



Dinas a Sir Abertawe

Hysbysiad o Gyfarfod

Fe'ch gwahoddir i gyfarfod

Y Cabinet

Lleoliad: Siambr y Cyngor, Neuadd y Ddinas, Abertawe

Dyddiad: Dydd Iau, 14 Chwefror 2019

Amser: 10.00 am

Cadeirydd: Cynghorydd Rob Stewart

Aelodaeth:

Cynghorwyr: J E Burtonshaw, M C Child, R Francis-Davies, D H Hopkins, E J King, A S Lewis, C E Lloyd, J A Raynor a/ac M Thomas

Hefyd gwahoddwyd: W Evans ac M Sherwood

Mae croeso i chi ddefnyddio'r Gymraeg. Os dymunwch ddefnyddio'r Gymraeg, rhowch wybod i ni erbyn canol dydd ar y diwrnod gwaith cyn y cyfarfod.

Agenda

Rhif y Dudalen.

1. Ymddiheuriadau am absenoldeb.
2. Datgeliadau o fuddiannau personol a rhagfarnol.
www.abertawe.gov.uk/DatgeliadauBuddiannau
3. Cofnodion. 1 - 4
Cymeradwyo a llofnodi cofnodion y cyfarfod(ydd) blaenorol fel cofnod cywir
4. Adroddiad(au) Arweinydd y Cyngor.
5. Cwestiynau gan y cyhoedd.

Rhaid i'r cwestiynau ymwneud â materion ar ran agored agenda'r cyfarfod, ac ymdrinnir â hwy o fewn 10 munud.
6. Hawl i holi cynghorwyr.
7. Adborth ar graffu cyn penderfynu ar y gyllideb flynyddol. (Ilafar)
8. Monitro Refeniw a'r Gyllideb Gyfalaf - Chwarter 3ydd 2018/19. 5 - 24

9.	Cynllunio Ariannol Tymor Canolig 2020/21 - 2022/23.	25 - 67
10.	Cyllideb Refeniw 2019/20.	68 - 135
11.	Cyfrif Refeniw Tai (CRT) - Cyllideb Refeniw 2019/20.	136 - 143
12.	Cyfrif Refeniw Tai (CRT) - cyllideb a rhaglen gyfalaf 2019/20-2022/23.	144 - 161
13.	Cyllideb a Rhaglen Gyfalaf 2018/19- 2024/25.	162 - 178
14.	Strategaeth Gyfalaf 2019/20- 2024/25.	179 - 192
15.	Premiymau Treth y Cyngor yng Nghymru	193 - 205

** **Gweithdrefn Galw i Mewn - Testun Craffu cyn Penderfynu:** Mae'r penderfyniad hwn yn rhydd o Weithdrefn Galw i Mewn yr awdurdod gan fod "y penderfyniad wedi bod yn destun Craffu Cyn Penderfynu ac ni fu unrhyw newid pwysig i wybodaeth/dystiolaeth berthnasol".*

*** **Gweithdrefn Galw i Mewn - Brys:** Mae'r penderfyniad hwn yn rhydd o Weithdrefn Galw i Mewn yr awdurdod gan fod "naill ai Pennaeth y Gwasanaeth Cyflogedig, y Swyddog Adran 151 neu'r Swyddog Monitro'n ardystio y gallai unrhyw oedi sy'n debygol o gael ei achosi gan y weithdrefn galw i mewn wneud niwed i'r cyngor neu fudd y cyhoedd, gan gynnwys methu cydymffurfio â gofynion statudol".*

Cyfarfod Nesaf: Dydd Iau, 21 Chwefror 2019 ar 10.00 am



Huw Evans
Pennaeth Gwasanaethau Democrataidd
Dydd Mercher, 6 Chwefror 2019

Cyswllt: Gwasanaethau Democrataidd - Ffon: (01792) 636923

Agenda Item 3.



City and County of Swansea

Minutes of the **Cabinet**

Council Chamber, Guildhall, Swansea

Thursday, 17 January 2019 at 10.00 am

Present: Councillor R C Stewart (Chair) Presided

Councillor(s)
J E Burtonshaw
E J King
J A Raynor

Councillor(s)
M C Child
A S Lewis

Councillor(s)
R Francis-Davies
C E Lloyd

Apologies for Absence

Councillor(s): D H Hopkins and M Thomas

Also Present: Councillor C R Evans, T J Hennegan & M Sherwood.

127. Disclosures of Personal and Prejudicial Interests.

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

- 1) Councillor C E Lloyd declared a Personal Interest in Minute 138 "Local Authority Governor Appointments";
- 2) Councillor J A Raynor declared a Personal and Prejudicial Interest in Minute 138 "Local Authority Governor Appointments" and withdrew from the meeting prior to its consideration;
- 3) Councillor R Francis-Davies declared a Personal Interest in Minute 140 "Appropriation of Land at Oystermouth, Swansea".

128. Minutes.

Resolved that the Minutes of the meeting(s) listed below be approved and signed as a correct record:

- 1) Special Cabinet held on 14 December 2018;
- 2) Cabinet held on 20 December 2018.

129. Announcements of the Leader of the Council.

The Leader of the Council stated that the meeting was being recorded as part of testing for webcasting.

130. Public Question Time.

No questions were asked.

131. Councillors' Question Time.

No questions were asked.

132. Report of the People Policy Development Committee - Adverse Childhood Experiences.

The Chair of the People Policy Development Committee submitted a report, which summarised the Committee's work on Adverse Childhood Experiences (ACE's).

Resolved that:

- 1) The report be noted;
- 2) The way forward as set out in Paragraphs 6.1 and 6.2 of the report be agreed.

133. Co-operative Housing.

The Director of Place and the Chair of the Economy & Infrastructure Policy Development Committee jointly submitted a report, which provided an update on the work of the Committee supporting future Co-Operative Housing initiatives and sought approval of the Policy.

Resolved that:

- 1) The Co-Operative Housing Policy be approved;
- 2) Any subsequent perusal of future expressions of interest resulting from its publication be approved.

134. Complaints Annual Report 2017-18.

The Business, Transformation & Performance submitted an information report, which reported on the number, nature and outcome of complaints made against the Authority, together with details of lessons learned and service improvements. The Corporate Complaints Annual Report contained the following reports:

- Adult Social Services Complaints;
- Child & Family Services Complaints;
- Freedom of Information (FOI) Act;
- Regulation of Investigatory Powers Act (RIPA).

135. Coroner Pay Arrangements.

The Chief Legal Officer and Strategic Human Resources & Organisational Development Manager jointly submitted a report, which sought agreement to adopt the Joint Negotiating Committee (JNC) Framework in assisting decision making when determining and setting Coroner pay.

Resolved that:

- 1) The JNC Framework and Pay Guidance for the purposes of setting Coroner's pay be agreed and adopted;
- 2) The salary level of the Senior Coroner for the City and County of Swansea and Neath Port Talbot be set at £127,000 gross p.a.;
- 3) The pay award be backdated to 1 November 2017 when the JNC Framework was published;
- 4) The Assistant Coroners daily rate remains at £400 per day.

136. Tender for the Provision of Home to School Transport Services.

The Cabinet Member for Education Improvement, Learning & Skills submitted a report, which detailed the outcome of recent tenders for Mainstream Home to School Transport services and sought approval to award contracts. The report seeks to comply with Contract Procedure Rules and to allow contracts to be arranged with Contractors, and for Schools and Parent to be notified.

Resolved that:

- 1) The tender prices recommended by the Tender Evaluation Panel and set out in Schedule B of the report be accepted as representing best value to the Council;
- 2) Contracts be awarded to the Companies as set out in Schedule B of the report.

137. Update on Progress for Education Department Priorities 2017-2018.

The Cabinet Member for Education Improvement, Learning & Skills submitted a report, which gave an update on the progress in meeting the priorities set for the 2017-2018 Academic Year and outline priorities set for the 2018-2019 Academic Year.

Resolved that:

- 1) The progress be noted.

138. Local Authority Governor Appointments.

The Local Authority Governors Appointment Group submitted a report, which sought approval of the nominations submitted to fill Local Authority (LA) Governor vacancies on School Governing Bodies.

Resolved that:

- 1) The following nominations recommended by the Director of Education in conjunction with the Cabinet Member for Education Improvement, Learning & Skills be approved:

1)	Danygraig Primary School	Stephen Mansell
----	--------------------------	-----------------

139. Exclusion of the Public.

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

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

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

(Closed Session)

140. Appropriation of Land at Oystermouth Road, Swansea.

The Cabinet Member for Environment & Infrastructure Management presented a report sought approval for the appropriation of land under Section 22 of the Local Government Act 1972 and the exercise of Section 203 of the Housing & Planning Act 2016 in relation to rights of light.

Resolved that the recommendations as detailed in the report be approved.

The meeting ended at 10.43 am

Chair

Call In Procedure – Relevant Dates	
Minutes Published:	06 February 2019
Call In Period Expires (3 Clear Working Days after Publication):	23.59 on 22 January 2019
Decision Comes into force:	23 January 2019

Agenda Item 8.



Report of the Cabinet Member for Business Transformation & Performance

Cabinet – 14 February 2019

Revenue and Capital Budget Monitoring 3rd Quarter 2018/19

Purpose:	To report on financial monitoring of the 2018/19 revenue and capital budgets, including the delivery of budget savings.
Policy Framework:	Budget 2018/19 Transformation and Future Council (Sustainable Swansea –fit for the future)
Consultation:	Cabinet Members, Corporate Management Team, Legal Services and Access to Services.
Recommendation:	It is recommended that 1) the comments and variations in this report, and the actions in hand to address these, are noted.
Report Author:	Ben Smith
Finance Officer:	Ben Smith
Legal Officer:	Tracey Meredith
Access to Services Officer:	Catherine Window

1. Background and Introduction

1.1 This report details forecast variations from the agreed budget for 2018/19, including the latest assessment of the delivery of savings.

1.2 In respect of Revenue Budgets, this report provides a consolidated forecast which combines:

- projected variations (mainly shortfalls) in relation to budget savings agreed by Council in March 2018

- Variations arising from other service pressures not directly linked to specific savings plans (e.g. increased demand)

1.3 The report includes comments from Directors in relation to the variations highlighted and the action that is in hand or proposed as appropriate.

2. Revenue Outturn Forecast Based on 3rd Quarter position

2.1 Appendix 'A' to this report details the approved Revenue Budget for 2018/19 and the forecast variation at this time.

2.2 Other than projected variations on Directorate expenditure, it is still too early to forecast variations that may arise on some significant Corporate items including the level of Council Tax collection (although it more often than not achieves a modest surplus) – it is assumed at the current time that these remain largely as per the approved budget.

2.3 The overall Directorate position is summarised below:-

DIRECTORATE

	FORECAST VARIATION 2018/19 £000	SAVINGS VARIATION 2018/19 £000	OTHER VARIATION 2018/19 £000
RESOURCES (inc. all Business Support)	1,111	2,039	-928
PEOPLE - POVERTY AND PREVENTION	-536	0	-536
PEOPLE - SOCIAL SERVICES	6,519	4,306	2,213
PEOPLE – EDUCATION	379	-25	404
PLACE	0	590	-590
Reduction in sickness costs	1,000	1,000	0
<u>NET DIRECTORATE EXPENDITURE</u>	8,473	7,910	563

2.4 Directors' comments on the above variations are shown at Appendix B :-

2.5 Within the *Sustainable Swansea* Delivery Programme, work continues to develop service delivery plans that will include all savings requirements across all strands. This includes the cross cutting nature of new reviews as well as the completion of current in-flight reviews. The reduction in sickness costs target is now shown as an individual line in terms of likely variance. This target was originally allocated out to each Directorate and delivery was reliant upon cross council changes to Terms & Conditions, which have not yet been progressed to a point of releasing any cashable savings for 2018-19.

2.6 The above potential overspend remains a significant risk and needs to be immediately addressed on a whole Council basis as it would be unacceptable to have any further risk of a draw from General Fund reserves at year end. A number of the overspend areas follow on from the outturn position for 2017/18 and need to be considered in the

light of the forecast savings going forward within the 2018/19 budget, Medium Term Financial Plan, and the cumulative effect of non-achievement of savings going forward.

2.7 Corporate Management Team has re-enforced the current arrangements for budget monitoring in particular:-

- focus on a range of corrective actions;
- targeted immediate spend reduction action;
- further increased spending control on all vacancies, contracts and areas of discretionary spend to seek to reduce and at very least contain the levels of total overspending.

2.8 Offsetting opportunities do exist to ameliorate some of the identified service pressures as follows.

- £1m was set aside in the budget for the potential costs relating to the impact of the Apprenticeship Levy. The final costs relating to this levy will only be known once final employee related costs are calculated at the year end. Should the full allocation not be required then any saving will be proposed to be used to mitigate service pressures at year end.
- £1m was also set aside to meet any specific and significant inflationary increases arising in year. Given the overall financial projection at this stage it is proposed by the S151 officer that rather than allocate elements to any potential specific inflationary pressures that the whole amount is immediately used to offset the pressures listed above. This is likely to exacerbate reported service spending pressures further in due course but is a necessary immediate step to be taken.

2.9 It should be noted that on the basis of bids already committed to the Council's remaining Transformation Fund reserve (balance at 1 April 2018 remaining was £193,000)this remains committed and cannot therefore be used to fund further transformative work unless and until monies advanced for existing plans start to crystallise additional and significant savings to pay back to the fund, not merely help unlock already planned budgeted savings.

3. Contingency Fund Provision for 2018/19

3.1 The contingency fund was set at a £3.45m contribution for 2018/19 as set out in the budget report approved by Council on 6th March 2018. This is significantly lower than in recent years.

