

COUNCIL SUMMONS

You are hereby summoned to attend a Meeting of the COUNCIL OF THE CITY AND COUNTY OF SWANSEA to be held in the Council Chamber, Guildhall, Swansea on Thursday, 23 February 2017 at 5.00 pm.

The following business is proposed to be transacted:

1. **Apologies for Absence.**
2. **Disclosures of Personal and Prejudicial Interests.**
www.swansea.gov.uk/disclosuresofinterests
3. **Minutes.** **1 - 10**
To approve & sign the Minutes of the previous meeting(s) as a correct record.
4. **Written Responses to Questions asked at the Last Ordinary Meeting of Council.** **11 - 15**
5. **Announcements of the Presiding Member.**
6. **Announcements of the Leader of the Council.**
7. **Public Questions.**
Questions must relate to matters on the open part of the Agenda of the meeting and will be dealt within a 10 minute period.
8. **Public Presentation - None.**
9. **Medium Term Financial Planning 2018/19 - 2020/21.** **16 - 43**
10. **Revenue Budget 2017/18.** **44 - 112**
11. **Capital Budget & Programme 2016/17 - 2020/21.** **113 - 129**
12. **Treasury Management Strategy, Prudential Indicators, Investment Strategy and Minimum Revenue Provision Policy Statement 2017/18.** **130 - 175**
13. **Housing Revenue Account (HRA) Revenue Budget 2017/18.** **176 - 180**
14. **Housing Revenue Account - Capital Budget & Programme 2017/18 - 2020/21.** **181 - 197**
15. **Statutory Resolution - Resolutions to be made in accordance with the Regulations in the Setting of Council Tax 2017/18.** **198 - 202**
16. **Wales Investment Pool – Inter Authority Agreement and Joint Governance Committee.** **203 - 285**

17. Nomination of Lord Mayor Elect and Deputy Lord Mayor Elect 2017-2018.	286 - 296
18. Interim Designation of the Statutory Chief Education Officer.	297 - 298
19. Membership of Committees.	299
20. Councillors' Questions.	300 - 306



Huw Evans
Head of Democratic Services
Guildhall,
Swansea.

Tuesday, 14 February 2017

To: All Members of the Council

CITY AND COUNTY OF SWANSEA

MINUTES OF THE COUNCIL

HELD AT COUNCIL CHAMBER, GUILDHALL, SWANSEA ON
THURSDAY, 26 JANUARY 2017
AT 4.00 PM

PRESENT: Councillor D W W Thomas (Chair) Presided

Councillor(s)	Councillor(s)	Councillor(s)
C Anderson	J C Bayliss	P M Black
J E Burtonshaw	M C Child	A C S Colburn
D W Cole	A M Cook	J P Curtice
A M Day	P Downing	C R Doyle
V M Evans	C R Evans	W Evans
E W Fitzgerald	R Francis-Davies	J E C Harris
T J Hennegan	C A Holley	P R Hood-Williams
B Hopkins	D H Hopkins	L James
Y V Jardine	S M Jones	J W Jones
E T Kirchner	M B Lewis	R D Lewis
A S Lewis	C E Lloyd	P Lloyd
P M Matthews	P N May	P M Meara
C L Philpott	J A Raynor	T H Rees
C Richards	P B Smith	R V Smith
R J Stanton	R C Stewart	D G Sullivan
G J Tanner	C Thomas	C M R W D Thomas
L J Tyler-Lloyd	G D Walker	L V Walton
T M White	N M Woollard	

Apologies for Absence

Councillor(s): R A Clay, U C Clay, J A Hale, M H Jones, K E Marsh, H M Morris, J Newbury, G Owens, I M Richard, L G Thomas and M Thomas

116. **DISCLOSURES OF PERSONAL AND PREJUDICIAL INTERESTS.**

The Interim 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.

117. **SWANSEA BAY CITY DEAL.**

The Leader of the Council submitted a report which sought delegated authority for he and the Chief Executive to sign an in principle agreement on a Swansea Bay City Deal.

He stated that the Swansea Bay City Deal was worth £1.3 billion and comprised of 11 transformational projects.

RESOLVED that:

- 1) The Leader of the Council and the Chief Executive be jointly delegated authority to sign an in principle City Deal agreement on the basis described within the report;
- 2) Officers be requested to bring a further full report to Cabinet and Council on any definitive commitments following the Local Government Elections in May 2017 should the City Deal agreement be signed in principle.

The meeting ended at 4.50 pm

CHAIR

CITY AND COUNTY OF SWANSEA

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J E Burtonshaw	M C Child	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	V M Evans
C R Evans	W Evans	E W Fitzgerald
R Francis-Davies	J E C Harris	T J Hennegan
C A Holley	P R Hood-Williams	B Hopkins
D H Hopkins	L James	Y V Jardine
A J Jones	S M Jones	J W Jones
E T Kirchner	M B Lewis	R D Lewis
A S Lewis	C E Lloyd	P Lloyd
P M Matthews	P N May	P M Meara
J Newbury	G Owens	D Phillips
C L Philpott	J A Raynor	T H Rees
C Richards	P B Smith	R V Smith
R J Stanton	R C Stewart	D G Sullivan
G J Tanner	C Thomas	C M R W D Thomas
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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, N J Davies, A M Day, P M Downing, E T Kirchner, C E Lloyd, P Lloyd, P M Matthews, P M Meara, C L Philpott, C Richards, C Thomas, T M White and N M Woollard declared a Personal and Prejudicial Interest in Minute 125 "Adoption of the Council Tax Reduction Scheme" and withdrew from the meeting prior to its discussion;
- 2) Councillors P M Black, A C S Colburn, J P Curtice, N J Davies, J W Jones, E T Kirchner and L V Walton declared a Personal Interest in Minute 128 "Democratic Services Annual Report 19 May 2015 - 18 May 2016";
- 3) Councillor R V Smith declared a Personal and Prejudicial Interest in Minute 129 "Councillors' Questions - Question 4" and withdrew from the meeting prior to its discussion;
- 4) Councillor G J Tanner declared a Personal Interest in Minute 129 "Councillors' Questions - Question 9".

119. **MINUTES.**

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

- 1) Ordinary Meeting of Council held on 15 December 2016.

120. **WRITTEN RESPONSES TO QUESTIONS ASKED AT THE LAST ORDINARY MEETING OF COUNCIL - NONE.**

There were no written responses to questions asked at the last Ordinary Meeting of Council.

121. **ANNOUNCEMENTS OF THE PRESIDING MEMBER.**

1) Illness of Councillors

The Presiding Member offered best wishes and speedy recovery to Councillors Bob Clay, Uta Clay and Hazel Morris

2) New Year's Honours 2017

The Presiding Member congratulated the Citizens of Swansea who received awards in the New Year Honours.

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

- i) Chris Coleman. Manager. Welsh National Football Team. For services to football;

- ii) Thomas Stephen Potokar. Founder. Interburns. For services to Burns Care and Prevention Abroad. (Swansea);
- iii) John Andrew Straw. Formerly chief executive. City and County of Swansea Council. For services to local government. (Swansea);
- iv) Paul Harold Valerio. President. Swansea West Conservatives. For services to Welsh devolution. (Swansea);
- v) Professor Michael Alan Hewlett Williams. Chief executive. Grŵp Gwalia Cyf. For services to health housing and homeless people in Wales. (Swansea).

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

- i) Thomas Michael Hughes. Founder of Silicon Valley Internship Programme. For services to British graduates in Silicon Valley and San Francisco. (Swansea);
- ii) Richard Craig Owen. Prison Officer. HM Prison Swansea. For services to prisoners and voluntary service to ex-service personnel. (Ammanford, Carmarthenshire);
- iii) Aaron Moores. For services to swimming. (Sketty, Swansea);
- iv) Anthony John Parfitt. Volunteer Coastguard Officer. HM Coastguard Mumbles, Swansea. For services to maritime safety. (Swansea).

c) British Empire Medal (BEM)

- i) Karen Ann Hughes. For voluntary services to young people in Swansea. (Tycoch, Swansea);
- ii) Joyce Monica Jenkins. For services to the community in Swansea. (Gower, Swansea).

d) Queen's Fire Service Medal (QFSM)

- i) Christopher Davies. Chief Fire Officer. Mid and West Wales Fire and Rescue Service.

3) Congratulations

a) Corporate Health Standard – Platinum Award

The Presiding Member stated that on 12 January 2017, the Authority was assessed by Welsh Government and Public Health Wales, against the Welsh Government Platinum Corporate Health Standard.

He stated that he was delighted to report that the Authority was successful and had achieved the Platinum Award. Additionally, the Authority was praised for its innovation, engagement, leadership, wellbeing initiatives and sustainability across all 6 core criteria namely: Travel, Capital Build, Facilities Management, Employment & Skills, Procurement; and Community Engagement.

The City and County of Swansea is only the second Local Authority to achieve this level since it began in 2005, also making it the first large urban Authority to ever reach this pinnacle of recognition.

The work around the award was co-ordinated by the Corporate Health, Safety, Emergency Management & Wellbeing Service, which created the award reports, presentations and case studies whilst leading a wellbeing group which represented all directorates and key stakeholders of the Authority.

The work development service which celebrates its 10th anniversary this year, was selected as the final case study, giving the assessors the opportunity to meet 15 staff and service users, and hear first-hand the benefit of the team in helping some of the most vulnerable in our community gain employment, develop skills and achieve some great successes.

A full report from Welsh Government is expected at the end of February, which is expected to praise the Authority as an exemplar of best practise and recognising that it goes over and above its corporate social responsibilities to deliver the best for its communities and staff.

b) Dacre Sword – 215 (City of Swansea) Squadron Air Cadets

The Presiding Member reminded Council that the Authority granted Freedom of the City to 215 (City of Swansea) Squadron Air Cadets. He stated that he was delighted to congratulate Kathryn Rhiannon Flower for recently being awarded the Dacre Sword. The Dacre Sword is given once a year to the best cadet in the UK.

This will be the squadrons fourth time to receive the award which is a first for squadrons in Wales and has only happened once elsewhere in the UK.

c) Tanya Nash – Sustainable Development Team Leader

The Presiding Member stated that Tanya Nash (Sustainable Development Team Leader) would be leaving the Authority tomorrow after 17 years' service. During those 17 years, Tanya has helped raise the Authority's profile as the Lead Public Authority on sustainability.

On behalf of the Authority, he thanked Tanya for all of her efforts over the years and wished her well for the future in her new role as Head of Performance at the Office of the Future Generations Commissioner.

122. **ANNOUNCEMENTS OF THE LEADER OF THE COUNCIL.**

1) **Tidal Lagoon Update**

The Leader of the Council provided an update with regard the current status of the Tidal Lagoon.

2) **Procurement of Arena Operator**

The Leader of the Council provided an update regarding the procurement of an Arena Operator.

123. **PUBLIC QUESTIONS.**

A number of questions were asked by members of the public. The relevant Cabinet Member responded accordingly. Those questions requiring a written response are listed below:

- 1) Lis Davies asked the Next Generation Services Cabinet Member questions in relation to Minute 129 "Councillor" Questions - Question 9".
- a) Will the Cabinet Member provide a list of the planned works to upgrade the Council Housing Stock in Upper Killay?
- b) Will the Cabinet Member meet with two Council House residents in Upper Killay to discuss the issue?

The Next Generation Services Cabinet Member stated that she would produce a written response and that she would be prepared to meet with the two residents of Upper Killay.

124. **PUBLIC PRESENTATION - NONE.**

No Public Presentations were received.

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

The Section 151 Officer submitted a report which explained 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 2017. It also sought the re-adoption of the current scheme as set out in Section 3 of the report from 2017-2018.

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 2017, due to be considered and approved by NAFW on 17 January 2017 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 (2016-2017) in relation to the discretionary areas (as set out in section 3 of the report) remain unchanged from 2017-2018;
- 5) The Council adopts the scheme as set out in section 3 of the report and that any amendments to the regulations made by NAFW be reflected in the scheme.

126. **REVIEW OF THE CITY CENTRE CUMULATIVE IMPACT POLICY.**

The Cabinet Member for Enterprise, Regeneration and Development submitted a report which considered the responses to the consultation on the review of the Cumulative Impact Policy / Special Policy (CIP) contained within the Council's Statement of Policy for Licensing.

RESOLVED that:

- 1) The consultation on the proposed amendments to the Cumulative Impact Policy / Special Policy (CIP) be considered and that the proposed amendments be approved and that the revised policy attached as Appendix A of the report be adopted.

127. **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. The Head of Democratic Services verbally added some late additional changes to membership of Committees.

He stated that the Leader of the Council had not made any changes to the membership of the Authority's Outside Bodies.

RESOLVED that the membership of the Council Bodies listed below be amended as follows:

- 1) **Development Cabinet Advisory Committee**
Remove Councillor N M Woollard.
Add Councillor M B Lewis.
- 2) **Scrutiny Programme Committee**
Remove Councillor P M Meara.
Add Councillor C A Holley.

128. **DEMOCRATIC SERVICES ANNUAL REPORT 19 MAY 2015 – 18 MAY 2016.**

The Head of Democratic Services submitted an information report which outlined the Democratic Services Annual Report for the period 19 May 2015 to 18 May 2016. The Annual Report outlined the work of the Committee during that period.

129. **COUNCILLORS' QUESTIONS.**

1) Part A 'Supplementary Questions'

Eleven (11) Part A 'Supplementary Questions' were submitted. The relevant Cabinet Member(s) responded by way of written answers contained in the Council Summons.

Those supplementary question(s) requiring a written response are listed below:

Question 4

Councillor P M Black asked:

"Will the Education Cabinet Member please share the disaggregated PISA results for Swansea which she just referred to?"

The Education Cabinet Member stated that she would circulate the disaggregated PISA results for Swansea.

Question 9

Councillor E W Fitzgerald:

Will the Cabinet Member provide a list of the planned works to upgrade the Council Housing Stock in Penllergaer as Council residents there believe that they are scheduled to have new bathrooms installed this year?

The Next Generation Services Cabinet Member stated that she would produce a written response.

2) Part B 'Questions not requiring Supplementary Questions'

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

The meeting ended at 6.15 pm

CHAIR

CITY AND COUNTY OF SWANSEA

MINUTES OF THE COUNCIL

**HELD AT COUNCIL CHAMBER, GUILDHALL, SWANSEA ON TUESDAY,
31 JANUARY 2017 AT 4.00 PM**

PRESENT:

Councillor(s)

Councillor(s)

Councillor(s)

Apologies for Absence

Councillor(s): 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, V M Evans, C R Evans, W Evans, E W Fitzgerald, R Francis-Davies, F M Gordon, J A Hale, J E C Harris, T J Hennegan, C A Holley, P R Hood-Williams, 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, M B Lewis, R D Lewis, D J Lewis, A S 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, D Phillips, C L Philpott, J A Raynor, T H Rees, I M Richard, C Richards, P B Smith, R V Smith, R J Stanton, R C Stewart, D G Sullivan, G J Tanner, C Thomas, C M R W D Thomas, L G Thomas, M Thomas, D W W Thomas, L J Tyler-Lloyd, G D Walker, L V Walton, T M White and N M Woollard

Appointments Committee at its meeting on Monday, 30 January 2017, recommended that no candidates for the post of Corporate Director of Resources proceed to interview. There was therefore no business to be transacted at this Extraordinary Meeting of Council. Councillors were advised of this and advised not to attend this meeting.

The meeting being inquorate therefore did not proceed.

Report of the Interim Head of Legal and Democratic Services

Council – 23 February 2017

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 26 January 2017.

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
26 January 2017**

Part A - Supplementaries

1.	<p>Lis Davies - "Councillor" Questions - Question 9</p> <p>a) Will the Cabinet Member provide a list of the planned works to upgrade the Council Housing Stock in Upper Killay?</p> <p>b) Will the Cabinet Member meet with two Council House residents in Upper Killay to discuss the issue?</p> <p>Response of the Cabinet Member for Next Generation Services</p> <p>a) There are 43 Council properties in Upper Killay. 38 of these are of a non traditional construction type (Cornish Precast Reinforced Concrete properties) and these received extensive refurbishment works in 1998 including insulated render and a new roof covering. The expected lifespan of the render is at least 30 years hence these properties have not been included in any recent wind and weather proofing programmes. The lifespan of the roof covering is 60 years.</p> <p>32 of the 38 properties have benefited from electrical rewiring work since 2008 and the remaining 6 are scheduled to be rewired in 2017/18.</p> <p>The remaining 6 traditional build properties received new render in 1990 and were rewired between 2008 and 2010. Again the lifespan of the render is at least 30 years hence they have not been included in recent wind and weatherproofing schemes.</p> <p>The scheduling of capital works in terms of priority order is based on a stock condition survey undertaken in 2012 by an independent surveying company, which was commissioned by the Council. The priorities within the programme take into account the age and condition of the building elements and as a result, properties in Upper Killay will receive new kitchens and bathrooms in 2020/21.</p> <p>16 properties in the area have already received new energy efficient boilers with the remainder scheduled to receive them in the financial year 2017/18.</p> <p>All Ward Members will receive a letter in the next few weeks highlighting capital works scheduled to Council properties within their area.</p> <p>b) am more than happy to meet with the tenants if I am provided with their names and addresses. Please can you forward these to me.</p>
2.	<p>Councillor P M Black - "Councillor" Questions - Question 4</p> <p>Will the Education Cabinet Member please share the disaggregated PISA results for Swansea which she just referred to.</p> <p>Response of the Cabinet Member for Education</p> <p>Seven City & County of Swansea secondary schools took part in the November 2015 PISA assessments.</p> <p>The comments re the small sample, half a million students worldwide, out of a twenty eight million 15 year olds in seventy two countries are well known.</p>

	<p>The PISA results are published on a country by country basis and not by Local Authority. The schools who have chosen to participate receive information on how their pupils have performed as a whole school figure against the international results.</p> <p>I enclose, as an example, the science test results and the maths test achieved in Swansea. In 2015 the PISA assessment was particularly targeted at all science and problem solving. The individual school result appears as a number score at the bottom of the sheet. This allows the school to compare its results with the OECD participating countries.</p> <p>The recent categorisation of all Wales schools should not be seen as a league table. The same applies to PISA scores.</p> <p>From the information I have received I am confident that Swansea school are performing well above the Welsh average in GCSE levels and internationally in PISA assessments.</p> <p>This is thanks to the hard work of the teaching profession. Swansea pupils are provided with an enriched curriculum which encourages critical thinking, problem solving and clear understanding of facts.</p> <p>On 21 December 2016 Swansea Education Department hosted a visit from a South Korean delegation. They noted with interest Swansea schools do not teach just for exams but include cultural and sporting activities which support our pupils wellbeing.</p>
3.	<p>Councillor E W Fitzgerald - "Councillor' Questions - Question 9 Will the Cabinet Member provide a list of the planned works to upgrade the Council Housing Stock in Penllergaer as Council residents there believe that they are scheduled to have new bathrooms installed this year?</p> <p>Response of the Cabinet Member for Next Generation Services I can confirm that the kitchens and bathrooms in Council properties in Penllergaer are scheduled to be replaced in the financial year 2017/18.</p> <p>In 2018/19, 46 properties in the area are scheduled to receive wind and weather proofing work. This will include new wall ties and insulated render to improve structural stability, weather protection and thermal insulation. A significant number of system built houses have already been refurbished in 2015. Properties in the area have already received new external doors in 2012.</p> <p>All Ward Members will receive a letter in the next few weeks highlighting capital works scheduled to Council properties within their area.</p>
	Part B - None

Figure 2. How did your school perform compared to other OECD countries in the PISA science test?

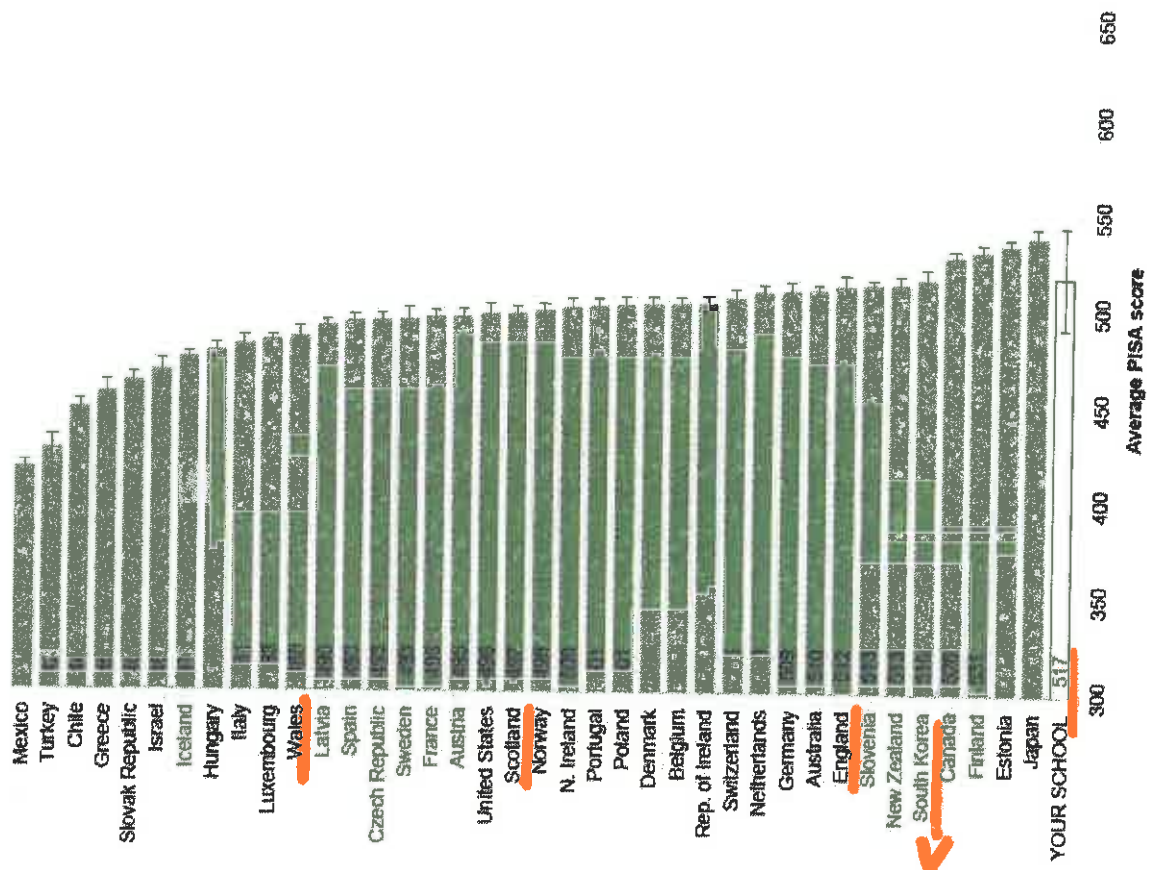
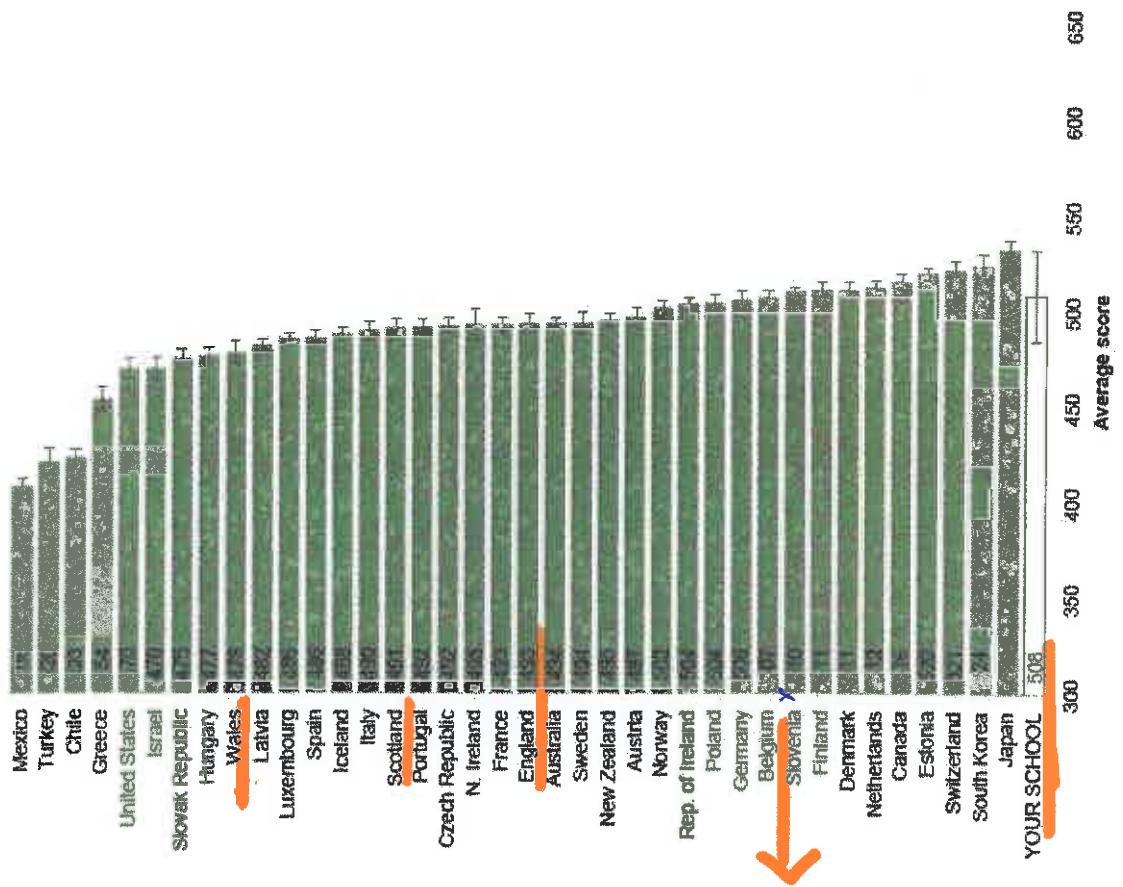


Figure 3. How did your school perform compared to other OECD countries in the PISA maths test?



Agenda Item 9.

Report of the Section 151 Officer

Council – 23 February 2017

MEDIUM TERM FINANCIAL PLANNING 2018/19 - 2020/21

Purpose:	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.
Policy Framework:	Sustainable Swansea – Fit for the Future
Reason for decision:	To agree a strategic framework for future service planning.
Consultation:	Legal Services, Access to Services, Cabinet Members and Executive Board
Recommendations:	<p>It is recommended that:-</p> <p>The Medium term Financial Plan 2018/19 to 2020/21 be recommended to Council as the basis for future service financial planning.</p>
Report Author:	Mike Hawes
Finance Officer:	Ben Smith
Legal Officer:	Tracey Meredith
Access to Services Officer:	Phil Couch

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 strategy that:

- 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 2018/19 to 2020/21 and as such the indicative annual assumptions included both within the projected spending pressures detailed in Section 2 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, base assumptions around service pressures and progress against delivery of savings.
- 1.5 The plan serves to highlight the trend for increasingly difficult times ahead in terms of funding for this Council and Local Government in general, as well as the service pressures that the Council faces from rising demands and increases in demography, together with potential funding pressures arising from ambitious plans for capital development.
- 1.6 Importantly, it is essential that the MTFP becomes a 'living' document that is subject to regular review and revisions 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 2017/18, further reports to Cabinet regarding the MTFP will be made as necessary. In

particular, the Mid Term Budget Statement in the Autumn of 2017 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 2018/19 to 2020/21
 - Section 3 - Detailed spending and resources forecast 2018/19 to 2020/21
 - 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

Section 2 – Overview of Financial Planning Environment 2018/19 to 2020/21

- 2.1 The Medium Term Financial Plan (MTFP) report considered by Council on 25th February 2016 included a service and financial overview. This was updated in terms of the Mid-Term budget statement taken to Council in November 2016 and is updated further below.

Economic outlook and prospects for Public Finances

- 2.2 The announcement of both the provisional and final Revenue and Capital Settlements for 2017/18 has resulted in an overall postulated like for like cash increase of £2.3m. However, there is an increase of just £1.2m in block grant after allowing for some funding pressures arising from changes to social services client self-funding (i.e. the change to a £30k savings limits and the disregard of certain war pension payments) and homelessness prevention duties. This needs to be set in the context of the forecast cost of the apprenticeship levy of £1m plus alone.
- 2.3 However, the current economic climate continues to be uncertain, indeed the Welsh Government stated in their draft budget document that there is a backdrop of uncertain and difficult times. There is and will continue to be uncertainty over the UK's relationship with Europe and the impact on Wales following Brexit, and although the UK Government is no longer aiming for surplus by 2020, it is not ending austerity. It is still the case that the Welsh budget will continue to reduce in real terms over the period to 2020/21.
- 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, including full devolution of matters relating to business rates, together with further tax changing/raising powers, may impose greater or lesser financial risks to Welsh Government than is currently the case.

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

- 2.5 Whilst it is a very positive settlement for 2017/18, it is unlikely that such a good settlement will be forthcoming in future years and, in addition to possible reductions in core funding, 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 examples in 2017/18 are of the proposed Apprenticeship Levy, which will add around £1m to the Council's annual pay bill, and the National Minimum Wage increases will impact on staff costs and third party contract costs.
- 2.6 As mentioned above, a further complicating factor over the period of the MTFP involves proposals to devolve tax varying powers from Westminster to the Welsh Government. Whilst this notionally impacts primarily on individual taxation, potential devolution of National Business Rates (NDR) has the potential to impact directly on Local Authority budgets and risk. Latest

proposals, for example, are to devolve the cost of welfare provision in Wales to the Welsh Government with all the risk that might entail regarding cost movement.

- 2.7 In terms of core revenue funding, the final Revenue settlement issued by the Welsh Government in December 2016 did not give indicative settlement levels beyond 2017/18 as has 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.
- 2.8 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.
- 2.9 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 forecast 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
2018/19	3,107	6,214	12,428
2019/20	3,076	6,090	11,931
2020/21	3,045	5,968	11,454
Cumulative	9,228	18,272	35,813

Note that the above reductions are based on the final AEF for 2017/18 of £310.701m as announced in December 2016.

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.

- 2.10 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:-

- Any voluntary or joint arrangements, including increased regionalisation, in lieu of compulsory Local Government reorganisation in Wales
- Wider events that could impact on the Global economic position including Eurozone elections.
- The final exit package agreed by the UK Government in respect of “Brexit”

Support for Capital Programmes

The final settlement indicated support for future General Fund Capital programme at a level of £10.238m for 2017/18, a very slight decrease from 2016/17. This support is through a mix of General Capital Grant and support for borrowing.

Planning assumptions for both 2018/19, 2019/20 and 2020/21 are based on unchanged levels of support, which is in line with the indicative headline figure issued by the Welsh Government.

- 2.11 In addition, the Welsh Government has committed some £25.655m (50% of overall cost) towards Band A of the 21st 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. An outline programme has recently been submitted for Band B schools which would both significantly scale up likely obligation from both this Council and Welsh Government, although the status of such and outline submission is not binding at this stage.
- 2.12 There is an expected imminent announcement due on, and raised spending and funding expectations, flowing from the Swansea Bay City Region bid.
- 2.13 More importantly, the Council will have to decide on a financing strategy to fund potential City Deal and other City centre investment together with potential significant additional borrowing arising from band ‘B’ Schools improvement programme from 2019/20 onwards.
- 2.14 Equally importantly, 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.
- 2.15 Over the past six years the Council has predominantly 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 31st 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 has become 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 continue to be undertaken in 2017/18 and beyond as opportunities arise.

- 2.16 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.
- 2.17 It remains the case that each year the Council sets aside a significant amount of money (c £15m) towards the repayment of debt. This effective repayment will have to be taken into account when evaluating overall borrowing levels and the ability to service any additional borrowing requirement.

Section 3 – Detailed Spending and Resources Forecast 2018/19 to 2020/21

- 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 2018/19 – 2020/21

	Note	<u>2018/19</u> <u>£'000</u>	<u>2019/20</u> <u>£'000</u>	<u>2020/21</u> <u>£'000</u>
Future cost of pay awards	1	1,800	3,600	7,300
Future cost of pay awards - Teachers	1	1,200	2,400	4,800
Pay and grading scheme	2	2,700	2,700	2,700
National Living Wage – own pay bill	3	700	2,400	2,400
National Living Wage – contract increases	3	1,000	2,000	3,000
Increased employers pension cost (including school based staff)	4	1,700	3,400	3,400
Cumulative contract inflation	5	1,000	2,000	3,000
Capital charges	6	1,500	3,250	5,000
Use of General Reserves	7	0	0	0
Demographic and Service pressures	8	3,000	6,000	9,000
Proposed targeted investment in services (EOTAS)		300	300	300
Council Tax Support Scheme	9	700	1,300	2,000

Total known pressures		15,600	29,350	42,900
Aggregate External Finance movement at 2% reduction	10	6,200	12,300	18,300
Cumulative budget shortfall		21,800	41,650	61,200

Note:

- 1) Assumed pay increases at 1% p.a. for 2018/19 and 2019/20, rising to 2% for 2020/21. 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 1st April 2014 – no account taken of potential additional costs arising out of appeals process.
- 3) Assumed increases due to implementation of National Living Wage.
- 4) Year 2 and 3 costs arising from the triennial revaluation of the local government pension scheme effective from 1st April 2017. The provisional assumption is an effective stepped 1% increase each year to overall costs. This gross cost includes an estimate of that applicable to delegated schools budgets.
- 5) Assumed minimum cumulative effect of known contract inflation
- 6) Presumed overall increase in borrowing due to delays in capital receipts on both general fund and schools programmes. This does not include any potential costs arising from major aspirational capital investment.
- 7) There is no planned use of general reserves in the MTFP
- 8) 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.
- 9) Assumed costs of Council Tax support in line with increases in Council Tax.
- 10) This reflects an estimated 2% reduction in aggregate external finance provided by Welsh Government

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 – 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 in the past.

3.5 In addition the forecast does not allow for any potential increase in non-schools' employer superannuation rates for 2020/21 which will be based on a triennial valuation as at 31st March 2020. There is also likely to be a further impact on non funded schemes including the Teachers Pension Scheme in or around 2020.

3.6 In October 2016 the Local Government Secretary set out the new way forward for Local Government Reform. In particular he highlighted that there will be no change to the existing number of local authorities, although voluntary mergers would be supported, but there will be a new way of regional working required, which will become more systematic and mandatory. No account of any additional costs or savings resulting from any further regional working has been included in the forecast.

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 future savings requirements.

4.3 The Strategy was agreed by Cabinet and reported to Council in October 2013. The Delivery Programme was 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 Work-streams
- Completed a number of commissioning reviews and moved to implementation phase
- Started the next phrase of engagement on Sustainable Swansea – following agreement of a report to Cabinet on 10th December 2015
- Developed a range of additional proposals to meet a significant proportion of the Council's shortfall in 2016/17, which result in further savings during the period of the MTFP which is relevant to this report.

Our Service Priorities for 2017/18 and the MTFP period

4.5 Although the Council is currently focused on a plan to save an additional £61m 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 just under £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
- *Sustainable Swansea's* core objectives – 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 - to 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 £61m (excluding schools) over three years was applied, for example, just to Corporate Services (excluding Council Tax Reduction Scheme) and Place Services, the budgets for these areas would be cut by around 75%.

Consequently, other areas such as Schools and Social Care also need to face some level of relative and real terms reductions over the next 3 years, given the relative size of their budgets.

- 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 2017/18), as reported to Cabinet on 12th December 2016, 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.

Service	Current Budget £m	Percentage Reduction/Increase over 3 Years	Amount Realised £m
Schools \$	138.9	+1.3	+1.8
Rest of Education	20.2	-15	-3.0
Social Care – Child & Families	37.6	-15	-5.7
Social Care- Adults	65.9	-20	-13.2
Poverty & Prevention*	5.1*	+5	+0.3
Place	51.0	-50	-25.5
Corporate Services +	23.0	-50	-11.5
Total	341.7m		-56.8m

*\$ Assumes **local** schools protection continues limiting any material scope for reduction in cash terms.*

** 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 £43m less £20m 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.
- 4.12 It should be noted that the savings targets detailed above are for the period 2018/19 to 2020/21 and will need to be extended to 2021/22 as planning assumptions for that year become more predictable
- 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>2018/19</u> <u>£'000</u>	<u>2019/20</u> <u>£'000</u>	<u>2020/21</u> <u>£'000</u>
Cumulative budget shortfall	21,800	41,650	61,200

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% 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 2017/18 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 2017/18, the following indicative position is envisaged:-

	<u>2018/19</u> <u>£'000</u>	<u>2019/20</u> <u>£'000</u>	<u>2020/21</u> <u>£'000</u>
Cumulative budget shortfall	21,800	41,650	61,200
Directorate savings proposals/agreed	-	-	-
Additional Directorate Savings required (including Schools delegated budgets)	-21,800	-41,650	-61,200

- 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 Programme, 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 3 Programme areas and themes 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 Programme.

- 5.7 Further work has taken place on the development of a revised Sustainable Swansea Delivery Programme to update the one agreed by Cabinet on 16th July 2015. The new programme approach has a greater focus on cross Council transformation. The three Programme areas are:

- Transformation
- Digital
- Future Council

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 2017/18 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 make some contribution to ongoing savings targets during this period. However, the Council will continue to prioritise education funding and spending pressures and take into account the extent to which these can be met on annual resources available and competing spending needs.
- 6.4 The table shown in Section 4.10 of this report details the proposed indicative Directorate Savings targets for the period 2018/19 to 2020/21 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 the 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 the 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 ongoing practical impact of legislation such as the Wellbeing of Future Generations (Wales) Act 2015
- 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. In particular that any additional borrowing requirements in respect of aspirational capital development will be met from additional income generation from such schemes or a combination of funding from the public and private sector that evidences financial neutrality and sustainability.
 - The Council continues to achieve its ambitious savings targets.

- 7.4 It is assumed that there will be substantive change to the structure of service delivery, including additional regionalisation of services. It is however far too early to financially quantify and describe those changes so they are explicitly excluded at present.

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 2017/18 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 reserves usage is given in Section 8.6 below.
- 8.3 The current 2016/17 Revenue Budget was set with no planned use of General Reserves.
- 8.4 In terms of planning assumptions there is no assumption of ongoing use of or availability of General Reserves for 2017/18 or beyond.
- 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 November 2016 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 12th 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

Legal Implications

9.1 There are no legal implications arising from this report.

Equalities Implications

9.2 The budget reductions implicit in the 2016/17 approved budget were subject to the corporate and appropriate Equality Impact Assessment which process, which was considered as part of the overall budget process.

9.3 Where additional budget savings requirements are identified as part of the 2017/18 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.

Background Papers: None

Appendices:

Appendix 'A' Statement of Budget Principles and Service Budget Priorities

Appendix 'B' Sustainable Swansea Work-streams and Progress to Date

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

- 4.11 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

- 4.12 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

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

Transformation	All service must transform through a fundamental review of purpose, however services are commissioned, to: <ul style="list-style-type: none"> • deliver better outcomes • develop a sustainable delivery model, fit for the future • reduce costs and secure value for money
Efficiency	All services must continue to strive for efficiency, in particular:

	<ul style="list-style-type: none"> • reduce management and other overheads • maximise opportunities for increasing income from charges, trading and external sources • reduce the cost of purchasing supplies and services • work with others to achieve better outcomes • look for opportunities for residents or community groups to take or share responsibility for services
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STATEMENT OF BUDGET PRIORITIES: PEOPLE’S SERVICES

4.14 Schools and Education

Education is working 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 fully aware of the promises that the Minister has given regarding schools funding, and we are meeting our obligation on this in a number of ways, as outlined below.

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 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

4.14 Social Services- Child & Families

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.

4.15 Social Services – Adult Social Care

A new approach has been proposed for Social Services based on the application of *Sustainable Swansea* principles and Workstreams and the national legislative requirements to the future model of social services. This is required to deliver savings of £13m over 3 years.

Our policy must be to:

- Promote greater independent living for longer, and reduce demand for long term care by investment in prevention and reablement
- Develop the Swansea model of Local Area Coordination to increase community-based support and change the current model of day and residential services
- Ensure our services are as efficient as possible by reviewing alternative models for delivering social care such as social enterprise, increased use of the voluntary sector, increase volunteering and community self help

- Drive forward the reshaping and integration of services with health and other key partners to achieve whole system change, including local commissioning and delivery
- Communicate the new vision, the long term benefits and our plan for safe and better care to residents, carers and partners

4.17 Poverty & Prevention

We have agreed a comprehensive Poverty Strategy, no changes are proposed to this.

Our policy must be to:

- Implement the strategy and provide additional investment **or** redirect existing spend in community based preventative programmes where evidence shows this works
- Ensure all Council services (as well as partners) contribute to combatting poverty by directing activity towards these objectives
- Invest in prevention through the Prevention Fund and development of a Council-wide Prevention Strategy

4.18 STATEMENT OF BUDGET PRIORITIES: PLACE SERVICES

Place based services will see a 50% reduction over the next 3 years, around £25m.

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 eg: 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, with a particular emphasis on target areas
- Prioritise the Regeneration of the City Centre and the economy

STATEMENT OF BUDGET PRIORITIES: CORPORATE SERVICES

Corporate Services will see a 50% reduction over the next 3 years, around £11m.

To deliver such a challenge our policy must be to:

- Change the current model of delivery to increase self-service and reduce demand for transactional services
- Focus only on the critical functions of the corporate centre such as governance, financial control, core HR advice and commercial capability and stop doing other things
- Look for opportunities for shared services with other public sector organisations in the area and/or outsource
- Radically change our approach to customer contact and engagement, to shift to digital channels and reduce costs
- Consolidate and reduce the cost of all common support functions across the Council, such as financial processes, ICT, business support
- Maintain overall investment 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

SUSTAINABLE SWANSEA – FIT FOR THE FUTURE (SSFFF)

Transformation Programme 2017-18

The Transformation programme is coming into its third year of delivery and has provided the **framework for around £48m of savings since its inception. However, the benefits have not only been financial.**

Thirteen commissioning reviews have been at the heart of the transformation programme, which are either completed or are currently in flight. These reviews provide a robust process for transforming services and have contributed to significant changes over the past year including the following examples:-

- **Digital Services:** Many services have moved online or automated over the telephone, providing 24/7 access to those residents that prefer these channels. Non-digital channels are available to support the most vulnerable. In addition, training has been delivered to help communities increase their digital skills and confidence, contributing towards digital inclusion with the aim of lowering digital poverty
- **A single contact centre** has brought together five teams so that customers have a single point of contact
- **Agile working** has improved how the Council utilises its assets, e.g. Moving out of Oldway House has saved over £600,000
- **Business Support: Bringing ICT back to an in-house managed service** has saved the Council £1.5m per year and improved the Council's ability to innovate through the new ambitious digital strategy
- **Cultural Services** are undertaking a procurement exercise to seek an alternative delivery model, but have already achieved savings through local service transformation
- **Waste Management** have implemented initiatives to lower the impact on landfill and change behaviours at local Household Waste Recycling Centres (HWRC) sites in order to achieve Welsh Government targets of 64% by 2020
- **Adult Services** have developed their new service model and Domiciliary Care service transformation, which is out currently for consultation until February 2016.

The *Sustainable Swansea – Fit for the Future* (SSFFF) programme work is reviewed and updated annually to reflect both: projects that have delivered in year; and any changes in the internal or external environment.

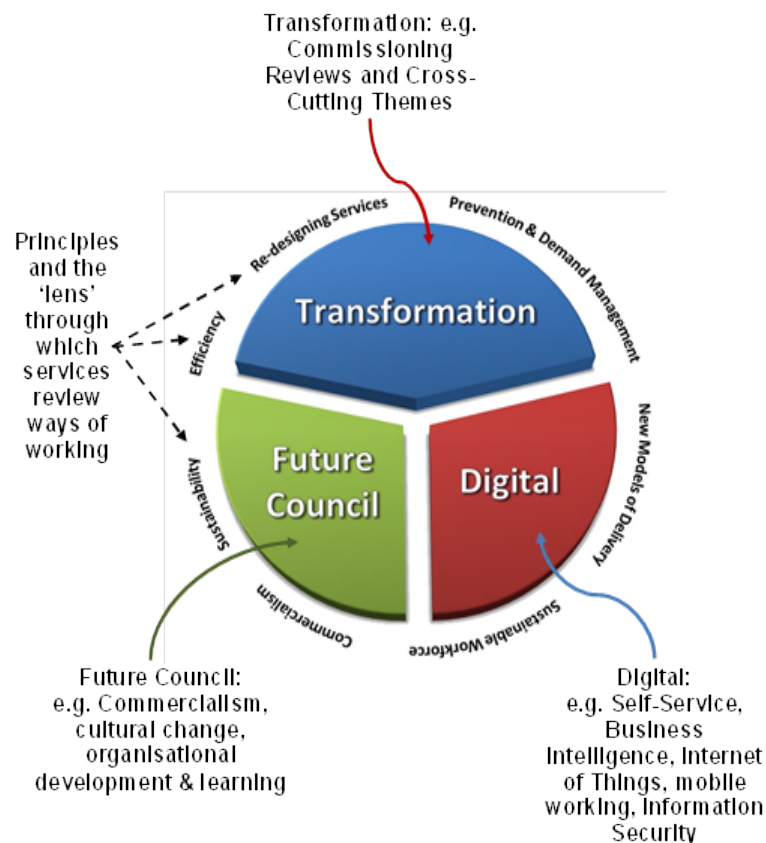
One outcome of the annual review of the programme, is to **acknowledge the maturity of the Council after almost three years of the transformation journey.** The organisation and the workforce has developed new skills, capabilities and competencies as a result of the Commissioning Reviews. However, many of these were service focused in the beginning. Therefore, the Council is now looking to move

to the next level of transformation with cross-cutting change across a range of services. Therefore, the Sustainable Swansea framework has been updated for 2017-18 in the diagram below and reflects:

- **Principles of the programme:** These act as the 'lens' through which each service can continuously review working practices and plan for change. The principles form the outside of the model
- **Priority deliverables for the year** so that resources can be targeted to those areas. The diagram below highlights that: Transformation, Future Council and Digital will form the focus for 2017-18.

The diagram below illustrates the new programme approach, with a greater focus on cross Council transformation. This was communicated to staff during the recent roadshows.

Sustainable Swansea Framework for 2017-18



The Commissioning review approach, including key tools such as the toolkit, has developed into a trusted approach with all service areas. The commissioning reviews have left a positive impression on much of the workforce; therefore the aim is to replicate this in the new transformation work on the cross-cutting themes.

