIA) Screening Form.

### **Appendices:**

<b>Appendix 1</b>	Lord Mayor and Deputy Lord Mayor Protocol
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## Lord Mayor and Deputy Lord Mayor Protocol

### 1. Introduction

1.1 On 22 March 1982, HM Queen Elizabeth II graciously granted to the City of Swansea letters patent which elevated the status of the Mayor to that of Lord Mayor. The Unitary Authority of the City and County of Swansea which came into being on 1 April 1996 was successful in having both the City and Lord Mayor status re-bestowed on 29 March 1996.

1.2 The actual wording of the letters patent is shown below:

*“Elizabeth the Second by the Grace of God of the United Kingdom of Great Britain and Northern Ireland and of our other Realms and Territories Queen Head of the Commonwealth Defender of the Faith To all to whom these presents shall come, Greeting. Know ye that our will and pleasure is and We do hereby declare and ordain that from and after the date of these presents the Mayor of the City of Swansea and his successors in office shall be styled entitled and called LORD MAYOR OF SWANSEA And we do hereby authorise and empower the Mayor of the City of Swansea and his successors in office henceforth at all times to assume and use and to be called and to be named by the style title and appellation of Lord Mayor of Swansea and to enjoy and use all and singular the rights privileges and advantages to the degree of a Lord Mayor in all things duly and or right belonging. In witness whereof we have caused these our letters to be made patent. Witness Ourself at Westminster the twenty second day of March in the thirty first year of our reign”.*

1.3 The Lord Mayor and Deputy Lord Mayor Protocol aims to cover all aspects relating to the eligibility, nomination and behaviour of the Lord Mayor / Deputy Lord Mayor.

### 2. Eligibility to be Lord Mayor / Deputy Lord Mayor

2.1 For the period that a person is elected as Lord Mayor / Deputy Lord Mayor, they must remain a Councillor of the City and County of Swansea.

2.2 From the moment that the person ceases to be a Councillor of the City and County of Swansea, they automatically also cease to be the Lord Mayor / Deputy Lord Mayor.

### **3. Formal Procedure and Criteria for the Nomination of Lord Mayor and Deputy Lord Mayor**

3.1 Councillors must satisfy the following criteria prior to being nominated as Deputy Lord Mayor / Lord Mayor.

i) Candidates for the position of Lord Mayor and Deputy Lord Mayor must be members of the Council.

ii) Councillors shall be elected to the position of Deputy Lord Mayor and Lord Mayor based on their total length of service with the City and County of Swansea Council and its predecessor Authorities. **Appendix D** (The List) highlights the “Councillors Total Length of Service with the City and County of Swansea and each of its predecessor Authorities” (As at Date Printed on **Appendix D**).

iii) Simultaneous service on more than one of the City and County of Swansea Council’s predecessor Authorities will count as one period of service i.e. If a Councillor was an Elected Member with Lliw Valley Borough Council and West Glamorgan County Council during 1990-1994, only 4 years would be counted towards the Councillors total length of service during that time.

iv) If a Councillor has broken service with the City and County of Swansea Council or any of its predecessor Authorities, then the time of each of the periods of service will be added together in order to establish the total length of service. For details of a Councillors Period(s) of Service with the City and County of Swansea and its predecessor Authorities, please refer to [www.swansea.gov.uk/councillors](http://www.swansea.gov.uk/councillors)

v) If a Councillor has accrued service with another Authority, then that time will not be counted, as the time has not been spent representing the people of the City and County of Swansea Council.

vi) A Councillor would only be honoured with the title Deputy Lord Mayor and Lord Mayor once.

3.2 If there are more than 1 Councillors with exactly the same length of service, then the nomination will be determined as follows:

i) Between the Councillors involved;

ii) The drawing of lots between the Councillors involved.

#### **4. Consultation with Political Group Leaders and their Deputies**

4.1 The Head of Democratic Services shall consult with the Political Group Leaders and their Deputies via e-mail asking them to:

- i) Determine whether candidates meet the criteria set out in Paragraph 3 above;
- ii) Discuss the appropriateness of the candidates nominated for the role of Deputy Lord Mayor and Lord Mayor.

4.2 If the Head of Democratic Services receives:

- i) A unanimous decision that the Candidates meet the criteria set out in Paragraph 3 above and that the Candidates are suitable for the role of Lord Mayor or Deputy Lord Mayor then the Head of Democratic Services shall present a report to Council outlining this view recommending their Election as Lord Mayor Elect and Deputy Lord Mayor Elect accordingly;
- ii) A split decision that one or both Candidates do not meet the criteria set out in Paragraphs 3 above and / or that one or both Candidates are not suitable for the role of Lord Mayor or Deputy Lord Mayor then a meeting of the Constitution Working Group be arranged to consider the issue. This only applies to the Candidate found not to meet the criteria or found not to be appropriate for the role of Lord Mayor Elect and Deputy Lord Mayor Elect.”

#### **5. The Constitution Working Group subject to Paragraph 4 above will:**

5.1 Determine whether candidates meet the criteria set out in Paragraph 3 above;

5.2 Discuss the appropriateness of the candidates nominated for the role of Deputy Lord Mayor and Lord Mayor.

5.3 If a candidate is deemed appropriate for the role of Deputy Lord Mayor / Lord Mayor then the Constitution Working Group shall present a report to Council recommending one candidate for the role of Deputy Lord Mayor and one candidate for the role of Lord Mayor based on the total length of time served by a Councillor.

5.4 If a candidate is deemed inappropriate for the role of Deputy Lord Mayor / Lord Mayor, the Constitution Working Group shall discuss what (if any) sanctions that will be imposed based on the following questions:

- a) Was the Councillor found in serious breach of the Councillors Code of Conduct?

If yes, then the exclusion from holding the office of Deputy Lord Mayor / Lord Mayor will be for a minimum mandatory period of 5 years or permanent removal from “the list”. The Constitution Working Group may extend this period if it deems the severity of the breach such. The period cannot be shortened.

- b) Was the Councillor found in minor breach of the Councillors Code of Conduct or carried out general inappropriate action(s) not involving a breach of the Councillors Code of Conduct?

If yes, the Constitution Working Group will decide on the severity and relevance of the breach of the Councillors Code of Conduct or the degree of inappropriate action.

It shall apply such deferral of office as it, in its absolute discretion, considers appropriate. As a guide such deferral of office may include exclusion from holding the office of Deputy Lord Mayor / Lord Mayor for any period up to 4 years.

- c) Was the Councillor found to have carried out inappropriate actions or other serious misbehaviour regarding the office of Lord Mayor / Deputy Lord Mayor not involving a breach of the Councillors Code of Conduct?

If yes, then the exclusion from holding the office of Deputy Lord Mayor / Lord Mayor will be for a suggested period of 4 years. The Constitution Working Group may increase or decrease this period if it deems appropriate.

- 5.5 What is a serious or minor breach of the Councillors Code of Conduct will be a matter to be determined by the Constitution Working Group on the facts of each particular case.

- 5.6 The exclusion period will be for the period starting with the final determination of the breach of the Councillors Code of Conduct for paragraphs 5.4 a) and 5.4 b) and the determination of the Constitution Working Group for paragraph 5.4. c).

- 5.7 If a Councillor has acted in the role of Deputy Lord Mayor and is deemed to be inappropriate prior to commencing the role of Lord Mayor, then s/he shall serve the exclusion period outlined above and at the end of the period undertake the role of Lord Mayor.

- 5.8 Once a Councillor has completed a period of suspension they will be placed on “the list” in accordance with their seniority.

- 5.9 In the year of a Local Government Election, it is possible that the next Councillor in line for the role of Lord Mayor / Deputy Lord Mayor either chooses not to stand for re-election or fails to get re-elected. In order to attempt to overcome this, the Constitution Working Group shall apply the appropriateness test to the next 5 Councillors in the list (**Appendix D**) who have confirmed that they intend standing in order to seek re-election.
- 5.10 The appropriateness test for these other Councillors will only be a measure of their appropriateness at this current point in time. They will be the subject of a further appropriateness test if they are not elected to the role of Lord Mayor / Deputy Lord Mayor.

## **6. Constitution Working Group Report to Council**

- 6.1 Council shall receive the report of the Constitution Working Group regarding nominations for the Deputy Lord Mayor and Lord Mayor. The report shall nominate one Councillor for the role of Deputy Lord Mayor and one Councillor for the role of Lord Mayor.
- 6.2 In the year of a **Local Government Election**, there will be a third and fourth recommendation seeking a resolution to name the next 5 Councillors as being eligible should the initial nominations fail to be re-elected. These additional 5 Councillors shall be appointed in line with the Protocol.
- 6.3 When a Councillor is elected to the position of Deputy Lord Mayor, then that person would become Lord Mayor the following municipal year, subject to Paragraph 5.4 b) and 5.4 c) above.

## **7 Role of Council**

- 7.1 Council will receive the report of the Constitution Working Group regarding nominations for the Deputy Lord Mayor and Lord Mayor. It shall consider whether to accept the recommendations of the Constitution Working Group or not.
- 7.2 In the year of a **Local Government Election**, Council shall also be asked to accept the nominations of the next 5 Councillors under the Protocol in order to have an automatic fall-back position should the initial nominations fail to be re-elected. The automatic fall-back would mean that the next eligible Councillor who had been subjected to and passed the appropriateness test by the Constitution Working Group would be elected to the position of Lord Mayor / Deputy Lord Mayor as necessary.

7.3 Should Council not accept the recommendations of the Constitution Working Group, then the matter should be deferred to either the next Ordinary meeting of Council or to an Extraordinary meeting of Council in order for the appropriateness test to be considered for the next Councillor in line based on length of service by the Constitution Working Group.

## **8. Deferment of Term of Office**

8.1 If a Councillor chooses to defer their term of office, then it would only be allowed in exceptional circumstances and subject to approval from all Political Group Leaders e.g. in the case of illness of the Councillor or close member of their family.

8.2 If the Leader of the Council is scheduled to be Lord Mayor then the Leader of the Council shall have the opportunity to defer his / her term of office for as long as they deem necessary.

## **9. Behaviour of Lord Mayor / Deputy Lord Mayor during their Term of Office**

9.1 Should the behaviour of the Lord Mayor / Deputy Lord Mayor be brought into question during their term of office, then the behaviour should be reported to the Chief Executive, the Monitoring Officer, the Head of Democratic Services and to the relevant Political Group Leader.

9.2 However, if the alleged behaviour is considered to be a breach or potential breach of the Councillors Code of Conduct then the complainant should refer the matter to the Public Services Ombudsman for Wales or Police as appropriate.

9.3 The allegation will be passed to the Constitution Working Group for them to consider whether it requires any immediate action to be taken. The Group may also determine any sanction to be imposed (if any) pending the outcome of the Ombudsman's or Police investigation (if any).

## **10. Suspension from Office as a Councillor**

10.1 Should a Councillor be suspended from the Office of Councillor for a period of time following a breach of the Councillors Code of Conduct, the following actions are to be followed:

10.1.1 Suspension is for a period **Less** than the remaining term of office of the Lord Mayor / Deputy Lord Mayor

i) The issue shall be automatically referred to the Constitution Working Group for it to consider what action, if any should be taken.

10.1.2 Suspension is for a period **Longer** than the remaining term of office of the Lord Mayor / Deputy Lord Mayor

i) The Councillor will cease to serve as Lord Mayor / Deputy Lord Mayor with immediate effect.

10.2 The Constitution Working Group reserves the right to amend the sanction as it sees fit.

**11. Behaviour of Lord Mayor's Consort, / Deputy Lord Mayor's Consort, Lady Mayoress / Deputy Lady Mayoress during their Term of Office**

11.1 Should the behaviour of the Lord Mayor's Consort, / Deputy Lord Mayor's Consort, Lady Mayoress / Deputy Lady Mayoress be brought into question during their term of office, then the behaviour should be reported to the Chief Executive, the Monitoring Officer, the Head of Democratic Services and to the relevant Political Group Leader.

11.2 The allegation(s) will be passed to the Constitution Working Group for them to consider whether it requires any immediate action to be taken. Action could include suspending the individual for a period of time or seeking a Council resolution to remove the individual from Office.



## Appendix D

### Councillors Total Length of Service with the City and County of Swansea and each of its predecessor Authorities” (12.11.2015).

Last Name	First Name(s)	Total Time Served	Municipal Year served as LM
Lewis	Richard	42 years, 6 months, 2 days	2010-2011
Thomas	Des	40 years, 0 months, 12 days	1996-1997
Owen	Byron	32 years, 7 months, 18 days	1991-1992
Burtonshaw	June	32 years, 6 months, 7 days	2002-2003
Francis-Davies	Robert	32 years, 6 months, 7 days	2001-2002
Black	Peter	31 years, 6 months, 9 days	Declined: 08.03.2007
Holley	Christopher	30 years, 6 months, 10 days	2006-2007
Richard	Ioan	30 years, 0 months, 5 days	2011-2012
Sullivan	Gareth	28 years, 6 months, 5 days	2008-2009
Stanton	June	27 years, 6 months, 7 days	2013-2014
Thomas	Ceinwen	25 years, 6 months, 9 days	2014-2015
Newbury	John	25 years, 5 months, 6 days	Current Lord Mayor Current Deputy Lord Mayor
Hopkins	David	24 years, 6 months, 10 days	
Phillips	David	22 years, 6 months, 6 days	
Downing	Philip	19 years, 5 months, 11 days	
Lloyd	Paul	18 years, 7 months, 15 days	
Marsh	Keith	17 years, 5 months, 8 days	
Child	Mark	16 years, 6 months, 6 days	
Day	Mike	16 years, 6 months, 6 days	
Jones	Mary	16 years, 6 months, 6 days	
Rees	Huw	16 years, 6 months, 6 days	
Thomas	Graham	16 years, 6 months, 6 days	
Stewart	Robert	12 years, 6 months, 11 days	
Fitzgerald	Wendy	11 years, 5 months, 2 days	
Hood-Williams	Paxton	11 years, 5 months, 2 days	
Kirchner	Erika	11 years, 5 months, 2 days	
Philpott	Cheryl	11 years, 5 months, 2 days	
May	Peter	8 years, 10 months, 22 days	
Matthews	Penny	8 years, 3 months, 24 days	
Colburn	Tony	7 years, 6 months, 11 days	
Doyle	Ryland	7 years, 6 months, 11 days	
Evans	William	7 years, 6 months, 11 days	
Jones	Jeff	7 years, 6 months, 11 days	
Jones	Sue	7 years, 6 months, 11 days	
Meara	Paul	7 years, 6 months, 11 days	
Morris	Hazel	7 years, 6 months, 11 days	
Richards	Christine	7 years, 6 months, 11 days	
Smith	Paulette	7 years, 6 months, 11 days	
Jardine	Yvonne	7 years, 5 months, 6 days	
Thomas	Miles	5 years, 0 months, 22 days	
Bayliss	John	3 years, 6 months, 9 days	
Clay	Uta	3 years, 6 months, 9 days	
Cole	David	3 years, 6 months, 9 days	
Cook	Ann	3 years, 6 months, 9 days	

Crouch	Sybil	3 years, 6 months, 9 days	
Curtice	Jan	3 years, 6 months, 9 days	
Davies	Nick	3 years, 6 months, 9 days	
Evans	Mandy	3 years, 6 months, 9 days	
Gordon	Fiona	3 years, 6 months, 9 days	
Hale	Joe	3 years, 6 months, 9 days	
Harris	Jane	3 years, 6 months, 9 days	
Hennegan	Terry	3 years, 6 months, 9 days	
Hopkins	Beverley	3 years, 6 months, 9 days	
James	Lynda	3 years, 6 months, 9 days	
Jones	Andrew	3 years, 6 months, 9 days	
Lewis	Andrea	3 years, 6 months, 9 days	
Lewis	David	3 years, 6 months, 9 days	
Lloyd	Clive	3 years, 6 months, 9 days	
Owens	Geraint	3 years, 6 months, 9 days	
Raynor	Jennifer	3 years, 6 months, 9 days	
Ronconi- Woollard	Neil	3 years, 6 months, 9 days	
Smith	Robert	3 years, 6 months, 9 days	
Tanner	Gloria	3 years, 6 months, 9 days	
Thomas	Mark	3 years, 6 months, 9 days	
Tyler-Lloyd	Linda	3 years, 6 months, 9 days	
Walker	Gordon	3 years, 6 months, 9 days	
Walton	Lesley	3 years, 6 months, 9 days	
White	Mike	3 years, 6 months, 9 days	
Clay	Bob	2 years, 4 months, 8 days	
Anderson	Cyril	0 years, 6 months, 5 days	
Evans	Ceri	0 years, 6 months, 5 days	
King	Elliot	0 years, 6 months, 5 days	

## Report of the Section 151 Officer

Council – 25 February 2016

### MEDIUM TERM FINANCIAL PLANNING 2017/18 TO 2019/20

<b>Purpose:</b>	This Report sets out the rationale and purpose of the Medium Term Financial Plan and details the major funding assumptions for the period and proposes a strategy to maintain a balanced budget.
<b>Policy Framework:</b>	Sustainable Swansea – Fit for the Future
<b>Reason for decision:</b>	To agree a strategic framework for future service planning.
<b>Consultation:</b>	Legal Services, Access to Services, Cabinet Members and Executive Board
<b>Recommendations:</b>	<p>It is recommended that:-</p> <p>The Medium term Financial Plan 2017/18 to 2019/20 be approved as the basis for future service and financial planning.</p>
<b>Report Author:</b>	Mike Hawes
<b>Finance Officer:</b>	Mike Hawes
<b>Legal Officer:</b>	Tracey Meredith
<b>Access to Services Officer:</b>	Sherill Hopkins

## **Section 1 – Introduction and Background**

### **1. Introduction and Background**

- 1.1 Service and financial planning continues to be undertaken against a backdrop of reducing overall financial resources and increasing service pressures and demand.

The Medium Term Financial Plan (MTFP) is an overarching plan which:

- Covers 3 future years.
- Forecasts future known additional spending requirements, likely resources and potential funding shortfalls
- Links to the Council's adopted strategy '**Sustainable Swansea – Fit for the Future**' as a means of addressing future budget shortfalls.
- Links to the Council's revised Corporate Plan, "Delivering for Swansea" and the delivery of our top 5 priorities.

Future detailed Service planning will need to be undertaken within the financial assessments and forecasts contained within the Medium term Financial Plan.

- 1.2 It is important to understand that the MTFP does not constitute a formal budget in respect of the period 2017/18 to 2019/20 and, as such, the indicative annual assumptions included both within the projected spending pressures detailed in Section 3 of this report and the potential funding detailed in Section 5 will be subject to a full review and decision making process as part of each of the annual Revenue Budget and Council Tax setting decisions.

- 1.3 Instead, the MTFP is intended to outline, in broad terms, the specific service and funding issues over the three year period and how the Council will, within its financial constraints, fund its priorities and achieve major service change and savings.

- 1.4 It is essential as a planning and review tool in order to assess on an ongoing basis assumptions around service pressures and progress against delivery of savings.

- 1.5 The plan serves to highlight the difficulties inherent in terms of attempting to forecast, in particular, the likely levels of core funding that will be provided by Welsh Government over the period of the MTFP. **However, whatever the difficulties the Council must be in a position whereby it is able to plan both its finances and service delivery levels over the medium term.**

- 1.6 Importantly, it is essential that the MTFP becomes a 'living' document that is subject to regular review and revision as more information becomes available and risks are updated. As such it is anticipated that, along with close monitoring of the specific budget proposals and savings targets for 2016/17, further reports to Cabinet regarding the MTFP will be made as necessary. In particular, the Mid Term Budget Statement in the Autumn of 2016 will provide a key update on the financial outlook and delivery of savings.
- 1.7 The MTFP is one of many documents that are produced in terms of financial planning and control. These include:-
- The annual Revenue and Capital Budgets of the Authority
  - The annual HRA Capital and Revenue Budgets
  - The Formal quarterly budget monitoring reports that are presented to Cabinet
  - The Mid-term Budget Statement intended to be produced each year as an aid to strategic review on progress.
  - The Revenue and Capital outturn Statements taken to Cabinet following year end.
  - The annual Statement of Accounts produced and approved by Council on an annual basis.
- 1.8 The MTFP is intended to form a logical flow from an assessment of forecast resources over the medium term through each step of a structured planning process for future years and as such it specifically details:-
- Section 2 - Overview of financial planning environment 2017/18 to 2019/20
  - Section 3 - Detailed spending and resources forecast 2017/18 to 2019/20
  - Section 4 - Strategy to address future savings requirements
  - Section 5 – A summary of the Medium Term Financial Plan and Sustainable Swansea strategy.
  - Section 6 - Medium Term Financial planning for Schools
  - Section 7 - Risks and issues surrounding the MTFP
  - Section 8 - An assessment of reserves
  - Section 9 – Legal and Equalities implications
- 1.9 It should be noted that the period covered by this MTFP, which deals solely with the Council, takes us to the point of Potential Local Government

Reorganisation as outlined in both the Local Government (Wales) Act 2015 and the Draft Local Government (Wales) Bill.

## **Section 2 – Overview of financial planning environment 2017/18 to 2019/20**

- 2.1 The Medium Term Financial Plan (MTFP) report considered by Council on 24<sup>th</sup> February 2015 included a service and financial overview. This was updated in terms of the Mid-Term budget statement taken to Council in November 2015 and is updated further below.

### ***Economic outlook and prospects for Public Finances***

- 2.2 The announcement of the provisional Revenue and Capital Settlements for 2016/17 has resulted in a reduction in core Welsh Government funding at a level substantially below that which had been anticipated taking into account clear indications previously given by Welsh Government.
- 2.3 The UK Government's decision to cut public spending over several years is being implemented, and indeed commentary following the last Autumn Statement issued by the Chancellor suggests that the balancing of the UK's annual core funding deficit will require further prolonged and significant cuts in public expenditure. However, it is difficult at this point in time to assess the impact of UK wide public spending restrictions, given the indication by the Chancellor as part of the Autumn Statement on 19<sup>th</sup> November 2015 that cuts to Welsh Government Block Grant would be limited to 4% in real terms over the life of this Parliament.
- 2.4 Of course, the level of Welsh Government devolved Block Grant is not the only determinant of Welsh Government support for Local Authorities. It is likely that further delegation and transfer of powers and rights from Westminster to Cardiff may impose greater or lesser financial risks to Welsh Government than is currently the case.

There is also, of course, the fact that Welsh Government has to decide on its own cross-sectoral allocation of devolved funding to public services in Wales.

- 2.5 In addition to known core funding reductions, the Council also has a wide range of service and demographic pressures which will inevitably impact on demand for services. Equally clearly, there is a potential for further UK Government announcements to impact on costs borne by the Council, particularly in respect of any changes to taxation. The clear example in 2016/17 of increased costs in Employers National Insurance contributions linked to the ending of the contracted out rate, which will be followed in 2017/18 and onwards by the proposed Apprenticeship levy which, if applied to Local Authorities, will add around £1m to the Council's paybill on an annual basis. Equally, proposed annual rises in the National Minimum Wage will impact on the Authority over the period of the MTFP, although the more immediate effect is likely to be seen on terms of third party supply and service contracts

- 2.6 Given the current Economic Climate both in the UK and the Eurozone it is likely that reductions in core funding will be exacerbated by further reductions in specific grant funding both for Revenue and Capital purposes.
- 2.7 A further complicating factor over the period of the MTFP are proposals to devolve tax varying powers from Westminster to the Welsh Government. Whilst this notionally impacts primarily on individual taxation, potential devolution of Business Rates (NDR) has the potential to impact directly on Local Authority budgets and risk. Latest proposals, for example, propose devolving the cost of welfare provision in Wales to the Welsh Government with all the risk that might entail regarding cost movement.
- 2.8 In terms of core revenue funding, the provisional Revenue and Capital settlement issued by the Welsh Government on 9th December 2015 did not give indicative settlement levels beyond 2016/17 as would normally have been the case in previous years. This leaves Authorities having to make their own assumptions regarding levels of Aggregate External Funding during the period of the Medium Term Financial Plan, based on an assessment of UK and Wales financial planning and announcements.
- 2.9 All this of course has to be set against a backdrop of significant global instability where events can impact significantly – and at short notice – on the UK economy and the overall UK economic outlook.
- 2.10 For the purposes of the planning assumptions, it is simply not possible to forecast with any certainty the level of funding that is likely to be received from Welsh Government on an annual basis over the period of the MTFP. Instead, it is intended to forecast a range of potential funding scenarios, each of which will result in differing financial forecasts for the Council over the period covered. The forecasts will be updated using the mid term budget statement to Council each year to reflect the best information available on a rolling basis.

For the purposes of the MTFP, forecasts will be based around cumulative reductions of 1%, 2% and 4% although, of course, reductions will fluctuate on an annual basis.

It is not considered likely that there will be a cash flat position over the period of the MTFP and even less likely that there will be any form of increase.



Year	AEF Reduction @ 1% £'000	AEF Reduction @ 2% £'000	AEF Reduction @ 4% £'000
2017/18	3,077	6,155	12,310
2018/19	3,046	6,092	12,184
2019/20	3,016	6,032	12,064
<b>Cumulative</b>	<b>9,139</b>	<b>18,279</b>	<b>36,558</b>

Note that the above reductions are based on the provisional AEF for 2016/17 of £307.754m as announced on 9<sup>th</sup> December 2015.

The above represents a significant spread in terms of potential overall reductions over the life of the MTFP which as stated previously will have to be updated on a regular basis.

- 2.11 During the timescale of the MTFP there are a significant number of events which could impact on some of the major assumptions we have made:-

These include:-

- The outcome of Welsh Assembly elections to be held in May 2016
- The outcome of any proposals regarding Local Government reorganisation in Wales
- Wider events that could impact on the Global economic position including Eurozone elections.

- 2.12 In terms of potential Local Government reorganisation, if current proposals continue then future Council Finances may well be subject to review and consultation through Transition Committees to be established by the end of June 2017 with, more importantly, a transactions regime being established by Welsh Government requiring approval for transactions, including reserve movements, above certain values.

The potential timetable for LGR is as follows:-

<b>Jan-Apr 2016</b>	<b>Engage with local government and Welsh Government policy leads, draft guidance</b>
May 2016	Amend guidance following Assembly elections
Jul-Oct 2016	Consult on draft guidance
Nov 2016	Introduce Local Government (Wales) Bill; transactions regime comes into force by direction
Nov-Dec 2016	Make TC regulations and publish final guidance
May 2017	Local Government elections – 3 year term; establish Transition Committees
May 2019	Elections to shadow authorities
1 April 2020	Vesting Day; existing authorities abolished, except Powys

### 2.13 Support for Capital Programmes

The settlement indicated support for future General Fund Capital programme for 2016/17 at a level of £10.242m, a slight increase from 2015/16. This support is through a mix of General Capital Grant and support for borrowing.

Planning assumptions for both 2017/18, 2018/19 and 2019/20 are based on unchanged levels of support.

- 2.14 In addition, the Welsh Government has committed some £25.655m (50% of overall cost) towards the 21<sup>st</sup> Century Schools programme over the lifetime of this MTFP. The Council is required to meet its 50% share of the costs through the Capital Programme.
- 2.15 More significantly, the Capital programme detailed elsewhere on this agenda assumes a significant level of capital receipts in terms of future funding requirements. The position remains that should such receipts not materialise the Council will have no option but to consider reductions in spend, seek alternative sources of funding or, as a last resort, consider additional borrowing which will have a further adverse effect on revenue finances.
- 2.16 Over the past six years the Council has funded its entire borrowing requirement via the use of internal funds, which is entirely consistent with good Treasury Management policy given historic low interest rates on

investments. The effect of that is internal borrowing as at 31<sup>st</sup> March 2016 is anticipated to be some £90m. Ongoing borrowing requirements and the depletion of Reserves and Provisions (including significant sums relating to equal pay settlements) means that some externalisation of this debt is now inevitable. It is clear that the Council has an opportunity to progress this at a time when external borrowing rates are at an all-time low and this strategy of externalising a proportion of debt will be undertaken in 2016/17 and beyond as opportunities arise.

- 2.17 It should be noted however, that even with borrowing rates as low as they are, externalising of borrowing is still likely to have a negative impact on revenue finances going forward.

**Section 3 – Detailed Spending and Resources forecast 2017/18 to 2019/20**

- 3.1 The Capital Budget report forecasts capital spending and resources in the period covered by the MTFP.
- 3.2 In terms of the Revenue Budget, and in the context of financial planning over the period of the MTFP, the overriding issue is likely to be the need to make significant ongoing savings in Service Expenditure in order to meet both projected reductions in core and specific funding from the Welsh Government together with known and anticipated spending pressures.
- 3.3 The following table represents the expected funding requirements (based on current policies and decisions) for the period of the MTFP:

**Projected spending pressures/funding deficiency 2017/18 – 2019/20**

		<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>
	Note	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Future cost of pay awards	1	1,700	4,100	7,500
Pay and grading scheme	2	2,700	5,400	5,400
Cumulative contract inflation	3	1,000	2,000	3,000
Capital charges	4	1,750	3,250	5,000
Schools pay award	5	1,200	3,600	6,000
Use of General Reserves	6			
Demographic and Service pressures	7	3,000	6,000	9,000
Apprenticeship levy	8	1,000	1,000	1,000
<b>Total known pressures</b>		12,350	25,350	36,900
Aggregate External Finance movement at		6,155	12,247	18,279

2% reduction				
<b>Cumulative budget shortfall</b>		<b>18,505</b>	<b>37,597</b>	<b>55,179</b>

Note:

- 1) Assumed pay increases at 1% p.a. for 2017/18, rising to 2% for 2018/19 and 2019/20. Value of pay award remains relatively static based on falling staff numbers and costs relating to savings programme largely offset by increases in payroll costs due to single status implementation and cumulative effect of pay awards.
- 2) Predicted annual cumulative effect of current scheme implemented on 1<sup>st</sup> April 2014 – no account taken of potential additional costs arising out of appeals process.
- 3) Assumed minimum cumulative effect of known contract inflation
- 4) Presumed overall increase in borrowing due to delays in capital receipts on both general fund and schools programmes.
- 5) Presumed minimum addition to schools funding to cover base payroll cost increases. Includes calculation for pay awards in line with 1) above
- 6) Currently nil but dependent on decisions re use in 2016/17
- 7) Based on ballpark assumptions around a number of pressures including deprivation of liberty assessments and assumed pressures within both adult and children's services, together with a number of potential pressures within the areas of waste management and other services.
- 8) Based on outline proposals announced in the Chancellors Autumn Statement November 2015.

3.4 As stated, this forecast contains no provision for increases in net service costs, in particular:-

- a) Any increase in costs arising from decisions on Government taxation – other than potential costs relating to the scrapping of contracted out National Insurance rates and recent announcements on potential apprenticeship levies - most significantly increases arising from upward increases in landfill tax costs.
- b) Corporate costs in excess of budget provision in respect of single status implementation or other issues relating to employee costs or movements in minimum statutory wage.
- c) Any one off costs arising from changes to service delivery across the Council, including transformational change.
- d) Any general inflation provision relating to non contractual issues.
- e) Any increased costs or reductions in income arising from ongoing changes to welfare reform, in particular the potential introduction of Universal Credit during the lifetime of the MTFP.
- f) Any budget changes arising from further regionalisation of Education and Social Services particularly where projected budget transfers may be in excess of current CCS service budgets.

- g) Any increases in Capital financing charges beyond those allowed for which is dependent on the Council achieving a level of capital receipts as detailed within the Capital budget submitted for approval elsewhere on this agenda and is wholly dependent on decisions around potential externalising of internal borrowing.
- h) Future funding decisions in respect of protection for Social Services or Delegated Schools' budgets which may be specified by the Welsh Government in future budget settlements.
- i) Any potential downward movement in service specific grants, some of which we have experienced at short notice during the last year.

3.5 In addition the forecast does not allow for any potential increase in non-schools' employer superannuation rates for the period of the MTFP which will be based on a triennial valuation as at 31<sup>st</sup> March 2016 affecting contribution rates for the period 2017/18 to 2019/20.

3.6 As highlighted in Section 2, the Local Government (Wales) Act 2015 became law in Wales on 25 November 2015. This new law will enable preparations to be made for the programme of local government mergers and reform.

A second Local Government (Wales) Bill was published in draft for consultation on 24 November. The Draft Bill will complete the programme of local authority mergers and set out a new and reformed legislative framework for local democracy, accountability, performance and elements of finance. It will also establish a statutory Public Services Staff Commission.

Formal consultation on the proposals for local authority mergers announced in June has also started. The consultation closes on 15 February 2016. No account of the effect of these proposals has been built into the MTFP which runs until 31<sup>st</sup> March 2020, the effective date that this Council would cease under the proposals as drafted.

3.7 However, it is highly likely that under the provisions contained within the current legislation the Council's ability to make decisions around Capital expenditure and Reserve usage will be constrained and will require approval and consultation.

**Section 4 – Strategy to address future savings requirements: Sustainable Swansea – fit for the future**

4.1 The scale of the financial, demographic and sustainability challenge requires the Council to adopt a radically different approach to previous years. An approach that focuses on:

- *The core future purpose of the Council*
- *The transformation of services and the model of delivery*
- *Greater collaboration with other councils and local organisations, community groups and residents*
- *And, above all, sustainable solutions with prevention at its heart*

This ambition is set out in *Sustainable Swansea – fit for the future*, our long term plan for change, underpinned by our Innovation Programme.

4.2 It is equally clear that if the Council wishes to prioritise investment in priority services then the actions being taken under the Sustainable Swansea programme represent good practice irrespective of the current financial environment.

4.3 The Strategy was agreed by Cabinet and reported to Council in October 2013. The Delivery Programme was reviewed, refreshed and re-approved by Cabinet on 16 July 2015. It is important that we continue to use the narrative in all our communication and that we apply the budget principles across all our thinking. The budget principles are reflected in the proposals set out in this report.

4.4 Since the July 2015 meeting of Cabinet we have:

- Started delivering the Savings Programme Workstreams
- Completed a number of commissioning reviews and moving to implementation phase
- Started the next phase of engagement on *Sustainable Swansea* –following agreement of a report to Cabinet on 10<sup>th</sup> December 2015.
- Developed a range of additional proposals to meet a significant proportion of the Council's £21.5m shortfall in 2016/17, which result in further savings during the period of the MTFP which is relevant to this report, as reported to Cabinet on 10 December 2015.

## **Our Service Priorities for 2016/17 and the MTFP period**

- 4.5 Although the Council is currently focused on a plan to save an additional £55m (excluding schools) over the period of the MTFP, it is vital that we continue to retain Member and management focus on the significant proportion of our budget that will remain. Our gross budget is approximately £700m (excluding Housing Services (HRA)) and we spend around £1.5m a day on services to residents.
- 4.6 The Council has clear and strong long term ambitions for Swansea and the proposals for savings must be seen in the context of the following:
- The Council's top 5 priorities and future plans for services
  - The core objectives of *Sustainable Swansea* – which embrace all that we do
  - The application of the budget principles – which guide our decision making
- 4.7 The Council's overall aim is to protect frontline delivery of services as far as possible. However, whilst many things are important, not everything can be a priority. It is important, therefore - particularly in the current climate of significantly reduced resources - that we set out clearly our expectations on all services and relative priorities for funding in the context of the significant reductions that we face.
- 4.8 This requirement is illustrated sharply by the “gearing” effect of savings on services. In other words, if our current savings requirement of £55m (excluding schools) over three years was applied, for example, just to Corporate Services (excluding Council Tax Reduction Scheme) and Place Services, the budgets for areas would be nearly 75% removed. Consequently, other areas such as Social Care also need to face some level of reduction over the next 3 years, given the relative size of their budgets. We are now assuming there will be repeated extensions of the Ministerial protection afforded to schools which will prevent savings of any significance to be applied there, which will add further pressure on all remaining services.
- 4.9 A statement of budget priorities and policy statements that flow from this is set out in **Appendix A**. This statement follows an assessment of services in relation to the following criteria:
- **Invest:** those Services where the Council will increase current levels of investment
  - **Maintain:** those services where the Council will broadly maintain current level of spend in the medium term



- **Reduce:** those services where the Council will reduce the current level of spend over the medium term

Regardless of relative funding levels, there is also an absolute requirement that **all services** must transform and strive for maximum efficiency.

4.10 Based on the statement of priorities and having regard to the “gearing effect” when considering savings, the indicative 3 year saving/investment targets for each major block of services (including 2016/17), as reported to Cabinet on 10<sup>th</sup> December 2015, is set out in the Table below. This table is important at this stage only as it gives an indication of prioritisation of services, as currently adopted by Council, although it is clear that there are many combinations around Service expenditure reduction that would potentially achieve the same saving.

<b>Service</b>	<b>Current Budget £m</b>	<b>Percentage Reduction/Increase over 3 Years</b>	<b>Amount Realised £m</b>
Schools \$	135.2	2.3	+3.2
Rest of Education	21.1	-15	-3.2
Social Care – Child & Families	38.3	-15	-5.8
Social Care - Adults	66.4	-20	-13.3
Poverty & Prevention *	4.8	+5	+0.2
Place	52.7	-50	-26.4
Corporate Services +	23.5	-50	-11.7
<b>Total</b>	<b>342.0m</b>		<b>-57.0m</b>

*\$ Assumes schools protection continues limiting any material scope for reduction and reflects the assumed funding guarantee INCREASE for 16/17*

*\* Note that whilst this is the controllable budget for Poverty & Prevention, the Council spends **significantly more** on this area through the contribution of a wide range of other services*

*+ Corporate Services is £44.4m less £20.9m Council Tax Reduction Scheme*

- 4.11 This statement will form the basis of our future Medium Term Financial Plan, as well as individual service plans although no formal assumptions should be made around annual budget changes based on this MTFP. Presentationally, it is materially different in scale to last year's Medium Term Financial Plan which set out an over £81m requirement because the continued Ministerial funding guarantee for schools effectively removes £24m of planned future savings. Crucially as it effectively inhibits making savings in schools and ring fences their budgets the remaining £57.0m is broadly exactly the same remaining figure as that which would have been expected to fall on non-education budgets anyway.
- 4.12 It should be noted that the savings targets detailed above are for the period 2017/18 to 2019/20 which could represent the end of the Council's existence as a separate entity. Work will continue to need to be undertaken to plan for all eventualities including potential local government reorganisation from April 2020.
- 4.13 A statement of General Principles to be adopted for all Services together with a summary of specific service priorities is given at Appendix 'A' to this report.