3.2 The current potential calls on the contingency fund for 2018-19 are:-

Contingency Fund 2018/19	Prediction
	2018/19 (£m)
Original contribution for year	3.450
City Deal revenue contribution.	-0.050

Statutory Data Protection Officer post (but to be reimbursed from the Restructure Reserve £53k)	0.000
Occupational Health support	-0.033
Targeted social care provider support	-0.275
Key Cities subscription	-0.010
Tidal Lagoon support***	-0.053
ER/VR in year costs	-1.367
Balance 31st March 2019	1.662

*** Interim funding only – expected to be reimbursed by Welsh Government grant

The above table lists potential calls on the budgeted contingency fund. The final amounts will be dependent on a number of factors during the year including speed of implementation, actual costs/commitments incurred and final Directorate outturn position. Spend approvals will be deliberately limited to seek to maximise underspend here as part of mitigating budget savings action. Updates have been provided during the financial year as part of the routine quarterly reporting to members with the final position reported as part of the outturn report.

City Deal contribution of £50k per annum will be met initially in 2018/19 from the Contingency and be base budgeted for in future years. There will also be access to a 1.5% top slice fee which will, where at all possible, be funded by capital flexibilities (and thus charged to capital) as part of the final agreed City Deal terms when the grant offer is finally made.

Any departures under ER/VR in 2018-19 up to a maximum of £1.367m are again currently planned to be charged to the contingency fund as a one off cost to release future revenue savings. Any excess costs will have to fall to the restructure reserve, simply to conserve some headroom in the contingency fund.

The remaining balance of £1.662m is proposed by the S151 Officer to be utilised to fund forecast service pressures outlined in table 2.3 above and shown in Appendix A.

The Budget report approved by Council in March 2018 included the proposal that Schools would be able to specifically access up to £1.3m of the Restructure Reserve in 2018-19 on a one off basis. This funding has been primarily utilised in meeting ER/VR costs and facilitating some smaller scale innovative and transformative working and will therefore not be charged against the Contingency Fund. This sum has already been fully utilised, further depleting the Restructure Reserve..

The S151 officer proposes at this late stage in the year to utilise the whole of the remaining balance on the Restructure Reserve to ensure the 2018-19 budget and projected outturn can remain technically balanced, notwithstanding the ongoing directorate overspending.

- 3.3 The scale of potential overspends for 2018/19 remain significantly in excess of any potential revenue sums available to offset that shortfall. The current indication is that there still needs to be yet more urgent and decisive action to pursue additional savings across the Council to ensure particularly that 2019-20 onwards is re-balanced.

3.4 The action being taken includes working through existing plans on an accelerated delivery basis :

- Management and Business Support Review: ongoing comprehensive review of the management structure across the Council and future requirements given the Council's priorities, future challenges and the changing nature of the role of managers
- Reducing the Pay Bill: review of options to reduce employee costs across the Council as part of our overall future workforce strategy (subject to trade union consultation at the appropriate time)
- Commercialism through third party Procurement Savings and Income Generation: review of further options to increase income from fees and charges, trading etc, in addition to the targets already set for 2018/19
- Progressing Commissioning Reviews and Cross Cutting Themes.
- Implementation of the Leading Learners transformation programme for Education that outlines a range of projects.
- Further implementation of the Adult Services Saving Plan through which we have identified mechanisms for bringing down overall costs.
- Strengthening and tightening further the extant spending restrictions which have been reviewed, refreshed and reissued by Corporate Management Team.

3.5 It should be noted that at this time, although the Council continues to pursue a number of VAT related claims, some are more advanced than others, there is NO certainty of windfalls from VAT refunds or any other external source being received in the current year.

4. Revenue Budget Summary

4.1 The position reported above reflects the best known current position. A net £8.47m of shortfall in revenue budgets, offset by £2.66m of identified additional savings from the non-allocation of the Inflation provision (£1m) together with restricting the use of the Contingency Fund to release a residual £1.66m. In addition as per 4.9 below , following S151 officer proposal and agreement by Council a one off usage of £3m from a review of ear marked reserves has already been implemented and this leaves a forecast overall of some £2.8m overspend for the year at the end of the third quarter. This overall position remains virtually identical to the second quarter forecast.

4.2 Corporate Management Team have reinforced the expectation that overall net expenditure must try to be contained within the limits of the current year budget as set by Council. At this stage in the year, given the scale of overspending, however, it is now much more about rebalancing in anticipation of the start of 2019-20 and taking whatever one off action that can be progressed to ameliorate the in year position.

4.3 As previously mentioned, it is too early to provide an accurate forecast as to the potential outturn on corporate items such as Council Tax collection which is in itself potentially affected by the effects of welfare reform measures, but offset by an often increasing tax base. These are thus not fully factored into the budgeted figures but a planning assumption is made in section 4.9 below for the purposes of at least technically rebalancing 2018-19.

4.4 Included in the projected budget for 2018/19 for other corporate items were budgeted increases in capital finance charges, recognising the need to commence funding for the ambitious Capital Programme. At previous budget monitoring intervals, no variance was forecast, as the Swansea Central Scheme was scheduled to pass

through the corporate approval mechanism in Q1 2019/20, and material construction and funding is envisaged to commence soon after. Following the approval of the revised Minimum Revenue Provision (MRP) Policy in December 2018, the resultant re-profiling of the MRP schedule (of supported borrowing) has resulted in a significant underspend in principal repayments against budget. Interest payments are also underspent as funding has been deferred and timed to minimise cost of carry (i.e. servicing the interest on the debt) and ensure long-term value. In line with a strategy previously agreed by Council, to help bridge the envisaged delivery time frame with the 15 year funding profile of the City Deal, any underspending will be transferred at year end to the capital equalisation reserve. This is currently forecast, for 2018/19, at a total of £7.2m as per Appendix A.

- 4.5 The overall judgement at this point is that there is a continued urgent need to identify significant additional budget savings across all Council Services to try to improve the 2018/19 position and perhaps more pressingly rebase for the start of 2019-20. Based on the level of the current forecast this achievement for 2018/19 is looking once again, extremely challenging.
- 4.6 There remains a degree of confidence that some further minor inroads can be made into the forecast overspend position by ongoing management and member action. Equally, the scale remains such, that it would be on balance highly unlikely that spending can be fully contained in year without wide scale mitigation actions, including those set out in this report.
- 4.7 There continue to be increasing risks around general in year inflationary pressures (including a much higher than previously budgeted teachers' pay award from September, with only a part funding offer from Welsh Government, and financial sustainability of some social care provision). Nevertheless longer term the Council simply cannot afford to fully fund them, savings will have to be made elsewhere to meet such pressures.
- 4.8 Detailed monitoring of budgets will continue to be carried out and reported to Departmental Performance and Financial Management meetings on a monthly basis.
- 4.9 Within the Council approved budget for 2018-19 was an element of funding from the General Reserve of £1 million to fund support for Minority Ethnic achievement and the education of Gypsy/ Traveller learners and School Uniform Grants. The grant funding having been effectively simply withdrawn by the Welsh Government. Following concerns and lobbying from members and officers across Wales as to the impact of this reduction in grant, Swansea Council received a letter on the 17th May from the Welsh Government stating that it would provide the majority of the funding previously withdrawn for 2018-19, albeit in slightly different ways. The shortfall in funding related to the School Uniform Grant and amounted to approximately £60,000. Welsh Government has recently announced an effectively wider replacement scheme for this aspect of funding as well. Therefore, the whole original planned emergency draw from General Reserves has been fully unwound.

To help mitigate overspend pressures further, in light of general reserves being at the minimum declared safe level, and thus no meaningful overspend being acceptable, the S151 officer has consulted previously with Directors and proposed to draw £3m from earmarked reserves. This has also been previously reported and agreed by Council in October.

The proposed draw includes relative modest sums from the restructure reserve and the insurance reserve, but more importantly exhausts over 20 other reserves in full. This draw includes the Supporting People reserve which due to its nature relates specifically and wholly to Social Services. The remaining element of the £3m (some £2.276m) has been shown as funding against the overall service overspend position and not against specific service areas. This is a clear emergency measure and, as reserves are one off, is not a sustainable funding strategy. Furthermore these reserves were set up to fund known and expected future spend commitments and thus will mean the costs will have to be met when they actually fall due in future years budgets (e.g. the full cost of running the next local government election), when budgets are likely to be under even further strain.

CMT agreed at the end of the first quarter a nominal additional savings stretch target of £1m per directorate – £3m in total, designed to ensure residual overspends are addressed by offsetting underspends elsewhere. The success of this approach to date has been very limited as can be seen from the current forecast service position which is virtually identical to that at the second quarter indicating that no meaningful additional savings have been delivered yet by the services (excepting Poverty & Prevention). Further emergency action will have to be considered during the final quarter and in the meantime a more decisive fall back plan set out to ensure the overall position remains technically balanced (to avoid any further significant draw from already depleted General Reserves)

For the avoidance of doubt, an overall overspend at year end is simply unacceptable to the S151 officer given it would mean otherwise that General Reserves go below the level already declared the bare minimum safe level, a level already proportionately below most other councils in Wales.

CMT has now further resolved to tighten vacancy freeze arrangements with immediate effect on the basis that the current overspend forecast is unacceptable and to maximise redeployment opportunities going forward given the outlook for public finances. The Chief Executive and Section 151 Officer are also personally reviewing larger scale contract and procurement spend with a view to ensuring it is strictly necessary.

In any case, it is imperative that sustainable base budget savings are found to replace these in year one off actions to stabilise the 18-19 budget ahead of an anticipated extremely challenging 2019-20 budget round, now confirmed by the very disappointing provisional local government finance settlement.

The Summary budget forecast position following the already agreed mitigating actions as outlined in 4.1 and above would now be :

Agreed mitigating actions

Revenue Budget 2018/19	Prediction
	2018/19
	(£m)
Service shortfall	8.473
Non allocation of Inflation provision.	-1.000
Non allocation of Contingency Fund	-1.662
One off use of Earmarked Reserves : £3m Social Services	-0.724

Against all services	-2.276
Remaining overspend 2018/19 (per Appendix A)	2.811

Further fall back actions if no material improvement in final quarter

Revenue Budget 2018/19	Prediction
	2018/19 (£m)
Remaining overspend 2018/19	2.811
Exhaust estimated balance on Restructure Reserve in full during 2018-19. (1)	-2.311
Potential (but not guaranteed surplus) on collection fund at outturn. (2)	-0.500
Impact at outturn - technically balanced	0.000

(1) The balance on the restructure reserve is itself dependent upon final costs of ERVRS charged to the reserve in year and this represents a prudent estimate of what may be available. It will mean the reserve is then planned to be fully exhausted in 2018-19 and crucially not available to centrally support ANY costs in 2019-20 thus increasing risks facing the 2019-20 budget position.

(2) This is far from certain and assured. It is plausible given previous year's outturns. Equally however it is conceivable that there could be a deficit on the collection fund in any one year. Thus it is imperative ongoing mitigating actions are taken by all Responsible Officers to contain all spending in the final quarter.

5. Capital Budget

5.1 Expenditure to 19 December 2018 is £55.509 million, summarised as follows:

Directorate	Budget 2018/19	Actual to 19/12/18	% spend
	£'000	£'000	
Corporate Services	5,425	541	10.0%
People	9,363	3,685	39.4%
Place (General Fund)	59,345	28,345	47.8%
Place (HRA)	57,744	22,938	39.7%
Total	131,877	55,509	42.1%

Expenditure on major capital schemes is detailed in Appendix D.

It should be noted that the actual spend to 19 December may only have 7 or 8 months costs relating to external invoices.

6. Housing Revenue Account

6.1 The current repairs forecast is £150k overspend, however this is partly offset by some anticipated underspends on employee costs (currently forecast at around £100k). As it stands, the slippage on the capital programme will lead to a reduction in capital finance costs. It is too early in the year to make an accurate forecast, however, these could be in the region of £1m. There are no other material budget issues to flag at this stage of the year.

7. Legal Issues

7.1 There are no legal issues contained within this report.

8. Equality and engagement implications

8.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment process ensures that we have paid due regard to the above.

The revenue budget of the Council was approved following the application of the corporate Equality Impact Assessment (EIA) process throughout the Budget setting process. It is essential where service levels are affected by changes to the Revenue Budgets (including savings options) that the EIA process (alongside consultation and engagement as appropriate) is applied to ensure due regard is paid to the potential equality impacts of any proposals prior to decision making.