A New Phase to the Programme: Cross-Cutting Themes

Cross-cutting themes are projects / programmes which will be supported and in some cases led by the SSFF programme, working with Officers, Members and Partners to deliver agreed objectives. The list has been arrived at using the following rationale:

- Cross-cutting themes are projects/programmes where **similar themes of transformational work** have been identified across the Council which could be grouped in a different way (including in some cases projects within schools and regional working)
- These **cross-cutting themes will set the work plan for 2017-18 and beyond** for the Sustainable Swansea programme and transformation team
- Some projects have **emerged through the outcomes of commissioning reviews**. Although cross-cutting themes were explored at the beginning of the commissioning review process the Council needed to be further along the maturity curve to deliver this approach (staff skills, capabilities, experience across all services). 12 reviews are currently either completed or in flight, 7 have been approved by Cabinet and are moving into implementation
- Some new projects have **emerged as a result of discussions between Cabinet and CMT**
- Some are **legacy projects** which have struggled to be delivered due to lack of resources.

The focus of Sustainable Swansea programme going forward will be based on the following cross-cutting themes around specific outcomes including:-

- Integrated Transportation (including Strategy)
- Outcomes for children
- Outcomes for adults
- Building Sustainable Communities
- Prevention
- Capital programme
- Regulatory services
- Business support
- All catering
- Asset utilisation
- Commercialism
- Integrated car parking.

Agenda Item 10.

Report of the Section 151 Officer

Council – 23 February 2017

REVENUE BUDGET 2017/18

Purpose:	This report proposes a Revenue Budget and Council Tax Levy for 2017/18.
Policy framework:	Sustainable Swansea – Fit for the Future
Reason for decision:	To agree a Revenue Budget and Council Tax levy for 2017/18.
Consultation:	Cabinet Members & Executive Board
Recommendations:	Council is asked to approve a) A Revenue Budget for 2017/18 as detailed in Appendix 'A' b) A Budget Requirement and Council Tax levy for 2017/18 as detailed in Section 9 of this report.
Report Author:	Mike Hawes
Finance Officer:	Ben Smith
Legal Officer:	Tracey Meredith
Access to Services Officer:	Phil Couch

1 Introduction and background

1.1 This report details:

- Financial monitoring 2016/17
- The Local Government Finance Settlement 2017/18
- Budget Forecast 2017/18
- Specific Savings Proposals
- Outcome of Budget Consultation
- Staffing Implications
- Reserves and Contingency Fund requirements
- The Budget Requirement and Council Tax 2017/18
- Summary of funding proposals
- Risks and uncertainties

- 1.2 The financial assessment in relation to 2018/19 – 2020/21 is contained in the **Medium Term Financial Plan 2018/19 – 2020/21** 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 22nd 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 29th 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 16th July 2015.
 - The report to Cabinet on 12th December 2016 – **Sustainable Swansea – Fit for the Future : Budget Proposals 2017/18 – 2019/20** setting out the Council’s proposals for budget consultation.
- 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. 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 2016/17

- 2.1 Cabinet considered a report on the estimated Revenue Outturn for 2016/17 on 9th February 2017. It was projected that the Council will outturn at a position that reflects a very substantially improved position from the £4.5m forecast overspend at quarter 2.
- 2.2 That report for the 3rd quarter financial monitoring highlighted an improving picture for the Council overall but, as is the case in quarter 2, there was 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 Current estimates are that the overspend is likely to be limited to around £1m (approximately 0.25% of original budget) as an upper figure, predominantly because of significant use of specific reserves to meet one off pay related costs on JE implementation.
- 2.5 2016/17 has seen continued significant progress in settling almost all outstanding 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 2016/17.

- 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 (including significant use of specific reserves and provisions) 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 2017/18

- 3.1 The Minister for Local Government & Government Business announced the final Revenue and Capital Settlement for 2017/18 on 21st December 2016.
- 3.2 The final Revenue Settlement for 2017/18 provided an additional increase of £1.315m compared to the provisional settlement issued in October 2016, and included in the budget proposals report to Cabinet in December 2016. This is mainly due to an increase of £741k in respect of a new responsibility for Homelessness Prevention. Changes are as follows:

	<u>£'000</u>
Forecast increase in Welsh Government support 2017/18 per Cabinet report 12 th December 2016	1,618
Funding for Homelessness Prevention	+741
Increase due to updated data and assumed relative changes in tax base	+574

- 3.3 The result is an improvement on forecast Aggregate External Finance of some £1.3m. However, there are likely further reductions in several specific grant totals, which may affect actual grant received by the Council in due course. 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 settlement is assumed partial protection in respect of Social Services. The local value of that protection is not particularly specified in terms of value but it is anticipated that funding in terms of known service pressures identified in Section 4 of this report will satisfy any ministerial funding expectation. Some further details have been announced by Welsh Government on additional funding to be made available for domiciliary care purposes to help mitigate cost pressures caused by the national living wage increases (which this Council has of course already prudently already budgeted for in its estimates).
- 3.5 In respect of Schools, there is no longer an ongoing formal ministerial protection or funding guarantee so any decision over schools funding is a

local one to be made by Cabinet and ultimately by Council, having any due regard to any budget consultation responses received.

- 3.6 In revising the Medium Term Financial Plan and setting the Budget for 2017/18, 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.
- 3.7 **The financial pressures and level of risk that we face and will continue to face make the need to implement these changes ever more urgent. The further increase 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 2017/18

Overview

- 4.1 The budget proposals for 2017/18 as submitted for consultation on 12th December 2016 resulted in a projected funding deficit of £15.269m. The funding deficit was made up of projected funding pressures of £16.887m partly offset by a provisional increase on Welsh Government Aggregate External Finance of £1.618m as set out in Section 3.2 above.
- 4.2 The announcement of the final settlement, together with an improved view on the financial position with regards to 2016/17 outturn, means that the overall funding deficit forecast for 2017/18 has changed.
- 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 (not considered necessary)
 - Use of Reserves and Balances (not advised)

Forecast funding shortfall 2017/18

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

Table 1(a) – Projected pressures 2017/18

	2017/18
	£'000
Future cost of pay awards	1,800
Schools Pay Award	1,200
Pay and grading scheme	2,700
Increased Employers Pension Cost	1,300
Increased Employers Pension Cost – School based staff	200
<i>Costs imposed without funding by UK Government</i>	
- Apprenticeship Levy	900
- Apprenticeship Levy – Schools	400
- National Living Wage – contract inflation	1,400
Capital charges	750
Use of General Reserves	0
Passported through AEF to Services	1,293
Demographic and Service pressures	3,964
Investment in services (including EOTAS)	2,208
Council Tax Support Scheme	600
Fire Authority Levy/Port Health Levy	325
Total known pressures	19,040
Final increase in core Welsh Government Funding CASH	-2,934
Total Savings Requirement	16,106

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

Table 1b – Movement in projected pressures

	2017/18
	£'000
Target per Cabinet Report 12th December 2016	15,269
Increase in Aggregate External Finance from the Welsh Government	-1,316
New responsibilities/opportunities for Homelessness Prevention	741
Revised increased cost of living wage	400
Schools - apprenticeship levy/pensions	600
Other minor consequential estimate refinements	87
Projected increase in Levies	325
Cumulative revised target	16,106

Inflation

- 4.7 The 2016/17 revenue Budget provided a corporate provision of £3m for inflation, of which there has been a call of £1.6m during 2016/17. This was to cover specifically increased contract costs due to the rise in National Minimum Wage levels and increased costs on recoument and home to school transport.

Given current UK inflationary levels and forecasts to come through the year there is no case to be made for increasing the corporate (General) provision for inflation in 2017/18.

It is the case, however, that the Council is likely to experience significant cost pressures in specific areas as detailed in Table 2 below and these have already been provided for as follows.

Table 2 – Potential Service inflationary and cost pressures:

	£'000
Increased contract costs due to rise in National Minimum Wage levels (already in services)	1,400
Increased cost due to new Apprenticeship Levy (held centrally)	900

In the November 2015 Autumn Statement, the Chancellor first announced significant increases in the National Minimum wage to be introduced over the next three financial years. Whilst the actual increases will vary year to year there will be continued pressures. This is unlikely to affect direct employee costs incurred by this Council during 2017/18, 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 £1.4m has already 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. These will need to be funded from the Contingency Fund on a case by case basis as the need arises. Consequently the contingency fund contribution has been increased by £1 million to meet this and other general emerging inflationary pressures.

The Chancellor of the Exchequer continues to assume limited pay awards within the public sector at a level of no more than 1% per annum until 2020. This increase for 2017-18 has therefore been built into revenue budget proposals.

The Apprenticeship Levy is held centrally on this general provision for inflation line as we await further details of the how the scheme will operate in practice but we are certain it will happen so this sum has to be considered already fully

committed with the final sum uncertain rather than merely a general provision for a cost that might come to pass.

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' delegated budgets.

Schools Prioritisation

- 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 fully from longer terms real terms cuts.

- 4.9 Reductions can be viewed in two ways:

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

- 4.10 For 2017/18 there is no longer any Ministerial funding commitment to schools, however it is intended to provide funding for various service pressures as a local priority for Cabinet.

The net result of these proposals is an increase in the underlying cash settlement to Schools of some £1.8m for 2017/18.

In addition, the headline increase across Wales in respect of Pupil Deprivation Grant is 7.38% which, if applied uniformly, would result in an increase to Swansea Schools of around £0.5 million.

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

Table 3 – Impact on Schools delegated budgets

Item	£'000
<i>Cash position</i>	
Net core delegated base budget 2016/17	126,684
Increase for Pay Award (1%)	1,200
Increase for new Apprenticeship Levy (0.5%)	400
Increased Pension costs re non-teaching school based staff	200
Core delegated base budget 2017/18	128,484
+1.4%	

i.e. The above cash increase assumes that Schools will meet the additional costs of teachers pay awards, pension costs and apprenticeship levy increases for 2017/18.

The increase in core delegated budget would therefore be 1.4%.

Further delegated funding increases for Specialist Teaching Facilities plus additional delegation and/or devolvement of some existing budgets to schools over both 2016-17 and 2017-18 (school meals, cleaning, part of breakfast clubs, kitchen repairs) means that the total amount available to school governing bodies and head teachers to decide to spend locally and flexibly has significantly increased from the 2016-17 original budget. The total gross school cost centre budgets set out in Appendix H have increased by more than £4.5m for 2017-18.

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 2017/18 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. There has been a further announcement of £10m available to local authorities for domiciliary care purposes (predominantly national living wage related cost increases). Further information will be provided on this in due course.

Overall the cash budget proposed for social services increases by around 0.3% or £0.3m.

Capital Financing Charges

- 4.13 There is a base line increase of a net £750,000 compared to the 2016/17 approved budget reflecting the potential requirement to externalise elements of borrowing during 2017/18 dependent on expected movements in borrowing rates.

As at 1st 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 2017/18, as has happened in 2016/17, there may be a further 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 borrowing, and that a decision may be required to externalise further elements of current internal borrowing should there be a predicted and marked increase in forecast rates in order to best serve the Council's interests in the medium to long term.

Furthermore the authority has a potential range of ambitious and challenging investment plans and opportunities in the shape of 21st Century Schools Band B programme, the City Region Deal, City Centre redevelopment, and new housing plans. It is therefore prudent to start anticipating some of the financial costs of this investment and to that end an initial just over £1m of additional capital financing costs on top of the base increase of £750,000 has been provided for in the proposed budget for 2017/18.

Fire Authority Levy

- 4.14 Since the 9th February 2017 Cabinet report we have been notified of a proposed final increase in the Fire Authority Levy of £0.363m (3.0%). The final figure reflects an overall average 2.8% increase in the levy and some redistribution of shares of the levy between contributing authorities (£0.029m).

Pay & Grading Settlement and the Living Wage

- 4.15 A single pay and grading structure was introduced across the Authority with effect from 1st 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 31st March 2017.

In line with previous reports, the budget proposals for 2017/18 allow for increased employee costs of some £2.7m for 2017/18 in relation to incremental progression for those staff who were originally 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 16th July 2015.

- 5.2 The strategy as adopted underpinned the decision taken at the Council’s Cabinet on 12th December 2016 to recommend specific savings proposals totaling £15.701m in 2017/18 for consultation. Cabinet on 9th February 2017 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 6.18.
- 5.3 The overall savings proposals, totaling some £15.701m as detailed below include the previously agreed senior staff reductions, specific service proposals and a reduction in the insurance reserve.

Table 4 – Summary of Savings proposals (as at 12th December 2016)

Savings	Savings £'000
Service Savings as submitted for budget consultation	12,536
Senior Staff reductions	2,465
Reduction to Insurance Reserve *	700
Total	15,701

* Made possible by efficiencies in procurement and administration of insurance, this reduction is per annum for 3 years.

- 5.4 As with previous years, the Corporate Management Team 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 2017/18.
- 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 24th December 2016 to 23 January 2017. The consultation included a public survey available online and in hard-copy in council venues. Overall we received 670 responses to the survey. We also held a children and young people's Big Conversation event attended by 75 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 **Statement** is attached as Appendix F. Cabinet and Council 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, bearing 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:

6.4 The survey provided the opportunity for people to have their say on:

- Events – a review of the events we currently undertake as a council
- Specific budget proposals
- The Council's future spend

Events

Events which are perceived least and most important are outlined below:

Unimportant

71% unimportant - Skate and Street Festival
69% unimportant - Olympic Fanzones Castle Square
69% unimportant - Silence in the Square

Important

77% important - Wales National Airshow
67% important - St David's Day Festival
65% important - Major sporting events

Specific proposals

6.5 There were a small number of proposals where there was less than 50% support from the public:

67% disagree – Average 5% increase to Council car park charges

61% disagree – Charging for Sunday Parking in City Centre car parks during off peak periods

51% disagree – Remove the remaining Council subsidy to the school music service

51% disagree – National waterfront museum remove grant for floating exhibits

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

92% - Further implement the Safe Looked After Children Reduction Strategy

87% - Review all existing and new care packages

86% - Increase charges for wedding venue facility at Civic Centre by approx. 5%

80% - Restructure of our tourism and marketing services so that more is delivered digitally

Future Spend

6.7 There are a number of areas that we are looking to review spend over the next year. Views were sought on these areas as part of the budget consultation. Results from the consultation are outlined in the table below:

	Reduce spend	Maintain spend	Increase spend
Keeping our streets clean	8%	63%	29%
Improving the look and feel of the Kingsway	37%	34%	29%
Our programme of high-profile and community events	42%	51%	8%
Investment in sports pitches	26%	60%	14%
Road and pavement repairs	4%	50%	46%
Maintenance and repairs of our key public buildings	15%	67%	18%

Children and young people event: The Big Conversation

6.8 The Big Budget Conversation was the 4th annual consultation with children and young people on the City and County of Swansea budget proposals. The event gave 75 pupils from 12 secondary schools across Swansea an opportunity to consider a number of budget proposals that the City and County of Swansea have to make in order to meet the required savings target. The full outcome of the Big Conversation can be found within summary of consultation results.

6.9 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

6.10 As such, young people have considered proposals relating to cultural services and events, education (specifically in relation to school meal charges), transport and future spend.

Events

Events which are perceived least and most important during the Big Conversation are outlined below:

Unimportant

100% unimportant - Skate and Street Festival

60% unimportant – Outdoor theatre

40% unimportant - City Centre/Castle Square events – e.g. Roadshows/Films etc.

Important

100% important - Wales National Airshow

100% important - Large scale music events

100% important - Major sporting events

100% important - Showing major sporting events on the Big Screen in Castle Square

Specific Proposals

6.11 We invited the group to comment on 2 of our specific budget proposals:

1. **Increase the price of school meals** – 100% of those attending disagreed with this proposal
2. **Integrate the park and ride service with commercial local bus services** - 52% agreed and 48% disagreed

Future Spend

6.12 There are a number of areas that we are looking to review spend over the next year. Views were sought on these areas as part of the budget **consultation**. Results from the Big Conversation are outlined in the following table:

	Reduce	Maintain	Increase
Keeping our streets clean		45(60%)	30(40%)
Improving the look and feel of the Kingsway	30(40%)		45(60%)
Our programme of high-profile and community events		60(80%)	15(20%)
Investment in sports pitches	15(20%)	45(60%)	15(20%)
Road and pavement repairs		30(40%)	45(60%)
Maintenance and repairs of our key public buildings		30(40%)	45(60%)

Schools Budget Forum

- 6.13 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.

Summary

- 6.14 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
- 6.15 Council is requested to consider the outcome of consultation and to agree whether or not to make any further change to the savings proposals in Appendix D.
- 6.16 As previously agreed, engagement on the delivery of the objectives in *Sustainable Swansea, fit for the future* will continue during 2017. Specific consultation will also be required on proposals from further Commissioning Reviews as they come forward during 2017.

Changes proposed to the budget in this report

- 6.17 As a result of initial feedback the following changes to the budget were proposed to Cabinet at its meeting on 9th February 2017.

	2017/18
	£'000
Revised savings target – per Table 1 a/b	16,106
Remove existing stop services saving from the 16-17 base budget and realign the 17-18 budget accordingly	2,000
Provide extra revenue funding to support capital investment - to start to recognise future costs	1,119
Ensure completely free child burials – the majority of which are already free	1
Cumulative TOTAL revised target	19,226

6.18 At the meeting of Cabinet on 9th February 2017 a number of further amendments to the budget, taking further into account the public consultation responses received, and considering wider priorities were approved for recommendation to Council as follows:

	2017/18
	£'000
Cumulative savings target – as above	19,226
REMOVE City Centre Sunday parking and increased car parking charges savings proposals	100
REMOVE the proposed reduction in the music service subsidy	97
SLOW the increase in the price of school meals, raising by 5p not 10p per meal per day	40
Additional investment:	
City Events (Christmas Parade, sports events, fan zones, pride, cohesion events)	200
Housing and City Deal pump priming	250
Feasibility study for electric bikes	20
Place based task forces – additional fly-tipping teams	100
Place based taskforces – continue funding to maintain pothole team	150
Expand Local Area Co-ordination work	80
Make all events for Veterans free	10
Targeted free parking in urban areas to boost visits	20
Funding changes advised by S151 officer to meet those revised spending and savings proposals:	
Higher than expected final Fire Authority Levy	29
Lower final local cost of providing for CTRS scheme	-50
Lower the increased funding made available to start to support the funding cost of future capital schemes	-308
Remove planned increase in contingency funding	-1,000
Cumulative TOTAL revised target	18,964

6.19 The Scrutiny Programme Committee and the Service Improvement and Finance Panel have discussed the budget proposals with the Leader of the Council. Following a meeting of the Service Improvement and Finance Panel to discuss the budget on the 7th February 2017, the Convenor of the panel attended Cabinet on 9th February 2017 to outline the views of the Scrutiny Panel.

6.20 Council will need to consider whether it is minded to make any further recommendations beyond this in its final proposals for the 2017-18 budget.

7 Staffing Implications

Background

7.1 The Cabinet Report of 9th February 2017 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 total staffing numbers for 2017/18 is set out in **Table 6** (shown as Full Time Equivalents (FTEs))

Table 6 – Impact of Savings Proposals on FTEs 2017/18

		FTEs
Service Saving Proposals		
	Corporate Services	7
	Business Support – Corporate Services leads	60
	Place	12
	People	17
	Total	96
Senior Staff Savings		
	Corporate Services	12
	Place	18
	People	18
	Total	48
	Grand Total	144

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 13th December 2016 and consultation with Trade Unions ran until 31st January 2017.

7.4 Six meetings have taken place with the Trade Unions since the S188 was issued; with further meetings scheduled as and when required.

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 reduction in posts in 2017/2018 will be unavoidable, given that the Council spends 40% of its overall budget on employees (significantly more in some Service Areas).
- 7.7 As achieved and evidenced in previous years, and continuing 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*
 - *Redeployment Open Days for staff*
 - *Enhanced redundancy payment (maximum of 45 weeks). This is currently applies to applications approved before 31st March 2017 and with end dates up to 30th September 2017.*
- 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 To date, 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
- Bumped redundancies

These figures will be updated on an ongoing basis.

HR 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 31st January 2017; although consultation meetings with the Trade Unions will continue as and when necessary.

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 2016/17, there remains potential volatility until March 2017. Any consideration on use of reserves to fund the 2017/18 Revenue Budget is dependent on the level of confidence in predicting

2016/17 Revenue Outturn. At present it remains the case that there should be no planned use of reserves for the 2017/18 budget.

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 1st November 2016 'Review of Revenue Reserves'
 - The 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 2016.
- 8.5 The Revenue Budget for 2016/17 approved by Council on 25th February 2016 assumed no transfer from General Reserves to support the budget. Any final determination on the use of reserves will depend on the outturn position for 2016/17.
- 8.6 At this point in time it is not proposed to transfer any further element of the General Fund Balance to support the 2017/18 Revenue Budget.

The level of General Fund balances therefore estimated at 31st March 2018, assuming achievement of the 2016/17 Revenue Budget, would also be £12.360m.

Contingency Fund

- 8.7 The 3rd quarter financial monitoring report detailed several forecast uses of the Contingency Fund in 2016/17. At this time, it is anticipated that the £5.4m budgeted contribution in 2016/17 will be fully expended and/or used to fund the Councils outturn position. Given the overall position as forecast in the 3rd quarter budget monitoring report for 2016/17 considered elsewhere on this agenda, the forecast Fund balance as at 31st March 2017 is nil.
- 8.8 In assessing the value of the Contingency Fund requirement in 2017/18, 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 ER/VR scheme (if it is extended beyond 31 March 2017), 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 12th December and summarised in the MTFP report elsewhere on the agenda.

(d) The expectation that any emerging additional inflationary pressures beyond the large already budgeted items (National Living Wage, Apprenticeship Levy) will be a call on the fund in year.

8.9 Bearing the above in mind, together with the proposals in respect of funding current year service pressures within the 2017/18 base budget, which continues to maintain reduced levels of risk, it is recommended that the contribution to the Contingency Fund in respect of 2017/18 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 1st November 2016 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 2016/17 approved by Council on 25th February 2016 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 to mitigate any loss of specific grants that could have detrimental effects on service targets.

It is intended that the contribution to the ICF Reserve now be fully allocated to Social Services budget totals and indeed is already built in on that basis.

8.12 It is clear from analysis of specific grant approvals so far received in respect of 2017/18 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 £0.95m 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 Restructuring Costs Reserve provisionally be committed towards meeting part of the cost of actual staffing reductions as they fall due in 2017-18 as part of the evolving reviews of senior staffing, business support, stopping lower priority services and the wider commissioning reviews.

To complement that planning assumption of a provisional need to take from the Restructuring Costs Reserve it is also proposed that £1m of revenue base budget is used to contribute back into the same reserve. This will help slow the overall use of that reserve but more importantly is also intended to be 'ring-fenced' to achieving requirements to implement on a regional basis a national replacement IT solution (WCCIS – Welsh Community Care Information System) for social care case and record management and to further improve customer, client and patient data integration with the NHS. This will be intended to fund one off implementation costs and potentially fund for up to one year initial increased running costs on system implementation and changeover.

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.
- 8.14 In the light of that assessment £700k has been released for the next three years, starting with 2017-18 and is already reflected in the budget proposals previously considered by Cabinet in December 2016.

Adequacy of Reserves

- 8.15 Whilst the proposed use of Earmarked Reserves in 2017/18 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 2017/18 and future years, I am satisfied that the proposed management of reserves in 2017/18 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 2017/18 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 2017/18

- 9.1 The Council's recommended requirement is set out in Appendix A. The City and County of Swansea Requirement of £418.797m will be financed partly by Revenue Support Grant of £231.170m and National Non-Domestic Rates of £79.531m.

Based on the recommendations made at Cabinet on 9th February 2017, a Council Tax rise of 2.75% would generate an additional sum of £3.263m, a band 'D' charge of £1,208.25.

- 9.2 Including Community Councils, the total requirement, after taking account of proposals in respect of reserve transfers and currently assumed savings, is £419.762m.

10. Summary of Funding 2017/18

- 10.1 The implications of sections 4, 5, 6, 7 and 8 above, together with the assumed 2.75% rise in Council Tax identified in Section 9 above, results in a forecast additional funding of £19.226m in 2017/18 as detailed in Table 7 below.

Table 7 – Budget Proposals 2017/18

	£'000
Savings originally identified per Section 5.3 above	-15,701
Net effect of Council tax base increase and proposed charges	-3,263
Overall resourcing – to meet target set out in section 6.18	18,964

- 10.2 I am satisfied that the budget proposals detailed in this report represent a realistic and achievable financial plan for 2017/18 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 2016/17 overspends

The 3rd 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 2017/18. 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

It is essential in terms of the financial challenges facing the Council beyond 2017/18 that further savings proposals are continuously developed as part of the *Sustainable Swansea* programme and implemented over and above those proposed within this budget. This will be a continuation of plans already underway and specifically include existing and the next waves of commissioning reviews and a further particular focus on more cross cutting themes.

The 2017/18 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 2017/18, there will be continued and enhanced monitoring and tracking of progress in achieving budget savings which will be reported to Corporate Management Team, Budget Performance Review Group and Cabinet.

As noted above, further proposals will be brought to Cabinet during the year.

(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 £1.4m has been provided for potential specific increases in areas where there is a significant element of contracted out services.

(e) Care Home Fees

Budget provision has been made for the 2016 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.

(f) Specific Grants

A number of specific grants are yet to be announced. In the event that the level of specific grants awarded for 2017/18 is less than that for 2016/17, 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 £0.95m 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.

(g) Equal Pay Back Payments

It is envisaged that the bulk of equal pay claims both in number and value will have been settled by 31st March 2017. However, legislation is such that further claims cannot be precluded although the introduction of the compliant pay and grading structure from 1st April 2014 will significantly lessen risk in this area over time.

(h) Implementation of Single Status

Whilst the Council implemented a compliant pay and grading structure from 1st 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.

(i) 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.

(j) 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 2017/18-2021/22 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 2017/18 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) 2018/19 – 2020/21

- 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.

Background Papers: None

Appendices:

Appendix 'A' Revenue Budget summary 2017/18
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

(Note that in respect of Appendix H prior year comparatives for 2016/17 include a number of cross cutting and service specific themes for which an allowance of overlap between the two savings schedules was needed – the presentation for 2017/18 is significantly simplified as a result of the consistent Commissioning Review approach to identifying and developing future Sustainable Swansea savings.)

	<i>Appendix 'A'</i>	
REVENUE BUDGET SUMMARY 2017/18		
<i>DIRECTORATE</i>		
	BUDGET	BUDGET
	2016/17	2017/18
	£000	£000
CORPORATE SERVICES	42,951	42,708
PEOPLE - POVERTY AND PREVENTION	5,101	6,068
PEOPLE - SOCIAL SERVICES	103,510	103,814
PEOPLE - EDUCATION	159,097	164,716
PLACE	50,999	50,763
ADDITIONAL SAVINGS STRANDS - TO BE ALLOCATED	-2,000	0
<i>NET DIRECTORATE EXPENDITURE</i>	359,658	368,069
SPECIFIC PROVISION FOR INFLATION / APPRENTICESHIP LEVY	3,000	1,000
<i>OTHER ITEMS</i>		
LEVIES		
SWANSEA BAY PORT HEALTH AUTHORITY	93	84
CONTRIBUTIONS		
MID & WEST WALES COMBINED FIRE AUTHORITY	11,912	12,275
<i>CAPITAL FINANCING CHARGES</i>		
PRINCIPAL REPAYMENTS	14,916	15,316
NET INTEREST CHARGES	14,732	15,893
<i>NET REVENUE EXPENDITURE</i>	404,311	412,637
<i>MOVEMENT IN RESERVES</i>		
GENERAL RESERVES	0	0
EARMARKED RESERVES	7,914	5,760
<i>TOTAL BUDGET REQUIREMENT</i>	412,225	418,397
DISCRETIONARY RATE RELIEF	375	400
<i>TOTAL CITY AND COUNTY OF SWANSEA REQUIREMENT</i>	412,600	418,797
COMMUNITY COUNCIL PRECEPTS	967	965
<i>TOTAL REQUIREMENT</i>	413,567	419,762
<i>FINANCING OF TOTAL REQUIREMENT</i>		
REVENUE SUPPORT GRANT	234,543	231,170
NATIONAL NON-DOMESTIC RATES	73,224	79,531
COUNCIL TAX - CITY AND COUNTY OF SWANSEA	104,833	108,096
COUNCIL TAX - COMMUNITY COUNCILS	967	965
<i>TOTAL FINANCING</i>	413,567	419,762
<i>COUNCIL TAX BASE for the City and County of Swansea</i>	89,151	89,465
<i>COUNCIL TAX AT BAND 'D' (£) for the City and County of Swansea</i>	1,175.90	1,208.25
GENERAL RESERVES		
AT 1 APRIL	12,360	12,360
AT 31 MARCH	12,360	12,360

REVENUE BUDGET 2017/18							
NET DIRECTORATE BUDGET PROPOSALS							
	Corporate Services	People - Poverty and Prevention	People - Social Services	People - Education	Place	To be allocated	Total
	£000	£000	£000	£000	£000	£000	£000
Original estimate 2016/17	42,951	5,101	103,510	159,097	50,999	-2,000	359,658
Directorate Transfers	0	0	0	0	0	0	0
Original estimates following transfers	42,951	5,101	103,510	159,097	50,999	-2,000	359,658
Transfer to (+) / from (-) reserves 2016/17	-554	-179	-250	-28	225	0	-786
Original estimate 2016/17 excluding reserves	42,397	4,922	103,260	159,069	51,224	-2,000	358,872
Transfers for specific items 2016/17	1	0	620	-73	745	0	1,293
Baseline adjustments 2016/17	-129	697	1,150	-394	630	0	1,954
Adjusted service budgets 2016/17	42,269	5,619	105,030	158,602	52,599	-2,000	362,119
Baseline Adjustments 2017/18	416	-66	2,933	429	-925	2,000	4,787
Spending Needs	1,202	799	2,537	4,622	2,881	0	12,041
Pay inflation provision	282	105	505	1,415	693	0	3,000
Savings:							
Specific consultation proposals	-1,565	-243	-6,712	-314	-3,465	0	-12,299
Senior Staff Savings	-735	-146	-764	-98	-722	0	-2,465
Original estimate 2017/18 excluding reserves	41,869	6,068	103,529	164,656	51,061	0	367,183
Transfer to (-) / from (+) reserves 2017/18	839	0	285	60	-298	0	886
Net Directorate budgets 2017/18	42,708	6,068	103,814	164,716	50,763	0	368,069

APPENDIX B

REVENUE BUDGET 2017/18					
EARMARKED RESERVES					
	Balance	2016/17	Balance	2017/18	Balance
	31/03/16		31/03/17		31/03/18
	£000	£000	£000	£000	£000
DIRECTORATE RESERVES					
Equalisation reserves	-52	0	-52	0	-52
Commuted sums	-5,122	404	-4,718	-21	-4,739
Repair & renewal funds	-2,935	-345	-3,280	-371	-3,651
Profit share	-1,121	-66	-1,187	-66	-1,253
Service reserves	-3,907	1,082	-2,825	569	-2,256
TOTAL DIRECTORATE RESERVES	-13,137	1,075	-12,062	111	-11,951
CORPORATE RESERVES					
Contingency Fund	0	0	0	-5,400	-5,400
Insurance	-14,092	15	-14,077	700	-13,377
Job Evaluation earmarked	0	0	0	0	0
Transformation/Efficiency	-12,723	1,361	-11,362	-1,215	-12,577
TOTAL CORPORATE RESERVES	-26,815	1,376	-25,439	-5,915	-31,354
UNUSABLE/TECHNICAL RESERVES	-1,027	40	-987	44	-943
SCHOOLS DELEGATED RESERVES*	-9,547		-9,547		-9,547
TOTAL RESERVES	-50,526	2,491	-48,035	-5,760	-53,795
* No updated information available - balances held by individual schools					

APPENDIX C

Appendix D

Specific Savings Proposals

HoS Budget	Proposal	Savings 2017/18 £'000
Cultural Services	Tourism and Marketing Services - remove direct sales marketing as part of commissioning alternative management, remodel campaigns and staff. Special Events restructure and programme revision. Staffing efficiencies across Archives, Grand Theatre, Service Development, Business Partnership Unit	610
Cultural Services	Swansea Museum restructure and repurpose Exhibits. National Waterfront Museum remove grant for Floating Exhibits	140
Cultural Services	Transfer Management of Dylan Thomas Centre	134
Cultural Services	Remodel all leisure centre running costs through efficiencies, increased income as part of tender package. The LC - continue to negotiate reduced management fees with Bay Leisure and include in tender proposals	300
Cultural Services	Agree the strategy for Parc Tawe; seek an alternative operator	100
Cultural Services	Development & Outreach - cease free use, restructure staff, remodel programmes. Community Centres - transfer costs increase support	47
Cultural Services	Water Safety - revise contracts with the LC, NPS, SLAs, service RNLI	31
Cultural Services	New income streams - Foreshore, car parking income, charges in caravan parks, licences at St Helens	59
Total of Previously Agreed Savings		1,421
Savings achievable for 17/18 @ 50%		711
CB&PS	Optimisation of Assets, develop mobile working and technological support, accommodation savings	450
CB&PS	Increase efficiencies, income & commercialism in Strategic Estates and Facilities Management, Fleet, in house operational works and technical services. Explore invest to save projects from Energy Report	200
Econ & Regen	Commissioning Savings to be more fully developed as review progresses	225
Housing and Public Protection	Review management and staffing across Public Protection and Housing Options	86
Housing and Public Protection	Reduce dredging requirement in Tawe impoundment	25
Housing and Public Protection	Pollution Control Monitoring - Remodel level of survey and evaluation work	30
Housing and Public Protection	Housing options – grants to the housing voluntary - saving ultimately not taken 16-17, to be implemented 17-18	45

Housing and Public Protection	Increase charges for wedding venue facility at Civic centre by approximately 5% per year for the next 3 years. Charges will increase by an average of £25 per year. Increase burial and cremation fees by 5% per year for next 3 years. Burial fee will increase by approximately £40 and new graves by £75 each year.17/18 is the third year	103
Highways & Transportation	Staffing efficiencies and other contract savings and management action across highways & transportation	381
Highways & Transportation	Remove budget for implementing residents parking schemes. Reduction of Private Streets and Un-adopted areas budget.	115
Highways & Transportation	Reduction in Winter Gritting Routes resulting from Thermal Mapping works.	10
Highways & Transportation	Park and ride cost reductions and re-tender local bus services. Withdraw funding for bespoke Park & Ride services and divert existing commercial local bus services via the Park & ride sites	402
Highways & Transportation	Charge for Sunday Parking within city centre. Review car parking tariffs to match demand patterns resulting in overall 5% increase in income CABINET RECOMMENDED REMOVE	100
Highways & Transportation	Increase income from mooring fees and electronic management of contracts	31
Highways & Transportation	Increase in costs recovered from Coring Programme works. Systems Thinking review of the 'Charging for Waivers' process. Highway Licensing Charges increase of 3%	42
Highways & Transportation	Efficiencies and increased sales of telematics services to neighbouring authorities.	30
Highways & Transportation	Bus Station – Review Departure Charges, achieve IT Hardware & Software Maintenance savings via collaboration with NPT, reduced premises maintenance costs	94
Parks & Cleansing	Changes to internal staffing and weekly/seasonal working patterns. Efficiencies in costs of disposal, storage costs	265
Parks & Cleansing	Increased commercial, partnership, sponsorship and franchise, and income opportunities	220
Adult Services	Restructure the management and staffing arrangements (agency/overtime), review all contracts and costs to drive down spend where possible through efficiencies and management action	547
Adult Services	Improve processes by consolidating financial arrangements with Corporate Finance to include introduction of prepaid cards, increase the recourse to direct payments to clients, review charging for clients and maximise grant income	2,226
Adult Services	Review all packages of domiciliary care to ensure fit for purpose and minimise double handed calls through better use of equipment	1,000
Adult Services	Effective implementation of the Western Bay optimum model for intermediate care services to further reduce recourse to residential care	160

Adult Services	Implement outcome based assessments to ensure proportionate and enabling care packages are in place for all citizens	1,000
Adult Services	Review eligibility criteria for Social Services transport and remodel transport provided	250
Adult Services	Maximise health contribution to packages of care	529
Child & Family	Further implementation of the Safe LAC Reduction Strategy in Child & Family Services	1,000
Poverty & Prevention	Gain economies of scale and efficiencies by management action and maximise grant funding	128
Poverty & Prevention	Poverty & Prevention - develop the Food not-for-profit Enterprise	70
Poverty & Prevention	Complete the Rights Respecting Schools Award	20
Poverty & Prevention	Reduce third sector funding via the Change Fund by 10%	25
Education	Efficient management of staffing, catering and cleaning budgets through sound vacancy management and maximising recovery of costs through grants	224
Education	Continue tapering reduction of Council contribution to Ethnic Minority Achievement Service	50
Education	Full implementation of the full cost recovery model for the Music Service CABINET RECOMMENDED REMOVE	97
Education	Increase price of school meals from September 2017 by 10p CABINET RECOMMENDED HALVE TO 5p (£40,000)	80
Resources	Provision of common support services, digitalisation of processes, digital on-line forms, resulting in reduced staffing levels	1,000
Resources	More efficient use of cross Council ICT platforms and programmes	250
Resources	Efficiencies through procurement and administration of insurance	700
Resources	Consolidation of Communications and Marketing, Equalities and Access to Services and Performance Reporting Functions into a unified single Council structure	315
All	Senior Staff Review savings across all functions	2,465
	Total savings before council tax increase	15,701

NOTE that Cabinet has recommended to Council that £237,000 of these original savings be removed as highlighted in bold. These have been taken into account in setting the revised final budget recommended to Council for approval but are shown here for completeness.

Budget Consultation Results 2017

1. Budget Consultation

Consultation on the specific budget proposals ran from 24th December 2016 to 23rd January 2017. A survey was produced detailing the council's budget proposals, giving people the opportunity to provide their feedback. In total 670 people took part in the budget consultation survey.

The consultation was available online at www.swansea.gov.uk/budgetsurvey and hard copies have been made available in Libraries and Council venues across the City. We had 1868 visits to our Budget Consultation webpages (up 2% from last year) with 905 clicks through to the survey itself during this consultation and 1784 visit to staffnet pages.

Communication and Social Media

The consultation was widely promoted across Swansea within the press and social media. This resulted in:

- Eight press releases in total
- 17 media mentions, including six page leads and one double-page spreads in Evening Post plus mentions on local radio, Swansea Bay TV and BBC Online.
- 16 number of Facebook posts - 2237 Facebook clicks on posts to find out more and 259 reactions and comments (examples presented in Appendix 1).
- 2 Facebook adverts (one English, 1 Welsh) – 58 clicks through to the website costing 17p per click
- 5 Facebook videos promoting the budget consultation resulting in 6157 views
- 25 bilingual tweets sent out on Twitter - 113 re-tweets, likes and conversations = 50,102 impressions and 1101 engagements
- Social media activity resulted in 592 page visits to the budget survey webpage

2. Budget Consultation Summary Results (full results Appendix 2)

The survey provided the opportunity for people to have their say on:

- Events – a review of the events we currently undertake as a council
- Specific budget proposals
- The Council's future spend

Events

Events which are perceived least and most important are outlined below:

Unimportant

71% unimportant - Skate and Street Festival
69% unimportant - Olympic Fanzones Castle Square
69% unimportant - Silence in the Square
61% unimportant - Swansea Special Festival
60% unimportant - Annual Fireworks Display
60% unimportant - City Centre/Castle Square events – e.g. Roadshows/Films etc.

Important

77% important - Wales National Airshow
67% important - St David's Day Festival
65% important - Major sporting events
63% important - Waterfront Winterland
61% important - Large scale music events
61% important - Christmas Lights Switch on/ Christmas Parade

Specific Proposals

The majority of proposals were supported by respondents. Areas which are receiving the highest levels of objection and agreement, are outlined below:

Disagree

67% disagree – Average 5% increase to Council car park charges
61% disagree – Charging for Sunday Parking in City Centre car parks during off peak periods
51% disagree – Remove the remaining Council subsidy to the school music service
51% disagree – National waterfront museum remove grant for floating exhibits

Agree

92% - Further implement the Safe Looked After Children Reduction Strategy
87% - Review all existing and new care packages
86% - Increase charges for wedding venue facility at Civic Centre by approx. 5%
80% - Restructure of our tourism and marketing services so that more is delivered digitally

Future Spend

There are a number of areas that we are looking to review spend over the next year. Views were sought on these areas as part of the budget consultation. Results from the consultation are outlined in the table below:

	Reduce spend	Maintain spend	Increase spend
Keeping our streets clean	8%	63%	29%
Improving the look and feel of the Kingsway	37%	34%	29%
Our programme of high-profile and community events	42%	51%	8%
Investment in sports pitches	26%	60%	14%
Road and pavement repairs	4%	50%	46%
Maintenance and repairs of our key public buildings	15%	67%	18%

3. **Children and Young People** (full results Appendix 3)

On Friday 20th January 2017, 75 young people participated in the 4th Annual Big Budget Conversation, where they had an opportunity to consider a number of budget proposals that the City and County of Swansea have to make in order to meet the required savings target.

Young people attended from the following schools:

- Birchgrove
- Bishopston
- Bishop Gore
- Bishop Vaughan
- Cefn Hengoed
- Dylan Thomas
- Gowerton
- Morryston
- Olchfa
- Pentrehafod
- Pontarddulais

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, young people have considered proposals relating to cultural services and events, education (specifically in relation to school meal charges), transport and future spend.

The consultation was aligned to the corporate public budget consultation and the key results are as follows:

Events

Events which are perceived least and most important are outlined below:

Unimportant

100% unimportant - Skate and Street Festival

60% unimportant – Outdoor theatre

40% unimportant - City Centre/Castle Square events – e.g. Roadshows/Films etc.

Important

100% important - Wales National Airshow

100% important - Large scale music events

100% important - Major sporting events

100% important - Showing major sporting events on the Big Screen in Castle Square

Specific Proposals

We invited the group to comment on 2 of our specific budget proposals:

1. **Increase the price of school meals** – 100% of those attending disagreed with this proposal
2. **Integrate the park and ride service with commercial local bus services** - 52% agreed and 48% disagreed

Future Spend


There are a number of areas that we are looking to review spend over the next year. Views were sought on these areas as part of the budget consultation. Results from the Big Conversation are outlined in the table below:

	Reduce spend	Maintain	Increase
Keeping our streets clean		45(60%)	30(40%)
Improving the look and feel of the Kingsway	30(40%)		45(60%)
Our programme of high-profile and community events		60(80%)	15(20%)
Investment in sports pitches	15(20%)	45(60%)	15(20%)
Road and pavement repairs		30(40%)	45(60%)
Maintenance and repairs of our key public buildings		30(40%)	45(60%)

Appendix 1 Social media examples – budget consultation 2016 / 2017

Dinas a Sir Abertawe - City and County of Swansea
Published by Greg Jones [?] · 9 January at 12:15 · €

VIDEO: Here's some great historic footage of Kingsway, but should we now be investing in its look and feel?
Let us know at www.swansea.gov.uk/budgetsurvey



00:51

Get more likes, comments and shares
Boost this post for £20 to reach up to 8,300 people.

8,393 people reached Boost post

12 9 Comments 2 Shares

8,393 People Reached

2,963 Video Views

54 Likes, Comments & Shares

32 Likes	12 On Post	20 On Shares
17 Comments	9 On Post	8 On Shares
5 Shares	3 On Post	2 On Shares

839 Post Clicks

140 Clicks to Play <small>?</small>	31 Link clicks	668 Other Clicks <small>?</small>
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NEGATIVE FEEDBACK

2 Hide Post	0 Hide All Posts
0 Report as Spam	0 Unlike Page

Big Conversation Facebook post

Dinas a Sir Abertawe - City and County of Swansea added 4 new photos.
Published by Maxine Anne Bromfield [?] · 20 January at 11:51 · €

Today the 'Big Conversation' is taking place.
70 pupils from 12 secondary schools across Swansea have come together to discuss the things that are important to them, take part in our budget conversation and to have their say on the future of the city centre 😊

2,264 People Reached

9 Reactions, comments & shares

7 Like	7 On post	0 On shares
1 Love	1 On post	0 On shares
0 Comments	0 On Post	0 On Shares
1 Shares	0 On Post	1 On Shares

216 Post Clicks

159 Photo views	1 Link clicks	56 Other Clicks <small>?</small>
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NEGATIVE FEEDBACK

3 Hide Post	1 Hide All Posts
0 Report as Spam	0 Unlike Page

Council Budget 2017/18: Have Your Say

Cultural Services

Events

We will be carrying out a review of the events we currently undertake as a Council. To help inform our review we would like to find out how important our events are to the people of Swansea.