**Section 5 – A summary of the Medium Term Financial Plan and Sustainable Swansea strategy**

5.1 The summary anticipated savings requirement over the period of the Medium Term Financial Plan is shown below and is extracted from the table shown at section 3.3 of this report.

		<u>2017/18</u>	<u>2018/9</u>	<u>2019/20</u>
		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<b>Cumulative budget shortfall</b>		<b>18,505</b>	<b>37,597</b>	<b>55,179</b>

5.2 The assumptions surrounding the compilation of these figures are given in detail within the table at 3.3 above and, in particular, are heavily dependent on the assumption of an ongoing 2.0% reduction in AEF for each of the three years covered by the MTFP.

Clearly there is the risk of significant volatility in future years arising from:-

- The cumulative effect of any variation in these assumptions in early years
- The uncertainty around assumptions surrounding the latter years of the forecast.

5.3 Notwithstanding that position, in addressing the ongoing budget deficit, the Council has a number of actions that it can take in terms of achieving a balanced budget.

These include:-

- Realisation of future years' budget savings arising out of previously agreed savings and 2016/17 consultation proposals
- Additional Directorate/Service Area targeted savings as detailed in Section 4.10 of this report
- Potential rises in Council Tax levels.

5.4 Bringing these items together, and assuming a balanced position for 2016/17, the following indicative position is envisaged:-

		<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>
		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<b><i>Cumulative budget shortfall</i></b>		<b>18.505</b>	<b>37,597</b>	<b>55,179</b>
<b><i>Directorate savings proposals/agreed</i></b>		-	-	-
<b><i>Additional Directorate Savings required (excluding Schools delegated budgets)</i></b>		<b>-18.505</b>	<b>-37,597</b>	<b>-55,179</b>

5.5 In terms of addressing the additional savings requirements, the Council will, as previously agreed, deliver the bulk of these through the Sustainable Swansea programme.

Details of the workstreams, including progress to date, are shown at appendix 'B' to this report.

5.6 It is essential that substantial and specific targets are agreed for the Workstreams and Delivery Strands in order to give scale, ownership and a measurability and confidence that we can deliver the level of change and savings required.

**Note: see Appendix 'B' for more information on the workstreams**

5.7 Further work will take place on the development of a revised Sustainable Swansea Delivery Programme to replace the one agreed by Cabinet on 16 July 2015. This will need to include (amongst other things):

#### Efficiency

- Programming of further savings from the review of third party spend and additional income
- Additional senior staff and support services savings

#### New Models of Delivery

- Savings resulting from the completion of the Commissioning Reviews
- Transforming customer contact

#### Prevention

- Modelling of the cost reduction in services from demand management and early intervention

## Stopping Services

- Feedback from residents and Leadership Team about services which can be stopped or delivered through community action

## **Section 6 – Medium term Financial planning for Schools**

- 6.1 The purpose of this section is to highlight the estimated effect of specific spending pressures and potential specific grant reductions on Schools' budgets in the light of funding assumptions detailed elsewhere within this report.
- 6.2 More specifically the Detailed Budget report to Council in respect of the 2016/17 Revenue Budget outlines the specific budget proposals for that year.
- 6.3 It is important to note that, given the size of the potential budget deficit facing the Council over the period of the MTFP, it is envisaged that Schools will continue to be required to contribute to ongoing savings targets during this period. However, the Council will continue to take into account annual requests from the Minister for Public Services in respect of annual funding guarantees and the extent to which these can be met based on annual resources available and spending needs.
- 6.4 The table shown in Section 4.10 of this report details the proposed indicative Directorate Savings targets for the period 2017/18 to 2019/20 in respect of the Revenue Budget.
- 6.5 Those projected savings targets offer relative priority to Education and Schools budgets in particular.
- 6.6 It would be prudent to assume, however, that despite the notional 'flat' position for schools highlighted in Section 4.10 of this report, reductions in real term budgets of around 2% p.a. will be required to meet the Council's budget needs going forward.
- 6.7 It is essential therefore that we continue to engage with Schools on a strategic review of provision as simply cutting in real terms by 2% per annum will not work.

## **Section 7 – Risks and issues implicit within the MTFP**

7.1 As stated throughout this report the financial risks facing the Council include:-

- The volatility of settlements received from Welsh Government from indicative planning stage to provisional settlement and the absence of any future year guidance on levels of likely settlement
- Assumptions around the Reductions in core funding from Welsh Government being incorrect, particularly if understated
- Ongoing reductions in specific grants which require equivalent reductions in expenditure, often at short notice, which are both uncertain and unpredictable in terms of timing.
- Delay or non-delivery of key savings strands which are essential to meet the projected service reductions identified in this report
- Significant further changes to Central Government fiscal policy with regard to the Public Sector.
- The introduction of new legislation and statutory requirements which impose additional burdens on the Council
- The impact of current legislation such as the Wellbeing of Future Generations (Wales) Act 2015.
- The impact of Welsh Government controls being imposed should Local Government re-organisation in Wales proceed.
- Specific issues surrounding the implementation of Local Government re-organisation, including Council Tax equalisation, equalisation of schools funding formulae, harmonisation of charges and more importantly, introduction of a harmonised pay and grading scheme.

There may also be consequences arising from formula distribution changes pre and post reorganisation.

7.2 The table at 3.3 of this report outlining the potential budget shortfalls over the period of the MTFP contains a significant number of assumptions around future cost pressures, particularly with respect to pay awards, which may have a significant cumulative effect if not settled at the levels indicated. This has the potential to change significantly the projected deficit towards the end of the planning period.

- 7.3 The assumptions contained within the plan specifically assume:-
- The Council will deliver a balanced revenue outturn in respect of the current and future financial years and, to that extent, no deficits are identified that would require additional funding in future years
  - The Capital programme is constrained to the extent that the maximum additional debt charges that are incurred (which should be considered temporary until capital receipts are achieved) do not exceed the sums included in the MTFP.
  - The Council continues to achieve its ambitious savings targets.
- 7.4 It is assumed that there will be no substantive change to the structure of service delivery, including additional regionalisation of services.



## **Section 8 – Use of Reserves**

- 8.1 The purpose of this section is to highlight the current planned use of General Reserves to support the 2016/17 Revenue Budget and to outline the relationships between known risks and earmarked reserves and its effect on planning assumptions. An analysis of the current position is given in sections 8.4 to 8.9 below.
- 8.2 Conclusions and recommendations in respect of reserves usage is given in section 8.6 below.
- 8.3 The current 2015/16 Revenue Budget is underpinned by a proposed use of £1.2m from general reserves.
- 8.4 In terms of planning assumptions the assumption is that this creates a spending pressure for 2016/17 as there is no assumption of ongoing availability of General Reserves for that year or beyond, and this is reflected in the revenue budget proposals presented elsewhere on this agenda.
- 8.5 Whilst the Council maintains a number of specific reserves they are not factored into planning assumptions based on the following:
- They are either ring-fenced under statute or scheme of delegation (e.g. Schools' delegated reserves)
  - They are earmarked to meet known liabilities
- 8.6 In September 2015 Council received and approved a report which re-allocated earmarked reserves based on known changes to the risk profile of the Council and it is anticipated that a similar report, probably for inclusion in the mid year budget statement, will be taken on an annual basis.
- 8.7 Allowing this consideration outside of the annual budget process and after previous year outturn is known will give elected Members better opportunity to reflect on the level of General and earmarked reserves in line with the guidance detailed in 8.10 below.
- 8.8 In addition various sections highlighted throughout this report refer to significant ongoing risk around current activities – particularly single status and outstanding equal pay claims.
- 8.9 It remains the position that until these significant risks are fully mitigated then any additional planned use of earmarked reserves to support general revenue budget deficits would be inappropriate.
- 8.10 On 12<sup>th</sup> January 2016 the Welsh Government issued guidance to Local Authority Members on matters to be taken into consideration when scrutinising the level of Local Authority Reserves held at any point in time.

This has been circulated to all Members and any recommendation relating to the holding or release of reserves will be undertaken with reference to the principles underpinning best practice as issued by the Chartered Institute of Public Finance and Accountancy and this guidance.

## **Section 9 – Legal and Equalities implications**

### **9.1 Legal Implications**

There are no legal implications arising from this report.

### **9.2 Equalities Implications**

9.2.1 The budget reductions implicit in the 2015/16 approved budget were subject to the corporate an appropriate Equality Impact Assessment process, which was considered as part of the overall budget process.

9.2.2 Where additional budget savings requirements are identified as part of the 2016/17 and Medium Term Financial Plan budget processes they will again be subject to the Equality impact assessment process (including relevant consultation and engagement) as part of the budget considerations for those financial years.

**Appendix 'A' Statement of Budget Principles and Service Budget priorities**

**Appendix 'B' Sustainable Swansea work-streams and progress to date**

Mike Hawes

Head of Finance and Delivery, Tel 01792 636423

**Statement of Budget Principles and Service Budget priorities****GENERAL PRINCIPLES FOR ALL SERVICES**

- 1 There are a number of principles that apply to all the Council's services, regardless of the assessment of relative priorities. These are set out below.

**Budget Principles**

- 2 The Council has adopted a number of Budget Principles which underpin *Sustainable Swansea*:

<i>Everything is included</i>	<i>Increased income</i>
<i>Engagement</i>	<i>Different models of delivery</i>
<i>We will have less money</i>	<i>Supporting those at risk</i>
<i>Demonstrating efficiency</i>	<i>Evidence base</i>
<i>Cutting Red Tape</i>	<i>Sustainable outcomes/prevention</i>
<i>Full cost recovery</i>	<i>Personal Responsibility</i>

All Services must apply and be consistent with these Budget Principles.

All Services are also required to address these Principles as part of business planning and developing savings proposals.

**Service Transformation and Efficiency**

- 3 There are expectations upon all Services in relation to transformation and efficiency which must be met regardless of relative priority for funding:

<b>Transformation</b>	<p>All service must transform through a fundamental review of purpose, however services are commissioned, to:</p> <ul style="list-style-type: none"> <li>• deliver better outcomes</li> <li>• develop a sustainable delivery model, fit for the future</li> <li>• reduce costs and secure value for money</li> </ul>
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<b>Efficiency</b>	<p>All services must continue to strive for efficiency, in particular:</p> <ul style="list-style-type: none"> <li>• reduce management and other overheads</li> <li>• maximise opportunities for increasing income from charges, trading and external sources</li> <li>• reduce the cost of purchasing supplies and services</li> <li>• work with others to achieve better outcomes</li> <li>• look for opportunities for residents or community groups to take or share responsibility for services</li> </ul>
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## **STATEMENT OF BUDGET PRIORITIES: PEOPLE'S SERVICES**

### **Schools and Education**

4. Education is continuing to work towards a “one education budget” strategy across delegated and non-delegated budgets.

Significant savings cannot be made without reductions in the Schools Delegated Budget over the next three years, including by transferring to schools functions that are currently funded centrally but are better managed locally. We are continuing to meet Welsh Government expectations through the continuing prioritisation of the delegated schools budget. Nevertheless, schools face serious challenges to contain the cost pressures facing them, the anticipated further reduction in areas of specific grant funding, and the uncertainty regarding national protection beyond April 2017.

Moreover, further severe cuts in the remaining non delegated education budgets will have a direct impact on areas of pupil specific support and further reduce the support that can be provided to schools from the department.

A further move towards a fundamentally different relationship between schools and the local authority is required. The future model for Education provision includes:

- Radically changing the way support for pupils is provided – more flexible earlier intervention and support, as local as possible
- A consistent approach to support the needs of all pupils through a continuum of support
- Integrating and aligning services with Social Services and other agencies such as Health
- Working more closely with communities, recognising the role of schools at the heart of their communities, seeking to minimise transport costs and, wherever

feasible, co-locate other services on school sites to aid sustainability (where revenue and capital funding streams are at least sufficient to cover the costs involved).

We will deliver this through:

- Coherent revenue and capital strategies
- Optimising the level of delegation of funding and responsibilities to schools to allow the greatest flexibility in the use of the available resources
- Supporting earlier intervention and support for pupils:
  - Reducing the need for formal statements
  - Providing increasingly targeted specialist support, reflecting the findings of the recent independent behaviour review
  - Building capacity in mainstream educational provision
  - Empowering & facilitating more collaborative school to school support
- Delivery of further significant financial savings through a continuing coherent 'one education budget' strategy:
  - Retaining an absolute core level of statutory and regulatory provision at the centre
  - Ensuring a full cost recovery of costs of any support provided to schools above this level and providing the minimum level of Council funding required to fully access the remaining available specific grants
  - Ceasing financial contributions to support the few remaining areas of discretionary educational provision

### **Social Services- Child & Families (no change needed)**

5. No policy changes are proposed in Child and Family Services.

We will maintain the current Safe LAC Reduction Strategy to reduce the number of looked after children and achieve the planned savings of around £6m.

### **Social Services – Adult Social Care**

- 6 Adult Services has revisited its transformation programme to ensure that it can transform services to meet future needs within the budget available.

In 2016/17, Adult Services will need to save £500,000 and during the year the service is undertaking commissioning reviews in domiciliary care, residential care and day services for older people as well as provision for younger adults and people with mental health needs, learning and physical disabilities. In doing this Adult Services will develop a model of future care for its service

users and carers that is fit for purpose, affordable and responds to the new requirements of the Social Services and Wellbeing Act.

Everything that Adult Services does will encourage people to reach their potential, live as independently as possible for as long as possible and reduce demand for long term care through investment in prevention and reablement. We will continue to build on the strong partnerships that we have through our ongoing integration with health and key initiatives such as Local Area Coordination through which we will build on people's strengths to allow them to have a good life. Safeguarding vulnerable people will also be at the heart of everything that we do.

### **Poverty & Prevention**

- 7 Poverty & Prevention as a service is working towards a more sustainable budget which relies less on Welsh Government grant funding, set on an annual basis, and more on core funding, but this can only be achieved through evidenced based early intervention and prevention services which are managing demand prior to social services. Investment through the prevention budget has shown that high quality early intervention and prevention activities can be embedded into mainstream practice. The development of a Council-wide prevention strategy is continuing with proposals for investment. A number of key areas have been delivered in the Poverty strategy, and it is in the process of being reviewed.

Our policy must be to:

- Finalise and implement the prevention strategy and provide additional investment **or** redirect existing spend into preventative programmes where evidence shows this works
- Ensure all Council services (as well as partners) contribute to combatting poverty through the tackling poverty strategy and action plan
- Deliver the Council's Early Years strategy in partnership with Health
- Drive forward the family support commissioning review and on-going development of the Family Support continuum, improving outcomes for children, young people and their families
- Develop a new integrated approach to the delivery of Communities First to tackle poverty at a community level, prioritising engagement, learning and employment
- Continue to embed the UNCRC council-wide and develop our Children and Young People's plan
- Deliver a Night Time Economy strategy which diversifies and develops the cities offer, and ensures retention of Purple Flag status

## **STATEMENT OF BUDGET PRIORITIES: PLACE SERVICES**

- 8 Place based services will see a 50% reduction over the next 3 years, around £26m.

To deliver such a challenge our policy must be to:

- Accept that reductions of this scale will inevitably have a significant negative impact upon visible streetscene and environmental services
- Re-commission all services and in many cases focus on enabling other providers and the community to deliver our objectives in areas such as culture and parks
- Establish commercial and trading models where ever we can to offset the loss of Council funding e.g.: building services
- Introduce a radical approach to demand management and self-regulation in areas such as waste, enforcement
- Seek to maintain current levels of investment in roads focusing on preventive action to reduce future costs
- Meet national housing quality standards, provide more affordable housing including the commencement of a pilot programme for new build housing
- Prioritise the Regeneration of the City Centre and the economy

## **STATEMENT OF BUDGET PRIORITIES: CORPORATE SERVICES**

- 9 Corporate Services will see a 50% reduction over the next 3 years, around £12.5m.

To deliver such a challenge Cabinet has approved a new model for Business Support across the Council. The key feature of this new model are as follows:

- We will have ONE WAY of delivering business support across the Council
- We will strengthen the critical functions of the Council's strategic centre: including governance, performance, business intelligence
- We will integrate corporate advisory functions including: finance, legal, HR, property and commercial
- We will develop an internal shared service model for business support that everyone will use
- We will apply common design principles to ensure the most efficient and cost effective approach, consistent with customer needs
- We will invest in ICT, on a business case basis, to support the transformation agenda, including on-line self-service, agile and mobile working and direct service innovation such as telecare
- We will adopt a digital first presumption to all business support functions
- We will enable self-service and reduce demand
- We will implement the new model in phases to manage the change effectively and ensure sustainability
- We will be open to opportunities to deliver future business support functions delivered jointly with others



- We will look for opportunities to generate income from business support

## Appendix 'B'

### Sustainable Swansea workstreams and progress in 2015/16

Efficiency Workstream (Sponsor Dean Taylor)		
Strand	Lead	Current Position/Achievements to Date
Continuous Improvement	Khan Prince	<ul style="list-style-type: none"> <li>• 2 x reviews are complete – HR, Domestic Abuse</li> <li>• 2 x reviews are near completion – Waste Management, Customer Contact</li> <li>• 1 x review is due to begin LAC/NEET/SEN</li> <li>• Training is scheduled for a core group of staff to be developed to undertake reviews</li> <li>• Service improvements have been identified and are now being implemented</li> </ul>
Workforce	Steve Rees	<ul style="list-style-type: none"> <li>• A Corporate Workforce Strategy is drafted and ready for its final iteration before it goes to decision makers and then implementation.</li> <li>• Performance appraisals have been updated, standardised and rolled out and are now being audited and reviewed – this should help improve performance, engagement and staff development.</li> <li>• The innovation community are near completion of task &amp; finish groups including employee behaviours – improved employee engagement and cultural change evident attendance and contribution to the staff engagement event.</li> <li>• Employee Behaviour Framework has been developed.</li> <li>• £343k of efficiencies been achieved</li> </ul>
Senior Staff Review	Jack Straw	<ul style="list-style-type: none"> <li>• An approach has been agreed</li> <li>• Communications are underway</li> </ul>
Modernising Business Support	Steve Rees	<ul style="list-style-type: none"> <li>• Recommendations for savings have been implemented</li> <li>• £757k of efficiencies have been delivered</li> <li>• Savings will continue to be delivered as part of Business Support Commissioning Review Implementation</li> </ul>
Modernising ICT	Sarah Caulkin	<p><b>Everyone's IT:</b></p> <ul style="list-style-type: none"> <li>• Successful in-sourcing of external ICT contract</li> <li>• New team developed and integrated</li> <li>• New helpdesk in place</li> <li>• On track to deliver 2016/17 savings (£1.5m) from 1 April</li> </ul> <p><b>Employee Self Service:</b></p> <ul style="list-style-type: none"> <li>• Self-service of planned leave has been piloted and rolled out – reduced processing and manual handling of information.</li> <li>• The Digital Strategy is now in place supported by an ICT programme</li> </ul>

Assets	Geoff Bacon	<p><b>Accommodation Strategy:</b></p> <ul style="list-style-type: none"> <li>• Ongoing centralisation of accommodation.</li> <li>• Services continue to migrate to the Civic Centre</li> <li>• Properties are being prepared for market</li> <li>• A leaner and more commercial portfolio is being developed</li> <li>• Agile working continues to roll out</li> <li>• £291k of efficiencies have been achieved</li> </ul> <p><b>Community Asset Plans:</b></p> <ul style="list-style-type: none"> <li>• A better understanding of the community asset portfolio has been developed</li> <li>• Some assets have been transferred to the community</li> </ul>
Commercialism	Chris Williams	<p><b>Income:</b></p> <ul style="list-style-type: none"> <li>• Increased data and understanding of existing income streams</li> <li>• Benchmarking complete</li> <li>• Opportunities identified and delivered creating an increase in income for the organisation</li> <li>• New services developed e.g. knotweed service</li> <li>• Increased commercial awareness</li> <li>• £416k has been achieved</li> </ul> <p><b>Sponsorship &amp; Promotion:</b></p> <ul style="list-style-type: none"> <li>• Opportunities and 'sales' material developed</li> <li>• Relationships with businesses developed</li> <li>• Increased income through sponsorship and promotion</li> <li>• £215k of has been achieved</li> </ul> <p><b>Third Party Spend:</b></p> <ul style="list-style-type: none"> <li>• Greater data and understanding of third party spend and most significant contracts</li> <li>• Opportunities identified and delivered</li> <li>• Category plans are in place with further opportunities for savings and efficiencies identified</li> <li>• Increased e-invoicing and e-catalogue use</li> <li>• £3.3m of efficiencies achieved (£438k cashable)</li> </ul>

<b>New Models of Delivery Workstream (Sponsor Phil Roberts)</b>		
<b>Savings Strand</b>	<b>Lead</b>	<b>Current Position/Achievements to Dates</b>
Customer Contact	Lee Wenham	<ul style="list-style-type: none"> <li>• Successful channel shift through the expansion of online services</li> <li>• Increase in volume of on-line transactions</li> <li>• Reduction in telephone calls</li> <li>• New customer services offer is being developed and implemented including infrastructure and staff development</li> <li>• Successful transition of phase 1 staff and services into a central contact service</li> <li>• On track to achieve £185k savings on 1 April</li> </ul>
Commissioning	Martin Nicholls	<ul style="list-style-type: none"> <li>• 4 x Commissioning Reviews complete, now in implementation</li> </ul>

		<ul style="list-style-type: none"> <li>• £366k of efficiencies have been achieved</li> <li>• Savings of £5.2m identified through the reviews for 16/17</li> <li>• Review process developed based on lessons learned</li> <li>• 16/17 reviews agreed, ready to begin in February &amp; March</li> </ul>
Community Action	Tracey McNulty	<ul style="list-style-type: none"> <li>• Community Action Transformation Fund in place to support public initiatives</li> <li>• Principle for working with the community have been developed</li> <li>• A framework for engagement has been developed</li> <li>• A toolkit has been developed to support and enable groups to become established, run and consider taking over assets</li> <li>• A marketing campaign is underway to build awareness and appetite for community action initiatives; #voices&amp;choices</li> <li>• Glais community are ready to take over management of a local community centre from 1 April</li> <li>• The savings for this strand have been included with the Cultural Services Commissioning Review</li> </ul>

<b>Prevention Workstream (Sponsor Chris Sivers)</b>		
<b>Strand</b>	<b>Lead</b>	<b>Current Position/Achievements to Dates</b>
Manage Demand	Sarah Caulkin	<ul style="list-style-type: none"> <li>• Recommendations have been made to reduce demand in areas such as FOI requests</li> <li>• Projects have been supported in key areas e.g. understanding a rise in demand for domiciliary care demand</li> <li>• Opportunities are being explored for developing GIS mapping of demand</li> <li>• An organisation-wide Demand Management Strategy is in drafting phase for completion shortly</li> <li>• Training is being developed</li> <li>• £432k of efficiencies have been achieved</li> </ul>
Early Intervention	Sarah Crawley	<ul style="list-style-type: none"> <li>• Closer working between partners including Health, Police etc.</li> <li>• Service re-design is being implemented following a review of Domestic Abuse which should improve outcomes for victims and perpetrators of domestic abuse.</li> <li>• Cost Benefit Analysis tool developed to demonstrate the value of early interventions</li> <li>• Prevention pilot projects have been successfully trialled new ways of working with 4 projects being taken forward into business-as-usual</li> </ul>

		<ul style="list-style-type: none"> <li>• A Prevention Strategy for the whole organisations is in its final draft phase, to be rolled out shortly.</li> </ul>
Safe LAC Reduction Strategy	Julie Thomas	<ul style="list-style-type: none"> <li>• The Family Support Continuum has developed a whole new team and approach to supporting complex families</li> <li>• The looked after children population continues to reduce as people get the right support at the right time</li> <li>• Youth Workers are now working with the whole family, not just young people, to provide better support and better outcomes</li> <li>• £1.9m of efficiencies have been achieved</li> </ul>
Promoting Safe Independence	Dave Howes/Alex Williams	<ul style="list-style-type: none"> <li>• Recently added to the programme this strand has been identifying the key projects</li> </ul>
Education Strategy	Lindsay Harvey	<ul style="list-style-type: none"> <li>• Recently added to the programme this strand has been identifying the key projects</li> </ul>

<b>Stopping Services Workstream (Sponsor Dean Taylor)</b>		
<b>Savings Strand</b>	<b>Lead</b>	<b>Current Position/Achievements to Dates</b>
Council Priorities	Dean Taylor	<ul style="list-style-type: none"> <li>• The Corporate Plan, outcomes and performance measures have been developed</li> <li>• Budget plans have been developed for consultation</li> <li>• Opportunities are being explored around stopping lower priority services</li> </ul>
Future Council	Dean Taylor	<ul style="list-style-type: none"> <li>• Organisation culture and expected behaviours have been developed</li> <li>• The senior staff review has been launched</li> </ul>

# Agenda Item 12.

## Report of the Section 151 Officer

Council – 25 February 2016

### REVENUE BUDGET 2016/17

<b>Purpose:</b>	This report proposes a Revenue Budget and Council Tax levy for 2016/17.
<b>Policy framework:</b>	Sustainable Swansea – Fit for the Future
<b>Reason for decision:</b>	To agree a Revenue Budget and Council Tax levy for 2016/17.
<b>Consultation:</b>	Cabinet Members & Executive Board
<b>Recommendations:</b>	Council is asked to approve  a) A Revenue Budget for 2016/17 as detailed in Appendix 'A' and b) A Budget Requirement and Council Tax levy for 2016/17 as detailed in Section 9 of this report. c) Any changes to the budget proposals in respect of the final Revenue and Capital Settlement for 2016/17 as confirmed on 9 <sup>th</sup> March 2016 will be met by transfer to/from Reserves
<b>Report Author:</b>	Mike Hawes
<b>Finance Officer:</b>	Mike Hawes
<b>Legal Officer:</b>	Patrick Arran
<b>Access to Services Officer:</b>	Sherrill Hopkins

## 1 Introduction and background

1.1 This report details:

- Financial monitoring 2015/16
- The Local Government Finance Settlement 2016/17
- Budget Forecast 2016/17
- Specific Savings Proposals: Update
- Outcome of Budget Consultation
- Staffing Implications
- Reserves and Contingency Fund requirements
- The Budget Requirement and Council Tax 2016/17

- Summary of funding proposals
  - Assessment of risks and uncertainties
- 1.2 The financial assessment in relation to 2017/18 – 2019/20 is contained in the **Medium Term Financial Plan 2017/18 – 2019/20** report elsewhere on the agenda.
- 1.3 This report builds upon and needs to be read in conjunction with -
- The budget strategy agreed by Council on 22<sup>nd</sup> October 2013 – **‘Sustainable Swansea, Fit for the Future’** focusing on the principles and strategies to be adopted as part of the current and future budget process.
  - The report to Cabinet on 29<sup>th</sup> July 2014 – **‘Sustainable Swansea – Fit for the Future : Delivery Programme’** which agreed the specific objectives of the programme and set out an outline programme for delivery.
  - The update report on Sustainable Swansea – Fit for the Future as approved by Cabinet on 16<sup>th</sup> July 2015.
  - The report to Cabinet on 10<sup>th</sup> December 2015 – **Sustainable Swansea – Fit for the Future : Budget Proposals 2016/17 – 2018/19** setting out the Council’s proposals for budget consultation.
  - Decisions taken by Cabinet on 15<sup>th</sup> February 2016 to recommend to Council some changes to the specific budget proposals and as set out more fully in this report.
- 1.4 The report sets out the outcome of the budget consultation. Cabinet has considered the comments received from residents, community groups, partners, employees, School Budget Forum, Joint Phase Head Teachers, Trade Unions and others in recommending the budget to Council. The report also includes an Equality Impact Assessment statement so the Council can be aware of the key issues before finalising budget proposals.

## 2. Financial Monitoring 2015/16

- 2.1 Cabinet considered a report on the estimated Revenue Outturn for 2015/16 on 15<sup>th</sup> February 2016.
- 2.2 That report for the 3<sup>rd</sup> quarter financial monitoring highlighted an improving picture for the Council overall but, as is the case in quarter 2, there is substantial variation in performance across Directorates.
- 2.3 There were also variations on budgets which are corporate in nature and not linked to direct service provision.

- 2.4 It was projected that the Council will outturn at a position that reflects a substantially improved position from the £5m forecast overspend at quarter 2. Current estimates are that the overspend is likely to be limited to around £2m as an upper figure.
- 2.5 2015/16 has seen significant progress in settling all matters relating to equal pay claims and backpay following the Council's introduction of an equal pay compliant pay and grading structure from April 2014. The settling of liabilities in respect of these items has continued throughout 2015/16.
- 2.6 Settling these claims removes a substantial and open ended risk in respect of the Council's ability to manage its financial affairs going forward. Current forecasts show that costs relating to claims and back-pay can be contained within current resources but there remains a risk in that the final cost will not be known until all payments are processed.

### **3. The Local Government Finance Settlement 2016/17**

- 3.1 The Minister for Local Government & Government Business announced the Provisional Revenue and Capital Settlement for 2016/17 on 9<sup>th</sup> December 2015.
- 3.2 The provisional Revenue Settlement for 2016/17 differed substantially from all previous planning assumptions made by the Council including assumptions made in the report to Cabinet on 10<sup>th</sup> December 2015 agreeing budget proposals for consultation purposes. Changes are as follows:-

	<u>£'000</u>
Forecast reduction in Welsh Government support 2016/17 per Cabinet report 10 <sup>th</sup> December 2015	-14,000
Headline reduction per provisional settlement	-2,771

*Note the actual cash to cash movement (not on a like for like basis) is an increase of £120k offset by transfers from specific grant to block grant (£2,342k).*

- 3.3 The result is a significant improvement on forecast Aggregate External Finance of some headline £11.2m. However, since the settlement announcement notification has been received of considerable reductions in several specific grants to the Council. The overall outcome on specific grants will not be known for some time and as such the overall funding picture may not reflect the improvement evident on the settlement alone.
- 3.4 Implicit in the provisional settlement is assumed protection in respect of both Schools' and Social Services funding.

In respect of Schools, the proposed protection is set at a level of 1% above increase in overall Welsh block grant, a potential increase of 1.85% or £2.498m. In addition, demographic increases in overall school pupil numbers



is expected to add a potential £0.7m to school's delegated budgets if the funding per pupil were to remain at 2015/16 levels.

- 3.5 In respect of Social Services, protection is not specified in terms of value and it is anticipated that funding in terms of known service pressures identified in Section 4 of this report will satisfy any funding guarantee.
- 3.6 The final Revenue and Capital Settlement for 2016/17 is expected on 2<sup>nd</sup> March 2016, with final confirmation expected on 9<sup>th</sup> March 2016.
- 3.7 Given the overarching requirement for the Council to formally set Council Tax levels for 2016/17 by 10<sup>th</sup> March 2016, the timetable for onward approval of the 2016/17 Revenue budget is as follows:-
- Council to receive and approve the proposed Revenue Budget for 2016/17 at this meeting.
  - Council to receive and approve the Statutory Resolution on Council Tax at a Special Meeting on 10<sup>th</sup> March 2016.
- 3.8 **It must be made clear that this significant reduction in the cut to Aggregate External Finance does not mean the Council has additional resources to allocate for 2016/17.** As detailed in Section 4 below, it can be seen that the Council still faces significant budget pressures in setting a balanced Revenue Budget for 2016/17 although the overall savings requirement is less than forecast in December.
- 3.9 In revising the Medium Term Financial Plan and setting the Budget for 2016/17, it is essential that the Council adheres to and continues to implement the objectives in *Sustainable Swansea – fit for the future*. The Council has made clear through *Sustainable Swansea* that the need to transform services, reduce or divert demand through prevention and to look for alternative models of delivery, including community action, is required for our future sustainability and to improve outcomes for residents.
- 3.10 **The financial pressures and level of risk that we face and will continue to face make the need to implement these changes more urgent. The lower than expected cut in AEF should be seen as an opportunity to increase investment in the Council's priorities and preventative action in particular, not to slow down the pace of change or the level of required savings.**

## **4. Budget Forecast 2016/17**

### ***Overview***

- 4.1 The budget proposals for 2016/17 as submitted for consultation on 10<sup>th</sup> December 2015, resulted in a projected funding deficit of £35.850m. The funding deficit was made up of projected funding pressures of £21.850m

together with a projected reduction on Welsh Government Aggregate External Finance of £14.0m as set out in Section 3.2 above.

- 4.2 The announcement of the interim settlement, together with an improved view on the financial position with regards to 2015/16 outturn, means that the overall funding deficit forecast for 2016/17 inevitably has changed substantially, as reported to Cabinet on 15<sup>th</sup> February 2016.
- 4.3 In addition, the opportunity has arisen to review all aspects of the budget pressures and risks so far identified with a view to updating the forecast using the latest up to date assumptions.
- 4.4 The options for funding the deficit that is identified remain as:
- Savings on current service net expenditure (through a combination of expenditure reduction and additional income generation)
  - Increases in Council Tax levels
  - Potential reductions in contributions to the Contingency Fund
  - Use of Reserves and Balances

***Forecast funding shortfall 2016/17***

- 4.5 The revised shortfall in funding previously identified in 4.1 above can now be updated and summarised in Table 1(a) below:-

**Table 1(a) – Projected funding shortfall 2016/17**

	<b><u>2016/17</u></b>
	<b><u>£'000</u></b>
Future cost of pay awards	1,700
Pay and grading scheme	2,700
National Living Wage – contract inflation	2,000
Cumulative contract inflation	1,000
Capital charges	750
National Insurance rebate	3,500
Use of General Reserves	1,200
Demographic and Service pressures	2,000
Council Tax Support Scheme	600
Schools funding guarantee	3,200
Fire Authority Levy (revised)	139
<b><i>Total known pressures</i></b>	<b>18,789</b>
Estimated reduction in core Welsh Government Funding CASH	2,222
<b><i>Total Savings Requirement</i></b>	<b>21,011</b>

- 4.6 The reasons for the decrease in the overall savings target since Cabinet in December are detailed in Table 1(b) below:

**Table 1(b) – Movement in projected funding shortfall**

	<b>2016/17</b>
	<b>£'000</b>
<b>Target per Cabinet Report 10 December 2015</b>	<b>35,850</b>
Decrease in reduction in core Welsh Government funding IN CASH	-11,778
Removal of pressures specifically relating to Schools delegated Budgets	-4,400
Compliance with Ministerial funding guarantee for Schools together with increased pupil numbers	3,200
Lower increase in capital charges following updated assessment of likely rise in interest rates and hence need for debt re-financing	-1,000
Estimated costs relating to demographic changes	-1,000
Notified increase in Fire Authority Levy	139
<b>Cumulative revised target – Cabinet 15 February 2016 and after Fire Authority Levy change</b>	<b>21,011</b>

### ***Inflation***

- 4.7 The 2015/16 revenue Budget did not provide for any corporate provision for inflation.

Given current UK inflationary levels and forecasts there is no case to be made for re-instating a corporate (General) provision for inflation in 2016/17 and, as such, no provision has been included within the draft budget proposals for 2016/17. It is the case, however, that the Council is likely to experience cost pressures in specific areas of contracted out service delivery as detailed in Table 2 below

**Table 2 – Potential Service inflationary and cost pressures:**

	<b>£'000</b>
Increased contract costs due to rise in National Minimum Wage levels	2,000
Contract inflation on residential and Domiciliary care costs	1,000

In the November 2015 Autumn Statement, the Chancellor announced significant increases in the National Minimum wage to be introduced over the next three financial years. Whilst this is unlikely to affect direct employee costs incurred by this Council during 2016/17, it is highly probable that this will

impact directly on wage costs of external contractors particularly in respect of contracted services within Social Services. To this extent a sum of £2m has been set aside within the budget proposals in order to meet these potential costs.

Irrespective of increases in minimum wage, there is likely to be pressure from contracted areas in both Social Services and Transport Services for elements of cost increases.

In the 2015 Autumn Statement, the Chancellor announced proposals to limit pay awards within the public sector to a level of 1% for 2016/17. This increase has been built into revenue budget proposals.

As in previous years, and as detailed below, it is assumed that any provision for increases in School pay budgets will be met directly from Schools' overall delegated budgets.

### ***Schools Protection***

- 4.8 It remains the case that the forward financial plans for the Council will continue to show year on year savings requirements which are likely to be significant and sustained.

Given the scale of savings required, it is inevitable that it will be impossible to exempt schools' budgets from cuts.

- 4.9 Reductions can be viewed in two ways:

- Actual cash reductions in levels of funding provided to Schools
- Real terms reduction in Schools funding, taking into account known spending needs

- 4.10 For 2016/17 it is intended to both meet the Ministerial funding commitment to Schools as outlined in para 3.4 above, together with providing funding for additional pupil numbers that are forecast for the year.