Background Papers: None

Appendices: Appendix A – Revenue Budget forecast 2018/19
Appendix B – Directors comments on variances
Appendix C – Savings tracker summary
Appendix D - Expenditure on major Capital Schemes

REVENUE BUDGET PROJECTION QUARTER 3 2018/19

<u>DIRECTORATE</u>	BUDGET 2018/19 £000	PROJECTED 2018/19 £000	VARIATION 2018/19 £000
RESOURCES	42,164	43,275	1,111
PEOPLE - POVERTY AND PREVENTION	6,634	6,098	-536
PEOPLE - SOCIAL SERVICES	111,984	118,503	6,519
PEOPLE – EDUCATION	167,091	167,470	379
PLACE	57,068	57,068	0
Reduction in Sickness costs	-1,000	0	1,000
NET DIRECTORATE EXPENDITURE	383,941	392,414	8,473
SPECIFIC PROVISION FOR APPRENTICESHIP LEVY/INFLATION	2,000	1,000	-1,000
CONTINGENCY FUND	3,029	1,367	-1,662
OTHER ITEMS			
LEVIES			
SWANSEA BAY PORT HEALTH AUTHORITY	86	86	0
CONTRIBUTIONS			
MID & WEST WALES COMBINED FIRE AUTHORITY	12,631	12,631	0
CAPITAL FINANCING CHARGES			
PRINCIPAL REPAYMENTS	16,066	10,623	-5,443
NET INTEREST CHARGES	16,643	14,887	-1,756
NET REVENUE EXPENDITURE	434,396	433,008	-1,388
MOVEMENT IN RESERVES			
GENERAL RESERVES	0	0	0
EARMARKED RESERVES	-1,580	2,619	4,199
TOTAL BUDGET REQUIREMENT	432,816	435,627	2,811
DISCRETIONARY RATE RELIEF	400	400	0
TOTAL CITY AND COUNTY OF SWANSEA REQUIREMENT	433,216	436,027	2,811
COMMUNITY COUNCIL PRECEPTS	1,403	1,403	0
TOTAL REQUIREMENT	434,619	437,430	2,811
FINANCING OF TOTAL REQUIREMENT			
REVENUE SUPPORT GRANT	239,946	239,946	0
NATIONAL NON-DOMESTIC RATES	79,141	79,141	0
COUNCIL TAX - CITY AND COUNTY OF SWANSEA	114,129	114,129	0
COUNCIL TAX - COMMUNITY COUNCILS	1,403	1,403	0
TOTAL FINANCING	434,619	434,619	0

Director of Resources

Variance	£000	Explanation and Action
<u>Savings Variation</u>		
Management review of grade 10 and above	113	The management team is reviewing all grade 10 and above posts across the Directorate in order to achieve the savings by year-end.
Service review/regional working/shared services	89	These two savings are interdependent. As part of the review of grades 10 and above, Corporate Services is reviewing opportunities for service integration and further change. The Service Review saving has been reduced to reflect over achievement on Business Support.
Stopping or reducing services through new ways of working	597	
Working commercially across the Council on income / contract spend, prioritising resources as per strategy and plan	1,150	The new contract monitoring governance process is working well and both procurement income savings and new commercial income are being delivered. However, there are issues of Services using additional income to offset emerging Service pressures, which is impacting delivery of the corporate target. For the new budget commercial targets will distributed across Directorates.
Merging of Land Charges with Planning and Building Control as per the Commissioning Review	25	Plans are in place to merge the Planning and Land Charges team and savings achieved in the Place Directorate. It was planned that new ways of working would release this £25k in legal, however, this is no longer possible therefore alternative savings are now being sought.
Establishing Business Support hubs in the People and Place Directorates	0	Plans are now agreed to deliver the original £600k target. The Social Services – Education hub will also deliver an additional £150k in year (reflected in the reduced service review target above).
Transfer and review of the Welsh Translation Unit, including cost and charges	65	The Welsh Translation Unit is continuing to review potential areas of change as a result of the review.
Savings Variation Total	2,039	
Other		

Council Tax Reduction Scheme (CTRS)	-750	At the end of Quarter three the Council Tax Reduction Scheme underspent by £750k. However, this budget delivers important support and is dependent on demand, particularly with the introduction of changes to Universal Credit. Hence, the final variance is extremely difficult to forecast.
Other net underspends across Resources	-178	In order to off-set the timing delay of some savings in Corporate Services, teams have proactively underspent or delayed expenditure wherever possible.
Total Variation	1,111	

The Directorate has proactively and strictly managed spending in order to allow more time for the delivery of the more complex transformational savings. The table above identifies variances against those savings targets that are taking more time to deliver, particularly where they involve multiple services or external partners. Strict management of Directorate spend will continue for the remainder of the year to manage the cash position. Digital Services is reviewing forecast contract spend in January which may temporarily help the in-year underspend position further. This depends on the outstanding contract renewals expected in the next months and also any development costs required by the end of March 19, which are being finalised by the end of December.

Director of Social Services

Social Services

Variance	£000	Explanation and Action
Savings Variation		
Independent placements - Reduce current residential placements by 7 in 2018-19	1,400	Like most Councils across the UK, we are experiencing increased numbers of looked after children. Due to the demand for external provision, the cost of such placements continues to rise.
Independent placements - Reduce current IFA placements by 5 in 2018-19	250	A new model of social work practice is designed to have a positive impact on the numbers of children in such placements.
Reduce mother and baby residential placements to 0 by 2018-19	50	The numbers requiring these placements have reduced and work to eliminate the need for such will continue.
Review of CHC arrangements - Maximise Health contribution for packages of care	1,000	Issues continue with resistance from partners to discuss equitable and appropriate contributions towards identified packages of care.
Maximising Ty Nant resource post relocation - Reduce running cost with relocation	50	The service has recently moved to a new location and whilst savings will occur from the move, they are yet to materialise.

Senior Staffing - Review/Reduce posts at senior level (linked to implementing preferred options of Adult Services Commissioning Reviews and fit for purpose structure)	157	The achievement of these savings are substantially linked to the outcome of the Commissioning Reviews noted below. In the interim, alternative savings arising from staffing reviews have been allocated here
Residential Care for Older People - Implement preferred options as outcome of Commissioning Review leading to reduction of in-house beds	134	Following the decision taken by Cabinet in September, work to implement these proposals is continuing.
Provide day services to those who are eligible only	110	
Implement preferred options as outcome of Commissioning Review (LD, PD & MH service provision commissioning review)	343	The commissioning review remains in its early stages. Despite this, the identification of savings in the running of Llanfair have provided an alternative contribution to the savings target
Review of CHC Arrangements/LD MH Right Sizing and Review - Review all Mental Health and Learning Disability packages of care, to ensure that they are fit for purpose and those eligible for health funding receive it.	269	Full process review completed & next steps/change in processes agreed. Invest to save support, including legal assistance, in process of recruitment
Test and challenge residential care - Reduce overall number of funded residential care placements by 20 per year	143	
Direct Payments Strategy - Targeted increase in recourse to direct payments as alternative to non-complex domiciliary care packages and complex care packages for MH & LD	250	A strategy has been developed and actions decided - review of structure for the administration of such payments will provide an immediate reduction in spend.
Charging Policy and Annual Fee Increases - Increased client income through uplifts and more efficient processes following transfer of Income and Finance Team to Corporate Finance	150	Delays in the commencement of some charges, specifically Day Services, mean that the overall target will be partially achieved.
Other		
Independent Child and Family Placements	800	This overspend is an extension of the unachieved savings in this area.

Child and Family Direct Payments	150	This is reflective of an increase in complexity of the cases funded through Direct Payments as well as increases in the cost of night cover.
Child and Family - Staffing Underspends	-525	This underspend has accrued through tight vacancy management.
Child and Family - Other	-400	Areas such as the Youth Offending Service and Third Sector payments have contributed to this underspend
MHLD Complex Care	883	Spend in this area remains under extreme pressure, although reviews of care packages have achieved savings. The cost of night provision as well as general living wage increases continue to raise the unit cost of such care.
External Domiciliary Care (Older Persons)	294	Work to control the demand and cost of such care continues and has had some success. Overall, overspends in this area remain but these are now solely linked to unachieved savings noted above.
External Residential Care	1,774	This area continues to be exposed to both demographic and cost pressures. Work to ensure placements are appropriate and cost effective continues.
Internal Staffing and Services	-739	Tight vacancy/contract management has resulted in underspends in these area.
Third Party Spend	-24	
Overall Variation	6,519	

The Social Services position is due to a combination of both unachieved savings and fee and demand pressures across externally commissioned services. Significant action is underway to improve this position.

Poverty & Prevention

Variance	£000	Explanation and Action
Savings Variations		
All savings targets met	0	Saving targets are removed from the base budget at the beginning of the financial year and no overspends in these areas are predicted, therefore all saving targets have been met
Other Variations		
Partnerships and Commissioning	-155	Underspends have been achieved through maximising grant income whilst maintaining tight control on core spend.
Early Intervention Service	-130	
Young Peoples Service	-65	
Adult Prosperity & Wellbeing Service	-77	
Cross Directorate	-94	
Head of Service	-15	
Overall variation	-536	

Director of Education

Variance	£000	Explanation and Action
Savings Variations		
Further assumed reductions in Regional Consortium School Improvement Grant - matching funding requirements.	11	This variation has occurred due to a Welsh Government requirement for the Council to maintain match funding at the same cash levels as 2017/18. This is despite an 11% reduction in the value of the grant.
Early achievement of WJEC savings target	-36	Following review and wider regional discussions, this saving was brought forward from 2019/20 to the current year.
All other savings target are expected to be met		
Other Variations		
Servery	30	Estimated costs for the refurbishment of the civic centre servery – agreed as part of commissioning review on the assumption that the cost will be offset over time by future reduction in net cost of the provision
Catering and Cleaning	350	The service has been subject to substantial inflationary pressures on the cost of food and staff. This has been partially offset by a combination of management cost control and positive take up of paid meals.
Music	30	Reduced buy in from schools has caused a loss of income.
Transport costs	500	Inflationary fuel pressures and continuing demand, particularly within the ALN and post 16 sector continue to increase costs. In spite of continuing robust management action, these pressures are inherently volatile and uncontrollable within current transport policy.
EOTAS	-450	Further slippage in delivery of full new model of provision. Subject to further detailed review.
Software Licences	-50	Anticipated one off rebate
Other Miscellaneous Issues	-6	This includes the cost of unfunded ERVR departures as well as increases in the cost of translation required to comply with legislation, offset by cost control and vacancy management.
Overall Variation	379	

Director of Place

A number of issues need to be highlighted for the purpose of visibility. These include unfunded budget pressures as follows:

- Significant increased electricity costs of £112k
- Reduced recycling prices in waste management of £165k
- Increased costs for maintaining and replacing aging social services fleet £436k

In year savings of £590k have been identified as being delayed and will not be fully achieved by year end and these comprise mainly of IT delays in delivering the mobile working solution in Building services, the transfer of the Leisure assets to Freedom leisure (now complete) and Integrated Transport Unit savings.

In addition there are some challenges in achieving all of the “cross cutting” saving identified for 18/19 in particular

- Sickness reduction of £400k which requires a change in policy to reduce sickness costs

The directorate is working to offset these spending pressures to ensure it returns a balanced budget.

Appendix D

Capital expenditure on major schemes to 19 December 2018 (where spend greater than £250k)	£000's
People	
Pentrehafod Comprehensive School Remodelling	2,895
Corporate services	
Place	
Highways - footways	480
Highways - carriageway resurfacing	3,356
Highways - invest to save schemes	761
Drainage works	294
Kingsway Urban Park	3,308
Swansea Central Phase 1	2,666
Corporate Building services (various schemes)	3,341
Property portfolio acquisitions	8,242
Disability Facilities Grants	2,697
Mini adaptation grants	391
Sandfields Renewal programme	362
Property appreciation loans	257
Place (HRA)	
HRA capital programme (including More Homes schemes)	22,938

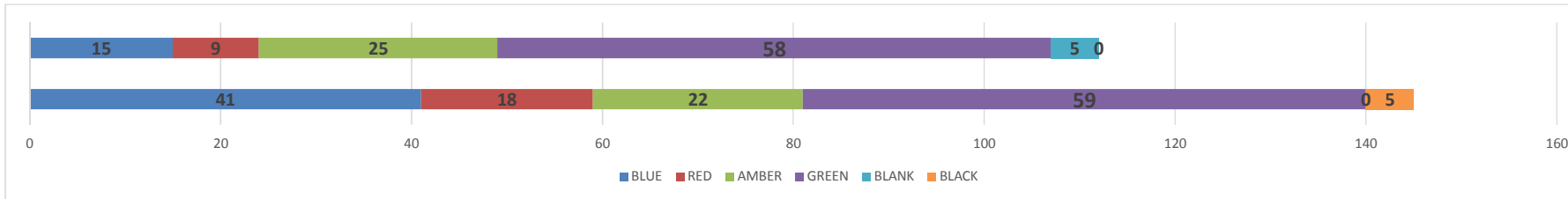
Total scheme value where spend greater than £250k

51,988

SSFFF/MTFP Saving & Delivery Tracker - Programme/Project

Forecast: **December 2018**

Number of projects BBRAG rated in current month compared to previous month



Last Month
This Month

BBRAG Postion

	Blue	Red	Amber	Green	BLANK	Black
Total BBRAGS	41	18	22	59	0	5
Total £	£ 4,538,000	£ 7,054,000	£ 1,429,000	£ 1,452,000	£ -	£ 2,057,000

DIRECTORATE	SAVING TARGET	FIRM	FORECAST	VARIANCE	FIRM %	FORECAST %	Status
PLACE	£ 3,318,000	£ 2,105,098	£ 3,009,000	£ 309,000	63%	91%	GREEN
PEOPLE (Social Services & Education)	£ 7,355,000	£ 2,435,220	£ 2,247,220	£ 5,107,780	33%	31%	RED
CROSS CUTTING	£ 2,455,000	£ 1,400,000	£ 1,455,000	£ 1,000,000	57%	59%	RED
RESOURCES	£ 3,402,000	£ 618,000	£ 2,327,000	£ 1,075,000	18%	68%	RED
	£ 16,530,000	£ 6,558,318	£ 9,038,220	£ 7,491,780	40%	55%	RED

Status Classification	Q1- Jun	Q2 - Sept	Q3 - Dec	Q4 - Mar
BLUE	Forecast below target by 0%	0%	0%	0%
RED	Forecast below target by 30%+	20%+	15%+	5%+
AMBER	Forecast below target by 15-30%	10-20%	5-15%	0-5%
GREEN	Forecast below target by 15%	10%	5%	0%

BRAG Definitions

BLUE	The change/action has been undertaken to achieve the saving – <i>Tip: is the saving target achieved and no further service action</i>
BLACK	The change/action CANNOT be achieved or implemented. Alternative options must be explored, to achieve the financial saving.
RED	Significant or high risk of saving not being achieved, as there are barriers preventing the necessary actions to achieve the savings taking place. <i>Tip: No progress of saving target, no plans, no budget code identified. Must be raised and risks escalated to Programme Board via PFM</i>
AMBER	A risk of saving not being achieved as there are potential barriers preventing the necessary action to achieve the saving taking place. <i>Tip: Irregular, no progress of saving target or no budget code identified. Must be raised any further risks escalated to Programme Board via PFM - Mgt by Exception</i>
GREEN	Plans in place to take the necessary actions and change to achieve the saving – <i>Tip: regular and ongoing progress of saving within the identified budget code on target.</i>

Delivery RAG/set Tolerance

Indicator	RED	AMBER	GREEN
Time	Expected Prog/Project delivery date is more than 1 month later than the date agreed by Sponsor or CMT or has changed by more than 1 month (TBA).	Expected Prog/Project delivery date is up by 1 month and later than the date agreed with sponsor or delivery will be impacted by 1 month (TBA).	Prog/Project remains of schedule as agreed with Sponsor (within 1 week of tolerance - TBC) no likely risks or concerns to indicate otherwise.
Cost (tracker and delivery)	Prog/Project estimated exceeds or is predicted to exceed the current agreed estimate by 20% (TBC).	Prog/Project estimated exceeds or is predicted to exceed agreed between 10%-20% (TBC).	Prog/Project costs are within the agreed cost estimates with 10% (TBC)
Scope/Quality	Significant change to the Prog/Project scope as agreed.	n/a	Prog/Project scope remains as agreed no changes no risks or concerns.
Overall RAG	Red is when one or more of the time/cost and scope indicators are RED	Amber if one or more of the time/cost indicators are Amber and none are Red	Green if all of the time/scope/cost are green or within set RAG agreed tolerances.