1. How important or unimportant would you rate the following events?

	Very important	Fairly important	Fairly unimportant	Very unimportant
Annual Fireworks Display	65 (10.3%)	190 (30.1%)	184 (29.1%)	193 (30.5%)
Armed Forces Day	132 (20.8%)	240 (37.7%)	137 (21.5%)	127 (20.0%)
BBC Proms in the Park	68 (10.8%)	216 (34.3%)	192 (30.5%)	153 (24.3%)
City Centre/Castle Square events – e.g. Roadshows/Films etc..	61 (9.7%)	192 (30.5%)	212 (33.7%)	165 (26.2%)
Large scale music events in Singleton Park Concerts e.g. MTV, Noel Gallagher, Paolo Nutini, Alfie Boe, Status Quo, Busted, Escape, Steps, Party in the Park etc	149 (23.5%)	238 (37.5%)	139 (21.9%)	108 (17.0%)
Major sporting events e.g. Tour of Britain Cycling Race, Olympic / Commonwealth Torch Relay	155 (24.5%)	254 (40.2%)	121 (19.1%)	102 (16.1%)
Major sporting events on the Big Screen in Castle Square e.g. European/World Cup Football/Rugby World Cup/ Wimbledon/ Olympics	83 (13.1%)	193 (30.4%)	196 (30.9%)	162 (25.6%)
Military /Freedom/Civic Parades	106 (16.8%)	209 (33.1%)	173 (27.4%)	144 (22.8%)
Olympic Fanzones - Castle Square	37 (5.9%)	159 (25.2%)	231 (36.7%)	203 (32.2%)
Outdoor Theatre	59 (9.4%)	212 (33.7%)	217 (34.4%)	142 (22.5%)
Silence in the Square	57 (9.2%)	138 (22.3%)	211 (34.1%)	213 (34.4%)
Skate and Street Festival	28 (4.5%)	154 (24.6%)	231 (36.9%)	213 (34.0%)
St David's Day Festival	162 (25.6%)	263 (41.5%)	113 (17.9%)	95 (15.0%)
Swansea Bay 10k	170 (27.0%)	271 (43.0%)	94 (14.9%)	95 (15.1%)

Swansea Special Festival	41 (6.8%)	193 (32.0%)	210 (34.8%)	160 (26.5%)
Wales National Airshow	293 (46.3%)	197 (31.1%)	64 (10.1%)	79 (12.5%)
Waterfront Winterland	153 (24.2%)	243 (38.5%)	122 (19.3%)	113 (17.9%)
Xmas Lights Switch-On / Christmas Parade	148 (23.8%)	230 (37.0%)	132 (21.3%)	111 (17.9%)

2. Do you agree or disagree with the proposals listed below?

	Strongly Agree	Tend to Agree	Tend to Disagree	Strongly Disagree
Restructure of our tourism and marketing services so that more is delivered digitally e.g. online, social media etc	218 (34.5%)	286 (45.3%)	88 (13.9%)	39 (6.2%)
National Waterfront Museum remove grant for floating exhibits	104 (16.9%)	198 (32.1%)	200 (32.4%)	115 (18.6%)

3. Please provide us with additional views on any of the above proposals:
163 (100.0%)

Housing and Public Protection

4. Do you agree or disagree with the proposals listed below?

	Strongly Agree	Tend to Agree	Tend to Disagree	Strongly Disagree
Increase burial and cremation fees by 5% for 17/18. Burial fee will increase by approximately £35 and new graves by £40. This was a 3-year proposal and 17/18 is the final year of implementation.	133 (21.0%)	232 (36.7%)	131 (20.7%)	136 (21.5%)
Increase charges for wedding venue facility at Civic Centre by approximately 5% in 17/18. Charges will increase by an average of £25. This was a 3-year proposal and 17/18 is the final year of implementation.	321 (51.0%)	222 (35.3%)	52 (8.3%)	34 (5.4%)

5. Please provide us with additional views on any of the above proposals:
104 (100.0%)

Highways and Transportation

6. Do you agree or disagree with the proposals listed below?

	Strongly Agree	Tend to Agree	Tend to Disagree	Strongly Disagree
Average 5% increase to Council car park charges. The council will take a graduated approach to charging so those car parks with lower levels of usage will see lower increases in charges.	86 (13.6%)	126 (19.9%)	162 (25.6%)	260 (41.0%)
Charging for Sunday Parking in City Centre Council car parks during off-peak periods (8am-11am and after 5pm) to ensure adequate free parking is available for shoppers during peak times	99 (15.6%)	148 (23.3%)	138 (21.7%)	251 (39.5%)
Introduce a park and ride service integrated with commercial local bus services. This will increase flexibility of the service by increasing the frequency of services operating from the sites and the number of city centre locations where passengers can be dropped off and picked up on their return.	230 (36.6%)	250 (39.7%)	78 (12.4%)	71 (11.3%)

7. Please provide us with additional view on any of the above proposals: 176 (100.0%)

People - Education and Poverty and Prevention

8. Do you agree or disagree with the proposals listed below?

	Strongly Agree	Tend to Agree	Tend to Disagree	Strongly Disagree
Align the third sector Change Fund to council priorities and reduce by 10%	88 (16.3%)	237 (43.8%)	140 (25.9%)	76 (14.0%)
Increase the price of school meals from September 2017 by 10p from £2.20 per day to £2.30 per day	145 (23.1%)	207 (32.9%)	138 (21.9%)	139 (22.1%)
Remove the remaining Council subsidy to the school music services service so that the service is fully funded by the Schools Service Level Agreement and other funding streams.	142 (22.8%)	162 (26.0%)	140 (22.5%)	179 (28.7%)

9. Please provide us with additional views on any of the above proposals:

135 (100.0%)

Social Services

The Social Services and Well-being (Wales) Act ('the Act') is a new law that changes the way that local councils in Wales provide social care and support. It came into force in April 2016 and means that councils must provide information, support and services in the way that the Act sets out. The Act gives individuals and their carers more of a say in the care and support they receive. The Act focuses on helping people to stay well, to be safe from harm, to be as independent as possible and to be supported within and by their local community.

The Act has five principles:

Promoting Well-being: Working with people to understand what matters to them and helping them achieve what is important for their well-being

Voice and control: Putting people at the centre of their care; giving people a voice in making decisions about their life and control over reaching the outcomes that matter to them

Prevention and early intervention: Increasing preventative services within the community to help people to keep well and help us to know when you may need extra support to prevent problems reaching a critical stage

Co production: Providing opportunities for you to be involved in how your care and support is designed and provided

Collaboration: Strong partnership working between the various organisations and people that support you, helping you live the life you choose for longer

In order to meet the requirements of the Act we have to do some things differently...

10. Do you agree or disagree with the proposals listed below?

	Strongly Agree	Tend to Agree	Tend to Disagree	Strongly Disagree
Review all existing and new care packages in line with the new requirements of the Social Services and Wellbeing Act. Care packages will become more focussed on achieving the outcomes that matter to people depending on their circumstances and needs; including through effective use of equipment and telecare services. This may mean that some people have either more or less care, depending on their individual circumstances and needs, but we will ensure that nobody is left without the care that they need.	269 (43.0%)	275 (44.0%)	49 (7.8%)	32 (5.1%)
In order to increase citizens voice and give people direct control over the care they receive we propose to actively promote the use of direct payments as an alternative to traditional care provided by local authority services. We will make it easier to use direct payments by introducing a pre-paid card service.	196 (31.9%)	264 (43.0%)	96 (15.6%)	58 (9.4%)
The Safe Looked After Children Reduction Strategy in Child & Family Services has reduced the number of children becoming looked after, reduced the number of children living within institutionalised care settings and has ensured that where children do need to become looked after that they are cared for within families in or as close to Swansea as possible. We propose to further implement this strategy resulting in further reductions and savings.	271 (44.2%)	291 (47.5%)	30 (4.9%)	21 (3.4%)

11. Please provide us with additional views on any of the above proposals:
97 (100.0%)

12. Do you think that any of the proposals would negatively affect you because of your age, disability, gender, gender identity, race, religion / belief or sexual orientation? If yes, please tell us why below:
201 (100.0%)

Future Spend

There are a number of areas that we are looking to review spending over the next year:

13. For each of the following areas, do you feel we should reduce spend, maintain the same level of spend, or increase spend?

	Reduce spend	Maintain spend	Increase spend
Keeping our streets clean	51 (8.0%)	399 (62.6%)	187 (29.4%)
Improving the look and feel of the Kingsway	236 (37.1%)	218 (34.3%)	182 (28.6%)
Our programme of high-profile and community events	263 (41.7%)	318 (50.5%)	49 (7.8%)
Investment in sports pitches	160 (25.5%)	377 (60.1%)	90 (14.4%)
Road and pavement repairs	23 (3.6%)	319 (50.2%)	293 (46.1%)
Maintenance and repairs of our key public buildings	94 (14.9%)	425 (67.2%)	113 (17.9%)

Are there any other areas we need to review our spending?

14. Areas we should reduce our spending
268 (100.0%)
15. Areas we should increase our spending
318 (100.0%)

Tell us a little about you: We will use this information to see if we have gathered a range of view across the city and to find out if any proposal impacts on one group of people more than another. These questions are optional.

16. Are you
281 (45.0%) Male
309 (49.5%) Female
34 (5.4%) Prefer not to say
17. Is your gender identity the same as you were assigned at birth (i.e. born male and currently living as a man or born female and currently living as a woman)?
583 (93.1%) Yes
4 (0.6%) No
39 (6.2%) Prefer not to say

18. How old are you ...

6 (1.0%)	under 16	103 (16.5%)	56 - 65
31 (5.0%)	16 - 25	59 (9.5%)	66 - 75
92 (14.7%)	26 - 35	17 (2.7%)	76 - 85
128 (20.5%)	36 - 45	3 (0.5%)	over 85
149 (23.9%)	46 - 55	36 (5.8%)	Prefer not to say

19. What is your sexual orientation?

10 (1.6%)	Bisexual
17 (2.8%)	Gay/Lesbian
510 (82.5%)	Heterosexual/Straight
2 (0.3%)	Other
79 (12.8%)	Prefer not to say

20. Would you describe yourself as... (Please cross all that apply or write in)

240 (39.0%)	British	8 (1.3%)	Other British (please write in)
292 (47.4%)	Welsh	5 (0.8%)	Non-British (please write in)
23 (3.7%)	English	1 (0.2%)	Refugee (please write in current/last nationality below)
3 (0.5%)	Irish	0 (0.0%)	Asylum Seeker (please write in current/last nationality below)
13 (2.1%)	Scottish	31 (5.0%)	Prefer not to say

21. What is your ethnic group? (Please cross one box)

583 (93.0%)	White - British, any other White background
2 (0.3%)	Mixed - White & Black Caribbean, White and Black African, White & Asian, any other Mixed background
2 (0.3%)	Asian or Asian British - Indian, Pakistani, Bangladeshi, Chinese any other Asian background
0 (0.0%)	Black or Black British - Caribbean, African, any other Black
2 (0.3%)	Other ethnic group - Gypsy or traveller, Arab, any other
38 (6.1%)	Prefer not to say

22. What is your religion or (non) belief, even if you are not currently practising?

253 (40.7%)	No religion/belief	2 (0.3%)	Jewish
295 (47.5%)	Christian (including Church of England, Catholic, Protestant and all other Christian denominations)	3 (0.5%)	Muslim
3 (0.5%)	Buddhist	0 (0.0%)	Sikh
0 (0.0%)	Hindu	65 (10.5%)	Prefer not to say

23. Do you consider that you are actively practising your religion or belief?

157 (26.8%)	Yes
331 (56.6%)	No
97 (16.6%)	Prefer not to say

24. Can you understand, speak, read or write Welsh?

Please mark all that apply

- 98 (15.7%) Understand spoken Welsh
- 62 (10.0%) Speak Welsh
- 71 (11.4%) Read Welsh
- 50 (8.0%) Write Welsh
- 78 (12.5%) Learning Welsh
- 377 (60.5%) None of these
- 64 (10.3%) Prefer not to say

25. Which languages do you use from day-to-day

- 586 (93.5%) English
- 55 (8.8%) Welsh
- 3 (0.5%) British Sign Language
- 8 (1.3%) Other (please write in)
- 38 (6.1%) Prefer not to say

26. Do you have any long-standing illness, disability or infirmity?

By long-standing we mean anything that has affected you over a period of time or that is likely to affect you over time.

This could also be defined Under the Equality Act 2010 as: "Having a physical or mental impairment which has a substantial and long term adverse effect on your ability to carry out normal day to day activities."

- 100 (16.2%) Yes
- 469 (75.8%) No
- 50 (8.1%) Prefer not to say

27. Does this illness or disability limit your normal day-to-day activities in any way?

- 68 (12.8%) Yes
- 406 (76.5%) No
- 57 (10.7%) Prefer not to say

THANK YOU FOR TAKING THE TIME TO COMPLETE THIS QUESTIONNAIRE.

Appendix 3

Big Budget Conversation 2017

On Friday 20th January 2017, 75 young people participated in the 4th Annual Big Budget Conversation, where they had an opportunity to consider a number of budget proposals that the City and County of Swansea have to make in order to meet the required savings target.

Young people attended from the following schools:

- Birchgrove
- Bishopston
- Bishop Gore
- Bishop Vaughan
- Cefn Hengoed
- Dylan Thomas
- Gowerton
- Morriston
- Olchfa
- Pentrehafod
- Pontarddulais

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, young people have considered proposals relating to cultural services and events, education (specifically in relation to school meal charges), transport and future spend. The consultation was aligned to the corporate public budget consultation and the results are as follows:

Cultural Services

Events

We will be carrying out a review of the events we currently undertake as a Council. To help inform our review we would like to find out how important our events are to the people of Swansea.

	Very important	Fairly important	Fairly unimportant	Very unimportant	Haven't heard of it
Annual Fireworks Display	30(40%)	30(40%)	15(20%)		
Armed Forces Day	30 (40%)	30(40%)	15(20%)		
BBC Proms in the Park	45(60%)		15(20%)		15(20%)
City Centre/Castle Square events – e.g. Roadshows/Films etc.	15(20%)	30(40%)	15(20%)	15(20%)	
Large scale music events in Singleton Park Concerts e.g. MTV, Noel Gallagher, Paolo Nutini, Alfie Boe, Status Quo, Busted, Escape Stage	45(60%)	30(40%)			
Major sporting events e.g. Tour of Britain Cycling Race, Olympic / Commonwealth Torch Relay	45(60%)	30(40%)			
Major sporting events on the Big Screen in Castle Square e.g. European/World Cup Football/Rugby World Cup/ Wimbledon/ Olympics	60(80%)	15(20%)			
Military /Freedom/Civic Parades	15(20%)	45(60%)	15(20%)		
Olympic Fanzones - Castle Square		60(80%)			15(20%)
Outdoor Theatre		15(20%)	45(60%)		15(20%)
Silence in the Square	60(80%)				15(20%)
Skate and Street Festival			75(100%)		
St David's Day Festival	45(60%)	15(20%)			15(20%)
Swansea Bay 10k	60(80%)	15(20%)			
Swansea Special Festival	30(40%)	15(20%)	15(20%)		15(20%)
Wales National Airshow	45(60%)	30(40%)			
Waterfront Winterland	45(60%)	15(20%)	15(20%)		
Xmas Lights Switch-On / Christmas Parade	30(40%)	30(40%)	15(20%)		

People - Education and Poverty and Prevention

Do you agree or disagree with the proposal listed below?

	Strongly Agree	Tend to Agree	Tend to Disagree	Strongly Disagree
Increase the price of school meals from September 2017 by 10p from £2.20 per day to £2.30 per day			33(44%)	42(66%)

Highways and Transportation

Do you agree or disagree with the proposal listed below?

	Strongly Agree	Tend to Agree	Tend to Disagree	Strongly Disagree
Introduce a park and ride service integrated with commercial local bus services. This will increase flexibility of the service by increasing the frequency of services operating from the sites and the number of city centre locations where passengers can be dropped off and picked up on their return.	4(5%)	35(47%)	33(44%)	3(4%)

Please provide us with additional view on any of the above proposals:

- If events are continuing, more needs to be done to promote some of them, e.g. special festival. We didn't know what some of the events were.
- Swansea Christmas lights = bad
- Airshow creates too much pollution and endangers lives. We must think about our environment.
- School meal charges may not seem a lot, but per day, per week, per person could add up to be a lot, particularly for families with several children
- Park and ride doesn't really affect us. If the council has to make savings, this makes sense, but we recognise there is an impact on people who use buses and park and ride services more than we do. They are better placed to answer.

Future Spend

There are a number of areas that we are looking to review spending over the next year:

For each of the following areas, do you feel we should reduce spend, maintain the same level of spend, or increase spend?

	Reduce	Maintain	Increase
Keeping our streets clean		45(60%)	30(40%)
Improving the look and feel of the Kingsway	30(40%)		45(60%)
Our programme of high-profile and community events		60(80%)	15(20%)
Investment in sports pitches	15(20%)	45(60%)	15(20%)
Road and pavement repairs		30(40%)	45(60%)
Maintenance and repairs of our key public buildings		30(40%)	45(60%)

Are there any other areas we need to review our spending?

Areas where we should reduce our spending

- Improving the Kingsway – the more it gets changed the more confusing it gets

Areas we should increase our spending

- Beach activities – tourism
- Singleton park – more event to draw people in
- Increase police
- Schools – should advise each other
- Youth clubs – get people off the street
- Road and pavement repairs because of safety
- Improving buildings to make sure they're safe
- Schools – because education need to be improved x3
- Parks
- Beaches
- Charity based organisations

Equality Impact Assessment (EIA) Statement for City & County of Swansea Budget 2017/18

1. Introduction

This statement provides an overall view of the budget EIA process for the Council, along with any specific relevant details for 2017.

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.

Although the amount of money we receive from Welsh Government is likely to increase next year by £1million, this has to be balanced by the fact that we expect £16.3million of additional expenditure (which is outside our control) such as the new apprenticeship levy, for example. We also believe that our funding from Welsh Government will reduce significantly in the coming years which means we'll have £55m less to spend at a time when demand for services like social care is rising.

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 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 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 in previous years 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
- 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> and/or with the relevant corporate report at: <http://democracy.swansea.gov.uk/ieDocHome.aspx?bcr=1&LLL=0?Lang=eng>

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 latest population estimates (2015) and 2011 Census is as follows:

- The gender split of the **City & County of Swansea** is **50.1% Female** (121,500 people) and **49.9% Male** (120,900 people).
- Children and young people **aged 0-25 years** represent **32.8%** of the population, or **79,500** people.
- **Over 50s** represent **37.5%** of the population (90,900 people), of which **46,800** are over 65 (around 19.3% 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 EIAs
- this is an ongoing process and as noted in this statement and many EIAs will remain open for varying periods of time
- 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 challenging commitment given the financial constraints it faces. However, services may be provided in a different way in line with 'Sustainable Swansea - Fit for the Future'.

Response of the School Budget Forum

PONTYBRENIN PRIMARY SCHOOL

HEADTEACHER/PRIFATHRO: Mr P S Williams



Glyn Rhosyn

SWANSEA

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11 January 2017

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 been made relating to the cabinet report, shared with councillors on the 12th December, 2016.

As a consultative body, the forum expects that the points made will be carefully considered as part of any forthcoming corporate discussion of future revenue and budgets.

The School Budget Forum recognises that every year it is getting harder to use the available funding from the block grant, sent from Welsh Assembly to Swansea to cover all areas of service pressure.

Nevertheless, it is our responsibility to highlight the implications of the budget proposals on schools and the wider education service and that they are properly recognised by the council before any decisions are made. This year our discussions are set out in the following manner.

POSITIVES

- Recognition by the council of the outcomes achieved by schools in Swansea, in particular ESTYN outcomes being the best out of 22 local authorities.
- The proposal to continue to prioritise delegated school budgets.
- The proposal for additional cash funding to transform provision e.g. Education Other Than At School and further specialist teaching facilities.
- The recognition that although Swansea schools receive relatively low funding (21st out of 22) compared to other councils, there is a clearly communicated message that there is commitment to bridge the funding gap over time.

- The recognition of the essential contribution of the Education service to wider council priorities.
- The transparency and improved communication, particularly by the Leader and Cabinet Member, 'to say it as it is' and give schools chance to plan for the cuts in good time.
- The significant work of headteachers and officers of the council to model and evaluate the serious implications of potential alternative funding scenarios for schools (5% every year).

NEGATIVES

- The poor funding position of schools in Swansea compared to other councils, in that the education budget as a whole ranks at 21st in 2016 and £444 per pupil less than the Wales average. If Swansea schools results are already in the top rankings for ESTYN and Standards, think about how much more they can do with an extra £15.3m. Urban areas such as Cardiff do better than their Swansea counterparts.
- Regionalisation of the Education Improvement Service (ERW) does not help schools funding, rather it hinders – Swansea receives significantly lower amounts of monies than that of all our ERW partners – Is there a better model out there to ensure the appropriate funding for schools so that Swansea schools are not penalised in comparison with other neighbouring areas. Are our ERW partners more rural orientated? If so, should we be banded with them?
- Specific Grants, a life line for many schools are being drastically cut, causing an extremely challenging position for schools, especially nursery provision, the local anti-poverty strategy and the wider learning opportunities of pupils. Additionally, some Service Level Agreements for schools will become a thing of the past as schools look inwardly to cover statutory duties.
- Setting a balanced budget each year is getting harder each year with many schools seeking to utilise their workforce (e.g. part time challenge advisors) to generate income for the school.
- The cabinet report appears confusing on the pressures facing schools. Appendix B we have been told is more accurate (2% to 2.5% real terms reductions per year) rather than table 1 which suggests 5% year on year. During the most recent school budget forum it was clarified that Appendix B is the one to use, so Table 1 needs to be removed as it no longer stands.
- Non Delegated Education Budgets are facing drastic cuts to a wide range of services. This is likely to have a direct impact on the delegated budget.

Concluding, the council must be congratulated on their proposed additional funding to transform the model of EOTAS provision, both in terms of revenue funding and also capital investment in enhanced accommodation and facilities. Many headteachers consider this to be a much needed and indeed visionary proposal, reflecting the hard work undertaken to fundamentally review the existing provision. The additional £1m investment in structural repairs in the current year has also been very valuable and the Forum would welcome any further capital injection in 2017/18, together with the continuing investment in school facilities through the 21st Century Schools Programme.

The strength of the education service and children's outcomes compared to other councils is borne out of a desire from all stakeholders to secure the very best for the young people of Swansea. If, collectively, we appreciate that education and qualifications are the key principal drivers in moving pupils and families out of deprivation and into a skilled workforce with better standards of living, then putting schools first in the queue for appropriate funding is imperative.

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.

Philip Williams
Chair, School Budget Forum

Revenue Budget 2017/2018

Corporate Services

	ORIGINAL BUDGET 2016/2017 £	ORIGINAL BUDGET 2017/2018 £
Resources Directorate		
Resources Directorate	163,400	166,200
	163,400	166,200
Head of Commercial Services		
Commercial Team & Procurement	595,200	638,700
	595,200	638,700
Head of Comms & Customer Engagement		
Access to Services	259,900	265,000
Communications	172,200	183,700
Complaints	210,200	224,100
Corporate Customer Services	1,072,800	982,500
Corporate Marketing	300,700	297,500
Corporate Mgt Team Support	353,400	358,800
Design and Print	227,900	222,200
Overview and Scrutiny	210,300	217,600
Web Development	131,700	134,100
Commissioning Review	-190,000	-28,000
Overlap	162,000	0
Senior Staff Reductions 17/18	0	-84,000
	2,911,100	2,773,500
Chief Finance Officer		
Audit	468,400	666,100
Benefits	22,677,900	23,425,900
Finance DMT	681,200	344,500
Financial Services	1,202,500	1,408,800
Performance and Delivery	256,100	260,600
Revenues	1,000,900	880,900
Treasury and Technical	969,500	1,032,900
Commissioning Review	-405,000	15,000
Overlap	420,000	0
Senior Staff Reductions 17/18	0	-147,000
	27,271,500	27,887,700

Revenue Budget 2017/2018

Corporate Services

	ORIGINAL BUDGET 2016/2017 £	ORIGINAL BUDGET 2017/2018 £
Head of Human Resources & OD		
Employee Services	757,600	857,800
Health and Safety	796,800	938,100
Human Resources	612,000	638,100
Pensions	-45,900	-41,000
Training	269,000	273,800
Commissioning Review	-299,000	-56,000
Overlap	243,000	0
Senior Staff Reductions 17/18	0	-175,000
	2,333,500	2,435,800
Head of Information & Business Change		
Business Improvement	698,900	811,500
DMT, ICT and Transformation	401,500	356,600
ICT Services	3,094,800	3,266,900
Information & Strategy	2,813,700	2,601,500
Commissioning Review	-1,756,000	-9,000
Overlap	1,747,000	0
Senior Staff Reductions 17/18	0	-152,000
	6,999,900	6,875,500
Head of Legal & Democratic Services		
Coroners	478,000	482,500
Democratic Services	2,439,000	2,700,100
Legal Services	1,826,400	1,818,000
Commissioning Review	-202,000	-19,000
Overlap	183,000	0
	4,724,400	4,981,600
Sustainable Swansea-Resources Directorate		
Workstreams	-2,119,000	-2,873,900
Overlap	71,000	0
Senior Staff Reductions 17/18	0	-177,000
	-2,048,000	-3,050,900
Total Corporate Services	42,951,000	42,708,100

Revenue Budget 2017/2018

People Directorate - Poverty & Prevention

	ORIGINAL BUDGET 2016/2017 £	ORIGINAL BUDGET 2017/2018 £
Head of Poverty & Prevention		
Community Safety	560,400	508,100
Early Intervention & Prevention	718,700	788,300
Partnership Performance & Commissioning	1,603,300	1,763,900
Poverty and Prevention	399,700	422,300
Tackling Poverty Unit	527,700	639,200
Young Peoples Services	1,465,200	2,091,700
Senior Staff Reductions 17/18	0	-146,000
	5,275,000	6,067,500
Sustainable Swansea - Head of Poverty & Prevention		
Commissioning Review	-7,000	0
Workstreams	-250,000	0
Overlap	83,000	0
	-174,000	0
Total People Directorate - Poverty & Prevention	5,101,000	6,067,500

Revenue Budget 2017/2018

People Directorate - Social Services

	ORIGINAL BUDGET 2016/2017 £	ORIGINAL BUDGET 2017/2018 £
Head of Adult Services		
Disability Residential & Day Care	8,671,600	8,252,800
Learning Disabilities & Mental Health Support	11,792,300	11,945,400
Integrated Services - Domiciliary Care & Hubs	18,353,900	18,604,900
Integrated Services - External Residential	12,714,300	13,307,100
Integrated Services - Other	2,389,700	2,473,900
Older Persons Residential and Day Care	6,984,800	6,711,700
Safeguarding/Wellbeing	4,012,300	3,525,200
Support	2,463,900	2,738,000
Commissioning Review	-139,000	-139,000
Senior Staff Reductions 17/18	0	-362,000
	67,243,800	67,058,000
Head of Child & Family Services		
Accommodation Services	18,903,400	17,289,900
Aftercare	972,400	894,900
Assessment and Care Management	12,144,200	11,546,200
Family Support Services	3,126,400	3,396,500
Regional Services	2,303,200	2,141,900
Residential Care-Internal Provision	588,400	519,700
Commissioning Review	-473,000	-11,500
Senior Staff Reductions 17/18	0	-402,000
	37,565,000	35,375,600
Directorate Services		
Central Services	363,600	436,000
Service Strategy and Regulation	369,900	660,100
Social Services Training Section	217,700	284,200
	951,200	1,380,300
Sustainable Swansea-Social Services		
Workstreams	-2,250,000	0
	-2,250,000	0
Total People Directorate - Social Services	103,510,000	103,813,900

Revenue Budget 2017/2018

People Directorate - Education

	ORIGINAL BUDGET 2016/2017 £	ORIGINAL BUDGET 2017/2018 £
Delegated Schools		
School Cost Centres	138,874,085	143,607,660
	138,874,085	143,607,660
Chief Education Officer		
Mgt & Admin Effectiveness	112,400	101,300
Schools At Risk	76,000	240,056
SIPD	28,500	17,000
WJEC Subscriptions	51,000	36,000
	267,900	394,356
Head of Strategic Planning Improvement Group		
Management Systems Unit	207,400	176,200
Improvement and Monitoring Unit	0	133,000
Broadband & Cloud Technology	339,500	410,000
Learning Portal Team	208,900	80,500
Stakeholder Engagement Unit	355,000	215,300
Welsh Translation Unit	329,200	256,200
	1,440,000	1,271,200
Head of Education Improvement Service		
Education Improvement Service	1,396,500	1,331,300
Performance Management	46,900	0
Data	11,600	0
Early Years Training	24,800	0
Welsh Service	116,400	45,000
	1,596,200	1,376,300

Revenue Budget 2017/2018

People Directorate - Education

	ORIGINAL BUDGET 2016/2017 £	ORIGINAL BUDGET 2017/2018 £
Head of Learner Support Service		
Head of Learner Support Service	112,900	115,200
Access To Learning Mgt & Admin	221,300	0
Behaviour & Learning Support	1,173,100	1,113,800
Home Tuition Service	420,400	489,000
One To One Support Primary	782,900	796,300
One To One Support Secondary	389,100	395,800
Psychology Service	746,200	726,400
Recoupment/Out of County	630,000	1,780,000
SEN Statementing & Support	3,541,500	3,165,800
EOTAS	892,800	2,927,400
Pupil Referral Units	1,293,400	1,687,300
School Transport - Special	756,800	806,900
Appetite For Life Grant	175,700	0
Catering Staff Canteen	0	0
Cleaning Services	1,018,300	120,300
Free Breakfast	753,700	588,700
FSM Secondary	0	0
School Meals Client	1,091,000	0
School Meals Service	32,900	-92,700
Contr. To Swansea Safeguarding Children Board	14,000	14,000
Free School Milk	0	0
Miscellaneous Grants	0	0
School And Governor Unit	368,200	384,500
School Transport	5,458,200	5,557,700
School Transport Continuing Education	561,300	561,200
Welfare Service	559,000	536,100
Youth Offending Team	54,500	55,300
Adult & Community Learning	433,100	483,800
Employment Training	733,500	0
Ethnic Minority Achievement Unit	146,500	98,300
West Glamorgan Music Service	123,500	129,200
Senior Staff Reductions 17/18	0	-98,000
	22,483,800	22,342,300

Revenue Budget 2017/2018

People Directorate - Education

	ORIGINAL BUDGET 2016/2017 £	ORIGINAL BUDGET 2017/2018 £
Head of Education Planning Resource Service		
Additional School Support	78,000	78,100
Capital Planning & Delivery Unit	367,300	352,085
Continuing Education & Pensions	340,300	500,900
DfES Post 16	-5,542,985	-5,748,745
DfES Post 16 Funding Retained	0	115,000
Education Improvement Grant for Schools	653,600	719,744
Empty Properties	15,000	15,600
Funding And Information Unit	154,500	82,700
Health & Safety	62,900	100,000
Management & Admin-Planning & Resources	98,200	100,000
Non Delegated Primary - Pensions, Insurance & Public Duties	1,974,000	2,755,300
Non Delegated Secondary - Pensions, Insurance & Public Duties	3,051,500	3,259,600
Non Delegated Special - Pensions, Insurance & Public Duties	45,400	40,500
Pupil Deprivation Grant	-6,646,700	-6,646,700
	-5,348,985	-4,275,916
Sustainable Swansea - Education		
Comm Review - Education Improvement	-24,000	0
Comm Review - Education Inclusion	-29,000	0
Comm Review - Education Planning and Resources	-2,000	0
Overlap - Education Improvement	238,000	0
Overlap - Education Planning and Resources	176,000	0
Workstreams - Education Directorate	-575,000	0
	-216,000	0
Total People Directorate - Education	159,097,000	164,715,900

Revenue Budget 2017/2018

Place Directorate

	ORIGINAL BUDGET 2016/2017 £	ORIGINAL BUDGET 2017/2018 £
Head of Corporate Building & Property Services		
Facilities Management	4,580,400	3,902,300
Strategic Estates Properties	-3,894,000	-2,253,800
Property Preventative Maintenance	4,068,100	3,540,000
Corporate Building Services Trading	1,442,600	1,063,500
Community Budgets	676,000	676,400
Commissioning Review	-170,000	0
Overlap	500,000	0
Senior Staff Reductions 17/18	0	-90,000
	7,203,100	6,838,400
Head of Highways and Transportation		
Car Parking and Enforcement	-1,379,000	-2,266,800
Transportation	3,042,700	3,144,200
Traffic Management	1,053,000	991,100
Central Transport	-519,100	-617,900
Engineering	671,500	605,600
Highways	6,659,300	6,743,400
Swansea Marina	-35,200	-75,300
Directorate and Other Costs	512,700	471,200
Commissioning Review	-132,000	0
Overlap	562,000	0
Senior Staff Reductions 17/18	0	-207,000
	10,435,900	8,788,500
Head of Waste Management & Parks		
Household Waste Recycling Centres	806,200	723,900
Parks	4,855,500	4,594,100
Recycling	1,158,200	1,947,300
Residual Disposal/Tir John	3,890,400	3,682,800
Residual Waste Collection	2,684,500	2,832,900
Trade Refuse	-154,700	-193,000
Waste Management Strategy	62,500	0
Neighbourhood Working	4,017,400	3,978,300
Directorate and Other Costs	935,400	922,000
Commissioning Review	-670,000	0
Overlap	549,000	0
Senior Staff Reductions 17/18	0	-70,000
	18,134,400	18,418,300

Revenue Budget 2017/2018

Place Directorate

	ORIGINAL BUDGET 2016/2017 £	ORIGINAL BUDGET 2017/2018 £
Place Directorate		
Place Directorate	239,600	360,150
	239,600	360,150
Head of Cultural Services		
Archives	290,200	257,700
Arts	3,198,900	2,962,750
Community Buildings	213,700	218,900
Development and Outreach	334,200	244,800
Libraries	2,823,000	2,970,400
Sport and Recreation	1,947,800	1,785,900
Tourism, Marketing and Events	1,599,100	1,571,500
Directorate and Other Costs	336,500	382,700
Commissioning Review	-1,404,000	0
Overlap	1,041,000	0
Senior Staff Reductions 17/18	0	-174,000
	10,380,400	10,220,650
Head of Planning & City Regeneration		
Business Support	426,419	385,419
Property Development	759,298	636,298
City Centre Management and Indoor Market	-250,500	-256,900
European Team	0	0
Major Projects, Design and Conservation	125,500	123,500
Planning Control	647,800	675,700
Planning Policy and Environment	1,085,500	1,069,000
Directorate and Other Costs	300,783	41,583
Commissioning Review	-5,000	0
Overlap	260,000	0
Senior Staff Reductions 17/18	0	-94,000
	3,349,800	2,580,600

Revenue Budget 2017/2018

Place Directorate

	ORIGINAL BUDGET 2016/2017 £	ORIGINAL BUDGET 2017/2018 £
Head of Housing and Public Protection		
Building Regulations	88,400	99,700
Burials and Cremations	-380,200	-560,200
Food Safety	591,100	580,600
Licensing	-108,400	-96,300
Pollution	802,300	719,300
Public Health	740,700	786,700
Registrars	30,100	17,900
Trading Standards	669,500	586,200
Housing Grants to the Independent Sector	40,500	40,500
Housing Renewals and Adaptations	152,100	144,800
Housing Strategy, Advice and Support	615,200	1,343,100
Other Housing Services	75,400	339,300
Directorate and Other Costs	286,100	269,500
Commissioning Review	-5,000	0
Overlap	233,000	0
Senior Staff Reductions 17/18	0	-87,000
	3,830,800	4,184,100
Sustainable Swansea-Place		
Workstreams	-2,575,000	-627,700
	-2,575,000	-627,700
Total Place Directorate	50,999,000	50,763,000

Revenue Budget 2017/2018

Place Directorate

ORIGINAL BUDGET 2016/2017 £	ORIGINAL BUDGET 2017/2018 £
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Report Total

361,658,000 368,068,400

Report of the Section 151 Officer

Council – 23 February 2017

CAPITAL BUDGET & PROGRAMME 2016/17 – 2020/21

Purpose:	This report proposes a revised capital budget for 2016/17 and a capital budget for 2017/18 - 2020/21
Policy framework:	None
Reason for decision:	To agree a revised capital budget for 2016/17 and a capital budget for 2017/18 – 2020/21
Consultation:	Cabinet Members & Executive Board
Recommendation:	The revised capital budget for 2016/17 and a capital budget for 2017/18 – 2020/21 as detailed in appendices A, B C, D, and E is approved.
Report Author:	Mike Hawes
Finance Officer:	Mike Hawes
Legal Officer:	Debbie Smith
Access to Services Officer:	Sherill Hopkins

1. Introduction

1.1 This report details:

- Revised capital expenditure and financing proposals for 2016/17
- Capital expenditure and financing proposals for 2017/18 – 2020/21

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 2016/17 – 2020/21

Appendix B Schools Programme Capital Expenditure and Financing 2016/17 – 2020/21

Appendix C Material changes to the original 2016/17 budget

Appendix D Reconciliation of Capital programme shortfall

Appendix E General Fund Capital Budget 2016/17 – 2020/21

- 1.4 The key message arising from this report is that the overall programme deficit, encompassing both the General Fund Programme and Schools programme, already amounts to some £57.733 million over the lifetime of the programme.

Capital receipts are a finite resource and 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 with the additional revenue implications

2. Capital Budget 2016/17

- 2.1 Spending in the current year is forecast to be £60.684m (GF £47.923m plus Schools programme £12.761 m) – an increase of £5.62m compared with the original estimate of £55.064m.

This increase is due to the following:

- the addition of grant funded schemes after Council approved the capital budget in February 2016.
- the addition of non-grant funded schemes
- the net balance of schemes carried over from 2015/16 into 2016/17 and schemes carried over from 2016/17 into 2017/18.

Material changes to the 2016/17 budget are summarised in Appendix C.

3. Capital Programme and Financing 2016/17 to 2020/21

- 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 3.15 detail the 21st 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 25th February 2016 highlighted a forecast funding shortfall in the four year forward programme of £30.085m made up of £22.03m for the 21st Century Schools programme and £8.055m for the rest of the General Fund capital programme. The February 2016 report contained the following narrative in respect of both the General Fund and Schools programme funding 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 programme expenditure of £138.147m; forecast financing of £99.041m and a forecast funding shortfall of £39.106m. Appendix D provides a reconciliation between the General Fund and 21st Century Schools programme shortfall reported in February 2016 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. 2020/21) creates 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.

	£m
Welsh Government funding 2020/21	10.238
<i>less 2020/21 spending requirements</i>	
Property and highways maintenance	-7.375
DFGs & Improvement Grants	-5.200
Annual Capital Contingency Budget	-0.591
<u>Additional shortfall 2020/21</u>	<u>2.928</u>

It should be noted that the core capital budget identified above is itself in excess of the support available from Welsh Government (£10.238m).

- 3.5 This Capital budget incorporates capital investment in respect of:
- £6.15 million for the Development phase of the City Centre sites (St David’s and the Civic Centre site)
 - additional £1 million of funding for Highways & Transport (funded by reserves)
 - additional £1 million for schools’ capital investment (outside the scope of the 21st Century Schools programme) to cover a backlog of urgent maintenance and health & safety requirements.
 - additional £800k of funding for 2 x 3G pitch expansion (£500k), conversion of Mansion House into a public access civic building (£200k) and lighting at Guildhall and other buildings (£100k)
 - £6.5 million for the proposed EOTAS accommodation scheme (this is a high level indicative estimate prior to the outcome of a feasibility study) and the actual cost and phasing will differ)
 - £10 million for Kingsway Infrastructure redevelopment (with funding to be confirmed)

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 2017, the updated forecast funding shortfall for the capital programme 2016/17 – 2020/21 is £57.733 million. (at Feb 2016 the projected forecast shortfall for 2015/16- 2019/20 was £30.085m). Appendix D to this report analyses the movement in the funding deficit as reported in February 2016 with the current deficit as now reported. The increased shortfall is specifically accounted for by the need to undertake additional borrowing in respect of the Capital programme as detailed in appendix 'D'. This additional borrowing will be required in the absence of sufficient Capital receipts being received.
- 3.7 It remains the case that in the absence of adequate capital receipts or curtailing spend an implicit additional borrowing requirement on both GF and the Schools programme of £57.733 million will be required over the life of the programme. Ultimately the Capital programme as set out is underpinned by a 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 requirement to fund the shortfall in the programme funding.

- 3.9 It should be noted that the Council makes an average annual budget provision to repay debt of approximately £14.9m (2016/17). The Council has taken advantage of the low interest rate and volatility in the market to externalise some of its borrowing requirement in year, though the overall strategy is to mitigate the impact of interest charges by utilising internal resources. It is forecast that in line with good Treasury Management practice and being mindful of interest rate movements and Cashflow requirements, it is certain that actual external borrowing shall increase in the short/medium term with the associated increase in interest payments.

SCHOOLS PROGRAMME AND FINANCING

- 3.10 The Welsh Government announced its support in principle for an agreed programme of school building improvements in early 2012. This programme – termed the 21st Century Schools Programme – is funded by a 50% contribution from the Welsh Government and a 50% contribution from the Council towards a programme total of £51.31 million.
- 3.11 Phase 1 schemes are progressing well, with Burlais and Gowerton completed in 2015-16 and Phase 2 schemes are progressing. The schemes included in both phases of the programme are detailed in Appendix B and are summarised below:

C21st School Schemes (Band A)

Phase 1 Schemes	£'000	
Burlais Primary new school build	8,150	Completed
Gowerton Primary new school build	6,705	Completed
YGG Lon Las rebuild and remodel	9,796	Progressing to plan
Glyncollen Primary improvements	750	Completed
Newton Primary improvements	650	Completed
	<u>26,051</u>	
Phase 2 Schemes		
Pentrehafod remodelling	15,076	Commenced Nov16
Gorseinon Primary new school build	6,080	Full business approved by WG
Pentre Graig Primary improvements	2,724	Completed
YGG Gywr improvements	1,350	Progressing to plan
Secondary review	79	Uncommitted
Special Schools review	100	Work commissioned to draw down funding
	<u>25,409</u>	
Total Phase 1 and 2 (includes £150k Challenge Cymru)	51,460	

- 3.12 For completeness, the previously agreed Morryston Comprehensive School scheme is also detailed in Appendix B. This is necessary as the funding for the Morryston Scheme and the second phase need to be considered in the context of the wider schools programme.
- 3.13 The cashflow projections currently approved by WG are reflected in Appendix B. The cashflow projections will continue to be reviewed with WG to consider the potential impact on the Gorseinon scheme of the Village Green Application.
- 3.14 The financing of the schools programme and current shortfall of **£18.627m** 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 provided a 70% grant contribution to the Morryston 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 21st Century Schools Programme cost i.e. **£25.655m**.
 - CCS has identified confirmed contributions of £1.4 million to date which have already been used to fund the Schools programme. Further contributions have been provisionally identified and will be utilised to help fund part of the future programme once both fully agreed and actually received.
 - The implication of (a) (b) and (c) is that the Council is required to fund a contribution of **£31.030m** over the period to 2020.

- e) There is an ambitious programme of Council asset disposals which will be used to support not only the 21st Century Schools programme but the GF capital programme as a whole. If in the eventuality that inadequate capital receipts are realised, prudential borrowing will be considered to fund the shortfall.
- f) The Welsh Government has confirmed that it will meet part of its 50% contribution by providing annual revenue support for Council supported borrowing rather than grants. The proposed funding is detailed in Appendix B.

If required, it will be necessary to finance the forecast schools programme shortfall in 2017/18 by unsupported borrowing pending future capital receipts from the disposal programme.

- 3.15 It is anticipated that Band B of the 21st Century Schools Programme will be delivered from April 2019 and run to March 2024. Welsh Government have commenced the planning work for this and sought information from local authorities about the scale and broad make up of their emerging investment priorities. This will inform the Welsh Government's own case for future capital investment in schools. As yet guidance is still to be provided on the grant intervention rate and criteria for Band B and until this is clarified it is not possible to judge the potential scale of future investment that might be 'affordable' for local authorities. Over the coming months the detail of the future programme will be developed as clarification is received from the Welsh Government and this will allow greater engagement with schools and their governing bodies to help shape the direction of travel.

4. Impact of proposed Developments and Schemes

- 4.1 The Capital programme as outlined in this report reflects known planned expenditure and financing as at the date of the report.

- 4.2 It is clear, however, that there are significant potential developments which are currently being developed which may have a significant effect on the Council's proposals for Capital Expenditure during the period covered by this report but which have not been included for a number of reasons including:-

- Schemes which are currently in the 'bid' stage where approval is required in terms of overall scheme approval, the overall level of expenditure within each scheme and the projected level of CCS contribution.

Such bids would encompass the current City Deal bid and the initial bids in respect of Band B of the 21st Century Schools programme.

- Schemes which are being developed outside of formal bid processes but where the current level of development is insufficient to estimate potential levels of CCS contributions and the nature and timing of funding requirements.

Such schemes would include the potential for the development of the majority of the St. David's site and the potential relocation and development of the Civic Centre site.

- 4.3 By their very nature and scale these schemes have the potential to radically change the scope of the Council's capital programme over the period covered by this report and, as such, any elements of expenditure relating to these schemes that fall to be

incurred during 2017/18 will have to be the subject of a separate report under Financial Procedure Rule 7 (FPR 7) for inclusion in the Capital Programme as necessary.

- 4.4 The Capital programme is updated and approved on an annual basis as part of the formal budget round and to the extent that firm proposals around expenditure and funding are developed they will need to be included in subsequent annual reports even though they will inevitably relate to the time period that the current report covers.
- 4.5 The clear strategy for the Council should be to maximize external investment in any proposals and to seek to target its own investment into areas which offer a return commensurate with or greater than financing costs in order to minimise the Revenue impact of any additional borrowing requirements. In the absence of such a strategy then it has to be realised that any capital expenditure that leads to an overall net increase in borrowing costs brings with it the potential to impact on an already challenging revenue budget scenario going forward.

5. Risks

- 5.1 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 cannot be met from existing revenue budgets.
 - Additional costs arising from any other additions to the Capital programme.
- 5.2 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.
- 5.3 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.

6. Legal Implications

- 6.1 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.

7. Prudential Code

- 7.1 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.
- 7.2 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 2017/18 and subsequent years.

8. Equalities Implications

There are no equalities implications contained within this report but individual projects will be subject to the EIA process where required.