The net result of these proposals is an increase in the cash settlement to Schools of some £3.2m for 2016/17. In addition, the headline increase across Wales in respect of Pupil Deprivation Grant is 7.45% which, if applied uniformly, would result in an increase to Swansea Schools of £429,000

- 4.11 Table 3 below sets out the effective impact of the core funding increase as against expected funding pressures for Schools.

**Table 3 – Reductions on Schools delegated budgets**

Item	£'000
<b><i>Cash position</i></b>	
<b>Net core delegated base budget 2015/16</b>	<b>123,484</b>
Ministerial funding guarantee/additional pupil numbers	3,200
<b>Core delegated base budget 2016/17</b>	<b>126,684</b>
<b><i>Pressures</i></b>	
Anticipated cost of pay award for school based staff	1,200
Increased cost of employer pension contributions to Teachers Pensions	700
Increased employers NI contributions re School based staff	2,500
<b>Total pressures</b>	<b>4,400</b>
<b>Potential increase in Pupil Deprivation Grant</b>	<b>429</b>
<b>Net overall real terms reduction</b>	<b>-771</b>
	(-0.62%)

i.e. The above cash increase assumes that Schools will meet the additional costs of teachers pay awards, pension costs and NI increases for 2016/17 (£4.4m).

The real terms reduction in core delegated budget would therefore be 0.62%.

It remains the case, however, that substantial elements of Schools Funding (c£12m) are now being delivered via specific Grant (Pupil Deprivation Grant and Education Improvement Grant) which results in a substantial annual risk to overall School's funding which is not in the control of this Council.

### ***Social Care protection***

- 4.12 The Welsh Government overall Revenue Settlement for 2016/17 included a notional all-Wales allocation of £10m to fund further pressures in Social care. Consultation is taking place as to whether this sum is available to Local Authorities or is ringfenced to Health and is to be allocated at a regional level.

### ***Capital Financing Charges***

- 4.13 There is an increase of £750,000 compared to the 2015/16 approved budget reflecting the potential requirement to externalise elements of borrowing during 2016/17 dependent on expected movements in PWLB borrowing rates.

As at 1<sup>st</sup> April 2015, and to date, a significant element of the Capital Financing requirement has been met by the allocation of internal funds (Internal borrowing). This is highly dependent on cash-flows of the Council and it is anticipated that, during 2016/17, there may be a need to externally borrow to replace elements of current internal borrowing.

Whether or not that need arises, I am mindful that we continue to enjoy historically low rates of interest on PWLB borrowing, and that a decision may be required to externalise elements of current internal borrowing should there be a predicted and marked increase in forecast PWLB rates in order to best serve the Councils interests in the medium to long term.

### ***Fire Authority Levy***

- 4.14 We have now been notified of a revised increase in the Fire Authority Levy of £0.139m (1.2%), including changes expected due to population changes across levied Authorities.

### ***Pay & Grading Settlement and the Living Wage***

- 4.15 A single pay and grading structure was introduced across the Authority with effect from 1<sup>st</sup> April 2014.

The introduction of a single pay and grading scheme is a positive achievement and in future years will add certainty to pay estimates. The Council has made considerable progress in terms of completing the Appeals process arising out of implementation and in making payments of back pay to those who gained under the new scheme and/or were successful in the appeals process.

The current budget proposals do not set aside any additional sum in respect of pay and grading based on the progress that the Council is making to settle all outstanding liabilities by 31<sup>st</sup> March 2016.

In line with previous reports, the budget proposals for 2016/17 allow for increased employee costs of some £2.7m for 2016/17 in relation to incremental progression for those staff who were assimilated to the bottom of their pay scale on implementation of the pay and grading scheme.

## **Council Tax Reduction Scheme**

- 4.16 The Authority received a baseline adjustment to its Revenue Support Grant allocation of £18.883m for 2014/15 which has been notionally included as part of future grant settlements. The effect of this base grant allocation is that any future increases in Council tax levels would have to be discounted by any potential increases in Council Tax Support costs. Where appropriate the yield will also have to take account of any increase in Council Tax Support Costs arising from increases in the Council Tax applied by the South Wales Police Commissioner.

The effects of funding additional Council tax support have been taken into account when calculating the funding in respect of the overall budget shortfall highlighted in table 1(a) in section 4.5 of this report in the sum of £0.6m..

## **5. Specific Savings Proposals: Update**

- 5.1 In determining its budget proposals, the Authority has embarked on a specific long term strategy – ‘*Sustainable Swansea – Fit for the Future*’ - as a means of setting Council priorities, transforming services and addressing current and future deficits.

Details of that strategy, including the budget principles that the Authority has adopted together with a description of the key elements that underpin the service savings proposals, was presented and approved by Council on 22 October 2013 and subsequently reviewed by Cabinet on 16<sup>th</sup> July 2015.

- 5.2 The strategy, as adopted, underpinned the decision taken at the Council's Cabinet on 10<sup>th</sup> December 2015 to recommend specific additional savings proposals totaling £10.221m in 2016/17 for consultation. Cabinet on 15<sup>th</sup> February 2016 has now considered what changes be made to these proposals in light of the outcome of the consultation and these are set out in section 6.11.
- 5.3 The overall savings proposals, including Service savings recommended in respect of 2016/17, totalled some £17.870m as detailed below. These savings include the previously agreed service reductions, changes to the level of schools delegated budgets as detailed in Section 4.10 above and *Sustainable Swansea* workstream savings proposals totaling some net £7.419m which will require further action during 2016/17.

**Table 4 – Summary of Savings proposals (as at 10 December 2015)**

Savings	Savings £'000
Service Savings as submitted for budget consultation	10,221
Net reduction in previously funded 100 days money	230
Sustainable Swansea Additional Proposals*	7,419
<b>Total</b>	<b>17,870</b>

\* Represents the additional proposals required **explicitly recognising that approximately £7.5m of the £10m service specific savings already contribute** to those additional Sustainable Swansea proposals.

5.4 As with previous years, the Executive Board will ensure that the Sustainable Swansea workstream savings targets are allocated to specific Heads of Service and cost centres for delivery during the course of 2016/17. Key areas where this will be addressed include:

***Currently allocated additional savings items explicitly built into the budget planning assumptions at a Directorate level as targets to achieve (subject to monitoring and review during the year):***

- Staff Terms and Conditions review - £1m target – subject to Cabinet consideration/decision prior to implementation - target allocated in line with existing employee budgets.
- Senior Staff Review - £3m target across all services – programme led by Chief Executive - allocated pro rata to senior staff numbers in scope (excluding some certain types of posts) by directorate.
- Third Party Spend and Income £2.65m target – programme led by Head of Commercial Services - to be allocated across services from a mix of existing supplies, premises, third party spend and fees and charges budgets.

These are currently allocated (as planning targets) as follows:



**Table 4(a) - Directorate Level Targets**

	Terms and Conditions £'000	Senior Staff Review £'000	3 <sup>rd</sup> party/ income/ sponsorship £'000	Total £'000
Corporate Services	150	750	100	1,000
Poverty and Prevention	50	150	50	250
Social Services	275	725	1,250	2,250
Education	150	325	100	575
Place	375	1,050	1,150	2,575
<b>Total</b>	<b>1,000</b>	<b>3,000</b>	<b>2,650</b>	<b>6,650</b>

***Currently unallocated additional savings items explicitly built into the budget planning assumptions – still to be allocated***

- Lower Priority Services £2m target – review being undertaken collectively by all Heads of Service. Subject to further Cabinet consideration/decision on specific proposals and/or alternatives.

***Additional Sustainable Swansea strands which remain part of planning assumptions but which are not specifically taken into account for setting a recommended budget***

- Year 2 Commissioning Reviews £5m
- Asset Management £0.5m
- Community Asset Plans £0.25m
- ICT rationalisation £0.3m

5.5 Details around the currently assumed proposals for Council Tax levels are shown in section 9 of this report.

5.6 Details around use of the Council's Reserves, contingency and inflation provisions are shown in section 8 of this report.

## **6 Outcome of Budget Consultation Process**

### ***Budget consultation results***

6.1 The annual budget consultation ran from 16<sup>th</sup> December until 24<sup>th</sup> January 2016. The consultation included a public survey available online and in hard-copy in council venues. Overall we received 771 responses to the survey (646 online). In addition we produced a video explaining the budget position which had 338 views online and we held three drop-in consultation sessions for the public. We also held a children and young people's event attended by 56 pupils. A full summary of consultation results can be found in Appendix E.

- 6.2 The EIA process has been running continually through the budget process. The EIA report is attached as Appendix F. Cabinet will be kept updated on any potential issues that may arise as part of the budget implementation process. We will continue to publish each EIA report as it reaches completion at: <http://www.swansea.gov.uk/eia>
- 6.3 Council will need to consider the response to consultation and the EIA report and demonstrate how we are taking account of the feedback. This is particularly the case, of course, if we are minded to proceed with any proposals where there is a significant majority of those responding opposed to this, being in mind that consultation feedback is just one of the factors that we need to consider when making difficult budget choices..

***Main Results from the survey:***

**Potential changes and funding of services**

- 6.4 When asked about the future of services, 59% of respondents said they would be prepared to pay more for some services rather than lose them, while 82% would prefer the council to deliver services in a different way rather than lose them. In terms of social care services, 38% would prefer to pay an additional cost rather than lose them.

**Main areas of concern**

- 6.5 There were a small number of proposals where there was less than 50% support from the public:
- 62% disagreed with additional charges for some social care services.
  - 53% disagreed with reducing gritting routes.
  - 56% disagreed with ceasing the abandoned vehicle service.

**Proposals for cultural services**

- 6.6 Overall there was support for the majority of the changes and approaches proposed in cultural services. The most supported proposals are listed below:
- 89% agree - develop programming and conferencing at the Brangwyn and Grand.
  - 88% agree - seek interest from a third party operator to run Plantasia.
  - 88% agree - conduct a comprehensive review to revise all events so that income or economic benefit will cover costs.
  - 86% agree - create a regional archive service, whilst also reviewing opening hours and income opportunities.
  - 79% agree - seek a non-profit partner to manage the Dylan Thomas exhibition.
  - 79% agree - seek an alternative operator for the Glynn Vivian.

## **Other Budget savings proposals**

6.7 The majority of specific budget proposals were supported by respondents, the most supported proposals are listed below:

- 94% agree - reduce Swansea Leader to four a year and develop income opportunities.
- 83% agree - legal and planning costs for DFGs should come out of capital rather than revenue.
- 70% agree - developing e-payments etc, including replacing cashiers with machines
- 58% agree - end discretionary pensioner council tax reduction scheme.

In addition a petition with 115 signatures was received from Neath Antiquarian Society in relation to the proposal for the Archives service.

A detailed response from the Federation of Museums and Art Galleries of Wales was received raising issues with the proposals for Swansea Museum and Glynn Vivian Art Gallery.

## **Children and young people event: The Big Conversation**

6.8 The Big Budget Conversation was the 3<sup>rd</sup> annual consultation with children and young people on the City and County of Swansea budget proposals. The event focused on three issues: *Sustainable Swansea: Fit for the Future*; remodelling youth club provision and education. Participants were encouraged to think about the council budget as a whole and some of the challenges in making savings. The outcomes of the Big Conversation can be found within the summary of consultation results.

## **Schools Budget Forum**

6.9 The views of the Schools Budget Forum have been received and need to be taken into account by Council before the budget is finalised. See letter at Appendix G.

6.10 Finally, Council is asked to note that, as part of the budget consultation process:

- A full account of the consultation responses will be placed on the Council's website
- The detailed consultation responses have been sent to the relevant Head of Service to:
  - Reply to any particular responders as appropriate, for example, community groups, Assembly Members
  - Where appropriate, build the comments into the implementation of the proposals, subject to these being agreed by Council

## Cabinet revised proposals

- 6.11 Cabinet on 15<sup>th</sup> February 2016 has considered the outcome of the consultation and Equality Impact Assessment Statement and has decided to recommend the following changes to the draft budget proposals which are now reflected in Appendix D.

**Table 5 (a) - Cabinet Recommendations on the Outcome of Budget Consultation**

<b>Savings</b>	<b>Savings £'000</b>
Savings as reported at 15 February Cabinet	17,870
Cabinet decisions on 15 February 2016	-904
<b>Revised Savings Total</b>	<b>16,966</b>

- 6.12 To be funded by a further increase in Council Tax of a corresponding additional £904,000 as follows:

**Table 5(b) – Revised Budget Proposals 2016/17**

	<b>£'000</b>
Savings above	-16,966
Increase to Fire Authority Levy (as since notified)	-19
Net effect of Council tax base increase and proposed charges	-4,026
<b>Overall resourcing</b>	<b>21,011</b>

- 6.13 The changes made in respect of the savings submitted for consultation are as follows:

**Table 5(c) – Detailed Changes to Budget Proposals 2016/17**

<b>PROPOSAL</b>	<b>£000</b>	<b>RATIONALE</b>
Removal of remaining Council contribution to Music Service through restructure, changes in delivery, & review of charges	97	Following further consideration of the proposals and the views we have received, it is proposed to reduce the saving in 2016/17 from £232k to £135k.
<ul style="list-style-type: none"> <li>• <b>Although we did not specifically ask about this proposal we still received many comments supporting the continuation of the Music Service within the consultation</b></li> </ul>		
Minimum savings arising out of the Commissioning Review of Public Toilets provision. Consultation to take place on completion of review	88	Following further consideration of the proposals and the views we have received, it is proposed to remove this saving in 2016/17.
<ul style="list-style-type: none"> <li>• <b>We have consulted on various options around the provision of public toilets in previous years (including transfer running and maintenance of toilets to suitable local groups and closure of urban toilets) - our proposals have been met with opposition from the public.</b></li> </ul>		
Review of winter gritting provision	24	Following further consideration of the proposals and the views we have received, it is proposed to remove this saving in 2016/17.
<ul style="list-style-type: none"> <li>• <b>We consulted on this proposals with the majority of respondents (53%) stating they disagree with this.</b></li> </ul>		
Increased parking enforcement in resident parking areas	120	Following further consideration of the proposals and the views we have received, it is proposed to remove this saving in 2016/17.
<ul style="list-style-type: none"> <li>• <b>Extremely sensitive area with high interest from the public – received lots of letters and comments when we consulted on charging for residents parking. A further consultation would be required before proceeding with any proposal in this area.</b></li> <li>• <b>After consultation with officers involved it has been determined that the saving target is unachievable and current enforcement fines are already considered to be suitable.</b></li> </ul>		

Reduce the Lord Mayor hospitality budget by approx 70%	25	Following further consideration of the proposals and the views we have received, it is proposed to remove this saving in 2016/17.
Delete the Lord Mayor inauguration budget. Savings to be achieved by sponsorship of events and other income opportunities	11	Following further consideration of the proposals and the views we have received, it is proposed to remove this saving in 2016/17.
<ul style="list-style-type: none"> <li>• <b>The Lord Mayor is the First Citizen of the City and County of Swansea and plays a huge ceremonial and civic role in city life. The inauguration celebrates not only the inauguration of the Lord Mayor elect, but is also the culmination of the work of the year of office of the outgoing Lord Mayor.</b></li> <li>• <b>Funding a ceremony to mark this occasion for the city's only high profile civic and ceremonial role ensures it's profile is maintained.</b></li> </ul>		
Reduce funding for the provision of childcare and early years support	39	Following further consideration of the proposals and the views we have received, it is proposed to remove this saving in 2016/17.
<ul style="list-style-type: none"> <li>• <b>This budget proposal relates to supporting existing and new child care providers to set up and improve their services. We have just agreed a significant expansion of our work to promote the Early Years, including a new Early Years Strategy agreed with our Health partners in the ABMU for the first time, it is not the right time to be considering a reduction.</b></li> <li>• <b>We know that a positive child care experience in early years can give children an excellent start in life and we are reflecting that in our work to promote early intervention.</b></li> <li>• <b>We will be reviewing all of our child care provision next year during our Childcare Sufficiency Audit process, and we may choose to reconsider options for investment after the conclusion of this Audit.</b></li> </ul>		
Remodel Council funding provision to third sector organisations.	150	Following further consideration of the proposals and the views we have received, it is proposed to slow this saving by funding it for 2016/17 from the Transformation Fund reserve.
<ul style="list-style-type: none"> <li>• <b>Consultation has been undertaken with third sector organisations outside of the main consultation.</b></li> <li>• <b>Huge concerns were raised within the consultation about the potential impact on organisations and groups they support with a most being unable to sustain any further reduction in funding on top on the £35,000 already agreed.</b></li> </ul>		

<ul style="list-style-type: none"> <li>• <b>There was an overarching concern expressed at the short timescale as the decision making process is very late in the financial year, which could potentially result in a funding gap if grants/agreements.</b></li> <li>• <b>We have a good relationship with the third sector and we with this to remain at this crucial time where we are changing the way we run services.</b></li> <li>• <b>But reintroducing this is only a temporary measure for 2016/17 to allow bodies to explore other sources of finance.</b></li> </ul>		
<b>Sub-total</b>	<b>554</b>	<b>Savings now removed</b>

6.14 In addition, there was a proposed retargeting and consequential overall net saving of £230,000 of previously funded 100 days money to support member ward priorities and strengthen member support set out in the 15th February report. These member priorities funded from 100 days money were originally budgeted for in the 2013/14 budget, to fund specific targeted activity, potentially on a time limited basis.

6.15 The rationale for this further involvement of Local Ward Members being able to influence spending decisions specific to their individual wards was set out in the Mid-Term Budget Statement considered at Cabinet on 15th October 2015.

6.16 Whilst that remains very much the case, Cabinet is keen to ensure that any such re-prioritisation is not at the expense of other existing significant priorities and so it is proposed to retain the following as now permanently established base budgets, no longer dependent upon continuation of 100 days money funding.

**Table 5(d) – Base Budget Proposals 2016/17**

<b>PROPOSAL</b>	<b>£000</b>	<b>RATIONALE</b>
Support for bus services and community transport services	250	To build into base budgets on permanent basis
Tidy City – focus on cleansing and dog fouling	150	To build into base budgets on permanent basis
<b>Sub-total</b>	<b>400</b>	

6.17 Additional spending on strengthening Democratic support will be made available by adding the following to the budget, rather than looking to fund from re-prioritising existing 100 days money.

**Table 5(e) – New Budget Proposals 2016/17**

<b>PROPOSAL</b>	<b>£000</b>	<b>RATIONALE</b>
Democratic support	100	Current changes within the Council's Senior Management Team offers a further opportunity to strengthen the Council as a Member led Authority. Overall restructuring, including this sum, is intended to provide a net saving to the Council.
<b>Sub-total</b>	<b>100</b>	

6.18 Finally, to mitigate some of the increased costs, it is proposed to fund part of these proposals, amounting to £150,000, on an interim basis from the Transformation Fund.

6.19 The consequence of these proposals is summarised as follows.

**Table 5(f) - Summary of proposals 2016/17**

	<b>£'000</b>
Proposed savings now removed	554
Base funding secured for priorities currently funded from 100 days money	400
New base funding for enhanced Member support	100
One-off funding from Transformation Fund	-150
<b>Total impact per Table 5(a)</b>	<b>904</b>

6.20 As previously agreed, engagement on the delivery of the objectives in *Sustainable Swansea, fit for the future* will continue during 2016. Specific consultation will also be required on proposals from Commissioning Reviews as they come forward during 2016.

6.21 The Scrutiny Programme Committee and the Service Improvement and Finance Panel have discussed the Budget proposals with the Leader of the Council. Following a further meeting of the Service Improvement and Finance Panel to discuss the budget 10<sup>th</sup> February 2016, the Convenor of the panel attended Cabinet on 15<sup>th</sup> February 2016 to outline the views of the Scrutiny Panel.



## 7 Staffing Implications

### *Background*

- 7.1 The Cabinet Report of 10<sup>th</sup> December 2015 set out the latest estimate (work on this is continuing and the number is likely to change) of the impact of the current proposals on staffing numbers for 2016/17 which is shown as Full Time Equivalentents (FTEs), i.e.

**Table 6 – Outline Staffing Implications**

<b>SERVICE SPECIFIC PROPOSALS</b>	<b>FTEs</b>
Corporate Services	22
Place	127
People	39
<b>TOTAL</b>	<b>188</b>
<b>SUSTAINABLE SWANSEA PROPOSALS</b>	<b>FTEs</b>
Senior Staff Review	100
Customer Contact	7
Commissioning Reviews : Place	85
Commissioning Reviews : People	8
Commissioning Review : Business Support	115
Commissioning Reviews : Stage 2	50
Community Action	5
Prevention	100
Stopping Services	40
<b>TOTAL</b>	<b>510</b>
<b>LESS</b> overlap with Service Proposals	-58
<b>GRAND TOTAL</b>	<b>640</b>

- 7.2 The Council is committed to continue to work closely with Trade Unions to minimise the number of compulsory redundancies.
- 7.3 The S188 Letter was sent out on 11<sup>th</sup> December 2015 and consultation with Trade Unions ran until 31<sup>st</sup> January 2016.
- 7.4 Eight meetings have taken place with the Trade Unions since the S188 was issued; with further meetings scheduled for February 2016.
- 7.5 It should be noted that consultation will be undertaken on a rolling basis outside the normal budget cycle, as the outcomes from commissioning and other reviews are presented to Cabinet. Consequently, in some Service Areas, it was not possible at the time of the formal meetings with the Trade Unions to give details of the precise impact on staff and the figures quoted were, therefore, overall estimates. Future meetings with Trade Unions will be

used to provide more detail when this becomes available as future options are agreed.

7.6 A significant reduction in posts in 2016/17 will be unavoidable, given that the Council spends 40% of its overall budget on employees (significantly more in some Service Areas). It is important, therefore, that the Council is open about the likelihood of compulsory redundancies in 2016/17 and beyond given the increased level of savings and the reduced scope for redundancies.

7.7 Notwithstanding the scale of the challenge, in line with the Council's current policy, every effort will be made to minimise compulsory redundancies. Management action includes:

- *Tight management of vacancies so that we manage the deletion of posts via natural wastage over time*
- *The use of fixed term appointments where a post needs to be covered*
- *Stopping the use of agency staff unless a clear business case can be made*
- *Redeployment and retraining where ever possible*
- *Further encouragement of staff to consider ER/VR options, including bumped redundancies and a time limited enhanced ER/VR offer*
- *Encouraging staff to work flexibly e.g.: reduce hours or job share*
- *Flexible retirement*

7.8 The groups of staff likely to be most at risk (no options can be ruled out at this stage) are those affected by service savings, those in management/supervisory posts and those employed in business support functions.

### ***Issues***

7.9 So far, the Trade Unions have not raised any concerns in relation to the level of information provided to them which includes the service savings proposals for each service area, which includes details of where the posts at risk are.

The Trade Unions have been asked whether they will be providing a formal response to the proposals. However, to date they have not yet confirmed whether they intend doing so.

Based on current information it is anticipated that there will some changes to the staffing figures as a result of:

- ERVR applications
- Not filling vacant posts
- Flexible Working requests, i.e. reduced hours
- Flexible Retirement
- Redeployment

These figures will be updated on an ongoing basis.

The HR Officers are constantly working with redeployees to secure them alternative positions. Employees at risk, i.e. those who have not been served notice, can also be considered for redeployment.

In addition, all posts are placed on the list of posts for employees at risk in the first instance. Director approval is required in order for the posts to be advertised either on the Vacancy Bulletin or externally.

### ***Consultation Period and Notice Periods***

- 7.10 The formal staff consultation period ended on 31<sup>st</sup> January 2016; although consultation meetings with the Trade Unions will continue throughout February.

Assuming that Council approves the budget, it will be after this date that the workforce implications of the budget can be implemented.

After any redundancy selection process has been completed, displaced staff will then be served with their contractual notice which could range from a 4 week period up to 12 weeks, which depends on the employee's length of service.

## **8 Reserves and Contingency Fund Requirement**

### ***Background***

- 8.1 It is a requirement of the Local Government Finance Act 1992 that authorities have regard to the level of reserves when calculating their Budget Requirement. Whilst there is no prescribed statutory minimum level of reserves, account should be taken of the strategic, operational and financial risks facing the Council.
- 8.2 In assessing the adequacy of reserves account needs to be taken of the following general factors:
- treatment of inflation and interest rates
  - level and timing of capital receipts
  - treatment of demand led pressures
  - Expected performance against challenging budget requirements
  - treatment of planned efficiency savings / productivity gains
  - financial risks inherent in major capital developments and funding
  - the availability of reserves, government grants and other funds
  - general financial climate to which the authority is subject

In addition, whilst the Council is making substantial progress towards achieving a balanced budget for 2015/16, there remains considerable potential volatility until such time as the majority of back pay payments are settled by the end of March 2016. Any consideration on use of reserves to fund the 2016/17 Revenue Budget is dependent on the level of confidence in predicting 2015/16 Revenue Outturn.

Setting the level of reserves is just one of several related decisions in the formulation of the Medium Term Financial Strategy i.e. it is more than a short term decision.

- 8.3 In considering reserve levels Members should have specific regard to:-
- The report of the Section 151 Officer to Council on 24<sup>th</sup> September 2015 'Review of Revenue Reserves'
  - The recent guidance issued by Welsh Government and circulated to all Members advising on methods that might be employed when reviewing the overall reserves of the Council.

### ***General Reserves***

- 8.4 The General Reserve amounted to £12.360m at 1st April 2015.
- 8.5 The Revenue Budget for 2015/16 approved by Council on 24th February 2015 assumed a transfer of £1.2m from General Reserves to support the budget. At the current time it is assumed that the transfer will be required and therefore the forecast level of General Reserves as at 31<sup>st</sup> March 2016 is £11.160m.
- 8.6 At this point in time it is not proposed to transfer any further element of the General Fund Balance to support the 2016/17 Revenue Budget.

The level of General Fund balances therefore estimated at 31<sup>st</sup> March 2017, assuming achievement of the 2015/16 Revenue Budget, would also be £11.160m.

### ***Contingency Fund***

- 8.7 The 3<sup>rd</sup> quarter financial monitoring report detailed several forecast uses of the Contingency Fund in 2015/16. At this time, it is anticipated that the £5.4m budgeted contribution in 2015/16 will be fully expended and/or used to fund the Councils' outturn position. Given the overall position as forecast in the 3<sup>rd</sup> quarter budget monitoring report for 2015/16 considered elsewhere on this agenda, the forecast Fund balance as at 31<sup>st</sup> March 2016 is nil.
- 8.8 In assessing the value of the Contingency Fund requirement in 2016/17, the following potential requirements are relevant:
- (a) The risks and issues detailed in Section 11 below.
  - (b) The need to provide a potential source of finance for the ongoing ER/VR scheme, together with the need to fund any redundancy costs arising from service reorganisation bearing in mind the Council has now retained Earmarked Reserves for this purpose.

(c) The poor outlook for Public Finances as set out in the Cabinet report on 10<sup>th</sup> December and summarised in the MTFP report elsewhere on the agenda.

(d) The challenging additional savings target (£7.419m) implicit in budget savings proposals for 2016/17

8.9 Bearing the above in mind, together with the proposals in respect of funding current year service pressures within the 2016/17 base budget, which continues to maintain reduced levels of risk, it is recommended that the contribution to the Contingency Fund in respect of 2016/17 is maintained at £5.4m.

### ***Earmarked Reserves***

8.10 The Council retains earmarked reserves for specific purposes. The reasons for holding these reserves are documented and are subject to ongoing review and scrutiny. The forecast transfers to and from reserves are summarised in Appendix C.

On 24<sup>th</sup> September 2015 Council received and approved a report detailing a formal review and re-allocation of Earmarked Revenue Reserves of the Council.

8.11 The Revenue Budget for 2015/16 approved by Council on 25<sup>th</sup> February 2015 included budget provision for two separate transfers to reserves as follows:-

- £1.6m to fund the Council's contribution to the Intermediate Care Fund replacing loss of Welsh Government core funding for that project.
- £1.7m towards in year transformation costs associated with the delivery of the Sustainable Swansea programme.

It is intended that the contribution to the ICF Reserve continue in the same amount for 2016/17 but that the contribution towards a reserve for transformation costs be discontinued.

8.12 It is clear from analysis of specific grant approvals so far received in respect of 2016/17 that the Council is likely to face a significant reduction across a number of services in terms of specific grants.

Past experience has shown that whilst it is extant Council policy that any reduction in specific grant should be met from an equal reduction in service expenditure, there is often a lag between loss of grant and reduction in costs/change in service levels.

It is also clear that in respect of some specific grants (e.g. waste grant) that any reduction in associated expenditure may have a detrimental effect in meeting service targets with a consequential increase in future financial penalties.

It is therefore proposed that a contribution of £1.7m is made to a one off reserve in order to mitigate the loss of specific grants and/or deal with timing issues, with application being made on an individual basis as each grant notification is received.

In addition, whilst not explicitly budgeted for on the face of the revenue account, there is an underlying planning assumption that £2m of the recently created Restructuring Costs Reserve provisionally be committed towards meeting part of the cost of actual staffing reductions as they fall due in 2016-17 as part of the evolving reviews of senior staffing, business support, stopping lower priority services and the wider commissioning reviews.

### ***Review of Insurance Fund***

- 8.13 A further review has been completed of the sums set aside to provide for future claims which are not known or only partly known at this time. Such claims can be very significant and can relate to past periods going back many years.

The review highlighted an Insurance Fund surplus as at 31<sup>st</sup> March 2015.

- 8.14 In the light of an assessment of likely financial risks facing the Council over the period of the Medium Term Financial Plan, a report was approved by Council on 24<sup>th</sup> September 2015 which allocated £4m of Insurance Fund reserves into a restructuring reserve.

### ***Adequacy of Reserves***

- 8.15 Whilst the proposed use of Earmarked Reserves in 2016/17 funds some recurring expenditure, taking into account the level of General and Earmarked Reserves which would be available should there be an overriding financial requirement, and the arrangements in place to monitor and manage financial risk in 2016/17 and future years, I am satisfied that the proposed management of reserves in 2016/17 will result in a forecast level of General Reserves, Earmarked Reserves and Provisions which is adequate, subject to the potential financial implications of the risks described in Section 11 below and the final budget proposals recommended by Cabinet to Council.
- 8.16 Given the considerable risks and uncertainties facing the Council in 2016/17 and future years, it remains my advice as the officer designated with responsibility for the overall finances of the Council that the above represents prudent financial management.

## **9. Budget Requirement and Council Tax 2016/17**

- 9.1 The Council's recommended requirement is set out in Appendix A. The City and County of Swansea Requirement of £412.587m will be financed partly by Revenue Support Grant of £234.530m and National Non-Domestic Rates of £73.224m.

Based on the recommendations made at Cabinet on 15th February 2016, a Council tax rise of 3.9% would generate an additional sum of £4.026m, a band 'D' charge of £1,175.90 and Cabinet recommend this as an appropriate Council Tax Levy for 2016/17.

- 9.2 Including Community Councils, the total requirement, after taking account of proposals in respect of reserve transfers and currently assumed savings, is £413.554m.

## 10. Summary of Funding 2016/17

- 10.1 The implications of sections 4, 5, 6, 7 and 8 above, together with the assumed 3.9% rise in Council Tax identified in Section 9 above, results in a forecast additional funding of £21.011m in 2016/17 as detailed in Table 7 below.

**Table 7 – Budget Proposals 2016/17**

	<b>£'000</b>
Savings identified per Section 6.12 above	-16,966
Fund increase to Fire Authority Levy	-19
Net effect of Council tax base increase and proposed charges	-4,026
<hr/> <b>Overall resourcing</b> <hr/>	<hr/> <b>21,011</b> <hr/>

- 10.2 I am satisfied that the budget proposals detailed in this report represent a realistic and achievable financial plan for 2016/17 subject to the potential financial implications of the risks described in paragraph 11 below.

## 11. Assessment of risks and uncertainties

- 11.1 As in previous years, there are a number of potential costs which have been considered in the context of the budget proposals. In particular, the following items:

### ***(a) Implications of specific 2015/16 overspends***

The 3<sup>rd</sup> quarter financial monitoring report on this agenda highlighted a number of service overspends. It is anticipated that remedial action already in place will serve to mitigate many of the overspends identified. Where this is not the case, then adjustment via the Contingency Fund will have to be made for any items that are seen to re-occur.

### ***(b) New Unavoidable Spending Requirements***

All services will need to meet a range of additional / new pressures in 2016/17. These include the implications of new legislation; demographic

changes; final completion of the single status appeals process; and other requirements. Whilst reasonable provision has been made for these costs, there is a risk that some items will result in overspends. In particular it is assumed that whilst the cost of pay protection arising out of single status implementation can be funded centrally, any additional costs that will have arisen as a result of the appeals process will have to be met from within specific existing Directorate budgets.

### ***(c) Savings***

The 2016/17 budget includes significant and extensive savings targets which must be achieved. It is a requirement of the Council's financial procedure rules that Responsible Officers are required to manage expenditure within approved budgets of the Council and to that extent it is essential, should specific proposed budget savings be delayed or postponed, alternative savings are achieved in year to meet approved Directorate Budgets.

Given the nature and scale of the savings challenge during 2016/17, there will be enhanced monitoring and tracking of progress in achieving budget savings which will be reported to Executive Board, Budget Steering Group and Cabinet.

It is essential in terms of the financial challenges facing the Council beyond 2016/17 that further savings proposals are developed as part of the *Sustainable Swansea* programme and implemented in 2016/17 over and above those proposed within this budget. As noted above, further proposals will be brought to Cabinet during the year, for example, as reviews within the New Model of Delivery Workstream are completed.

### ***(d) Inflation***

Where there have been specific announcements around minimum wage increases an estimate has been included around the potential additional costs that may fall to the Council from external contractors. In addition £1m has been provided for potential specific increases in areas where there is a significant element of contracted out services.

### ***(e) Outcome Agreement Grant***

Outcome agreement grant has ceased for 2016/17 and has been incorporated into the overall financial settlement. This removes risk in this area

### ***(f) Care Home Fees***

Budget provision has been made for the 2015 contract settlement with care home providers. However, it is likely that fees will need to be further increased over and above the budget provision given that the Council has to undertake an annual review of payments to care home providers which must be robust and evidenced – see specific provision for inflation above.



### ***(g) Specific Grants***

A number of specific grants are yet to be announced. In the event that the level of specific grants awarded for 2016/17 is less than that for 2015/16, which is highly likely based on limited announcements made so far, it is essential that Directorates take action to manage such reductions within the proposed spending limits – i.e. there is no ongoing corporate provision for meeting such shortfalls. There is a clear expectation that expenditure will be cut to match the level of grant. Recent experience suggests that there may be substantial in-year reductions to grant funding streams that will require urgent and concerted action in terms of mitigation.

It is, however, acknowledged based on past experience that where specific grants are reduced there may be a time lag between reduction in funding and the Council's ability to reduce costs. It is equally clear that in some areas currently funded by specific grant the Council will, for operational or service reasons, wish to maintain expenditure.

The proposals on earmarked reserves detailed in Section 8.12 of this report propose setting up a one-off fund of £1.7m against which service bids can be made to offset timing issues or as a basis for baseline increases in budget to mitigate against losses in specific grants.

### ***(h) Equal Pay Back Payments***

It is envisaged that the bulk of equal pay claims both in number and value will have been settled by 31<sup>st</sup> March 2016. However, legislation is such that further claims cannot be precluded although the introduction of the compliant pay and grading structure from 1<sup>st</sup> April 2014 will significantly lessen risk in this area over time.

### ***(i) Implementation of Single Status***

Whilst the Council implemented a compliant pay and grading structure from 1<sup>st</sup> April 2014, there has been a significant number of appeals against grades awarded. Where these appeals have been successful, it will lead to additional costs over and above the grade initially allocated including incremental costs over a period of up to five years.

### ***(j) Council Tax Reduction Scheme***

Provision has been made for the estimated costs which are now linked directly to any proposed increases in Council Tax Levels.

### ***(k) Capital Financing Charges***

There is a risk that the funding shortfalls highlighted in the Capital Budget report elsewhere on the agenda will result in additional charges over and above the agreed budget provision. The Report on the Capital Programme for 2015/16-2019/20 elsewhere on this agenda highlights specific actions that

need to be taken to mitigate against future increases in revenue costs linked to increases in unsupported borrowing and further externalisation of current debt.

11.2 Whilst reasonable assumptions have been made in relation to each of the above risks it is impossible to be certain that adequate funding will be available for every item. This re-enforces the need to have adequate reserves and balances available to meet any unexpected costs or shortfalls.

11.3 The above risks are both substantial and potentially significant in value. Therefore during 2016/17 specific actions are being put in place which will involve:-

- Monthly monitoring of specific savings targets against an agreed implementation timetable in order to identify any slippage and appropriate and equivalent compensating budget savings.
- Ensuring compliance with the Council's Financial Procedure Rules which require Responsible Officers to manage budgets within the limits set by Council
- Early and ongoing monitoring of the effect of pay and grading implementation and in particular the cumulative effect of the initial appeals procedure
- The impact of any changes to specific grant funding streams

## **12. Equality Impact Assessment (EIA)**

12.1 Budget proposals continue to be subject to the Council's Equality Impact Assessment (EIA) process. Appendix F contains the Equality Impact Assessment (EIA) Statement for the Budget. The focus continues to be on mitigation of impact on the community.

12.2 As the budget EIA process is now ongoing throughout the year, the majority of EIA reports remain open as proposals are considered, undergo relevant engagement and develop further as a result of feedback, ongoing developments and reviews. Thus, EIA reports will be updated over a period of time to take account of impact and the outcomes of service specific engagement where required. As they are completed each report will be published on the Council's website at:

<http://www.swansea.gov.uk/eia>

## **13. The Medium Term Financial Plan (MTFP) 2017/18 – 2019/20**

13.1 Many of the issues identified in this report have implications for future years. The MTFP report elsewhere on the agenda includes an assessment of likely shortfalls in future years and outline proposals for achieving savings.