Appendix D

Capital expenditure on major schemes to 19 December 2018 (where spend greater than £250k)	£000's
People	
Pentrehafod Comprehensive School Remodelling	2,895
Corporate services	
Place	
Highways - footways	480
Highways - carriageway resurfacing	3,356
Highways - invest to save schemes	761
Drainage works	294
Kingsway Urban Park	3,308
Swansea Central Phase 1	2,666
Corporate Building services (various schemes)	3,341
Property portfolio acquisitions	8,242
Disability Facilities Grants	2,697
Mini adaptation grants	391
Sandfields Renewal programme	362
Property appreciation loans	257
Place (HRA)	
HRA capital programme (including More Homes schemes)	22,938

Total scheme value where spend greater than £250k

51,988

Agenda Item 9.



Report of the Section 151 Officer

Cabinet - 14 February 2019

Medium Term Financial Planning 2020/21 - 2022/23

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
Consultation:	Legal Services, Access to Services, Cabinet Members and Corporate Management Team
Recommendations:	It is recommended that:- 1) The Medium term Financial Plan 2020/21 to 2022/23 be recommended to Council as the basis for future service financial planning.
Report Author:	Ben Smith
Finance Officer:	Ben Smith
Legal Officer:	Tracey Meredith
Access to Services Officer:	Rhian Millar

1 Introduction and Background

- 1.1 Service and financial planning continues to be undertaken against a backcloth 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 6 priorities.
- Has due regard to our duties under the Well-being of Future Generations Act 2015.

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 2020/21 to 2022/23 and as such the indicative annual assumptions included both within the projected spending pressures detailed in Sections 2 and 3 of this report, and the potential funding detailed in Sections 4 and 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 as more information becomes available and risks are updated. As such it is anticipated that, along with close monitoring of the specific budget proposals and savings targets for 2019/20, further reports to Cabinet regarding the MTFP will be made as necessary. In particular, the Mid Term Budget Statement in the autumn of 2019 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 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 2020/21 to 2022/23
Section 3	Detailed spending and resources forecast 2020/21 to 2022/23
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

2 Overview of Financial Planning Environment 2020/21 to 2022/23

2.1 The Medium Term Financial Plan (MTFP) report considered by Council on 6th March 2018 included a service and financial overview. This was updated in terms of the Mid-Term Budget Statement verbal report given to Council in October 2018 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 2019/20 has resulted in an overall cash increase of £3.124m in 2019/20 compared to 2018/19. This is mainly due to transfers in of specific grant (+£0.883m) and new responsibilities (+£0.723m) in respect of items such as the Social Care capital limits. There is an increase of just £1.5m in block grant after allowing for these changes. This needs to be set in the context of the forecast cost of the national living wage impact of £1.8m plus alone. This additional £1.5m was fully anticipated as part of the initial proposals included in the December report to Cabinet.

2.3 However, the current economic climate continues to be uncertain, and the Welsh Government stated in their draft budget document that this is one of the longest periods of sustained austerity in living memory. There is and will continue to be uncertainty over the UK's relationship with Europe and the

impact on Wales of “Brexit”. It is still the case that the Welsh budget will be expected to continue to reduce in real terms over the period to 2022/23.

- 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 relatively positive final settlement for 2019/20, 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 example in 2019/20 is of the changes to the National Living Wage, which will add around £1.8m to the Council’s annual 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 2018 gave a settlement level for 2019/20 only. There has been no indication beyond 2019/20. 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 an assumption of a reduction of 0.0% in 2020/21 (the Welsh Government are indicating a reduction of 1%, but due to demographics Swansea's settlement tends to be slightly better than the all Wales average), and then a range of scenarios between a reduction of 1%, cash flat (0%) and an increase of 1%. This is a change from previous years when it has been considered extremely unlikely that there would be any form of cash increase.

Year	AEF Reduction @ 1% £'000	AEF Reduction @ 0% £'000	AEF Increase @ 1% £'000
2020/21*	0	0	0
2021/22	-3,200	0	3,200
2022/23	-3,200	0	3,200
Cumulative	-6,400	0	6,400

* 2020/21 is a reduction of 0.0% across all scenarios in line with the Welsh Government indications.

Note that the above reductions are based on the final AEF for 2019/20 of £322.211m as announced in December 2018.

The above represents a spread in terms of potential overall reductions over the life of the MTFP, albeit a much narrower spread than past assumptions, 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;
 - 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 £12.514m for 2019/20, this is an increase of £2.172m compared to the provisional settlement. This increase is a result of the Welsh Government allocating an extra £100m over three years to the Capital Settlement. The three year allocation is tapered over the three years, with an extra £50m in 2018/19, reducing to an extra £30m in 2019/20 and finally an extra £20m in 2020/21. This support is through a mix of General Capital Grant and support for borrowing.

Planning assumptions for 2020/21, 2021/22 and 2022/23 are based on unchanged levels of support, which is in line with the indicative headline figure issued by the Welsh Government.

As reported elsewhere on this agenda in the Capital Budget & Programme 2018/19- 2023/24 Report, there is an ambitious capital investment programme which provides support for the newly approved Band B of the 21st Century Schools Programme and major capital schemes flowing from the Swansea Bay City Deal including the Digital Village £30m, Swansea Arena and Swansea Central City Centre Development £129m

The Swansea Bay City Region Deal is still due to attract substantial grant and loan funding support, which has yet to be formally approved and the capital programme 2018/19 – 2023/24 shall also require significant unsupported borrowing to be undertaken to enable completion.

- 2.11 The total estimated cost of the Band B schools programme envelope is £141.7m (excluding the potential aided sector project which is assumed to require no Council contribution). Of this total, £91m is from traditional capital funding, requiring (after allowance for realisable capital and other receipts) a net local funding requirement of £23.885m. The remaining £50m is proposed to be delivered through revenue funding (Mutual Investment Model), which would require no local capital funding contribution but incur an annual charge once the accommodation and facilities are completed. An equivalent local share of the capital cost would be £12.6m although the 25% local contribution would apply to the annual revenue charge.
- 2.12 The capital financing strategy underpinning the capital budget seeks to maximise grants, supported borrowing, contributions and capital receipts in order to minimise the need to borrow funds. The borrowing requirement identified to support the capital programme is significant and shall require substantial revenue support to service. The revenue implications of the borrowing are reported in the Revenue Budget elsewhere on this agenda. The revenue implications are considered affordable and sustainable over the cycle of the programme.
- 2.13 As indicated above, the position remains that should such capital 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 shall place a further burden on revenue finances.
- 2.14 In the recent past, the Council has sought to minimise its external borrowing by the use of internal funds, which is entirely consistent with good Treasury Management policy given historic low interest rates on investments and avoiding the 'cost of carry'. Sustained internalisation of borrowing requirement and the significant funding required for the capital programme 2019/20 onwards and the depletion of Reserves and Provisions (including significant sums relating to equal pay settlements) means that 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 debt will continue to be undertaken in 2019/20 and beyond as opportunities arise.

- 2.15 It should be noted however, that even with borrowing rates as low as they are, externalising of borrowing is still likely to have a potentially negative impact on revenue finances going forward.
- 2.16 It remains the case that each year the Council sets aside a significant amount of money (c £14.4m 2017/18) called the Minimum Revenue Provision (MRP) towards the repayment of debt. This provision is in line with the Council's existing MRP Policy, which was reviewed (and changed) in 2018/19. This effective repayment will have to be taken into account when evaluating overall borrowing levels and the ability to service any additional borrowing requirement.
- 2.17 The additional capital investment identified above will attract significant grant funding (especially 21st Century Schools and Swansea City Region Deal), however the programme will still require a material unsupported borrowing to enable completion alongside the use of capital receipts as they are realised. Furthermore some schemes have the potential to provide additional revenue streams of property income, or, subject to agreement, in due course, with Welsh Government, retained elements of non-domestic rates or possibly tax increment financing as further powers devolve to Welsh Government and then on to local government.
- 2.18 Notwithstanding this scale of ambition, each major scheme will, as is always the case, be considered on the overall merits of each business case, both in capital cost, and revenue income streams where appropriate, and unsupported borrowing will be undertaken on a phased basis within the overall envelope for affordability which is considered over the medium to long term to be up to £180m, reduced from the previous £200m envelope, recognising the additional capital grant support received or due to be received from Welsh Government. .

3 Detailed Spending and Resources Forecast 2020/21 to 2022/23

- 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 2020/21 – 2022/23

	Note	2020/21 £'000	2021/22 £'000	2022/23 £'000
Future cost of pay awards - Non Teachers	1	3,600	7,200	10,800
- Teachers		2,400	4,800	7,200
National Living Wage – own pay bill	2	900	1,400	1,400
National Living Wage – contracts		1,000	2,000	3,000
Increase in Pension Costs	3	1,700	3,400	5,100
Increased Teachers Pension costs	4	2,100	2,100	2,100
Cumulative contract inflation	5	1,000	2,000	3,000
Capital charges – existing	6	1,750	1,750	1,750
Capital charges - new scheme aspirations	7	2,000	4,000	5,250
Capital charges – expected savings as a result of increased grants and thus reduced borrowing – general capital and Band B schools	7	-350	-650	-850
MRP review linked to capital programme	8	381	747	1,097
Use of Insurance Reserve	9	700	700	700
Demographic and Service pressures	10	3,000	6,000	9,000
Mid and West Wales Fire authority Levy	11	400	800	1,200
Council Tax Support Scheme	12	1,400	3,000	4,600
Agreed Service Pressures	13	2,947	5,857	8,019
Total known pressures		24,928	45,104	63,366
Aggregate External Finance reduction	14	0	0	0
Total Savings Requirement		24,928	45,104	63,366

Note:

1. *The pay award figures represent an average forecast increase of 2.0% for the period of the MTFP for non-teachers and teachers.*
2. *Assumed increases due to implementation of National Living Wage - will affect contract prices and lower end of own pay scale - national spinal point currently being reviewed.*
3. *The Year 3 costs arising from the triennial revaluation of the local government pension scheme effective from 1st April 2017. The assumption is an effective stepped 1% increase each year to overall costs, and this is now assumed to continue past the next revaluation.*
4. *The Teachers' Pension Scheme (TPS) increases in 2019/20 due to a reduction in the discount rate - TPS rises from 16.48% to an estimated 23%. This Council awaits confirmation that THERE WILL be a consequential arising from the reserve set aside to alleviate this pressure in England. The benefit of*

releasing the reserve with a consequential for Swansea is estimated in the order of £3m for 2019-20.

- 5. Reflects the assumed minimum cumulative effect of contract inflation.*
- 6. The additional estimated borrowing costs as a result of the current Capital programme together with potential increases arising from externalisation of borrowing due to cashflow requirements.*
- 7. The initial additional estimated borrowing costs for the delivery of the major aspirational capital programme, and the estimated savings due to increased grants for general capital and Band B schools.*
- 8. The on-going increases associated with reviewing the MRP policy in line with the report to Council on 20th December 2018. The immediate baseline saving was taken in 2018-19 and the ongoing benefit reduces year on year (shown thus as a pressure)*
- 9. The 2017/18 budget report agreed an annual take from the insurance reserve for three years, this has now been further extended for three more years, after which this money can no longer be assumed available and alternative funding will need to be identified.*
- 10. Assumed Demographic and Service pressures mainly around Schools and Adult and Children's Services.*
- 11. Estimated Fire Authority Levy increase.*
- 12. Reflects the assumed cost of Council Tax Support Scheme costs based on Council Tax increases as a planning assumption only at this stage.*
- 13. The future year impact of service specific savings agreed as part of the 2019/20 budget report. (Mainly due to the impact of the one off Social Services grant due for 2019/20 only)*
- 14. Reflects the middle assumption that the local government finance settlement for future years will stabilise in cash at 0.0%.*

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

- 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 issues relating to higher than assumed employee costs (higher than 2% pay awards), or bigger 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 full introduction of Universal Credit during the lifetime of the MTFP.
- f) Any budget changes arising from further regionalisation of any services particularly where projected budget transfers may be in excess of current Swansea Council 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 only allows for a 1% potential increase in non-schools' employer superannuation rates, which will be based on a triennial valuation as at 31st March 2020. There is also likely to be ongoing impact on non-funded schemes including the Teachers' Pension Scheme at a future date.