Background Papers: None

Appendices:
Appendices A - E

SUMMARY OF GENERAL FUND CAPITAL BUDGET AND FINANCING 2016/17 - 2020/21

	2016/17	2017/18	2018/19	2019/20	2020/21	Total
	£'000	£'000	£'000	£'000	£'000	£'000
DIRECTORATE						
Resources	1,516	1,142	591	591	591	4,431
People	2,483	5,850	2,000			10,333
Place	43,924	31,292	20,017	15,575	12,575	123,383
TOTAL EXPENDITURE	47,923	38,284	22,608	16,166	13,166	138,147
FINANCED BY:						
Borrowing:						
Supported Borrowing	6,367	6,365	6,365	6,365	6,365	31,827
Supported Borrowing - Highways						
Grants and Contributions:						
Welsh Government General Grant	3,875	3,873	3,873	3,873	3,873	19,367
Welsh Government specific grants	7,799					7,799
European grants						
Other Grants	4,488	629				5,117
Contributions	790					790
Capital Receipts:						
Earmarked Capital receipts	2,735	747				3,482
General Capital receipts	2,040	8,495	6,895	1,087		18,517
Revenue and Reserve Contributions (including provision for waste schemes)	5,642	3,758	2,742			12,142
TOTAL FINANCING	33,736	23,867	19,875	11,325	10,238	99,041
FORECAST SHORTFALL	14,187	14,417	2,733	4,841	2,928	39,106
C21 School forecast shortfall (Appendix B)	5,647	6,665	6,315			18,627
Total GF SHORTFALL including C21st Schools	19,834	21,082	9,048	4,841	2,928	57,733

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	Actual spend £'000	Forecast spend £'000	Forecast spend £'000	Forecast spend £'000	Forecast spend £'000	£'000
EXPENDITURE									
Morrison Comprehensive Refurbishment	5,445	11,916	4,271	128	226				21,986
21st Century Schools Programme (Band A)									
Phase 1									
Burlais Primary new school build	17	453	5,941	1,266	473				8,150
Gowerton Primary new school build	16	446	2,193	3,833	217				6,705
YGG Lon Las rebuild and remodel		66	108	2,672	6,334	616			9,796
Glyncollen and Newton Primary improvements		393	1,007						1,400
Phase 2									
Pentrehafod remodelling				52	2,750	6,966	5,308		15,076
Gorseinon Primary new school build			51	332	10	4,206	1,481		6,080
Pentre'r Graig Primary improvements			97	1,117	1,510				2,724
YG Gwyr improvements			50	109	991	200			1,350
Secondary Review							79		79
Special Schools Review							100		100
21st Century Schools Programme (Band B)									
Daniel James feasibility					250				250
TOTAL EXPENDITURE	5,478	13,274	13,718	9,509	12,761	11,988	6,968		73,696
FINANCED BY:									
Welsh Government Grant									
Morrison Comprehensive Refurbishment	5,198	10,192		5,702	4,621	1,208	653		15,390
21st Century Programme Schemes - grant		782	6,231						19,197
21st Century Programme Schemes - PB					2,343	4,115			6,458
Pentrehafod Challenge Cymru funding					150				150
Capital Receipts			104						104
Contributions	33	592	742						1,367
TOTAL FINANCING	5,231	11,566	7,077	5,702	7,114	5,323	653		42,666
FORECAST PROGRAMME SHORTFALL	247	1,708	6,641	3,807	5,647	6,665	6,315		31,030
CURRENT FORECAST SHORTFALL (2016/17 TO 2019/20)									18,627

MATERIAL CHANGES TO THE 2016/17 CAPITAL BUDGET

Scheme	Source Of Funding	2016/17 Change £'000
Director of People		
Education Planning & Resources		
Feasibility Commission Former Daniel James School	Unsupported Borrowing	250
Social Services		
Ty Nant Relocation	Revenue / Capital Receipts	310
ENABLE Independent Living Grant	Grant	280
Intermediate Care Fund 16/17	Grant	501
Poverty		
Mayhill Family/Medical Centre	Grant	167
Director of Place		
Highways & Transportation		
Local Transport Fund 16/17 (including Morfa Road)	Grant	1,789
Road Safety 16/17	Grant	381
Safer Routes In Communities 16/17	Grant	322
Small Scale Flood Risk Management Schemes	Grant	150
Blackpill Flood Alleviation Scheme	Grant	139
Housing General Fund		
Sandfields Renewal Area	Grant	730
Waste Management		
Improvements to the HWRC's to improve re-use facilities	Grant	60
Culture, Sport, Leisure & Tourism		
3G Pitch Morriston Comp/LC	Grant/Revenue	250
3G Pitch Penyrheol Comp/LC	Grant/Revenue	617
Economic Regeneration & Planning		
City Centre Major Redevelopment	Borrowing /Grant/ Revenue	1,638
Westway & Wellington St Gyratory Ph 1	Capital Receipts	292
Grant Clawback - Waterfront City Project	Revenue/Contribution	190
Demolition of Oceana	Unsupported Borrowing	2,682
Kingsway Infrastructure Works	Revenue	75
Delayed Spending From 2015/16 - All Services (excl HRA)	Various	19,735
Delayed Spending Into 2017/18 - All Services	Various	-24,550
Other Minor Changes	Various	-388
TOTAL MATERIAL CHANGES		5,620

RECONCILIATION OF CAPITAL PROGRAMME FUNDING SHORTFALL

	£m
Forecast shortfall (borrowing requirement) - per Council February 2016	30.085
Remove 2015-16 shortfall	-12.311
Capital additions and slippage within capital programme (2016-17 to 2017-18)	49.980
(App C shows 2016-17 changes, the balance relates to future year changes)	
Additional borrowing for a further year (2020/21) to programme	2.928
	70.682
Less additional funding obtained (supported borrowing, grants, contributions and reserves)	-11.656
Less additional forecast capital receipts	-1.293
Amended forecast funding shortfall (unsupported borrowing requirement) February 2017	57.733

GENERAL FUND CAPITAL BUDGET 2016/17 - 2020/21

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	TOTAL £'000
DIRECTOR OF RESOURCES						
Delivery & Information						
WiFi Provision / Internet Connection	54					54
Telephony system replacement	500					500
Civic Centre LAN upgrade / Disaster recovery	78					78
Upgrade Server Hardware		120				120
Improvements to school networks and associated equipment	80	321				401
Digital Business Strategy	500	260				760
Financial Services						
Corporate Contingency	304	441	591	591	591	2,518
TOTAL FOR DIRECTOR OF RESOURCES	1,516	1,142	591	591	591	4,431
DIRECTOR OF PEOPLE						
Education(excluding 21st Century schools programme)						
Primary school schemes	161					161
Secondary school schemes	279					279
Special school schemes	11					11
Youth Activities schemes	20					20
EOTAS accommodation scheme	100	4,500	2,000			6,600
STF Development		350				350
Schools - additional capital maintenance		1,000				1,000
Poverty & Prevention						
	56					56
Social Services						
Mayhill Family / Medical Centre	760					760
Residential home for young people	310					310

GENERAL FUND CAPITAL BUDGET 2016/17 - 2020/21

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	TOTAL £'000
Enable scheme (support for independent living)	280					280
Intermediate Care Fund grant schemes	501					501
Capital creditors for 2015-16 paid in 2016-17	5					5
TOTAL FOR DIRECTOR OF PEOPLE	2,483	5,850	2,000			10,333
DIRECTOR OF PLACE						
Highways & Transportation						
Morfa Distributor Road	1887					1887
SRIC 16/17 - Bishop Gore, Sketty	322					322
LTF Kingsbridge Link	65					65
LTF Fabian Way Transport Assessment	453					453
Structural maintenance roads, including carriageway resurfacing and footways, allocated schemes for 2016/17 with future years to be allocated	3490	3476	3375	3375	3375	17,091
Street lighting refurbishment	292					292
Highways/Infrastructure additional Capital Maintenance (funded by reserves)		1000				1000
Highways & Transportation Vehicle replacement programme	362					362
Slip Bridge Refurbishment	139					139
Pont-y-Lon Bridge		100	700			800
Bascule Bridge		613				613
Other Bridges & retaining Walls	771					771
Road Safety/Traffic Schemes	390					390
Drainage works	578					578
Flood alleviation works	334					334
Bus facility and car park schemes	74					74
Coast protection	333					333
Foreshore and Marina	323					323

GENERAL FUND CAPITAL BUDGET 2016/17 - 2020/21

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	TOTAL £'000
Other highways schemes	574					574
Waste Management						
Tir John works	1,855	1,487	2,742			6,084
Purchase existing generating station		1,100				1100
Recycling shop at Bailing Plant	72					72
Improvements to recycling facilities	60					60
Provision of Food Waste Hall	100	57				157
Waste refuse vehicle	22					22
Culture,Sport,Leisure&Tourism						
Art Gallery - Refurbishment	269					269
Art Gallery - Refurbishment (HLF element)	478					478
Library Service	66					66
Sport Centres	140					140
Parks and playing fields	156					156
3G Pitch Morriston Comprehensive School	250					250
3G Pitch Penyrheol Comprehensive School	650					650
3G Pitch Cefn Hengoed Comprehensive School	150	400				550
3G Pitch expansion (match funding for 2 x 3G pitches)		500				500
Other Culture, Sport, Leisure & Tourism schemes	102					102
Economic Regeneration & Planning						
Kingsway works	75	3,000	4,000	3,000		10,075
City Centre Regeneration Match Funding	200	1,438				1638
City Centre regeneration; St David's / Civic Centre (Funding to be confirmed)	2,150	4,000				6150
City Centre Redevelopment - planning		650				650
Hafod/Morfa Copper Works Regeneration	175					175
Environmental Services	1					1
Refurb Swansea Market	55					55
Swansea Vale infrastructure/studies	314	500				814
Vibrant & Viable Places: Homes above Shops	400					400
Vibrant & Viable Places: Property Grant	1,030					1030
Vibrant & Viable Places: Oceana demolition	2,686	250				2936

GENERAL FUND CAPITAL BUDGET 2016/17 - 2020/21

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	TOTAL £'000
Vibrant & Viable Places: Llys Dewi Sant site	1,184					1184
Vibrant & Viable Places: Westway gyratory (phase 1)	1,138					1138
Vibrant & Viable Places: Westway gyratory (phase 2)	300					300
Waterfront: ERDF grant clawback	190					190
Housing & Public Protection						
Housing						
DFG's -1996 Act (figure for 2017/18 inc. £1.4m slippage)	4,413	6,600	5,200	5,200	5,200	26,613
Sandfields Renewal Area	1,994					1994
Emergency Repair Fund	260					260
Property Appreciation Loans	423	400				823
Grant For Noms	117					117
Comfort Safety & Security Grants (CSS)	36					36
Mini Adaptation Grants (MAG)	375					375
Houses into Homes Loans	629					629
Houses into Homes Loans (WG new regulations)	885					885
National Home Improvement Loans	885					885
Home loans default provision	38					38
Public Protection						
Air Quality Management Action Plan	1					1
Pollution Control Air Quality signs	22					22
Corporate Building						
Guildhall Refurb. Phase 5 (Brangwyn)	117					117
Guildhall Relocation	256					256
Accommodation Strategy	299					299
LC roof repairs	478					478
Pipehouse Wharf Replacement	1,000	1,421				2,421
Capital Maintenance allocated	6,026					6,026
Capital Maintenance unallocated		4,000	4,000	4,000	4,000	16,000
Lighting at Guildhall and other buildings		100				100
Conversion of Mansion House into public access civic building		200				200
Capital creditors for 2015-16 paid in 2016-17	1,015					1,015

GENERAL FUND CAPITAL BUDGET 2016/17 - 2020/21

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	TOTAL £'000
TOTAL FOR DIRECTOR OF PLACE	43,924	31,292	20,017	15,575	12,575	123,383
Totals	47,923	38,284	22,608	16,166	13,166	138,147

Agenda Item 12.

Report of the Section 151 Officer

Council – 23 February 2017

TREASURY MANAGEMENT STRATEGY, PRUDENTIAL INDICATORS, INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION POLICY STATEMENT 2017/18

Purpose:	To recommend the Treasury Management Strategy Statement, Prudential Indicators, Investment Strategy and Minimum Revenue Provision Policy Statement for 2017/18.
Policy Framework:	None
Reason for Decision:	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
Consultation:	Legal, Finance & Delivery and Access to Services.
Recommendations:	That 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) be recommended to Council for approval
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Legal Officer:	Debbie Smith
Access to Services Officer:	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 2017/18 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 2017/18-2020/21
- 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 2017/18 to 2020/21

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

- increases in capital finance charges (principal and net interest) caused by increased borrowing to finance additional capital expenditure and
- any increases in running costs from new capital projects

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

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

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

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

- The Operational Boundary :
"...is based on expectations of the maximum external debt of the authority according to probable not simply possible

events and being consistent with the maximum level of external debt projected by the estimates....”

- The Authorised Limit :
“..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.

Treasury / Prudential Indicators						
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
	Actual	Probable	Estimate	Estimate	Estimate	Estimate
Capital Expenditure						
GF	47,679	47,923	38,284	22,608	16,166	13,166
HRA	114,997	54,354	59,259	51,230	56,270	49,414
TOTAL	162,679	102,277	97,543	73,838	72,436	62,580
Capital Financing Requirement 31st March***						
GF	333,683	341,717	357,987	358,957	356,171	351,612
HRA	135,158	153,724	153,545	162,823	177,918	192,709
Magistrates' Court **	1,470	1,411	1,354	1,300	1,248	1,198
Credit Arrangements*	1,656	1,451	893	484	236	115
Total	471,967	498,303	513,719	523,564	535,573	545,634
Authorised limit for external debt	606,216	603,564	615,573	615,573	615,573	615,573
Operational boundary for external debt	546.216	543,564	555,573	555,573	555,573	555,573
Upper limit for fixed interest rate exposure	68.61%/£214,230	100%	100%	100%	100%	100%
Upper limit for variable rate exposure	31.39%/£98,000	40%	40%	40%	40%	40%
Upper limit for total principal sums invested for over 364 days	40,000	40,000	40,000	40,000	40,000	40,000

* The GF Capital Financing Requirements includes arrangements classified as credit arrangements (finance leases) under International Financial Reporting Standards (IFRS) requirements as of 2011/12. However these continue to be 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 financing shortfalls cannot be resolved in future years

Maturity structure of fixed rate borrowing during 2016/17-2019/21		
	Upper limit %	Lower limit %
Under 12 months	60	0
12 months and within 24 months	60	0
24 months and within 5 years	60	0
5 years and within 10 years	90	0
10 years and above	95	15

Ratio of Financing Costs to Net Revenue Stream						
	Actual 2015/16 %	Revised 2016/17 %	Estimate 2017/18 %	Estimate 2018/19 %	Estimate 2019/20 %	Estimate 2020/21 %
General Fund	7.96	6.73	6.90	7.08	7.01	6.97
HRA	8.01	13.46	16.44	17.53	18.46	19.36

Estimates of Incremental Impact of Discretionary Capital Investment Decisions on Council Tax (Band D) and Council Housing Rents						
	Actual 2015/16 £	Revised 2016/17 £	Estimate 2017/18 £	Estimate 2018/19 £	Estimate 2019/20 £	Estimate 2020/21 £
General Fund*	86.94	93.27	111.41	119.44	115.52	114.08
HRA*	0.00	40.94	140.42	238.40	338.61	420.28

*It should be noted that in formulating this indicator, it is necessary to hypothecate funding (in this case council tax and housing rents) to wholly fund 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.

Comparison of average gross debt and capital financing requirement	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	actual	probable	estimate	estimate	estimate	estimate
	£'000	£'000	£'000	£'000	£'000	£'000
Average debt (gross)	402,432	443,138	463,200	483,200	503,200	523,200
Capital Financing Requirement at 31st March (Borrowing Required)	470,311	496,852	512,886	523,080	535,337	545,519
Net Position	67,879	53,714	49,686	39,880	32,137	22,319

3 . The current portfolio position

3.1 The Council's probable debt portfolio position at 31/3/17 comprises:

	Principal outstanding 31 March 2017 £'000	Average rate of Interest %
Public Works Loan Board (fixed)	323,086	5.20
Money Market	98,000	4.10
Temporary	2,052	0.70
TOTAL	423,128	4.92%

3.2 The Council's forecast investment portfolio at 31 March 2017 is as follows:

Managed Investments	Investments 31 March 2017	2016/17 Probable Investment Return	2017/18 Estimated Investment Return
	£'000	%	%
Internally Managed	67,752	0.40	0.20

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 16th January 2017. There is a downside risk to these forecasts if economic growth proves to be weaker and slower than currently forecast.

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Bank rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
5yr PWLB rate	1.60%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
10yr PWLB rate	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
25yr PWLB rate	2.90%	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%
50yr PWLB rate	2.70%	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%

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 In Year Borrowing Requirement

5.1 The Council will have the following net capital borrowing / repayment requirements for 2016/17 to 2020/21:

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Borrowing and repayment requirements	Actual	Probable	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000	£'000
To finance new capital expenditure by supported borrowing	6,356	6,367	6,365	6,365	6,365	6,365
To finance new capital expenditure by unsupported borrowing	2,813	22,660	24,697	9,030	4,841	2,928
To replace loans maturing/repaid prematurely	3,189	286	9,002	1	1	3,000
Less						
Repayments (MRP)	15,690	17,823	16,881	17,541	17,292	17,452
Set aside capital receipts	650	600	600	600	600	600
NET IN YEAR BORROWING /(REPAYMENT) REQUIREMENT	(3,982)	10,890	22,583	(2,745)	(6,685)	(5,759)
Principal repayment element of finance lease payments	843	577	410	325	133	83

5.2 The borrowing requirement above reflects known planned capital expenditure to date as outlined in the “*The Capital Budget and Programme 2017/18 – 2020/21*” elsewhere at this agenda.

5.3 It is clear, however, that there are significant potential developments which are currently being developed which may have a significant effect on the Council’s proposals for Capital Expenditure during the period covered by this report but which have not been included for a number of reasons including:-

- Schemes which are currently in the ‘bid’ stage where approval is required in terms of overall scheme approval, the overall level of expenditure within each scheme and the projected level of CCS contribution.
- Such bids would encompass the current City Deal bid and the initial bids in respect of Band B of the 21st Century Schools programme.
- Schemes which are being developed outside of formal bid processes but where the current level of development is insufficient to estimate potential levels of CCS contributions and the nature and timing of funding requirements.
- Such schemes would include the potential for the development of the majority of the St. David’s site and the potential relocation and development of the Civic Centre site.

- 5.4 In considering the above, the Council shall determine that its plans are affordable, prudent and sustainable and shall formulate its Treasury Management , Borrowing & Investment Strategy and MRP Policy accordingly.
- 5.5 The above table in 5.1 details the net borrowing requirement for each financial year. In accordance with the Prudential Code, borrowing must be undertaken in line with a funding plan informed by the projected capital financing requirement. Borrowing may be financed from one or more of Public Works Loan Board loans; Money Market loans or internal loans. The precise choice and timing will depend on market conditions from time to time and will not necessarily mirror the profiling above.
- 5.6 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 continue averaging in the borrowing requirement in 2016/17 and 2017/18 and in the forthcoming financial years to fund the capital programme when borrowing rates offer long term value and Cashflow requirements dictate .

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).

- 5.7 Housing Revenue Account (HRA) Subsidy Reforms - Self Financing Settlement
As outlined in the report approved by Council on 2nd Dec 2014 entitled “*Reform of the Housing Revenue Account Subsidy System*”, the Authority has entered into a Voluntary Agreement with Welsh Government to exit the current HRA subsidy system, resulting in more flexibility for the Authority in meeting affordable housing needs in the locale. In order to exit the current HRA subsidy system, a cash settlement amount had to be paid over to HM Treasury equal to a sum determined by formulae agreed in the Voluntary Agreement which resulted in a settlement figure of £73.58m for this Authority. The overriding principle of the HRA Reform is that all local housing authorities will be financially better off in revenue terms after the reforms.
- 5.8 The HRA reform settlement was required to be made to the Welsh Government on 1 April 2015 which was subject to a separate borrowing strategy dictated by the terms outlined in the Voluntary Agreement. The Council borrowed £73.58m from the PWLB and remitted this total amount to Welsh Government on April 2nd 2015.
- 5.9 The servicing and amortisation of this pool of debt shall be managed completely separately from the remainder of the pooled (GF and HRA) 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 the 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 2016/17 or 2017/18 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 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 Section 151 Officer 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 also retains the services of two external fund managers.. They are Investec Asset Management and Invesco Asset Management. They currently have no Council assets under management (and therefore no mgt. fees are payable) - 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 2017/18 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:

Investment returns expectations. Bank Rate is forecast to stay flat at 0.25% until quarter 2 2019 and not to rise above 0.75% by quarter 1 2020. Bank Rate forecasts for financial year ends (March) are:

- 2016/17 0.25%
- 2017/18 0.25%
- 2018/19 0.25%
- 2019/20 0.50%

There are upside risks to these forecasts (i.e. start of increases in Bank Rate occurs earlier) if economic growth strengthens. However, should the pace of growth slow, there could be a downside 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 since the financial crisis. Going forward, continued caution will be required when considering future opportunities to make overseas investments. There are no plans to make overseas investments at this time.

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

8.4 Policy on the use of external advisers

The Council uses the services of an external Treasury Management adviser namely - 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 and guidance 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 2017/18 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 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 31st 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 superseded 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 An equality impact assessment screening has been undertaken and it concludes that 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

Annualised Rate of Return	Represents the average return which would have been achieved each year.
Authorised Limit <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.
Bank Rate	The Official Bank rate paid on commercial bank reserves i.e. reserves placed by commercial banks with the Bank of England as part of the Bank's operations to reduce volatility in short term interest rates in the money markets.
Base Rate	Minimum lending rate of a bank or financial institution in the UK.
Basis Points (bp)	A basis point is 0.01 of 1% (100 bp = 1%)
Borrowing	In the Code, borrowing refers to external borrowing. Borrowing is defined as both:- <ul style="list-style-type: none"> • Borrowing repayable with a period in excess of 12months • Borrowing repayable on demand or within 12months
Capital Expenditure	The definition of capital expenditure starts with all those items which can be capitalised in accordance with the Statement of Recommended Practice (SORP). To this must be added any items that have/will be capitalised in accordance with legislation that otherwise would not be capitalised. Prudential indicators for current and future years are calculated in a manner consistent with this definition.

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

	Act includes both borrowing as defined for the balance sheet and other long terms liabilities defined as credit arrangements through legislation.
Discounts	Where the prevailing interest rate is higher than the fixed rate of a long-term loan, which is being repaid early, the lender can refund the borrower a discount. This is calculated on the difference between the two interest rates over the remaining years of the loan, discounted back to present value. The lender is able to offer the discount, as their investment will now earn more than when the original loan was taken out.
Financing Costs	The financing costs are an estimate of the aggregate of the following:- <ul style="list-style-type: none"> • Interest payable with respect to borrowing • Interest payable under other long-term liabilities • Gains and losses on the repurchase or early settlement of borrowing credited or charged to the amount to be met from government grants and local taxpayers (premiums and discounts) • Interest earned and investment income • Amounts required in respect of the minimum revenue provision plus any additional voluntary contributions plus any other amounts for depreciation/impairment that are charged to the amount to be met from government grants and local taxpayers
Financial Reporting Standards (FRSs)	These are standards set by governing bodies on how the financial statements should look and be presented.
Investments	Investments are the aggregate of:- <ul style="list-style-type: none"> • Long term investments • Short term investments (within current assets) • Cash and bank balances including overdrawn balances <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.
IMF	International Monetary Fund
LOBO (Lender's Option/ Borrower's Option)	Money Market instruments that have a fixed initial term (typically one to ten year) and then move to an arrangement whereby the lender can decide at pre-determined intervals to adjust the rate on the loan. At this stage the borrower has the option to repay the loan.
London Inter-Bank Bid Rate (LIBID)	The interest rate at which major banks in London are willing to borrow (bid for) funds from each other.
Managed Funds	<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>
Maturity	The date when an investment is repaid or the period covered by a fixed term investment.
Minimum Revenue Provision (MRP)	The amount required by statute to be principal repayment each year.
Monetary Policy Committee (MPC)	This is a body set up by the Government in 1997 to set the repo rate (commonly referred to as being base rate). Their primary target (as set by the Government) is to keep inflation within plus or minus 1% of a central target of 2% in two year time from the date of the monthly meeting of the Committee. Their secondary target is to support the Government in maintaining high and stable levels of growth

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

	calculated on the difference between the two interest rates over the remaining years of the loan, discounted back to present value. The lender may charge the premium, as their investment will now earn less than when the original loan was taken out.
Prudential Code	The Prudential Code is the largely self regulatory framework outlined by CIPFA for managing/monitoring capital investment in local government.
Public Works Loan Board (PWLB)	A Government agency which provides loans to local authorities. Each year, it issues a circular setting out the basis on which loans will be made available. Loans can be either at a fixed rate or on a variable rate basis. They can be repaid on either an annuity, equal instalment of principal or maturity basis. The interest rate charged is linked to the cost at which the Government itself borrows.
Risk	<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> The risk that the Authority is unable to replace its maturing funding arrangements on</p>

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

TREASURY ADVISORS' VIEW ON THE ECONOMIC BACKGROUND

1.2

UK. GDP growth rates in 2013, 2014 and 2015 of 2.2%, 2.9% and 1.8% were some of the strongest rates among the G7 countries. Growth is expected to have strengthened in 2016 with the first three quarters coming in respectively at +0.4%, +0.7% and +0.5%. The latest Bank of England forecast for growth in 2016 as a whole is +2.2%. The figure for quarter 3 was a pleasant surprise which confounded the downbeat forecast by the Bank of England in August of only +0.1%, (subsequently revised up in September, but only to +0.2%). During most of 2015 and the first half of 2016, the economy had faced headwinds for exporters from the appreciation of sterling against the Euro, and weak growth in the EU, China and emerging markets, and from the dampening effect of the Government's continuing austerity programme.

The **referendum vote for Brexit** in June 2016 delivered an immediate shock fall in confidence indicators and business surveys at the beginning of August, which were interpreted by the Bank of England in its August Inflation Report as pointing to an impending sharp slowdown in the economy. However, the following monthly surveys in September showed an equally sharp recovery in confidence and business surveys so that it is generally expected that the economy will post reasonably strong growth numbers through the second half of 2016 and also in 2017, albeit at a slower pace than in the first half of 2016.

The **Monetary Policy Committee, (MPC), meeting of 4th August** was therefore dominated by countering this expected sharp slowdown and resulted in a package of measures that included a cut in Bank Rate from 0.50% to 0.25%, a renewal of quantitative easing, with £70bn made available for purchases of gilts and corporate bonds, and a £100bn tranche of cheap borrowing being made available for banks to use to lend to businesses and individuals.

The **MPC meeting of 3 November** left Bank Rate unchanged at 0.25% and other monetary policy measures also remained unchanged. This was in line with market expectations, but a major change from the previous quarterly Inflation Report MPC meeting of 4 August, which had given a strong steer, in its forward guidance, that it was likely to cut Bank Rate again, probably by the end of the year if economic data turned out as forecast by the Bank. The MPC meeting of 15 December also left Bank Rate and other measures unchanged.

The latest MPC decision included a forward view that **Bank Rate** could go either up or down depending on how economic data evolves in the coming months. Our central view remains that Bank Rate will

remain unchanged at 0.25% until the first increase to 0.50% in quarter 2 2019 (unchanged from our previous forecast). However, we would not, as yet, discount the risk of a cut in Bank Rate if economic growth were to take a significant dip downwards, though we think this is unlikely. We would also point out that forecasting as far ahead as mid 2019 is highly fraught as there are many potential economic headwinds which could blow the UK economy one way or the other as well as political developments in the UK, (especially over the terms of Brexit), EU, US and beyond, which could have a major impact on our forecasts.

The pace of Bank Rate increases in our forecasts has been slightly increased beyond the three year time horizon to reflect higher inflation expectations.

The August quarterly Inflation Report was based on a pessimistic forecast of near to zero GDP growth in quarter 3 i.e. a sharp slowdown in growth from +0.7% in quarter 2, in reaction to the shock of the result of the referendum in June. However, **consumers** have very much stayed in a 'business as usual' mode and there has been no sharp downturn in spending; it is consumer expenditure that underpins the services sector which comprises about 75% of UK GDP. After a fairly flat three months leading up to October, retail sales in October surged at the strongest rate since September 2015 and were again strong in November. In addition, the GfK consumer confidence index recovered quite strongly to -3 in October after an initial sharp plunge in July to -12 in reaction to the referendum result. However, in November it fell to -8 indicating a return to pessimism about future prospects among consumers, probably based mainly around concerns about rising inflation eroding purchasing power.

Bank of England GDP forecasts in the November quarterly Inflation Report were as follows, (August forecasts in brackets) - 2016 +2.2%, (+2.0%); 2017 1.4%, (+0.8%); 2018 +1.5%, (+1.8%). There has, therefore, been a sharp increase in the forecast for 2017, a marginal increase in 2016 and a small decline in growth, now being delayed until 2018, as a result of the impact of Brexit.

Capital Economics' GDP forecasts are as follows: 2016 +2.0%; 2017 +1.5%; 2018 +2.5%. They feel that pessimism is still being overdone by the Bank and Brexit will not have as big an effect as initially feared by some commentators.

The Chancellor has said he will do 'whatever is needed' i.e. to **promote growth**; there are two main options he can follow – fiscal policy e.g. cut taxes, increase investment allowances for businesses, and/or increase government expenditure on infrastructure, housing etc. This will mean that the PSBR deficit elimination timetable will need to slip further into the future as promoting growth, (and ultimately boosting tax revenues in the longer term), will be a more urgent

priority. The Governor of the Bank of England, Mark Carney, had warned that a vote for Brexit would be likely to cause a slowing in growth, particularly from a reduction in business investment, due to the uncertainty of whether the UK would have continuing full access, (i.e. without tariffs), to the EU single market. He also warned that the Bank could not do all the heavy lifting to boost economic growth and suggested that the Government would need to help growth e.g. by increasing investment expenditure and by using fiscal policy tools. The newly appointed Chancellor, Phillip Hammond, announced, in the aftermath of the referendum result and the formation of a new Conservative cabinet, that the target of achieving a budget surplus in 2020 would be eased in the Autumn Statement on 23 November. This was duly confirmed in the Statement which also included some increases in infrastructure spending.

The other key factor in forecasts for Bank Rate is **inflation** where the MPC aims for a target for CPI of 2.0%. The November Inflation Report included an increase in the peak forecast for inflation from 2.3% to 2.7% during 2017; (Capital Economics are forecasting a peak of just under 3% in 2018). This increase was largely due to the effect of the sharp fall in the value of sterling since the referendum, although during November, sterling has recovered some of this fall to end up 15% down against the dollar, and 8% down against the euro (as at the MPC meeting date – 15.12.16). This depreciation will feed through into a sharp increase in the cost of imports and materials used in production in the UK. However, the MPC is expected to look through the acceleration in inflation caused by external, (outside of the UK), influences, although it has given a clear warning that if wage inflation were to rise significantly as a result of these cost pressures on consumers, then they would take action to raise Bank Rate.

What is clear is that **consumer disposable income** will come under pressure, as the latest employers' survey is forecasting median pay rises for the year ahead of only 1.1% at a time when inflation will be rising significantly higher than this. The CPI figure has been on an upward trend in 2016 and reached 1.2% in November. However, prices paid by factories for inputs rose to 13.2% though producer output prices were still lagging behind at 2.3% and core inflation was 1.4%, confirming the likely future upwards path.

Gilt yields, and consequently PWLB rates, have risen sharply since hitting a low point in mid-August. There has also been huge volatility during 2016 as a whole. The year started with 10 year gilt yields at 1.88%, fell to a low point of 0.53% on 12 August, and hit a new peak on the way up again of 1.55% on 15 November. The rebound since August reflects the initial combination of the yield-depressing effect of the MPC's new round of quantitative easing on 4 August, together with expectations of a sharp downturn in expectations for growth and inflation as per the pessimistic Bank of England Inflation Report forecast, followed by a sharp rise in growth expectations since August

when subsequent business surveys, and GDP growth in quarter 3 at +0.5% q/q, confounded the pessimism. Inflation expectations also rose sharply as a result of the continuing fall in the value of sterling.

Employment had been growing steadily during 2016 but encountered a first fall in over a year, of 6,000, over the three months to October. The latest employment data in December, (for November), was distinctly weak with an increase in unemployment benefits claimants of 2,400 in November and of 13,300 in October. **House prices** have been rising during 2016 at a modest pace but the pace of increase has slowed since the referendum; a downturn in prices could dampen consumer confidence and expenditure.

USA. The American economy had a patchy 2015 with sharp swings in the quarterly **growth rate** leaving the overall growth for the year at 2.4%. Quarter 1 of 2016 at +0.8%, (on an annualised basis), and quarter 2 at 1.4% left average growth for the first half at a weak 1.1%. However, quarter 3 at 3.2% signalled a rebound to strong growth. The Fed. embarked on its long anticipated first increase in rates at its December 2015 meeting. At that point, confidence was high that there would then be four more increases to come in 2016. Since then, more downbeat news on the international scene, and then the Brexit vote, have caused a delay in the timing of the second increase of 0.25% which came, as expected, in December 2016 to a range of 0.50% to 0.75%. Overall, despite some data setbacks, the US is still, probably, the best positioned of the major world economies to make solid progress towards a combination of strong growth, full employment and rising inflation: this is going to require the central bank to take action to raise rates so as to make progress towards normalisation of monetary policy, albeit at lower central rates than prevailed before the 2008 crisis. The Fed. therefore also indicated that it expected three further increases of 0.25% in 2017 to deal with rising inflationary pressures.

The result of the **presidential election** in November is expected to lead to a strengthening of US growth if Trump's election promise of a major increase in expenditure on infrastructure is implemented. This policy is also likely to strengthen inflation pressures as the economy is already working at near full capacity. In addition, the unemployment rate is at a low point verging on what is normally classified as being full employment. However, the US does have a substantial amount of hidden unemployment in terms of an unusually large, (for a developed economy), percentage of the working population not actively seeking employment.

Trump's election has had a profound effect on the **bond market and bond yields** rose sharply in the week after his election. Time will tell if this is a reasonable assessment of his election promises to cut taxes at the same time as boosting expenditure. This could lead to a sharp rise in total debt issuance from the current level of around 72%

of GDP towards 100% during his term in office. However, although the Republicans now have a monopoly of power for the first time since the 1920s, in having a President and a majority in both Congress and the Senate, there is by no means any certainty that the politicians and advisers he has been appointing to his team, and both houses, will implement the more extreme policies that Trump outlined during his election campaign. Indeed, Trump may even rein back on some of those policies himself.

In the first week since the US election, there was a a major shift in **investor sentiment** away from bonds to equities, especially in the US. However, gilt yields in the UK and bond yields in the EU have also been dragged higher. Some commentators are saying that this rise has been an overreaction to the US election result which could be reversed. Other commentators take the view that this could well be the start of the long expected eventual unwinding of bond prices propelled upwards to unrealistically high levels, (and conversely bond yields pushed down), by the artificial and temporary power of quantitative easing.

EZ. In the Eurozone, **the ECB** commenced, in March 2015, its massive €1.1 trillion programme of quantitative easing to buy high credit quality government and other debt of selected EZ countries at a rate of €60bn per month. This was intended to run initially to September 2016 but was extended to March 2017 at its December 2015 meeting. At its December and March 2016 meetings it progressively cut its deposit facility rate to reach -0.4% and its main refinancing rate from 0.05% to zero. At its March meeting, it also increased its monthly asset purchases to €80bn. These measures have struggled to make a significant impact in boosting economic growth and in helping inflation to rise significantly from low levels towards the target of 2%. Consequently, at its December meeting it extended its asset purchases programme by continuing purchases at the current monthly pace of €80 billion until the end of March 2017, but then continuing at a pace of €60 billion until the end of December 2017, or beyond, if necessary, and in any case until the Governing Council sees a sustained adjustment in the path of inflation consistent with its inflation aim. It also stated that if, in the meantime, the outlook were to become less favourable or if financial conditions became inconsistent with further progress towards a sustained adjustment of the path of inflation, the Governing Council intended to increase the programme in terms of size and/or duration.

EZ GDP growth in the first three quarters of 2016 has been 0.5%, +0.3% and +0.3%, (+1.7% y/y). Forward indications are that economic growth in the EU is likely to continue at moderate levels. This has added to comments from many forecasters that those central banks in countries around the world which are currently struggling to combat low growth, are running out of ammunition to stimulate growth

and to boost inflation. Central banks have also been stressing that national governments will need to do more by way of structural reforms, fiscal measures and direct investment expenditure to support demand and economic growth in their economies.

There are also significant specific political and other risks within the EZ: -

- **Greece** continues to cause major stress in the EU due to its tardiness and reluctance in implementing key reforms required by the EU to make the country more efficient and to make significant progress towards the country being able to pay its way – and before the EU is prepared to agree to release further bail out funds.
- **Spain** has had two inconclusive general elections in 2015 and 2016, both of which failed to produce a workable government with a majority of the 350 seats. At the eleventh hour on 31 October, before it would have become compulsory to call a third general election, the party with the biggest bloc of seats (137), was given a majority confidence vote to form a government. This is potentially a highly unstable situation, particularly given the need to deal with an EU demand for implementation of a package of austerity cuts which will be highly unpopular.
- The under capitalisation of **Italian banks** poses a major risk. Some **German banks** are also undercapitalised, especially Deutsche Bank, which is under threat of major financial penalties from regulatory authorities that will further weaken its capitalisation. What is clear is that national governments are forbidden by EU rules from providing state aid to bail out those banks that are at risk, while, at the same time, those banks are unable realistically to borrow additional capital in financial markets due to their vulnerable financial state. However, they are also 'too big, and too important to their national economies, to be allowed to fail'.
- **4 December Italian constitutional referendum** on reforming the Senate and reducing its powers; this was also a confidence vote on Prime Minister Renzi who has resigned on losing the referendum. However, there has been remarkably little fall out from this result which probably indicates that the financial markets had already fully priced it in. A rejection of these proposals is likely to inhibit significant progress in the near future to fundamental political and economic reform which is urgently needed to deal with Italy's core problems, especially low growth and a very high debt to GDP ratio of 135%. These reforms were also intended to give Italy more stable government as no western European country has had such a multiplicity of governments since the Second World War as Italy, due to the equal split of power between the two chambers of the

Parliament which are both voted in by the Italian electorate but by using different voting systems. It is currently unclear what the political, and other, repercussions are from this result.

- **Dutch general election 15.3.17**; a far right party is currently polling neck and neck with the incumbent ruling party. In addition, anti-big business and anti-EU activists have already collected two thirds of the 300,000 signatures required to force a referendum to be taken on approving the EU – Canada free trade pact. This could delay the pact until a referendum in 2018 which would require unanimous approval by all EU governments before it can be finalised. In April 2016, Dutch voters rejected by 61.1% an EU – Ukraine cooperation pact under the same referendum law. Dutch activists are concerned by the lack of democracy in the institutions of the EU.
- **French presidential election**; first round 13 April; second round 7 May 2017.
- **French National Assembly election June 2017.**
- **German Federal election August – 22 October 2017.** This could be affected by significant shifts in voter intentions as a result of terrorist attacks, dealing with a huge influx of immigrants and a rise in anti EU sentiment.
- The core EU, (note, not just the Eurozone currency area), principle of **free movement of people** within the EU is a growing issue leading to major stress and tension between EU states, especially with the Visegrad bloc of former communist states.

Given the number and type of challenges the EU faces in the next eighteen months, there is an identifiable risk for the EU project to be called into fundamental question. The risk of an electoral revolt against the EU establishment has gained traction after the shock results of the UK referendum and the US Presidential election. But it remains to be seen whether any shift in sentiment will gain sufficient traction to produce any further shocks within the EU.

Asia. Economic growth in **China** has been slowing down and this, in turn, has been denting economic growth in emerging market countries dependent on exporting raw materials to China. Medium term risks have been increasing in China e.g. a dangerous build up in the level of credit compared to the size of GDP, plus there is a need to address a major over supply of housing and surplus industrial capacity, which both need to be eliminated. This needs to be combined with a rebalancing of the economy from investment expenditure to consumer spending. However, the central bank has a track record of supporting growth through various monetary policy measures, though these further stimulate the growth of credit risks and so increase the existing

major imbalances within the economy.

Economic growth in **Japan** is still patchy, at best, and skirting with deflation, despite successive rounds of huge monetary stimulus and massive fiscal action to promote consumer spending. The government is also making little progress on fundamental reforms of the economy.

Emerging countries. There have been major concerns around the vulnerability of some emerging countries exposed to the downturn in demand for commodities from China or to competition from the increase in supply of American shale oil and gas reaching world markets. The ending of sanctions on Iran has also brought a further significant increase in oil supplies into the world markets. While these concerns have subsided during 2016, if interest rates in the USA do rise substantially over the next few years, (and this could also be accompanied by a rise in the value of the dollar in exchange markets), this could cause significant problems for those emerging countries with large amounts of debt denominated in dollars. The Bank of International Settlements has recently released a report that \$340bn of emerging market corporate debt will fall due for repayment in the final two months of 2016 and in 2017 – a 40% increase on the figure for the last three years.

Financial markets could also be vulnerable to risks from those emerging countries with major sovereign wealth funds, that are highly exposed to the falls in commodity prices from the levels prevailing before 2015, especially oil, and which, therefore, may have to liquidate substantial amounts of investments in order to cover national budget deficits over the next few years if the price of oil does not return to pre-2015 levels.

Brexit timetable and process

- March 2017: UK government notifies the European Council of its intention to leave under the Treaty on European Union Article 50
- March 2019: two-year negotiation period on the terms of exit. This period can be extended with the agreement of all members i.e. not that likely.
- UK continues as an EU member during this two-year period with access to the single market and tariff free trade between the EU and UK.
- The UK and EU would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.
- The UK would aim for a negotiated agreed withdrawal from the EU, although the UK may also exit without any such agreements.
- If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU - but this is not certain.

- On exit from the EU: the UK parliament would repeal the 1972 European Communities Act.
- The UK will then no longer participate in matters reserved for EU members, such as changes to the EU's budget, voting allocations and policies.
- It is possible that some sort of agreement could be reached for a transitional time period for actually implementing Brexit after March 2019 so as to help exporters to adjust in both the EU and in the UK.

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

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

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

Typically the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances

consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored before deals are 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	£25M 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	£25M with each counterparty/ See 2 and 3 below
Term deposits – Banks	Short-term	In-house and	£30M 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	£25M with each counterparty/ See 2 and 3 below
UK Government supported banking sector	AA-	In-house and fund managers	£30M 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.

Instrument	Min Credit/Colour Criteria	Use	Maximum Period	Maximum Investment
Term deposits – UK government (with maturities in excess of 1 year)		In-house	5 years	£30M
Term deposits – other Local Authorities (with maturities in excess of 1 year)		In-house	5 years	£25M with each counterparty
Deposits with banks and building societies covered by UK government guarantee	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/£30m 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/£25m with each counterparty
UK Government Gilts	-	Fund Managers/in house	See 2 and 3 below/5 years	See 2 below /£25M
Treasury Bills	-	Fund Managers/in	See 2 and 3 below/5	See 2 below /£25M

		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	£25M 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/£25M with each counterparty
UK Government Gilts with maturities in excess of 1 year	AAA	Fund Managers/in house	10 years	See 2 below/£25M with each counterparty
Bonds issued by multilateral development banks	AAA	In-house on a 'buy-and-hold' basis. Also for use by fund managers	5 years 10 years	£25M 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	£25M 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	£25M with each counterparty See 2 below
Corporate Bonds : [under SI 1010 (W.107)]	Long-term AA-	In- house Fund Managers	5 years 10years	£25M 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	£25M 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	£25m 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:

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

B	<p>Highly speculative.</p> <ul style="list-style-type: none"> • For issuers and performing obligations, 'B' ratings indicate that significant credit risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favourable business and economic environment. • For individual obligations, may indicate distressed or defaulted obligations with potential for extremely high recoveries. Such obligations would possess a Recovery Rating of 'RR1' (outstanding).
CCC	<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"> • For individual obligations, may indicate distressed or defaulted obligations with potential for average to superior levels of recovery. Differences in credit quality may be denoted by plus/minus distinctions. Such obligations typically would possess a Recovery Rating of 'RR2' (superior), or 'RR3' (good) or 'RR4' (average).
CC	<p>For issuers and performing obligations, default of some kind appears probable.</p> <ul style="list-style-type: none"> • For individual obligations, may indicate distressed or defaulted obligations with a Recovery Rating of 'RR4' (average) or 'RR5' (below average).
C	<ul style="list-style-type: none"> • For issuers and performing obligations, default is imminent. • For individual obligations, may indicate distressed or defaulted obligations with potential for below-average to poor recoveries. Such obligations would possess a Recovery Rating of 'RR6' (poor).
RD	<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"> • Failure of an obligor to make timely payment of principal and/or interest under the contractual terms of any financial obligation; • The bankruptcy filings, administration, receivership, liquidation or other winding-up or cessation of business

	<ul style="list-style-type: none"> • 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.

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

Approved Countries for Investment as at 1st Feb 2017

AAA

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

AA+

- Finland
- Hong Kong
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- Qatar
- U.K.

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 1 February 2017)

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 13.

Report of the Section 151 Officer and the Corporate Director Place

Council – 23 February 2017

HOUSING REVENUE ACCOUNT (HRA) REVENUE BUDGET 2017/18

Purpose:	This report proposes a Revenue Budget for 2017/18 and a rent increase for properties within the HRA.
Policy Framework:	None.
Reason for Decision:	To agree a revenue budget as indicated and a rent increase for 2017/18.
Consultation:	Cabinet Members, Finance, & Legal
Recommendations:	The following budget proposals be approved: a) Rents to be increased in line with the Welsh Government rent setting policy as detailed in section 3. b) Fees, charges and allowances are approved as outlined in section 3. c) The revenue budget proposals as detailed in section 3.
Report Author:	David Evans
Finance Officer:	Catherine Davies
Legal Officer	Tracey Meredith
Access to Services Officer	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 2016/17

- 2.1 There is a forecast underspend on HRA Revenue management and maintenance budgets of £0.045m which is comprised of reductions in premises costs (£0.1m), underspends on transport costs (£0.035m), underspends on supplies & services (£0.06m) and a reduction in revenue repairs (£0.150m). These underspends are offset by an overspend in employee costs (£0.250m) due to lower than anticipated vacancies along with Pay & Grading back pay and redundancy costs for some staff along with a reduction in income (£0.05m) due to voids created by the kitchen and bathroom replacement programme.
- 2.2 The revenue contribution to the 2016/7 Capital Programme has increased by £1.8m as a result of higher than anticipated balances carried forward and a reduction in the borrowing requirement. This has been partially offset by lower borrowing costs of £0.83m. As a result the forecast for the balances carried forward has reduced to £8.5m.

3. Revenue Budget Proposals 2017/18

3.1 Overview

- 3.1.1 There is a projected surplus on the HRA next year of £22.1m. 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 £55m to £59.3m next year. This increase is for further investment in WHQS and a provision has been made for the More Homes Programme.
- 3.1.2 The main changes from 2016/17 are an increase in management and maintenance costs of £390k which is mainly as a result of the 1% pay rise and an increase in employer's pension contributions of £443k. There was an increase in the contribution to the bad debt provision of £43k and a reduction in the revenue repairs budget of £104k. Capital charges increased by £213k as a result of the additional cost of borrowing to support achievement of the WHQS.
- 3.1.3 The main changes to funding/income are an increase in rent and other income of £2.75m arising from the proposed rent increases, a reduction in the use of reserves of £3.4m and a reduction in the revenue contribution to the capital programme of £1.24m.
- 3.1.4 The main changes from the 2016/17 budget are shown in the following table:-

Item	£000
Reduction in the use of reserves	3,385
Effect of 1% pay rise and increase in pension contributions	443
Increased financing charges	213
Increase in bad debt reserve contribution	43
Additional income including 5% rent increase	2,748
Reduction in revenue contribution to capital programme	1,241
Reduction in revenue repairs	104

3.2 *Rent Income*

3.2.1 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)	£80.96	£85.22	£89.48
50 week equivalent	£84.20	£88.63	£93.06

3.2.2 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. This policy on rent income directly helps fundamentally underpin our additional investment in the HRA capital programme.

3.2.3 After applying the national increase of 2.5% plus the full transitional increase, the average rent for 2017/18 will be £87.35 (based on 50 weeks). This is an average increase of £4.16 (5%) per week.

3.3 *Inflation*

Provision has been included in the budget for a 1% annual pay increase from April 2017. In addition, budgets have been amended to reflect changes in employer's contributions for pensions. Other budgets, in particular repairs and maintenance and utility costs have been based on the latest prices.

3.4 *Capital Financing Charges*

Additional Capital financing charges will arise in 2017/18 as a result of additional borrowing to finance WHQS improvements.