## 14. Legal Implications

14.1 The Authority is under a duty to make arrangements for the proper administration of its financial affairs. Failure to do so will be a breach of that duty.

Contact officer : Mike Hawes, Head of Finance and Delivery  
Telephone no : 636423  
Background papers : None

Appendix 'A' Revenue Budget summary 2016/17  
Appendix 'B' Net Directorate budget proposals  
Appendix 'C' Earmarked Reserves  
Appendix 'D' Specific savings proposals  
Appendix 'E' Summary of consultation responses  
Appendix 'F' Equality Impact Assessment Statement  
Appendix 'G' Response of the Schools' Budget Forum  
Appendix 'H' Directorate Budgets

	<i>Appendix 'A'</i>	
<b>REVENUE BUDGET SUMMARY 2016/17</b>		
<b><u>DIRECTORATE</u></b>		
	<b>BUDGET</b>	<b>BUDGET</b>
	<b>2015/16</b>	<b>2016/17</b>
	<b>£000</b>	<b>£000</b>
CORPORATE SERVICES	44,380	42,951
PEOPLE - POVERTY AND PREVENTION	4,780	5,101
PEOPLE - SOCIAL SERVICES	104,701	103,510
PEOPLE - EDUCATION	156,301	159,097
PLACE	52,691	50,999
ADDITIONAL SAVINGS STRANDS - TO BE ALLOCATED	-3,000	-2,000
<b>NET DIRECTORATE EXPENDITURE</b>	<b>359,853</b>	<b>359,658</b>
SPECIFIC PROVISION FOR CONTRACT INFLATION	0	3,000
<b>OTHER ITEMS</b>		
LEVIES		
SWANSEA BAY PORT HEALTH AUTHORITY	94	93
CONTRIBUTIONS		
MID & WEST WALES COMBINED FIRE AUTHORITY	11,773	11,912
<b>CAPITAL FINANCING CHARGES</b>		
PRINCIPAL REPAYMENTS	14,541	14,916
NET INTEREST CHARGES	14,357	14,732
<b>NET REVENUE EXPENDITURE</b>	<b>400,618</b>	<b>404,311</b>
MOVEMENT IN RESERVES		
GENERAL RESERVES	-1,200	0
EARMARKED RESERVES	8,648	7,901
<b>TOTAL BUDGET REQUIREMENT</b>	<b>408,066</b>	<b>412,212</b>
DISCRETIONARY RATE RELIEF	375	375
<b>TOTAL CITY AND COUNTY OF SWANSEA REQUIREMENT</b>	<b>408,441</b>	<b>412,587</b>
COMMUNITY COUNCIL PRECEPTS	910	967
<b>TOTAL REQUIREMENT</b>	<b>409,351</b>	<b>413,554</b>
<b>FINANCING OF TOTAL REQUIREMENT</b>		
REVENUE SUPPORT GRANT	237,542	234,530
NATIONAL NON-DOMESTIC RATES	70,092	73,224
COUNCIL TAX - CITY AND COUNTY OF SWANSEA	100,807	104,833
COUNCIL TAX - COMMUNITY COUNCILS	910	967
<b>TOTAL FINANCING</b>	<b>409,351</b>	<b>413,554</b>
<b>COUNCIL TAX BASE for the City and County of Swansea</b>	89,066	89,151
<b>COUNCIL TAX AT BAND 'D' (£) for the City and County of Swansea</b>	1,131.82	1,175.90
<b>GENERAL RESERVES</b>		
AT 1 APRIL	12,360	11,160
AT 31 MARCH	11,160	11,160

<b>REVENUE BUDGET 2016/17</b>							
<b>NET DIRECTORATE BUDGET PROPOSALS</b>							
	<b>Corporate Services</b>	<b>People - Poverty and Prevention</b>	<b>People - Social Services</b>	<b>People - Education</b>	<b>Place</b>	<b>To be allocated</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Original estimate 2015/16</b>	<b>44,380</b>	<b>4,780</b>	<b>104,701</b>	<b>156,301</b>	<b>52,691</b>	<b>-3,000</b>	<b>359,853</b>
Directorate Transfers	0	0	0	0	0	0	0
<b>Original estimates following transfers</b>	<b>44,380</b>	<b>4,780</b>	<b>104,701</b>	<b>156,301</b>	<b>52,691</b>	<b>-3,000</b>	<b>359,853</b>
Transfer to (+) / from (-) reserves 2015/16	-319	-22	-331	-75	705	0	-42
<b>Original estimate 2015/16 excluding reserves</b>	<b>44,061</b>	<b>4,758</b>	<b>104,370</b>	<b>156,226</b>	<b>53,396</b>	<b>-3,000</b>	<b>359,811</b>
Transfers for specific grants 2015/16	2,342	0	0	0	0	0	2,342
Baseline adjustments 2015/16	1,056	1	-1,068	36	-25	0	0
<b>Adjusted service budgets 2015/16</b>	<b>47,459</b>	<b>4,759</b>	<b>103,302</b>	<b>156,262</b>	<b>53,371</b>	<b>-3,000</b>	<b>362,153</b>
Spending Needs	900	450	3,800	3,850	2,500		<b>11,500</b>
Pay inflation provision	257	85	453	235	670	0	<b>1,700</b>
Savings:							
Specific consultation proposals	-3,803	-198	-933	-1,052	-3,681	0	<b>-9,667</b>
Net 100 days money proposals	0	0	0	-10	180	0	<b>170</b>
Sustainable Swansea workstreams	-5,037	-257	-3,362	-630	-4,961	0	<b>-14,247</b>
OVERLAP - specific proposals which contribute to Sustainable Swansea	2,608	83	0	414	3,145	1,000	<b>7,250</b>
<b>Original estimate 2016/17 excluding reserves</b>	<b>42,384</b>	<b>4,922</b>	<b>103,260</b>	<b>159,069</b>	<b>51,224</b>	<b>-2,000</b>	<b>358,859</b>
Transfer to (-) / from (+) reserves 2016/17	567	179	250	28	-225	0	<b>799</b>
<b>Net Directorate budgets 2016/17</b>	<b>42,951</b>	<b>5,101</b>	<b>103,510</b>	<b>159,097</b>	<b>50,999</b>	<b>-2,000</b>	<b>359,658</b>

**APPENDIX B**

<b>REVENUE BUDGET 2016/17</b>					
<b>EARMARKED RESERVES</b>					
	<b>Balance</b>	<b>2015/16</b>	<b>Balance</b>	<b>2016/17</b>	<b>Balance</b>
	<b>31/03/15</b>		<b>31/03/16</b>		<b>31/03/17</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>DIRECTORATE RESERVES</b>					
Equalisation reserves	-649	0	-649	0	-649
Commuted sums	-4,945	-54	-4,999	-21	-5,020
Repair & renewal funds	-3,686	-300	-3,986	-356	-4,342
Profit share	-1,027	-66	-1,093	-66	-1,159
Service reserves	-3,871	1,074	-2,797	451	-2,346
<b>TOTAL DIRECTORATE RESERVES</b>	<b>-14,178</b>	<b>654</b>	<b>-13,524</b>	<b>8</b>	<b>-13,516</b>
<b>CORPORATE RESERVES</b>					
Contingency Fund	0	0	0	-5,400	-5,400
Insurance	-14,775	0	-14,775	0	-14,775
Job Evaluation earmarked	0	-363	-363	0	-363
Transformation/Efficiency	-10,376	-1,767	-12,143	-2,553	-14,696
<b>TOTAL CORPORATE RESERVES</b>	<b>-25,151</b>	<b>-2,130</b>	<b>-27,281</b>	<b>-7,953</b>	<b>-35,234</b>
<b>UNUSABLE/TECHNICAL RESERVES</b>	<b>-1,465</b>	<b>44</b>	<b>-1,421</b>	<b>45</b>	<b>-1,376</b>
<b>SCHOOLS DELEGATED RESERVES*</b>	<b>-9,754</b>	<b>3,247</b>	<b>-6,507</b>	<b>-1</b>	<b>-6,508</b>
<b>TOTAL RESERVES</b>	<b>-50,548</b>	<b>1,815</b>	<b>-48,733</b>	<b>-7,901</b>	<b>-56,634</b>
* No updated information available - balances held by individual schools					

## Appendix D

### Proposals flowing from existing agreed Medium Term Financial Plan

Service Area	Proposal	Saving £'000
Comms & Consultation	Establish a leaner model for communications across the council and reduce third party spending	88
Comms & Consultation	Reduce costs of producing the Swansea Leader by reviewing frequency of publication	30
Comms & Consultation	Governance Review: savings from more effective working across Democratic Services and Scrutiny as part of business support review	40
Comms & Consultation	Increase Staffnet advertising income	5
Comms & Consultation	Savings and efficiencies in range of administrative functions	62
Comms & Consultation	Efficiencies in Design & Print: new technology, reallocation of work; increased income. Commercial plan to be put in place to trade.	57
Finance	Workforce savings across the finance function linked to the business support review	300
Finance	1. Greater use of e-payments 2. Insistence of payment in advance of service in order to minimise the incidence of invoicing/debt collection. 3. Further progress on e-invoicing, automated payments and supplier enablement, linked to the business support review	120
HR & OD	Implementation of business support review in Employee Services (ISIS self serve, Pensions, Support staff) and in HR	185
HR & OD	Corporate Health and Safety & Wellbeing Income from Trading	80
HR & OD	Restructuring of Health and Safety Team to focus on priorities and support managers via self service advice	81
Information & Business Change	Reduced Oracle system support costs, saving in systems development costs and rationalisation of ICT systems across all areas of the Council, linked to the business support review	532
Information & Business Change	Savings from the cessation of the ICT contract and establishing an in-house managed IT service.	1,215
Legal & Democratic Services	Reduction in a range of supplies and services budgets	44
Legal & Democratic Services	Continue to reduce the Child and Family Services legal budget in line with safely meeting demand	30

Legal & Democratic Services	Reduce remaining Legal Services Budget by 7% and 6% between 2016-18, linked to the business support review	132
Legal & Democratic Services	Review of all Member support as part of the business support review	12
Legal & Democratic Services	Review joint legal team funded by the members of the Shared Legal Service and hosted by Swansea. The purpose for the team is to carry out work that would ordinarily be outsourced.	21
Poverty & Prevention	Efficiency savings in childcare support	12
Poverty & Prevention	Residential and Outdoor Centres - Implement the recommendations of recently completed Commissioning Review	23
Poverty & Prevention	Withdraw project funding for the West Glamorgan County Youth Theatre	23
Poverty & Prevention	Implement the recommendations of the recently agreed review of CCTV provision	25
Poverty & Prevention	Reduction in the payment of grants to third sector organisations	35
Social Services (Child and Family)	Further development of Signs of Safety to improve practice and ultimately reduce numbers of children in care	100
Social Services (Child and Family)	Foster Swansea - reduce costs by increasing in house Fostering placements	200
Social Services (Child and Family)	Residential Placements - reduce number and recourse to residential/out of county placements	400
Social Services (Child and Family)	Family and Friends - review number of funded placements	50
Social Services (Child and Family)	Emergency residential care - remodelling in-house provision to a 2 bed short term facility	150
Social Services (Child and Family)	Right sizing care packages, with providers, through Permanence team	33
Education	Make use of cloud technology to reduce reliance on server usage	100
Education	Full year effect of increase in price of school meals	45
Education	Reduce Council contribution to Music Service through restructure, changes in delivery, & review of charges	135
Education	Cessation of remaining funding to support voluntary groups	6
Education	Fully implement current Business Support Commissioning Review as part of wider agile working across Department	105



Education	Implement the outcomes from the recent Behaviour Review to build capacity within mainstream schools to meet the needs of all pupils at the earliest opportunity and so avoid more costly interventions and placements at a later stage.	310
Education	ICT invest to save proposal to reduce cost of external software licences & maintenance - initially schools contribute towards costs of licences	31
Education	Minor reduction in SEN equipment budget & Specialist Teaching Facility sick cover	10
Education - Improvement	Reduce the level of service to the level that can be supported by the Welsh Government grant of £1.522m in line with Council policy	189
Corporate Building & Property Services	Minimum savings required from outcome of commissioning review on Building and Property services to be consulted on when review is complete	650
Cultural Services	Implement outcomes of agreed Leisure commissioning reviews	286
Cultural Services	Cease the literature programme as a stand alone function	85
Cultural Services	Share back office functions of venues across cultural services	120
Cultural Services	Reduce the directorate budget for grants, prizes and sponsorship	85
Cultural Services	Review small grants, enabling greater community governance, utility savings	70
Cultural Services	Leasing - new income streams	15
Cultural Services	Management and administration - staff reductions, grant reductions and efficiencies	40
Cultural Services	Grand Theatre staffing efficiencies/ increased income	50
Cultural Services	Libraries - Review book fund provision subject to forthcoming Commissioning Review	97
Cultural Services	Reduce grants to partner venues at Wales National Pool and National Waterfront Museum	90
Economic Regeneration & Planning	Restructure Economic Development, Planning & Environment Team, reduce costs in Planning Control, cease Planning Advertising in media, restructure Conservation & Urban Design Section, minimum required in advance of commissioning review	210
Economic Regeneration & Planning	Increase Planning Applications income	50
Highways & Transportation	Cleansing - reduce staff overtime	100
Highways & Transportation	Increased coring programme	5

Highways & Transportation	Remove night patrol staff post	21
Highways & Transportation	Review of abandoned vehicle service	50
Highways & Transportation	Increase charges for berthing and barrage	40
Highways & Transportation	Cessation of Penlleger Shuttle	19
Highways & Transportation	Minor efficiencies and income generation from advertising	15
Highways & Transportation	Siding and ditching works in rural areas - potential to recycle the waste produced from this operation and reduce costs.	30
Housing & Public Protection	Increase fees and charges for Grant Agency Services	23
Housing & Public Protection	Service review and staffing reductions in Housing Options and management of Bed and Breakfast Budget.	79
Housing & Public Protection	Increase burial and cremation fees.	78
Housing & Public Protection	Increase charges for wedding venue facility at Civic Centre.	20
Housing & Public Protection	Reduce Dredging requirement in Tawe impoundment	25
Housing & Public Protection	On-going efficiencies and staffing reviews	35
Waste Management & Parks	Minimum savings required from outcome of commissioning review on waste services to be consulted on when review is complete	519
Waste Management & Parks	Reduce machinery, transport, utility and maintenance costs	80
Waste Management & Parks	Reduction in seasonal gardeners who compliment the permanent workforce during spring and summer.	20
Waste Management & Parks	Weedspraying and knotweed work re-modelled to generate additional income	50
Waste Management & Parks	Minimum savings required from administrative/staff savings as part of the commissioning reviews	88
Waste Management & Parks	Restructure Play and landscape, arborist and tree services teams	58

Waste Management & Parks	Take out all planters at various sites such as Civic Centre, Guildhall, Grand Theatre for which we do not receive income	7
Waste Management & Parks	Increased income from marketing memorial benches	10
Waste Management & Parks	Increase income across parks operations	110
Waste Management & Parks	Further develop existing policy on Community Asset transfers for bowling greens	65
Waste Management & Parks	Senior/Specialist staff reduction in parks	54

<b>TOTAL</b>	<b>8,465</b>
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**New proposals being consulted upon**

<b>Service Area</b>	<b>Proposal</b>	<b>Saving £'000</b>
Financial Services	Underspending on Council Tax Reduction Scheme - actual take up is lower than expected - due to improved local economic circumstances and this is expected to continue	475
Financial Services	Removal of Discretionary Council Tax Grant for Pensioners	294
Poverty & Prevention	Remodel open access youth club provision across the City & County	80
Education	Review funding of the Employment Training Schools Programme	121
Culture	Close existing Tourist Information Centre following provision of new TIC in conjunction with the scheme to develop Swansea Castle as a visitor attraction as part of agreed Leisure commissioning review	103
Highways & Transportation	Reduction in sweeping hire	8
Highways & Transportation	Minimum savings required as a result of the commissioning review of highways and parking services to be consulted upon when commissioning review is complete	76
Housing & Public Protection	Review of grants to housing voluntary sector	45
<b>TOTAL</b>		<b>1,202</b>
<b>SERVICE SPECIFIC PROPOSALS</b>		<b>9,667</b>

## Summary of Budget Corporate Consultation

### Survey activity

- 771 responses to the consultation survey itself, 646 received online
- 1 CYP budget big conversation event (56 pupils attended)
- 3 consultation drop in sessions with Cabinet members for members of the public

### Main survey results

#### Main areas of concern from sections one, four and five which asked users to agree or disagree with proposals:

1. Additional cost for some social care services  
713 survey responses on this proposal in total, with 62% disagreed with the proposal
2. Reduction of gritting routes  
714 survey responses in total, 53% disagreed with this proposal
3. Cease to provide the abandoned vehicle service  
695 survey responses, 56% disagreed with the proposal

#### Other areas creating interest

- End the discretionary pensioner council tax reduction scheme  
42% disagreed with this proposal in the survey
- Libraries review  
41% disagreed with this proposal in the survey  
5 comments outside of the survey comments against the sale of Civic Centre and relocation of Central Library, plus more against potential closures in other libraries
- Archives  
Petition received from Neath Antiquarian Society with 115 signatures against the proposal to reduce the service  
15 emails and letters against the reduction of service in Neath including from Neath councillors and mentioning lack of notification

- Swansea Museum and Glynn Vivian Art Gallery  
Detailed response from Federation of Museums and Art Galleries of Wales covering both the museum and gallery issues

### Comments and suggestions on the proposals

A very large number of comments and responses have been collected within the survey in addition to the summary below. The full report is available from Rhian Millar and will be circulated to Councillors, Executive Board and the relevant Heads of Service and senior managers.

Name of proposal	Number of survey responses	Agree / disagree
Would you be prepared to pay more for some services rather than lose them?	729	Yes - 433 (59%) No - 296 (41%)
Would you prefer for the council to deliver services in a different way rather than lose them?	727	Yes - 599 (82%) No - 128 (18%)
Would you be prepared to pay an additional cost for some social care services from the council?	713	Yes - 272 (38%) No - 441 (62%)
Provide tourist information and visitor marketing activity through online platforms	736	Strongly agree - 302 (41%) Tend to agree - 271 (37%) Tend to disagree – 102 (14%) Strongly disagree – 61 (8%)

Transform the tramshed in Dylan Thomas Square into commercial premises for lease	728	Strongly agree - 233 (32%) Tend to agree - 257 (35%) Tend to disagree – 104 (14%) Strongly disagree – 134 (18%)
Transform the collections centre in Landore so that it can be used as a visitor centre	715	Strongly agree - 275 (38%) Tend to agree - 269 (38%) Tend to disagree – 80 (11%) Strongly disagree – 91 (13%)
Seek a charitable or not-for-profit partner to run Swansea Museum and the Olga, Canning and the Helwick Lightship	725	Strongly agree - 230 (32%) Tend to agree - 269 (37%) Tend to disagree – 116 (16%) Strongly disagree – 110 (15%)
Seek an alternative operator to manage the Dylan Thomas Exhibition	718	Strongly agree - 267 (37%) Tend to agree - 300 (42%) Tend to disagree – 87 (12%) Strongly disagree – 64 (9%)

Develop a fully-integrated regional archive service	717	<p>Strongly agree - 266 (37%)</p> <p>Tend to agree - 348 (49%)</p> <p>Tend to disagree – 64 (9%)</p> <p>Strongly disagree – 39 (5%)</p>
Establish the Glynn Vivian Art Gallery as a major attraction and destination gallery	712	<p>Strongly agree - 269 (38%)</p> <p>Tend to agree - 300 (42%)</p> <p>Tend to disagree – 85 (12%)</p> <p>Strongly disagree – 61 (9%)</p>
Develop conference opportunities between the Brangwyn Hall and the rand Theatre	718	<p>Strongly agree - 329 (46%)</p> <p>Tend to agree - 308 (43%)</p> <p>Tend to disagree – 50 (7%)</p> <p>Strongly disagree – 31 (4%)</p>
Seek interest from not-for-profit parties to run community leisure centres	717	<p>Strongly agree - 229 (32%)</p> <p>Tend to agree - 265 (37%)</p> <p>Tend to disagree – 117 (16%)</p> <p>Strongly disagree – 106 (15%)</p>



Review opening hours and charging policies	708	Strongly agree - 217 (31%) Tend to agree - 333 (47%) Tend to disagree – 94 (13%) Strongly disagree – 64 (9%)
Review events to establish a revised programme to cover staff / management costs	696	Strongly agree - 262 (38%) Tend to agree - 350 (50%) Tend to disagree – 52 (7%) Strongly disagree – 32 (5%)
Review currently subsidised events	719	Strongly agree - 342 (48%) Tend to agree - 212 (29%) Tend to disagree – 102 (14%) Strongly disagree – 63 (9%)
Review the best way to deliver and develop the library service	717	Strongly agree - 187 (26%) Tend to agree - 237 (33%) Tend to disagree – 132 (18%) Strongly disagree – 161 (22%)

Seek interest from a third party operator to run Plantasia on a sustainable basis	709	<p>Strongly agree - 387 (55%)</p> <p>Tend to agree - 239 (34%)</p> <p>Tend to disagree – 39 (6%)</p> <p>Strongly disagree – 44 (6%)</p>
Change the way costs for such things as legal and planning support are funded when the council undertakes work as part of the Disabled Facilities Grant	640	<p>Strongly agree - 239 (37%)</p> <p>Tend to agree - 295 (46%)</p> <p>Tend to disagree – 77 (12%)</p> <p>Strongly disagree – 29 (5%)</p>
Reduce the gritting routes by 10%	714	<p>Strongly agree - 153 (21%)</p> <p>Tend to agree - 184 (26%)</p> <p>Tend to disagree – 180 (25%)</p> <p>Strongly disagree – 197 (28%)</p>
End the discretionary pensioner council tax reduction scheme	694	<p>Strongly agree - 201 (29%)</p> <p>Tend to agree - 201 (29%)</p> <p>Tend to disagree – 167 (24%)</p> <p>Strongly disagree – 125 (18%)</p>

Exploit the commercial opportunities offered by Swansea Leader and reduce publication from six editions to four	716	<p>Strongly agree - 526 (73%)</p> <p>Tend to agree - 149 (21%)</p> <p>Tend to disagree – 19 (3%)</p> <p>Strongly disagree – 22 (3%)</p>
Cease to provide the abandoned vehicle service	695	<p>Strongly agree - 166 (24%)</p> <p>Tend to agree - 139 (20%)</p> <p>Tend to disagree – 219 (32%)</p> <p>Strongly disagree – 171 (25%)</p>
Reduce admin costs through greater use of automation and e-payments at Civic Centre	709	<p>Strongly agree - 306 (43%)</p> <p>Tend to agree - 189 (27%)</p> <p>Tend to disagree – 127 (18%)</p> <p>Strongly disagree – 87 (12%)</p>

## Profile of respondents

<b>Which best describes you?</b>	<b>Totals</b>	<b>%</b>
Member of the general public	531	0
Work for the City and County of Swansea	190	0
Councillor	5	0
Member of the Swansea LSB	3	0
Representing a voluntary/community group	15	0
Representing an equality group	0	0
Representing businesses	8	0
Other (write in)	7	0

<b>Language</b>	<b>Totals</b>	<b>%</b>
Welsh	14	2%
English	757	98%

## The Big Budget Conversation 2016

In September 2013 the City & County of Swansea agreed to create a 'due regard' duty and to consider Children's /Rights (UNCRC 1989) in all of the Council's decision-making processes. This has provided the opportunity to create a platform for change and achieve a culture where there is a full appreciation of children's rights, and that they are consciously considered in all of the Council's work so that ultimately, it will result in better services and lives for children, young people and families.

The Big Budget Conversation was the 3<sup>rd</sup> annual consultation with children and young people on the City and County of Swansea budget proposals. The City and County recognises every child's right to be heard in decisions that affect them, and to ensure a quality experience for children and young people a comprehensive exercise was undertaken to assess which of the full list of budget proposals:

- Have been identified as important and relevant to children and young people, by children and young people, and;
- Have already been consulted upon with children and young people.

As such, the following three areas formed the basis of the 2016 budget consultation with children and young people:

- **Sustainable Swansea:** young people were encouraged to think about the council budget as a whole and some of the challenges faced in making savings from it. The session encouraged young people to prioritise areas of the budget important to them, and to consider where and how we might/should make savings.
- **Remodelling youth club provision:** young people were supported by staff from Young People's Services to inform a way forward to ensure effective and efficient youth club provision in Swansea.
- **Education:** School and Learning has consistently been identified as a priority for children and young people. This session encouraged children and young people to explore what Education should/could look like in a climate where budgets have to be reduced but effectiveness maximised.

Participants were also directed to the wider public corporate consultation.

56 pupils took part in the Big Budget Conversation 2016, representing the following schools:

- Birchgrove Comprehensive School
- Bishop Gore Comprehensive School
- Bishopston Comprehensive School
- Cefn Hengoed Comprehensive School
- Dylan Thomas Community School
- Gowerton School
- Pentrehafod School
- Penyrheol Comprehensive School
- Pontarddulais Comprehensive School
- Ysgol Gyfun Bryn Tawe
- Ysgol Gyfun Gwyr
- Ysgol Pen-y-Bryn

Education was also the focus of the Big Local Democracy Conversation that took place with 58 primary school pupils in October 2015. Schools represented at this event were:

- Clase Primary
- Craigfelin Primary
- Gwyrosydd Primary
- Pontlliw Primary
- Portmead Primary
- St. Joseph's Cathedral Primary
- St. Thomas Primary
- Talycopa Primary
- Terrace Road Primary
- Whitestone Primary
- Ysgol Gynradd Gymraeg Bryn Y Mor
- Ysgol Gynradd Gymraeg Llwynderw

Feedback from young people from this session will also feed into the Big Budget Consultation.

## **Findings**

### **Workshop 1: Sustainable Swansea**

#### **Context and Overview**

Swansea Council provides services to more than 240,000 residents. This includes the delivery of services such as education, care services for vulnerable people, protection services for children, waste and recycling collections, highways maintenance, leisure and recreation.

Despite successfully transforming the council through the Sustainable Swansea: Fit for the Future programme through the modernisation of services and the generation of income there is still a budget gap of £90 million meaning that difficult decisions need to be made.

This workshop aimed to encourage participants to consider:

1. The challenges of making budget decisions of this nature;
2. Future funding of services, both directly delivered by CCS and services contracted to partners;
3. Alternative ways subsidising budget efficiencies, e.g. delivering services differently, working with partners, and working with the community and with individuals.

#### **• Would you prefer to be prepared to pay more for some services rather than lose them?**

**Yes** 26

**No** 30

#### **Comments**

The groups in each workshop were split in their response to this question. Most agreed and were willing to pay more if the alternative was to lose services, particularly services they use such as leisure and recreation services and youth services. However, participants were concerned unanimously for poorer families and members of the community who may already struggle to access services. Young people agreed that if services introduce or increase charges, they should always be means tested to ensure that all have access to Council services regardless of their financial situation.

#### **2. Would you prefer for the Council to deliver services in a different way rather than lose them?**

**Yes** 40

**No** 16

#### **Comments**

Participants generally agreed that they would prefer to see services delivered differently rather than lose them although most felt that specific information would be required for particular service changes in order to make an informed decision to answer this question.

20 young people felt that some services should change, particularly in relation to the protection of children. These young people stated that they did not feel safe, particularly after dark and that services should be changed to support people to feel safe in their communities in the evenings.

#### **3. Would you be prepared to pay an additional cost for some social care services from the Council?**

**Yes** 28

**No** 25

#### **Comments**

Participants were very split in answering this question. As in question 1, participants were willing to pay more for services rather than lose them but felt that charges should apply on a means tested basis. Young people agreed this was particularly important in this case as those receiving social care services are likely to be vulnerable.

In part 2 of the workshop, young people were asked to consider where, if they were 'the Executive', they might make savings to the budget and why. Each Sustainable Swansea theme was allocated 10 jenga blocks to symbolise the budget. The group had to take 20 blocks (or as close to as they could) from the total amount negotiating how they do this, e.g., they may choose to top slice 2 blocks from all of the areas or they may choose to take more/less from particular areas based on how important they feel they are.

Recycling, street cleaning and waste	Sports, leisure and cultural facilities	Parks and green spaces	Keeping children safe	Care for older people and disabled adults	School and learning	Tackling poverty	Housing and homelessness	Children's Play/youth centres	Transport, park and ride and car parks

**Why should we reduce budget in this area and can we deliver our services in a different way?**

<p>People should be encouraged to make rubbish and recycling their own responsibility.</p> <p>Communities could buddy up and take trips to the tip. Community organisations could support this.</p>	<p>These facilities are important but 'luxury'. Need to concentrate on basic needs of people first. These are choice and used by some, whereas everyone needs housing, care, education, etc.</p> <p>These could be run by someone else. The LC is a good example of this where equipment and services are higher quality than the council's gyms and pools.</p>	<p>Not enough thought goes into where parks and open spaces are situated. Some young people don't feel safe and wouldn't go to many parks.</p> <p>The council could concentrate on the bigger parks, making them attractive for people to want to visit.</p> <p>There is so much technology and most young people spend their time indoors on computers or at structured outdoor activities.</p> <p>Parks are weather dependant.</p> <p>Parks and open spaces are important but could be reduced as we think other areas such as education are more important .</p>	<p>"We have chosen to take 1 out here as we don't feel safe anyway. If this area has less money then perhaps the Council would have to think about how to make best use of the money they have".</p>	<p>Some people are able to afford their care and should contribute to it. Those who genuinely can't should be supported. People should be supported to live independently for as long as they can.</p>	<p>A small reduction in funding can help people to think about how to be more efficient. Some schools waste funding.</p> <p>Reducing education budgets impacts our future – in the long run education can contribute to reducing poverty.</p>	<p>Investment in education can tackle poverty in the long term</p>	<p>The housing system and criteria should be reviewed to make sure that the most vulnerable people have decent shelter, and that others who may abuse the system are identified.</p>	<p>These are important but could be run independently or by volunteers.</p> <p>Support should be offered to people to train and volunteer in these centres. This could help with unemployment too.</p>	<p>People should be encouraged to ride bikes or walk where possible instead of driving. Other organisations can help with bike schemes.</p> <p>Reduction in public transport should encourage people to get fitter and will help pollution.</p> <p>Parking charges could be increased to make up for some of the money taken out.</p> <p>Need to remember the needs of disabled and elderly though.</p>
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## Workshop 2: Remodelling Youth Club Provision

### Context and Overview

A review of youth clubs is taking place in the Poverty & Prevention service within the People Directorate. This service area looks at many things but specifically reducing poverty in Swansea communities where vulnerable families and young people live. There are statistics which direct us to those communities and help us identify the most vulnerable people who need support. We need to be SMART and utilise the money we have available more effectively to make it work better for us and those most vulnerable.

Swansea Young People's service is looking at the way youth clubs run. The purpose of youth clubs is to provide a safe space to access youth workers, engage in informal learning and opportunities and be supported. Youth Club data shows some clubs are not being used well and that the costs of these clubs are not effective.

Young People's Service need to gather young people's opinions on options being looked at by the council for the future provision of youth clubs.

Currently there are 4 youth hubs and 7 satellite youth clubs, these are listed below by area along with the positive and negative aspects about them.

Hubs x 4	Satellites x 7	Positive & Negative
Blaenymaes 3 nights	Montana & Gendros 1 night each	+Hub young people designated space, well resourced & FT youth worker access. -Satellites in community centres, ltd resources due to storage issues, pay rent, not YP friendly.
Stadwen 3 nights	St Thomas & Clydach 2 nights each <b>NB</b> – Clydach closed as no building or staff team at present.	+Hub young people designated space, well resourced & FT youth worker access. -Clydach closed no space or staff team. St Thomas, low numbers, ltd due to school base.
Townhill 3 nights	None	+Hub young people designated space, well resourced & FT youth worker access.

Gorseinon 3 nights	Pontarddulais – 2 nights> no staff or suitable building = closed. Rhossili- 1 night >no young people attending. Close	+Hub young people designated space, well resourced & FT youth worker access. -no suitable space in Pontarddulais for YC & no staff= closed. Rhossili-No YP's in age range in village to attend.
	Friendship House (2 nights) 1 night YP & adults with LD's. 1 night Adults with LD's. Community of interest – people with learning disabilities.	Vulnerable adults, out of county attendees, not fitting with young people's service aims etc.

### Options

What we are not looking to do is close all the clubs or operate all clubs in the way we are currently.

We are looking at 3 different options:

1. Building on the provision that works well and are in the highest areas of need and close youth clubs that don't work.
2. Reduce the nights open in Hubs and keep satellite clubs open and in areas of need spreading the nights from Hubs to Satellite Clubs that work.
3. Retain only the Hubs and increase the level of staffing and support ensuring they are fit for purpose & the future.

### Previous Feedback from Young People

In 2014 there was a proposal for some clubs to close, this was not taken forward. In 2015 there was a proposal for all youth clubs to close; this was not taken forward either.

Some key points from previous consultations with young people were to reconfigure the way things work as access to youth workers was expressed as important by young people, and work with young people raise funds towards costs of running youth club, Young people value the relationship between youth worker & young people and we need to find a way to share provision so that the most vulnerable young people in Swansea are supported. Use the data we have on attendance and performance of each club and analyse this to inform decisions made.

## Young People's Comments on the Options Proposed

<i>Responses from BIG Conversation 15/1/16</i>	Option 1	Option 2	Option 3	Commissioning out to other organisations
<b>Group 1</b>	3	X	11	No - 11 Yes – 0 No vote-3
<b>Group 2</b>	10	4	2	No - 14 Yes – 1 No vote – 1 <b>Check people are capable to run a club.</b>
<b>Group 3</b>	5	7	4	No - 16 Yes - 0
<b>TOTAL</b>	<b>18</b>	<b>11</b>	<b>17</b>	<b>Total 46</b>
	<b>Option 1 key points</b>	<b>Option 2 key points</b>	<b>Option 3 key points</b>	
<b>Key Points</b>	Popular & interest. Invest in them. Apply to most vulnerable people. Could satellites use local schools? Easier to prioritise needs in Vulnerable areas. Put the money into clubs that work. Build the biggest & grow the smallest.	More realistic solution than hiding problem (option 3). Take resource to where it is needed. Transport issues getting to & from the big clubs (Hubs). Need options for those who don't drive, can't afford transport or are not	Keep Hubs Use money from satellites for transport. Townhill YP's want to keep the club. Big Hub = more support Support now and in the future. More staff + more resources.	

	<p>Combine options 1 &amp; 3.  Put youth cafes in hubs to make money to support the clubs.  Young people work it and run like a business.  Open hubs for quieter young people to access the club &amp; who won't attend when it is busy.</p>	<p>allowed to catch the bus.</p>		
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**NB** There is a need to support vulnerable Young People with learning difficulties to enjoy opportunities such as after school clubs within environments they are comfortable in & with people they know well e.g. teachers; these need continued support.  
*(Young people from Pen y Bryn School & Support workers)*

## Workshop 3: Education

### **Context and Overview**

Swansea cannot continue to implement the current education model of service delivery within the proposed budget. Therefore, it is essential that we consider a range of innovative solutions to ensure we build on the successes of recent years and refine our delivery model to ensure it is sustainable.

It is important that we continue to work to promote the rights of the child and ensure that children and young people are involved in decision making which affect their lives, therefore would like to offer the opportunity for children and young people in Swansea to be part of shaping the future Education Delivery Model in Swansea.

In both sessions (The Big Local Democracy Conversation with Primary Schools and The Big Budget Conversation with Secondary Schools), pupils were offered an open space to think about education, specifically considering what children and young people's most 'fit for purpose' education looks like in a climate where efficiency and effectiveness to ensure children and young people can thrive in education is critical.

Participants worked in groups to explore:

- What would they need to learn?
- What helps them to learn?
- What they would like their learning environment to look like?

All groups then prioritised three key messages to be fed back to the Chief Education Officer of the City & County of Swansea. Feedback from Secondary School pupils is in black. Feedback from Primary School pupils is in blue: Please note that while there is large overlap in messages from children and young people across schools, some pupils have shared specific feedback and linked key messages to a specific school and therefore feedback has been identified in some cases under a certain school.

- **School Facilities & Equipment** – More modern facilities, which are fit for purpose. Better library provision in schools and improved science facilities. Informal study areas. Better toilet/changing facilities. Stop smoking near schools. Facilities are important; we would like to learn lots of things using good quality equipment, e.g. better library, theatre, science labs, gardens, café, gym. Residential trips are useful for learning new things.
- **Classroom Environment** - Comfortable seats in class (Bean bags and sofa areas for recreational space) Not so formal classrooms. Different learning spaces. Bigger classrooms – Smaller class numbers, so each pupil gets a chance of more attention. Shorter lessons and more variety to keep attention spans Make lessons more fun. Classrooms should include things that support children who need special care to be able to learn in the same place as others, e.g. ramps, special play and learning equipment, areas to rest and quiet spaces. We all have equal rights.
- **Eating Facilities** - Better eating facilities. More than one canteen in bigger schools. More healthy eating options and snack options for break times – vending machines etc. Children would find it useful to have better links between the school kitchen and canteen. Cooking lessons would help children to understand where food comes from and what skills you need

to cook meals. Children need good food to grow and learn well. Cooking healthy, fresh food will save money. Schools should grow food where they can.