3.6 Local Government Reform, much discussed over the past two years, remains very much in the offing although precise, alternative future proposals remain awaited. There will be further 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.

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 continue to adopt a radically different approach to previous years. An approach that focuses on:

4.2

- *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 16th July 2015. It remains the Council's overarching approach to budget and medium term financial planning, to help deliver the well-being of future generations, and 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:
- Continued to work on the delivery of the Savings Programme
 - Commenced and delivered the first two phases of Service commissioning Reviews
 - Identified our next phase of cross cutting reviews.

Our Service Priorities for 2019/20 and the MTFP period

- 4.5 Although the Council is currently focused on a plan to save an additional £69m plus over the period of the MTFP (since revised as per the December 2018 Budget Proposals Report to Cabinet), 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 £1.6m 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 6 priorities and future plans for services (a refreshed Corporate Plan was agreed on 25th October 2018) to help deliver the well-being of future generations
 - The core objectives of Sustainable Swansea – which embrace all we do
 - The application of the budget principles – which guide our decision making
 - The ongoing and sustained real terms reduction in external funding and the need to meet known budget pressures.
- 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 (excluding schools) over three years was applied, for example, just to the Director of Resources (excluding Council Tax Reduction Scheme) and Place Services, the budgets for these areas would have to be almost cut in their entirety. Consequently, other areas such as Education and Social Care also need to face some relative real terms level of reduction 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

- **Remodel:** 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, and now moving to an indicative four year saving/investment targets for each major block of services (to match the MTFP cycle), the suggested percentage reduction (as reported to Cabinet on 14th December 2018), 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 4 Years**	Amount Realised £'m	Actual change 18/19 1 year ^
Schools	147.0	-15%	-22.0	+2.4%
Rest of Education	20.8	-15%	-3.1	+1.4%
Social Care – Child & Families	36.1	-15%	-5.4	+2.5%
Social Care- Adults	75.0	-10%	-7.5	+2.5%
Poverty & Prevention*	6.4*	-15%	-1.0	+1.5%
Place	56.6	-30%	-17.0	+2.7%
Resources +	20.8	-15%	-3.1	-4.2%
Total	362.7		-59.1	

* 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.

+ Resources is £41.9m less £21.1m Council Tax Reduction Scheme.

*Actual budgets will be set based on shares of service pressures, inflationary pressures and investment and specific savings decisions

^ The actual change column reflects both budget reductions and pressures for one year only: the planning assumptions for future years reflect only reductions. In practice there are usually as many pressures funded and investment decisions made, as reductions, and consequently headline budgets move markedly less than the planning assumption would appear to imply.

- 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 2019/20 to 2022/23 and will need to be extended to 2023/24 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.

Potential Funding 2020/21 to 2022/23

- 4.14 The Revenue Budget report detailed elsewhere on this agenda identifies possible savings for the 2019/20 financial year. Some of these proposals will generate further savings in future years and so will contribute to the future years' savings requirement.
- 4.15 In addition there are a number of service specific savings proposals that are being considered – it should be noted that these have not yet gone out to consultation, but will do so at the appropriate time.
- 4.16 These are detailed in Appendix C, but are shown in summary below:

	20/21 £'000	21/22 £'000	22/23 £'000
Future Year Impact of current (2019/20) proposals:			
Resources	183	193	193
Poverty & Prevention	629	1,379	1,389
Education	1,160	1,941	2,908
Social Services	665	820	820
Place	1,633	3,083	4,264
Cross Cutting	2,005	2,327	2,367
	6,275	9,743	11,941
Future Proposals to be Considered:			
Resources	1,347	1,699	2,029
Poverty & Prevention	177	366	616
Education	110	604	824
Social Services	0	400	400
Place	1,669	3,278	5,387
Cross Cutting	1,740	1,866	2,047
	5,043	8,213	11,303
Sub-total of Service Specific Savings (as per Appendix C)	11,318	17,956	23,244
Schools*	5,353	9,992	14,765
Total Savings	16,671	27,948	38,009

*Schools savings and pressures fall entirely to the delegated budgets and are shown separately as these are decisions for schools to take

- 4.17 In addition to the savings proposals above (and listed at appendix C), the Council is embarking on its next stage of budget reviews as part of the Sustainable Swansea Programme. This will involve a series of zero based budgeting reviews across a number of services. The aim of a zero based budgeting review is to start from a zero base and to focus on programmes and activities, questioning long-standing assumptions about the service. As this is still very early in the process savings from these reviews a general starting assumption of £2m new per annum will be included. It is expected that much more significant sums will be identified once the programme beds in and will also be the catalytic driver for next stage transformational change, helping deliver existing savings, and also ultimately provide some budget headroom for choices over future capital and revenue ambitions. Essentially to set a medium budget cycle in train in that is “ahead of rather than behind the curve”.
- 4.18 In addition to savings proposals, Council Tax levels must be considered as part of the MTFP. Budgeted gross council tax yield for Swansea for 2018/19 is £114,129,000, which we have rounded to £114 million. This remains the gross yield on Council Tax and it must be borne in mind that any Council Tax increases results in a corresponding increase in the local cost of the Council Tax Support Scheme, (which has been taken account of in the spending pressures above). No assumption about growth in the Council Tax base has been made, to remain prudent and err on the side of caution.
- 4.19 Policy decisions on the level of Council Tax will of course remain a matter for full Council to determine on an annual basis and it is always relatively challenging to set out a published range of Council Tax options years in advance, so what follows can only be an indicative assumption to give a plausible range of planning scenarios, to aid the overall understanding of the financial plan.

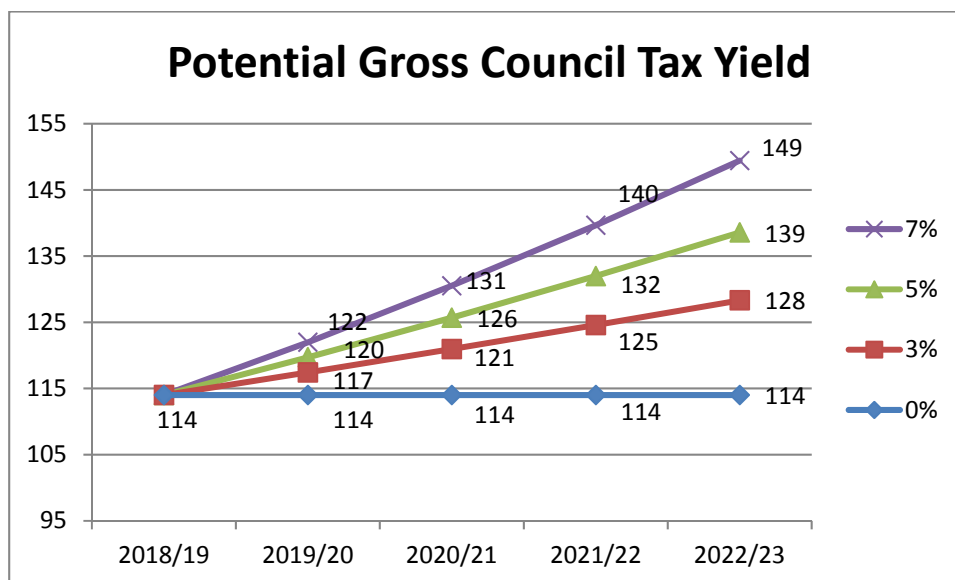
The following stylised planning assumptions are made:

- As in the past, there is no formal published upper limit to annual Council Tax increases but Welsh Government reserve powers and hints of action effectively placed a top end cap at 5% per annum. However, in setting the 2018/19 Council Tax a number of Councils actually set increases higher than 5%, and no action was taken by the Welsh Government. In addition to this, in its 2019/20 Standard Spending Assessment calculation, the Welsh Government have assumed a Council Tax rise of 6.7% for Swansea. As such this in effect places no upper limit for planning assumptions, however it is unrealistic to assume increases in excess of 7% (i.e. two percentage points above the previous upper limit) and so 7% is used as the maximum increase this Council could reasonably be expected to consider, in extremis.
- Given the sheer scale of spending reductions needed to set a future balanced budget it is considered equally implausible (albeit

theoretically not impossible) that Council Tax levels will be cut. This provides a lower limit of 0% per annum;

- To provide a middle ground option, 3% and 5% are also modelled below. The middle ground stylised assumption included for planning purposes is 5%.

The chart below demonstrates the different levels of Council Tax that could be expected under the different scenarios:



5 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 paragraph 3.3 of this report.

	<u>2020/21</u> <u>£'000</u>	<u>2021/22</u> <u>£'000</u>	<u>2022/23</u> <u>£'000</u>
<i>Cumulative budget shortfall</i>	24,928	45,104	63,366

5.2 The assumptions surrounding the compilation of these figures are given in detail within the table at paragraph 3.3 above and, in particular, are heavily dependent on the assumption of an ongoing 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 2019/20 consultation proposals
 - Additional Directorate/Service Area targeted savings as detailed in paragraph 4.16 of this report
 - Potential rises in Council Tax levels, as estimated in paragraph 4.18.
- 5.4 Bringing these items together, and assuming a balanced position for 2019/20, the following indicative position is envisaged:

	<u>2020/21</u> <u>£'000</u>	<u>2021/22</u> <u>£'000</u>	<u>2022/23</u> <u>£'000</u>
<i>Cumulative budget shortfall</i>	24,928	45,104	63,366
<i>Future year impact of current service savings proposals</i>	-6,275	-9,743	-11,941
<i>Future year proposals to be considered</i>	-5,043	-8,213	-11,303
<i>Schools savings</i>	-5,353	-9,992	-14,765
<i>Cumulative budget shortfall before Council Tax is taken into consideration</i>	8,257	17,156	25,357
<i>100% Council Tax Premia on both long term empty and second homes - if introduced</i>	-1,500	-3,000	-3,000
<i>Cumulative budget shortfall after Council Tax Premia introduced</i>	6,757	14,156	22,359
<i>Council Tax at stylised assumption of 5%</i>	-6,000	-12,300	-19,000
<i>Cumulative budget shortfall to be initially funded immediately by additional savings flowing from Zero Based Budgeting Reviews</i>	757	1,856	3,359

- 5.5 If the Zero Based Budgeting reviews achieve the annual assumption of a further new £2m per annum, as described in paragraph 4.17 above, then the effect on Council Tax would be as follows:

	<u>2020/21</u> <u>£'000</u>	<u>2021/22</u> <u>£'000</u>	<u>2022/23</u> <u>£'000</u>
<i>Cumulative budget shortfall after Council Tax Premia</i>	6,757	14,156	22,359
<i>Zero Based Budgeting assumption</i>	-2,000	-4,000	-6,000

<i>Cumulative budget shortfall to be funded by Council Tax</i>	4,757	10,156	16,359
---	--------------	---------------	---------------

<i>This equates to Council Tax at</i>	4.0%	4.4%	4.7%
--	-------------	-------------	-------------

In essence, for every £2m additional saving over and above that built into budget and MTFP produced by the Zero Based budget reviews, Council Tax will reduce by about 1.5%.

- 5.6 In terms of addressing the overall budget, there are further options available to the Council that at the moment are not firm enough to be able to be included in the table above, but nevertheless are being worked through and considered for future inclusion.
- 5.7 These options include reviewing services and funding provided to schools, potentially higher or lower than 5% increases to Council Tax, and the level of Council Tax premiums and discounts applied. To some extent decisions around these proposals will also be reliant on the annual settlements received from the Welsh Government.
- 5.8 The Council will, as previously agreed, deliver the bulk of this through the Sustainable Swansea programme. Details of the Programme, including progress to date, are shown at Appendix B to this report.

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 in this report.
- 6.2 More specifically the Detailed Budget report to Council in respect of the 2019/20 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 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 paragraph 4.10 of this report details the proposed indicative Directorate Savings targets for the period 2020/21 to 2022/23 in respect of the Revenue Budget.
- 6.5 It should be noted though that although the notional position for schools highlighted in paragraph 4.10 of this report, is a reduction of 15% over 4 years, a reduction of £22m, this level of reduction is not fully currently

assumed within the savings proposals. The single biggest uncertainty (£5m per annum) remains the lack of firm assurance from the UK government over funding employers' teachers' pension costs as a result of administered changes to the Teachers' Pension Scheme.

- 6.6 It is essential, however, that we continue to engage with Schools on a strategic review of provision as simply cutting budgets in real terms without otherwise doing so will simply not work.

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 core funding support from the Welsh Government being incorrect, particularly if overstated.
- 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 paragraph 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 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.

8 Use of Reserves

8.1 The purpose of this section is to highlight the current planned use of General Reserves to support the 2019/20 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 paragraphs 8.3 to 8.8 below.

8.2 Conclusions and recommendations in respect of reserves usage are given in paragraph 8.9 below.

8.3 The current 2018/19 Revenue Budget was set with a planned one-off emergency use in relation to education specific grants reducing or ceasing. This is budgeted to be replaced in 2019/20.

8.4 In terms of planning assumptions there is no assumption of ongoing use of or availability of General Reserves in 2019/20 or beyond.

8.5 Whilst the Council maintains a number of specific reserves they are not factored into planning assumptions because they are either ring-fenced under statute or scheme of delegation (e.g. Schools' delegated reserves), or they are earmarked to meet known liabilities.

8.6 In October 2018 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 paragraph 8.10 below.

8.8 In addition various sections highlighted throughout this report refer to significant ongoing risk around current activities.