3.5 *Fees, Charges and Allowances*

General fees, charges and allowances are normally increased either 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 5% and other charges by 1%.

3.6 *Contributions to the Capital Programme*

The additional income enables a contribution of £22.1m to the capital programme. A further £2.4m from reserves will also be utilised in supporting the capital programme.

4. **Risks and Uncertainties**

4.1 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.

5. Reserves

- 5.1 The HRA balance at the start of this year was £15.2m and at the end of the current year it is estimated to be £8.5m. It is proposed that £2.4m is used next year to finance capital expenditure. The reserves position is detailed in Table B.

6. Equality Impact Assessments

- 6.1 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.

7 Legal Implications

- 7.1 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.

Background Papers: None

Appendices:

Table A: Summarised HRA 2016/17 to 2017/18

Table B: Movement in Balances 2016/17 to 2017/18

Table A: Summarised HRA 2016/17 to 2017/18

Classification	Budget 2016/17	Budget 2017/18
	£'000	£'000
<u>Expenditure</u>		
Management and Maintenance	28,360	28,750
Capital Charges	9,883	10,096
Revenue Funding for capital schemes	25,700	24,459
Total Expenditure	63,943	63,305
<u>Income</u>		
Rents and other income	58,162	60,910
Use of balances	5,781	2,395
Total Income	63,943	63,305

Table B: Movement in Balances 2016/17 to 2017/18

Description	£000's
Actual balance at 1 st April 2016	15,233
Budgeted use 2016/17	-5,781
Budgeted balance 31st March 2017	9,452
Forecast use 2016/17	-6,756
Forecast balance 31st March 2017	8,477
Budgeted use 2017/18	-2,395
Forecast balance 31st March 2018	6,082

Report of the Section 151 Officer & the Director of Place

Council – 23 February 2017

HOUSING REVENUE ACCOUNT - CAPITAL BUDGET & PROGRAMME 2017/18 – 2020/21

Purpose	This report proposes a capital budget for 2017/18 – 2020/21
Policy Framework:	None
Reason for Decision:	To agree a revised budget for 2016/17 and a budget for 2017/18 – 2020/21
Consultation:	Legal, Finance & Access to Services
Recommendation(s):	It is recommended that: 1) The transfers between schemes and the revised budgets for schemes in 2016/17 are approved. 2) The budget proposals for 2017/18 – 2020/21 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.
Report Author:	Mike Hawes / David Evans
Finance Officer:	Jeff Dong / Jayne James
Legal Officer:	Debbie Smith
Access to Services Officer:	Sherill Hopkins

1.0 Introduction

1.1 This report details:

- Revised Housing Revenue Account (HRA) capital expenditure and financing proposals in 2016/17
- HRA Capital expenditure and financing proposals in 2017/18 – 2020/21
- In the context of an extremely ambitious and rolling programme of improvement and enhancement works which will necessitate some re-profiling and re-timing schemes over the investment period

1.2 The budget proposals are further detailed in appendices to this report as follows:

- Appendix A: Summary of the revised budget for 2016/17 and a budget for 2017/18 – 2020/21
- Appendix B: Detailed breakdown of the revised budget for 2016/17 and a budget for 2017/18 – 2020/21
- Appendix C: Scheme descriptions

2.0 Capital Budget 2016/17

- 2.1 The total programme for this current year is £54.354m i.e. an original budget of £55m plus carry forward from 2015/16 of £6.231m less slippage into 2017/18 of £6.877m. Slippage from this current year into 2017/18 is to mainly fund the external facilities scheme, the wind and weatherproofing works in Llanllienwen and the refurbishment of the high rise blocks of flats in the Sketty area. Total spending in this current year is projected to remain at £54.354m.
- 2.2 The majority of all other projects for 2016/17 are complete although a small element of under spend may exist due to a range of reasons including retentions 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 2017/18 financial year and where underspend has occurred, officers have mitigated these by bringing other priority work forward to compensate. Transfers and changes to the 2016/17 budget are reflected and detailed in appendix B.
- 2.3 The Kitchen and Bathroom programme has been revised to reflect average unit costs which have been higher than originally provided for. Future budgets have been amended to reflect this and the cost of the overall programme remains affordable within the HRA Business Plan.

3.0 2017/18 – 2020/21

- 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 also been made for the supply 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 has been endorsed by Council. Indicative expenditure of £6m over 4 years up to 2020/21 for taking forward the strategy and delivering the pilot schemes has been included in the programme. Development of this pilot and its potential future extension is built on the assumption of the rent income strategy set out in the HRA revenue budget report. A further report will be presented to Cabinet to confirm the pilot scheme budgets when the costs have been confirmed.

4.0 Financing of HRA Capital Budget 2016/17-2020/21

- 4.1 The attached capital budget proposals will be funded through a combination of Welsh Government (WG's) contribution via its Major Repair Allowance (MRA) grant, revenue contributions from the HRA, 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. An EIA screening has been undertaken and 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.

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 and capital receipts. There are no financial implications for the Council General Fund.
- 8.2 Borrowing of £98.854 million will be required to fund the WHQS and new build programmes up to 2020/21.

Background Papers

None

Appendices

Appendix A: Transfers and changes to the original 2016/17 programme

Appendix B: A detailed breakdown of the revised budget for 2016/17 and a budget for 2017/18 – 2020/21

Appendix C: Scheme descriptions

Summary of HRA Capital Budget and Programme 2016/17 to 2020/21						
	2016/17	2017/18	2018/19	2019/20	2020/21	Total
	£'000	£'000	£'000	£'000	£'000	£'000
HRA Subsidy Reform						
Good State of Repair						
Wind and weatherproofing	5,037	5,277	1,900	2,500	1,000	15,714
System built houses and Highrise Blocks	14,802	6,829	10,180	10,100	10,280	52,191
Roofing	2,519	2,606	650	1,100	2,300	9,175
Windows, doors and general repairs	693	715	440	240	230	2,318
Safe and Secure						
Fire Safety	1,001	501	240	100	100	1,942
Electrical Rewiring	822	826	420	220	220	2,508
Passenger Lifts	112	350	150	150		762
Adequately Heated, Fuel Efficient & Well Insulated						
Heating Systems	3050	1,550	1,550	1,550	1,430	9,130
Energy Efficiency and Grant Support	219	631	250	150	150	1,400
Contain Up to Date Kitchens and Bathrooms						
Kitchens and Bathrooms	20,502	21,850	19,000	23,600	16,400	101,352
Located in Attractive and Safe Environments						
Environment - Within the Curtilage	1,354	7,774	10,250	10,160	10,950	40,488
Estate Based Environment	930	2,100	2,200	2,400	2,400	10,030
Meeting Requirements of the Household						
Adaptations	2,517	2,750	2,750	2,750	2,750	13,517
More Homes	796	5,500	1,250	1,250	1,204	10,000
Total	54,354	59,259	51,230	56,270	49,414	270,527

Financed By:	2016/17	2017/18	2018/19	2019/20	2020/21	Total
MRA	9,100	9,100	9,100	9,100	9,100	45,500
RCCO	27,500	24,459	22,430	23,370	23,814	121,573
Borrowing WHQS	13,154	25,700	19,700	23,800	16,500	98,854
Capital Receipts	4,600					4,600
Total	54,354	59,259	51,230	56,270	49,414	270,527

Appendix B

HRA CAPITAL PROGRAMME	2016/17 to 2020/21						
	2016/17 Original £'000	2016/17 Revised £'000	2017/18 Original £'000	2018/19 Original £'000	2019/20 Original £'000	2020/21 Original £'000	TOTAL £'000
SCHEME/PROJECT							
Good State of Repair							
Good State of Repair							
Wind & Weatherproofing, Mayhill and Townhill Scheme 1	950	910					910
Wind & Weatherproofing, Mayhill and Townhill Scheme 2	750	813					813
Wind & Weatherproofing, Mayhill and Townhill Scheme 3	750	801	50				851
Wind & Weatherproofing, Penlan Scheme 1	900	952	550				1502
Wind & Weatherproofing, 13/14 - Weig Gdns		17					17
Wind & Weatherproofing, Llanllienwen	1,684	893	950				1,843
Wind & Weatherproofing, Clydach Tanycoed						200	200
Wind & Weatherproofing, McRitchie Place	450	440	381				821
Wind & Weatherproofing, West Cross	940	159	1,506	950	800	500	3,915
Wind & Weatherproofing, West Cross 13/14		28					28
Wind & Weatherproofing, Loughor			500				500
Wind & Weatherproofing, Penllergaer				200	400		600
Wind & Weatherproofing, Cwmbwrla			590				590
Wind & Weatherproofing, Blaenymaes (Woodford Road)					550		550
Wind & Weatherproofing, Waun Wen	26	24					24
Wind & Weatherproofing, Tirdeunaw Complex						300	300
Wind & Weatherproofing, Glynhir Road, Pontardulais			750	750	750		2,250
Airey and Traditional Built Properties, Felindre					220		220
Resiform and Traditional Built Properties, Craig Cefn Parc			400	350			750

SCHEME/PROJECT	2016/17 Original £'000	2016/17 Revised £'000	2017/18 Original £'000	2018/19 Original £'000	2019/20 Original £'000	2020/21 Original £'000	TOTAL £'000
Good State of Repair continued							
British Iron & Steel Federation (BISFs) Houses West Cross			1,100	1,000			2,100
British Iron & Steel Federation (BISFs) Houses Waunarlyydd 14/15	26	25					25
British Iron & Steel Federation (BISFs) Houses Gendros 14/15	52	98	24				122
Wimpey No Fines (WNFs) Properties, Waunarlyydd					700	700	1,400
Wimpey No Fines (WNFs) Properties, Caemawr	884	575	730				1,305
Trusteel Houses, Penllergaer	415	551	21				572
Easiform Properties, Winch Wen			800	1,000	1,200		3,000
Easiform & Traditional Properties, Sketty	370	11	999	500			1,510
Easiform & Wimpey No Fines Properties, Clase				900	1,250	500	2,650
Easiform Properties, Birchgrove				750	750		1,500
High-rise Flats, Dyfatty			200	5,680	5,980	9,080	20,940
Highrise Flats, Matthew Street	2,800	1,698	175				1,873
Highrise Flats, Clyne & Jeffreys Court	10,946	11,844	2,380				14,224
Chimney Repairs	541	241	410	300	300	300	1,551
Pitched Roof Renewal, Blaenymaes	823	1,203	853				2,056
Pitched Roof Renewal, Bonymaen			310				310
Pitched Roof Renewal, Clase	600	784	22				806
Pitched Roof Renewal, Sketty (3 Storey Flats)	200	280	7				287
Pitched Roof Renewal, Townhill and Port Tennant			300				300
Pitched Roof Renewal, Penlan	400						0
Pitched Roof Renewal, Gower			500				500
Pitched Roof Renewal, Gorseinon and Penyrheol					500		500
Pitched Roof Renewal, Penlan Flats	5	5					5
Pitched Roof Renewal, Gendros 15/16	7		4				4

SCHEME/PROJECT	2016/17 Original £'000	2016/17 Revised £'000	2017/18 Original £'000	2018/19 Original £'000	2019/20 Original £'000	2020/21 Original £'000	TOTAL £'000
Good State of Repair continued							
Pitched Roof Renewal, Clase	4	4					4
Pitched Roof Various			200	250	200	200	850
Flat Roof Renewal, Various				100	100		200
Flat Roof & Window Renewal Rheidol Court						1,800	1,800
Flat Roof Renewal Chris Thomas House	2	2					2
Balcony Repairs	161	93	10	150			253
Door Renewal Programme	300	244					244
Window and Door Renewal Programme			385				385
Structural Repairs	300	306	250	200	200	200	1,156
Drainage Repairs and Improvements	50	50	20	20	20	10	120
Repairs to DHOs - Various	50		50	50			100
Design and Scheme preparation				20	20	20	60
							0
Safe and Secure							0
Fire Safety General	245	201	85	40			326
Smoke and Carbon Monoxide Detectors	100	50	100	100	100	100	450
Fire Safety Sprinkler System - Sheltered Complexes	361	371	316	100			787
Fire Separation Between Kitchens & Stairs	200	98					98
Fire Safety Separation Between Flats	200	281					281
Electrical Rewiring Contingency	50		20	20	20	20	80
Electrical Rewiring	550	320	356	200	200	200	1,276
Electrical Rewiring 14/15 Eastside Contract 1	3						
Electrical Rewiring 14/15 Eastside Contract 2	3						
Electrical Rewiring 14/15 Penlan Contract 3	3						
Electrical Rewiring 14/15 Penlan Contract 4	3						
Electrical Rewiring 14/15 Townhill Contract 5	3						

SCHEME/PROJECT	2016/17 Original £'000	2016/17 Revised £'000	2017/18 Original £'000	2018/19 Original £'000	2019/20 Original £'000	2020/21 Original £'000	TOTAL £'000
Safe and Secure continued							
Electrical Rewiring & Emergency Lighting Communal Blocks	454	502	450	200			1,152
Passenger Lift Provision	80	80	350	150	150		730
Passenger Lift survey and Provision	40	32					32
							0
Adequately Heated							0
Boiler Replacement	1,900	3,000	1,500	1,500	1,500	1,430	8,930
Loft Insulation	50	205	150	150	50	50	605
Heating Upgrades	50	50	50	50	50		200
Energy Efficiency & Energy Grant Support	472	14	481	100	100	100	795
							0
Kitchens and Bathrooms							0
Kitchen & Bathroom Renewal	1,000		20,750	18,900	23,500	16,300	79,450
Kitchen & Bathroom Renewal 15/16	846	2,450					2,450
Kitchen & Bathroom Renew16/7 Contractor 1	6,842	8,500	1,000				9,500
Kitchen & Bathroom Renew16/7 Contractor 2	4,105	6,432					6,432
Kitchen & Bathroom Renew16/7 Contractor 3	2,737	2,820					2,820
Kitchen & Bathroom Renewal Contingency 15/16	150	300	100	100	100	100	700
Kitchen & Bathroom - Boiler Renewal	370						0
							0
Located in Safe Attractive Environment							0
Environment - Within the Curtilage							0
External Facilities Scheme	2,510	541	6,969	10,000	10,000	10,800	38,310
External Facilities Scheme	89	597					597
External Facilities Contingency	50	64	50	50	50	50	264
Voice Entry Systems	398	152	755	200	110	100	1,317

SCHEME/PROJECT	2016/17 Original £'000	2016/17 Revised £'000	2017/18 Original £'000	2018/19 Original £'000	2019/20 Original £'000	2020/21 Original £'000	TOTAL £'000
Located in Safe Attractive Environment contd.							
Environment - Estate Based							
General Environmental Schemes	800	930	2,100	2,200	2,400	2,400	10,030
Meeting the Needs of the Household							
Adaptations - 15/16	200						
Adaptations Internal	2,000	1,900	2,000	2,000	2,000	2,000	9,900
Adaptations External	750	617	750	750	750	750	3,617
More Homes	2,000	796	5,500	1,250	1,250	1,204	10,000
Total	55,000	54,354	59,259	51,230	56,270	49,414	270,527

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. Externally, 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. Internally, work will include kitchens and bathrooms as part of the refurbishment and 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, provide new kitchens and bathrooms and increase the thermal efficiency of the dwellings. Due to location, these properties are not connected to the mains gas grid and subject to costs, the scheme may include renewable energy systems as part for the project and investment may support energy grants. This scheme may operate beyond a single financial period. This contract 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 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.

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 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 and Door Renewal

Replacement of windows and doors which are at the end of their useful life or require upgrading, the new units will improve thermal efficiency and security. Where required, fire doors will be renewed in flats to ensure they achieve suitable fire safety.

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.

Structural Repairs

Structural Repairs will treat free standing or 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 Housing Offices and Assets – Various

The scheme is to carry out repairs and renewal to Housing offices and assets where required. The work will include various items relating to the structure and facilities such as new windows and roof repairs.

Design and Scheme preparation

Investment will meet the cost of early design and preparation of schemes contained within this report.

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 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 – 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 Contingency – Various Locations

Properties will be rewired where an electrical inspection has identified that this is necessary.

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 electrical wiring, emergency lighting, new communal aerial facilities, fire alarms, IT systems, warning or helpline systems as required. This contract will operate over the period of this report.

Passenger Lift Repair, Improvement 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 assessment and undertake repair, improvement, alteration or renewal to passenger lifts and associated work where there are defects (or at the end of their useful life) to ensure continued safe and long term provision. Where there is sufficient requirement new provision may be included at selected sites. 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.

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 may include, depending on requirements, alterations or replacement to electrical wiring, replacement central heating systems, renewing food preparation surfaces, storage and cooking areas, minor kitchen layout alterations, flooring, decorative finishes including tiling and where required the 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. The scheme will also include alterations and adaptations to kitchen and bathrooms where the occupants are identified as requiring these due to illness or disability. 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. Where some facilities are no longer viable, these may be removed. 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 to 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

General Environment Schemes

The scheme is to improve areas belonging to the Housing Revenue Account element of 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 support the provision of new council housing, the conversion of existing buildings to new accommodation and all other actions set out in the agreed 'More Council Homes Strategy'.

Agenda Item 15.

Report of the Section 151 Officer

Council - 23 February 2017

STATUTORY RESOLUTION – RESOLUTIONS TO BE MADE IN ACCORDANCE WITH THE REGULATIONS IN THE SETTING OF THE COUNCIL TAX 2017/2018

- (1) **THAT** the Council notes and adopts the statutory resolutions set out below.
- (2) **THAT** it be noted that at its meeting on 24th November 2016 the Council calculated the following amounts for the year 2017/2018 in accordance with Regulations made under Section 33(5) of the Local Government Finance Act 1992 (as amended) -
- a) 89,465 being the amount calculated by the Council, in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) (Wales) Regulations 1995, as amended, as its Council Tax base for the year.
- b) Parts of the Council's Area –

Bishopston	1,965
Clydach	2,603
Gorseinon	3,136
Gowerton	1,944
Grovesend	407
Ilston	319
Killay	2,074
Llangennith, Llanmadoc & Cheriton	488
Llangyfelach	946
Llanrhidian Higher	1,581
Llanrhidian Lower	332
Llwchwr	3,385
Mawr	733
Mumbles	9,623
Penllergaer	1,360
Pennard	1,456
Penrice	410
Pontarddulais	2,277
Pontlliw & Tircoed	1,028
Port Eynon	427
Reynoldston	289
Rhossilli	187
Three Crosses	715
Upper Killay	566

being the amounts calculated by the Council, in accordance with Regulation 6 of the Regulations, as the amounts of its Council Tax base for dwellings in those parts of its area to which special items relate.

- (3) **THAT** the following amounts be now calculated by the Council for the year 2017/2018 in accordance with Section 32 to 36 of the Local Government Finance Act 1992 -
- (a) £686,970,701 being the aggregate of the amounts which the Council estimates for the items set out in Sections 32(2)(a) to (d) of the Act.
 - (b) £267,609,668 being the aggregate of the amounts which the Council estimates for the items set out in Sections 32(3)(a), 32(3)(c) and 32(3a) of the Act.
 - (c) £419,361,033 being the amount by which the aggregate at (3)(a) above exceeds the aggregate at 3(b) above, calculated by the Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year.
 - (d) £310,300,543 being the aggregate of the sums which the Council estimates will be payable for the year into its Council Fund in respect of redistributed non-domestic rates, and revenue support grant less discretionary Non Domestic Rate relief.
 - (e) £1,219.03 being the amount at (3)(c) above less the amount at (3)(d) above, all divided by the amount at (2)(a) above, calculated by the Council, in accordance with Section 33(1) of the Act, as the basic amount of its Council Tax for the year.
 - (f) £964,633 being the aggregate amount of all special items referred to in Section 34(1) of the Act.
 - (g) £1,208.25 being the amount at (3)(e) above less the result given by dividing the amount at (3)(f) above by the amount at (2)(a) above, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special items relate.

(h) Parts of the Council's Area -

Bishopston	1,228.61
Clydach	1,246.04
Gorseinon	1,234.86
Gowerton	1,225.61
Grovesend & Waungron	1,222.99
Ilston	1,218.75
Killay	1,218.86
Llangennith, Llanmadoc & Cheriton	1,223.11
Llangyfelach	1,233.62
Llanrhidian Higher	1,261.98
Llanrhidian Lower	1,226.32
Llwchwr	1,232.43
Mawr	1,284.65
Mumbles	1,221.38
Penllergaer	1,222.96
Pennard	1,259.76
Penrice	1,232.64
Pontarddulais	1,246.02
Pontlliw & Tircoed	1,242.33
Port Eynon	1,222.30
Reynoldston	1,234.20
Rhossili	1,227.66
Three Crosses	1,250.49
Upper Killay	1,240.05

being the amounts given by adding to the amount at (3)(g) above the amounts of the special items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amount at (2)(b) above, calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its Council Tax for the year for dwellings in those parts of its area to which one or more special items relate.

(I) Parts of the Council's Area -

	Band A £	Band B £	Band C £	Band D £	Band E £	Band F £	Band G £	Band H £	Band I £
Bishopston	819.07	955.59	1,092.10	1,228.61	1,501.63	1,774.66	2,047.68	2,457.22	2,866.76
Clydach	830.69	969.14	1,107.59	1,246.04	1,522.94	1,799.84	2,076.73	2,492.08	2,907.43
Gorseinon	823.24	960.45	1,097.65	1,234.86	1,509.27	1,783.69	2,058.10	2,469.72	2,881.34
Gowerton	817.07	953.25	1,089.43	1,225.61	1,497.97	1,770.33	2,042.68	2,451.22	2,859.76
Grovesend & Waungron	815.33	951.21	1,087.10	1,222.99	1,494.77	1,766.54	2,038.32	2,445.98	2,853.64
Ilston	812.50	947.92	1,083.33	1,218.75	1,489.58	1,760.42	2,031.25	2,437.50	2,843.75
Killay	812.57	948.00	1,083.43	1,218.86	1,489.72	1,760.58	2,031.43	2,437.72	2,844.01
Llangennith, Llanmadoc & Cheriton	815.41	951.31	1,087.21	1,223.11	1,494.91	1,766.71	2,038.52	2,446.22	2,853.92
Llangyfelach	822.41	959.48	1,096.55	1,233.62	1,507.76	1,781.90	2,056.03	2,467.24	2,878.45
Llanrhidian Higher	841.32	981.54	1,121.76	1,261.98	1,542.42	1,822.86	2,103.30	2,523.96	2,944.62
Llanrhidian Lower	817.55	953.80	1,090.06	1,226.32	1,498.84	1,771.35	2,043.87	2,452.64	2,861.41
Llwchwr	821.62	958.56	1,095.49	1,232.43	1,506.30	1,780.18	2,054.05	2,464.86	2,875.67
Mawr	856.43	999.17	1,141.91	1,284.65	1,570.13	1,855.61	2,141.08	2,569.30	2,997.52
Mumbles	814.25	949.96	1,085.67	1,221.38	1,492.80	1,764.22	2,035.63	2,442.76	2,849.89
Penllergaer	815.31	951.19	1,087.08	1,222.96	1,494.73	1,766.50	2,038.27	2,445.92	2,853.57
Pennard	839.84	979.81	1,119.79	1,259.76	1,539.71	1,819.65	2,099.60	2,519.52	2,939.44
Penrice	821.76	958.72	1,095.68	1,232.64	1,506.56	1,780.48	2,054.40	2,465.28	2,876.16
Pontarddulais	830.68	969.13	1,107.57	1,246.02	1,522.91	1,799.81	2,076.70	2,492.04	2,907.38
Pontlliw & Tircoed	828.22	966.26	1,104.29	1,242.33	1,518.40	1,794.48	2,070.55	2,484.66	2,898.77
Port Eynon	814.87	950.68	1,086.49	1,222.30	1,493.92	1,765.54	2,037.17	2,444.60	2,852.03
Reynoldston	822.80	959.93	1,097.07	1,234.20	1,508.47	1,782.73	2,057.00	2,468.40	2,879.80
Rhossili	818.44	954.85	1,091.25	1,227.66	1,500.47	1,773.29	2,046.10	2,455.32	2,864.54
Three Crosses	833.66	972.60	1,111.55	1,250.49	1,528.38	1,806.26	2,084.15	2,500.98	2,917.81
Upper Killay	826.70	964.48	1,102.27	1,240.05	1,515.62	1,791.18	2,066.75	2,480.10	2,893.45
All other parts of the Council area	805.50	939.75	1,074.00	1,208.25	1,476.75	1,745.25	2,013.75	2,416.50	2,819.25

being the amounts given by multiplying the amounts at (3)(g) and (3)(h) above by the number which, in the population set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of the categories of dwellings listed in the different valuation bands.

- (4) **THAT** it be noted that for the year 2017/2018 the Police and Crime Commissioner for South Wales have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwelling shown below -

	Band A £	Band B £	Band C £	Band D £	Band E £	Band F £	Band G £	Band H £	Band I £
The Police and Crime Commissioner for South Wales	145.50	169.75	193.99	218.24	266.74	315.24	363.74	436.49	509.24

- (5) **THAT** having calculated the aggregate in each case of the amounts at (3)(i) and (4) above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2017/18 for each of the categories of dwelling shown below –

	Band A £	Band B £	Band C £	Band D £	Band E £	Band F £	Band G £	Band H £	Band I £
<i>Bishopston</i>	964.57	1,125.34	1,286.09	1,446.85	1,768.37	2,089.90	2,411.42	2,893.71	3,376.00
<i>Clydach</i>	976.19	1,138.89	1,301.58	1,464.28	1,789.68	2,115.08	2,440.47	2,928.57	3,416.67
<i>Gorseinon</i>	968.74	1,130.20	1,291.64	1,453.10	1,776.01	2,098.93	2,421.84	2,906.21	3,390.58
<i>Gowerton</i>	962.57	1,123.00	1,283.42	1,443.85	1,764.71	2,085.57	2,406.42	2,887.71	3,369.00
<i>Grovesend & Waugron</i>	960.83	1,120.96	1,281.09	1,441.23	1,761.51	2,081.78	2,402.06	2,882.47	3,362.88
<i>Ilston</i>	958.00	1,117.67	1,277.32	1,436.99	1,756.32	2,075.66	2,394.99	2,873.99	3,352.99
<i>Killay</i>	958.07	1,117.75	1,277.42	1,437.10	1,756.46	2,075.82	2,395.17	2,874.21	3,353.25
<i>Llangennith, Llanmadoc & Cheriton</i>	960.91	1,121.06	1,281.20	1,441.35	1,761.65	2,081.95	2,402.26	2,882.71	3,363.16
<i>Llangyfelach</i>	967.91	1,129.23	1,290.54	1,451.86	1,774.50	2,097.14	2,419.77	2,903.73	3,387.69
<i>Llanrhidian Higher</i>	986.82	1,151.29	1,315.75	1,480.22	1,809.16	2,138.10	2,467.04	2,960.45	3,453.86
<i>Llanrhidian Lower</i>	963.05	1,123.55	1,284.05	1,444.56	1,765.58	2,086.59	2,407.61	2,889.13	3,370.65
<i>Llwchwr</i>	967.12	1,128.31	1,289.48	1,450.67	1,773.04	2,095.42	2,417.79	2,901.35	3,384.91
<i>Mawr</i>	1,001.93	1,168.92	1,335.90	1,502.89	1,836.87	2,170.85	2,504.82	3,005.79	3,506.76
<i>Mumbles</i>	959.75	1,119.71	1,279.66	1,439.62	1,759.54	2,079.46	2,399.37	2,879.25	3,359.13
<i>Penllergaer</i>	960.81	1,120.94	1,281.07	1,441.20	1,761.47	2,081.74	2,402.01	2,882.41	3,362.81
<i>Pennard</i>	985.34	1,149.56	1,313.78	1,478.00	1,806.45	2,134.89	2,463.34	2,956.01	3,448.68
<i>Penrice</i>	967.26	1,128.47	1,289.67	1,450.88	1,773.30	2,095.72	2,418.14	2,901.77	3,385.40
<i>Pontarddulais</i>	976.18	1,138.88	1,301.56	1,464.26	1,789.65	2,115.05	2,440.44	2,928.53	3,416.62
<i>Pontlliw & Tircoed</i>	973.72	1,136.01	1,298.28	1,460.57	1,785.14	2,109.72	2,434.29	2,921.15	3,408.01
<i>Port Eynon</i>	960.37	1,120.43	1,280.48	1,440.54	1,760.66	2,080.78	2,400.91	2,881.09	3,361.27
<i>Reynoldston</i>	968.30	1,129.68	1,291.06	1,452.44	1,775.21	2,097.97	2,420.74	2,904.89	3,389.04
<i>Rhossili</i>	963.94	1,124.60	1,285.24	1,445.90	1,767.21	2,088.53	2,409.84	2,891.81	3,373.78
<i>Three Crosses</i>	979.16	1,142.35	1,305.54	1,468.73	1,795.12	2,121.50	2,447.89	2,937.47	3,427.05
<i>Upper Killay</i>	972.20	1,134.23	1,296.26	1,458.29	1,782.36	2,106.42	2,430.49	2,916.59	3,402.69
All other parts of the Council area	951.00	1,109.50	1,267.99	1,426.49	1,743.49	2,060.49	2,377.49	2,852.99	3,328.49

Report of the Section 151 Officer

Council - 23 February 2017

WALES INVESTMENT POOL INTER AUTHORITY AGREEMENT AND JOINT GOVERNANCE COMMITTEE

Purpose:	This report sets out the background to the proposed investment pooling arrangements across the eight Welsh Local Authority Pension Funds and the requirement to formally enter into an agreement between the funds to establish administrative and governance arrangements to manage the pooling arrangements
Policy framework	Financial Governance and Pension Fund Administering Authority responsibilities
Reason for Decision:	Financial Governance and Pension Fund Administering Authority responsibilities
Consultation:	Legal, Finance, Access to Services and Pension Fund Committee
Recommendation(s):	<p>It is recommended that Council:</p> <ol style="list-style-type: none">1. Notes the content of the draft Inter Authority Agreement attached at Appendix B and delegates authority to the Section 151 Officer in consultation with the Chair of the Pensions Committee and the Interim Head of Legal and Democratic Services to approve and sign the final version of the IAA.2. Approves the establishment of a joint committee (hereinafter referred to as the Joint Governance Committee) on conclusion of the IAA referred to in recommendation 1 above and on the basis of the terms of reference attached.3. Delegates the exercise of certain functions to the Joint Governance Committee as set out in the terms of reference and notes those functions that are reserved to Council.4. Approves the appointment of the Chair of the Pension Fund Committee or his/her nominated Deputy to the Joint Governance Committee as The City & County of Swansea representative.

5. Delegates to the nominated representative of the City and County of Swansea authority to act within the terms of reference of the Joint Governance Committee to enable the exercise of any delegated function.
6. Approves that Carmarthenshire County Council (Dyfed Pension Fund) acts as Host Council with the responsibilities set out in the Inter Authority Agreement.
7. Delegates authority to the Section 151 Officer in consultation with the Interim Head of Legal and Democratic Services to agree any further minor amendments to the IAA.

Report Author: Mike Hawes / Jeff Dong

Finance Officer: Ben Smith

Legal Officer: Tracey Meredith

Access to Services Officer: Sherill Hopkins

1 Background

1.1 The City & County of Swansea is the administering authority for the City & County of Swansea Pension Fund ('the Fund') which is part of the Local Government Pension Scheme (LGPS) for England and Wales. The Council's decision making functions relating to Pensions are delegated in the Council's Constitution to the Pension Fund Committee and Council. The Fund currently comprises 22 contributing employing bodies and provides services to 40,000 employees, pensioners and deferred beneficiaries. The fund manages assets of approximately £1.7bn. The objective of the fund is to meet current and future pension liabilities of its members i.e. to pay members' accrued pensions when they fall due in accordance with LGPS Regulations.

1.2 There are 8 LGPS funds in Wales:

- Cardiff & the Vale
- City & County of Swansea
- Clwyd
- Dyfed
- Greater Gwent
- Gwynedd
- Powys
- Rhondda Cynon Taff

In total, the value of the assets of the above funds is approximately £15bn.

- 1.3 The 8 LGPS funds in Wales have a long tradition of working in a collaborative manner overseen by the Pensions Sub Group of The Society of Welsh Treasurers (SWT). To develop further efficiencies and benefits of collaboration, the Subgroup published a report “Welsh Local Government Pension Funds: Working Together” in 2013 which identified investment management costs as the area where collaboration might yield the most significant savings. The Subgroup then commissioned Mercers Ltd to identify options for collaborative investing and in May 2015 their report recommending a Common Investment Vehicle (CIV) was published.
- 1.4 In the July Budget 2015, the Chancellor announced the Government’s intention to work with Local Government Pension Scheme (the Scheme) administering authorities to ensure that they pool investments to significantly reduce costs while maintaining overall investment performance. Authorities were then invited to submit proposals for pooling which the Government would assess against the criteria in this document. The Chancellor announced that the pools should take the form of up to six British Wealth Funds, each with assets of at least £25bn, which were able to invest in infrastructure and drive local growth.
- 1.5 In December 2015, the Government issued its criteria and guidance for what it expected to see addressed in its received proposals from LGPS funds in respect of their pooling proposals. This was considered by the Pension Fund Committee at its Dec 2015 meeting.
- 1.6 Following extensive work by the SWT Pensions Sub Group and their appointed advisors, Hymans Robertson, a joint submission was formulated in respect of the 8 Welsh Pension Funds. The Pension Fund Committee Chairman’s nominee attended Joint Chairs meetings to agree the submission and the Pension Fund Committee received a formal presentation of the final submission on the 4th July 2016. The Final submission was submitted to HM Government on 15th July 2016 and is attached at Appendix A

2 Submission in respect of the 8 Welsh Pension Funds

- 2.1 The submission in respect of the 8 Welsh funds although not satisfying minimum criteria in size made a compelling submission in respect of its linguistic, cultural, and regulatory differences which alongside the already fruitful collaborative work undertaken by the SWT Pension Sub Group convinced HM Government to approve the submission in Nov 2016.
- 2.2 The Welsh joint submission proposes the engagement of a Financial Conduct Authority (FCA) regulated Third Party Pool Operator to provide the Regulatory framework and mechanism with which to manage and reduce investment management expenses for the funds.

3 The Inter Authority Agreement & Governance

- 3.1 It should be emphasised that the proposals contained in the joint submission do not amend the statutory responsibility of each Administering Authority in respect of its ability to set its own asset allocation, funding and investment strategy.
- 3.2 In developing the proposals and taking the work forward to date, the 8 Welsh Pension funds have operated under a Memorandum of Understanding which is not legally binding.
- 3.3 As the project moves into the next stage of engagement with an appointed ACS operator, there is a necessity to formalise the joint governance and decision making framework in which the 8 Pension funds shall work going forward to ensure the long term success and robustness of the work of the Pool.
- 3.4 The Inter Authority Agreement (IAA), which is attached to this report as Appendix B, has been developed as the legal framework for establishing a Joint Governance Committee (JGC) for the Wales Investment Pool. The IAA sets out the governance arrangements for the Pool, the rights and obligations of the eight participating authorities and the powers and responsibilities delegated to the JGC
- 3.5 The responsibilities of the JGC are listed in Schedule 4 of the IAA and include:
- Monitoring of the performance of the Pool Operator
 - Making decisions on asset class sub-funds to be made available by the Operator to implement the individual investment strategies of the eight funds
 - Providing accountability to the participating funds on the management of the Pool
 - Having responsibility for reporting on the Pool to the UK Government and other stakeholders
 - Having oversight of the Officer Working Group
- 3.6 The JGC will operate on a 'One Fund, One Vote' basis
- The IAA sets out the terms of reference for the Officer Working Group which will act as advisors to the JGC
- 3.7 Under the new arrangements administering authorities will continue to retain control over setting their investment strategy and detailed asset allocation. This continues to allow the broad risk and return characteristics of the investment strategy to be set in conjunction with each pension fund's overall funding strategy. Funds will then invest in asset sub-funds which will be made available by the Operator of the Welsh Pool

3.8 The IAA can only be amended or terminated with the agreement of all eight constituent authorities

4 Host Authority (Accountable Body)

4.1 The IAA provides for one of the eight authorities to act as Host Authority and Accountable Body for the JGC. The Host Authority will provide administrative and secretarial support to the JGC and will implement decisions made by the JGC. The Host Authority will liaise with the Operator on behalf of the participating authorities and will also be responsible for arranging training for members of the JGC.

4.2 It is proposed that Carmarthenshire County Council (administering authority of the Dyfed Pension Fund) act as Host Authority and Accountable Body for the Wales Investment Pool.

5 Project Timetable

5.1 The tender documentation for the procurement of an ACS Operator is being finalised in readiness for issue with a view to the JCG making an appointment in the Summer of 2017 with planned initial assets being held within the ACS from April 2018.

6 Legal Implications

6.1 Legal implications are outlined in the IAA

7 Financial Implications

7.1 Financial implications are outlined in the IAA

8 Equality Impact Assessment Implications

8.1 None

Background Papers:

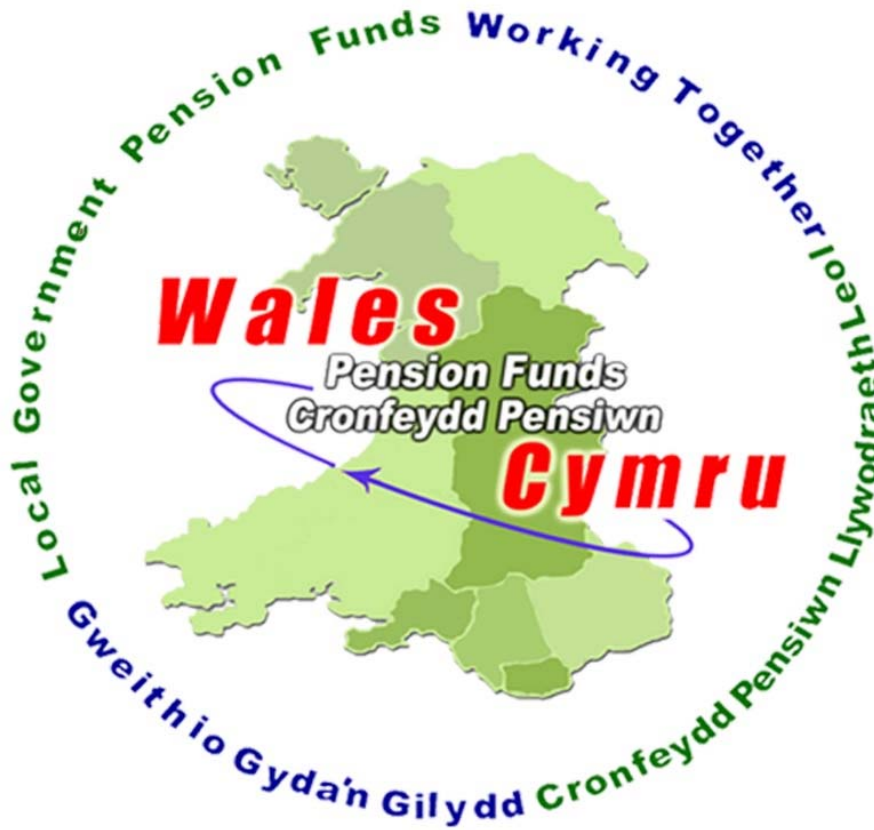
Local Government Pension Scheme: Investment Reform Criteria and Guidance

APPENDICES

Appendix A - Submission by the Wales Pool to the Department for Communities and Local Government (DCLG) In response to the publication in November 2015:

LGPS: Investment Reform Criteria and Guidance

Appendix B- Inter Authority Agreement



Submission by the Wales Pool to the Department for Communities and Local Government (DCLG)

In response to the publication in November 2015:

LGPS: Investment Reform Criteria and Guidance

Introduction

As Chairs of the pension committees for the eight Welsh local government pension funds, we are delighted to submit this proposal comprising details of the establishment of the Wales Pool.

Within Wales, our work on identifying the opportunity for achieving efficiencies through the pooling of investments predates the announcement of the LGPS wide agenda last year. Prior to the publication of the guidance to the LGPS in November 2015, we had already developed and agreed a detailed business plan which included joint procurement of a single provider for passive management and establishment of a pooling vehicle for collective investment. We have recently implemented the appointment of a single passive manager and are benefiting as a result from significant cost savings effective from April 2016.

In this document, we have confirmed our commitment to appoint a regulated third party operator to provide a series of collective vehicles in order to benefit from economies of scale from the management of Welsh pension fund assets. The arrangements will be provided through a robust governance structure providing clear accountability back to individual funds.

Discussions are continuing on the precise arrangements to be put in place for the different types of investments held by the funds but we are estimating that annual savings – net of all running costs – in the region of £10m p.a. could be achieved.

We are a cohesive group of funds with a long experience of collaborating across a number of policy areas, reflecting the specific economic, social, regulatory and political context within Wales. There is a strong desire within Wales to continue the direction of travel we have adopted to date and to capture fully the benefits which we outline in this proposal.

Cllr. Graham Hinchey, Chair, Investment Advisory Panel, Cardiff and Vale of Glamorgan Pension Fund

Cllr. Rob Stewart, Chair, Pension Fund Committee, City and County of Swansea Pension Fund

Cllr. Alan Diskin, Chair, Pension Fund Committee, Clwyd Pension Fund

Cllr. Wyn Evans, Chair, Pension Fund Panel, Dyfed Pension Fund

Cllr. Mary Barnett, Chair, Pensions Committee, Greater Gwent (Torfaen) Pension Fund

Cllr. Stephen Churchman, Chair, Pensions Committee, Gwynedd Pension Fund

Cllr. A G Thomas, Chair, Powys Pension Fund

Cllr. Mark Norris, Chair, Pension Fund Committee, Rhondda Cynon Taff Pension Fund

Proposal for asset pooling in the LGPS – 15 July 2016

Name of pool	Wales Pool
Participating funds	<p>Cardiff and Vale of Glamorgan Pension Fund</p> <p>City and County of Swansea Pension Fund</p> <p>Clwyd Pension Fund</p> <p>Dyfed Pension Fund</p> <p>Greater Gwent (Torfaen) Pension Fund</p> <p>Gwynedd Pension Fund</p> <p>Powys Pension Fund</p> <p>Rhondda Cynon Taff Pension Fund</p>

Any enquiries in relation to this submission should be addressed to:-

- Christine Salter, Corporate Director Resources, City of Cardiff Council
C.Salter@cardiff.gov.uk; 0292 0872301
- Mike Hawes, Head of Finance and Delivery, City and County of Swansea
Mike.Hawes@swansea.gov.uk; 01792 636423
- Gary Ferguson, Corporate Finance Manager, Flintshire County Council
gary.ferguson@flintshire.gov.uk; 01352 702271
- Chris Moore, Director of Corporate Services, Carmarthenshire County Council
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- Nigel Aurelius, Assistant Chief Executive (Resources), Torfaen County Borough Council
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- Dafydd L. Edwards, Head of Finance, Gwynedd Council
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- David Powell, Strategic Director – Resources, Powys County Council
david.powell@powys.gov.uk; 01597 826729
- Chris Lee, Group Director Corporate and Frontline Services, Rhondda Cynon Taff County Borough Council
Christopher.D.Lee@rctcbc.gov.uk; 01443 424026
- Anthony Parnell, Treasury & Pension Investments Manager, Carmarthenshire County Council
AParnell@carmarthenshire.gov.uk; 01267 224180

Criterion A: Asset pools that achieve the benefits of scale

1. The size of the pool once fully operational.

(a) Please state the total value of assets (£b) to be invested via the pool once transition is complete (based on asset values as at 31.3.2015).

The total assets of the eight funds participating in the Wales Pool are shown in the table below.

Fund	Assets (£m)
Cardiff and Vale of Glamorgan Pension Fund	1,653
City and County of Swansea Pension Fund	1,528
Clwyd Pension Fund	1,377
Dyfed Pension Fund	1,908
Greater Gwent (Torfaen) Pension Fund	2,184
Gwynedd Pension Fund	1,408
Powys Pension Fund	512
Rhondda Cynon Taff Pension Fund	2,228
Total	12,798

Asset values are shown as at March 2015.

Our ambition for the Pool is to create appropriate vehicles for collective investment for all participating funds across all asset classes in time.

Assets which are currently held as life policies will be regarded as being within the Pool's governance arrangements but it will be necessary for them to be held outside of the pooled investment vehicles managed by the appointed operator such that the individual funds remain beneficiaries of the relevant policies. However, the investments are regarded as being an integral component of the Pool on the basis that a single manager has been appointed through a collective procurement exercise, and the ongoing monitoring and reporting of the investments will be incorporated into the Pool and fall within the responsibility of the Pool's Joint Governance Committee.

Where funds hold illiquid investments with fixed term lives, it could be very costly to exit from such investments before the realisation of the underlying assets. For that reason, it is proposed that holdings in such funds are retained outside of the Pool until expiry. However, new investments in such assets will be made within the Pool.

Depending on the precise nature of the services available from the appointed operator, it may be possible that one of the participating funds may wish to hold a proportion of their assets outside of the pool. More details are provided in the section below.

2. Assets which are proposed to be held outside the pool and the rationale for doing so.	
<p>(a) Please provide a summary of the total amount and type of assets which are proposed to be held outside of the pool (once transition is complete, based on asset values at 31.3.2015).</p>	
<p>The funds will aim to include all of their assets within the pooling arrangements unless there are technical barriers preventing them from doing so for specific investments.</p>	
<p>(b) Please attach an ANNEX for each authority that proposes to hold assets outside of the pool detailing the amount, type, how long they will be held outside the pool, reason and how it demonstrates value for money.</p>	<p>See Annex 1.</p>

The funds will aim to include all of their assets within the pooling arrangements unless there are technical barriers preventing them from doing so. Annex 1 supplied by Clwyd Pension Fund highlights a couple of mandates where there are some uncertainties on this point.

Funds will hold a small level of operational cash outside of the Pool to help with the efficient management of the fund. Such balances are expected to be modest and will be reviewed on a regular basis.

Funds may also wish to have the flexibility to make limited local investments within their own investment strategy should an appropriate opportunity arise, subject to discussions with the other funds within the Pool.