- **Recreational Space** - More recreational space – Free play areas and sporting facilities for lunch and break times. The playground is one of the most important parts of the school; this is where children can relax and play safely. Grass and green space is important as is equipment, e.g. football posts and playgrounds. Children and young people should be able to access open space regularly in school as this will keep minds fresh when they continue to work in class.
- **Technology** – More touch screen, iPad, use of macs, videos and presentations, educational games, pc, Xbox and ps4 etc.. Interactive technology, tablets in desks, cuts costs and good for environment. Equipment should be modern and up to date. We use iPad and computers to save time and paper.
- **Teaching Staff** -More relaxed/less strict teachers – Chilled out teachers. Teachers with experience of children with additional needs, so they can be fully integrated into mainstream school. Teachers should know about and understand rights. School should be a place where rights are respected. Staff who listen to you and other people and not just to other teachers. We could learn from other people not just teachers, e.g. actors, dancers, scientists, artists, doctors, lifeguards, gardeners, caretakers, chefs, sports people from the area.
- **Physical Education** - More lessons. Equal treatment for boys and girls – Same P.E options available and support for sports teams. More variety of sports and not stereotypical options. Sports are important because it gives you energy and keeps you fit and healthy to learn.
- **Teaching Styles & Lessons** - More Practical/creative lessons – Will help people who learn by doing, rather than writing or listening – Cookery, gardening, building maintenance, experiments, arts lessons, music, drama, etc.. – Professional master classes. More practical ways of learning numeracy and literacy. More opportunities to explore music, art, I.T, professional video gaming and E-Sports, digital design, 3D models and coding etc. Life skills – Equip us to be more independent and ready to leave school and go to university etc. Cooking, woodwork, textiles etc. At Key Stage 4 there should be 2 Free periods a week to allow for supported project/homework or study with guidance from teaching staff present, as this support may not always be available at home. Children should be able to learn through play, indoors and outdoors.
- **Options** – Allow more options instead of just three, more choice of options in year nine. Talk about your options in year 8, so they become more confident and think through/practise, trial sessions etc. to make sure your options are the right ones for you. Try out lessons, so you know and get a feel of your choice options. To have a say in compulsory options – To not have Welsh and RE
- **Transition & Sixth Form** – Moving up before the next school year, to try out your subjects and better familiarisation. Sixth Forms – Should not be closed, because there is a reason that pupils choose to stay than leave. Longer work experience. Better and varied career advice. Visits to University's so people can aim high and know what to expect.

- **School environment as a whole:**

**Physical environment** - buildings should be clean. There should be plenty of green spaces and flowers. Food should be good and healthy. There should be places to sit and to meet.

**Ethos of school** – the school ethos and the way people treat each other is very important. Schools should be environments where there is acceptance, courage, support, and gratitude for the things we have; where people are kind to each other, where there is discipline, where people are supported to show love, respect, tolerance and helpfulness to each other and where people feel welcome. People should learn about God and Jesus. Achievement should be celebrated, big or small.

### **Birchgrove**

- Not to make class sizes any bigger
- Have a taster day in 6<sup>th</sup> form as well as college
- Focus on exam practise earlier in school

### **Bryn Tawe**

- More Welsh Language
- No more cuts in Education - Ask Mr Harvey to visit our school to explore further questions we have about Education in Swansea and help us reach a consensus. (One of the questions raised was: Why has lots of money been spent on Lon Las, although budget cuts were ahead and foreseen?)
- Make Politics a subject choice from GCSE level.

### **Gowerton**

- More Options at GCSE/A levels
- Smaller class sizes
- Increase funds for physical activity
- A choice about if you should do full course welsh because the short course is no longer an option.
- Newer buildings – purpose built for current educational needs. Better facilities
- Make HE options optional, not compulsory; choose what you actually want to do with your life.

### **Bishop Gore**

- School building very old and in desperate need of repair and updating
- Better facilities in school – Improved access to open space/playing fields. Outside areas, P.E. spaces, Better lunchtime and break time space, improved I.T. provision, Better toilet facilities. Another canteen – Needs to be bigger, too many pupils
- More funds for resources
- I.T. lessons in year 7

### **Arrangements for feedback**

It is important to ensure children and young people are provided with feedback on consultation event/activities. It clearly demonstrates that they have not voiced their opinions, feelings and ideas openly for nothing and that they have been listened to; that their right to voice has been respected. This includes information about decisions that could or could not be changed as a result of what they have said and why.

Feedback to children and young people will be facilitated by the City & County of Swansea Partnerships Team in the following ways:

- Feedback will be circulated to children and young people about final budget decisions with two weeks of sign off; it is estimated that this will take place around 9<sup>th</sup> March 2016.
- Specific feedback on education input will be provided at the first Pupil Voice Forum which will take place on Wednesday 2<sup>nd</sup> March 2016; this feedback will be based on indications of budget decisions and ongoing policy decision in this area.
- Specific feedback will be provided to Primary schools pupils following the Pupil Voice Forum on 2<sup>nd</sup> March 2016.
- Input from young people regarding youth club provision will inform the on-going Commissioning Review of Young People's Services. Specific feedback will be provided through the findings of this.



## Results from the CYP budget consultation event

Responses from the Sustainable Swansea workshop that involve questions from the survey are below. The full report will be shared with the senior management responsible for Education and the youth club provision and all other sections mentioned in the responses.

### 1. Would you prefer to be prepared to pay more for some services rather than lose them?

Yes 26  
No 30

#### Comments

Most agreed and were willing to pay more if the alternative was to lose services, particularly services they use such as leisure and recreation services and youth services.

However, participants were concerned unanimously for poorer families and members of the community who may already struggle to access services. Young people agreed that if services introduce or increase charges, they should always be means tested to ensure that all have access to Council services regardless of their financial situation.

### 2. Would you prefer for the Council to deliver services in a different way rather than lose them?

Yes 40  
No 16

#### Comments

Participants generally agreed that they would prefer to see services delivered differently rather than lose them although most felt that specific information would be required for particular service changes in order to make an informed decision to answer this question.

20 young people felt that some services should change, particularly in relation to the protection of children. These young people stated that they did not feel safe, particularly after dark and that services should be changed to support people to feel safe in their communities in the evenings.

### 3. Would you be prepared to pay an additional cost for some social care services from the Council?

Yes 28  
No 25

#### Comments

As in question 1, participants were willing to pay more for services rather than lose them but felt that charges should apply on a means tested basis. Young people agreed this was particularly important in this case as those receiving social care services are likely to be vulnerable.

**Draft Equality Impact Assessment (EIA) Statement for City & County of Swansea Budget 2016/17**

**1. Introduction**

This statement provides an overall view of the budget EIA process for the Council, along with any specific relevant details for 2016.

The budget is set for the council's operation which covers a wide range of services delivered to the citizens of the City & County of Swansea. This includes both providing and commissioning of services from other organisations and agencies.

As reported previously, the council has needed to take substantial action to respond to the wide range of service and financial pressures that it faces, including the reduction in external grant.

We, like other local authorities, will be facing a significant reduction in budgets every year for the foreseeable future. We also need to manage increased expectation and demand for services and financial pressures in a number of areas across the Council.

Taken together it means we will need to make at least £80m of savings over the next three years. Change is already taking place and over the last few years the council has cut costs by being more efficient and more effective in what we do. But this is not enough to meet the scale of cuts and ensure council services are sustainable and fit for the future. Clearly, the sheer amount of savings required means that difficult decisions and potential impacts are inevitable. However, we continue to focus on mitigating any adverse impacts via our EIA process as well as officer expertise.

The authority has embarked on a specific strategy 'Sustainable Swansea - Fit for the Future' as a means of setting Council priorities, transforming services and addressing current and future deficits.

The council has agreed a set of budget principles to help guide the debate and provide an approach driven by council policy.

There are four key issues:

- Improving efficiency
- New models of delivery
- Prevention
- Future service provision

Further information on 'Sustainable Swansea - Fit for the Future' is available at: <http://www.swansea.gov.uk/sustainableswansea>

In terms of equality, the council is committed to protecting the vital frontline services that matter most to the people of Swansea, tackling poverty and looking after the most vulnerable in our communities. This will continue, although services may be delivered in different ways in future.

## **2. The Equality Impact Assessment (EIA) process**

The council has had an EIA process in place for a number of years which was reviewed and streamlined about six years ago. The process covers:

- The nine protected characteristics covered by the Equality Act 2010
- The Public Sector Equality Duty for Wales
- Consultation and engagement
- Poverty and social exclusion
- Welsh language
- United Nations Convention on the Rights of the Child (UNCRC)
- Carers
- Community cohesion.

In order to apply the EIA process, officers follow the following steps:

- An initial screening exercise (to identify whether a full EIA report is necessary)
- Completion of a full EIA report (where required)
- Quality assurance and feedback
- Sign off at Head of Service level
- Publication on the Council's website
- Review.

Officers have access to dedicated departmental support from members of the Access to Services Team who co-ordinate the quality assurance of EIAs whilst also offering advice and guidance.

The process does not change for specific budget proposals, although additional information is provided to Directors and Heads of Service by way of briefings, reminders and updates.

## **3. Assessing impact**

Due to both the nature of the proposals being considered and the regulatory framework around EIAs, many now take a number of months to reach a conclusion. The budget planning process operates over a 3-year period, with many proposals being considered, designed and altered prior to implementation over this time period. As a result, proposals that were put forward last year are still being worked through, with a number of EIA reports still being worked upon.

Officers are always advised to undertake the initial screening as early as they can, with (if required) a full EIA report then opened as soon as possible. This is then completed as proposals are worked through and means that we are now working on budget EIAs throughout the year.

As a result, the assessment of impact is not a one-off exercise – it is a continuing process.

To ensure an ongoing rigorous process, the following elements are of note:

- Where officers have concerns and/or queries, meetings are held with the Access to Services Team to look at both the proposal and the EIA
- EIA reports are often added to over a period of time, e.g. following consultation and engagement activities, following changes to the detail of proposals
- Quality assurance is carried out by officers with expertise in the areas of equality, Welsh language, poverty and the UNCRC
- The Access to Services Team is maintaining a log of all EIAs, which includes attempting to record potential cumulative impacts, e.g. negative impacts on certain groups or certain geographical areas
- Where a proposal has potential adverse impacts, officers utilise the EIA process to focus on mitigation
- Where a proposal has potential adverse impacts that cannot be mitigated, the EIA is referred to senior managers for attention and consideration.

During the last 12 months, a number of EIAs have continued to progress following feedback from stakeholders and identification of different options for impact mitigation wherever possible.

In addition, with a number of both commissioning and other reviews underway across the organisation, the total or overall impact of the proposed budget is difficult to fully assess at this stage of implementation, particularly with the EIA process being a continuing feature as proposals are further developed.

Therefore, we will continue to publish each EIA report as it reaches completion at: <http://www.swansea.gov.uk/eia>

#### **4. Consultation and engagement**

Whilst there is a specific regulation around engagement (contained within the Public Sector Equality Duty for Wales), our 'Sustainable Swansea - Fit for the Future' strategy contains a substantial emphasis on consultation and engagement too.

Corporate budget consultation takes place on a wide variety of specific proposals. This includes consultation with children and young people. Others are consulted on using service-specific groups and/or activities.

Corporately, the consultation results are reported separately via the budget reports themselves.

## 5. Local information

Our stakeholders are:

- All citizens of, and visitors to, the City & County of Swansea
- Council staff
- Partner organisations
- Council Tax Payers.

The Council delivers services to all the citizens of the City & County of Swansea. The overall population profile from the 2011 Census is as follows:

- ❖ The gender split of the **City & County of Swansea** is **50.6% Female** (120,936 people) and **49.4% Male** (118,087 people).
- ❖ Children and young people **aged 0-25 years** represent **32.9%** of the population, or **78,697** people.
- ❖ **Over 50s** represent **36.3%** of the population (86,800 people), of which **42,812** are over 65 (around 17.9% of the total population).
- ❖ **6.0%** of the total population of Swansea (**14,300** people) came from an ethnic minority background. In terms of religion, **8,530** people (**3.6%** of the population) belonged to non-Christian faiths with 34% (81,219 people) having no religion.
- ❖ **23.3% (55,719 people)** had a long term health problem or disability including 11.3% of people of working age (26,988 people). **6.9%** of those aged 16-74 (**12,146 people**) were economically inactive due to long term sickness or disability.
- ❖ In 2011, there were **26,332** Welsh speakers in Swansea, or **11.4%** of the population. **44,659** people had one or more skills in Welsh.



Further information about Swansea's population can be found at <http://www.swansea.gov.uk/keyfacts>

Officers consider the particular service users or groups affected when applying the EIA process.

## **6. Staffing**

Heads of Service have been provided with the same advice as in previous years that where an application is made for early retirement/voluntary redundancy, consideration should be given to whether there is any potential equality impact or effect and, if there is, to follow the EIA process. To date, no concerns have been raised in this area.

## **7. Third Sector Impact**

Any reduction in grants to external bodies may impact Third Sector organisations. There could also be other proposals that may impact the sector which, if agreed, may require re-configuring or re-commissioning of services. In this context there may be opportunities for Third Sector organisations to be involved in this work. There could also be proposals that look to Third Sector support in the continuation of services through different means of delivery.

## **8. Publication Arrangements**

All EIA reports will be published as they are finalised. As mentioned earlier in this statement, due to the nature of many of the proposals this is likely to take time as assessment of impact continues to be undertaken as proposals are further developed.

## **9. Conclusion**

We know from previous years that, due to the scale of budget reductions, those with protected characteristics are likely to be affected. In assessing the impact of the budget proposals, we continue to attempt to ensure that any effect is not disproportionate and that we continue to focus on mitigation wherever possible. In this context the following should be noted:

- where EIAs show potential significant impact with no possible mitigation, these proposals will be referred for further consideration
- for those EIAs where potential significant impact has been identified and mitigation has been possible, the associated action plans will be monitored and reviewed
- the outcomes of engagement will inform the EIAs
- this is an ongoing process and as noted this statement and many EIAs will remain open
- there is a focus on the council doing things differently in order to further deliver services that are flexible, citizen-centred, meet individual needs and are sustainable for the future.

The council continues to deliver a wide range of services for all the citizens of the City & County of Swansea. Many of these are of particular benefit to the areas covered by our EIA process, e.g. the protected characteristics defined within the Equality Act 2010.

As highlighted earlier in this statement, the council is committed to protecting the vital frontline services that matter most to the people of Swansea, tackling poverty and looking after the most vulnerable in our communities. The council will continue to do everything it can to meet this increasing challenging commitment given the financial constraints that it faces. However, services may be provided in a different way in line with 'Sustainable Swansea - Fit for the Future'.

PONTYBRENIN PRIMARY SCHOOL  
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Monday 25 January 2016

Councillor Rob Stewart  
City and County of Swansea  
Civic Centre  
Oystermouth Road  
Swansea  
SA1 3SN

Dear Councillor Stewart,

### **School Budget Forum Response to Budget Consultation**

As always, the School Budget Forum has sought to support the discussions that have already been held and which will be held over the coming weeks. **As a statutory consultative body, the Forum expects that the points made will be carefully considered as part of any forthcoming corporate discussion of future revenue and capital budgets.** The School Budget Forum represents a considerable body of statutory provision meeting the needs of a great many pupils, families, schools and communities within Swansea.

The School Budget Forum recognises the scale of the continuing financial challenges facing the Council. Nevertheless, it has a responsibility to seek to ensure that the full implications of any budget proposals on schools and the wider education service are properly recognised by the Council before any decisions are taken.

We welcome the positive recognition over recent weeks of the outcomes achieved by schools in Swansea against the relevant benchmarks, together with significantly positive Estyn outcomes and school bandings. These positive outcomes have been achieved in spite of very challenging financial settlements, notwithstanding the Welsh Government uplift guarantees of recent years. These outcomes should be the foundation for future excellence and should not be jeopardised by forthcoming Council budget decisions.

We also welcome the latest proposals to honour the Ministerial funding commitment for the coming year and pass on a cash increase to schools, albeit at a lower level than would be required to meet the cost pressures facing school budgets. So, whilst this still represents a real terms cut for schools, it is considerably better than previous proposals and the Forum is appreciative of the way the Council has listened to its concerns over recent months. Nevertheless, if other Authorities also follow the Ministerial commitment the relative funding position of Swansea schools will at best remain as it is currently.



Swansea schools do not fare well financially. As has been stressed in previous years, they suffer a double blow. The Council can do nothing about the fact that the settlement it receives from the Welsh Government is relatively poor, ranking it around 18<sup>th</sup> out of the 22 authorities. However, due to choices made by the Council, the education budget as a whole ranks even lower at 20<sup>th</sup> in 2015, and £350 per pupil less than the Wales average – a difference of around £11.9m. In 2014 Swansea ranked 19<sup>th</sup> and was £200 per pupil less than the Wales average and has worsened this year as a result of the 5% real terms cut in the delegated budget. Other authorities do better, including the large urban authority of Cardiff.

Schools' funding within Swansea is significantly lower than that of all of our ERW partners, thus putting the city's schools at considerable disadvantage as regionalisation gathers pace.

We have appreciated the positive response in Council Budgets over recent years to some of the recommendations previously made by the Forum, particularly:

- The recognition of the essential contribution of the Education service to the achievement of wider Council priorities
- The recognition of the severe financial pressures facing school delegated budgets and other statutory Education services

Through working closely with the Authority, schools have been better able to manage the significant pressures and increasing expectations placed upon them and to mitigate the effects of large scale redundancies on the Council.

Nevertheless, the impact of further real terms cuts proposed for 2016/17, exacerbated by expected further cuts in specific grants, and the 5% (or £6.3m) real terms cut in 2015/16, presents an extremely challenging position for schools. Schools have become reliant on grant funding to maintain key elements of provision. There is further uncertainty for future years, a cause of concern when set alongside changes in demographics, increasing pupil numbers and growing numbers of pupils with ALN. These pressures come as we enter a period of significant change and challenge for schools as we prepare for the design and implementation of a new curriculum for Wales 'Qualified for Life'.

Significant work has been undertaken previously to model and evaluate the likely serious implications of the potential funding scenarios facing schools. Even with the Ministerial protection for 2016/17, it will be extremely challenging for schools to continue to set a balanced budget each year, whilst continuing to meet their growing range of statutory duties, and further cuts to provision would be necessary which would undermine nursery provision, the local anti-poverty strategy, and wider learning opportunities of pupils. There is clear evidence of increased class sizes, mixed age group classes, nursery classes without qualified teachers and an increase in headteachers' teaching commitment. There will be an inevitable impact on other Council services, particularly where schools provide significant support (for example safeguarding whereby schools provide significant support for social services and health, incurring hidden costs) or find themselves unable to continue to support corporate services through service level agreements.

In short, the Forum is extremely concerned that, given the very poor position of Swansea schools in funding terms, it is difficult to see how further savings of any scale can be achieved. **The Forum urges the Administration to recognise the importance of making proper revenue provision for schools every year as a matter of course**, not merely because it has been required to do so by the Minister. The Forum accepts the proposed areas of additional delegation of funding for 2016/17. It is important to note that additional delegation results in additional responsibilities for schools and headteachers (many of which detract from their core purpose). There are increased charges to schools for new and existing SLAs as central services seek to rationalise their provision and make their own efficiencies.

### **Non Delegated Education Budgets**

The Forum has supported a fundamental review of base budgets during 2013, 2014 and again in 2015 in order to ensure that we have the correct starting points. The Forum still feels that lessons could be learned from the One Education Budget Strategy, both in terms of the transparency of the process and also the rigour of the structured challenge and review undertaken over recent years, which has then been reflected in the Council's Medium Term Financial Plan, and delivered. This continues to require difficult spending choices, challenging savings targets and robust management action, moving towards a largely statutory and regulatory 'core' minimum provision within the department.

As such, the Forum continues to recognise the attempt to develop a more engaging wider corporate budget process, although it feels that the Cabinet Report fails to provide a fully transparent and accurate picture of the potential implications of the proposals. Consequently, it is unlikely that the responses to this stage of public consultation will be adequately informed. Moreover, the Forum has previously expressed concern that the questions asked in the public consultation do not allow for any responses with regard to the potential impact of proposals on education services, whilst encouraging concerns to be raised regarding other areas of Council services, some of which are discretionary. Consequently, the Forum considers the basis of the public consultation to be inadequate and that proper and due weighting should be given to the response from the Forum as it represents the collective views of Swansea's headteachers, schools and governing bodies.

**The Forum remains gravely concerned where the proposals would result in drastic cuts to a wide range of services currently provided from the non-delegated Education budget.** These are not simply 'management and administration' but provide core support for statutory and regulatory duties of the Council. The Forum urges the Council to bear in mind the pressures on the non-delegated budget when setting the quantum of the education budget as a whole.

The Forum appreciates that no services can be protected from cuts but it does feel strongly that the full implications of the very significant cuts proposed, on top of the existing challenging medium term financial strategy cuts targets, which will impact severely on front line provision for pupils through the inevitable indirect strain on delegated school budgets, need to be recognised and fully transparent. Areas of particular concern include the following:

### *Behaviour Review Outcomes*

- The Forum fully supports changes to the way in which support for pupils is provided to facilitate more flexible earlier intervention, as local as possible. However, it would stress that this is an extremely challenging transformational strategy requiring major cultural change within all schools and *would urge the Council to consider additional funding to facilitate the major cultural and service changes required* - which will deliver major future benefits once these are progressively embedded across all year groups.

### *Changes to Music Service through restructure, changes in delivery and charges*

- The Forum recognises the need to review the service and as far as possible remove the remaining Council funding support, whilst also recognising the valuable learning opportunities that are provided to pupils. It is hoped that any increase in charges will not reduce access for the most disadvantaged pupils.

### *Review of Ethnic Minority Achievement Service*

- The Forum recognises the need to review all areas of current 'subsidy' to such areas of support, and this area in particular in view of the likely loss of Welsh Government funding. However, the Forum would wish to see further detailed discussion prior to implementation of any further changes in order to ensure that the loss of front line support for pupils is as far as possible minimised.

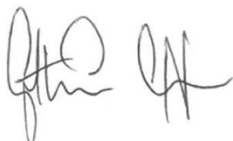
### *Business Support Review*

- Whilst such areas clearly need challenge and further rationalisation, the scale of cuts proposed, on top of progressive cuts over the last 3 years, represent far more than efficiency savings or cuts to 'overheads' and 'management and administration'. Schools recognise the need to work increasingly collaboratively, but the loss of so many areas of professional support will seriously exacerbate the already unmanageable pressures on headteachers. There is clear evidence that applications for headship are decreasing whilst cases of stress within the profession are rising.

Whilst the continuing support for investment in school facilities through the QEd programme is welcome, the vital importance of the Corporate Structural Repair and Maintenance programme cannot be exaggerated with the scale of Health and Safety/compliance issues affecting school premises.

There is a continuing willingness to support and contribute constructively to the further detailed discussion regarding the implications and implementation of budget proposals through the appropriate Task and Finish Groups.

We trust that you will seriously consider these points as you decide future Council budget allocations. We invite you to attend the next School Budget Forum to respond to the issues raised in this letter.



**Gethin Sutton**  
**Vice Chair, School Budget Forum**

## Revenue Budget 2016/2017

### Corporate Services Directorate

	ORIGINAL BUDGET 2015/2016 £	ORIGINAL BUDGET 2016/2017 £
<b>Corporate Services Directorate</b>		
Corporate Services Directorate	158,000	163,400
	<b>158,000</b>	<b>163,400</b>
<b>Head of Commercial Services</b>		
Commercial Team & Procurement	469,200	595,200
	<b>469,200</b>	<b>595,200</b>
<b>Head of Comms &amp; Customer Engagement</b>		
Access to Services	242,600	259,900
Communications	260,200	172,200
Complaints	221,600	210,200
Corporate Customer Services	259,600	1,072,800
Corporate Marketing	313,500	300,700
Corporate Mgt Team Support	368,500	353,400
Design and Print	262,400	227,900
Overview and Scrutiny	243,700	210,300
Web Development	201,900	131,700
Commissioning Review	0	-190,000
Overlap	0	162,000
	<b>2,374,000</b>	<b>2,911,100</b>
<b>Head of Finance &amp; Delivery</b>		
Audit	443,700	468,400
Benefits	23,302,100	22,677,900
Finance DMT	-1,986,100	681,200
Financial Services	1,223,600	1,202,500
Performance and Delivery	242,600	256,100
Revenues	1,090,700	1,000,900
Treasury and Technical	982,400	969,500
Commissioning Review	0	-405,000
Overlap	0	420,000
	<b>25,299,000</b>	<b>27,271,500</b>



# Revenue Budget 2016/2017

## Corporate Services Directorate

	ORIGINAL BUDGET 2015/2016 £	ORIGINAL BUDGET 2016/2017 £
<b>Head of Human Resources &amp; OD</b>		
Employee Services	727,000	757,600
Health and Safety	928,800	796,800
Human Resources	700,800	612,000
Pay and Grading Team	363,000	0
Pensions	-63,500	-45,900
Training	268,600	269,000
Commissioning Review	0	-299,000
Overlap	0	243,000
	<b>2,924,700</b>	<b>2,333,500</b>
<b>Head of Information &amp; Business Change</b>		
Business Improvement	630,900	698,900
DMT, ICT and Transformation	456,800	401,500
ICT Services	6,571,800	3,094,800
Information & Strategy	976,500	2,813,700
Commissioning Review	0	-1,756,000
Overlap	0	1,747,000
	<b>8,636,000</b>	<b>6,999,900</b>
<b>Head of Legal &amp; Democratic Services</b>		
Coroners	400,900	478,000
Democratic Services	2,257,800	2,439,000
Legal Services	1,860,400	1,826,400
Commissioning Review	0	-202,000
Overlap	0	183,000
	<b>4,519,100</b>	<b>4,724,400</b>
<b>Sustainable Swansea</b>		
Workstreams	0	-2,119,000
Overlap	0	71,000
	<b>0</b>	<b>-2,048,000</b>
<b>Total Corporate Services Directorate</b>	<b>44,380,000</b>	<b>42,951,000</b>

## Revenue Budget 2016/2017

### People Directorate - Poverty & Prevention

	ORIGINAL BUDGET 2015/2016 £	ORIGINAL BUDGET 2016/2017 £
<b>Head of Poverty &amp; Prevention</b>		
Community Safety	550,200	560,400
Early Intervention Services	651,700	718,700
Partnership Performance & Commissioning	1,149,200	1,453,000
Poverty and Prevention	346,500	399,700
Tackling Poverty Unit	692,100	678,000
Young Peoples Services	1,390,700	1,465,200
Commissioning Review	0	-7,000
Overlap	0	83,000
	<b>4,780,400</b>	<b>5,351,000</b>
<b>Sustainable Swansea - Head of Poverty &amp; Prevention</b>		
Workstreams	0	-250,000
	<b>0</b>	<b>-250,000</b>
<b>Total People Directorate - Poverty &amp; Prevention</b>	<b>4,780,400</b>	<b>5,101,000</b>

## Revenue Budget 2016/2017

### People Directorate - Social Services

	ORIGINAL BUDGET 2015/2016 £	ORIGINAL BUDGET 2016/2017 £
<b>Head of Adult Services</b>		
Disability Residential & Day Care	8,301,700	8,671,600
Learning Disabilities & Mental Health Support	11,841,400	11,792,300
Integrated Services - Domiciliary Care & Hubs	16,122,000	18,353,900
Integrated Services - External Residential	13,214,300	12,714,300
Integrated Services - Other	2,639,200	2,389,700
Older Persons Residential and Day Care	6,628,200	6,984,800
Safeguarding/Wellbeing	3,916,700	4,012,300
Support	2,707,800	2,463,900
Commissioning Review	0	-139,000
	<b>65,371,300</b>	<b>67,243,800</b>
<b>Head of Child &amp; Family Services</b>		
Accommodation Services-External	11,676,700	11,503,700
Accommodation Services-Internal	7,254,300	7,399,700
Adoption Services	1,467,200	1,585,900
Aftercare-External	472,400	472,400
Aftercare-Internal	500,000	500,000
Assessment and Care Management	8,412,400	8,456,300
Family Support Services-External	1,619,000	1,470,500
Family Support Services-Internal	1,780,400	1,655,900
Management & Administration	2,193,200	2,191,900
Other Children's Services-Internal	895,000	650,500
Preventing Youth Offending	746,800	717,300
Residential Care-Internal Provision	571,400	588,400
Review and Quality Assurance	705,200	845,500
Commissioning Review	0	-473,000
	<b>38,294,000</b>	<b>37,565,000</b>
<b>Directorate Services</b>		
Central Services	553,300	363,600
Service Strategy and Regulation	287,200	369,900
Social Services Training Section	195,200	217,700
	<b>1,035,700</b>	<b>951,200</b>
<b>Sustainable Swansea</b>		
Workstreams	0	-2,250,000
	<b>0</b>	<b>-2,250,000</b>
<b>Total People Directorate - Social Services</b>	<b>104,701,000</b>	<b>103,510,000</b>

# Revenue Budget 2016/2017

## People Directorate - Education

	ORIGINAL BUDGET 2015/2016 £	ORIGINAL BUDGET 2016/2017 £
<b>Delegated Schools</b>		
School Cost Centres	135,179,085	138,874,085
	<b>135,179,085</b>	<b>138,874,085</b>
<b>Head of Education Improvement</b>		
Education Improvement Grant	653,400	653,600
Ethnic Minority Language Service	342,700	146,500
Management and Admin	108,300	112,400
Miscellaneous Grants	23,800	24,800
Music Service	232,400	123,500
School Improvement	1,416,300	1,396,500
School Intervention	191,000	241,000
Support for the Arts	57,000	51,000
Welsh Service	440,300	445,600
Commissioning Review	0	-24,000
Overlap	0	238,000
	<b>3,465,200</b>	<b>3,408,900</b>
<b>Head of Education Inclusion</b>		
Access to Learning Mgt and Admin	265,000	221,300
Behaviour and Learning Support	820,200	1,173,100
Community Education	424,800	433,100
Employment Training	854,500	733,500
EOTAS Pathways	1,106,900	892,800
Home Tuition Service	421,100	420,400
Management and Admin	161,900	167,400
One to One Support Primary	765,900	782,900
One to One Support Secondary	380,800	389,100
Psychology Service	723,100	746,200
Pupil Referral Units	1,934,900	1,293,400
Recoupment	580,000	630,000
School and Governor Unit	304,700	312,700
School Planning & Information	67,400	69,500
SEN Statementing and Support	2,970,700	3,541,500
Welfare Service	562,400	559,000
Commissioning Review	0	-29,000
	<b>12,344,300</b>	<b>12,336,900</b>



## Revenue Budget 2016/2017

### People Directorate - Education

	ORIGINAL BUDGET 2015/2016 £	ORIGINAL BUDGET 2016/2017 £
<b>Head of Education Planning and Resources</b>		
Asset Management	144,100	150,100
Cleaning Service	961,100	1,018,300
Continuing Education	901,300	901,600
DfES Post 16 Grant	-5,542,985	-5,542,985
Empty Properties	15,000	15,000
Free Breakfast	653,700	753,700
Health and Safety	62,900	62,900
ICT Strategy	680,600	548,400
Management and Admin	865,000	877,800
Pupil Deprivation Grant	-6,151,700	-6,646,700
School Cost Centres	11,282,100	11,285,900
School Funding and Information	147,200	154,500
School Meals Client	1,263,800	1,266,700
School Meals Service	30,200	32,900
Commissioning Review	0	-2,000
Overlap	0	176,000
	<b>5,312,315</b>	<b>5,052,115</b>
<b>Sustainable Swansea - Education</b>		
Workstreams	0	-575,000
	<b>0</b>	<b>-575,000</b>
<b>Total People Directorate - Education</b>	<b>156,300,900</b>	<b>159,097,000</b>

# Revenue Budget 2016/2017

## Place Directorate

	ORIGINAL BUDGET 2015/2016 £	ORIGINAL BUDGET 2016/2017 £
<b>Head of Corporate Building and Property Services</b>		
Facilities Management	4,438,400	4,580,400
Strategic Estates Properties	-3,965,000	-3,894,000
Property Preventative Maintenance	4,273,000	4,068,100
Corporate Building Services Trading	820,600	1,442,600
Community Budgets	216,000	676,000
Commissioning Review	0	-170,000
Overlap	0	500,000
	<b>5,783,000</b>	<b>7,203,100</b>
<b>Head of Highways and Transportation</b>		
Car Parking and Enforcement	-1,387,100	-1,379,000
Transportation	2,985,900	3,042,700
Traffic Management	1,314,600	1,053,000
Central Transport	-576,200	-519,100
Engineering	614,200	671,500
Highways	6,278,700	6,644,300
Swansea Marina	-19,000	-35,200
Directorate and Other Costs	485,200	512,700
Commissioning Review	0	-132,000
Overlap	0	562,000
	<b>9,696,300</b>	<b>10,420,900</b>
<b>Head of Waste Management &amp; Parks</b>		
Household Waste Recycling Centres	944,200	806,200
Parks	5,154,300	4,855,500
Recycling	832,000	1,158,200
Residual Disposal/Tir John	3,867,000	3,890,400
Residual Waste Collection	3,215,900	2,684,500
Trade Refuse	-276,700	-154,700
Waste Management Strategy	215,100	62,500
Neighbourhood Working	3,975,900	3,972,400
Directorate and Other Costs	1,017,600	935,400
Commissioning Review	0	-670,000
Overlap	0	549,000
	<b>18,945,300</b>	<b>18,089,400</b>
<b>Place Directorate</b>		
City Centre Action Plan	100,000	100,000
Place Directorate	209,900	239,600
	<b>309,900</b>	<b>339,600</b>

# Revenue Budget 2016/2017

## Place Directorate

	ORIGINAL BUDGET 2015/2016 £	ORIGINAL BUDGET 2016/2017 £
<b>Head of Culture and Tourism</b>		
Archives	277,300	290,200
Arts	2,264,500	1,852,900
Business and Partnership Unit	681,000	557,000
Communications Performance and Support Tourism	111,700	13,900
Community Buildings	273,300	213,700
Development and Outreach	320,300	334,200
Libraries	2,818,800	2,823,000
Libraries and Culture Culture	0	5,000
Libraries and Culture Grand Theatre	733,200	1,339,800
Libraries and Culture Museums	85,900	1,200
Sport and Recreation	1,472,300	1,390,800
Tourism, Marketing and Events	1,545,000	1,585,200
Communications Performance and Support Support	190,400	158,100
Directorate and Other Costs	344,300	178,400
Commissioning Review	0	-1,404,000
Overlap	0	1,041,000
	<b>11,118,000</b>	<b>10,380,400</b>
<b>Head of Economic Regeneration and Planning</b>		
Business Support	415,000	426,419
Property Development	634,200	759,298
City Centre Management and Indoor Market	-319,200	-290,500
Major Projects, Design and Conservation	177,500	125,500
Planning Control	755,600	647,800
Planning	87,600	78,800
Planning Policy and Environment	1,010,200	1,006,700
Directorate and Other Costs	238,400	300,783
Commissioning Review	0	-5,000
Overlap	0	260,000
	<b>2,999,300</b>	<b>3,309,800</b>

## Revenue Budget 2016/2017

### Place Directorate

	ORIGINAL BUDGET 2015/2016 £	ORIGINAL BUDGET 2016/2017 £
<b>Head of Housing and Public Protection</b>		
Building Regulations	68,400	88,400
Burials and Cremations	-324,800	-380,200
Food Safety	566,700	591,100
Licensing	-124,600	-108,400
Pollution	810,900	802,300
Public Health	720,400	740,700
Registrars	34,400	30,100
Trading Standards	661,300	669,500
Housing Grants to the Independent Sector	85,500	40,500
Housing Renewals and Adaptations	176,800	152,100
Housing Strategy, Advice and Support	651,700	615,200
Other Housing Services	67,500	75,400
Directorate and Other Costs	445,000	286,100
Commissioning Review	0	-5,000
Overlap	0	233,000
	<b>3,839,200</b>	<b>3,830,800</b>
<b>Sustainable Swansea</b>		
Workstreams	0	-2,575,000
	<b>0</b>	<b>-2,575,000</b>
<b>Total Place Directorate</b>	<b>52,691,000</b>	<b>50,999,000</b>

## Report of the Section 151 Officer

Council – 25 February 2016

### CAPITAL BUDGET & PROGRAMME 2015/16 – 2019/20

<b>Purpose:</b>	This report proposes a revised capital budget for 2015/16 and a capital budget for 2016/17 - 2019/20
<b>Policy framework:</b>	None
<b>Reason for decision:</b>	To agree a revised capital budget for 2015/16 and a capital budget for 2016/17 – 2019/20
<b>Consultation:</b>	Cabinet Members & Executive Board
<b>Recommendation:</b>	The revised capital budget for 2015/16 and a capital budget for 2016/17 – 2019/20 as detailed in appendices A, B C, D, and E is approved.
<b>Report Author:</b>	M.Hawes
<b>Finance Officer:</b>	M.Hawes
<b>Legal Officer:</b>	Patrick Arran
<b>Access to Services Officer:</b>	Sherrill Hopkins

## 1. Introduction

1.1 This report details:

- Revised capital expenditure and financing proposals in 2015/16
- Capital expenditure and financing proposals in 2016/17 – 2019/20

1.2 Capital spending and funding proposals in relation to the Housing Revenue Account (HRA) are detailed in a separate report to be considered.