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.

9 Legal and Equalities Implications

Legal Implications

9.1 There are no legal implications arising from this report.

Equality and Engagement Implications

9.2 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment process ensures that we have paid due regard to the above.

9.3 The budget reductions implicit in the 2018/19 approved budget were subject to the corporate and appropriate Equality Impact Assessment process, which was considered as part of the overall budget process.

9.4 Where additional budget savings requirements are identified as part of the 2019/20 and MTFP 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 Transformation & Change Strategic Framework

Appendix C Savings Proposals

Statement of Budget Principles and Service Budget priorities

GENERAL PRINCIPLES FOR ALL SERVICES

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

Budget Principles

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

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

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

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

Service Transformation and Efficiency

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

Transformation	<p>All service must transform through a fundamental review of purpose, however services are commissioned, to:</p> <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	<p>All services must continue to strive for efficiency, in particular:</p> <ul style="list-style-type: none"> • reduce management and other overheads

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

4. STATEMENT OF BUDGET PRIORITIES: SCHOOLS AND EDUCATION

Education is continuing to deliver a “one education budget” strategy across delegated and non-delegated budgets. Whilst recognising the relative priority given to Education (and Social Services), further significant savings cannot be made without real-time reductions in the Schools Delegated Budget over the coming years.

Moreover, further significant 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 against a context of increasing demands and expectations.

At the same time, greater focus is being given to the regional delivery of services, with increasing numbers of services being delivered via regional arrangements in the coming years. At present it is not clear what the full financial impact of such changes will be, though Swansea will continue to be robust in its presentations to the regional consortia and Welsh Government about our needs.

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 independent behaviour review
- Building capacity in mainstream educational provision
- Empowering & facilitating more collaborative school to school support
- Ensuring delivery of Out of County places for specialist provision are commissioned jointly with other services to seek to maximise economies of scale.
- 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 recovery of the 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.

5. STATEMENT OF BUDGET PRIORITIES: SOCIAL SERVICES

Social Services- Child & Families

No significant 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 and service improvements.

There will be an increasing expectation of evidencing impact of early intervention and prevention services being more closely aligned to support families and children earlier, to lessen the need for greater intervention later.

Social Services – Adult Social Care

Cabinet have agreed a new Adult Services Model, which supports the service changes that will be needed to deliver improvements in experience and performance, and also to deliver the significant savings required in the medium term.

This model outlines how we will focus on the following objectives:

- Better prevention
- Better early help
- A new approach to assessment
- Improved cost effectiveness
- Working together better
- Keeping people safe.

Underpinning these principles is the need to build trusting relationships with those that we work with, improve communication and work co-productively to design and deliver services and interventions.

Further, we will be finalising and then implementing the outcomes of the Commissioning Reviews for: Day Care Services, Residential Care Services and Domiciliary Care Services and devising the Learning Disability, Physical Disability and Mental Health Commissioning Strategies. These are the Council's regular process for consistently reviewing service provision and comparing with other services to ensure value for money and improvements in service delivery.

Social Services – Poverty & Prevention

We have agreed a comprehensive Tackling Poverty Strategy, which was extensively reviewed in 2017 to ensure it is meeting its aims. The overarching themes are:

- Empowering local people through involvement and participation
- Changing cultures to reflect that tackling poverty is everyone's business
- Targeting resources to maximise access to opportunity and prosperity.

We will be adopting the following principles to this work:

- A whole Public Services Board and whole Council approach.
- Building resilience, social capital and social networks.
- Involvement and participation of service users.
- Implementing 'what works' in future delivery.

We have also revised our Prevention Strategy, which has been consulted upon in 2017 and outlines our approach in this important area. Our vision is to **'....secure better outcomes and better manage demand through preventative approaches'**.

The principles we will adopt as Swansea's optimum model for preventative activity are:

- A whole Public Services Board and whole Council approach;
- Making every conversation count;
- Holistic universal and early intervention services;
- A culture where all services are acting at every point to de-escalate need and build on strengths;
- Adopting strength based approaches using the strengths of individuals, families and communities;
- Supporting independence at all stages, with different levels of interventions offered;
- Building resilience, social capital and social networks;
- Delivery partners have confidence in the approach;
- Making evidence based investment decisions of what reduces demand;
- Learning about 'what works' is fundamental to future delivery.

6. STATEMENT OF BUDGET PRIORITIES: PLACE SERVICES

The Place-based services will continue to face significant challenges to meet its continued reduction in budgets although recognition has been given to the fact that these services have faced significant recent cuts and directly impact on the environment and communities the Council serves, so it is more about working smarter and leaner. The main areas affected are as follows:

- Introductions of the actions arising out of the previous commissioning reviews and new cross cutting opportunities including services in the community and integrated transport
- Embed the transition of leisure services following its transfer to Freedom leisure
- Maximise commercial opportunities and income generation for services and assets
- Seek opportunities for community involvement in the delivery of services including parks
- Invest where necessary to maintain vital services including replacement fleet and key service areas
- Continue to prioritise key corporate priorities including the regeneration of the City Centre and delivery of the city deal.
- Work within the affordability of the housing revenue account to deliver more council homes and the Welsh Housing Quality Standard for our council tenants.
- Maximise the opportunities brought by modernising terms and condition across the council
- Seek to deliver on the councils' homelessness strategy recently approved by council
- Seek to maximise the success of grant bids maximising the beneficial use of council resources

7. STATEMENT OF BUDGET PRIORITIES: RESOURCES

The Resources Directorate will continue to deliver high quality and cost effective core services, supporting frontline service delivery and achieve better outcomes for our residents, customers and Visitors.

The Resources directorate supports the political and managerial leadership of the council to set the strategic direction and enable the organisation to deliver it, responding to external challenges including financial pressures and changes in the operating environment.

To be able deliver the above our focus must be to:

- Manage demand for central support services by ensuring the workforce has the right skills for the future, particularly managers
- 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 service and collaboration models with other organisations and partners, in order to maintain support services as efficiently as possible
- Radically change our approach to customer contact and engagement, to channel shift to digital channels where appropriate and reduce costs where possible
- 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
- To continue to evolve the services as the operating environment changes to ensure we can be agile and responsive to change.



Transformation & Change Strategic Framework

Sustainable Swansea – Fit for the Future Programme

1. Definition

Sustainable Swansea – Fit for the Future is the Council's transformation and change programme. The original framework was agreed by Council in 2013 and implementation of projects began in 2014. Although the programme is closely aligned to the MTFP and annual budget, its scope is much wider including areas such as building a 'digital first' approach and developing the Council's culture and its workforce.

2. How the Programme Supports Strategic Objectives

The Corporate Plan *Delivering a Successful & Sustainable Swansea* sets out the Council's well-being objectives, addressing present and future challenges. The plan also describes how our work contributes to the seven national well-being goals¹ outlined in the Well-being of Future Generations (Wales) Act.

The Sustainable Swansea programme contributes to the whole Corporate Plan but mainly delivers against the Transformation & Future Council objective.

Examples include:

Well-Being Objective	Sustainable Swansea Contribution
<i>Safeguarding</i> people from harm – so that our citizens are free from harm and exploitation	<ul style="list-style-type: none"> ▪ Delivering digital solutions which join up information and services to both support and protect citizens ▪ Training and development of the whole workforce and Councillors which includes safeguarding
<i>Improving Education & Skills</i> – so that everyone in Swansea gains the skills and qualifications they need to succeed in life.	<ul style="list-style-type: none"> ▪ A Digital Strategy for Swansea schools which supports the Digital Competence Framework ▪ A Digital Strategy for the Council which supports communities, so people grow digital skills and feel confident using digital channels at any age

¹ The National Goals are: A Prosperous Wales; A Resilient Wales; A Healthier Wales; A More Equal Wales; A Wales of More Cohesive Communities; A Wales of Vibrant Culture and Thriving Welsh Language; A Globally Responsible Wales.

Well-Being Objective	Sustainable Swansea Contribution
<p><i>Transforming our Economy & Infrastructure</i> – so that Swansea has a thriving mixed use City Centre and a local economy that will support the prosperity of our citizens</p>	<ul style="list-style-type: none"> ▪ A joined-up capital programme that supports the 21st Century Schools, building of new homes and City Centre development ▪ A Digital Strategy that develops Swansea as a Smart City for both residents and tourism
<p><i>Tackling Poverty</i> – so that every person in Swansea can achieve his or her potential</p>	<ul style="list-style-type: none"> ▪ A Digital Inclusion Strategy in line with the Welsh Government’s Digital Inclusion Framework, helping people access services and support more widely, not just those provided by the Council
<p><i>Maintaining and enhancing Swansea’s Natural Resources and Biodiversity</i> – so that we maintain and enhance biodiversity, reduce our carbon footprint, improve our knowledge and understanding of our natural environment and benefit health and well-being</p>	<ul style="list-style-type: none"> ▪ Improving overall efficiency and reducing the Council’s carbon footprint through agile and flexible working. This has a range of outcomes for example: Reduced use of transport, less paper, less office space ▪ Factoring biodiversity into service reviews
<p><i>Transformation & Future Council development</i> – so that we and the services that we provide are sustainable and fit for the future</p>	<ul style="list-style-type: none"> ▪ Transformation of the whole Council through a targeted programme of reviews at service, Directorate and organisation levels ▪ Changing the culture of the Council so it can meet future challenges, for example being more entrepreneurial and commercial, developing shared services and partnerships ▪ Building and developing the workforce for the future with training and leadership programmes, exploring new opportunities for staff through partners and succession planning, traineeships and apprentices ▪ Involving communities in change and service outcomes through co-production ▪ Underpinning all of the above with a strategy around ‘digital first’ for both the Council and the City as a whole, in line with the Welsh Government’s Digital Wales Framework ▪ Building the Council’s data capability to inform long term decision-making and service delivery

In addition, the programme has adopted an approach in line with sustainable development principles by:

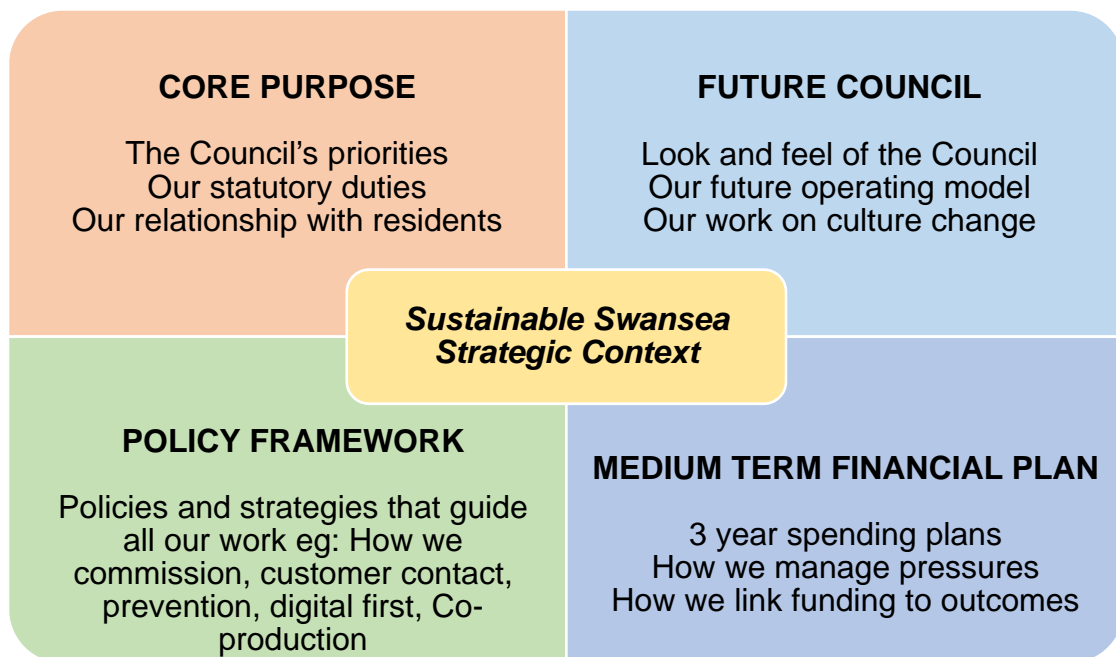
- Looking ahead to the medium and long-term challenges
- Preventing problems from occurring or from getting worse
- Ensuring our objectives do not contradict each other and complement those of other public bodies
- Working in partnership with others
- Involving local people.

The Council also links with regulators in the transformation and change of services, for example: Wales Audit Office, Future Generations Commissioner, Older Person’s Commissioner, Children’s Commissioner, Welsh Language Commissioner, Information Commissioner’s Office, and the Ombudsman.

3. Programme Strategic Framework

The *Sustainable Swansea – Fit for the Future* programme is governed within a strategic framework.

- a. **The Model below highlights the strategic context for the programme**, i.e. that all these components influence short, medium and long term decision-making within the programme:



- b. **Twelve Principles** guide the Transformation Reviews. The transformation component is the largest and most complex area of the programme. These principles help to guide scoping, reviewing and options appraisals:
- i. Everything is included when scoping in order to maximise benefits
 - ii. Increase income opportunities
 - iii. It must cost less

- iv. Different models of delivery must be explored – research from other Councils, other sectors and internationally
 - v. Provide a clear evidence base for any recommendations informed by data
 - vi. Involve, engage and where appropriate co-produce changes with residents and businesses
 - vii. Options should support those at risk
 - viii. Stop 'red tape'
 - ix. Aim for full cost recovery but not through internal re-charging
 - x. Demonstrate cross Council improvements in efficiency
 - xi. Ensure everyone has a role to play in changes and takes personal responsibility
 - xii. Deliver sustainable outcomes in the longer term in line with the Future Generations Framework.
- c. In its simplest form, the programme has **three key objectives**: To transform services in ways which will deliver both financial sustainability and good outcomes for residents and businesses in Swansea. In doing this we will engage or co-produce alongside staff and communities and increase our efficiency.