3. The type of pool including the legal structure.

(a) Please set out the type of pool, including legal structure, and confirm that it has been formally signed off by all participating authorities:

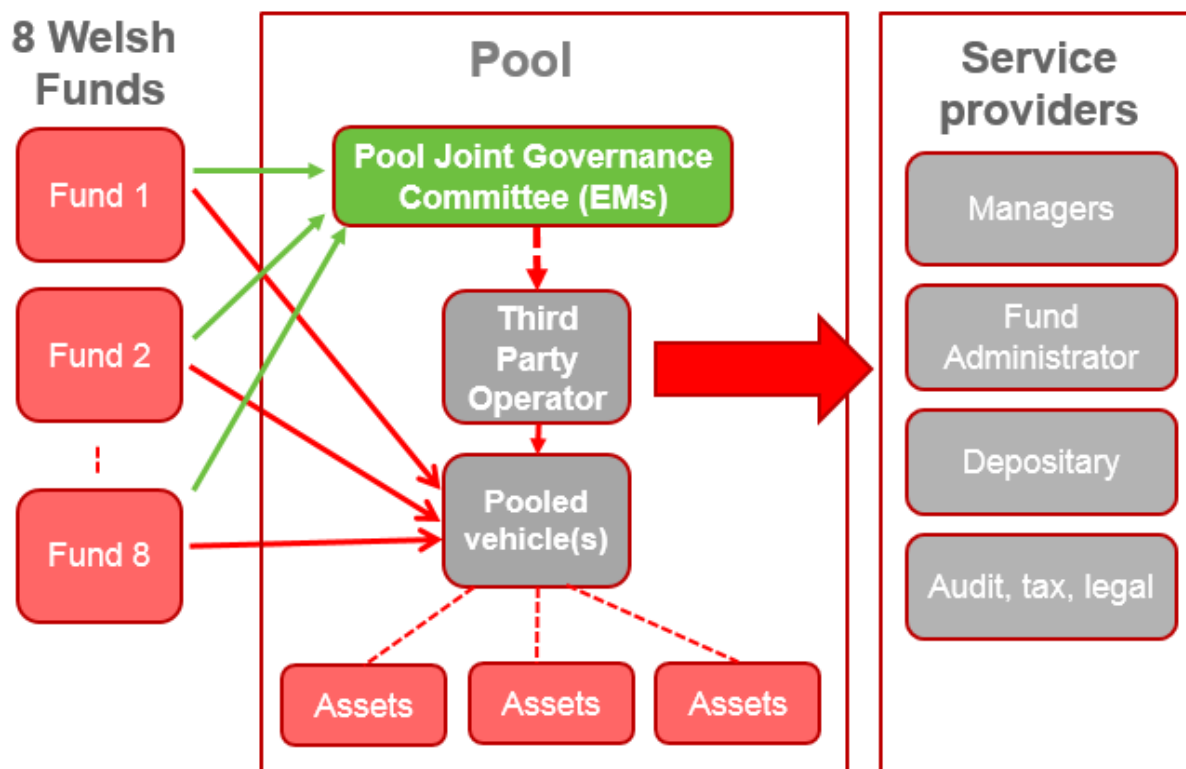
- Details of the FCA authorised structure that will be put in place, and has been signed off by the participating authorities.
- Outline of tax treatment and legal position, including legal and beneficial ownership of assets.
- The composition of the supervisory body.

Please confirm that all participating authorities in the pool have signed up to the above. If not, please provide in an Annex the timeline when sign-off is expected and the reason for this to have occurred post July submission date.

All administering authorities for the participating funds have formally agreed to the nature of the pooling arrangements as described in this section.

We believe that clear and robust governance arrangements are critical in terms of ensuring that the desired objectives of the Pool are achieved.

It is proposed that the Pool appoints a third party operator authorised by the FCA to provide a series of investment sub-funds in which the assets of the participating funds will be invested.



The formal decision to appoint a third party operator of collective vehicles was taken originally by all of the Welsh funds in September 2015 following a detailed report and business plan commissioned from external advisers. In light of the publication of the criteria for LGPS pooling published in November 2015 - and the formation of a number of other LGPS pools within England since that date - that decision has been revisited and re-confirmed by the Wales Pool earlier this year. This does not preclude consideration in future of the option of designing and building our own regulated operator.

A Joint Governance Committee (JGC) will be established to oversee the operator. The Committee will comprise elected members – one from each of the eight participating funds. It is anticipated that this is likely to be the Chairs of the respective Pensions Committees though administering authorities may choose to nominate alternative members if appropriate. This arrangement will provide accountability for the operator back to individual administering authorities.

The remit of the JGC is discussed in more detail in section B3.

The operator will be responsible for selecting and contracting with investment managers for each of the sub-funds as well as appointing other service providers such as depositary asset servicer, and (possibly) an external valuer administrators as necessary.

We anticipate at this stage that listed bonds and equities are likely to be invested through a UK based Authorised Contractual Scheme (ACS) in order to benefit from the tax transparent nature of the vehicle, though we will discuss this issue with the appointed operator. It may be that alternative vehicles are more appropriate for some other asset classes. As well as considering the options with the operator, we will also take external advice on the final proposed approach from a tax efficiency and legal compliance basis.

Under the proposed structure, the depositary will hold legal title to the assets of the Pool. The operator will be responsible for managing and operating the Pool, including entering into the legal contracts with the investment managers.

4. How the pool will operate, the work to be carried out internally and services to be hired from outside.

Please provide a brief description of each service the pool intends to provide and the anticipated timing of provision.

(a) To operate in-house :

(a) To procure externally :

The Pool proposes to appoint a third party operator through a detailed procurement process in the second half of 2016. The funds have already discussed the range of services which are likely to be available from different service providers and the differing levels of service provision which might be considered. The detail of those services to be carried out internally and those which will be sourced through the operator will be discussed further and decided finally as part of the selection process.

To operate in-house

- The Pool will be responsible for the design of the initial structure of the ACS and its sub-funds in close cooperation with its chosen operator. The Pool anticipates that it and its chosen operator would work closely together on subsequent changes to existing sub-funds and on the launch of additional sub-funds. The pool recognises that this is subject to the operator having ultimate responsibility for operating and managing the ACS. Decisions on asset allocation will continue to be taken by the individual administering authorities.
- The Pool will be responsible for providing public reporting on the investment performance of the Pool assets and also on the wider area of achieved cost savings.

To procure externally

- The appointed operator will provide and operate a range of investment vehicles to allow collective investment by the participating funds.
- The operator will be responsible for selecting and contracting with investment managers for the management of the underlying assets. They will also be responsible for administration in relation to the vehicles in terms of unit pricing, valuation, handling cash flows in and out of the various sub-funds, trade processing and reporting on performance.
- They will be responsible for due diligence from an audit, legal and tax perspective for the respective sub-funds and also for electing a depositary to the Pool.
- The Pool will also procure independent external legal and tax advice as necessary to support them in their relationship with the operator.

5. The timetable for establishing the pool and moving assets into the pool. Authorities should explain how they will transparently report progress against that timetable and demonstrate that this will enable progress to be monitored.

(a) Please provide assurance that the structure summarised in 3 above will be in place by 01.04.2018 assuming: x, y and z (add caveats).

YES - We expect the pooling structure to be in place ahead of April 2018 assuming that there are no delays encountered with the procurement process and that the appropriate regulated vehicles can be established by the operator within the expected timescales.

(b) Please provide as an ANNEX a high level timetable for the establishment of the structure and transition of assets as well as the proposed methodology for reporting progress against this timetable.

[Attached as ANNEX number 2](#)

(c) Please provide as an ANNEX an outline of how you will approach transition over the years and where possible by asset class (any values given should be as at 31.3.2015.)

[Attached as ANNEX number 3](#)

(d) Based on the asset transition plan, please provide a summary of the estimated value of assets (in £bn and based on values as at 31.3.2015 and assuming no change in asset mix) to be held within the pool at the end of each 3 year period starting from 01.4.2018.

Total value of assets estimated to be held in pool as at

[31.3.2021: £12.2bn](#)

[31.3.2024: £12.4bn](#)

[31.3.2027: £12.6bn](#)

[31.3.2030: £12.8bn](#)

[31.3.2033: £12.8bn](#)

[We anticipate that 95% of assets will be within the Pool by April 2021.](#)

Criterion B: Strong governance and decision making

1. The governance structure for their pool, including the accountability between the pool and elected councillors and how external scrutiny will be used.
a) Please briefly describe the mechanisms within the pool structure for ensuring that individual authorities' views can be expressed and taken account of, including voting rights.
b) Please list and briefly describe the role of those bodies and/or suppliers that will be used to provide external scrutiny of the pool (including the Pensions Committee and local Pension Board).

The Joint Governance Committee (JGC) will be set up formally as a Joint Committee between the participating administering authorities. Each fund will have one elected member on the Committee. It will operate on the basis of 'One Fund, One Vote', though the intention is that any decisions are reached by consensus wherever possible. A formal Terms of Reference for the Committee will be drawn up.

The Committee will be responsible for ensuring where practical that there are an appropriate range of sub-funds available to allow administering authorities to implement their own desired asset allocation. The JGC will be in regular discussions with the operator as to the specific sub-funds which should be set up within the Pool, both at the outset and on an ongoing basis.

Officers from each administering authority will attend JGC meetings (in a non-voting capacity). The officers already work together as the Pensions Sub Group of the SWT (Society of Welsh Treasurers). The formal terms of reference of this officer group will be revised in light of the new pooling arrangements. The officers will advise the JGC on the establishment and monitoring of the various sub-funds as well as liaise directly with the operator on any day-to-day investment matters.

In the first instance, it is anticipated that the fund representatives on the JGC will report back to their respective individual funds' Pensions committees who will be responsible for satisfying themselves as to the effectiveness of the pooling arrangements overall and the operation of the JGC. However, the local Pensions Boards may also seek reassurance on aspects of the management of the funds' investments.

External scrutiny and formal due diligence of the operator and depositary will also be carried out by the FCA in their role as regulator.

2. The mechanisms by which authorities can hold the pool to account and secure assurance that their investment strategy is being implemented effectively and that their investments are being well managed in the long term interests of their members.

(a) Please describe briefly the type, purpose and extent of any formal agreement that is intended to be put in place between the authorities, pool and any supervisory body.

(b) If available please include a draft of the agreement between any supervisory body and the pool as an ANNEX.

(c) Please describe briefly how that agreement will ensure that the supervisory body can hold the pool to account and in particular the provisions for reporting back to authorities on the implementation and performance of their investment strategy.

(a) A contractual sponsor agreement will be drawn up between the appointed third party operator and the eight administering authorities. External legal advice will be taken by the Pool on the content and format of the contract.

A formal Terms of Reference will be drawn up for the Joint Governance Committee. This will form the basis for the relationship between the Committee and the individual administering authorities.

(b) The draft will be finalised as part of the procurement process. NOTE: Advice on the procurement process to be used will need to be considered further.

(c) The operator will be appointed on a fixed term contract – with an ability for the JGC to terminate the service early in the event of unacceptable performance by the operator. The work involved in changing operator has been discussed already by the Pool and will be considered in more detail as part of the selection exercise.

Comprehensive reporting requirements for the operator will be agreed as part of the service definition.

3. Decision making procedures at all stages of investment, and the rationale underpinning this. Confirm that manager selection and the implementation of investment strategy will be carried out at the pool level.

(a) Please list the decisions that will be made by the authorities and the rationale underpinning this.

(b) Please list the decisions to be made at the pool level and the rationale underpinning this.

(c) Please list the decisions to be made by the supervisory body and the rationale underpinning this.

Administering authorities

Individual administering authorities will be responsible for:-

- Setting their fund's investment strategy and asset allocation, as each fund will have a different pattern of liabilities, a different mix of participating employers and varying attitudes to risk. The investment strategy is a core component of each individual fund's overall funding strategy.
- Any issues relating to the setting of employer contribution rates and the overall administration of the fund's benefits.
- Nominating an elected member to sit on the JGC.

Joint Governance Committee (JGC)

The Committee will be responsible for:

- Recommending the appointment of and monitoring the performance of, the third party operator.
- Interacting with the operator on the design and structure of the investment sub-funds which should be made available by the operator. The objective will be to make available a sufficient range of funds to allow funds to implement their respective investment strategies whilst also being mindful of the benefits of aggregating assets.
- Reporting on the activities of the Pool as required – to administering authorities and Government as well as public reporting.
- Ensuring compliance of the operator with the terms of the sponsor agreement.

Third Party Operator

The Operator will:

- Establish investment sub-funds in cooperation with the JGC, recognising that the operator has ultimate legal and regulatory responsibility for this function.
- Select and contract with the investment managers for each of the sub-funds, as is required in their role as the regulated investment decision-making body.
- Carry out appropriate due diligence on those investment managers, as well as other service providers.
- Provide an appropriate level of detailed reporting on the performance of the investment sub-funds.
- Provide administration in relation to the underlying sub-funds.
- Meet all relevant regulatory requirements.

4. The shared objectives for the pool and any policies that are to be agreed between participants.

(a) Please set out below the shared objectives for the pool.

(b) Please list and briefly describe any policies that will or have been agreed between the participating authorities.

(c) If available please attach as an ANNEX any draft or agreed policies already in place.	
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(a) The objectives of the Pool have been agreed as follows:

- To provide pooling arrangements which allow individual funds to implement their own investment strategies (where practical).
- To achieve material cost savings for participating funds while improving or maintaining investment performance after fees.
- To put in place robust governance arrangements to oversee the Pool’s activities.
- To work closely with other pools in order to explore the benefits that all stakeholders in Wales might obtain from wider pooling solutions or potential direct investments.

(b) The participating authorities will agree specific policies as required. These will include, but not be restricted to, the following:-

- The allocation of implementation and ongoing costs between participants.
- The allocation of transition costs incurred from transferring fund assets into aggregated Pool vehicles.
- The criteria applied and agreed with the operator, to establishing new sub-funds for specific asset classes or investment types.
- The approach to Environmental, Social and Governance (ESG) factors within investment and wider issues relating to Responsible Investment.

5. The resources allocated to the running of the pool, including the governance budget, the number of staff needed and the skills and expertise required.

<p>(a) Please provide an estimate of the operating costs of the pool (including governance and regulatory capital), split between implementation and ongoing. Please list any assumptions made to arrive at that estimate. <u>Please include details of where new costs are offset by reduced existing costs.</u></p>	
<p>(b) Please provide an estimate of the staff numbers and the skills/expertise required, split between implementation and ongoing. Please state any assumptions made to arrive at that estimate.</p>	

(a) Estimates at this stage are difficult as the precise scope of services to be provided by the third party operator has not been defined.

However, we have provisionally estimated the following:-

- Implementation costs – circa £0.5m-£1m
- Ongoing costs - circa £.....

Implementation costs

The estimate of Implementation Costs excludes transaction costs in relation to transferring investment assets.

Regulatory capital will be provided by the operator (and therefore reflected in operator's charges.)

The estimate comprises the costs of carrying out a procurement exercise for a third party operator and subsequent liaison with the operator regarding the setting up of investment sub-funds. It includes an estimate of the input of internal officer resources across the funds as well as external advice in relation to taxation and legal issues, project management and investment advice on potential fund options, etc.

Ongoing costs

We assume that the running costs of the Pool will predominantly comprise the fees payable to the operator, though there will be additional governance costs relating to officer and Committee time.

The fees payable to the operator will depend on the level of services agreed though we have assumed at this stage a broad range of 1-3 bps (or £1.3m-£3.5m).

Fund officers will also be spending time on additional areas such as managing the operator contract (SLAs etc.), monitoring operator performance (KPIs), overseeing reporting, and providing support and advice to the Pool's Joint Governance Committee.

We expect there to be limited scope to offset current costs though some explicit costs will reduce including work in relation to selecting and contracting with managers and day to day queries on individual mandates. We have estimated that additional officer and governance costs should be less than £0.5m per annum.

Depository and custody costs will transfer from being a direct fund expense to being incurred by the ACS. Other costs and expenses will be incurred at the level of the ACS, including those assets services, investment managers, lawyers, auditor and (possibly) valuer. Efficiencies are likely given the larger scale of assets.

(b) The funds have discussed the potential use of internal fund officers to assist with Pool business.

Estimates of the likely workload at this stage are difficult as the precise scope of services to be provided by the operator has not been defined.

The funds are open to the formal allocation of officer time to the Pool should that be seen as advantageous.

6. How any environmental, social and corporate governance policies will be handled by the pool. How the authorities will act as responsible, long term investors through the pool, including how the pool will determine and enact stewardship responsibilities.

(a) Please confirm there will be a written responsible investment policy at the pool level in place by 01.4.2018.

YES - the Pool will have an agreed policy in place by April 2018.

7. How the net performance of each asset class will be reported publicly by the pool, to encourage the sharing of data and best practice.

(a) Please confirm that the pool will publish annual net performance in each asset class on a publicly accessible website, and that all participating authorities will publish net performance of their assets on their own websites, including fees and net performance in each listed asset class compared to a passive index.

YES – the Pool is committed to publishing the above information. We feel there is benefit in there being collaboration between pools in agreeing on the best format for reporting such information as this will allow for greater consistency of overall data.

8. The extent to which benchmarking is used by the authority to assess their own governance and performance and that of the pool.

(a) Please list the benchmarking indicators and analysis that the participating authorities intend to implement to assess their own governance and performance and that of the pool.

The funds have requested and received detailed analysis on their investment costs from independent benchmarking company, CEM Benchmarking.

Once formally established, the Joint Governance Committee will explore the potential for using third party evaluation services to provide independent assessment of different aspects of the Pool's governance and performance.

Criterion C: Reduced costs and excellent value for money

1. A fully transparent assessment of investment costs and fees as at 31 March 2013.	
(a) Please state the total investment costs and fees for each of the authorities in the pool as reported in the Annual Report and Accounts for that year ending 31.03.2013.	
(b) Please state the total investment costs and fees for each of the authorities in the pool as at 31.03.2013 on a fully transparent basis.	
(c) Please list below the assumptions made for the purposes of calculating the transparent costs quoted.	

Total investment costs and fees reported by the eight funds in their Annual Reports and Accounts for March 2013 were £34.385m.

In order to calculate costs on a fully transparent and consistent basis, the funds supplied data to a third party company, CEM Benchmarking. Reports have been produced at an individual fund level and at an aggregate pool level.

The cost information supplied by CEM is as follows:

	March 2013 (bps)	March 2013 (£)
Investment management costs	44.6	£47.6m
Oversight, custody and other costs	2.7	£2.9m
Total costs	47.3	£50.5m

The calculated investment costs include performance related fees for the public market asset classes but exclude carry/performance fees for infrastructure, property and private equity. They exclude non-investment costs, such as pension administration.

Where there have been underlying fees paid within fund-of-funds arrangements and specific data has not been available, CEM have estimated the costs incurred based on their global database of similar arrangements.

2. A fully transparent assessment of current investment costs and fees, prepared on the same basis as 2013 for comparison, and how these will be reduced over time.

(a) Please state the total investment costs and fees for each of the authorities in the pool as reported in the Annual Report and Accounts for that year ending 31.03.2015.	£m
(b) Please state the total investment costs and fees for each of the authorities in the pool as at 31.03.2015 on a fully transparent basis.	£m
(c) Please list below any assumptions made for the purposes of calculating the transparent costs quoted that differ from those listed in 1(c) above.	

Total investment costs and fees reported by the eight funds in their Annual Reports and Accounts for March 2015 were £56.489m.

In order to calculate costs on a fully transparent and consistent basis, the funds supplied data to a third party company, CEM Benchmarking. Reports have been produced at an individual fund level and at an aggregate pool level.

The cost information supplied by CEM is as follows:

	March 2015 (bps)	March 2015 (£)
Investment management costs	45.6	£58.3m
Oversight, custody and other costs	2.9	£3.7m
Total costs	48.5	£62.0m

Costs have been calculated on the same basis as those in section C1.

3. A detailed estimate of savings over the next 15 years.

(a) Please provide a summary of the estimated savings (per annum) to be achieved by each of the authorities in the pool at the end of each 3 year period starting from 01.04.2018.

Total value of savings (per annum) estimated to be achieved by each of the authorities in the pool as at

31.3.2021: £

31.3.2024: £

31.3.2027: £

31.3.2030: £

31.3.2033: £

(b) Please list below the assumptions made in estimating the savings stated above (for example if you have used a standard assumption for fee savings in asset class please state the assumption and the rationale behind it).

(c) Alternatively you may attach an ANNEX showing the assumptions and rationale made in estimating the savings shown.

[Attached as ANNEX number 4.](#)

4. A detailed estimate of implementation costs and when they will arise, including transition costs as assets are migrated into the pool, and an explanation of how these costs will be met.

(a) Please provide a summary of estimated implementation costs, including but not limited to legal, project management, financial advice, structure set-up and transition costs. Please represent these costs in a table, showing when these costs will be incurred, with each type of cost shown separately. Please estimate (using information in Criteria C Section 3) the year in which the pool will break even (i.e. the benefits will exceed additional costs of pooling).

(b) Please list below the assumptions made in estimating the implementation costs stated above (for example if you have assumed a standard cost for each asset class please state the assumption and the rationale behind it).	
(c) Alternatively you may attach an ANNEX showing the assumptions and rationale made in estimating the implementation costs shown.	
(d) Please explain how the implementation costs will be met by the participating authorities.	

Attached as ANNEX number 5.

5. A proposal for reporting transparently against forecast transition costs and savings, as well as for reporting fees and net performance.	
(a) Please explain the format and forum in which the pool and participating authorities will transparently report actual implementation (including transition) costs compared to the forecasts above.	
(b) Please explain the format and forum in which the pool and participating authorities will transparently report actual investment costs and fees as well as net performance.	
(c) Please explain the format and forum in which the pool and participating authorities will transparently report actual savings compared to the forecasts above.	

The Pool is committed to publishing the above information. We anticipate there being collaboration between pools in agreeing on the best format for reporting such data as this will allow for greater consistency overall.

The main cost of implementing pooling will arise from the cost of asset transitions. The Pool is likely to use specialist transition managers for this purpose and will receive detailed reports both before and after each transition providing a breakdown of expected costs and then the actual costs incurred. These will be monitored against the original estimates made in this document of the likely level of costs incurred from asset transfers.

Detailed cost analysis by asset class will also be carried out by participating funds in order to measure the actual level of cost savings achieved against the provisional estimates included at this point.

Criterion D: An improved capacity to invest in infrastructure

1. The proportion of the total pool asset allocation currently allocated to / committed to infrastructure, both directly and through funds, or “funds of funds”	
(a) Please state the pool’s committed allocation to infrastructure, both directly and indirectly, as at 31.3.2015.	
(b) Please state the pool’s target asset allocation to infrastructure, both directly and indirectly, as at 31.3.2015.	
Please use the definition of infrastructure agreed by the Cross Pool Collaboration Group Infrastructure Sub-Group.	

- (a) Current investments in infrastructure account for 0.3% of Pool assets.
- (b) The aggregate target allocation to infrastructure across funds within the Pool is 1% of assets.

2. How the pool might develop or acquire the capacity and capability to assess infrastructure projects, and reduce costs by managing any subsequent investments through the combined pool, rather than existing fund, or “fund of funds” arrangements.	
(a) Please confirm that the pool is committed to developing a collaborative infrastructure platform that offers opportunities through the utilisation of combined scale, to build capability and capacity in order to offer authorities (through their Pools) the ability to access infrastructure opportunities appropriate to their risk appetite and return requirements more efficiently and effectively.	
(b) Please confirm that the pool is committed to continuing to work with all the other Pools (through the Cross Pool Collaboration Infrastructure Group) to progress the development of a collaborative infrastructure initiative that will be available to all Pools and include a timescale for implementation of the initiative.	

The Pool has a representative on the Cross Pool Collaboration Infrastructure Group. The officers representing the Pools have agreed that they are committed to working together, to determine current capacity and capability, share and develop experience and skills in infrastructure development, and explore options for a more formal National Initiative on Infrastructure Investing.

In common with most other funds, the infrastructure investments of the Wales funds are managed by external investment managers and are varied across geographies, managers and most significantly risk / return budgets.

The funds within the Pool acknowledge that they currently have less invested in infrastructure than a number of the other pools and are very supportive of the interim conclusions of the Cross Pool Group, namely that:-

- All Pools would at the very least benefit from sharing knowledge and would explicitly seek not to compete against each other.
- Collaboration will be greatly facilitated through working as a small number of Pools rather than 89 funds.
- There will be considerable scope to achieve significant cost savings through collaboration, and this should be an early priority for the National Initiative.
- There will be considerable opportunity to improve governance rights, negotiate better/more appropriate structures (e.g. longer term vehicles, greater UK investments) and gain priority access to co-investment opportunities.
- Given the level of interest in infrastructure, adding to the number of primary market participants and increasing competition would not be advantageous. Thus, working actively with other investors and investing directly as a co investor, is regarded as the appropriate mechanism for the LGPS to make direct infrastructure investments.
- Overall we expect a “hybrid” model to emerge across the Pools, with some investment in funds and some direct investment through co-investments and other bespoke structures, with widespread collaboration to reduce costs and increase capacity.
- It is important that appropriate delegations are in place to ensure decisions can be made quickly when opportunities arise. Individual funds may have specific investment criteria but typically will be managed by the Pools in association with the National Initiative.
- It is anticipated that the National initiative will need to procure the services of a number of market participants rather than just one in order to access all relevant areas of the asset class to satisfy the risk/return requirements of individual funds and Pools.

The Wales Pool is very supportive of the work of the Cross Pool group and looks forward to the group continuing to develop collaboration and work towards a national initiative in the next stage.

3. The proportion the pool could invest in infrastructure, and their ambition in this area going forward, as well as how they have arrived at this position.	
(a) Please state the estimated total target allocation to infrastructure, or provide a statement of potential strategic investment, once the capacity and capability referred to in 2 above is in full operation and mature.	
(b) Please describe the conditions in which this allocation could be realised.	

- (a) Our ambition in the short to medium term is to have at least 5% of assets (up from the current 0.3%) invested in infrastructure investments with a longer term aspiration set at 10% - subject to satisfactory investments being available.

However, it is recognised by the Pool that allocations to infrastructure represent asset allocation decisions and are therefore the responsibility of individual funds.

- (b) We acknowledge that infrastructure in principle is an attractive investment given the nature of the funds' liabilities.

We anticipate that larger scale will allow the asset class to be accessed at lower cost than at present. Other things being equal, this improves the risk / return characteristics of the asset class to participating funds. National vehicles will also allow for easier access from a governance perspective.

Investments need to be available offering an appropriate level of diversification – global infrastructure rather than purely UK - and suitable access to preferred stages of development (green-field / brown-field etc.). However, the Pool is encouraged by the focus of the Cross Pool group in identifying ways of accessing a wide range of potential investments.

Prospective returns also need to be satisfactory. It is claimed that there is currently a lot of capital chasing opportunities to purchase infrastructure assets in many regions and overpaying for such long term assets would seriously impinge on long term returns to investors.

Annex 1 – section A2

Please attach an ANNEX for each authority that proposes to hold assets outside of the pool detailing the amount, type, how long they will be held outside the pool, reason and how it demonstrates value for money.

Submitted by Clwyd Pension Fund

The Fund will aim to include all of its assets within the pooling arrangements unless there are technical barriers preventing them from doing so. The ability to transfer the assets detailed below will depend on the capabilities of the appointed operator.

Liability Matching Mandate- Flight-path- £329m as at March 2015 – Clwyd Fund

This is a specific strategy to manage the Clwyd Fund's individual liability risks using liability driven investment (LDI). It is a fundamental part of the Clwyd Fund's investment and funding strategy and its implementation is key to the Actuary when determining financial assumptions during the Actuarial Valuation process.

The Clwyd Fund has put in place a strategy based upon long-term management of asset and liability risk, namely volatility on interest rates and inflation. This "flight-path" approach aims to add interest rate and inflation protection on an incremental basis to manage more effectively the move back to 100% funding via a trigger based implementation mechanism

Given the investment and governance complexities involved in implementing a Fund specific LDI portfolio and 'flight-path', this may not be viable under the Wales pooling arrangement. However, the Clwyd Fund remains open-minded to consider a different vehicle or structure provided by the Wales Pool, or a cross pool solution, should a more cost-effective approach become available in the future.

The costs of 'undoing' the arrangements in place would be significant. As a broad rule of thumb, this is likely to be in the order of £2-3m (or 1% of assets in the mandate) and would also require significant officer time and involvement from advisors.

Managed Account Platform – £139m as at March 2016 – Clwyd Fund

The Clwyd Fund's managed futures and hedge fund allocations are managed tactically by a specialist fund manager through a vehicle that has been specifically created for the LGPS and allows individual LGPS Funds or Pools to design and build their own bespoke strategic allocations.

This replaced the previous (traditional) hedge fund of fund approach **from August 2015**, which had higher fees and less transparency, and did not allow the Clwyd Fund to manage specific investment risks on a bespoke and tactical basis.

Although there are only two LGPS funds currently invested, this new vehicle is being actively marketed across other LGPS funds and pools (with significant engagement to date) and it is anticipated that others will adopt this approach which will trigger further fee breaks for all LGPS investors.

Dependent of the operator and model selected by the Wales Pool this vehicle could be added as a sub-fund to a Wales ACS (or other vehicles established for other asset classes). The provider of the Managed Account Platform has promised the LGPS significant flexibility to enable those LGPS funds that have allocated assets to the vehicle the flexibility to retain their exposure post the creation and implementation of the various Asset Pools. Therefore, we will be asking for engagement from the All Wales Pool with the provider to

further understand this flexibility and how it can be used for the benefit of the Clwyd Fund (and other LGPS funds within the vehicle) within the Pooling environment.

However, the Clwyd Fund would also consider any solutions from the Wales Pool which provided the same exposures, transparency and flexibility at a similar cost.

Annex 2 – section A5

Please provide as an ANNEX a high level timetable for the establishment of the structure and transition of assets as well as the proposed methodology for reporting progress against this timetable.

The participating funds will initiate a procurement exercise in the second half of 2016 in order to appoint a third party operator. An Information Day has already been held to consider the range of services which could be available from providers – and wider discussions have been held between the funds on the relative merits of taking particular services. NOTE: Advice on the procurement process to be used will need to be considered further.

The Joint Governance Committee for the Pool will be formally constituted in time to make the formal recommendation in relation to appointment of the operator.

Discussions will then be held with the appointed operator in order to agree the investment sub-funds and the proposed timescale for transferring assets.

The proposed timetable is summarised below.

Establish Shadow Joint Governance Committee	By 30 Sep. 2016
Complete procurement exercise for third party operator Establish formal Governance Committee	By 31 Dec. 2016
Detailed specification of requirements agreed with operator including phasing of asset transition	By 30 June 2017
First transitions of listed assets	By 31 Dec. 2017

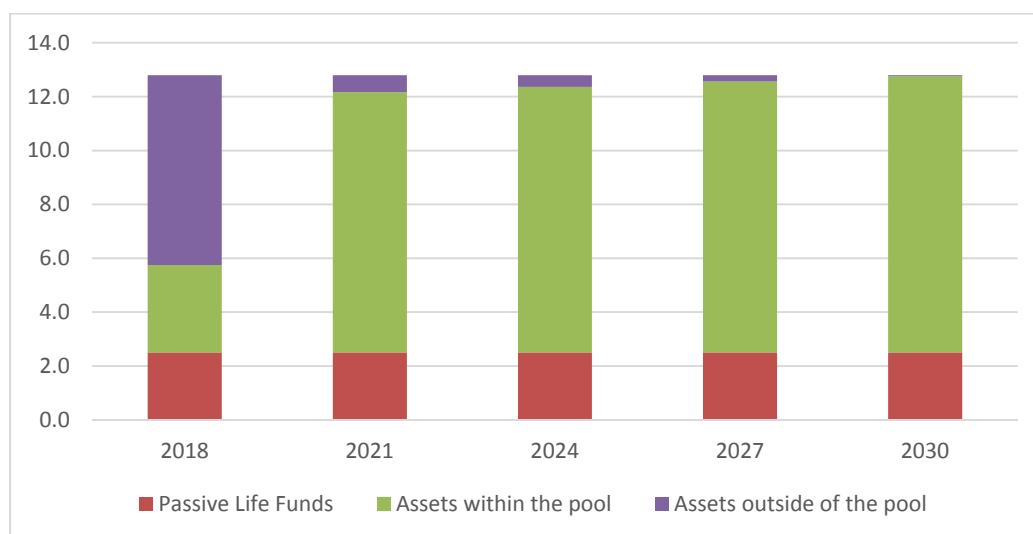
Annex 3 – section A5

Please provide as an ANNEX an outline of how you will approach transition over the years and where possible by asset class (any values given should be as at 31.3.2015.)

The intention is that the implementation of asset pooling will be addressed by the Pool on a phased basis, considering the detailed approach to each of the major asset classes in turn.

However, we anticipate that over 95% of assets will form part of the Pool by April 2021.

We have shown below the estimated movement of assets in aggregate between now and April 2030. This timetable is indicative and will be subject to confirmation following discussions with the appointed operator.



The assumptions underlying the chart above are set out in the table below.

Assets	Rate of transition into Pool
Passive assets	100% by April 2018
Active equities	50% by April 2018 Remainder by April 2021
Active Fixed Income	100% within period April 2018-21
Property	70% by April 2021 (units in liquid funds) Remainder to transfer gradually to 2030 (maturing of fixed life funds)
Liquid alternatives	100% within period 2018-21
Illiquid Alternatives	Gradual transfer over period 2018-2030 as fixed life funds mature

Annex 4 – section C3

Please provide a summary of the estimated savings (per annum) to be achieved by each of the authorities in the pool at the end of each 3 year period starting from 01.04.2018.

By necessity, any forecasts of future costs savings at this point are extremely tentative. Although we are confident that the aggregation of assets will lead to lower management costs, it is difficult to predict the levels of fees which can be obtained until investment managers are obliged to conduct real commercial negotiations about their future business levels.

We have considered possible savings across asset classes as a range of potential outcomes reflecting the uncertainty surrounding the final outcomes. These are shown in the table later in this section. For the purposes of the table below and our projections in Annex 5, we have used the mid-point of those projected ranges.

Actual costs payable will be driven by changes on asset mix, the change in value of assets and the application of performance related fees. The estimated savings below are based on an unchanged asset mix and March 2015 asset values.

Savings will not be achieved on a pro rata basis across participating funds but will depend on the degree of change from their current arrangements and investment costs to the new pooled arrangements.

Total value of savings (per annum) estimated to be achieved as at:

31.3.2021: £8.4m

31.3.2024: £9.8m

31.3.2027: £11.3m

31.3.2030: £12.5m

31.3.2033: £12.5m

The cost savings have been estimated by considering each of the asset classes in which the participating funds currently invest and using the data provided by CEM Benchmarking to find the current level of costs being incurred by investments in these areas. We have then considered the level of savings which might be achievable within each asset class, whilst bearing in mind that we have not yet decided on all of the specific sub-funds which will be put in place.

Asset class	Current cost (bps)	Potential savings (bps)	Total pool assets	Annual estimated potential savings £m	Rationale
Passive (24% of Pool assets)	■	■	£3.1bn	1.8-2.0	New reduced fee scale already agreed with single manager and will apply with effect from April 2016.
Active equity (44% of Pool assets)	43.3	5-10	£5.6bn	2.8-5.6	Assets invested in UK and global equity mandates totalling £1.3bn and £2.8bn respectively will be aggregated into 'core' and 'high alpha' mandates. Savings based on reduced number of mandates and increased manager mandate sizes.
Active fixed income (17% of Pool assets)	22.2	2-4	£2.2bn	0.5-0.8	Current mandates in this area vary widely in scope. A small number of new sub-funds are likely to be established to meet the objectives of each fund. Pool savings based on reduced number of mandates but will depend on the final sub-funds provided.
Property (8% of Pool assets)	108.1	20-30	£0.8bn	1.7-2.5	UK property fund holdings could be pooled initially under a single mandate. The long term potential for establishing a direct property mandate is being explored. Savings assume streamlining of any fund-of-fund arrangements in the short term in favour of a managed account and a transition over the long term to holding more direct assets.
Private Equity (3% of Pool assets)	274.6	50-100	£0.4bn	2.1-4.2	Current investments in closed end funds will be allowed to mature outside of the pool. Savings assume a gradual move from a fund-of-funds model to either a single adviser or alternative cross-pool solution
Infrastructure (<1% of Pool assets)	261.8	50-100	£0.1bn	0.3-0.6	Assumes a gradual move from a fund-of-funds model to a single advisor model or use of a national infrastructure investment
Other asset classes			£0.5bn	0-0.1	Individual allocations are very small. Some modest savings may be possible on an ad-hoc basis.

Source of savings estimates: Analysis from Project POOL, Hymans Robertson research universe.

The estimated savings above provide a range of £9.1m to £15.8m. The mid-point of this range implies a total annual savings rate of circa £12.5m p.a. by 2030.

Annex 5 – section C4

Please provide a summary of estimated implementation costs, including but not limited to legal, project management, financial advice, structure set-up and transition costs. Please represent these costs in a table, showing when these costs will be incurred, with each type of cost shown separately. Please estimate (using information in Criteria C Section 3) the year in which the pool will break even (i.e. the benefits will exceed additional costs of pooling).

By appointing a third party operator, the Pool will avoid costs incurred in setting up a regulated body from outset. We anticipate that the costs incurred will be through the allocation of internal officer resource and advisory fees from external parties for services such as legal services, project management, taxation and legal advice. Estimates of the possible level of transition costs are shown later in this section.

In the table below, we have given an indication of potential costs associated with setting up the Wales Pool arrangements.

Costs	Total - three year period to April 2018 £000s	Total - three year period to April 2021 £000s
Internal officer resource	150-250	50-150
Project management	50-150	-
Legal advice	100-200	0-100
Other advisory fees (taxation, procurement, transition, investment etc.)	200-300	0-100
	500 - 900	50-350

Transition costs

Transition costs will be a very significant component of the costs of implementing the pooling arrangements. At this stage, the level of trading that will be required is difficult to estimate. We are still to confirm the exact number of new strategies which will be available within the pooling arrangements and therefore the degree of mandate consolidation which will be required.

For illustration, in the tables below, we have shown the range of costs which might be incurred across the four liquid asset classes in two potential scenarios - where respectively 30% and 70% of assets within terminated mandates require to be traded.

Transition costs associated with the consolidation of the passively managed assets will be covered by the investment manager.

Asset class	Active UK Equity	Active Global Equity	Div. Growth Funds	Active Bonds
Value of assets	£1.3bn	£2.8bn	£0.2bn	£2.1bn
Current number of strategies	8	14	3	10
Potential number of new strategies	4	6	2	5
Value of assets requiring transition	£650m	£1.6bn	£60m	£1bn
Explicit trading costs (exc. market impact and opportunity cost) (in basis points)	33	17.6	20	29.6
Costs if 30% of assets within portfolios require to be traded (60% turnover)	£1.3m	£1.7m	£0.1m	£1.9m
Costs if 70% of assets within portfolios require to be traded (140% turnover)	£3.0m	£3.9m	£0.2m	£4.4m

In the above illustrations, the estimated transition costs range from £5.0m to £11.5m. We have used these figures in our projections below.

In terms of the timing of these transaction costs, we assume that these will be incurred at the time that assets are transferred into the Pool. In practice, there may be some timing differences.

Transaction costs within property can be significant though we are assuming that there will be minimal transition activity in the short / medium term. A long term ambition for the property assets has still to be agreed. A move to a fully direct mandate will incur higher initial costs but generate higher long term savings.

Illiquid assets will not incur transaction costs as they will be allowed to mature without forced realisation of investments.

Break-even analysis

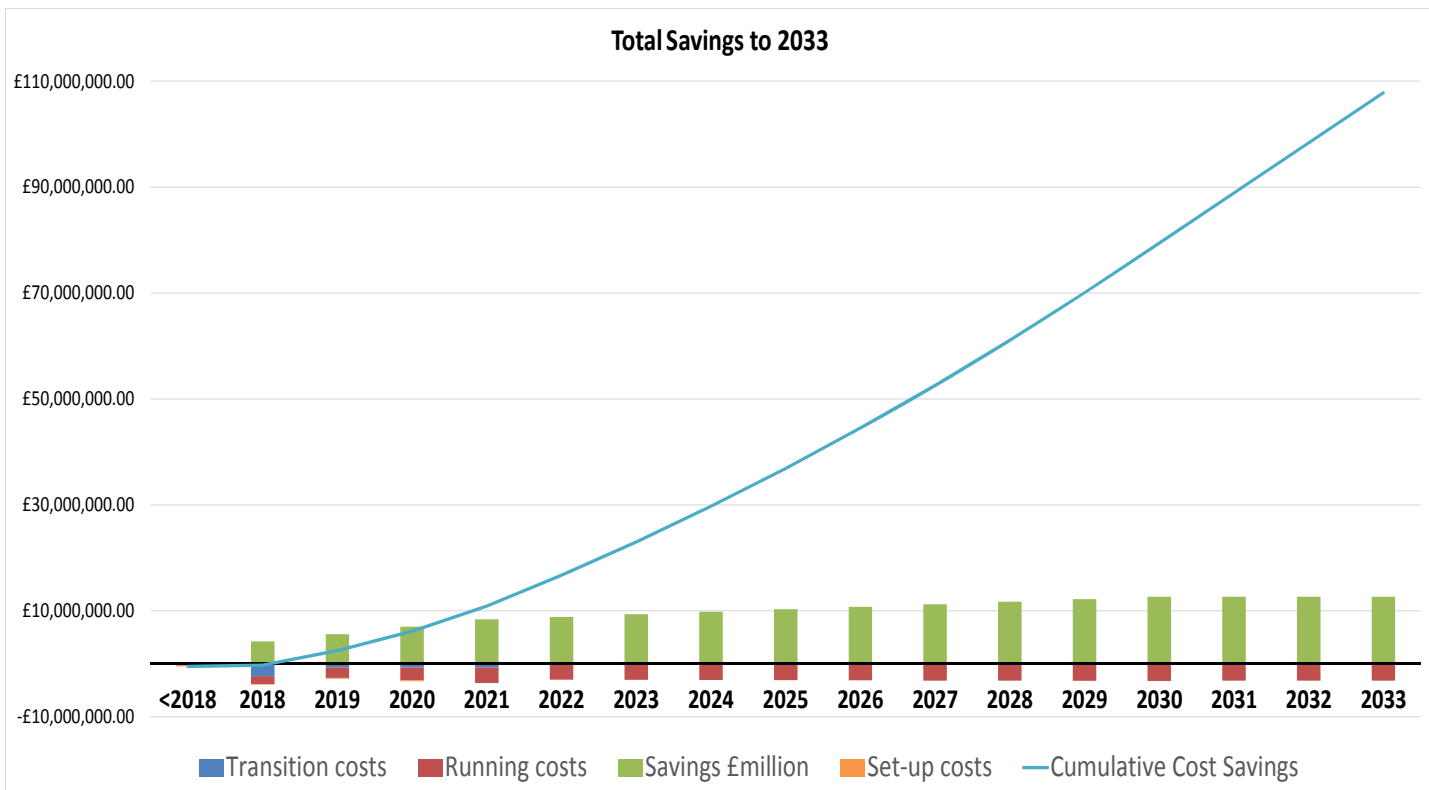
For the purposes of forecasting a break-even point, we have used the following assumptions:-

- The central estimate of cost savings as set out in Annex 4.
- The timing of these cost savings is equivalent to the date of assets entering the Pool - with the exception of property where savings are expected to come through gradually over the 12 year period.
- Running costs of the Pool equivalent to of the assets in the Pool at any point, reflecting operator fees and internal resource costs.
- Set-up costs of £1m divided between the periods to April 2018 and to April 2021.
- The two estimates of transition costs above.

With total transition costs of £5m

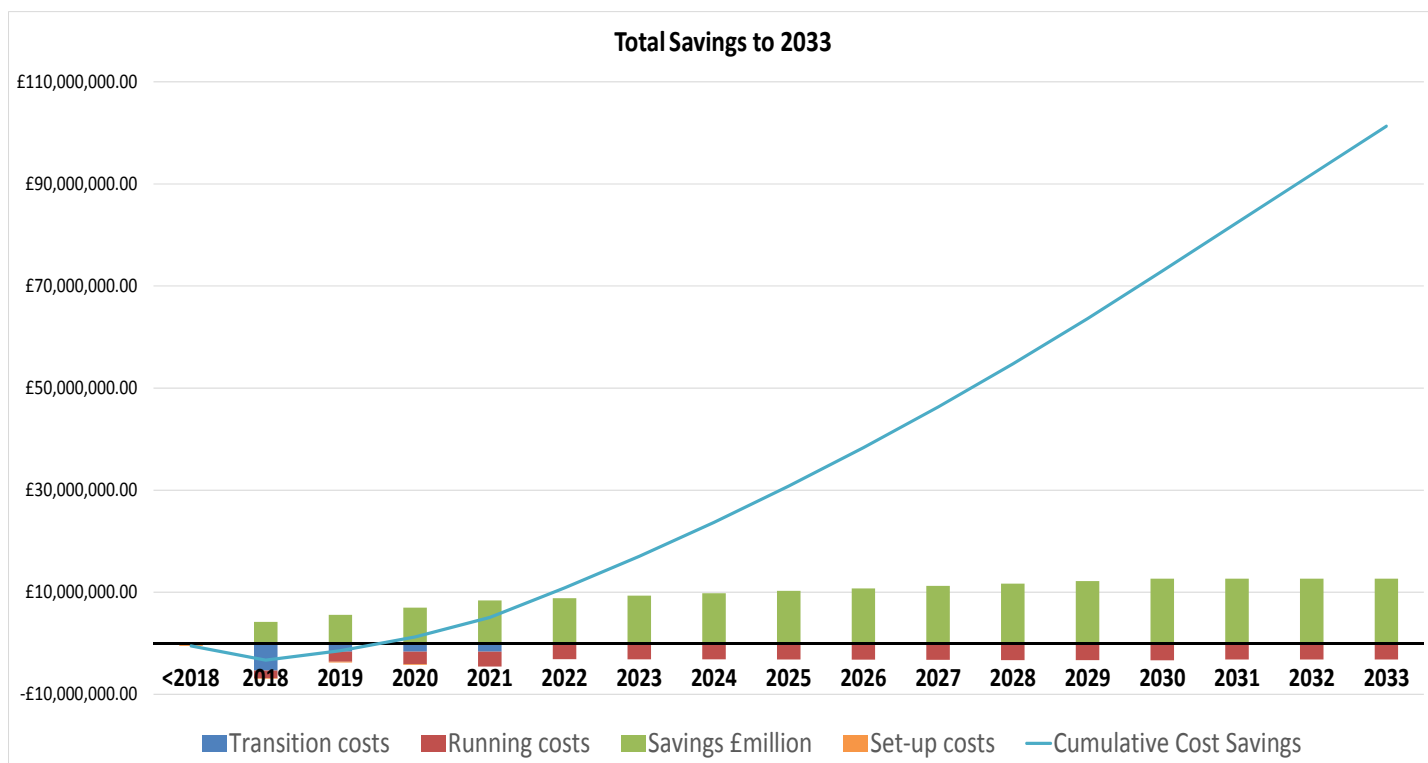
Given the passive fee savings which are already being earned by the Pool with effect from April 2016 and the fact that the Pool will not be incurring the significant costs of setting up its own operator, the benefits of the pooling arrangement flow through quickly – with a break-even point in 2018/19 as shown in the chart below.