1.3 The budget proposals are detailed in appendices to this report as follows:

Appendix A Summary of General Fund Capital Expenditure and Financing  
2015/16 – 2019/20

Appendix B Schools Programme Capital Expenditure  
and Financing 2015/16 – 2019/20

Appendix C Material changes to the original 2015/16 budget

Appendix D Reconciliation of Capital programme shortfall

Appendix E General Fund Capital Budget 2015/16 – 2019/20

- 1.4 The key message arising from this report is that the overall programme deficit, encompassing both the General Fund Programme and Schools programme, amounts to some £30.085 million over the lifetime of the programme.

Additional capital receipts will continue to be reviewed and brought onto the programme but in the absence of such further receipts it must be assumed that additional borrowing will need to be taken out to fund the capital programme.

## **2. Capital Budget 2015/16**

- 2.1 Spending in the current year is forecast to be £72.062m (GF £61.048 plus Schools programme £11.014m) – an increase of £28.16m compared with the original estimate of £43.902m.

This increase is due to the following:

- the addition of grant funded schemes after Council approved the capital budget in February 2015.
- The net balance of schemes carried over from 2014/15 into 2015/16 and schemes carried over from 2015/16 into 2016/17.

Material changes to the 2015/16 budget are summarised in Appendix C.

## **3. Capital Programme and Financing 2015/16 to 2019/20**

- 3.1 The proposed programme and financing is set out below.

Paragraphs 3.2 to 3.9 detail the General Fund Programme and Financing.

Paragraphs 3.10 to 3.13 detail the 21<sup>st</sup> Century Schools Programme and Financing.

### **GENERAL FUND PROGRAMME AND FINANCING**

- 3.2 The General Fund programme is summarised in Appendix A and detailed in appendix E. The attached proposals exclude the Housing Revenue Account capital budget which is detailed in a separate report.

The Capital Budget report considered by Council on 24th February 2015 highlighted a forecast shortfall in the four year forward programme of £57.038m made up of £30.884m for the 21<sup>st</sup> Century Schools programme and £26.154m for the rest of the General Fund capital programme. The report contained the following in respect of both the general fund and Schools programme shortfalls:- In order to address the shortfall Cabinet will need to consider the following options:-

- Identify and progress further additional Capital receipts over and above those already incorporated in this budget,
- Reduce the expenditure contained within the Capital Programme primarily a reduction in proposed allocations as set out in 3.4,
- Incur additional unsupported borrowing. This is a last resort given the known pressures on future revenue budgets within the Council and should

only be considered on a temporary basis until such time as Capital Receipts are realised.

Whichever option(s) is pursued it is likely that there will have to be an increase in both temporary and overall borrowing limits in the short term.

Additional borrowing requirement was utilised to fund the 2014-15 Capital Spend.

- 3.3 The updated General Fund programme is summarised in Appendix A. This highlights expenditure of £136.826m; forecast financing of £128.771m and a forecast shortfall of £8.055m. Appendix D provides a reconciliation between the General Fund and 21<sup>st</sup> Century Schools programme shortfall reported in February 2015 and the current proposals. The material changes to the General Fund are as follows:

#### **Addition of a further year to the programme**

- 3.4 The addition of a further year (i.e. 2019/20) causes a £2.928m increase in the funding shortfall. This is because recurring annual commitments are no longer offset by Welsh Government annual funding i.e.

	<b>£m</b>
Welsh Government funding 2019/20	10.242
<i>less 2019/20 spending requirements</i>	
Property and highways maintenance	-7.375
DFGs & Improvement Grants	-5.200
Annual Contingency Budget	-0.595
<b>Additional shortfall 2019/20</b>	<b>2.928</b>

It should be noted that the core capital budget identified above is itself in excess of the support available from Welsh Government (£10.242m). Given the annual repayment of principal as detailed in 3.7 below expenditure at this level will not increase overall levels of borrowing.

- 3.5 The 2016-17 Capital budget incorporates capital investment in respect of:
- the Development phase of the City Centre sites (St David's and the Civic Centre site)
  - additional funding for Highways & Transport (funded by reserves)
  - schools' capital investment (outside the scope of the 21<sup>st</sup> Century Schools programme) to cover a backlog of urgent maintenance and health & safety requirements.
  - In respect of highways and transport and Schools Capital investment specific schemes will have to be brought forward and authorised in line with Financial Procedure Rules.

#### **Forecast Capital Funding Gap**

- 3.6 As at February 2016, the updated forecast GF funding shortfall for the capital programme 2015/16 – 2019/20 is £8.055m. (at Feb 2015 the projected forecast shortfall for 2014/15- 2018/19 was £26.154m). Appendix D to this report analyses the movement in the funding deficit as reported in February 2015 with the current deficit as now reported. The reduced shortfall is specifically accounted for by the need to undertake additional borrowing in respect of the 2014/15 Capital programme as detailed in appendix 'D'. This additional borrowing was undertaken in the absence of actual Capital receipts being received.

- 3.7 Current forecast capital receipts indicate a level of receipts of £9.623m in excess of the level predicted in February 2015. However it remains the case that in the absence of additional capital receipts or curtailing spend an implicit additional borrowing requirement on both GF and the Schools programme of £30.085m will be required over the life of the programme. Ultimately the Capital programme as set out is underpinned by a likely permanent borrowing requirement.
- 3.8 In order to address the funding gap Cabinet will need to consider the following options:-
- Continue to identify and progress further additional Capital receipts over and above those already incorporated in this budget,
  - Reduce the expenditure contained within the Capital Programme primarily a reduction in proposed allocations as set out in 3.4, this is not recommended given the growing backlog of capital maintenance issues,
  - Undertake additional prudential borrowing. This should be a carefully considered option given the known pressures on future revenue budgets within the Council.

Whichever option(s) is used it is likely that there will have to be an increase in overall borrowing requirements in the short term.

- 3.9 It should be noted that, whilst annually the Council makes an average annual provision to repay debt of £14.25m, the Council has not actually borrowed money from the markets in the interim period but has funded capital requirements by utilising internal resources. It is forecast that in line with good Treasury Management practice and being mindful of interest rate movements, it is likely that actual external borrowing shall increase in the medium term therefore increasing capital financing charges.

## **SCHOOLS PROGRAMME AND FINANCING**

- 3.8 The Welsh Government announced its support in principle for an agreed programme of school building improvements in early 2012. This programme – termed the 21<sup>st</sup> Century Schools Programme - will entail the Welsh Government providing a 50% contribution in relation to schemes costing £51m. The Council is expected to provide the remaining 50% contribution.
- 3.9 Phase 1 schemes are progressing well, with Burlais and Gowerton completed in 2015-16 and Phase 2 schemes are being developed. The schemes included in both phases of the programme are detailed in Appendix B and are summarised below:



<b>Phase 1 Schemes</b>	<b>£m</b>	
Burlais Primary new school build	8.250	Completed
Gowerton Primary new school build	6.804	Completed
YGG Lon Las rebuild and remodel	9.797	Committed and Progressing
Glyncollen Primary improvements	0.750	Completed
Newton Primary improvements	0.650	Completed

<b>Total Phase 1 Schemes</b>	<b>26.251</b>
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<b>Phase 2 Schemes</b>	<b>£m</b>	
Pentrehafod remodelling	12.720	Outline Business Case approved by WG
Gorseinon Primary new school build	6.080	Full Business Case approved by WG
Pentre Graig Primary improvements	2.724	On Site
St Josephs Primary improvements	0.500	Uncommitted
YGG Gywr improvements	1.350	Business Justification submitted to WG Jan16
Secondary Review	1.425	Uncommitted
Special Schools Review	0.100	Uncommitted

<b>Total Phase 2 Schemes</b>	<b>24.899</b>
------------------------------	---------------

- 3.10 For completeness, the previously agreed Morriston Comprehensive School scheme and the second phase of the 21<sup>st</sup> Century Schools Programme are also detailed in Appendix B. This is necessary as the funding for the Morriston Scheme and the second phase need to be considered in the context of the wider schools programme.
- 3.11 The cashflow projections currently approved by WG are reflected in Appendix B. However these are currently under review with the WG to reflect the potential impact on the Gorseinon scheme of the Village Green Application that has recently been received by the Council.
- 3.12 The financing of the schools programme and current shortfall of **£22.030m** is set out in Appendix B. As previously highlighted, the position remains extremely difficult and challenging and may be summarised as follows:
- The Welsh Government has provided a 70% grant contribution to the Morriston Comprehensive Refurbishment Scheme. As previously reported, this means that the Council provided a £6.6m contribution.
  - The Council is required to fund a 50% contribution to the 21<sup>st</sup> Century Schools Programme cost i.e. **£25.5m**.
  - CCS has identified confirmed contributions of £1.4 million to date which have been used to fund the Schools programme.
  - The implication of (a) (b) and (c) is that the Council is required to fund a contribution of **£30.625m** over the period to 2020.
  - As identified in 3.6, there is an ambitious programme of Council asset disposals which shall be used to support not only the 21<sup>st</sup> Century Schools programme but

the GF capital programme as a whole. If in the eventuality that inadequate capital receipts are realised, prudential borrowing would be considered to fund the shortfall.

- f) The Welsh Government has confirmed that it will meet part of its 50% contribution by providing annual support for Council supported borrowing rather than grants. The proposed funding is detailed in Appendix B.

3.13 Notwithstanding the uncertainties regarding the funding of the overall Schools Programme, it is proposed that the schemes detailed above be committed over the coming year. It should also be noted that many of these schemes are high priority due to the significant risks of building failure.

If required, it will be necessary to finance the forecast schools programme shortfall in 2015/16 by unsupported borrowing pending future capital receipts from the disposal programme.

## **4. Risks**

4.1 There are significant risks which may require a future revision of the attached four year capital budget. In particular:

- urgent capital maintenance requirements
- unforeseen costs e.g. failure of retaining walls
- failing to achieve the General Fund capital receipts target
- Capital financing charges arising from additional unsupported borrowing which can not be met from revenue budgets.
- Additional costs arising from any other additions to the Capital programme.

4.2 There is a further significant risk that external grants will greatly diminish as cuts are applied by grant providers – in particular the Welsh Government and European Grants.

4.3 Whilst there is an annual Contingency Budget provided to deal with unexpected spending requirements this would be insufficient if a number of the risks detailed above were to arise.

## **5. Legal Implications**

5.1 The Authority is under a duty to make arrangements for the proper administration of its financial affairs. Failure to do so will be a breach of that duty.

## **6. Prudential Code**

6.1 Under the Local Government Act 2003 and subsequent regulations, a local authority is required to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities when setting its budget and must determine and keep under review how much it can afford to borrow.

6.2 A further report on the agenda will detail what is required under the requirement of the Code and set out in detail Prudential Borrowing Indicators for 2015/16 and subsequent years.

## 7. **Equalities Implications**

There are no equalities implications contained within this report but individual projects will be subject to the EIA process where required.

**SUMMARY OF GENERAL FUND CAPITAL BUDGET AND FINANCING 2015/16 - 2019/20**

	2015/16	2016/17	2017/18	2018/19	2019/20	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>DIRECTORATE</b>						
Resources	2,193	595	595	595	595	4,573
People	1,892					1,892
Place	56,963	32,830	12,676	15,317	12,575	130,361
<b>TOTAL EXPENDITURE</b>	<b>61,048</b>	<b>33,425</b>	<b>13,271</b>	<b>15,912</b>	<b>13,170</b>	<b>136,826</b>
<b>FINANCED BY:</b>						
<b>Borrowing:</b>						
Supported Borrowing	6,356	6,367	6,367	6,367	6,367	31,824
Supported Borrowing - Highways	1,421					1,421
<b>Grants and Contributions:</b>						
Welsh Government General Grant	3,868	3,875	3,875	3,875	3,875	19,368
Welsh Government specific grants	19,016	8,755				27,771
European grants	9,780					9,780
Other Grants	410					410
Contributions	1,014					1,014
<b>Capital Receipts:</b>						
Earmarked Capital receipts	1,169	1,113				2,282
General Capital receipts	5,355	10,420	5,004	1,800		22,579
<b>Revenue and Reserve Contributions (including provision for waste schemes)</b>	<b>4,516</b>	<b>5,064</b>		<b>2,742</b>		<b>12,322</b>
<b>TOTAL FINANCING</b>	<b>52,905</b>	<b>35,594</b>	<b>15,246</b>	<b>14,784</b>	<b>10,242</b>	<b>128,771</b>
<b>FORECAST SHORTFALL</b>	<b>8,143</b>	<b>-2,169</b>	<b>-1,975</b>	<b>1,128</b>	<b>2,928</b>	<b>8,055</b>

**SCHOOLS PROGRAMME CAPITAL EXPENDITURE & FINANCING 2012/13 - 2019/20**

	to 2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Total
	Actual spend £'000	Actual spend £'000	Actual spend £'000	Forecast spend £'000	Forecast spend £'000	Forecast spend £'000	Forecast spend £'000	Forecast spend £'000	£'000
<b>EXPENDITURE</b>									
Morrison Comprehensive Refurbishment	5,445	11,916	4,271	354					21,986
21st Century Schools Programme									
Phase 1									
Burlais Primary new school build	17	453	5,941	1,780	59				8,250
Gowerton Primary new school build	16	445	2,193	4,050	101				6,805
YGG Lon Las rebuild and remodel		66	108	1,679	7,327	616			9,796
Glyncollen and Newton Primary improvements		393	1,007						1,400
Phase 2									
Pentrefhafod remodelling				250	7,167	5,153	150		12,720
Gorseinon Primary new school build			51	1,471	4,488	70			6,080
Pentre'r Graig Primary improvements			97	1,340	1,287				2,724
St Joseph's Primary improvements						500			500
YG Gwyr improvements			50	90	1,210				1,350
Secondary Review						258	1,167		1,425
Special Schools Review							100		100
<b>TOTAL EXPENDITURE</b>	<b>5,478</b>	<b>13,273</b>	<b>13,718</b>	<b>11,014</b>	<b>21,639</b>	<b>6,597</b>	<b>1,417</b>		<b>73,136</b>
<b>FINANCED BY:</b>									
Welsh Government Grant									
Morrison Comprehensive Refurbishment	5,198	10,192							15,390
21st Century Programme Schemes - grant		782	6,231	4,846	5,314	1,244	633		19,050
21st Century Programme Schemes - PB				2,000	3,000	1,450			6,450
Pentrefhafod Challenge Cymru funding						150			150
Capital Receipts			104						104
Contributions	33	592	742						1,367
<b>TOTAL FINANCING</b>	<b>5,231</b>	<b>11,566</b>	<b>7,077</b>	<b>6,846</b>	<b>8,314</b>	<b>2,844</b>	<b>633</b>		<b>42,511</b>
<b>FORECAST PROGRAMME SHORTFALL</b>	<b>247</b>	<b>1,707</b>	<b>6,641</b>	<b>4,168</b>	<b>13,325</b>	<b>3,753</b>	<b>784</b>		<b>30,625</b>
<b>CURRENT FORECAST SHORTFALL (2015/16 TO 2019/20)</b>									<b>22,030</b>

## MATERIAL CHANGES TO THE 2015/16 CAPITAL BUDGET

Scheme	Source Of Funding	2015/16 Change £'000
<b>Director of People</b>		
<b>Education Planning &amp; Resources</b>		
Capital Flying Start Grant 15/16	Grant	444
YGG Pontybrenin Turning Circle	Contribution	153
Challenge Cymru 15/16 Pentrehafod/Morrison	Grant	97
<b>Poverty</b>		
Mayhill Family/Medical Centre Fixtures & Fittings	Revenue	50
<b>Director of Place</b>		
<b>Highways &amp; Transportation</b>		
Highways Spend to Save	Revenue	1,000
Local Transport Fund 15/16 (including Morfa Road)	Grant	1,968
Road Safety 15/16	Grant	378
Safer Routes In Communities 15/16	Grant	248
LTF 15/16-Fabian Way Corridor	Contribution	275
Vehicle Replacement Prog 15/16	Revenue	819
<b>Housing General Fund</b>		
Sandfields Renewal 15/16	Grant	2,980
National Home Improvement Loans	Grant	200
Houses into Homes New Regulation	Grant	860
<b>Waste Management</b>		
Re-Use Shop Expansion Bailing Plant	Grant	75
<b>Culture, Sport, Leisure &amp; Tourism</b>		
Glyn Vivian Art Gallery Refurbishment	Revenue	100
Oystermouth Castle Grant Clawback	Revenue	90
<b>Economic Regeneration &amp; Planning</b>		
Purchase of Oceana	Grant/Earmarked Capital Receipts	838
Demolition of Oceana	Grant	1,200
Vibrant & Viable Places - Property Grant	Grant	974
Vibrant & Viable Places - Homes above Shops	Grant	626
Vibrant & Viable Places - High St Mixed Use Development	Grant	550
Vibrant & Viable Places - Llys Dewi Sant Site	Grant	350
Vibrant & Viable Places - City Centre Land Assembly	Grant	553
Vibrant & Viable Places - West Way Gyratory	Grant	150
<b>Corporate Building</b>		
Stadwen Youth Centre Refurbishment	Contribution	83
Delayed Spending From 2014/15 - All Services (excl HRA)	Various	25,995
Delayed Spending Into 2016/17 - All Services	Various	-13,078
Other Minor Changes	Various	183
<b>TOTAL MATERIAL CHANGES</b>		<b>28,161</b>

**RECONCILIATION OF CAPITAL PROGRAMME  
SHORTFALL**

	<b>£m</b>
Forecast shortfall - per Council February 2015	57.038
Remove 2014-15 shortfall (and prior years for Schools)	-28.656
Additions and slippage into capital programme (2015-16 to 2018-19)	51.524
(App C shows 2015-16 changes, the balance relates to future year changes)	
Addition of a further year (2019/20) to programme	2.928
	<u>82.834</u>
Less additional funding (supported borrowing, grants, contributions and reserves)	-43.126
Less additional forecast capital receipts	-9.623
<b>Amended forecast shortfall February 2016</b>	<b><u>30.085</u></b>

## GENERAL FUND CAPITAL BUDGET 2015/16 -

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	TOTAL £'000
<b>DIRECTOR OF RESOURCES</b>						
<b>Delivery &amp; Information</b>						
WiFi Provision / Internet Connection	55					55
Telephony system replacement	500					500
Central Storage	30					30
Disaster recovery	1					1
Civic Centre LAN upgrade	83					83
School's Infrastructure	410					410
Digital Business Strategy	767					767
<b>Financial Services</b>						
Corporate Contingency	319	595	595	595	595	2,699
Capital creditors for 2014-15 paid in 2015-16	28					28
<b>TOTAL FOR DIRECTOR OF RESOURCES</b>	<b>2,193</b>	<b>595</b>	<b>595</b>	<b>595</b>	<b>595</b>	<b>4,573</b>
<b>DIRECTOR OF PEOPLE</b>						
<b>Education(excluding 21st Century schools programme)</b>						
Primary schools schemes	574					574
Secondary schools schemes	281					281
Special school schemes	138					138
Youth Activities schemes	20					20
YGG Pontybrenin turning circle	186					186
<b>Social Services Adult Services</b>						
Mayhill Family / Medical Centre	593					593
<b>Community Regeneration Minor schemes</b>						
Capital creditors for 2014-15 paid in 2015-16	44					44



## GENERAL FUND CAPITAL BUDGET 2015/16 -

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	TOTAL £'000
<b>TOTAL FOR DIRECTOR OF PEOPLE</b>	<b>1,892</b>					<b>1,892</b>
<b>DIRECTOR OF PLACE</b>						
<b>Highways &amp; Transportation</b>						
Morfa Distributor Road	1400	1381				2781
SRIC 15/16 - Grovesend / Llansamlet	248					248
Links to NCN routes (including Bascule Bridge)	410	615				1025
Fabian Way, cycle routes, bus stop enhancements	607					607
Highways and Lighting Schemes	5810					5810
Highways/Infrastructure Capital Maintenance; Unallocated		3476	3476	3375	3375	13702
Highways/Infrastructure additional Capital Maintenance (funded by reserves)		1000				1000
Highways & Transportation Vehicle replacement programme	819					819
Slip Bridge Refurbishment	139					139
Pont-y-Lon Bridge	50	750				800
Other Bridges & retaining Walls	803					803
Road Safety/Traffic Schemes	446					446
Bus facility schemes	63					63
Car Park improvements	29					29
Coast protection	374					374
Foreshore and Marina	178					178
<b>Waste Management</b>						
Tir John works	795	2,507		2,742		6044
Purchase existing generating station		1,100				1100
Sorting Station and bag splitter	115					115
Recycling shop at Baling Plant	75					75
12/13-Replace Litter Bins		40				40
Provision of Food Waste Hall		157				157

## GENERAL FUND CAPITAL BUDGET 2015/16 -

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	TOTAL £'000
<b>Culture,Sport,Leisure&amp;Tourism</b>						
Art Gallery - Refurbishment	4,032					4,032
Art Gallery - Refurbishment (HLF element)	498					498
Dylan Thomas Exhibition Refurbishment	57					57
Library Service	66					66
Sport Centres	176					176
Parks and playing fields	252					252
Mobile Street Sports Facility	98					98
Other Culture, Sport, Leisure & Tourism schemes	39					39
<b>Economic Regeneration&amp;Planning</b>						
Waterfront: BEP Grants	4,033					4033
Waterfront: Boulevard LC to Strand	2,268					2268
Waterfront: Lower Oxford St Public Realm Imps	100					100
Waterfront: Waterfront Connections	56					56
Waterfront: Northern Quarter High St Public Realm	454					454
Waterfront: Gloucester Place Public Realm	300					300
Waterfront: Clarence Terrace former Bus Depot	209					209
Waterfront: Wayfinder works	123					123
Waterfront: Cycling Network Works	151					151
City Centre Major Redevelopment study	92					92
St Davids/Oldway Demo & St Davids car park	203					203
Regeneration Match Funding	47					47
Revelopment schemes	238					238
City Centre regeneration; St David's / Civic Centre	321					321
City Centre regeneration; St David's / Civic Centre (Funding and FPR7 report to be confirmed)		5,929				5929
Hafod/Morfa Copper Works Regeneration	79					79
Felindre Development	804					804
Environmental Services	2					2
Refurb Swansea Market	1,424					1424

## GENERAL FUND CAPITAL BUDGET 2015/16 -

	2015/16	2016/17	2017/18	2018/19	2019/20	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
Swansea Vale infrastructure/studies	227	613				840
Vibrant & Viable Places: Homes above Shops	626	400				1026
Vibrant & Viable Places: High St Regen Scheme	550					550
Vibrant & Viable Places: Property Grant	974	1,030				2004
Vibrant & Viable Places: Oceana purchase	838					838
Vibrant & Viable Places: Oceana demolition	1,258					1258
Vibrant & Viable Places: Llys Dewi Sant site	1,534					1534
Vibrant & Viable Places: Land Assembly City Centre	553					553
Vibrant & Viable Places: Westway gyratory	150	850				1000
<b>Housing &amp; Public Protection</b>						
<b>Housing</b>						
DFG's -1996 Act	5,548	5,200	5,200	5,200	5,200	26348
Sandfields Renewal Area	3,722	400				4122
Emergency Repair Fund	262					262
Property Appreciation Loans	763					763
Grant For Noms	80					80
Comfort Safety & Security Grants (CSS)	37					37
Mini Adaptation Grants (MAG)	425					425
Houses into Homes Loans	1,580					1580
National Home Improvement Loans	860					860
<b>Public Protection</b>						
Air Quality Management Action Plan	1					1
<b>Corporate Building</b>						
Guildhall Refurb. Phase 5 (Brangwyn)	486					486
Guildhall Relocation Management costs	256					256
Accommodation Strategy	299					299
Upgrade Server Hardware	332					332
Heol Y Gors Office Refurbishment	190					190
Pipehouse Wharf Replacement	50	2,382				2,432
Capital Maintenance allocated	5,084					5,084

**GENERAL FUND CAPITAL BUDGET 2015/16 -**

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>TOTAL</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Capital Maintenance unallocated		4,000	4,000	4,000	4,000	16,000
School Capital improvements		1,000				1,000
Capital creditors for 2014-15 paid in 2015-16	1,795					1,795
<b>TOTAL FOR DIRECTOR OF PLACE</b>	<b>56,963</b>	<b>32,830</b>	<b>12,676</b>	<b>15,317</b>	<b>12,575</b>	<b>130,361</b>

## Report of the Section 151 Officer

Council – 25 February 2016

### TREASURY MANAGEMENT STRATEGY, PRUDENTIAL INDICATORS, INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION POLICY STATEMENT 2016/17

<b>Purpose:</b>	To recommend the Treasury Management Strategy Statement, Prudential Indicators, Investment Strategy and Minimum Revenue Provision Policy Statement for 2016/17.
<b>Policy Framework:</b>	None
<b>Reason for Decision:</b>	To allow for the proper management of the Council's borrowing and investments, to comply with statute, and the adopted CIPFA Prudential Code for Capital Finance in Local Authorities and the Revised CIPFA Treasury Management Code of Practice
<b>Consultation:</b>	Legal, Finance & Delivery and Access to Services.
<b>Recommendations:</b>	That Council approves the:-  (1) Treasury Management Strategy and Prudential Indicators (Sections 2-7) and  (2) Investment Strategy (Section 8) and  (3) Minimum Revenue Provision (MRP) Statement (Section 9)
<b>Report Author:</b>	Jeffrey Dong
<b>Finance Officer:</b>	Mike Hawes
<b>Legal Officer:</b>	Tracey Meredith
<b>Access to Services Officer:</b>	Sherill Hopkins

#### 1. Introduction

- 1.1 This strategy statement has been prepared in accordance with the revised CIPFA Treasury Management Code of Practice adopted by this Council in 2010. The Council's Treasury Management Strategy will be received and reviewed annually by Council and there will also be a mid year report providing an interim update. The aim of these

reporting arrangements is to ensure that those with ultimate responsibility for the scrutiny of the Treasury Management function appreciate fully the implications of Treasury Management policies and activities, and that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

#### 1.2 Revised CIPFA Prudential Code

CIPFA has issued a revised Prudential Code which primarily covers borrowing and the Prudential Indicators. Three of these indicators have now been moved from being Prudential Indicators to being Treasury Indicators: -

- authorised limit for external debt
- operational boundary for external debt
- actual external debt.

However, all indicators are to be presented together as one suite. In addition, where there is a significant difference between the net and the gross borrowing position, the risks and benefits associated with this strategy should be clearly stated in the annual strategy report.

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

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

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

#### 1.5 The recommended strategy for 2016/17 is based upon a view on interest rates, having considered leading market forecasts provided by the Council's treasury advisor, Capita Asset Services. The overall strategy covers:

- Treasury Limits 2016/17-2019/20
- Prudential / Treasury Indicators
- The current portfolio position
- Prospects for interest rates including a summary of the economic background
- The Borrowing Requirement
- The Borrowing Strategy
  - Gross v Net Debt Position

- Policy on Borrowing in Advance of Need
- Debt Rescheduling
- The Annual Investment Strategy
  - Investment Policy
  - Interest Rate Outlook
  - Creditworthiness Policy
  - Country Limits
  - Policy on the Use of External Advisors
  - Scheme of Delegation
  - Pension Fund Cash
- Minimum Revenue Provision (MRP) Policy Statement

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

## **2. Treasury Limits 2016/17 to 2019/20**

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

- increases in capital finance charges (principal and net interest) caused by increased borrowing to finance additional capital expenditure and
- any increases in running costs from new capital projects

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

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

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

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

- The Operational Boundary :  
*"...is based on expectations of the maximum external debt*

*of the authority according to probable not simply possible events and being consistent with the maximum level of external debt projected by the estimates....”*

- The Authorised Limit :  
*“..the Authorised Limit must therefore be set to establish the outer boundary of the local authority’s borrowing based on a realistic assessment of the risks. The authorised limit is certainly not a limit that an authority will expect to borrow up to on a regular basis. It is crucial that it is not treated as an upper limit for borrowing for capital expenditure alone since it must also encompass borrowing for temporary purposes...”*
- Upper limits for borrowing of fixed and variable rate loans.
- Upper limit for investments for over 364 days.
- Upper and lower limits for the maturity profile of the Council’s debt
- Estimates of the incremental impact of capital investment decisions on Council Tax / Housing rents
- Estimates of the ratio of financing costs to net revenue stream
- Estimates of the capital financing requirement

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

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

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



<b>Treasury / Prudential Indicators</b>						
	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>Actual</b>	<b>Probable</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
<b>Capital Expenditure</b>						
GF	67,169	72,063	54,863	19,868	17,329	13,170
HRA	24,582	122,475	55,000	45,500	44,500	52,000
<b>TOTAL</b>	<b>91,751</b>	<b>194,538</b>	<b>109,863</b>	<b>65,368</b>	<b>61,829</b>	<b>65,170</b>
<b>Capital Financing Requirement 31<sup>st</sup> March***</b>						
GF	333,683	339,080	344,735	339,277	332,539	327,399
Credit Arrangements *	2,472	2,218	1,451	893	484	236
HRA	63,485	143,139	154,345	164,692	172,833	186,810
Magistrates' Court **	1,531	1,470	1,411	1,354	1,300	1,248
<b>TOTAL</b>	<b>401,171</b>	<b>485,907</b>	<b>501,942</b>	<b>506,216</b>	<b>507,156</b>	<b>515,693</b>
<b>Authorised limit for external debt</b>	£500,561	£606,216	£607,156	£615,693	£615,693	£615,693
<b>Operational boundary for external debt</b>	£454,260	£546,216	£547,156	£555,693	£555,693	£555,693
<b>Upper limit for fixed interest rate exposure</b>	100%/ £500,561	100%/ £606,216	100%/ £607,156	100%/ £615,693	100%/ £615,693	100%/ £615,693
<b>Upper limit for variable rate exposure</b>	40%/ £200,224	40%/ £242,486	40%/ £242,862	40%/ £246,277	40%/ £246,277	40%/ £246,277
<b>Upper limit for total principal sums invested for over 364 days</b>	40,000	40,000	40,000	40,000	40,000	40,000

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

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

\*\*\* Excludes potential additional borrowing if forecast capital budget shortfalls cannot be resolved in future years

<b>Maturity structure of fixed rate borrowing during 2014/16-2019/20</b>		
	<b>Upper limit %</b>	<b>Lower limit %</b>
Under 12 months	50	0
12 months and within 24 months	50	0
24 months and within 5 years	50	0
5 years and within 10 years	85	0
10 years and above	95	15

<b>Ratio of Financing Costs to Net Revenue Stream</b>						
	<b>Actual 2014/15 %</b>	<b>Revised 2015/16 %</b>	<b>Estimate 2016/17 %</b>	<b>Estimate 2017/18 %</b>	<b>Estimate 2018/19 %</b>	<b>Estimate 2019/20 %</b>
<b>General Fund</b>	7.96	6.89	7.01	7.23	7.45	7.68
<b>HRA</b>	8.01	13.07	13.33	15.96	16.03	16.18

<b>Estimates of Incremental Impact of Capital Investment Decisions on Council Tax (Band D) and Council Housing Rents</b>						
	<b>Actual 2014/15 %</b>	<b>Revised 2015/16 %</b>	<b>Estimate 2016/17 %</b>	<b>Estimate 2017/18 %</b>	<b>Estimate 2018/19 %</b>	<b>Estimate 2019/20 %</b>
<b>General Fund*</b>	86.94	79.13	80.91	100.81	112.05	116.28
<b>HRA*</b>	0.00	0.00	104.64	194.06	266.31	357.86

\*It should be noted that in formulating the two above indicators it is necessary to hypothecate funding (in this case council tax and housing rents) to specific areas of capital expenditure, however in reality the full allowable spectrum of funding resource is utilised in funding capital expenditure as appropriate.

#### Gross Debt v Capital Financing Requirement

The gross debt position versus the capital financing requirement is detailed below. The profile below assumes progressive external funding of the internalised borrowing and the budgeted use of reserves as profiled in the revenue budget report.

<b>Comparison of average gross debt and capital financing requirement</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>actual</b>	<b>probable</b>	<b>estimate</b>	<b>estimate</b>	<b>estimate</b>	<b>estimate</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Average debt (gross)</b>	312,230	365,856	401,938	420,481	439,054	457,654
<b>Capital Financing Requirement at 31<sup>st</sup> March (Borrowing)</b>	398,699	483,689	500,491	505,323	506,672	515,457
<b>Net Position</b>	86,469	117,833	98,553	84,842	67,618	57,803

### 3 . The current portfolio position

3.1 The Council's probable debt portfolio position at 31/3/16 comprises:

	<b>Principal outstanding 31 March 2016 £'000</b>	<b>Average rate of Interest %</b>
Public Works Loan Board (fixed)	283,080	5.55
Money Market	98,000	4.10
Temporary	2,349	0.69
<b>TOTAL</b>	<b>383,429</b>	<b>5.16</b>

3.2 The Council's forecast investment portfolio at 31 March 2016 is as follows:

<b>Managed Investments</b>	<b>Investments 31 March 2016 £'000</b>	<b>2015/16 Probable Investment Return %</b>	<b>2016/17 Estimated Investment Return %</b>
Internally Managed	55,574	0.54	0.60

### 4. Prospects for Interest Rates

4.1 The Council's Treasury advisers (Capita Asset Services) provided the following interest rate forecast for both short term ( bank rate) and long term (PWLb) interest rates as at 16<sup>th</sup> January 2016. There is a downside risk to these forecasts if economic growth proves to be weaker and slower than currently forecast.

Capita Asset Services Interest Rate View														
	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
Capita Asset Services View	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%	1.50%	1.75%	1.75%	2.00%	2.00%	2.00%
5yr PWLB Rate	2.30%	2.40%	2.60%	2.70%	2.80%	2.80%	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%
10yr PWLB View	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%
25yr PWLB View	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%	4.20%	4.30%	4.30%	4.40%	4.40%	4.40%	4.50%
50yr PWLB Rate	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.00%	4.10%	4.20%	4.20%	4.30%	4.30%	4.30%	4.40%

#### 4.2 Economic Background

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

## 5. The Borrowing Requirement

5.1 The Council will have the following net capital borrowing / repayment requirements for 2015/16 to 2019/20 :

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
<b>Borrowing and repayment requirements</b>	<b>Actual</b>	<b>Probable</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
To finance new capital expenditure by supported borrowing	6,297	6,356	6,356	6,356	6,356	6,356
To finance new capital expenditure supported by Local Authority Government Borrowing Initiative (highways/21 <sup>st</sup> Century Schools)	4,489	3,421	3,000	1,450	-	-
To finance new capital expenditure by unsupported borrowing	25,969	12,311	10,955	1,778	1,912	2,928
To finance HRA capital expenditure/HRA Subsidy Reform 2015/16		78,035	20,000	15,000	13,000	19,000
To replace loans maturing/repaid prematurely	7,323	3,189	286	9,002	1	1
Less						
Repayments (MRP)	14,726	15,532	15,958	16,687	16,887	16,496
Set aside capital receipts	1,566	600	600	600	600	600
<b>NET BORROWING /(REPAYMENT) REQUIREMENT</b>	<b>13,140</b>	<b>80,802</b>	<b>24,039</b>	<b>16,299</b>	<b>3,782</b>	<b>11,189</b>
Principal repayment element of finance lease payments	915	843	577	410	325	133

5.2 The above table details the net borrowing requirement for each financial year. In accordance with the Prudential Code, borrowing must be undertaken in line with a funding plan informed by the projected capital financing requirement. Borrowing may be financed from one or more of Public Works Loan Board loans; Money Market loans or internal loans. The precise choice will depend on market conditions from time to time.

5.3 At time of writing, borrowing rates are materially higher than investment rates as has been the case since the onset of the financial crisis, considering this it has been determined that in the main the borrowing requirement for the capital programme shall be met by internalising the borrowing. However, as cashflow constraints and prospects for interest rate rises remain, we shall commence averaging in the borrowing requirement in the latter part of 2015/16 and forthcoming financial years to fund the capital programme when borrowing rates offer long term value .

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

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

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

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

5.6 The servicing and amortisation of this pool of debt shall be managed completely separately from the remainder of the debt portfolio and recharged directly to the HRA.

### **6. Borrowing Strategy**

6.1 Long term borrowing rates are expected to be significantly higher than rates available for investment deposits. It is likely that this position will pertain in the short to medium term.

In addition, the continuing uncertain economic conditions has maintained the need for caution in managing credit counterparty risk. There is still a risk of a bank / institution defaulting on the payment of interest due or repayment of amounts invested.

At the current time, long term PWLB and market rates offer attractive funding opportunities and some borrowing may be taken in the short to medium term to average in the long term borrowing requirement demanded by the council's capital programme reported separately on this agenda and to address cash flow requirements.

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

#### 6.4 Policy on borrowing in advance of need

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

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

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

### 7 **Debt Rescheduling**

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

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

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

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

7.4 Notwithstanding the above, it is not envisaged that there will not be any debt rescheduling opportunities in the remainder of 2015/16 or 2016/17 in the PWLB portfolio, however there may be opportunities to review the Authority's market debt dependent upon counterparty appetite. All rescheduling decisions will be reported to the Cabinet Member for Finance & Strategy & Strategy in the quarter following action.

## 8. The Annual Investment Strategy

### 8.1 Investment policy

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

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

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

8.1.2 The investment criteria are outlined in Appendix C.

8.1.3 Amendments to the arrangements, limits and criteria detailed in Appendix C may be made by the Head of Finance & Delivery and advised to the Cabinet Member for Finance & Strategy in the quarter following action.

Appendix G is the list of UK financial institutions (counterparties) which satisfy the Council's minimum credit criteria as at 16th January 2016

8.1.4 The Council has retained the services of two external fund managers.. They are Investec Asset Management and Invesco Asset Management-who currently have no Council assets under management - The fund managers shall comply with the Annual Investment Strategy. The fund managers investment criteria are outlined in Appendix C.