- d. **Continually challenge and ask questions** – particularly ‘why?’ For example:
- i. What will be the core purpose of the Council in 2050 and why do we think that?
 - ii. How will services have changed by 2050? What would have stopped, reduced, transferred to the community, been protected or seen investment and why do we think that?
 - iii. How radical are we prepared to be with regard to prevention and why?
 - iv. What role will Swansea play in partnerships and shared services and why?
- e. **Deliver change in line with the Council’s Values and Principles**

Values	Principles
People Focus	Sustainability
Working Together	Prevention
Innovation	Partnerships

4. Implementation Plan

Progress to Date

Since the Programme’s creation four years ago, approximately £70 million has been achieved, through Transformation and other cost reduction projects.

The programme in 2017-18 focused on three priorities:

- **Transformation:** Taking all services through **Commissioning Reviews**, much of which are now complete or in implementation. These were very much service based however, alongside these the Council started four **cross-cutting reviews** where multiple services came together to improve outcomes for residents and businesses, two examples being integrated transportation, and delivering services in the community.
- **Digital:** Enabling both the **workforce** and citizen **access channels** through new technology. The digital strategy aims to embed a ‘digital first’ approach, whilst also ensuring access to traditional channels for the most vulnerable. The strategy also delivers a digital skills programme to residents, so people can grow their confidence in using technology and take-up new online services
- **Future Council:** Ensuring the Council has a workforce with the right skills for the future as well as exploring opportunities for partnerships and service collaboration.

Good progress has been made delivering the programme, with the Commissioning Reviews in particular delivering step change and new ways of working across Council services. Table 1 below highlights where Commissioning Reviews are complete or in implementation. Examples of key outcomes and impact includes:

- Achieving a reduction in Business Support functions by removing duplication and streamlining processes across all Directorates. Over the life of the Business Support work it is estimated the Council has saved £3.6m
- Delivering commercial opportunities within the Civic buildings by developing a more modern, commercial, sustainable and social space for staff and visitors
- A significant increase in income generation by increasing fees and charges to 5%, both to meet demand and to bring the Council in line with other authorities and organisations
- The Waste Service increased recycling rates, which reduced residual waste at the five sites to 2,200 tonnes in 2017/18, down from over 11,000 in 2015/16, which is around an 80% reduction. Waste changes are also supporting achievement of a 62% recycling target in 2018-19 – the Welsh Government target is 58%
- Delivered a new model around Leisure. The Council started a new partnership with Freedom Leisure on the 1st October 2018, which will bring investment and sustainability to these services for the future
- The Council is in the process of growing a sustainable workforce model through traineeship and apprenticeship schemes across the Council, e.g. Fifteen in Corporate Building Services in 2018-19 with a view to recruit a further twelve in 2019-20
- Gower Centres have widened their reach so that more young people and families attend on weekends, therefore offering a sustainable and more inclusive service in key tourism sites of Swansea
- MyClydach launched in October 2018 being the first Services in the Community Hub pilot delivered. This brings multiple services together into one place including virtual support
- Co-production has begun within Adults Services to help redesign services around direct payments and parent and carer groups. The corporate Co-Production Strategy is in development to expand this approach across more areas, in order increase resident and business involvement in the design of future services
- Launch of the commercial cleaning services pilot for vulnerable adults in their own homes, building on partnership working with the third sector such as the Red Cross and Age Cymru
- Delivery of new digital tools. Rollout of Skype for Business formed part of the agile working programme and enables staff and Councillors to use instant messaging, internet voice calls, video conferencing and virtual meetings. This new technology has enabled the Council to improve efficiency and effectiveness and will reduce travel time and expense claims.

Next Phase of the Programme

The new transformation activities that will deliver the savings proposals at Appendix C and wider MTFP are spread across **four key priority areas**:

- **Transforming the Council see table 1 below:** Delivering radical step change to the way the Council does business, through a programme of strategic and operational reviews over the coming four to five years:
 - Completing the final **Commissioning Reviews** for Housing and Alternative Learning Needs (ALN)
 - Continuing to **implement the recommendations of previously completed commissioning reviews**

- **Revisiting the options appraisal of previous commissioning reviews** - particularly where the 'transformed in-house' model was agreed - in order to explore whether additional options could be implemented
- Delivering on the year two programme of work for the four **Cross-Cutting Reviews** to: achieve an integrated approach to transportation; a new model for delivering services close to communities; capital investment in schools, housing and the City; and improving outcomes for the most vulnerable
- A new programme of **budget reviews**, particularly across non-statutory services, in order to explore new ways of working and pilot different models of delivery including stopping, reducing, sharing or transferring functions.
- **Enabling new ways of working through technology:** Delivering greater digital integration with partners particularly Social Care and Health; supporting and delivering on the digital vision for city centre regeneration; expanding digital channels to residents and business; further expanding use of cloud and digital developments / systems; continuing to embed and develop the 'digital first approach'; and continuing to develop the digital skills of both the workforce and residents
- **Ensuring the Council and its workforce are fit for the future:** Expanding apprentices and traineeships to build succession and skills; increasing training and development at all levels of the Council including leadership; continuing to deliver the organisational development changes including expansion of the innovation community; and focussing on equalities including ways to close the gender pay gap
- **Growing Swansea through capital investment:** Focusing on developing both the City and rural areas of Swansea through the new city centre development, building new sustainable homes and delivering the 21st century schools building programme.

Fig 1: Sustainable Swansea – Fit for the Future - Four Key Delivery Priorities



Table 1: Sustainable Swansea Four Year Transformation Programme aligned to the MTFP 2019-23

Area of Transformation	Commissioning Review (CR)	CR in implementation	Zero-based budget reviews	Cross-Cutting Reviews
Social Services				
Adult Services - Day Services		✓		
Adults Services - Residential Care		✓		
Adults Services - Mental Health, Physical Disabilities and Learning Disabilities		✓		
Family Support Continuum	Complete			
Gower Centres		✓		
Budget review of Family support including the integration between Youth Offending Service, Social Services and Poverty & Prevention			✓	
Budget Review of Employability including the integration between Poverty & Prevention, Social Services and parts of the Place Directorate			✓	
Budget review of commissioning, particularly the integration between Poverty & Prevention, Social Services, Education and Homelessness commissioning			✓	
Budget review of Flying Start / Play particularly the childcare element			✓	
Budget review of Partnerships particularly following feedback from the Scrutiny Inquiry with a focus on Poverty & Prevention and relevant corporate partnership working			✓	

Area of Transformation	Commissioning Review (CR)	CR in implementation	Zero-based budget reviews	Cross-Cutting Reviews
Education				
Catering		✓		
Alternative Learning Needs (ALN)		✓		
Budget review linking to the Business Support project with a focus on Schools ICT support, Capital planning and delivery, School Funding and Information Governors Unit			✓	
Place				
Corporate Building & Corporate Property <ul style="list-style-type: none"> ▪ Mobile Working part of Digital Programme ▪ Asset Optimisation part of Capital Programme 		✓		
Waste Management	Complete			
Review of the Waste Strategy	New in 2019			
Parks and Cleansing		✓		
Budget review of grounds maintenance and parks			✓	
Leisure & Culture	Complete			
Regeneration and Planning		✓		

Area of Transformation	Commissioning Review (CR)	CR in implementation	Zero-based budget reviews	Cross-Cutting Reviews
Public Protection		✓		
Housing	New in 2018			
Car parking income review as part of City Centre strategy	New in 2019			
Budget review of street lighting			✓	
Budget review of coast and countryside maintenance			✓	
Budget review of culture, arts and museums			✓	
Budget review of environmental conservation			✓	
Budget review of tourism and events			✓	
Review public conveniences in light of the new Toilet Strategy	New in 2019			
Budget review of Pest Control			✓	
Budget review of Community and Economic Development			✓	
Resources				
Business Support including in the next phase: <ul style="list-style-type: none"> ▪ Business Support Hub implementation ▪ PA/Management support review ▪ Review of Freedom of Information and Subject Access Request resources and processes 		✓		

Area of Transformation	Commissioning Review (CR)	CR in implementation	Zero-based budget reviews	Cross-Cutting Reviews
Budget review of Communications & Marketing including integration across the Council, particularly marketing			✓	
Budget review of H&S and Wellbeing including integration across the Council particularly H&S training			✓	
Review of the Commercial and Procurement operating model to deliver integration with frontline services, finance and legal			✓	
Review of Digital & Transformation including: <ul style="list-style-type: none"> ▪ Enterprise Resource Planning (ERP) ▪ Second phase of integration and rationalisation of ICT spend across the Council ▪ Revised Digital Strategy ▪ Transformation operating model 			✓	
Review of organisational development (OD) and learning including: <ul style="list-style-type: none"> ▪ Integration of training across the Council ▪ Review of the OD Strategy ▪ Innovation operating model 			✓	
Budget review of design/print including a review of the operating model			✓	
Budget review of Revenues and Benefits			✓	
Budget review of Democratic Services			✓	

Area of Transformation	Commissioning Review (CR)	CR in implementation	Zero-based budget reviews	Cross-Cutting Reviews
Cross-Cutting Projects involving multiple Services across the Council				
Services in the Community (including Libraries) – Lead sponsor Director of Place				✓
Integrated Transport Unit – Lead sponsor Director of Place				✓
Capital Programme – Lead sponsor Deputy Chief Executive <ul style="list-style-type: none"> ▪ Housing Development ▪ City Deal and City Centre Development ▪ 21st Century Schools 				✓
Outcomes for Citizens – Lead sponsor Director of Social Services <ul style="list-style-type: none"> ▪ Leading learners ▪ Adult improvement programme ▪ Information, Advice & Assistance Framework (IAA) ▪ Child and Family – Reclaiming Social Work Transformation 				✓

Programme Governance and Monitoring Outcomes

Structured programme management is used to govern and manage *Sustainable Swansea – Fit for the Future*. Corporate Management Team (CMT) and Cabinet review progress monthly. The programme is sponsored by the Deputy Leader and led by the Chief Transformation Officer.

Risk management is a key activity at project, Service, Directorate, programme and Corporate levels and feeds into the Council's risk management framework.

The programme is also reviewed annually alongside budget setting with Cabinet in order to:

- Report on and close those projects that have delivered
- Monitor outcomes
- Incorporate changes from the internal and external environment, which may be either emerging or long term priorities that will impact the Council's sustainability
- Evaluate all projects and make appropriate changes, e.g. where legislation, new thinking / models, changes in the Corporate Plan or Local Well-being Plan, or changes from the external environment influence the original scope, therefore the project needs to change / morph
- Incorporate priorities emerging from annual budget discussions between Senior Management and Members, as well as any changes in the revised MTFP
- Review lessons learned with stakeholders (e.g. Welsh Audit Office (WAO), Welsh Government, partners and many other stakeholders) and incorporate learning into the next phase.

In addition, Scrutiny undertake pre-decision Scrutiny of any programme recommendations going before Cabinet. Scrutiny also review progress annually.

APPENDIX C

Director	Head of Service	2020/21 £'000	2021/22 £'000	2022/23 £'000	Saving Proposal
Future Impact of 2019/20 Savings Proposals					
Cross Cutting	Cross Cutting	2,005	2,327	2,367	Previously consulted upon savings
Education	Non Delegated	0	150	150	Bring forward relocation of EOTAS (out of school provision) to new centre
Education	Non Delegated	46	46	46	Devolve funding to schools for changes to regional improvement service, particularly curriculum support
Education	Non Delegated	40	40	40	Efficiency savings and joint working for SIMS/MIS Joint Working and broadband /licence costs
Education	Non Delegated	17	17	17	Implement new service model for ethnic minority achievement service in line with grant level received
Education	Non Delegated	32	32	32	Increase income to support Music Service
Education	Non Delegated	1,025	1,656	2,623	Schools to fund demographic and other cost pressures
Place	Corporate Property	75	75	75	New income from rental of office space in Civic Centre
Place	Corporate Property	200	650	900	Remodel community services
Place	Culture and Tourism	55	55	55	Efficiency savings and increased income at museums, galleries and theatre
Place	Culture and Tourism	92	92	92	Savings generated from transferring leisure centres
Place	Highways and Transportation	23	23	23	Charge for free car parks
Place	Highways and Transportation	0	0	25	Partial removal of school crossing patrols where alternative safety measures are in place e.g. Pelican Crossings
Place	Housing & Public Protection	100	200	200	Better use of resources through implementing the new homelessness strategy
Place	Housing & Public Protection	213	363	519	Increase to fees and charges and increased income generation activity across Bereavement Services, Registration Services, Building Control, Trading Standards, Food & Safety, Houses in Multiple Occupation Licensing and Housing Renewals
Place	Planning & City Regeneration	50	50	50	Increase Planning Applications Fee target
Place	Various	750	1,500	2,250	Income earning services to self-fund pay increase costs
Place	Waste Management and Parks	75	75	75	Explore partnership arrangements for Botanical Gardens
Resources	Resources	173	173	173	Cost savings for digital services
Resources	Resources	10	20	20	Review of costs of Welsh Translation Service
Social Services	Adult Services	500	500	500	Merge and reconfigure commissioning and procurement resources within poverty & prevention and social services
Social Services	Adult Services	165	320	320	New business support hub for education and social services
Social Services	Poverty & Prevention	20	60	60	Alignment of Early Intervention and Family Learning provision
Social Services	Poverty & Prevention	200	600	600	Create a single family support function following review outcome
Social Services	Poverty & Prevention	20	20	20	Direct licensing model with Duke of Edinburgh Wales in line with other authorities