By 2033, net annual savings of £9.5m p.a. are being earned with cumulative savings of circa £110m by that date.



With total transition costs of £11.5m

With higher transition costs of £11.5m assumed, the net savings still reach a level of £9.5m p.a. but the break-even date is pushed back to 2019/2020.



Active and passive management

The model above allows the participating funds to consider the impact of changes in assumptions and alternative approaches.

We have been asked to make savings forecasts on the basis of an unchanged asset mix. Each fund will also decide on the extent of its own use of active and passive management.

There are no current plans for individual funds to change their respective allocations to active and passive management. As an indication of the sensitivity of the change in total costs to any such changes, we have shown below the impact of a movement of 5% and 10% of Pool assets respectively moving out of active equity mandates and into passively managed mandates.

- 5% of assets (£638m) – additional cost reduction of before transition costs
- 10% of assets (£1.28bn – additional cost reduction of before transition costs

However, individual funds will also take into account the expected outcomes in terms of returns net of fees.

Dated _____ 2017

DRAFT

Inter-Authority Agreement between

Carmarthenshire County Council	(1)
City & County of Swansea Council	(2)
City of Cardiff Council	(3)
Flintshire County Council	(4)
Gwynedd Council	(5)
Powys County Council	(6)
Rhondda Cynon Taff County Borough Council	(7)
Torfaen County Borough Council	(8)

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THIS DEED is made on

2017

BY

- (1) **CARMARTHENSHIRE COUNTY COUNCIL** of [ADDRESS] ("**Carmarthenshire Council**")
- (2) **CITY & COUNTY OF SWANSEA COUNCIL** of [ADDRESS] ("**Swansea Council**").
- (3) **CITY OF CARDIFF COUNCIL** of [ADDRESS] ("**Cardiff Council**").
- (4) **FLINTSHIRE COUNTY COUNCIL** of [ADDRESS] ("**Flintshire Council**").
- (5) **GWYNEDD COUNCIL** of [ADDRESS] ("**Gwynedd Council**")
- (6) **POWYS COUNTY COUNCIL** of [ADDRESS] ("**Powys Council**")
- (7) **RHONDDA CYNON TAFF COUNTY BOROUGH COUNCIL** of [ADDRESS] ("**Rhondda Council**")
- (8) **TORFAEN COUNTY BOROUGH COUNCIL** of [ADDRESS] ("**Torfaen Council**")

(together referred to as the "**Constituent Authorities**" and individually as a "**Constituent Authority**")

BACKGROUND

- (A) The Constituent Authorities are committed to the development of a formal joint committee pursuant to section 101 and section 102 of the Local Government Act 1972 to ensure the effective operation of the arrangements for asset pooling within the LGPS under a framework of strong internal governance to achieve economies of scale and improved investment infrastructure.
- (B) The Constituent Authorities are all councils responsible for the administration of local government within their areas as set out in the Local Government Act 1972. The Department for Communities and Local Government in its letter dated 23 November 2016 has confirmed that the Constituent Authorities have been granted permission for each Constituent Authority to continue to collaborate with every other Constituent Authority to form a pool of assets in respect of each of their respective funds under the LGPS.
- (C) The Constituent Authorities shall carry on the Pooling Collaboration (as defined below) under the terms of this Agreement to oversee its governance.

AGREED TERMS

1 INTERPRETATION

1.1 The following definitions and rules of interpretation apply in this Agreement.

Business Day a day other than a Saturday, a Sunday or a public holiday in England when banks in London are open for business.

Business Plan has the meaning given by clause 6.

CIPFA Guidance means the guidance published in October 2016 by the Chartered Institute of Public Finance and Accountancy entitled *investment pooling governance principles for LGPS Administering Authorities*.

Commencement Date the date upon which all Constituent Authorities have signed this Agreement.

Constituent Authorities the parties to this Agreement, and all other administering authorities within the LGPS who are or become parties to this Agreement at any time.

Financial Year means in the case of the first Financial Year, the period from the Commencement Date to (and including) the following 31 March. For subsequent Financial Years the period between 1 April and 31 March (inclusive) and for the last Financial Year any lesser period necessary.

Host Council means the Constituent Authority appointed in accordance with clause 7 and whose duties are described within that clause.

Investment Pool means the pooled investments (whether held in single funds, multiple sub-funds or held in alternative structures outside of a collective investment vehicle) derived from assets held by the Constituent Authorities in their capacity as administering authorities within the LGPS for the purpose of the Pooling Collaboration described by this Agreement.

Investment Regulations means the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (SI 2016/946).

Joint Governance Committee means the joint committee formed by this Agreement.

LGPS the Local Government Pension Scheme established pursuant to regulations made by the Secretary of State in exercise of powers under section 7 and 12 of the Superannuation Act 1972 and the provisions of the PSPA 2013.

Member in this Agreement means a member of the Joint Governance Committee appointed in accordance with clause 3.3 or their deputy appointed in accordance with clause 3.4.

Monitoring Officer means the person designated by each Constituent Authority for the purposes of section 5 of the Local Government and Housing Act 1989.

Operator means the operator of the pooled investment vehicle being an Authorised Contractual Scheme (as defined by the Operator Contract) pursuant to the Operator Contract.

Operator Contract means the agreement between the Constituent Authorities and the Operator.

OWG means the Officers Working Group described in clause 4.

Pension Board means a local pension board or a joint local pension board within the meaning given to each phrase by regulation 106 of the Local Government Pension Scheme Regulations 2013 (SI 2013/2356) and section 5 of the PSPA 2013.

Pooling Collaboration means the arrangements for asset pooling under the Investment Pool within a framework of strong internal governance to achieve economies of scale and improved investment in infrastructure carried on by the Constituent Authorities as described by this Agreement.

Pooling Contribution means as defined in clause 10.1.

PSPA 2013 means the Public Service Pensions Act 2013.

S151 officer means the person appointed by each Constituent Authority for the purposes of section 151 of the Local Government Act 1972.

Secretary of State means the Department for Communities and Local Government or such replacement department which has responsibility for the LGPS.

Submission means the document created by the Constituent Authorities entitled "*Submission by the Wales Pool to the Department for Communities and Local Government (DCLG) In response to the publication in November 2015: LGPS: Investment Reform Criteria and Guidance*" dated 15 July 2016.

Terms of Reference means the governing framework document concerning the functions and operations of the Joint Governance Committee.

TUPE means the Transfer of Undertakings (Protection of Employment) Regulations 2006.

- 1.2 Clause, schedule and paragraph headings shall not affect the interpretation of this agreement.
- 1.3 A **person** includes a natural person, corporate or unincorporated body (whether or not having a separate legal personality).
- 1.4 The schedules form part of this agreement and shall have effect as if set out in full in the body of this agreement. Any reference to this agreement includes the schedules.
- 1.5 A reference to a **company** shall include any company, corporation or other body corporate, wherever and however incorporated or established.
- 1.6 Unless the context otherwise requires, words in the singular include the plural and in the plural include the singular.
- 1.7 Unless the context otherwise requires, a reference to one gender shall include a reference to the other genders.
- 1.8 A reference to a statute or statutory provision is a reference to it as amended, extended or re-enacted from time to time and includes any subordinate legislation made from time to time under it.
- 1.9 A reference to **writing** or **written** includes faxes and email.
- 1.10 Documents in **agreed form** are documents in the form agreed by the parties and initialled by them or on their behalf for identification.
- 1.11 References to clauses and schedules are to the clauses and schedules of this Agreement; references to paragraphs are to paragraphs of the relevant schedule.
- 1.12 Any words following the terms **include, including, in particular** or **for example** or any similar expression shall be construed as illustrative and shall not limit the sense of the words, description, definition, phrase or term preceding them.
- 1.13 Any obligation in this agreement on a person not to do something includes an obligation not to agree or allow that thing to be done.
- 1.14 Any reference to the title of an officer or any of the Constituent Authorities shall include any person holding such office from time to time by the same or any title substituted thereafter or such other officer of the relevant Constituent Authority as that Constituent Authority may from time to time appoint to carry out the duties of the officer referred to.

2 COMMENCEMENT AND CESSATION OF THE MEMORANDUM OF UNDERSTANDING

2.1 The Agreement shall commence on the Commencement Date. For the avoidance of doubt, this Agreement is only effective when each Constituent Authority has executed it and each Constituent Authority shall be of equal status with equal rights except where expressly stated otherwise and shall continue on the terms of this Agreement until the earlier of the following:

- (a) all Constituent Authorities agree in writing to its termination; or
- (b) there is only one remaining Constituent Authority who has not exited this Agreement in accordance with clauses 21 or 22.

2.2 The Constituent Authorities confirm that the memorandum of understanding between them relating to *The procurement of services by the administering authorities of the local government pension scheme in Wales* shall cease to have effect from the Commencement Date.

3 FORMATION OF THE JOINT GOVERNANCE COMMITTEE

3.1 The Constituent Authorities by this Agreement hereby form the Joint Governance Committee pursuant to section 101(5) and 102(1) of the Local Government Act 1972 for the purposes of overseeing and reporting on the performance of the Investment Pool. The Joint Governance Committee shall not be responsible for formulating or revising the investment strategy described by regulation 7 of the Investment Regulations in respect of each or any of the Constituent Authorities.

3.2 Meetings of the Joint Governance Committee are subject to the provisions of the Local Government Act 1972 including the provisions on access to information and meetings held in public.

3.3 The membership of the Joint Governance Committee shall be one elected member nominated by each of the Constituent Authorities provided that the elected member is a member of that Constituent Authority's pensions committee (or equivalent body) for the purposes of the Local Government Pension Scheme Regulations 2013.

3.4 For the purposes of clause 3.3, each Constituent Authority may appoint a named deputy who must be an elected member of the same Constituent Authority's pension committee (or equivalent body) for the purposes of the Local Government Pension Scheme Regulations 2013 as the Member for whom they are acting as deputy .

3.5 The Joint Governance Committee shall undertake its role and act in accordance with the Terms of Reference set out in Schedule 4 and undertake the matters set out in

Schedule 3 and shall seek and have regard to the advice of the OWG and any professional advisors appointed in carrying out its functions under this Agreement.

3.6 Every meeting shall be governed by the procedure and requirements set out in Schedule 6.

3.7 A programme of training will be provided to Members and their deputies having regard to CIPFA Guidance and the training provided to Members in their roles on their respective Constituent Authority pension committees. In order to be eligible to participate in the Joint Governance Committee Members must attend and complete this training within [6 months] of being appointed to the Joint Governance Committee and must thereafter attend update and refresher sessions provided at intervals deemed appropriate by the Joint Governance Committee. If Members do not attend mandatory training sessions, they may be required to undertake such training at the cost of the Constituent Authority the Member represents. Any failure to undertake necessary training shall be a matter for consideration of the relevant Member's Constituent Authority pension committee who shall determine if the Member has complied with that Constituent Authority's code of conduct and whether they should remain appointed to the Joint Governance Committee.

4 OFFICERS WORKING GROUP

4.1 The Joint Governance Committee shall appoint the OWG on the following terms:

- (a) **Purpose:** the OWG shall support and advise the Joint Governance Committee on such matters as the Joint Governance Committee may reasonably request or any matters relating to the Pooling Collaboration which are raised by any Constituent Authority's Section 151 Officer or Monitoring Officer;
- (b) **Membership:** each Constituent Authority shall nominate up to [two] officers employed by that Constituent Authority as its representatives on the OWG;
- (c) **Remit:** the remit of the OWG shall be as set out in Schedule 8;

4.2 The OWG shall undertake its role and have regard to the Joint Governance Committee terms of reference set out in Schedule 4

4.3 Each Constituent Authority's Section 151 Officer and Monitoring Officer shall, where they are not members of the OWG, have the right to attend meetings of the OWG and receive copies of any papers.

5 DECISION MAKING

5.1 The Constituent Authorities have identified the following two categories of decisions together with the means by which they will be taken:

- (a) **"Joint Governance Committee Matter"**: a matter which is to be decided upon at a quorate meeting of the Joint Governance Committee by those present and entitled to vote and any such decision will be binding on all of the Constituent Authorities and such matters are identified in Schedule 3;
- (b) **"Matters Reserved to the Constituent Authorities"**: a matter which will have to be referred to each Constituent Authority for decision (having regard to any recommendation to be made thereon by the Joint Governance Committee) until the matter has been determined by all of the Constituent Authorities. If the Constituent Authorities fail to reach the same decision in respect of such matter then the matter shall be referred under clause 36 (Dispute Resolution) as a dispute for resolution, and such matters are identified in Schedule 2.

6 BUSINESS PLAN

6.1 The Joint Governance Committee shall, with the support of the OWG, produce a draft Business Plan to cover the medium term (being up to five years) having regard to the electoral cycle and the operational requirements of the Constituent Authorities for consultation with the Constituent Authorities. The draft Business Plan shall have regard to:

- (a) the strategic objectives of the Pooling Collaboration over the relevant plan period;
- (b) the financial budget for the relevant Business Plan period and/or any annual budget set;
- (c) the delivery plan produced by the Operator in connection with the Investment Pool including any costs or fees proposed by the Operator or any other supplier;
- (d) the requirements on each of the Constituent Authorities in their individual capacity as an administering authority pursuant to the Investment Regulations;
- (e) the requirements of each Constituent Authority's investment strategy;
- (f) the advice of appropriately qualified and authorised and regulated professional advisors;
- (g) the guidance issued from time to time by the Secretary of State as referred to in regulation 7(1) of the Investment Regulations;
- (h) such other matters that the Constituent Authorities may consider necessary to the furtherance of the Pooling Collaboration including (subject to clause 10.2), the proposal and development of ad hoc projects.

- 6.2 Consultation on the draft Business Plan shall be carried out by the OWG (with the Pension Boards, the Operator (where appropriate) and the Constituent Authorities and such other parties as it may deem necessary) who shall report on the outcome of that consultation. The Joint Governance Committee shall hold a meeting to discuss and, having had due regard to the consultation response report and the advice of the appropriately qualified and regulated professional advisors, agree a final Business Plan which may include such revisions to the draft as the Joint Governance Committee considers appropriate.
- 6.3 Following approval by the Joint Governance Committee the Business Plan shall be sent to all Constituent Authorities for their written approval.
- 6.4 The Business Plan will be reviewed by the Joint Governance Committee and the Constituent Authorities annually. Where any revisions are agreed by the Joint Governance Committee the revised Business Plan shall be sent to all Constituent Authorities for their written approval.
- 6.5 For the avoidance of doubt, final approval of the Business Plan shall be treated as a Matter Reserved to the Constituent Authorities (as defined in clause 5).

7 HOST COUNCIL

- 7.1 The Constituent Authorities have agreed, with effect from the Commencement Date, that [*insert name of Host Council*] will be the Host Council for the Pooling Collaboration which shall be carried out for and on behalf of itself and the Constituent Authorities and [*insert name of Host Council*] agrees to act in that capacity subject to and in accordance with and to the extent provided for by the terms of this Agreement. For the avoidance of doubt the role of Host Council includes:-
- (a) to act as the employing authority for any staff engaged in the discharge of the Pooling Collaboration's functions (appointing, employing or accepting the secondment of staff) in accordance with this Agreement;
 - (b) being the point of contact for the purposes of managing the Pooling Collaboration;
 - (c) providing such administrative resources and facilities that may be necessary for the purpose of discharging the Pooling Collaboration and hold all Pooling Contributions;
 - (d) providing such governance and administrative services that may be necessary for the purpose of supporting the Pooling Collaboration including arranging and clerking of meetings;

- (e) providing training for Members to support their role on the Joint Governance Committee in line with the training plan and in accordance with clause 3.7.
 - (f) provide appropriately qualified and experienced officers who will act as the primary legal and financial advisers to the Pooling Collaboration; **[Note: we would envisage that these functions are retained for management by the Joint Governance Committee, but please provide any views on this]**
 - (g) for the purposes of the Pooling Collaboration require their Section 151 Officer and Monitoring Officer (or their substitutes) to undertake oversight and review of the operation of the Pooling Collaboration and decisions of the Joint Governance Committee on behalf of all of the Constituent Authorities; **[For your consideration]**
 - (h) power to enter into contracts for supplies and services as required for the purposes of the Pooling Collaboration;
 - (i) liaise with the Operator on behalf of the Constituent Authorities in the manner and to the extent set out in the Contract Management, Co-ordination and Liaison with the Operator policy and procedure to be approved in accordance with Schedule 5 and to provide any contract management and co-ordination services for the purposes of the Pooling Collaboration set out in that policy and procedure.
- 7.2 [For the avoidance of doubt the duties and responsibilities of the Host Council pursuant to this Agreement shall only bind the Host Council to the extent that they have been resourced by the Constituent Authorities through this Agreement.]
- 7.3 Save and except where otherwise required by law all staff employed by the Host Council pursuant to this Agreement shall be employed on the Host Council's relevant terms and conditions of employment and related staff policies including salary structures.
- 7.4 A replacement Host Council may be appointed by a majority decision of the Constituent Authorities provided that the [current Host Council and] the replacement Host Council agrees.
- 7.5 If the Host Council withdraws from the Pooling Collaboration pursuant to clause 21 (Voluntary Exit) or clause 22 (Compulsory Exit) then a replacement Host Council will be appointed by a majority decision of the Constituent Authorities provided that the replacement Host Council agrees. The withdrawing Host Council will not have the right to vote in regard to any such appointment.

- 7.6 Where TUPE applies in connection with the appointment of any replacement Host Council, then the Constituent Authorities shall comply with the provisions of Schedule 7.
- 7.7 For the duration of this Agreement, the Host Council shall act diligently and in good faith in all its dealings with the other Constituent Authorities.
- 7.8 For the duration of this Agreement, the Constituent Authorities shall act diligently and in good faith in all their dealings with the Host Council and shall use their reasonable endeavours to assist the Host Council to support the Pooling Collaboration.

8 OPERATOR CONTRACT

- 8.1 Each Constituent Authority shall promptly execute the Operator Contract in counterpart and return the executed counterpart to the Host Council as soon as reasonably practicable following execution. The Host Council shall as soon as reasonably practicable confirm that the Operator Contract has been duly executed by all Constituent Authorities and is in force and effect.
- 8.2 The Constituent Authorities authorise the Host Council to carry out its duties pursuant to clause 7.1(i).
- 8.3 For the avoidance of doubt, any allocation of liability arising under the Operator Contract shall be apportioned between the Constituent Authorities pursuant to the terms of the Operator Contract.

9 LIABILITIES AND INDEMNITIES FOR THE HOST COUNCIL

- 9.1 Nothing in this Agreement will make the Host Council liable in respect of anything done or omitted to be done by a Constituent Authority up to the Commencement Date.
- 9.2 The Host Council shall be indemnified from and against all liabilities, costs, expenses, damages and losses (including but not limited to any direct, indirect or consequential loss, loss of profit, loss of reputation and all interest, penalties and legal costs (calculated on a full indemnity basis) and all other reasonable costs and expenses) arising from the performance of its functions authorised pursuant to clause 7 save in the case of its wilful default or fraud.

10 COMMITMENT OF THE CONSTITUENT AUTHORITIES AND CONTRIBUTIONS

- 10.1 Subject to clause 10.2, the Constituent Authorities agree to pay the contributions, which shall be calculated equally, of the estimated governance, procurement and administration costs included within the Business Plan (the "**Pooling Contributions**") except where the Business Plan provides otherwise.

- 10.2 The Constituent Authorities shall meet the costs of ad hoc projects to which they are a party equally between the Constituent Authorities who are parties only and any non-participating Constituent Authorities shall not be liable for any proportion of such costs.
- 10.3 The Constituent Authorities agree to pay the Pooling Contributions to the Host Council on such dates, and at such frequency, as is determined by the Business Plan. Any costs incurred prior to the approval of the Business Plan shall be payable on being invoiced by the Host Council.
- 10.4 All Pooling Contributions shall be made by way of payment to the bank account notified to the Constituent Authorities by the Host Council for the purposes of the Pooling Collaboration. The Host Council shall maintain a separate account or accounts as appropriate for all monies received or expended in connection with the Pooling Collaboration in a manner which complies with their accounting arrangements.
- 10.5 Following the termination of this Agreement, once the costs of the Host Council have been met, the sum standing to the credit of the account or accounts in which Pooling Collaboration funds are held shall be returned to the then remaining Constituent Authorities in the proportions in which they were originally contributed.
- 10.6 Where any further contribution is required, or repayments are to be made, the Constituent Authorities shall decide the following:
- (a) the total amount;
 - (b) the apportionment of such contribution or repayment between the Constituent Authorities; and
 - (c) the form of such contribution or repayment.

In the absence of any agreement to the contrary, such contributions or repayments shall be by or to all of the Constituent Authorities equally.

- 10.7 For the avoidance of doubt, any charges incurred in respect of investment management of the Investment Pool shall be attributed to each Constituent Authority by reference to the assets under management for that Constituent Authority and the investment management charges applicable to each sub-fund (or assets held in any alternative investment structure), are not determined by this Agreement. The liability of each Constituent Authority to meet the fees of the Operator shall be determined by the Operator Contract and not this Agreement.

11 ACCOUNTS

- 11.1 The Host Council shall keep proper books of account (which expression shall include any computerised accounting system for the time being used by the Pooling

Collaboration) and shall be responsible for ensuring that full and proper entries of all receipts and payments are promptly recorded in them. The books of account shall be kept at the premises of the Host Council and be made available for inspection by all of the Constituent Authorities (who may also take copies). The Host Council shall make available on reasonable request such information as is required by any Constituent Authority to prepare their own accounts or respond to any internal or external audit.

- 11.2 The Host Council shall ensure that the contributions and payments made by each Constituent Authority shall be held in an account in the name of the Host Council which does not breach regulation 6 of the Investment Regulations.
- 11.3 The Host Council shall be responsible for ensuring that the accounts relating to the Pooling Collaboration are audited where and when required by law or other competent authority and shall make copies of the audited accounts available to all of the Constituent Authorities.
- 11.4 The Host Council shall prepare annual accounts in relation to each Financial Year for the Pooling Collaboration in accordance with the Host Council's accounting policies (or such other accounting policy agreed by the Constituent Authorities) by no later than [31 May] in the following Financial Year.
- 11.5 The Joint Governance Committee may hold a reserve of funds for the purposes of meeting the costs of the Pooling Collaboration. Where the reserve exceeds [40%] of the budget for the forthcoming year then the amount by which the reserve exceeds that sum may be repaid to the Constituent Authorities and such repayment shall be in proportion to the total amount contributed by each.

12 INVESTMENT MANAGEMENT COSTS

- 12.1 In accordance with clause 10.8, each Constituent Authority shall bear its own costs in respect of investment management they incur or expect to incur in the Pooling Collaboration which shall include all transition costs for the investment and disinvestment of assets.

13 INTELLECTUAL PROPERTY

- 13.1 Any intellectual property developed by any Constituent Authority for the purposes of the Pooling Collaboration shall be retained by the Constituent Authorities and each Constituent Authority will grant all of the other Constituent Authorities a non-exclusive, perpetual, non-transferable and royalty free licence to use, modify amend and develop it for the purpose of the Pooling Collaboration whether or not the Constituent Authority granting the licence remains a party to this Agreement. All costs and expenses relating to such intellectual property shall be borne by the Constituent Authorities and the other Constituent Authorities shall indemnify the Constituent Authority or Constituent

Authorities in whom such property is vested against all liabilities that may arise directly or indirectly in respect of the use of it.

14 REPORTS

14.1 The Joint Governance Committee shall oversee the Pooling Collaboration and ensure that it is provided in accordance with the Business Plan.

14.2 To ensure that the Constituent Authorities are kept up-to-date with the performance of the Pooling Collaboration, the Joint Governance Committee shall report quarterly and annually to the Constituent Authorities with progress measured against the Business Plan and the objectives of the Investment Pool.

15 INSURANCE

15.1 Where the operation of the Pooling Collaboration is not covered by any existing insurance of the Constituent Authorities, the Host Council shall effect and at all times keep in force (for the benefit of the Members of the Joint Governance Committee and the officers appointed to the OWG) such policies of insurance for such amounts as it shall decide. Such policies shall be maintained at the expense of the Constituent Authorities and shall be an administration cost of this Pooling Collaboration for the purposes of of clause 10.1.

16 DUTIES AND POWER

Each Constituent Authority shall at all times:

- (a) use its reasonable skills and endeavours to promote and carry on the Pooling Collaboration for the benefit of the Constituent Authorities, and conduct itself in a proper and responsible manner;
- (b) devote such time and attention as the Constituent Authorities may decide in writing to be necessary and appropriate to the Pooling Collaboration;
- (c) comply with all legislation, regulations, professional standards and other provisions as may govern the conduct of the Pooling Collaboration, or be determined by the Constituent Authorities as standards to be voluntarily applied to the Pooling Collaboration;
- (d) show the utmost good faith to the other Constituent Authorities in all transactions relating to the Pooling Collaboration and give them a true account of, and full information about, all things affecting the Pooling Collaboration;
- (e) inform the Constituent Authorities without delay on becoming party to any legal proceedings in connection with the Pooling Collaboration;

- (f) punctually pay and discharge its present and future debts and financial obligations;
- (g) shall not do or fail to do anything which shall bring any of the other Constituent Authorities, or itself, into disrepute;
- (h) obtain all necessary consents sufficient to carry on their duties to the Pooling Collaboration.

16.2 No action which would otherwise be a breach of this clause shall constitute a breach where the Constituent Authority was required to carry out that action in compliance with a statutory duty or order of any court, tribunal or ombudsman.

17 DELEGATION

17.1 Prior to the commencement of the Pooling Collaboration the Constituent Authorities shall put in place such authorisations as are required within their internal governance arrangements to:

- (a) delegate the making of the decisions set out in Schedule 3 (Joint Governance Committee Matters) to the Joint Governance Committee and shall authorise their Member and that Member's deputy to exercise the Constituent Authority's vote;
- (b) delegate any other matter which is required to comply with the obligations of this Pooling Collaboration, including delegations to its own officers and to the Host Council where required.

17.2 The Constituent Authorities shall review and where necessary amend their delegations throughout the duration of the Pooling Collaboration to ensure that they can comply with the provisions of this Agreement.

17.3 The Joint Governance Committee shall procure that for any purpose for which it may be given power to appoint agents to carry out its duties, the Joint Governance Committee shall act in good faith and with reasonable skill and care in the selection, use and monitoring of such agents.

18 OBLIGATIONS ON CONSTITUENT AUTHORITIES

18.1 Without prejudice to the terms of this Agreement, the Constituent Authorities, on an individual basis, commit to the implementation of the Pooling Collaboration consistently with the Submission (subject to any variation agreed by the Constituent Authorities) and to use their reasonable endeavours to ensure the success of the Pooling Collaboration.

- 18.2 Nothing in this Agreement shall fetter the discretion of each Constituent Authority to formulate and revise an investment strategy appropriate for their fund within the LGPS pursuant to regulation 7 of the Investment Regulations.

19 INDEMNITY

- 19.1 Subject to clause 8.3, any Constituent Authority who is in material breach of any of the provisions of this Agreement shall indemnify the other Constituent Authorities from and against all liabilities, costs, expenses, damages and losses, (including but not limited to any direct, indirect or consequential loss, loss of profit, loss of reputation and all interest, penalties and legal costs (calculated on a full indemnity basis) and all other reasonable costs and expenses) resulting from that breach, without prejudice to any other right or remedy of the other Constituent Authorities howsoever arising.

20 POLICIES AND PROCEDURES

- 20.1 The Joint Governance Committee shall prepare, maintain and adhere to the policies and procedures which are listed in Schedule 5 and any further policies and procedures which the Joint Governance Committee decides are appropriate, in accordance with applicable law and regulation, competent authority, and CIPFA Guidance, and having had regard to applicable guidance specific to local government management of funds or accounting and auditing requirements. The Joint Governance Committee shall provide them to the Constituent Authorities and OWG and provide them to sub-delegates and other necessary parties with the aim of achieving uniformity and efficiency in operating practices.
- 20.2 Where any policy or procedure provided for under this Agreement requires the Constituent Authorities to address or copy any communication or similar to any contract management or co-ordination function the Joint Governance Committee will advise the Constituent Authorities of that requirement in writing. As of the date of receipt of an advisory under this clause the Constituent Authorities shall address or copy any communication as advised.

21 VOLUNTARY EXIT

- 21.1 Any Constituent Authority (the "**VE Authority**") may exit from the Pooling Collaboration by giving not less than 18 (eighteen) months' written notice to the Host Council of its intention to exit the Pooling Collaboration and the date of expiration of that notice is the 31 March which next falls after or is coincident with the end of the 18 (eighteen) month notice period provided that the Constituent Authorities may agree with the VE Authority that a different notice period applies (the "**Exit Date**").
- 21.2 A VE Authority may exit the Pooling Collaboration and be released from its obligations under this Agreement (other than clause 23) provided that:

- (a) it has satisfied all of its obligations up to the Exit Date;
 - (b) it has satisfied its share of the costs and expenses up to the Exit Date, as well as any necessary costs and expenses to facilitate the exit whether or not incurred after the Exit Date;
 - (c) subject to clause 21.5 below, it redeems all of its investments from the Investment Pool;
 - (d) its representatives on the Joint Governance Committee and the OWG resign on or before the Exit Date.
- 21.3 With effect from the [date of the notice given by the VE Authority pursuant to clause 21.1][Exit Date] the Member (and any nominated deputy for the purposes of clause 3.4) nominated by the VE Authority for the purposes of clause 3.3 shall cease to have any voting rights for the purposes of the Joint Governance Committee and the VE Authority shall cease to be a Constituent Authority.
- 21.4 For the avoidance of doubt, the VE Authority shall remain liable to make the Pooling Contributions which are due prior to the Exit Date.
- 21.5 The Constituent Authorities recognise that there may be circumstances where the VE Authority may not be able to redeem all of its assets from the Investment Pool due to the nature of a particular investment (for example where an investment is illiquid or redeeming the asset would be in breach of contract) (the "**Retained Asset(s)**") provided that the Constituent Authorities and the VE Authority shall work together in good faith to redeem the Retained Asset(s) as soon as reasonably practicable. In such circumstances the VE Authority shall continue to make Pooling Contributions after the Exit Date until all of the Retained Asset(s) are redeemed from the Investment Pool. The Pooling Contributions shall be determined by the Business Plan which shall have regard to the relative value of the Retained Assets when compared to the assets applicable to the Constituent Authorities in the Investment Pool.

22 COMPULSORY EXIT

- 22.1 The Constituent Authorities (other than the CE Authority) may compulsorily require any Constituent Authority (the "**CE Authority**") to leave the Pooling Collaboration, by the Host Council giving the CE Authority written notice if the CE Authority:
- (a) commits any serious breach or persistent breaches of this Agreement;
 - (b) fails to pay any money owing by it to the Host Council within [14 (fourteen)] days of a written request for payment from the Host Council;

- (c) fails to account for, or pay over or refund any money received and belonging to the Constituent Authorities within [14 (fourteen)] days after being so required by notice from the Host Council;
- (d) wilfully neglects, refuses or omits to perform its duties, obligations and responsibilities under this Agreement; or
- (e) is guilty of conduct which, in the reasonable opinion of the other Constituent Authorities, is likely to have a serious adverse effect on the Pooling Collaboration;

provided that in each case the CE Authority is first given [25 Business Days] following receipt of the written notice to remedy the breach or issue described in paragraphs (a) to (e) and the CE Authority has failed to remedy such breach or issue or to take reasonable steps to do so.

22.2 The effective date of the CE Authority being required to leave the Pooling Collaboration is the 31 March which next falls after or is coincident with the period of 18 (eighteen) month after the notice given in clause 22.1 above provided that the other Constituent Authorities may notify the CE Authority that a different notice period applies (the "**Compulsory Exit Date**").

22.3 The CE Authority shall exit the Pooling Collaboration from the Compulsory Exit Date and must prior to the Compulsory Exit Date:

- (a) have satisfied all of its obligations up to the Compulsory Exit Date;
- (b) have satisfied its share of the costs and expenses up to the Compulsory Exit Date, as well as any necessary costs and expenses to facilitate the exit whether or not incurred after the Compulsory Exit Date.
- (c) subject to the same circumstances in clause 21.5, it redeems all of its investments from the Investment Pool;
- (d) its representatives on the Joint Governance Committee and the OWG resign [on or before the Compulsory Exit Date].

22.4 With effect from the date of the notice given by the Host Council to the CE Authority pursuant to clause 22.1 the Member (and any nominated deputy for the purposes of clause 3.4) nominated by the CE Authority for the purposes of clause 3.3 shall cease to have any voting rights for the purposes of the Joint Governance Committee and shall cease to be a Constituent Authority.

22.5 For the avoidance of doubt, the CE Authority shall remain liable to make the Pooling Contributions which are due prior to the Compulsory Exit Date and liable to the continuing liability provisions of clause 23.

22.6 The Constituent Authorities recognise that there may be circumstances where the CE Authority may not be able to redeem the Retained Asset(s) provided that the Constituent Authorities and the CE Authority shall work together in good faith to redeem the Retained Asset(s) as soon as reasonably practicable. In such circumstances the CE Authority shall continue to make Pooling Contributions after the Compulsory Exit Date until all of the Retained Asset(s) are redeemed from the Investment Pool. The Pooling Contributions shall be determined by the Business Plan which shall have regard to the relative value of the Retained Asset(s) when compared to the assets applicable to the Constituent Authorities in the Investment Pool.

23 FURTHER PROVISIONS RELATING TO A VE AUTHORITY OR A CE AUTHORITY

23.1 When any Constituent Authority ceases to be a Constituent Authority by virtue of being a VE Authority or a CE Authority, the continuing Constituent Authorities shall publish notice of the change in the Pooling Collaboration and shall give notice in writing of the change in the Pooling Collaboration to all third parties who have in the last 12 (twelve) months had any dealings with the Pooling Collaboration (as advised by the Host Council and whether as suppliers to the Host Council or as clients or customers of it).

23.2 The VE Authority or CE Authority (as applicable) irrevocably agree and undertake to execute and deliver within 5 working days of request all deeds and documents and to do all acts and things necessary to give effect to the terms of this Agreement and for vesting in the continuing Constituent Authorities the full benefit of the assets, rights and benefits to be transferred to the continuing Constituent Authorities under this Agreement.

Continuing liability

23.3 Where any Constituent Authority exits from this Agreement in accordance with Clause 21 or 22 they shall remain liable to the extent they would have been were they still party to this Agreement for any acts, omissions, costs and expenses arising from acts taken or decisions made during the period in which that Constituent Authority was a party to this Agreement.

23.4 Any Constituent Authority who enters this Agreement after the Commencement Date shall have liability for any acts, omissions, costs and expenses arising from acts taken or decisions made from the date of their entry only.

24 NEW CONSTITUENT AUTHORITY

- 24.1 The Constituent Authorities shall consider applications from other administering authorities of funds within the LGPS to join the Pooling Collaboration (a "**New Member Application**").
- 24.2 A New Member Application will be considered on the merits of its business case and the conditions which the Constituent Authorities consider appropriate from time to time.
- 24.3 A New Member Application will only be approved by the Constituent Authorities at their absolute discretion and, subject to regulation 8 of the Investment Regulations, there shall be no obligation under the terms of this Agreement for a New Member Application to be accepted.

25 CONFIDENTIALITY

- 25.1 For the purposes of this Agreement, **Confidential Information** means, any information which has been certified as exempt information in accordance with Section 100I of the Local Government Act 1972 and all confidential information (however recorded or preserved) disclosed by a Constituent Authority or its representatives or advisers to another Constituent Authority and his representatives or advisers (except where by law the information cannot be retained as confidential) concerning:
- (a) any information relating to the prospective business, technical processes, computer software or intellectual property rights of the Pooling Collaboration;
 - (b) all documents, papers and property that may have been made or prepared by, or at the request of, any Constituent Authority and which are marked as being exempt information or confidential and which come into any Constituent Authority's possession or under its control in the course of the Pooling Collaboration; and
 - (c) compilations of two or more items of such information and all information that has been, or may be, derived or obtained from any such information which, at any time, comes into any Constituent Authority's possession or under its control in the course of the Pooling Collaboration and which the Pooling Collaboration regards or could reasonably be expected to regard as confidential, whether or not such information is, in itself, confidential, marked as "confidential" or reduced to tangible form.
- 25.2 Save as provided otherwise in this agreement either expressly or by implication, each Constituent Authority undertakes that it shall not, at any time, disclose to any person any Confidential Information of the other Constituent Authorities and shall use its reasonable endeavours to keep all Confidential Information of the other Constituent

Authorities confidential (whether it is marked as such or not) except as permitted by clause 25.3.

25.3 Each Constituent Authority may disclose the other Constituent Authority's Confidential Information:

- (a) to its representatives or advisers who need to know such information for the purposes of carrying out the Constituent Authority's obligations under or in connection with this Agreement. Each Constituent Authority shall ensure that its representatives or advisers to whom it discloses the other Constituent Authority's Confidential Information comply with this clause.
- (b) as may be required by law, a court of competent jurisdiction or any governmental or regulatory authority including an ombudsman.

26 PENSIONS

26.1 The Constituent Authorities are scheduled employers in the LGPS. The employees employed by the Host Council in the Pooling Collaboration will be active members of the LGPS from and including the Commencement Date or later date of commencement of employment subject to the Local Government Pension Scheme Regulations 2013.

27 FREEDOM OF INFORMATION

27.1 Each Constituent Authority acknowledges that the other Constituent Authorities and the Joint Governance Committee are subject to the requirements of the Freedom of Information Act 2000 ("**FoIA**") and each Constituent Authority shall where reasonable assist and co-operate with the other Constituent Authorities [(at their own expense)] to enable the other Constituent Authorities to comply with these information disclosure obligations.

27.2 Where a Constituent Authority receives a request for information under the FoIA in relation to information which it is holding on behalf of any of the other Constituent Authorities in relation to the Pooling Collaboration, it shall:

- (a) transfer the request for information to the other Constituent Authorities as soon as practicable after receipt and in any event within 2 (two) Business Days of receiving a request for information;
- (b) provide the other Constituent Authorities with a copy of all information in its possession or power in the form that the Constituent Authorities reasonably require within 10 (ten) Business Days (or such longer period as the Constituent Authorities may specify) of the Constituent Authority requesting that information; and

- (c) provide all necessary assistance as reasonably requested by the other Constituent Authorities to enable the Constituent Authority to respond to a request for information within the time for compliance set out in the FoIA.
- 27.3 Where a Constituent Authority receives a request for information under the FoIA which relates to this Agreement or the Pooling Collaboration it shall;
- (a) advise the person making the request that the information is held by another public authority being the Joint Governance Committee and that the request has been passed to that public authority to respond;
 - (b) transfer the request for information to the Host Council on behalf of the Joint Governance Committee as soon as practicable after receipt and in any event within 2 (two) Business Days of receiving a request for information;
 - (c) provide the Host Council with a copy of all information in its possession or power in the form that the Host Council reasonably require within 10 (ten) Business Days (or such longer period as the Constituent Authorities may specify) of the Constituent Authority requesting that information; and
 - (d) provide all necessary assistance as reasonably requested by the Host Council to enable the Host Council to respond to a request for information on behalf of the Joint Governance Committee within the time for compliance set out in the FoIA.
- 27.4 The Constituent Authorities or the Host Council shall be responsible for determining in their absolute discretion whether any information requested under the FoIA:
- (a) is exempt from disclosure under the FoIA;
 - (b) is to be disclosed in response to a request for information.
- 27.5 Each Constituent Authority acknowledges that the other Constituent Authorities and the Joint Governance Committee may be obliged under the FoIA to disclose information:
- (a) without consulting with the other Constituent Authorities where it has not been practicable to achieve such consultation; or
 - (b) following consultation with the other Constituent Authorities and having taken their views into account.

28 DATA PROTECTION

- 28.1 The Constituent Authorities shall comply with the Data Protection Act 1998.

29 DISSOLUTION

- 29.1 No Constituent Authority shall be capable of dissolving the Pooling Collaboration unilaterally by means of a notice.
- 29.2 The Pooling Collaboration and this Agreement shall be terminated upon the unanimous agreement of all of the Constituent Authorities.
- 29.3 Each Constituent Authority shall act in good faith in the wind up of the Pooling Collaboration following the unanimous decision to dissolve as soon as reasonably practicable thereafter, and all costs and expenses shall be borne equally by the Constituent Authorities.

30 ENTIRE AGREEMENT

- 30.1 This Agreement constitutes the entire agreement between the parties and supersedes and extinguishes all previous agreements, promises, assurances, warranties, representations and understandings between them, whether written or oral, relating to its subject matter.
- 30.2 Each Constituent Authority acknowledges that, in entering into this Agreement it does not rely on, and shall have no remedies in respect of, any statement, representation, assurance or warranty (whether made innocently or negligently) that is not set out in this agreement.
- 30.3 Each Constituent Authority agrees that it shall have no claim for innocent or negligent misrepresentation (or negligent misstatement) based on any statement in this agreement.
- 30.4 Nothing in this clause shall limit or exclude any liability for fraud.

31 NOTICES

- 31.1 Any notice, demand or communication in connection with this Agreement will be in writing and may be delivered by hand, post or facsimile addressed to the recipient as set out in Schedule 1 or any other address notified to the other party in writing in accordance with this clause as an address to which notices, invoices and other documents may be sent. The notice, demand or communication will be deemed to have been duly served:
- (a) if delivered by hand during business hours, at the time of delivery;
 - (b) if delivered by post, 48 hours after being posted (excluding Saturdays, Sundays and public holidays);

- (c) if delivered by facsimile during business hours, at the time of transmission, provided that a confirming copy is sent by first class post to the other party within 24 hours after transmission; or
- (d) if delivered by email or other electronic form of communication during business hours, at the time of transmission provided that a confirming copy is sent by first class post to the other party within 24 hours after transmission.

31.2 Where notice is served by hand, facsimile or email outside business hours, it will be deemed to have been served on the next business day.

32 CONTRACTS (THIRD PARTY RIGHTS)

32.1 The Constituent Authorities as parties to this Agreement do not wish that any of its terms will be enforceable by virtue of the Contract (Rights of Third Parties) Act 1999 by any person not a party to this Agreement.

33 SEVERANCE

33.1 If any provision or part-provision of this Agreement is or becomes invalid, illegal or unenforceable, it shall be modified to the minimum extent necessary to make it valid, legal and enforceable. If such modification is not possible, the relevant provision or part-provision shall be deemed deleted. Any modification to or deletion of a provision of part-provision under this clause shall not affect the validity and enforceability of the rest of this Agreement.

33.2 If one Constituent Authority gives notice to the other Constituent Authorities of the possibility that any provision or part-provision of this Agreement is invalid, illegal or unenforceable, the Constituent Authorities shall negotiate in good faith to amend such provision so that, as amended, it is legal, valid and enforceable, and, to the greatest extent possible, achieves the intended result of the original provision.

34 AMENDMENTS

34.1 No amendment to this Agreement shall be binding unless it is in writing and signed by a duly authorised representative of each of the Constituent Authorities and expressed to be for the purpose of such amendment.

35 GOVERNING LAW AND JURISDICTION

35.1 This agreement and any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with it or its subject matter or formation shall be governed by and construed in accordance with the law of England and Wales as it applies in Wales.

35.2 Each party irrevocably agrees that the courts of England and Wales have exclusive jurisdiction to settle any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with this agreement, its subject matter or formation.

36 ALTERNATIVE DISPUTE RESOLUTION

36.1 The Constituent Authorities agree:

- (a) to pursue a positive approach towards dispute resolution with an objective of reaching a consensus without formal dispute resolution and/or legal proceedings and maintaining a strong working relationship between the Constituent Authorities;
- (b) that any dispute between the Constituent Authorities in relation to matters covered by this Agreement will be referred to in the first instance to the Chief Executives of the Constituent Authorities who may, at their sole discretion, delegate the dispute to the appropriate senior officer within 10 Business Days of written notice of the dispute;
- (c) that if the Chief Executives or their delegates are not able to resolve the dispute within 5 Business Days of meeting or there is disagreement over a Member matter, then any Member may refer the matter to a mediation facilitated by the [Welsh Local Government Association] or to a suitably qualified and independent person, as recommended by the Chief Executives and the Constituent Authorities agree;
- (d) that where any dispute is agreed to be of a legal or technical nature the parties to the dispute may (but not must) jointly take the opinion of an appropriate expert including opinion of senior legal counsel where appropriate. Such expert opinion must be instructed through the OWG and be instructed within [] days of referral to Chief Executives under sub-clause (b) following which the opinion should be delivered within a further [] days. that, if after exhausting other methods of dispute resolution, one of the Constituent Authorities commences legal proceedings then this will be subject to the exclusive jurisdiction of the Courts of England and Wales.

All costs are borne equally between the Constituent Authorities which are party to the dispute unless agreed otherwise by the Joint Governance Committee or ordered by the Courts.

[Please consider what happens where a dispute is not merely contractual but a s151 or monitoring officer considers an action to be ultra vires or maladministration. Do you have a view on this aspect?]

[This document has been executed as a deed and is delivered and takes effect on the date stated at the beginning of it.]

Schedule 1

Contact Details

Carmarthenshire County Council
[Contact Name and Details]

City & County of Swansea Council
[Contact Name and Details]

City of Cardiff Council
[Contact Name and Details]

Flintshire County Council
[Contact Name and Details]

Gwynedd Council
[Contact Name and Details]

Powys County Council
[Contact Name and Details]

Rhondda Cynon Taff County Borough
[Contact Name and Details]

Torfaen County Borough Council
[Contact Name and Details]

Schedule 2

Matters Reserved to the Constituent Authorities

- 1 Appointment, termination or replacement of the Operator following the making of a recommendation by the Joint Governance Committee.
- 2 Approval of additional expenditure not included within the Business Plan which exceeds [30] % of the approved budget in the Business Plan in any one Financial Year.
- 3 Formulation, approval or revisions of each respective Constituent Authority's investment strategy for the purposes of regulation 7 of the Investment Regulations.
- 4 Admitting a new administering authority within the LGPS to the Investment Pool as a Constituent Authority.
- 5 Amendment of this Agreement.
- 6 Termination of this Agreement.
- 7 Material change to the nature of the Operator Contract.
8. Approval of the initial strategic objectives to allow preparation of the first Business Plan (which objectives shall reflect the objectives set out in the procurement of the Operator).
- 9 Approval of any evaluation or scoring criteria for any procurement of a replacement Operator.
- 10 Approval of Business Plan which shall include approval of the ongoing strategic objectives of the Investment Pool.
11. Determination of the timing of the transition of the assets held by the LGPS fund for which they are an administering authority into the Pooling Collaboration and the funds or sub-funds operated by the Operator.