8.1.5 It is anticipated that the Council will continue to hold internally managed funds during 2016/17 ensuring a suitable spread of investment risks. The Council has fixed benchmarks against which investment performance will be measured, i.e. 7 day LIBID rate (internally managed).

### 8.1.6 Interest Rate Outlook:

Bank Rate is forecast by the Council's advisors to remain unchanged at 0.5% before starting to rise in quarter 2 of 2016. Bank Rate forecasts as at 31<sup>st</sup> March are:

- 2016/17 0.75%
- 2017/18 1.25%
- 2018/19 2.00%

There are downside risks to these forecasts (i.e. start of increases in Bank Rate occurs later) if economic growth weakens. However, should the pace of growth quicken, there could be an upside risk.

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

8.1.8 During and following the end of the financial year, the Council will report on its investment activity as part of its Mid Term Treasury Management Report and its Annual Treasury Management Report.

## 8.2 Creditworthiness Policy

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

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

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

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

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

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

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

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



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

### 8.3 Country Limits

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

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

### 8.4 Policy on the use of external advisers

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

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

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

### 8.5 Scheme of Delegation

The role and responsibilities of the Council, Cabinet Member for Finance & Strategy and the s151 officer are as follows:

#### (i) Council

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

#### (ii) Cabinet Member for Finance & Strategy

- to receive and review regular briefings/reports

- to receive and review the Treasury Management policy and procedures

(iii) Section 151 Officer

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

8.6 Pension Fund Cash

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

**9. Minimum Revenue Provision Policy Statement**

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

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

The previous requirement to make a 2% MRP charge for the Housing Revenue Account share of the Capital Financing Requirement (CFR) is unchanged by this instrument.

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

9.4 The Welsh Assembly Government guidance outlined four broad options

to adopt for the calculation of MRP. They are:

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

The options are detailed at Appendix F.

9.5 The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2008/09 and will calculate the MRP for 2016/17 in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act.

9.6 The major proportion of the MRP chargeable will relate to the more historic debt liability (pre 2008/09) that will continue to be charged at the rate of 4% reducing balance, in accordance with option 1 or 2 of the guidance.

Certain expenditure reflected within the debt liability at 31<sup>st</sup> March 2016 will under delegated powers be subject to MRP under option 3 or 4 which will be charged over a period commensurate with the estimated useful life applicable to the nature of expenditure.

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

Going forward, it is proposed that all debt arising from capital expenditure supported by the WG through supported borrowing or the Local Government Borrowing Initiative will be charged MRP in accordance with option 1 or 2 and all other capital expenditure and other 'capitalised' expenditure will be repaid under option 3 as appropriate unless otherwise superceded by any accompanying capitalisation directive/guidance.

## **10 Legal Implications**

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

## **11. Equality Impact Implications**

11.1 There are no equality impact implications arising from this report

**Background papers:** The revised CIPFA Treasury Management Code of Practice 2011

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

**Appendices:**

Appendix A – Glossary of Terms

Appendix B – Treasury Advisors' View On The Economic Background

Appendix C – Investment Criteria and creditworthiness policy

Appendix D – Credit Rating Agency Definitions

Appendix E – Approved Countries for Investment

Appendix F Minimum Revenue Provision Guidance

Appendix G – Approved Internal Counterparty Lending List

## TREASURY MANAGEMENT – GLOSSARY OF TERMS

<b>Annualised Rate of Return</b>	Represents the average return which would have been achieved each year.
<b>Authorised Limit</b> <i>( can also be considered as the affordable borrowing limit)</i>	The authorised limit must be set to establish the outer boundary of the local authority's borrowing based on a realistic assessment of the risks. The authorised limit is certainly not a limit that an authority will expect to borrow up to on a regular basis. It is crucial that it is not treated as an upper limit for borrowing for capital expenditure alone since it must also encompass borrowing for temporary purposes. It is the expected maximum borrowing need, with some headroom for unexpected movement.
<b>Bank Rate</b>	The Official Bank rate paid on commercial bank reserves i.e. reserves placed by commercial banks with the Bank of England as part of the Bank's operations to reduce volatility in short term interest rates in the money markets.
<b>Base Rate</b>	Minimum lending rate of a bank or financial institution in the UK.
<b>Basis Points (bp)</b>	A basis point is 0.01 of 1% (100 bp = 1%)
<b>Borrowing</b>	In the Code, borrowing refers to external borrowing. Borrowing is defined as both:- <ul style="list-style-type: none"> <li>• Borrowing repayable with a period in excess of 12months</li> <li>• Borrowing repayable on demand or within 12months</li> </ul>
<b>Capital Expenditure</b>	The definition of capital expenditure starts with all those items which can be capitalised in accordance with the Statement of Recommended Practice (SORP). To this must be added any items that have/will be capitalised in accordance with legislation that otherwise would not be capitalised. Prudential indicators for current and future years are calculated in a manner consistent with this definition.

<b>Capital Financing Charges (see financing costs also)</b>	These are the net costs of financing capital i.e. interest and principal, premium less interest received and discounts received.
<b>Capital Financing Requirement</b>	The Capital Financing Requirement is simply the total outstanding capital expenditure, which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need.
<b>CIPFA</b>	The Chartered Institute of Public Finance and Accountancy. One of the leading professional accountancy bodies in the UK and the only one which specialises in the public services.
<b>Counterparty</b>	The organisations responsible for repaying the Council's investment upon maturity and for making interest payments.
<b>Credit Rating</b>	<p>This is a scoring system that lenders issue people with to determine how credit worthy they are.</p> <p>The Credit Rating components are as follows:</p> <ol style="list-style-type: none"> <li>1. The AAA ratings through to C/D are long-term rating definitions and generally cover maturities of up to five years, with the emphasis on the ongoing stability of the institution's prospective financial condition. AAA are the most highly rates, C/D are the lowest. This Council does not invest with institutions lower than AA- for investments over 364 days</li> <li>2. F1/A1/P1 are short-term rating definitions used by Moody's, S&amp;P and Fitch Ratings for banks and building societies based on their individual opinion on an institution's capacity to repay punctually its short-term debt obligations (which do not exceed one year). This Council does not invest with institutions lower than F1/A1/P1 for investments under 364 days.</li> </ol>
<b>Debt</b>	For the purposes of the Code, debt refers to the sum of borrowing (see above) and other long-term liabilities (see below). It should be noted that the term borrowing used with the

	Act includes both borrowing as defined for the balance sheet and other long terms liabilities defined as credit arrangements through legislation.
<b>Discounts</b>	Where the prevailing interest rate is higher than the fixed rate of a long-term loan, which is being repaid early, the lender can refund the borrower a discount. This is calculated on the difference between the two interest rates over the remaining years of the loan, discounted back to present value. The lender is able to offer the discount, as their investment will now earn more than when the original loan was taken out.
<b>Financing Costs</b>	The financing costs are an estimate of the aggregate of the following:- <ul style="list-style-type: none"> <li>• Interest payable with respect to borrowing</li> <li>• Interest payable under other long-term liabilities</li> <li>• Gains and losses on the repurchase or early settlement of borrowing credited or charged to the amount to be met from government grants and local taxpayers (premiums and discounts)</li> <li>• Interest earned and investment income</li> <li>• Amounts required in respect of the minimum revenue provision plus any additional voluntary contributions plus any other amounts for depreciation/impairment that are charged to the amount to be met from government grants and local taxpayers</li> </ul>
<b>Financial Reporting Standards (FRSs)</b>	These are standards set by governing bodies on how the financial statements should look and be presented.
<b>Investments</b>	Investments are the aggregate of:- <ul style="list-style-type: none"> <li>• Long term investments</li> <li>• Short term investments (within current assets)</li> <li>• Cash and bank balances including overdrawn balances</li> </ul> <p>From this should be subtracted any investments that are held clearly and explicitly</p>

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



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

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

	The risk that the Authority is unable to replace its maturing funding arrangements on appropriate terms.
<b>Set Aside Capital Receipts</b>	A proportion of money received by the Council for the sale of fixed assets must be set aside to repay debt.
<b>SORP</b>	Statement of Recommended Practice, published by CIPFA (Local Authority Accounting Body). This sets out guidelines regarding the Council's financial matters.
<b>Specified/Non Specified investments</b>	Specified investments are sterling denominated investments for less than 364 days as identified in Appendix C in line with statutory investment regulations. Non-specified investments are all other investments identified in Appendix C in line with statutory investment regulations.
<b>Supranational Bonds</b>	These are bonds issued by institutions such as the European Investment Bank and World Bank. As with Government bonds (Gilts) they are regarded as the safest bond investments with a high credit rating.
<b>Temporary Borrowing and Investment</b>	Loans which are capable of being repaid within one year. The term of the loans will be negotiated from overnight to 364 days.
<b>Treasury Management</b>	Treasury Management has the same definition as in CIPFA's code of Practice of Treasury Management in the Public Services.  "The management of the organisation's cash flows its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
<b>Yield Curve</b>	The line resulting from portraying interest rate graphically for a series of periods, e.g. 7days, 1month, 3, 6, 9, and 12months. When longer-term interest rates are higher than short-term rates the yield curve slopes upwards and is described as positive. When the opposite

	prevails the yield curve is referred to as inverse.
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**TREASURY ADVISORS' VIEW ON THE ECONOMIC BACKGROUND**

## 1.2

**UK.** UK GDP growth rates in of 2.2% in 2013 and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and the 2015 growth rate is likely to be a leading rate in the G7 again. However, quarter 1 of 2015 was weak at +0.4%, although there was a short lived rebound in quarter 2 to +0.7% before it subsided again to +0.5% (+2.3% y/y) in quarter 3. The Bank of England's November Inflation Report included a forecast for growth to remain around 2.5% – 2.7% over the next three years. For this recovery, however, to become more balanced and sustainable in the longer term, it still needs to move away from dependence on consumer expenditure and the housing market to manufacturing and investment expenditure. The strong growth since 2012 has resulted in unemployment falling quickly to a current level of 5.2%.

The MPC has been particularly concerned that the squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back above the level of CPI inflation in order to underpin a sustainable recovery. It has, therefore, been encouraging in 2015 to see wage inflation rising significantly above CPI inflation which has been around zero since February. However, it is unlikely that the MPC would start raising rates until wage inflation was expected to consistently stay over 3%, as a labour productivity growth rate of around 2% would mean that net labour unit costs would still only be rising by about 1% y/y. The Inflation Report was notably subdued in respect of the forecasts for CPI inflation; this was expected to barely get back up to the 2% target within the 2-3 year time horizon. The increase in the forecast for inflation at the three year horizon was the biggest in a decade and at the two year horizon it was the biggest since February 2013. However, the first round of falls in oil, gas and food prices in late 2014 and in the first half 2015, will fall out of the 12 month calculation of CPI during late 2015 / early 2016 but only to be followed by a second, more recent, round of falls in fuel prices which will now delay a significant tick up in inflation from around zero. CPI inflation is now expected to get back to around 1% in the second half of 2016 and not get near to 2% until 2017, though the forecasts in the Report itself were for an even slower rate of increase.

There is, therefore, considerable uncertainty around how quickly pay and CPI inflation will rise in the next few years and this makes it difficult to forecast when the MPC will decide to make a start on increasing Bank Rate. There are also concerns around the fact that the central banks of the UK and US currently have few monetary policy options left to them given that central rates are near to zero and huge QE is already in place. There are, accordingly, arguments that they need to raise rates sooner, rather than later, so as to have some options available for use if there was another major financial crisis in the near future. But it is unlikely that either would raise rates until they are sure that growth was securely embedded and 'noflation' was not a significant threat.

The forecast for the first increase in Bank Rate has, therefore, been pushed back progressively during 2015 from Q4 2015 to Q2 2016. Increases after that are also likely to be at a much slower pace, and to much lower final levels than prevailed before 2008, as increases in Bank Rate will have a much bigger effect on heavily indebted consumers and householders than they did before 2008.

The Government's revised Budget in July eased the pace of cut backs from achieving a budget surplus in 2018/19 to achieving that in 2019/20 and this timetable was maintained in the November Budget.

**USA.** GDP growth in 2014 of 2.4% was followed by Q1 2015 growth, which was depressed by exceptionally bad winter weather, at only +0.6% (annualised). However, growth rebounded remarkably strongly in Q2 to 3.9% (annualised) before falling back to +2.1% in Q3.

Until the turmoil in financial markets in August, caused by fears about the slowdown in Chinese growth, it had been strongly expected that the Fed. would start to increase rates in September. The Fed pulled back from that first increase due to global risks which might depress US growth and put downward pressure on inflation, as well as a 20% appreciation of the dollar which has caused the Fed. to lower its growth forecasts. Although the non-farm payrolls figures for growth in employment in August and September were disappointingly weak, the October figure was stunningly strong while November was also reasonably strong; this, therefore, opened up the way for the Fed. to embark on its first increase in rates of 0.25% at its December meeting. However, the accompanying message with this first increase was that further increases will be at a much slower rate, and to a much lower ultimate ceiling, than in previous business cycles, mirroring comments by our own MPC.

**EZ.** In the Eurozone, the ECB fired its big bazooka in January 2015 in unleashing a massive €1.1 trillion programme of quantitative easing to buy up high credit quality government and other debt of selected EZ countries. This programme of €60bn of monthly purchases started in March 2015 and it is intended to run initially to September 2016. This appears to have had a positive effect in helping a recovery in consumer and business confidence and a start to an improvement in economic growth. GDP growth rose to 0.5% in quarter 1 2015 (1.0% y/y) but came in at +0.4% (+1.5% y/y) in quarter 2 and +0.3% in quarter 3. However, this more recent lacklustre progress, combined with the recent downbeat Chinese and emerging markets news, has prompted comments by the ECB that it stands ready to strengthen this programme of QE by extending its time frame and / or increasing its size in order to get inflation up from the current level of around zero towards its target of 2%. The ECB will also aim to help boost the rate of growth in the EZ.

**Greece.** During July, Greece finally capitulated to EU demands to implement a major programme of austerity. An €86bn third bailout package has since been agreed although it did nothing to address the unsupportable size of total debt compared to GDP. However, huge damage has been done to the Greek banking system and economy by the initial resistance of the Syriza Government, elected in January, to EU demands. The surprise general election in September gave the Syriza government a mandate to

stay in power to implement austerity measures. However, there are major doubts as to whether the size of cuts and degree of reforms required can be fully implemented and so a Greek exit from the euro may only have been delayed by this latest bailout.

Portugal and Spain. The general elections in September and December respectively have opened up new areas of political risk where the previous right wing reform-focused pro-austerity mainstream political parties have lost power. A left wing / communist coalition has taken power in Portugal which is heading towards unravelling previous pro austerity reforms. This outcome could be replicated in Spain. This has created nervousness in bond and equity markets for these countries which has the potential to spill over and impact on the whole Eurozone project.

**China and Japan.** Japan is causing considerable concern as the increase in sales tax in April 2014 suppressed consumer expenditure and growth. In Q2 2015 quarterly growth shrank by -0.2% after a short burst of strong growth of 1.1% during Q1, but then came back to +0.3% in Q3 after the first estimate had indicated that Japan had fallen back into recession; this would have been the fourth recession in five years. Japan has been hit hard by the downturn in China during 2015 and there are continuing concerns as to how effective efforts by the Abe government to stimulate growth, and increase the rate of inflation from near zero, are likely to prove when it has already fired the first two of its 'arrows' of reform but has dithered about firing the third, deregulation of protected and inefficient areas of the economy.

As for China, the Government has been very active during 2015 in implementing several stimulus measures to try to ensure the economy hits the growth target of 7% for the current year and to bring some stability after the major fall in the onshore Chinese stock market during the summer. Many commentators are concerned that recent growth figures could have been massaged to hide a downturn to a lower growth figure. There are also major concerns as to the creditworthiness of much of the bank lending to corporates and local government during the post 2008 credit expansion period. Overall, China is still expected to achieve a growth figure that the EU would be envious of. Nevertheless, concerns about whether the Chinese economy could be heading for a hard landing, and the volatility of the Chinese stock market, which was the precursor to falls in world financial markets in August and September, remain a concern.

**Emerging countries.** There are also considerable concerns about the vulnerability of some emerging countries and their corporates which are getting caught in a perfect storm. Having borrowed massively in dollar denominated debt since the financial crisis (as investors searched for yield by channelling investment cash away from western economies with dismal growth, depressed bond yields and near zero interest rates into emerging countries) there is now a strong flow back to those western economies with strong growth and an imminent rise in interest rates and bond yields.

This change in investors' strategy, and the massive reverse cash flow, has depressed emerging country currencies and, together with a rise in expectations of a start to central interest rate increases in the US, has helped to cause the dollar to appreciate significantly. In turn, this has made it much more costly for emerging countries to service their dollar

denominated debt at a time when their earnings from commodities are depressed. There are also likely to be major issues when previously borrowed debt comes to maturity and requires refinancing at much more expensive rates.

Corporates (worldwide) heavily involved in mineral extraction and / or the commodities market may also be at risk and this could also cause volatility in equities and safe haven flows to bonds. Financial markets may also be buffeted by the sovereign wealth funds of those countries that are highly exposed to falls in commodity prices and which, therefore, may have to liquidate investments in order to cover national budget deficits.

### **CAPITA ASSET SERVICES FORWARD VIEW**

Economic forecasting remains difficult with so many external influences weighing on the UK. Our Bank Rate forecasts, (and also MPC decisions), will be liable to further amendment depending on how economic data evolves over time. Capita Asset Services undertook its last review of interest rate forecasts on 9 November 2015 shortly after the publication of the quarterly Bank of England Inflation Report. There is much volatility in rates and bond yields as news ebbs and flows in negative or positive ways. This latest forecast includes a first increase in Bank Rate in quarter 2 of 2016.

The overall trend in the longer term will be for gilt yields and PWLB rates to rise when economic recovery is firmly established accompanied by rising inflation and consequent increases in Bank Rate, and the eventual unwinding of QE. Increasing investor confidence in eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently evenly balanced. Only time will tell just how long this current period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

However, the overall balance of risks to our Bank Rate forecast is probably to the downside, i.e. the first increase, and subsequent increases, may be delayed further if recovery in GDP growth, and forecasts for inflation increases, are lower than currently expected. Market expectations in November, (based on short sterling), for the first Bank Rate increase are currently around mid-year 2016.

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

- Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven flows.
- UK economic growth turns significantly weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU, US and China.
- A resurgence of the Eurozone sovereign debt crisis.
- Recapitalisation of European banks requiring more government financial support.
- Emerging country economies, currencies and corporates destabilised by falling commodity prices and / or the start of Fed.



rate increases, causing a flight to safe havens

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- Uncertainty around the risk of a UK exit from the EU.
- The commencement by the US Federal Reserve of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

## APPENDIX C

### Creditworthiness Policy and Investment Criteria

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

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

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

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

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

	Colour (and long term rating where applicable)	Money and/or % Limit	Time Limit
<b>Banks /UK Govt debt*</b>	<b>yellow</b>	<b>£120m</b>	<b>5yrs</b>
<b>Banks</b>	<b>purple</b>	<b>£20m</b>	<b>2 yrs</b>
<b>Banks</b>	<b>orange</b>	<b>£20m</b>	<b>1 yr</b>
<b>Banks – part nationalised</b>	<b>blue</b>	<b>£25m</b>	<b>1 yr</b>
<b>Banks</b>	<b>red</b>	<b>£20m</b>	<b>6 mths</b>
<b>Banks</b>	<b>green</b>	<b>£20m / %</b>	<b>100 days</b>
<b>Banks</b>	<b>No colour</b>	<b>Not to be used</b>	
<b>Council’s banker</b>	<b>-</b>	<b>£25m / %</b>	<b>5 yrs</b>
<b>Other institutions limit</b>	<b>-</b>	<b>£20m</b>	<b>1yr</b>
<b>DMADF</b>	<b>AAA</b>	<b>unlimited</b>	<b>6 months</b>
<b>Local authorities</b>	<b>n/a</b>	<b>£25m</b>	<b>5yrs</b>
	Fund rating	Money and/or % Limit	Time Limit
<b>Money market funds</b>	<b>AAA</b>	<b>£20m / %</b>	<b>liquid</b>
<b>Enhanced money market funds with a credit score of 1.25</b>	<b>Dark pink / AAA</b>	<b>£25m / %</b>	<b>liquid</b>
<b>Enhanced money market funds with a credit score of 1.5</b>	<b>Light pink / AAA</b>	<b>£25m / %</b>	<b>liquid</b>

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

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

Typically the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances

consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

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

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

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

## Investment Criteria for Specified and Non Specified Investments

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

### 1.1.1 Specified Investments:

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

Instrument	Minimum Credit Criteria	Use	Max investment
Debt Management Agency Deposit Facility	--	In-house	£120M
Term deposits – UK government	--	In-house	£120M
Term deposits – other LAs	--	In-house	£20M with each counterparty
Term deposits – banks and building societies	Short-term F1,P1,A1, Long-term AA- or UK nationalised banks  Blue Orange Red Green No Colour	In-house and fund managers  12 months 12 months 6 months 100 days Not for use	£20M with each counterparty/ See 2 and 3 below
Term deposits – Banks	Short-term	In-house and	£25M with each

nationalised by highly credit rated sovereign countries	F1,P1,A1, Long-term AA-  Blue Orange Red Green No Colour	fund managers  12 months 12 months 6 months 100 days Not for use	counterparty/ See 2 and 3 below
Government guarantee on all deposits by high credit rated sovereign countries	AA-	In-house and fund managers	£20M with each counterparty/ See 2 and 3 below
UK Government supported banking sector	AA-	In-house and fund managers	£20M with each counterparty/ See 2 and 3 below

### 1.1.2 **Non-Specified Investments:**

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

<b>Instrument</b>	<b>Min Credit/Colour Criteria</b>	<b>Use</b>	<b>Maximum Period</b>	<b>Maximum Investment</b>
Term deposits – UK government (with maturities in excess of 1 year)		In-house	5 years	£30M
Term deposits – other Local Authorities (with maturities in excess of 1 year)		In-house	5 years	£20M with each counterparty
Deposits with banks and building societies covered by UK government guarantee	Short-term F1,P1,A1 Long-term AA-  Blue Orange	Fund managers/ in-house	See 2 and 3 below  12 months 12 months	See 2 below/£25m with each counterparty
Certificates of deposits issued by banks and building societies covered by UK government guarantee	Short-term F1,P1,A1 Long-term AA-  Blue Orange	Fund managers/in house	See 2 and 3 below  12 months 12 months	See 2 below/£20m with each counterparty
UK Government Gilts	-	Fund Managers/in house	See 2 and 3 below/5 years	See 2 below /£20M
Treasury Bills	-	Fund Managers/in	See 2 and 3 below/5	See 2 below /£20M

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

		managers		See 2 below
Floating Rate Notes	Long-term AA-	Fund managers	10 years	See 2 below
Treasury Bills	N/A	Fund Managers	10 years	See 2 below
Local authority mortgage guarantee scheme	Short-term F1,P1,A1 Long-term AA-,	In-house	10 years	£20m with each counterparty

## 2. Investment Criteria – Invesco/Investec

- 2.1 The Fund will normally be invested in short term fixed interest rate deposits and certificates of deposit carrying interest rates of up to one year or debt instruments guaranteed by the UK government and also AAA rated money market funds. At any given time, a maximum of 50% of the portfolio by market value may be invested in negotiable securities carrying rates of interest for periods of over one year from the date of investment.
- 2.2 The maximum exposure to any one counter party is not to exceed 10% of the fund value or £2,000,000 whichever is the lower with the exception of money market funds where the whole balance may be invested therein. Variances to be agreed by the Head of Finance & Delivery & Delivery
- 2.3 The average duration of the investments for the fund shall not exceed 3 years, with the maximum maturity of any individual investment shall not exceed 10 years.
- 2.4 The fund will only lend to counterparties on the Invesco Standard lending list. The minimum criterion for the same is:
- Short term rating of A1, F1, P1 from the credit ratings agencies Moody's Fitch and Standard and Poor.
  - Long term rating of AA- from Standard and Poor or equivalent from Moody's or Fitch.
  - Invesco reserve the right to amend the standard lending list if internal research generated supports such a move.

N.B if there is a variation in ratings between agencies for a particular counterparty the lowest rating will be applied.

## APPENDIX D

### ***Fitch International Long-Term Credit Ratings***

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

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



B	<p>Highly speculative.</p> <ul style="list-style-type: none"> <li>• For issuers and performing obligations, 'B' ratings indicate that significant credit risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favourable business and economic environment.</li> <li>• For individual obligations, may indicate distressed or defaulted obligations with potential for extremely high recoveries. Such obligations would possess a Recovery Rating of 'RR1' (outstanding).</li> </ul>
CCC	<p>For issuers and performing obligations, default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favourable business or economic conditions.</p> <ul style="list-style-type: none"> <li>• For individual obligations, may indicate distressed or defaulted obligations with potential for average to superior levels of recovery. Differences in credit quality may be denoted by plus/minus distinctions. Such obligations typically would possess a Recovery Rating of 'RR2' (superior), or 'RR3' (good) or 'RR4' (average).</li> </ul>
CC	<p>For issuers and performing obligations, default of some kind appears probable.</p> <ul style="list-style-type: none"> <li>• For individual obligations, may indicate distressed or defaulted obligations with a Recovery Rating of 'RR4' (average) or 'RR5' (below average).</li> </ul>
C	<ul style="list-style-type: none"> <li>• For issuers and performing obligations, default is imminent.</li> <li>• For individual obligations, may indicate distressed or defaulted obligations with potential for below-average to poor recoveries. Such obligations would possess a Recovery Rating of 'RR6' (poor).</li> </ul>
RD	<p>Indicates an entity that has failed to make due payments (within the applicable grace period) on some but not all material financial obligations, but continues to honour other classes of obligations.</p>
D	<p>Indicates an entity or sovereign that has defaulted on all of its financial obligations. Default generally is defined as one of the following:</p> <ul style="list-style-type: none"> <li>• Failure of an obligor to make timely payment of principal and/or interest under the contractual terms of any financial obligation;</li> <li>• The bankruptcy filings, administration, receivership, liquidation or other winding-up or cessation of business</li> </ul>

	of an obligor; • The distressed or other coercive exchange of an obligation, where creditors were offered securities with diminished structural or economic terms compared with the existing obligation.
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***Fitch International Short-Term Credit Ratings***

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

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

**Approved Countries for Investment**

AAA

- Australia
- Canada
- Denmark
- Germany
- Netherlands
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- U.K.
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- Qatar

AA-

- Belgium

## **MINIMUM REVENUE PROVISION**

### **1. Government Guidance**

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

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

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

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

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

#### **Option 1: Regulatory Method**

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

#### **Option 2: Capital Financing Requirement Method**

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

### **Option 3: Asset Life Method.**

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

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

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

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

There are two methods of calculating charges under option 3:

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

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

$A - B$  divided by  $C$

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

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

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

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

Asset life - the MRP guidance makes it clear that the estimated life of an asset should be determined in the year MRP commences and should not subsequently be revised

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

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

#### **Option 4: Depreciation Method**

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

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

#### **2. Date of implementation**

The previous statutory MRP requirements cease to have effect after the 2006/07 financial year. However, the same basis of 4% charge in respect of the GF share of CFR may continue to be used without limit until the 2009/10 financial year, relative to expenditure incurred up to 31/3/2008.

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

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

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

## APPENDIX G

### Active Internal Credit UK Counterparty List (as at 15 February 2016)

Institution	Country	Bank/BS	Fitch Ratings		
			S Term	Support	L Term
Bank of Scotland	UK	Bank	F1	5	A+
Barclays	UK	Bank	F1	5	A
Close Brothers	UK	Bank	F1	5	A
Coventry Building Society	UK	BS	F1	5	A
Goldman Sachs International Bank	UK	Bank	F1		A
HSBC	UK	Bank	F1+	1	AA-
Leeds Building Society	UK	BS	F1	5	A-
Lloyds	UK	Bank	F1	5	A+
Nationwide	UK	BS	F1	5	A
Santander	UK	Bank	F1	2	A
Sumitomo Mitsui Banking Corporation	UK	Bank	F1	1	A
UBS Ltd	UK	Bank	F1	1	A
Yorkshire Building Society	UK	BS	F1	5	A-
Debt Management Office	UK				
Local Authorities	UK				

# Agenda Item 15.

## Report of the Section 151 Officer and Director of Place

Council – 25 February 2016

### HOUSING REVENUE ACCOUNT (HRA) REVENUE BUDGET 2016/17

<b>Purpose:</b>	This report proposes a Revenue Budget for 2016/17 and a rent increase for properties within the HRA.
<b>Policy Framework:</b>	None.
<b>Reason for Decision:</b>	To agree a revenue budget as indicated and a rent increase for 2016/17.
<b>Consultation:</b>	Cabinet Members, Finance, & Legal
<b>Recommendations:</b>	<p>The following budget proposals be approved:</p> <p>a) Rents to be increased in line with the Welsh Government rent setting policy as detailed in section 4.</p> <p>b) Fees, charges and allowances are approved as outlined in section 4.</p> <p>c) The revenue budget proposals as detailed in section 4 are recommended to Council for approval.</p>
<b>Report Author:</b>	Aimee Dyer / David Evans
<b>Finance Officer:</b>	Aimee Dyer
<b>Legal Officer</b>	Tracey Meredith
<b>Access to Services Officer</b>	Phil Couch

#### 1. Introduction

1.1 The setting of the revenue budget has to take account of the following issues and factors:-

- the requirement to achieve the Welsh Housing Quality Standard (WHQS);
- future income and expenditure trends;
- increases in rent in line with the rent policy;
- the effect on tenants of rent increases;

1.2 The proposals in this report are based on the objective of maximising the resources available for investment in the housing stock to make progress in achieving the WHQS.



## 2. Projected Revenue Outturn 2015/16

- 2.1 An updated assessment of forecast spending in 2015/16 is subject to a separate report on this agenda. This forecasts an underspend of £0.45m; comprising an increase in fees for Capital Works (£0.2) plus a reduction in borrowing costs (£0.4m) due to the use of more Capital Receipts. These have been offset by a slight fall in rent income (£0.15m).

## 3. Housing Revenue Account Subsidy (HRAS) and HRAS settlement

- 3.1 In April 2015 the exit from the Housing Revenue Account Subsidy System (HRAS) took place. This ended the old system of negative subsidy payments and replaced it with a one off settlement debt of £73.6m.

## 4. Revenue Budget Proposals 2016/17

### 4.1 Overview

- 4.1.1 There is a projected surplus on the HRA next year of £19.9m. This surplus together with the planned use of reserves will contribute towards the capital programme which is planned to increase from an original programme in the current year of £49.3m to £55m next year. This increase is for further investment in WHQS and a provision has been made for the More Homes Programme.

- 4.1.2 The main changes from 2015/16 are an increase in capital charges as a result of the repayment of principal of the Housing Subsidy system settlement debt and the additional cost of borrowing to support achievement of the WHQS of £1.6m. The main changes to funding/income are an increase in rent and other income of £1.8m mainly arising from the proposed rent increases and an increase in the planned use of reserves of £1.6m to fund the proposed capital programme for 2016/17.

- 4.1.3 There have been some changes to the revenue repairs budget, comprising an increase in day-to-day, voids and general repairs of £0.35m and a reduction in painting and minor works of £0.29m. However, expenditure in minor works will now be funded through the Capital budget.

- 4.1.4 The main changes from the 2015/16 budget are shown in the following table:-

Item	£000
Increase in capital financing charges	1,600
Increase in revenue contribution to capital programme	1,600
Changes to Revenue Repairs Budget	60
1% pay award and impact of NI Contributions	150
Additional income including a 4.00% rent increase	-1,819
Increase in contribution from reserves	-1,591

### 4.2 Rent Income

- 4.2.1 The target average rent per week for Swansea provided by the Welsh Government under the rent setting policy which was introduced in April 2015 is set out in the following table. The WG figures are based on a 52 week period. However, the Council has traditionally charged rents over 50 weeks allowing two

weeks during the year when rent is not collected. The equivalent 50 week average is also provided.

	Lower Band (i.e. mid point – 5%)	Mid Point	Higher Band (i.e. mid point + 5%)
WG weekly figures (based on 52 weeks)	£78.75	£82.89	£87.03
50 week equivalent	£81.90	£86.21	£90.52

4.2.2 In February 2015, Council agreed to maximise the available rent income by using the full transitional increase allowable under the WG policy until such time that the upper band limit is reached.

4.2.3 After applying the national increase of 1.4% plus the full transitional increase, the average rent for 2016/17 will be £83.19 (based on 50 weeks). This is an average increase of £3.20 (4%) per week.

#### 4.3 *Inflation*

Provision has been included in the budget for a 1% annual pay increase from April 2016. In addition, budgets have been amended to reflect changes in employer's contributions for National Insurance. Other budgets, in particular repairs and maintenance and utility costs have been based on the latest prices.

#### 4.4 *Capital Financing Charges*

Additional Capital financing charges will arise in 2016/17 as a result of the HRAS settlement borrowing and additional borrowing to finance WHQS improvements.

#### 4.5 *Fees, Charges and Allowances*

General fees, charges and allowances are increased in line with the agreed rent increase or in line with the inflation provision set out in 4.3 above. If the recommendations relating to the rent increase are approved then these rent related items will increase by 4% and other charges by 1%.

#### 4.6 *Contributions to the Capital Programme*

The additional income and net reduction as a result of the elimination of the subsidy system enables a contribution of £19.9m to the capital programme. A further £5.8m from reserves will also be utilised in supporting the capital programme.

### 5. **Risks and Uncertainties**

5.1 The main risk and uncertainty for next year is the ongoing impact of welfare reform measures, such as the potential increase in number of tenants in receipt of universal credit on the level of income.

### 6. **Reserves**

6.1 The HRA balance at the start of this year was £17.1m and at the end of the current year it is estimated to be £13.2m. It is proposed that £5.8m is used next year to finance capital expenditure. The reserves position is detailed in Table B.

## **7. Equality Impact Assessments**

- 7.1 Proposals for changing levels of funding in specific areas have been subject to a screening process. Service managers have considered the implications of proposed budgetary decisions and believe that the proposed budget protects the most vulnerable and will not disproportionately impact on protected groups. EIA Screening has been undertaken.

## **8 Legal Implications**

- 8.1 Tenants will need to be notified of the proposed increase in accordance with the provisions of section 102 of the Housing Act 1985. Section 102 b) states that variation of the Rent shall be carried out in accordance with the provisions of the Tenancy Agreement. Section 2.6 of the Council's Tenancy Agreement states that Tenants must be given 4 weeks notice before any Rent change.

<p><b>Appendix:</b> Table A: Summarised HRA 2015/16 to 2016/17 Table B: Movement in Balances 2015/16 to 2016/17</p>
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**Background Papers:** None

**Table A: Summarised HRA 2015/16 to 2016/17**

<b>Classification</b>	<b>Budget 2015/16</b>	<b>Budget 2016/17</b>
	£'000	£'000
<u>Expenditure</u>		
Management and Maintenance	28,163	28,360
Capital Charges	8,277	9,883
Revenue Funding for capital schemes	24,093	25,700
Negative subsidy	0	0
<b>Total Expenditure</b>	<b>60,533</b>	<b>63,943</b>
<u>Income</u>		
Rents and other income	56,343	58,162
Use of balances	4,190	5,781
<b>Total Income</b>	<b>60,533</b>	<b>63,943</b>

**Table B: Movement in Balances 2015/16 to 2016/17**

<b>Description</b>	<b>£000's</b>
Actual balance at 1 <sup>st</sup> April 2015	17,135
Budgeted use 2015/16	-4,190
<b>Budgeted balance 31<sup>st</sup> March 2016</b>	<b>12,945</b>
Forecast use 2015/16	-3,938
<b>Forecast balance 31<sup>st</sup> March 2016</b>	<b>13,197</b>
Budgeted use 2016/17	-5,781
<b>Forecast balance 31<sup>st</sup> March 2017</b>	<b>7,416</b>

# Agenda Item 16.

## Report of the Section 151 Officer and Director of Place

Council – 25 February 2016

### HOUSING REVENUE ACCOUNT - CAPITAL BUDGET & PROGRAMME 2015/16 – 2019/20

<b>Purpose</b>	This report proposes a revised capital budget for 2015/16 and a capital budget for 2016/17 – 2019/20
<b>Policy Framework:</b>	None
<b>Reason for Decision:</b>	To agree a revised capital budget for 2015/16 and a budget for 2016/17 – 2019/20
<b>Consultation:</b>	Legal, Finance & Access to Services
<b>Recommendation(s):</b>	It is recommended that:
1)	The transfers between schemes and the revised budgets for schemes in 2015/16 are approved.
2)	The budget proposals for 2016/17 – 2019/20 be approved.
3)	That, where individual schemes in Appendix B are programmed over the 4 year period described in this report, then these are committed and approved and that their financial implications for funding over subsequent years are approved.
4)	Authorisation is granted to officers to submit planning applications in relation to capital repair schemes on Council owned land where planning permission is considered necessary.
<b>Report Author:</b>	Mike Hawes / David Evans
<b>Finance Officer:</b>	Jeff Dong / Jayne James
<b>Legal Officer:</b>	T Meredith
<b>Access to Services Officer</b>	Phil Couch

#### 1.0 Introduction

##### 1.1 This report details:

- Revised Housing Revenue Account (HRA) capital expenditure and financing proposals in 2015/16
- HRA Capital expenditure and financing proposals in 2016/17 – 2019/20

1.2 The budget proposals are further detailed in appendices to this report as follows:

- Appendix A: Summary of the revised budget for 2015/16 and a budget for 2016/17 – 2019/20
- Appendix B: Detailed breakdown of the revised budget for 2015/16 and a budget for 2016/17 – 2019/20
- Appendix C: Scheme descriptions

## **2.0 Capital Budget 2015/16 – 2019/20**

2.1 As outlined in report approved by Council on 2nd Dec 2014 entitled “Reform of the Housing Revenue Account Subsidy System” the Authority entered into a Voluntary Agreement to exit the HRA subsidy system. Exiting the HRA subsidy system required a cash settlement which was arranged with HM Treasury via formulae agreed in the Voluntary Agreement between the 11 local housing authorities and the Welsh Government. The final settlement figure for Swansea was £73.6m and was fully funded by additional borrowing at an average interest rate of 4.25%.