Schedule 3

Joint Governance Committee Matters

Subject to the terms of the Agreement, the Joint Governance Committee shall undertake those matters which are not Matters Reserved to the Constituent Authorities which shall include (without prejudice to the generality of the foregoing):

- 1 Making a recommendation on the appointment, replacement or termination of the Operator to the Constituent Authorities.
- 2 Appointing and replacing service providers, advisers to the Joint Governance Committee (other than the Operator).
- 3 Approving the creation of new pooled vehicles for the Operator.
- 4 Approving the creation of new sub-funds provided by the Operator.
- 5 Approving the termination of sub-funds provided by the Operator.
- 6 Preparing a plan relating to the overall transition of assets in accordance with each Constituent Authority's asset transition plan.
- 7 Approving changes to the Operator Contract which are not material changes to the nature of the Operator Contract.
- 8 Dealing with the necessary general ongoing management of the Pooling Collaboration.
- 9 Delegation of tasks to the OWG, including the preparation of reports and draft documents and the undertaking of consultations.
- 10 Liaison with Pension Boards as appropriate in line with CIPFA Guidance, guidance issued by the Pensions Regulator and other applicable legislation or regulatory guidance.
11. Determining the best means of alternative investment structures for assets where a sub-fund is not being provided by the Operator.

Notwithstanding the above, for the avoidance of doubt, the Joint Governance Committee may not delegate its responsibilities.

Schedule 4

Joint Governance Committee - Terms of Reference

The Joint Governance Committee responsibilities are:

- Making recommendations to the Constituent Authorities on the termination of the Operator Contract before the conclusion of the fixed term contract, where the performance of the Operator is considered unacceptable;
- Ensuring that there are an appropriate range of sub-funds available in order to allow the Constituent Authorities to meet their strategic investment aims. Following representation from any, some or all of the Constituent Authorities, the Joint Governance Committee may direct the Operator to set up a sub-fund in a particular asset class. The Joint Governance Committee must be mindful at all times of the need to balance the requirement to provide a particular sub-fund with the benefits of holding aggregated assets;
- Monitoring the performance of the Operator against the agreed set of key performance indicators;
- Reporting on the performance of the Investment Pool, its costs and other activities, but not limited to, the Constituent Authorities, government, the Scheme Advisory Board and the general public;
- From time to time, to review the appropriateness of the existing structures, including the number and make-up of sub-funds and to make recommendations to the Constituent Authorities as to the respective merits of procuring Operator services by means of a third party or through ownership by the Constituent Authorities of the Operator;
- Liaising with the Operator, in such areas as the Operator seeks the preferences and views of the Joint Governance Committee, on the appointment of suppliers, for example manager preferences or the appointment of depositories;
- Liaising with the Constituent Authorities on the appropriate range of sub-funds to be provided in the Investment Pool;
- From time to time reviewing policies in respect of ethical, social and governance matters and voting rights and where appropriate make recommendations to the Constituent Authorities as to any changes deemed necessary;
- Applying any processes or policies that are assigned to it within this Agreement;

- Recommend a high level plan for initial transition of assets to the pool and further asset transitions in the event, for example, of new sub-funds being created or manager changes within sub-funds;
- Ensuring that the OWG acts within its remit as set out in clause 4 and Schedule 8 of this Agreement;
- Recommending the approval or otherwise of accounts to the Constituent Authorities; Monitoring the implementation and effectiveness of the policies listed in Schedule [5] and initiating reviews of these where required;
- Delivery and ongoing monitoring against the Pooling Collaboration objectives, Business Plan and budgets;
- Approving responses from the Pooling Collaboration in relation to consultations or other matters considered appropriate;
- Seeking advice from professional and authorised and regulated advisers where necessary;
- Agreeing the Business Plan to be put forward to the Constituent Authorities for approval;
- Report to the Constituent Authorities quarterly (and at any other time when the Joint Governance Committee considers it to be necessary) on the matters within their remit including but not limited to the performance of the Operator, the structure of the funds and the ongoing monitoring of the Business Plan;
- Agreeing criteria for the evaluation of bids or tenders for any procurement (other than the first appointment of the Operator) to be put forward for the approval of the Constituent Authorities.

Schedule 5

Policies and Procedures

- Training and Competence
- Complaints
- Breaches and Errors
- Conflicts of Interests
- Business Continuity Planning
- DSAR/FOI
- Contract Management, Co-ordination and Liaison with the Operator

Schedule 6

Joint Governance Committee Procedure

1 MEMBERSHIP

- 1.1 The membership of the Joint Governance Committee shall consist of one elected member or their deputy per Constituent Authority.
- 1.2 No substitutes other than deputies shall be allowed.
- 1.3 The Joint Governance Committee shall not include any non-voting or co-opted members.

2 MEETINGS

- 2.1 Meeting shall be held a minimum of four times per Financial year. The anticipated schedule of meetings and the locations in which they will be held will be agreed in advance of the commencement of the next Financial Year no later than the final meeting of the current Financial Year.
- 2.2 A meeting may be held at such time and place as the Chair of the Joint Governance Committee thinks fit provided that at least two meetings per annum shall be held in rotating locations between the Constituent Authorities to facilitate public access. The Constituent Authorities shall make available suitable accommodation for the holding of such meetings in public including the provision of Welsh Language translation, video-conferencing and webcasting services as appropriate.
- 2.3 All agendas, reports and minutes in relation to the Joint Committee shall be in both Welsh and English, and simultaneous translation of proceedings will be available throughout all meetings of the Joint Committee.
- 2.4 The Joint Governance Committee may decide to allow remote participation in meetings via video-conference or any similar medium. Any Member attending by video-conference shall be held to be in attendance at the meeting for the purposes of this Schedule.
- 2.5 A meeting of the Joint Governance Committee may be called by a proper officer of the Host Council on the request of the Chair. Members must declare any conflict of interest in respect of any business being conducted at the meeting which would likely be regarded to prejudice the exercise of a person's function as a participant in the meeting.
- 2.6 The Chair is responsible for the running of meetings. The Chair shall invite Members expressing a desire to speak in turn. All discussion and debate shall be held through the

Chair and the Chair may draw a discussion to a vote at any time where they consider that every Member has been given a fair opportunity to speak.

2.7 Minutes will be kept of all meetings. The Chair will sign the minutes of the proceedings at the next suitable meeting.

2.8 Notice of meetings

- (a) A notice of meeting specifying the place, date and time of the meeting and containing a statement of the matters to be discussed at the meeting, shall be served on all of the Members of the Joint Governance Committee by the appropriate governance officer of the Host Council;
- (b) Notice of each meeting, copies of the agenda and any reports to be presented at the meeting, shall be given to all Constituent Authorities by the Host Council no later than [14] clear days before the date of the meeting. The Constituent Authorities shall ensure that a minimum of five clear days' notice of all meetings is given in accordance with their normal procedures for notification of Council meetings and all papers made available at all of the Constituent Authorities head offices for inspection for those five days unless certified as confidential in which case agendas and any non-certified items are made available only.
- (c) If a meeting is required to be held with less than 5 days' notice, the Chair must agree it is required urgently, approve the shortened notice period and allow as much notice as possible to be given. Notice should be given in the same manner, and the documents should be made available to all of the Constituent Authorities for as many days as practicable before the meeting.

2.9 Exclusion of the public and press

- (a) Where any item to be discussed forms exempt information the Chair shall move that the public and press are excluded from the meeting for the duration of the discussion and voting on that item. Motions to exclude the press and public do not require to be seconded and shall be determined by simple majority vote of the Members present.
- (b) Where the press and public are excluded under (a) above the Chair may invite any person to remain in the meeting where they consider it to be necessary or appropriate to do so and any members of the OWG present shall be presumed to be invited to remain unless the Chair specifies otherwise.
- (c) Any person may be excluded from a meeting or required to leave a meeting where in the opinion of the Chair they are causing a disturbance to the running of the meeting and have not desisted from doing following a request; or where

any person is so disruptive that their conduct if allowed to remain would prevent the meeting from proceeding in a fair and acceptable manner.

- 2.10 The Joint Governance Committee may, through the Chair, invite any person to speak at a meeting.
- 2.11 Officers of the OWG presenting reports to the Joint Governance Committee may be asked questions following such presentation.
- 2.12 Section 151 officers and Monitoring Officers of any Constituent Authority are entitled to attend all meetings including any part of any meeting which is closed to the public and press.

3 QUORUM

- 3.1 The quorum shall be five Members.
- 3.2 Where a quorum is not present within 15 minutes of the start of the meeting and the Chair has not been notified that one or more Members have been delayed but will be attending, the meeting shall not be held and the Host Council will be ask to schedule and give notice of a replacement meeting.
- 3.3 Where, during any meeting there is no quorum present, then the meeting will adjourn immediately. If the Chair has been unable to ascertain within 15 minutes that the quorum can be restored the remaining business will be considered at another time and date fixed by the Chair.

4 CHAIR AND VICE CHAIR.

- 4.1 The Chair and Vice-Chair shall be Members and shall be appointed by vote for a term of 12 calendar months.
- 4.2 In the absence of the Chair, the Vice-chair shall be entitled to exercise all of the functions of the Chair.
- 4.3 The decision of the Chair of the meeting on all points of procedure and order and the Chair's interpretation of any rule in this schedule shall be final and no debate may ensue thereon. The Chair shall be entitled to take the advice of a governance officer in interpreting any rule or objection on procedure.
- 4.4 The Chair may be assisted during meetings by governance officer on procedural matters and such administrative officers as the Chair considers appropriate. Such governance and secretarial officers shall be entitled to remain in the meeting where the public and press are excluded.

5 AGENDA

- 5.1 An agenda shall be produced in advance for each meeting by the Host Council following consultation with the Chair.
- 5.2 The agenda for each meeting shall contain as the first substantive item the approval of the minutes of the previous meeting. The Chair will move that the minutes of the previous meeting be signed as a correct record. The only part of the minutes that can be discussed is their accuracy.
- 5.3 The OWG and the Constituent Authorities may ask the Chair to include any matter on the agenda which they consider should be discussed by the Joint Governance Committee.
- 5.4 The decision on whether to allow discussion on any other matter not on the agenda of a meeting at that meeting shall be made by the Chair.

6 MOTIONS

- 6.1 Any Member may propose a motion. All motions must be seconded. Motions which are opposed shall be put to a vote in accordance with the voting provisions of this schedule.
- 6.2 A Member may raise a point of order at any time. The Chair will hear them immediately. A point of order may only relate to an alleged breach of the provisions of this Schedule, or the law or other competent authority. The Member must indicate the provision or law or regulation and the way in which he/she considers it has been broken. The ruling of the Chair on the matter will be final. The Chair may take advice on the point of order from the appropriate officer.

7 VOTING

- 7.1 The Chair shall seek consensus wherever possible however where a vote is required the provisions of this section shall apply.
- 7.2 Each Member present will have one vote and voting will be by means of a show of hands. In the event of a tied vote, the Chair shall have a casting vote.
- 7.3 All decisions will be determined by simple majority.
- 7.4 In the event that a vote is taken, the voting positions and any abstentions of members will be recorded in the minutes.

8 SUB-COMMITTEES AND WORKING GROUPS

- 8.1 The Joint Governance Committee shall form such sub-committees and working groups as it considers expedient to performing its function. The Joint Governance Committee

shall at the time of forming sub-committees or working groups set out the remit of the sub-committees or working groups, what the sub-committees or working groups are required to deliver and the timescale for that delivery.

- 8.2 Sub-committees and working groups shall be entitled to request the input and support of the OWG in the same manner as the Joint Governance Committee.
- 8.3 Each sub-committee and working group shall appoint a chair for that sub-committee or working group, who is to be one of the Members of the sub-committee or working group.
- 8.4 Working groups may invite any person who is not a Member to join the group in order to assist in carrying out its function.
- 8.5 The Chairs of sub-committees and working groups shall report to Joint Governance Committee at each meeting of that committee on the process of the matters within their remit.
- 8.6 Sub-committees and working groups may be disbanded at any time on the vote of the Joint Governance Committee.

Schedule 7

TUPE

1 DEFINITIONS

1.1 The following definitions shall apply in this Schedule:

Data Protection Legislation means the Data Protection Act 1998, the Data Protection Directive (95/46/EC), the Regulation of Investigatory Powers Act 2000, the Telecommunications (Lawful Business Practice) (Interception of Communications) Regulations 2000, the Electronic Communications Data Protection Directive (2002/58/EC), the Privacy and Electronic Communications (EC Directive) Regulations 2003 and all applicable laws and regulations relating to the processing of personal data and privacy, including where applicable the guidance and codes of practice issued by the Information Commissioner.

Expected Transferring Employees means those Host Council Personnel who are reasonably expected by the Host Council to be a Transferring Employee.

Future Host Council means any relevant Constituent Authority who provides services which are identical or substantially similar to any of the Host Council Services (directly or indirectly) following the termination or expiry of this Agreement or the termination of the provision of any of the Host Council Services by the Host Council.

Host Council Personnel means the individuals employed or engaged by the Host Council or any other person in the provision of the Host Council Services under this Agreement from time to time.

Host Council Services means the services to be provided by the Host Council under this Agreement as more particularly described at clause 7.

Redundancy Costs means any notice pay (including payment in lieu of notice), holiday pay and statutory and/or contractual redundancy payments.

Sub-Contractor means any person to whom the provision of any of the Host Council Services may be sub-contracted by the Host Council.

Subsequent Transfer Date means the date on which responsibility for the provision of the Host Council Services, or any part of the Host Council Services, transfers from the Host Council to the Future Host Council.

Transferring Employee means an individual whose contract of employment has effect from and after the Subsequent Transfer Date, by virtue of the operation of TUPE, as if originally made between such person and the Future Host Council.

2 NO TRANSFER ON COMMENCEMENT

- 2.1 The Constituent Authorities agree that the neither the commencement of this Agreement nor the implementation of any of the arrangements contemplated within it shall give rise to a "relevant transfer" within the meaning of TUPE on or around the Commencement Date.

3 EMPLOYEE INFORMATION ON TERMINATION

- 3.1 Subject to the Data Protection Legislation, during the period of twelve months preceding the expiry of this Agreement, or at any time after the Host Council has given notice to withdraw from the Pooling Collaboration or at any time after the Host Council has actually ceased to provide any of the Host Council Services:

- (a) the Host Council shall within 28 days of the reasonable request by any Future Host Council disclose to that Future Host Council details of the number, age and terms and conditions of employment, in relation to any Host Council Personnel assigned to the provision of the Host Council Services or any relevant part of the Host Council Services;
- (b) the Host Council shall not and, if relevant, shall procure that any Sub-Contractor shall not, save in the ordinary course of business, materially vary the terms and conditions of employment or engagement of any Host Council Personnel or redeploy, replace or dismiss any Host Council Personnel, or employ or engage any additional individual in the provision of the Host Council Services, without the prior written consent of the Future Host Council (such consent not to be unreasonably withheld or delayed).

4 EMOLUMENTS

All wages, salaries, bonus and commission payments, contributions to pension schemes, entitlement to holiday pay and any other emoluments (whether monetary or otherwise), tax and national insurance contributions relating to the Transferring Employees shall be paid or borne by the Host Council (or Sub-Contractor) in relation to the period before the Subsequent Transfer Date (and the Host Council shall procure such payment by any Sub-Contractor) and by the relevant Future Host Council thereafter (and the Constituent Authorities shall procure such payment by any Future Host Council), and all necessary apportionments shall be made.

5 COMPLIANCE AND INDEMNITIES

- 5.1 The Host Council shall and/or, if relevant, shall procure that any Sub-Contractor shall:
- (a) comply with its or their obligations to inform and consult the Expected Transferring Employees pursuant to Regulation 13 of TUPE;

- (b) use reasonable endeavours to agree with the Future Service Provider, and deliver to the Expected Transferring Employees prior to the Subsequent Transfer Date, a suitable joint statement regarding the proposed transfer of their employment to the Future Host Council on the Subsequent Transfer Date; and
- (c) give employees of the Future Host Council such access to the Expected Transferring Employees prior to the Subsequent Transfer Date as the Future Host Council may reasonably require for the purposes of consultation or of effecting an efficient transfer of the Host Council Services and Transferring Employees with effect from the Subsequent Transfer Date.

5.2 The Host Council shall indemnify and keep indemnified the Future Host Council against all and any costs, expenses, liabilities, damages and losses arising out of or in connection with any claim, demand, action or proceeding which is made or brought against the Future Host Council in relation to:

- (a) the employment or termination of employment of any Transferring Employee during the period before the Subsequent Transfer Date; or
- (b) the Host Council's failure or alleged failure to comply with its obligations under Regulation 13 of TUPE, save to the extent that any such failure or alleged failure is as a result of or in consequence of a failure by the Future Host Council to comply with its obligations under Regulation 13(4) of TUPE.

5.3 If a claim or allegation is made by any person who is not a Transferring Employee (a **"Non-Disclosed Transferring Employee"**) that his contract of employment has or should have effect as if originally made between himself and the Future Host Council by virtue of the operation or alleged operation of TUPE:

- (a) the Future Host Council shall notify the Host Council in writing as soon as reasonably practicable of any such claim or allegation and the Future Host Council shall then allow the Host Council (or any relevant Sub-Contractor) a period of 10 working days to consult with any such Non-Disclosed Transferring Employee concerning his claim or allegation;
- (b) the Future Host Council shall give to the Host Council (or any relevant Sub-Contractor) such co-operation or assistance as the Host Council (or relevant Sub-Contractor) may reasonably require;
- (c) if, following the period of 10 working days referred to in paragraph 4.3(a) above, any Non-Disclosed Transferring Employee continues to assert that his contract of employment has or should have effect as if originally made between himself and Future Host Council, the Future Host Council may, within a further period of

20 working days (or such other period as may be agreed in writing between the Host Council and Future Host Council), serve notice to terminate the employment or alleged employment of such Non-Disclosed Transferring Employee with immediate effect; and

- (d) subject to the Future Host Council's compliance with this paragraph 5.3, the Host Council shall indemnify and keep indemnified the Future Host Council against all and any costs, expenses, liabilities, damages and losses arising out of or in connection with any claim, demand, action or proceeding which is made or brought by any such Non-Disclosed Transferring Employee in relation to any sums paid or payable to such Non-Disclosed Transferring Employee up to the date of the termination of such Non-Disclosed Transferring Employee's employment or alleged employment, and in relation to such termination.

5.4 The Future Host Council shall indemnify and keep indemnified the Host Council (for itself and any Sub-Contractor) against all and any costs, expenses, liabilities, damages and losses arising out of or in connection with any claim, demand, action or proceeding which is made or brought:

- (a) by any Transferring Employee in relation to any act or omission of the Future Host Council on or after the Subsequent Transfer Date and/or in relation to any events or circumstances relating to the employment or termination of employment of any Transferring Employee occurring or arising on or after the Subsequent Transfer Date;
- (b) in relation to any failure or alleged failure of the Future Host Council to comply with their obligations under Regulation 13 of TUPE; or
- (c) in relation to any substantial change made or proposed by the Future Host Council in the working conditions of any of the Transferring Employees, or any individual who would have been a Transferring Employee but whose employment terminated prior to the Subsequent Transfer Date, where that change is to the detriment of such Transferring Employee(s) or such individual(s).

6 REDUNDANCY COSTS

6.1 The Constituent Authorities shall indemnify and keep indemnified on a joint and several basis the Host Council (for itself and any Sub-Contractor) against all and any Redundancy Costs arising out of or in connection with any claim, demand, action or proceeding which is made or brought against the Host Council (or Sub-Contractor) arising out of or in connection with the termination or alleged termination of employment of any Host Council Personnel by reason of redundancy within 6 months of the

Subsequent Transfer Date, where the employment such Host Council Personnel does not transfer to a Future Host Council (under TUPE or otherwise) on the cessation of the provision of any or all of the Host Council Services, provided that the Host Council shall, or shall procure that any Sub-Contractor shall, use reasonable endeavours to:

- (a) mitigate the amount of any such Redundancy Costs;
- (b) search for and, if available, offer alternative employment within the Host Council's or the Constituent Authorities' (or, as the case may be, the Sub-Contractor's) organisation to any Host Council Personnel at risk of redundancy and shall give that Host Council Personnel a reasonable opportunity to accept any such offer of alternative employment before terminating that Host Council Personnel's employment; and
- (c) comply with any applicable statutory obligations.

Schedule 8 - Officers Working Group Remit

The remit of the OWG shall include:

- (a) proposing to the Joint Governance Committee and procuring external support requirements (including legal, governance, tax and other financial support) relevant to the Pooling Collaboration;
- (b) proposals to the Joint Governance Committee on governance arrangements including how the Operator should be held to account by reference to the Operator Contract;
- (c) proposals to the Joint Governance Committee on the most appropriate means of accessing different asset types, the structure of the Investment Pool including the number and make-up of sub-funds and where appropriate use of any external or national investment vehicles;
- (d) proposing high level transition plans for the transfer of assets to pool;
- (e) challenging and contributing to the development of the Pooling Collaboration to enable the Pooling Collaboration and the Joint Governance Committee to achieve its objectives;
- (f) making recommendations to the Joint Governance Committee on the appointment, replacement or termination of the Operator including recommendations on whether to use a third party supplier or an owned entity;
- (g) monitoring and reviewing the performance of the Operator in meeting its objectives, service levels and key performance indicators and reporting to the Joint Governance Committee within the quarterly reports and on other occasions as required;
- (h) receiving reports on performance of the assets and reporting to the Joint Governance Committee;
- (i) external reporting on the pool and its performance no less than quarterly;
- (j) liaison with other pools as required;
- (k) consider and make recommendations to the Joint Governance Committee in relation to the Business Plan, prepare a draft Business Plan for consideration by the Joint Governance Committee, consulting upon the approved draft and reporting on the outcomes of such consultation including proposing any revisions to the draft to the Joint Governance Committee;

- (l) develop and keep under review the programme of training to be delivered to Members ensuring that it complies with all relevant regulations and applicable guidance, which programme of training shall have regard to the training undertaken in Members' roles on their respective Constituent Authority pension committees and shall seek to avoid duplication of training;
- (m) seek advice from professional advisors that are authorised and regulated by competent authorities;
- (n) managing the procurement process for the procurement of any replacement Operator including proposing criteria for the evaluation of bids or tenders
- (o) such other matters as the Joint Governance Committee shall request or delegate to the OWG.

[Execution clauses to be inserted]

Agenda Item 17.

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

Council – 23 February 2017

NOMINATION OF LORD MAYOR ELECT AND DEPUTY LORD MAYOR ELECT 2017-2018

Purpose:	To nominate the Lord Mayor elect and Deputy Lord Mayor elect for 2017-2018 to enable the arrangements for the Inauguration of the Lord Mayor and Deputy Lord Mayor event to proceed.
Policy Framework:	Lord Mayor and Deputy Lord Mayor Protocol.
Consultation:	Constitution Working Group, Political Group Leader and their Deputies, Access to Services, Finance, Legal.
Recommendation(s):	Constitution Working Group recommends that: 1) Councillor Phil Downing be nominated as Lord Mayor Elect 2017-2018; 2) Councillor David Phillips be nominated as Deputy Lord Mayor Elect 2017-2018; 3) The Review of the Lord Mayor and Deputy Lord Mayor Protocol be noted.
Report Author:	Huw Evans
Finance Officer:	Carl Billingsley
Legal Officer:	Tracey Meredith
Access to Services Officer:	Phil Couch

1. Introduction

- 1.1 The Lord Mayor and Deputy Lord Mayor Protocol sets out the procedure to be followed when nominating a Lord Mayor and Deputy Lord Mayor. 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 31 January 2017 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 The Constitution Working Group voted that the candidates Councillors P Downing and David Phillips were appropriate for the role of Lord Mayor and Deputy Lord Mayor respectively.

3. In the Year of Local Government Elections

- 3.1 The Protocol states that in the year of Local Government Elections, the Constitution Working Group should also consider the appropriateness of the next 5 candidates in line for Lord Mayor and Deputy Lord Mayor in order to deal with the possibility that one of the more senior candidates on the list either choose to stand down or is not re-elected. The candidates will be considered strictly in order of seniority.
- 3.2 The matter was discussed at a meeting of the Constitution Working Group on 6 February 2017.
- 3.3 The Constitution Working Group agreed that the following candidates were appropriate: Councillors Paul Lloyd, Keith Marsh, Mark Child, Mike Day, Mary Jones, Huw Rees and Graham Thomas.

4. Review of Lord Mayor and Deputy Lord Mayor Protocol

- 4.1 The Constitution Working Group also agreed for a review of the Protocol to be carried out specifically to consider the request to reinstate Councillor P M Black onto the list of eligible candidates and to re-consider the terms of exclusion from office. .
- 4.2 The Group will be commencing this review shortly and will present a report to Council in due course.

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:

Appendix 1 Lord Mayor and Deputy Lord Mayor Protocol

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
- 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” (31.01.2017).

Last Name	First Name(s)	Total Time Served	Municipal Year served as LM
Lewis	Richard	43 years, 8 months, 21 days	2010-2011
Thomas	Des	41 years, 3 months, 0 days	1996-1997
Burtonshaw	June	33 years, 8 months, 26 days	2002-2003
Francis-Davies	Robert	33 years, 8 months, 26 days	2001-2002
Black	Peter	32 years, 8 months, 28 days	Declined: 08.03.2007
Holley	Christopher	31 years, 8 months, 29 days	2006-2007
Richard	Ioan	31 years, 2 months, 17 days	2011-2012
Sullivan	Gareth	29 years, 8 months, 24 days	2008-2009
Stanton	June	28 years, 8 months, 26 days	2013-2014
Thomas	Ceinwen	26 years, 8 months, 28 days	2014-2015
Newbury	John	26 years, 7 months, 25 days	2015-2016
Hopkins	David	25 years, 8 months, 29 days	Current Lord Mayor
Phillips	David	23 years, 8 months, 25 days	
Downing	Philip	20 years, 7 months, 30 days	Current Deputy Lord Mayor
Lloyd	Paul	19 years, 10 months, 3 days	
Marsh	Keith	18 years, 7 months, 27 days	
Child	Mark	17 years, 8 months, 25 days	
Day	Mike	17 years, 8 months, 25 days	
Jones	Mary	17 years, 8 months, 25 days	
Rees	Huw	17 years, 8 months, 25 days	
Thomas	Graham	17 years, 8 months, 25 days	
Stewart	Robert	13 years, 8 months, 30 days	
Fitzgerald	Wendy	12 years, 7 months, 21 days	
Hood-Williams	Paxton	12 years, 7 months, 21 days	
Kirchner	Erika	12 years, 7 months, 21 days	
Philpott	Cheryl	12 years, 7 months, 21 days	
May	Peter	10 years, 1 months, 10 days	
Matthews	Penny	9 years, 6 months, 12 days	
Colburn	Tony	8 years, 8 months, 30 days	
Doyle	Ryland	8 years, 8 months, 30 days	
Evans	William	8 years, 8 months, 30 days	
Jones	Jeff	8 years, 8 months, 30 days	
Jones	Sue	8 years, 8 months, 30 days	
Meara	Paul	8 years, 8 months, 30 days	
Morris	Hazel	8 years, 8 months, 30 days	
Richards	Christine	8 years, 8 months, 30 days	
Smith	Paulette	8 years, 8 months, 30 days	
Jardine	Yvonne	8 years, 7 months, 25 days	
Thomas	Miles	6 years, 3 months, 10 days	

Last Name	First Name(s)	Total Time Served	Municipal Year served as LM
Bayliss	John	4 years, 8 months, 28 days	
Clay	Uta	4 years, 8 months, 28 days	
Cole	David	4 years, 8 months, 28 days	
Cook	Ann	4 years, 8 months, 28 days	
Crouch	Sybil	4 years, 8 months, 28 days	
Curtice	Jan	4 years, 8 months, 28 days	
Davies	Nick	4 years, 8 months, 28 days	
Evans	Mandy	4 years, 8 months, 28 days	
Gordon	Fiona	4 years, 8 months, 28 days	
Hale	Joe	4 years, 8 months, 28 days	
Harris	Jane	4 years, 8 months, 28 days	
Hennegan	Terry	4 years, 8 months, 28 days	
Hopkins	Beverley	4 years, 8 months, 28 days	
James	Lynda	4 years, 8 months, 28 days	
Jones	Andrew	4 years, 8 months, 28 days	
Lewis	Andrea	4 years, 8 months, 28 days	
Lewis	David	4 years, 8 months, 28 days	
Lloyd	Clive	4 years, 8 months, 28 days	
Owens	Geraint	4 years, 8 months, 28 days	
Raynor	Jennifer	4 years, 8 months, 28 days	
Woollard	Neil	4 years, 8 months, 28 days	
Smith	Robert	4 years, 8 months, 28 days	
Tanner	Gloria	4 years, 8 months, 28 days	
Thomas	Mark	4 years, 8 months, 28 days	
Tyler-Lloyd	Linda	4 years, 8 months, 28 days	
Walker	Gordon	4 years, 8 months, 28 days	
Walton	Lesley	4 years, 8 months, 28 days	
White	Mike	4 years, 8 months, 28 days	
Clay	Bob	3 years, 6 months, 27 days	
Anderson	Cyril	1 years, 8 months, 24 days	
Evans	Ceri	1 years, 8 months, 24 days	
King	Elliot	1 years, 8 months, 24 days	
Lewis	Mike	0 years, 8 months, 26 days	

Report of the Chief Executive

Council - 23 February 2017

INTERIM DESIGNATION OF THE STATUTORY CHIEF EDUCATION OFFICER

Purpose:	To comply with Section 532 of the Education Act 1996 and Articles 12.2 and 12.3 of the Council Constitution by designating Nick Williams (Head of Learner Support Service), as the Statutory Chief Education Officer on an interim basis until the new Chief Education Officer commences their employment in the post.
Policy Framework:	Council Constitution Articles 12.2 and 12.3.
Consultation:	Access to Services, Finance, Legal.
Recommendation(s):	It is recommended that: 1) Nick Williams (Head of Learner Support Service), be designated as the Council's Chief Education Officer on an interim basis until the new Chief Education Officer commences their employment in the post.
Report Author:	Huw Evans / Stephanie Williams
Finance Officer:	N/A
Legal Officer:	Stephanie Williams
Access to Services Officer:	N/A

1. Statutory Chief Education Officer

- 1.1 The post of Chief Education Officer is a designated Statutory post under s532 of the Education Act 1996. This imposes a duty on the Council to appoint an Officer as its Chief Education Officer.
- 1.2 Lindsay Harvey the current Chief Education Officer's employment with the Authority ceases on 19 March 2017. The new Chief Education Officer appointed by Council has not yet commenced their employment, therefore in the interim to comply with Statute this post needs to be designated.
- 1.3 It is proposed that Nick Williams (Head of Learner Support Service), be designated as the Chief Education Officer in the interim.

2. Equality and Engagement Implications

2.1 None.

3. Financial Implications

3.1 None.

4. Legal Implications

4.1 s532 of the Education Act 1996 specifies that there is a duty on a Local Authority to appoint a fit person to be the Chief Education Officer of the Authority. This is a Statutory post whose responsibilities are outlined in Article 12.2 of the Constitution. Article 12.3.1 specifies that Council will designate the post.

Background Papers: None

Appendices: None

Report of the Cabinet Member for Transformation and Performance

Council – 23 February 2017

MEMBERSHIP OF COMMITTEES

Purpose: Council approves the nominations/amendments to the Council Bodies.

Policy Framework: None.

Consultation: Political Groups.

Recommendation: It is recommended that:

- 1) the amendments to the Council Bodies listed in paragraph 2 be approved.

Report Author: Gareth Borsden

Legal Officer: Tracey Meredith

Finance Officer: Carl Billingsley

Access to Services Officer: N/A

1. Introduction

- 1.1 Meetings of Council regularly agree and amend the membership of the various Committees/Council Bodies as reflected in the lists submitted by the Political Groups.

2. Changes to Council Body Membership

- 2.1 The political groups have indicated that they have changes to the following Council Bodies:

Planning Committee

Remove Councillor H M Morris
Add Councillor C A Anderson

Trustees Panel

Add Councillor A C S Colburn

4. Financial Implications

- 4.1 There are no financial implications associated with this report.

5. Legal Implications

- 5.1 There are no legal implications associated with this report.

Background Papers: Local Government & Housing Act 1989, the Local Government (Committees & Political Groups) Regulations 1990.

Appendices: None

Agenda Item 20.

Council – 23 February 2017

COUNCILLORS' QUESTIONS

PART A – SUPPLEMENTARIES

1	<p>Councillors PM Black, C A Holley, L G Thomas</p> <p>Will the Cabinet Member confirm that Brynhyfryd Library is safe from closure and is 'safe for the foreseeable future'.</p> <p>Response of the Cabinet Member for Enterprise, Development & Regeneration</p> <p>The City & County of Swansea's Library Service is delivered across the seventeen sites with a central administrative and management function, based at the Civic Centre, which oversees the delivery of the key objectives of the Service, Corporate Priorities and application of the Welsh Public Library Standards. The Service has been regularly reviewed in light of budget pressures and staff turnover, to ensure we are deploying our resources most effectively and can sustain the Service long term. There are no plans to close Brynhyfryd library for the foreseeable future and we will continue to review the situation including our assets and resources, to ensure a sustainable and effective service for Swansea and its residents.</p>
2	<p>Councillors C L Philpott, A M Day, T H Rees</p> <p>Will the Cabinet Member confirm that Sketty Library is safe from closure and is 'safe for the foreseeable future'.</p> <p>Response of the Cabinet Member for Enterprise, Development & Regeneration</p> <p>The City & County of Swansea's Library Service is delivered across the seventeen sites with a central administrative and management function, based at the Civic Centre, which oversees the delivery of the key objectives of the Service, Corporate Priorities and application of the Welsh Public Library Standards. The Service has been regularly reviewed in light of budget pressures and staff turnover, to ensure we are deploying our resources most effectively and can sustain the Service long term. There are no plans to close Sketty library for the foreseeable future and we will continue to review the situation including our assets and resources, to ensure a sustainable and effective service for Swansea and its residents.</p>
3	<p>Councillors P M Black, C A Holley, L G Thomas</p> <p>Will the Cabinet Member confirm that Pennard Library is safe from closure and is 'safe for the foreseeable future'.</p> <p>Response of Cabinet Member for Enterprise, Development & Regeneration</p> <p>The City & County of Swansea's Library Service is delivered across the seventeen sites with a central administrative and management function, based at the Civic Centre, which oversees the delivery of the key objectives of the</p>

	<p>Service, Corporate Priorities and application of the Welsh Public Library Standards. The Service has been regularly reviewed in light of budget pressures and staff turnover, to ensure we are deploying our resources most effectively and can sustain the Service long term. There are no plans to close Pennard library for the foreseeable future and we will continue to review the situation including our assets and resources, to ensure a sustainable and effective service for Swansea and its residents.</p>
4	<p>Councillor C A Holley, P M Black, L G Thomas</p> <p>Will the Cabinet Member confirm that Fforestfach Library is safe from closure and is 'safe for the foreseeable future'.</p> <p>Response of the Cabinet Member for Enterprise, Development & Regeneration</p> <p>The City & County of Swansea's Library Service is delivered across the seventeen sites with a central administrative and management function, based at the Civic Centre, which oversees the delivery of the key objectives of the Service, Corporate Priorities and application of the Welsh Public Library Standards. The Service has been regularly reviewed in light of budget pressures and staff turnover, to ensure we are deploying our resources most effectively and can sustain the Service long term. There are no plans to close Fforestfach library for the foreseeable future and we will continue to review the situation including our assets and resources, to ensure a sustainable and effective service for Swansea and its residents.</p>
5	<p>Councillors J W Jones, M H Jones, P M Black</p> <p>Will the Cabinet Member confirm that Killay Library is safe from closure and is 'safe for the foreseeable future'.</p> <p>Response of the Cabinet Member for Enterprise, Development & Regeneration</p> <p>The City & County of Swansea's Library Service is delivered across the seventeen sites with a central administrative and management function, based at the Civic Centre, which oversees the delivery of the key objectives of the Service, Corporate Priorities and application of the Welsh Public Library Standards. The Service has been regularly reviewed in light of budget pressures and staff turnover, to ensure we are deploying our resources most effectively and can sustain the Service long term. There are no plans to close Killay library for the foreseeable future and we will continue to review the situation including our assets and resources, to ensure a sustainable and effective service for Swansea and its residents.</p>
6	<p>Councillors P M Meara, M H Jones, J W Jones</p> <p>Will the Cabinet Member confirm that Pontarddulais Library is safe from closure and is 'safe for the foreseeable future'.</p> <p>Response of the Cabinet Member for Enterprise, Development & Regeneration</p>

	<p>The City & County of Swansea's Library Service is delivered across the seventeen sites with a central administrative and management function, based at the Civic Centre, which oversees the delivery of the key objectives of the Service, Corporate Priorities and application of the Welsh Public Library Standards. The Service has been regularly reviewed in light of budget pressures and staff turnover, to ensure we are deploying our resources most effectively and can sustain the Service long term. There are no plans to close Pontarddulais library for the foreseeable future and we will continue to review the situation including our assets and resources, to ensure a sustainable and effective service for Swansea and its residents.</p>
7	<p>Councillors L G Thomas, M H Jones, R J Stanton</p> <p>Will the Cabinet Member confirm that Morryston Library is safe from closure and is 'safe for the foreseeable future'.</p> <p>Response of the Cabinet Member for Enterprise, Development & Regeneration</p> <p>The City & County of Swansea's Library Service is delivered across the seventeen sites with a central administrative and management function, based at the Civic Centre, which oversees the delivery of the key objectives of the Service, Corporate Priorities and application of the Welsh Public Library Standards. The Service has been regularly reviewed in light of budget pressures and staff turnover, to ensure we are deploying our resources most effectively and can sustain the Service long term. There are no plans to close Morryston library for the foreseeable future and we will continue to review the situation including our assets and resources, to ensure a sustainable and effective service for Swansea and its residents.</p>
8	<p>Councillors P M Black, C A Holley, L G Thomas</p> <p>Will the Cabinet Member confirm that Penlan Library is safe from closure and is 'safe for the foreseeable future'.</p> <p>Response of the Cabinet Member for Enterprise, Development & Regeneration</p> <p>The City & County of Swansea's Library Service is delivered across the seventeen sites with a central administrative and management function, based at the Civic Centre, which oversees the delivery of the key objectives of the Service, Corporate Priorities and application of the Welsh Public Library Standards. The Service has been regularly reviewed in light of budget pressures and staff turnover, to ensure we are deploying our resources most effectively and can sustain the Service long term. There are no plans to close Penlan library for the foreseeable future and we will continue to review the situation including our assets and resources, to ensure a sustainable and effective service for Swansea and its residents.</p>
9	<p>Councillors M H Jones, J W Jones, T H Rees</p> <p>Will the Cabinet Member confirm that Bonymaen Library is safe from closure and is 'safe for the foreseeable future'.</p>

	<p>Response of the Cabinet Member for Enterprise, Development & Regeneration</p> <p>The City & County of Swansea's Library Service is delivered across the seventeen sites with a central administrative and management function, based at the Civic Centre, which oversees the delivery of the key objectives of the Service, Corporate Priorities and application of the Welsh Public Library Standards. The Service has been regularly reviewed in light of budget pressures and staff turnover, to ensure we are deploying our resources most effectively and can sustain the Service long term. There are no plans to close Bonymaen library for the foreseeable future and we will continue to review the situation including our assets and resources, to ensure a sustainable and effective service for Swansea and its residents.</p>
10	<p>Councillors L G Thomas, M H Jones, J W Jones</p> <p>Will the Cabinet Member confirm that Clydach Library is safe from closure and is 'safe for the foreseeable future'.</p> <p>Response of the Cabinet Member for Environment, Development & Regeneration</p> <p>The City & County of Swansea's Library Service is delivered across the seventeen sites with a central administrative and management function, based at the Civic Centre, which oversees the delivery of the key objectives of the Service, Corporate Priorities and application of the Welsh Public Library Standards. The Service has been regularly reviewed in light of budget pressures and staff turnover, to ensure we are deploying our resources most effectively and can sustain the Service long term. There are no plans to close Clydach library for the foreseeable future and we will continue to review the situation including our assets and resources, to ensure a sustainable and effective service for Swansea and its residents.</p>
11	<p>Councillors C A Holley, P M Black, T H Rees</p> <p>Will the Cabinet Member confirm that Gorseinon Library is safe from closure and is 'safe for the foreseeable future'.</p> <p>Response of the Cabinet Member for Environment, Development & Regeneration</p> <p>The City & County of Swansea's Library Service is delivered across the seventeen sites with a central administrative and management function, based at the Civic Centre, which oversees the delivery of the key objectives of the Service, Corporate Priorities and application of the Welsh Public Library Standards. The Service has been regularly reviewed in light of budget pressures and staff turnover, to ensure we are deploying our resources most effectively and can sustain the Service long term. There are no plans to close Gorseinon library for the foreseeable future and we will continue to review the situation including our assets and resources, to ensure a sustainable and effective service for Swansea and its residents.</p>

12	<p>Councillors M H Jones, J W Jones, C L Philpott</p> <p>Will the Cabinet Member confirm that Gowerton Library is safe from closure and is 'safe for the foreseeable future'.</p> <p>Response of the Cabinet Member for Environment, Development & Regeneration</p> <p>The City & County of Swansea's Library Service is delivered across the seventeen sites with a central administrative and management function, based at the Civic Centre, which oversees the delivery of the key objectives of the Service, Corporate Priorities and application of the Welsh Public Library Standards. The Service has been regularly reviewed in light of budget pressures and staff turnover, to ensure we are deploying our resources most effectively and can sustain the Service long term. There are no plans to close Gowerton library for the foreseeable future and we will continue to review the situation including our assets and resources, to ensure a sustainable and effective service for Swansea and its residents.</p>
13	<p>Councillors P M Black, C A Holley, L G Thomas</p> <p>Will the Cabinet Member confirm that Llansamlet Library is safe from closure and is 'safe for the foreseeable future'.</p> <p>Response of the Cabinet Member for Environment, Development & Regeneration</p> <p>The City & County of Swansea's Library Service is delivered across the seventeen sites with a central administrative and management function, based at the Civic Centre, which oversees the delivery of the key objectives of the Service, Corporate Priorities and application of the Welsh Public Library Standards. The Service has been regularly reviewed in light of budget pressures and staff turnover, to ensure we are deploying our resources most effectively and can sustain the Service long term. There are no plans to close Llansamlet library for the foreseeable future and we will continue to review the situation including our assets and resources, to ensure a sustainable and effective service for Swansea and its residents.</p>
14	<p>Councillors C A Holley, M H Jones, J W Jones</p> <p>Will the Cabinet Member confirm that Oystermouth Library is safe from closure and is 'safe for the foreseeable future'.</p> <p>Response of the Cabinet Member for Environment, Development & Regeneration</p> <p>The City & County of Swansea's Library Service is delivered across the seventeen sites with a central administrative and management function, based at the Civic Centre, which oversees the delivery of the key objectives of the Service, Corporate Priorities and application of the Welsh Public Library Standards. The Service has been regularly reviewed in light of budget pressures and staff turnover, to ensure we are deploying our resources most effectively and can sustain the Service long term. There are no plans to close Oystermouth library for the foreseeable future and we will continue to review the</p>

	<p>situation including our assets and resources, to ensure a sustainable and effective service for Swansea and its residents.</p>
15	<p>Councillors P M Black, A M Day, P M Meara</p> <p>Will the Cabinet Member confirm that St Thomas Library is safe from closure and is 'safe for the foreseeable future'.</p> <p>Response of the Cabinet Member for Environment, Development & Regeneration</p> <p>The City & County of Swansea's Library Service is delivered across the seventeen sites with a central administrative and management function, based at the Civic Centre, which oversees the delivery of the key objectives of the Service, Corporate Priorities and application of the Welsh Public Library Standards. The Service has been regularly reviewed in light of budget pressures and staff turnover, to ensure we are deploying our resources most effectively and can sustain the Service long term. There are no plans to close St Thomas library for the foreseeable future and we will continue to review the situation including our assets and resources, to ensure a sustainable and effective service for Swansea and its residents.</p>
16	<p>Councillors A M Day, C A Holley, M H Jones</p> <p>Will the Cabinet Member confirm that Townhill Library is safe from closure and is 'safe for the foreseeable future'.</p> <p>Response of the Cabinet Member for Environment, Development & Regeneration</p> <p>The City & County of Swansea's Library Service is delivered across the seventeen sites with a central administrative and management function, based at the Civic Centre, which oversees the delivery of the key objectives of the Service, Corporate Priorities and application of the Welsh Public Library Standards. The Service has been regularly reviewed in light of budget pressures and staff turnover, to ensure we are deploying our resources most effectively and can sustain the Service long term. There are no plans to close Townhill library for the foreseeable future and we will continue to review the situation including our assets and resources, to ensure a sustainable and effective service for Swansea and its residents.</p>
17	<p>Councillors P M Meara, M H Jones & A M Day</p> <p>Has the Council actually delivered more poetry to Swansea in the last 5 years.</p> <p>Response of the Cabinet Member for Environment, Development & Regeneration</p> <p>Delivering poetry via the Council, specifically, is not something that has been measured in isolation of other cultural development activity. There has been a focused programme of literature development in the lead up to the centenary celebrations of the birth of Dylan Thomas and the successful delivery of the Dylan Thomas Exhibition, based in the Dylan Thomas Centre. The centenary year and subsequent years has seen the delivery and development of extensive</p>

	<p>literature based work, creative writing and expression, in schools, communities and the Centre. We will shortly be opening an exhibition of an example of this, with the intergenerational BoomerZ project at the Civic Centre on 13th February and all are welcome to view this. We regularly monitor and improve on participation, audience and visitor figures, which are captured annually, which can be made available although we don't have access to comparator figures for the period prior to 2014, when the programme and delivery mechanism was fully developed.</p>
18	<p>Councillors C A Holley, M H Jones & J N Newbury Will the Cabinet Member publish a full detailed list of how Members community budgets have been spent (or allocated for work not yet completed) from May 2012 to the end of March 2017.</p> <p>Response of the Cabinet Member for Next Generation Services The ward members Community Budgets (previously referred to as Environmental Allowances) allows members to fund or contribute funding towards a range of projects and initiatives within their ward with a total allocate per Ward Cllr of £25,776 across the 5 year term.</p> <p>The types of schemes being carried out including highway improvements, traffic calming, grants to community groups and schools, street furniture and bins, wild flower planting, support for community events and contribution to visible services such and cleansing and parks. A full list of all schemes and spends is being prepared and will be available on the councils website for all councillors and members of the public to view.</p> <p>Details of spend in each ward can also be made available to Councillors on request.</p>
	<p>PART B – None</p>