2.2 The total programme for this current year is £47.65m i.e. an original budget of £49.29m plus carryforward from 2014/15 of £2.33m plus additional works of £2.48m plus £0.4m from revenue less slippage into 2016/17 of £6.85m. Slippage from this current year into 2016/17 is principally to fund the refurbishment of highrise blocks of flats in the Sketty area. Total spending in this current year is projected to remain at £47.65m. Notwithstanding the high rise projects, the majority of all other projects are complete in 2015/16, although a small element of under spend may exist due to a range of reasons including retentions retained for the defects liability period and some under spends on completed projects. Any projects not currently complete will be completed within the early part of the 2016/2017 financial year. The anticipated spend against profile for 15/16 will be in the region of 97% of the overall budget and where under spend has occurred officers have mitigated these by bringing other priority work forward to compensate. Transfers and changes to the 2015/16 budget are reflected and detailed in appendix B.

## **3.0 2016/17 – 2019/20**

3.1 The proposed four year capital programme and the priorities of the various schemes have been developed in line with the HRA Business Plan and reflect the results of a stock condition survey. In addition, the programme contributes towards the Council’s strategic aim of improving homes up to the Welsh Housing Quality Standard (WHQS) and provision has been made for the development of new council housing.

3.2 Schemes detailed in Appendix C contribute towards the key components of the Welsh Housing Quality Standard as follows:

### **In a Good State of Repair**

Dwellings must be structurally stable; free from damp and disrepair with key building components being in good condition – roofs, walls, windows, doors and chimneys.

### **Safe and Secure**

Dwellings should be free from risks that could cause serious harm and should be secure in key areas of the home. Heating and electrical systems to be up to date and safe; doors and windows to provide good levels of security; risk of falls from height to be prevented; fire safety measures to be in good condition and well designed.

### **Adequately Heated, Fuel Efficient and Well Insulated**

Dwellings must be capable of being heated adequately by ensuring heating systems are fuel efficient and properties well insulated.

### **Contain Up to Date Kitchens and Bathrooms**

Kitchen and bathroom facilities are to be relatively modern and in good condition; sufficient to meet the needs of the household and well laid out to prevent accidents.

### **Located in Attractive and Safe Environments**

Homes should be located in environments that residents can relate to and in which they are proud to live. Improvements will be required to ensure areas within the curtilage of properties are safe and communal areas and the wider shared environment is safe and attractive.

### **Suit the Specific Requirements of the Household**

The requirement is that homes meet the necessary requirements for their occupants in terms of room sizes, ensuring necessary facilities such as kitchens and bathrooms are sufficient and where required, adaptations are undertaken for persons with disabilities.

- 3.3 The More Homes Strategy for providing new Council housing is currently being developed and pilot schemes to help inform the longer term plan are progressing. Indicative expenditure of £2m per year up to 2019/20 has been included in the programme.

## **4.0 Financing of HRA Capital Budget 2015/16 - 2019/20**

- 4.1 The attached capital budget proposals will be funded by Major Repair Allowance (MRA) grant, revenue contributions, borrowing and capital receipts. Details are set out in Appendix A.

## **5.0 Risks**

- 5.1 The risks to the 4 year programme are similar to those set out in the HRA Revenue report. In particular, the level of MRA grant, future rent increases (which are determined by WG) and the potential effect of Welfare Reform on levels of income.

## **6.0 Equality and Engagement Implications**

- 6.1 Tenants and leaseholders have been engaged as part of the Council's Tenant Participation Strategy. There are no equality implications associated with the recommendations of this report, since this deals with the financial aspects of agreeing a budget for the scheme. Individual projects will take account of specific equality issues. EIA Screening has been undertaken.



## **7.0 Legal Implications**

- 7.1 The Authority is under a duty to make arrangements for the proper administration of its financial affairs. Failure to do so will be a breach of that duty.

## **8.0 Financial Implications**

- 8.1 Expenditure is ring fenced to the HRA and will be fully funded by MRA grant from WG, revenue contributions from the Housing Revenue Account, HRA Capital Receipts and HRA borrowing. There are no financial implications for the Council General Fund.
- 8.2 Additional borrowing of £71.455 million will be required to fund the WHQS and new build programmes up to 2019/20.

## **Background Papers**

None

## **Appendices**

Appendix A: Transfers and changes to the original 2015/16 programme

Appendix B: A detailed breakdown of the revised budget for 2015/16 and a budget for 2016/17 – 2019/20

Appendix C: Scheme descriptions

Summary of HRA Capital Budget and Programme 2014/15 to 2018/19						
	2015/16	2016/17	2017/18	2018/19	2019/20	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>HRA Subsidy Reform</b>	73,580					73,580
<b>Good State of Repair</b>						
Wind and weatherproofing	5,297	6,450	3,630	1,650	2,050	19,077
System built houses and highrise Blocks	20,129	15,493	5,640	8,450	12,420	62,132
Roofing	1,868	2,582	2,980	300	900	8,630
Windows, doors and general repairs	2,140	861	970	500	800	5,271
<b>Safe and Secure</b>						
Fire Safety	1,045	1,106	500	250	100	3,001
Electrical Rewiring	1,809	2,069	1,700	1,320	1,620	8,518
Passenger Lifts		120			300	420
<b>Adequately Heated, Fuel Efficient &amp; Well Insulated</b>						
Heating Systems	2,410	2,270	2,050	1,930	1,850	10,510
Energy Efficiency and Grant Support	171	572	430	350	400	1,923
<b>Contain Up to Date Kitchens and Bathrooms</b>						
Kitchens and Bathrooms	9,368	14,680	14,650	16,650	17,150	72,498
<b>Located in Attractive and Safe Environments</b>						
Environment - Within the Curtilage	637	3,047	5,700	5,550	6,660	21,594
Estate Based Environment	221	800	2,500	2,800	3,000	9,321
<b>Meeting Requirements of the Household</b>						
Adaptations	2,553	2,950	2,750	2,750	2,750	13,753
<b>More Homes</b>		2,000	2,000	2,000	2,000	8,000
<b>Total</b>	<b>121,228</b>	<b>55,000</b>	<b>45,500</b>	<b>44,500</b>	<b>52,000</b>	<b>318,228</b>

## Appendix A cont.

<b>Financed By:</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Major Repairs Allowance	9,100	9,100	9,100	9,100	9,100	45,500
Contribution from the HRA and HRA reserves	24,093	25,700	21,200	22,200	23,700	116,893
Borrowing for WHQS	4,455	20,000	15,000	13,000	19,000	71,455
Other Grants		200	200	200	200	800
HRA Capital Receipts	10,000					10,000
<b>Sub Total</b>	<b>47,648</b>	<b>55,000</b>	<b>45,500</b>	<b>44,500</b>	<b>52,000</b>	<b>244,648</b>
Borrowing to Support the HRA Subsidy Exit	73,580					73,580
<b>Total</b>	<b>121,228</b>	<b>55,000</b>	<b>45,500</b>	<b>44,500</b>	<b>52,000</b>	<b>318,228</b>

Appendix B

HRA CAPITAL PROGRAMME	2015/16 to 2019/20						
	2015/16 Original £'000	2015/16 Revised £'000	2016/17 Original £'000	2017/18 Original £'000	2018/19 Original £'000	2019/20 Original £'000	TOTAL £'000
<b>Good State of Repair</b>							
Wind & Weatherproofing, Mayhill and Townhill Scheme 1	1,000	809	950				1,759
Wind & Weatherproofing, Mayhill and Townhill Scheme 2	1,000	915	750				1,665
Wind & Weatherproofing, Mayhill and Townhill Scheme 3			750	400			1,150
Wind & Weatherproofing, Penlan Scheme 1	1,000	923	900	550			2,373
Wind & Weatherproofing, Penlan Scheme 2	1,000	933					933
Wind & Weatherproofing, Llanllienwen	1,850	1,110	1,684				2,794
Wind & Weatherproofing, Clydach						700	700
Wind & Weatherproofing, McRitchie Place			450	600			1,050
Wind & Weatherproofing, West Cross			940	980	950	900	3,770
Wind & Weatherproofing, Loughor				500	500		1,000
Wind & Weatherproofing, Penllergaer					200		200
Wind & Weatherproofing, Cwmbwrla				600			600
Wind & Weatherproofing, Blaenymaes (Woodford Road)						450	450
Wind & Weatherproofing, Heol Gwyrosydd 11/12		1					1
Wind & Weatherproofing, New Street Flats 12/13	21	20					20
Wind & Weatherproofing, Weig Gardens 13/14		14					14
Wind & Weatherproofing, Blaenymaes Future Years 13/14		12					12
Wind & Weatherproofing, Winch Wen Future Years 13/14	31	31					31

SCHEME/PROJECT	2015/16 Original £'000	2015/16 Revised £'000	2016/17 Original £'000	2017/18 Original £'000	2018/19 Original £'000	2019/20 Original £'000	TOTAL £'000
<b>Good State of Repair continued</b>							
Wind & Weatherproofing, Gelli Gardens 13/14		13					13
Wind & Weatherproofing, West Cross 13/14	11	32					32
Wind & Weatherproofing, Waun Wen	490	484	26				510
Airey and Traditional Built Properties, Felindre						220	220
Resiform and Traditional Built Properties, Craig Cefn Parc				300	300		600
British Iron & Steel Federation (BISFs) Houses West Cross				1,300	1,300	0	2,600
British Iron & Steel Federation (BISFs) Houses Gendros		1					1
British Iron & Steel Federation (BISFs) Houses Penlan Phase 5	32	19					19
British Iron & Steel Federation (BISFs) Houses Gendros 13/14	29	32					32
British Iron & Steel Federation (BISFs) Houses Waunarlyydd	53	50	26				76
British Iron & Steel Federation (BISFs) Houses Gendros 14/15	1,503	1,000	52				1,052
PRC Orlit Houses Design/Surveys	8	85					85
Wimpey No Fines (WNFs) Properties, Waunarlyydd						1,000	1,000
Wimpey No Fines (WNFs) Properties, Caemawr	882	847	884	700			2,431
Trusteel Houses, Penllergaer	450	433	415				848
Easiform Properties, Winch Wen				800	1,000	1,200	3,000
Easiform & Traditional Properties, Sketty			370	640	500		1,510
Easiform & Wimpey No Fines Properties, Clase					900	1,250	2,150
Easiform Properties, Birchgrove					750	750	1,500
Highrise Flats, Dyfatty				400	3,700	8,000	12,100
Highrise Flats, Matthew Street	7,154	8,261	2,800	600			11,661
Highrise Flats, Clyne & Jeffreys Court	13,463	9,401	10,946	900			21,247

SCHEME/PROJECT	2015/16 Original £'000	2015/16 Revised £'000	2016/17 Original £'000	2017/18 Original £'000	2018/19 Original £'000	2019/20 Original £'000	TOTAL £'000
<b>Good State of Repair continued</b>							
Chimney Repairs	153	169	541	400	300	300	1,710
Pitched Roof Renewal, Blaenymaes	450	901	823	800			2,524
Pitched Roof Renewal, Clase	421	72	600				672
Pitched Roof Renewal, Sketty (3 Storey Flats)			200	20			220
Pitched Roof Renewal, Clay Roofs Townhill				300			300
Pitched Roof Renewal, Penlan			400				400
Pitched Roof Renewal, Three Crosses & Llangennith				160			160
Pitched Roof Renewal, Penyrheol						400	400
Pitched Roof Renewal, Pantycelyn Road 13/14		8					8
Pitched Roof Renewal, Hawthorne Avenue 13/14	7	7					7
Pitched Roof Renewal, Cae Conna/B'maes	7	6					6
Pitched Roof Renewal, Penlan Flats	500	198	5				203
Pitched Roof Renewal, Gendros 15/16	500	309	7				316
Pitched Roof Renewal, William Street Area, Pontardulais	35						0
Pitched Roof Renewal, Clase Area 41	120	106	4				110
Flat Roof Renewal, Various						200	200
Flat Roof Renewal, High Street				400			400
Flat Roof & Window Renewal Rheidol Court				900			900
Flat Roof Renewal Chris Thomas House	200	92	2				94

SCHEME/PROJECT	2015/16 Original £'000	2015/16 Revised £'000	2016/17 Original £'000	2017/18 Original £'000	2018/19 Original £'000	2019/20 Original £'000	TOTAL £'000
<b>Good State of Repair continued</b>							
Balcony Repairs	100	179	161	200	150	0	690
Door Renewal Programme		9	300				309
PVC Rainwater Goods & Weatherboards		1,194					1,194
Door Renewal Prog 14/15-Sketty/Gorseinon/Pontardulais		5					5
Door Renewal Penlan/Blaenymaes15/16	120	100					100
Door Renewal Morryston15/16	90	15					15
Door Renewal Clydach15/16	50	5					5
Door Renewal Gorseinon & Gowerton15/16	90	15					15
Door Renewal Gower15/16	25	1					1
Door Renewal Townhill & Sketty15/16	90	10					10
Door Renewal Port Tennant & Town Centre15/16	35	42					42
Fire Doors Individual High rise Blocks		1					1
Window Renewal, Various	30	30		370			400
Structural Repairs, 13/14		2					2
Structural Repairs 14/15	250	482	300	300	250	750	2,082
Drainage Repairs and Improvements	50	50	50	50	50	50	250
Repairs to District Housing Offices – Various			50	50	50		150
<b>Safe and Secure</b>							
General Fire Safety and Risk Reduction – Various Locations	342	383	245	50	50		728
Smoke and Carbon Monoxide Detectors	200	55	100	100	100	100	455
Fire Safety Sprinkler Systems - Sheltered Complexes	429	430	361	350	100		1,241
Fire Separation Between Kitchens & Stairs	50	50	200				250
Fire Safety Separation Between Flats	150	127	200				327

SCHEME/PROJECT	2015/16 Original	2015/16 Revised £'000	2016/17 Original £'000	2017/18 Original £'000	2018/19 Original £'000	2019/20 Original £'000	TOTAL £'000
<b>Safe and Secure continued</b>							
Electrical Rewiring Contingency	50	50	50	50	20	20	190
Electrical Rewiring Penlan 103 Dwellings		1					1
Electrical Rewiring Unallocated 13/14		11					11
Electrical Rewiring	400	295	550	500	500	900	2,745
Kitchen & Bathroom - Electrical Rewiring	500	500	1,000	700	600	700	3,500
Electrical Rewiring 14/15 Eastside Contract 1	3	70	3				73
Electrical Rewiring 14/15 Eastside Contract 2	3	74	3				77
Electrical Rewiring 14/15 Penlan Contract 3	3	28	3				31
Electrical Rewiring 14/15 Penlan Contract 4	3	111	3				114
Electrical Rewiring 14/15 Townhill Contract 5	3	42	3				45
Electrical Rewiring & Emergency Lighting Communal Blocks	240	627	454	450	200		1,731
Passenger Lift Survey and Provision – Various Locations			120			300	420
<b>Adequately Heated and Fuel Efficient</b>							
Boiler Replacement	2,000	2,356	2,000	2,000	1,880	1,800	10,036
Boiler Replacement - Contingency	50	3					3
Kitchen & Bathroom - Boiler Renewal	50	50	270	50	50	50	470
Boiler Replacement 13/14		1					1
Loft Insulation	75	75	50	100	150	200	575
Heating Upgrades	50	61	50	50	50	50	261
Energy Efficiency & Energy Grant Support	250	35	472	280	150	150	1,087



SCHEME/PROJECT	2015/16 Original	2015/16 Revised £'000	2016/17 Original £'000	2017/18 Original £'000	2018/19 Original £'000	2019/20 Original £'000	TOTAL £'000
<b>Up-to-Date Kitchens and Bathrooms</b>							
Kitchen & Bathroom Renewal	7,412	8,891	14,530	14,500	16,500	17,000	71,421
Kitchen & Bathroom Renewal Historical	0	426					426
Kitchen & Bathroom Renewal Contingency 15/16	50	50	150	150	150	150	650
Kitchen & Bathroom - Contingency Historical		1					1
<b>Located in Safe Attractive Environment</b>							
<b>Environment - Within the Curtilage</b>							
External and Communal Facilities Scheme	520	394	2,599	5,300	5,300	6,500	20,093
External Facilities Contingency	50	50	50	50	50	50	250
Fencing/Walls/Hard Standings Contingency		5					5
Fencing/Walls/Hard Standings		1					1
Paths, Steps, H & S Rating System	37	2					2
Resurfacing Communal Areas/Walkways	0	3					3
Meter Boxes Various Sites	0	5					5
Voice Entry Systems	103	177	398	350	200	110	1,235
<b>Environment - Estate Based</b>							
General Environmental Schemes	220	220	800	2,500	2,800	3,000	9,320
General Environmental Schemes - Historical		1					1

SCHEME/PROJECT	2015/16 Original	2015/16 Revised £'000	2016/17 Original £'000	2017/18 Original £'000	2018/19 Original £'000	2019/20 Original £'000	TOTAL £'000
<b>Located in Safe Attractive Environment</b>							
<b>Meeting the Needs of the Household</b>							
Adaptations - adjustment		1					1
Adaptations 11/12		2					2
Adaptations Internal	2,000	2,000	2,000	2,000	2,000	2,000	10,000
Adaptations External	750	550	950	750	750	750	3,750
<b>More Homes</b>							
More Homes			2,000	2,000	2,000	2,000	8,000
<b>Total</b>	<b>49,293</b>	<b>47,648</b>	<b>55,000</b>	<b>45,500</b>	<b>44,500</b>	<b>52,000</b>	<b>244,648</b>

## HRA 4 Year Capital Programme

### Scheme Description

#### Good State of Repair

##### **Wind and Weatherproofing**

Wind and Weatherproofing - will repair and upgrade the external fabric to maintain structural integrity, improve weather protection and thermal efficiency. Work typically includes renewing roofs and rainwater goods, wall tie renewal, application of external wall insulation and where required new front and back doors, repairs to paths, steps, handrails, fencing and facilities within the curtilage of the home where necessary. In some instances, improvements to fire safety may be undertaken also. These contracts will operate over the period of this four year programme. Schemes may be subject to planning permission requirements and officers will submit planning applications as necessary.

##### **Airey Properties**

Airey properties are of a concrete panel type construction and were built in the early 1950s. Work will include renewing roofs and rainwater goods, repairs to the structure, wall insulation and where required new front and back doors, repairs to paths, steps, handrails, fencing and facilities within the curtilage of the home where necessary. In some instances, improvements to fire safety may be undertaken also. The repair scheme will secure the long term structural integrity of the properties, improve weather protection and increase the thermal efficiency of the dwellings. Due to location of these properties means they are off the mains gas grid. Subject to costs, the scheme may include renewable energy systems as part for the project. This scheme may operate over a single financial period and may be subject to planning permission requirements and officers will submit planning applications as necessary.

##### **Resiform Properties**

Resiform properties are of a timber frame and fiberglass panel type construction and were built in the 1970s. Work will include renewing roofs and rainwater goods, repairs to the structure, application of external wall insulation and where required new front and back doors, repairs to paths, steps, handrails, fencing and facilities within the curtilage of the home where necessary. In some instances, improvements to fire safety may be undertaken also. The repair scheme will secure the long term structural integrity of the properties, improve weather protection and increase the thermal efficiency of the dwellings. Subject to costs and the availability of energy saving grants, the scheme may include renewable energy systems as part for the project. This scheme may operate over a single financial period and may be subject to planning permission requirements and officers will submit planning applications as necessary.

##### **British Iron & Steel Federation (BISFs) Houses**

BISF houses are of a steel frame construction built in the 1950s. The scheme is designed to repair and maintain the structural integrity, improve thermal efficiency, weather protection and improve the main facilities within the home and, where necessary in the garden. The specification of work includes roof renewal, insulated render system and door renewal, boiler replacement, electrical rewiring, kitchens and bathrooms and where required repairs to paths, steps, handrails, fencing and facilities within the curtilage of each home. Schemes may be subject to planning permission requirements and officers will submit planning applications as necessary.

### **Wimpey No Fines Houses**

Wimpey No Fines are properties built with solid concrete walls and the repair scheme will address structural cracking where present and will include application of insulated render to improve thermal efficiency and weather protection, roof covering and door renewal. Where required, repairs to paths, steps, handrails, fencing and facilities within the curtilage of each home may be undertaken. Schemes may be subject to planning permission requirements and officers will submit planning applications as necessary.

### **Trusteel Houses, Penllergaer**

Trusteel houses are of a steel frame construction, the scheme will repair the frame and upgrade the external wall covering to increase weather protection and thermal insulation. The refurbishment scheme may be subject to planning permission requirements and officers will submit planning applications as necessary.

### **Easiform Properties**

Easiform properties are typically a poured concrete construction built in the 1950s and 1960s. The scheme will secure the long term structural integrity of the properties, improve the weather protection and particularly improve the thermal efficiency of the properties. The scope of work will include roof repairs, wall repairs and insulation, improvement to balconies where present and minor upgrades to fire safety where required. Where necessary, the scheme will include repairs to paths, steps, handrails, fencing and facilities within the curtilage of each home. Schemes may be subject to planning permission requirements and officers will submit planning applications as necessary.

### **Refurbishment of Highrise Flats**

The Council's high rise blocks were all built in the early 1960s and now require repairs to ensure their continued use over the long term. The schemes will protect the structures of the blocks; improve their weather resistance, thermal efficiency and their fire safety. The flats will also receive improvements to internal facilities for individual homes as well as communal areas.

For individual flats, the schemes will provide new kitchens and bathrooms including associated work and improved kitchen layout. Electrical rewiring will be renewed where required, improvements to heating systems, integrated television reception systems, new door entry systems and upgrades to fire safety will also be included. Where feasible, redundant storage areas will be converted to provide new additional units of accommodation.

Externally, the work will include a new roof, balcony rails, repairs to balcony slabs, insulated cladding across the walls, new double glazed windows, upgrades to fire protection, revised CCTV systems where required, improved entrances, renewal of the communal electrical wiring and lighting, improvements to fire safety measures, improvements to the decoration, new flooring in communal areas where agreed with residents.

The local environment will receive upgrades to CCTV systems, upgrades to paths and immediate areas of hard and soft landscaping, and improvements to the immediate HRA owned environment. Additional resident parking will be provided where required and achievable.

The projects are expected to take over three years to complete and will run across the full time scale of this reporting period. Schemes will be subject to planning permission requirements and officers will submit planning applications as necessary.

### **Chimney Repairs**

Where chimneys are in poor condition, work will involve repairing, rebuilding or taking away the chimney if it is no longer required. The work will prevent damp and minimise repairs for the response repair service and will be an ongoing scheme over the four year reporting period.

### **Pitched Roof Renewal and Flat Roof Renewal**

Pitched and flat roof renewal includes repairing the roof structure and chimneys, providing insulation where required and replacing the roof covering to ensure long term weather protection. Contracts are expected to run over the period of this four year programme.

### **Window Renewal**

Replacement of windows which are at the end of their useful life or require upgrading, the new units will improve thermal efficiency and security.

### **Balcony Repairs**

Balconies will be repaired and improved to ensure they remain in good condition and safe to use. Repairs will include new balcony rails, repairs to the balcony slabs and floor surface. This scheme is expected to run across three financial years

### **Door Renewal - Various locations**

Doors will be renewed with Composite type units or fire doors with secure locks and hinges. The doors will improve weather protection, security, thermal efficiency and fire safety.

### **PVC Rainwater Goods & Weatherboards**

Rainwater guttering and downpipes, fascia boards, soffits and bargeboards will be renewed to ensure these items remain in a good state of repair.

### **Structural Repairs**

Structural Repairs will treat retaining wall failure or disrepair, subsidence cases, and other structural elements that are considered to be in need of repair or renewal.

### **Drainage and drainage protection**

Where existing drainage is in disrepair or in need of upgrading or there is a need to address changes in demand, the scheme will look to improve selected sites and may include amongst other items: new systems, alternative or new layouts and/or expansion of current systems.

### **Repairs to District Housing Offices – Various**

The scheme is to carry out large repairs and renewal to District Housing Offices where required. The work will include various items relating to the structure and facilities such as new windows and roof repairs.

## **Safe and Secure**

### **General Fire Safety and Risk Reduction – Various Locations**

A range of fire safety and risk reduction measures will be undertaken to homes across the City & County of Swansea. Work will be varied but likely to include the provision of up-to-date fire safety signage and other communication methods, upgrading fire stopping materials, minor changes to layout and access routes, safety improvements to communal stairs, fire barriers and improvements to fire warning systems.

### **Smoke Alarms and Carbon Monoxide Detectors Renewal**

Hard wired smoke alarms and carbon monoxide detectors in homes are renewed to ensure uninterrupted service. The project will be ongoing and will run over the period of this four year programme.

### **Fire Safety - Sprinkler Systems to Sheltered Complexes**

The scheme will install a sprinkler system to the flats and communal areas of sheltered complexes. The aim is to improve the fire safety for the residents within sheltered accommodation.

### **Fire Protection: Kitchen and Stair Separation - Various**

The scheme will involve altering and improving the internal layout in homes to ensure there is safe separation between the staircases and the kitchen area. The outcome will improve fire safety.

### **Fire Separation between Flats - Various**

The scheme will upgrade the fire and sound separation between ground and first floor flats where the separation is currently made up of timber joists. The outcome will improve fire safety and sound insulation between the flats.

### **Electrical Rewiring Contingency – Various Locations**

Properties will be rewired where an electrical inspection has identified that this is necessary.

### **Electrical Rewiring – Various Locations**

Homes with electrical installations that are approximately 30 years will be rewired as part of a planned scheme. The project will be a long term contract and will run over the period of this four year programme.

### **Electrical Rewiring Communal Blocks and Emergency Lighting – Communal Areas**

Blocks of flats with communal areas will be rewired where the existing installations are approximately 30 years old or where an electrical inspection has identified that this is required. The scope of the work will include the provision of new emergency lighting. This contract will operate over the period of this four year programme.

### **Passenger Lift Survey and Provision – Various Locations**

The Housing Service has responsibility for passenger lifts within its block of flats and sheltered accommodation. The investment is to meet the cost of an assessment and undertake renewal to passenger lifts where there are defects or at the end of their useful life to ensure continued safe and long term provision. Various Locations will be affected.

## **Adequately Heated**

### **Boiler Replacement – Various Locations**

Heating systems will be renewed as part of a long term programme aimed at improving efficiency and reliability. This contract is ongoing and will run over the period of this four year programme.

### **Heating Upgrades – Various Locations**

The scheme is designed to provide fuel switching to council homes e.g. coal to gas, storage heaters to gas etc. as well as provide minor improvements to heating systems including time clocks and room thermostats. This contract will operate over the period of this four year programme.

### **Loft Insulation**

The scheme will improve loft insulation levels in council homes with the aim of improving thermal efficiency of homes across Swansea. This contract will operate over the period of this four year programme.

### **Energy Efficiency Measures and Energy Grant Support – Various**

This investment is to meet the costs directly and/or support grants for measures that contribute towards improving thermal efficiency in council homes. Work may include Solar Photovoltaics, Solar Hot water, insulation measures or other emerging energy saving technology / application to homes and which can provide a benefit to council tenants. The work will be ongoing and is expected to run over the period of this four year programme.

## **Kitchen and Bathroom Renewal**

### **Kitchen and Bathroom Renewal**

The investment will be to improve the internal living facilities, making these more safe and useable. Work will include alterations to electrical wiring, renewing food preparation surfaces, storage and cooking areas, minor kitchen layout alterations, flooring, decorative finishes including tiling and renewal of sanitary facilities. Where required the scheme will include general improvements to the home to enable kitchens and bathrooms to be improved, for example damp treatment, floor slab repairs/renewal or structural alteration to improve space and circulation within the home. Contracts will operate over the period of this four year programme.

### **Kitchen and Bathroom – Electrical Rewires and Boilers**

The investment is to renew central heating boilers and domestic wiring as part of the kitchen and bathroom programme. Contracts will operate over the period of this four year programme.

### **Kitchen and Bathroom Renewal Contingency**

The investment will be to renew kitchens and bathrooms where additional investment is required to empty homes in order to make ready for letting.

## **Located in Safe/Attractive Environments**

### **Environment - Within the Curtilage**

### **External and Communal Facilities (Including Fencing/Walls/Hardstanding & Paths)**

The scheme will undertake repairs and improvements to the external facilities within the curtilage of homes to ensure they are safe and reasonably practicable areas. Garden and storage areas can vary considerably from property to property and therefore the work will be tailored to the needs of individual homes, but will broadly include the repair or renewal of meter box covers, fencing and boundary walls, walls within the curtilage, paths, steps, handrails, external viable storage facilities, drying facilities, clearance where necessary or lighting to communal areas. In some cases communal areas to flats will have minor repairs and improvements with the same aim of ensuring they are safe and practicable areas.

### **External Facilities Contingency**

The budget is treat the external facilities to those homes scheduled for this work but which have become empty and require significant level of repair in order to make ready for letting. The aim is to improve home safety and security.

## **Environment – Estate Based**

### **Environment – General**

The scheme is to improve areas belonging to the Housing Service which are outside the curtilage of individuals' homes. The schemes will be based on consultation exercises with stakeholders as well as repairs necessary for the Housing Service to discharge its duties as the asset holder.

## **Meeting Requirements of the Household**

### **Adaptations**

This funding is for alterations and improvements to council homes for tenants with medical conditions or disabilities. This contract is ongoing and will operate over the period of this four year programme.

## **More Homes**

### **More Homes**

The investment will be to fund either directly or support council house building in Swansea. The scope of work is likely to include all preparatory work associated with constructing homes and estates including site acquisition, investigations, professional fees, construction, works associated with new estates such as highways, street lighting, drainage. Schemes may be subject to planning permission requirements and officers will submit planning applications as necessary.



Council – 25 February 2016

## COUNCILLORS' QUESTIONS

### PART A – SUPPLEMENTARIES

1.	<p><b>Councillor P N May</b></p> <p>What progress has been made to stop caravan holidaymakers using the Rec next summer. Also can confirmation be given that the water tap on the Rec has been disabled to stop them using it the council taxpayers' expense. How much did it cost Swansea council taxpayers to clear the site and jet wash the faecal matter left by last years' holiday makers.</p> <p><b>Response of the Cabinet Member for Enterprise, Development &amp; Regeneration</b></p> <p>Steel covers, or 'shrouds' were placed over the locks on the barriers leading onto the grass area to try and prevent the locks from being cut off from future attempts to access the area.</p> <p>Cost of this work was £879.42</p> <p>At the time of occupation of the site, the water was shut off, but was reinstated as young children were on the site.</p> <p>Cleaning of the area was undertaken after it was vacated. A cleansing crew cleared and power washed the area which took 5 hours, and charged at £80 per hour.</p> <p>Cost of this work was £400.</p>
2.	<p><b>Councillors A M Day, J W Jones, P M Black</b></p> <p>Can the Cabinet Member indicate what the latest survey of road conditions are in Swansea, how much has been spent by ward on highways maintenance and repairs, and remind council of the Highways Asset Management Programme for each year for the last 3 complete years, for the current year and the planned expenditure for the next 3 years.</p> <p><b>Response of Cabinet Member for Environment &amp; Transport</b></p> <p>The latest survey of road condition was completed in March 2015 for 2014/15. The annual survey is undertaken on behalf of the Authority/Welsh Government and results are as follows:</p> <p>THS/012 The percentage of principal (A) roads, non-principal (B) roads and non-principal (C) roads that are in overall poor condition, result 4.8% compared to 13/14 performance of 6.7% placing Swansea 3<sup>rd</sup> in Wales.</p> <p>No overall figure can be provided on a ward by ward basis however planned maintenance schemes are identified by ward in the Highways Forward Works Programme (formerly the Highways Asset Management Programme). These schemes are prioritised on an engineering basis.</p>

The full programme of works for 2016-20 can be found here <http://www.swansea.gov.uk/article/6851/Road-and-footpath-maintenance>.

The 5 year programme is based on current Capital funding which includes £1.1m for carriageway resurfacing and £0.65m for footways. In 14/15 there has been an additional spend to save investment of £1m funded from the insurance budget. Full details of current spending levels can be found in the Report of the Cabinet Member for Finance and Resources, Cabinet – 18th June 2015.

**3. Councillors J W Jones, A M Day, M H Jones**

Can the Leader remind council of how much the Council has put aside in each of the last three financial years as a provision for claims for injuries and/or damage related to footpaths and/or highways.

**Response of the Cabinet Member for Environment & Transport**

The Authority is responsible for an extensive highway and footpath network, as such it implements an appropriate inspection and maintenance regime with which to maintain the highway to a legally acceptable standard.

The attached schedule shows the statistics for claims received, successfully defended, settled and which are still outstanding.

The Council has one of the most successful repudiation rates within the country as a result of the inspection and maintenance regime, robust claims handling and litigation which in turn results in lower insurance costs for the Authority.

Year	Claim Numbers					Settlements paid and provisions for open claims	
	Received	Settled	Claims successfully defended	Still open	paid	provision for open claims	
2012-13	326	31	270	25	£475,690	£779,476	
2013-14	349	39	281	29	£378,116	£242,968	
2014-15	245	23	164	58	£201,080	£341,767	

**4. Councillors C A Holley, A M Day, C L Philpott**

Can the Cabinet Member indicate how many claims have been made for injuries arising from

(a) trips and falls on footpaths, what percentage of these claims have resulted in a settlement, what percentage have yet to be determined, the average time taken to determine these claims and how much has been paid out in each of the last three financial years and

(b) indicate how many claims have been made for damage alleged to have been caused by poorly maintained highways, what percentage of these claims have resulted in a settlement, what percentage have yet to be determined, the average time taken to determine these claims and how much has been paid out in each of the last three financial years.

**Response of the Cabinet Member for Environment & Transport**

I reiterate my response to the previous question :

The Authority is responsible for an extensive highway and footpath network, as such it implements an appropriate inspection and maintenance regime with which to maintain the highway to a legally acceptable standard.

The attached schedule shows the statistics for claims received, successfully defended, settled and which are still outstanding.

The Council has one of the most successful repudiation rates within the country as a result of the inspection and maintenance regime, robust claims handling and litigation which in turn results in lower insurance costs for the Authority

		Claims Received	Claims Successfully Defended		Claims Settled		Claims Outstanding		Average time taken from receipt of claim to resolution (in days *)	Total Cost of Settlement and / or provision for outstanding claims	
			%	No.	%	No.	%	No.		settled	outstanding claims
(a)	Footpath - trips and falls										
	2012-13	94	77.7%	74	8.5	8	12.8	12	337	£204,439	£237,441
	2013-14	101	82.2%	79	6.9	7	14.9	15	350	£257,879	£141,363
	2014-15	86	54.7%	47	9.3	8	36.0	31	259	£118,029	£195,225
(b)	Highways - damage to vehicles										
	2012-13	166	94.0%	156	6.0	10	0.0	0	168	£5,462	£0
	2013-14	185	88.1%	163	10.8	20	1.1	2	141	£9,525	£1,849
	2014-15	96	85.4%	82	9.4	9	5.2	5	105	£3,283	£5,225

*\* The average time taken is from the first notification, irrespective of there being sufficient information to investigate, full investigation, request for other records (medical etc), processing of payments, appeal processes.  
For litigated claims, this will include detailed communication between solicitors, and often, long time delays in being listed for court hearing.*

**PART B**

**5. Councillors A M Day, P M Meara, R J Stanton**

Can the Cabinet member tell Council how many street lamps are regularly turned off to save money. Can the cabinet member also tell Council in which areas the lights are turned off, whether they are turned off permanently and whether there is a rota for lights to be turned off.

**Response of the Cabinet Member for Environment & Transport**

Of the 27,000 lanterns on the network, 1720 are currently turned off. This figure includes 1468 that have been turned off for the purpose of energy savings and 252 due to the columns being cut down as they have been tested and found to be structurally unsound.

Lights turned off for energy savings are those on main roads throughout the Authority, such as the A4067 and Pentrechwyth Bypass. It is not policy to turn off lights in residential areas other than those on a main road.

6. **Councillors M H Jones, C L Philpott, T H Rees**

We welcome the erection of signs in certain parts of the City saying 'Welcome to ...' and including the name of the district or ward. Can the Cabinet Member list all the areas where such signs have been erected, what criteria have been used to determine where these signs should be erected, what budget (s) was/were used to cover the costs, whether there is a planned programme to erect such signs in all wards/districts and how councillors can request such signage where it does not currently exist.

**Response of the Cabinet Member for Environment & Transport**

There is no policy for providing settlement signs or budget for such. Should a request be received a site inspection would be undertaken to ensure placing the signs will not present a safety hazard or undue clutter on the highway.

Permission or refusal would be follow subject to the findings.

The cost to provide and erect these signs could be 100% private funding or if requested by a Member, they could utilise their allocation or subsidise this with private funding.

An example is the Sandfields scheme which was funded by lottery heritage money.

The last signage of this nature was implemented in December 2015 where a Ward Member and local Historical Society shared the cost of implementing'.