Director	Head of Service	2020/21 £'000	2021/22 £'000	2022/23 £'000	Saving Proposal
Social Services	Poverty & Prevention	9	9	9	Efficiencies in joint commissioning arrangements in Disability Services
Social Services	Poverty & Prevention	85	85	85	Increase income and full cost recovery for adult and community learning
Social Services	Poverty & Prevention	10	10	10	Increase income from training delivered at Gower Activity Centres and the Life Long Learning Service
Social Services	Poverty & Prevention	200	200	200	Realignment of employability service to maximise efficiency of grant and management.
Social Services	Poverty & Prevention	0	250	250	Reduce third sector Change Fund (removing the open round grants)
Social Services	Poverty & Prevention	40	40	40	Relocation of Early Intervention Service to release grant funding from Flying Start and Families First to offset core spend
Social Services	Poverty & Prevention	15	15	15	Remodelling of Community Safety partnership funding arrangements
Social Services	Poverty & Prevention	10	20	30	Review contribution to VAWDASV (domestic abuse/violence) to achieve efficiencies via regional working and align with other funding streams
Social Services	Poverty & Prevention	20	70	70	Review Life Stages Team and alignment with other commissioning roles in Social Services
		6,275	9,743	11,941	Total future impact of 2019/20 savings proposals
New Proposals from 2020/21					
Cross Cutting	Cross Cutting	0	41	41	25% reduction Trade Union central facility time
Cross Cutting	Cross Cutting	888	973	1,154	Review of additional payments to staff
Cross Cutting	Cross Cutting	852	852	852	Sickness Reduction Measures which are cash releasing
Education	Non Delegated	10	20	30	Further assumed reductions in Education Improvement Grant matching funding requirements - undeliverable without change in WG position
Education	Non Delegated	0	250	250	Review of Out of County placements / delivery model - dependent on additional special school places (outcome of current consultation and identification of associated additional revenue funding).
Education	Non Delegated	100	100	120	Senior Management Review
Education	Non Delegated	0	234	424	Whole of Transport Review - implementation of charges for Post 16 Transport (around £300 to £350 per academic year with no means testing) - as part of wider corporate review led and to be scoped by Transportation
Place	Corporate Building Services	200	400	600	Reduce front line resources to general fund assets by reducing building maintenance budgets resulting in asset reduction closure (equivalent to 25% of buildings)
Place	Corporate Property Services	200	200	250	Additional income generated from the relating of released space in the Civic as a result of the agile programme
Place	Corporate Property Services	100	100	150	Additional income via existing investment properties and new property acquisitions
Place	Cross Cutting	50	100	100	Regionalisation savings (assuming future regional model for mandated services)
Place	Culture and Tourism	175	175	175	Additional Culture & Tourism savings to be found, particularly around Marketing and Tourism
Place	Directorate	468	1,623	3,282	Additional savings to be found within the Place Directorate

Director	Head of Service	2020/21 £'000	2021/22 £'000	2022/23 £'000	Saving Proposal
Place	Highways and Transportation	140	280	280	Construction of new Available Walking Routes to Schools - Education Budget. Improvements to routes allows withdrawal of school bus services for children who live within the statutory distance of their catchment school, but are unable to walk or cycle because of an 'unavailable walking route'.
Place	Highways and Transportation	250	250	250	CTU service become commercial operation within 2 year or externalise service
Place	Housing & Public Protection	86	100	100	Stop Renewal Area programme in Swansea when Sandfields Renewal Area status expires in 2019 and reduce private sector renewal activity. This will mean no further private sector house condition survey/renewal assessments are done and no further Council led area based private home improvement schemes can be implemented
Place	Waste Management and Parks	0	0	150	Develop the most cost effective way of collection and disposal of plastics
Place	Waste Management and Parks	0	50	50	Divert all other DIY material to Llansamlet and charge for disposal of specific materials
Resources	Various	198	198	198	Management review
Resources	Various	20	20	20	Mansion House income
Resources	Various	700	700	700	Renew review of insurance levels/reserves to continue saving 2 more years
Resources	Various	200	200	200	Review appetite for risk and excesses/reduce insurance cover across estate
Resources	Various	0	0	330	Savings from implementing Welsh Community Care Information System (WCCIS)
Resources	Various	229	581	581	Shared services / collaboration / regional working
Social Services	Adult Services	0	200	200	Reduce commissioning of high cost placements and deliver service in house - Explore the development of an in-house residential service for younger adults with complex needs. Savings introduced from year three
Social Services	Child & Family	0	200	200	Independent placements - Reduce current residential placements by 7 in 2018-19 (inclusive of 17/18 reduction) and a further 1 in 21/22
Social Services	Poverty & Prevention	42	81	81	EIS Reduction in investment in Early Years
Social Services	Poverty & Prevention	25	25	25	Gain economies of scale in Adult & Prosperity Service through 'Swansea Working'
Social Services	Poverty & Prevention	100	250	500	Integrated IAA Hub with P&P and C&F developments to a single front door.
Social Services	Poverty & Prevention	10	10	10	Reduce satellite youth clubs provision (Gendros, Montana, Morrision, St Thomas, Friendship House)
		5,043	8,213	11,303	Total of new proposals from 2020/21
		11,318	17,956	23,244	Total of ALL service specific savings proposals

Agenda Item 10.



Report of the Section 151 Officer

Cabinet – 14 February 2019

Revenue Budget 2019/20

Purpose:	This report sets out the current position with regard to the Revenue Budget for 2019/20 for consideration by Cabinet.
Policy framework:	Sustainable Swansea – Fit for the Future
Consultation:	Cabinet Members, Legal, Access to Services & Corporate Management Team
Recommendations:	<p>It is recommended that:</p> <ol style="list-style-type: none">1) Cabinet considers the outcome of the formal consultation exercise, and agrees any changes to the Budget Proposals in Appendix D, together with the position regarding delegated budgets as set out in Sections 4.10 and 4.11 of this report.2) Cabinet note the current Resource Gap identified in Section 4.5 of this report and, in line with the potential actions identified in Sections 9 and 10 of this report, agree a course of action to achieve a balanced Revenue Budget for 2019/20. In addition to a review of current savings proposals Cabinet will need to:<ul style="list-style-type: none">- Review and approve the Reserve transfers recommended in this report- Agree a level of Council Tax for 2019/20 to be recommended to Council3) Subject to these changes, Cabinet recommends to Council for approval:<ol style="list-style-type: none">a) A Revenue Budget for 2019/20;b) A Budget Requirement and Council Tax levy for 2019/20.
Report Author:	Ben Smith
Finance Officer:	Ben Smith
Legal Officer:	Tracey Meredith
Access to Services Officer:	Rhian Millar

1. Introduction and background

1.1 This report details:

- Financial monitoring 2018/19
- The Local Government Finance Settlement 2019/20
- Budget Forecast 2019/20
- Specific Savings Proposals
- Outcome of Budget Consultation
- Staffing Implications
- Reserves and Contingency Fund requirements
- The Budget Requirement and Council Tax 2019/20
- Summary of funding proposals
- Risks and uncertainties

1.2 The financial assessment in relation to 2020/21 – 2022/23 is contained in the ***Medium Term Financial Plan 2020/21 – 2022/23*** elsewhere on this 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 14th December 2018 – ***Sustainable Swansea – Fit for the Future: Budget Proposals 2019/20 – 2022/23*** setting out the Council’s proposals for budget consultation.

1.4 The report sets out the outcome of the budget consultation and invites Cabinet to consider the comments received from residents, community groups, partners, employees, School Budget Forum, Joint Phase Head Teachers, Trade Unions and others. Cabinet are asked to consider any changes to the draft Budget proposals and proposed Council Tax level, prior to recommending the budget to Council. The report also includes an Equality Impact Assessment statement so that Cabinet can be aware of the key issues before finalising budget proposals.

2. Financial Monitoring 2018/19

2.1 Cabinet will see a report for consideration elsewhere on this agenda on the estimated Revenue Outturn for 2018. It is projected that the Council will outturn at an underlying directorate spend position that, at £8.5m, is very close to the forecast overspend at quarter 2.

- 2.2 Current 3rd quarter financial monitoring highlights a very similar picture for the Council overall but, as is the case in quarter 2, there is substantial variation in performance across Directorates.
- 2.3 There are significant variances on savings built into the base budget for 2018/19; if these savings are not achieved there will continue to be an impact in 2019/20 and beyond.
- 2.4 The initial scale of potential overspends for 2018/19 remains significantly in excess of any potential sums available to offset that shortfall. The current indication is that there still needs to be urgent and decisive action to pursue additional savings across the Council, as even if not now achievable during 2018/19, they need to be ready for 1st April 2019.
- 2.5 Current estimates are that the service overspend is likely to be around £8.5m (approximately 2.2% of original budget), predominantly because of overspending in adult and child and family social services, resources and non-achievement of the sickness costs saving.
- 2.6 Due to the previously agreed use of earmarked reserves, the use of the contingency fund and the inflation provision, it is expected that there will be a residual overspend of approximately £2.8m remaining that will need to be addressed. To avoid any further draws from General Reserves (which are already at the lowest level acceptable to the S151 Officer) it is recommended that the residual gap be predominantly funded by extinguishing the Restructure Reserve in 2018-19. That in turn has consequences for the consideration of the adequacy of reserves and contingency fund for the setting of the 2019-20 budget, considered elsewhere in this report, given recent past years' overspending by services.

3. The Local Government Finance Settlement 2019/20

- 3.1 The Cabinet Secretary for Finance announced the final Revenue and Capital Settlement for 2019/20 on 19th December 2018.
- 3.2 The final Revenue Settlement for 2019/20 provided an additional £2.223m compared to the provisional settlement issued in October 2018, and included in the budget proposals report to Cabinet in December 2018. This is mainly due to the fact that the Welsh Government provided an extra £13m for Councils in 2019/20, an extra £7m for the increase to the capital limit for charging for Residential Care and an extra £2.4m for targeted relief for supporting local businesses. For Swansea there is £0.557m specifically identified for the residential care capital limits, general support for local businesses is estimated at £0.166m, leaving approximately £1.5m as a general increase. Changes are as follows:

£'000

Forecast increase in Welsh Government support 2019/20 per Cabinet report 14 th December 2018	0
Increase to the residential care capital limits	+557
Increase for support for local businesses (estimated)	+166
Increase on Free School Meals Grant transferred in	+69
Increase resulting from extra All Wales £13m allocation from Welsh Government (estimated)	+1,431

- 3.3 The result is an overall improvement on forecast Aggregate External Finance of some £2.223m. However, due to earlier Ministerial announcements, it was assumed in the December report that the provisional settlement would increase by £1.5m, and as such the only increases are in respect of Social Care capital limits and more funding for potential Rate Relief support for local businesses. It should be noted that there are a number of specific grants that have not yet been announced and any reductions in these could adversely affect the actual grant received by the Council in due course. The overall outcome on all 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 informal ministerial funding expectation over service prioritisation.
- 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 2019/20, 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 citizens.
- 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 increase in AEF should be seen as an opportunity to maintain investment in the Council's priorities and preventative action in particular, and embracing wide scale transformational change, not to slow down the pace of change or the level of required savings.**

4. Budget Forecast 2019/20

Overview

- 4.1 The budget proposals for 2019/20 as submitted for consultation on 14th December 2018 resulted in a projected funding deficit of £24.401m. The funding deficit was made up of projected funding pressures of £26.802m partly offset by a provisional increase on Welsh Government Aggregate External Finance (AEF) of £0.883m in respect of transfers into the settlement, and an estimated increase in the overall level of AEF of £1.518m.
- 4.2 The announcement of the final settlement means that the overall funding deficit forecast for 2019/20 will inevitably, but this year marginally, have 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
 - Use of Reserves and Balances (not advised).

Forecast funding shortfall 2019/20

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

Table 1(a) – Projected pressures 2019/20

	2019/20 £'000
Future cost of pay awards	
- Non Teachers - 2%	3,600
- Teachers – maximum 3.5%	3,700
<i>Costs imposed without funding by UK Government:</i>	
- National Living Wage – own pay bill	1,800
- National Living Wage – contracts	1,000
Increase in Pension Costs	1,700
Increased Teachers Pension Costs	3,000
Cumulative contract inflation	1,000
Capital charges – existing	1,750
Capital charges – new scheme aspirations	1,000
Capital charges – expected savings as a result of increased grants and thus reduced borrowing – general capital and Band B schools	-450

MRP review linked to capital programme (policy change approved by Council in December 2018)	-3,064
Use of General Reserves - reinstate emergency use of General Reserves for MEAG 2018/19	1,000
Increase contingency fund	342
Demographic and Service pressures	3,000
Mid and West Wales Fire authority Levy increase	400
Council Tax Support Scheme	1,400
Passported through AEF to services – grants	883
Passported through AEF to services – Social Care Limits and Discretionary Rate Relief	723
Service pressures accepted	791
Resources pre-existing baseline pressures from 2018/19 – sickness	1,000
Adult Services pre-existing baseline pressures from 2018-19	6,000
One off special social services grant – estimated 7.75% fair share of £30m adult and £2.3m child care grant	-2,500
Extra teachers' pay grant one off	-550
Total known pressures	27,525
Aggregate External Finance increase CASH	-18
Aggregate External Finance increase (Estimated)	-1,500
Rebase of External Finance (grants as above)	-1,606
Total Savings Requirement	24,401

- 4.6 There is no overall change because the December 2018 report already assumed an increase of £1.5m, based on earlier Ministerial announcements. The changes since Cabinet in December are detailed in Table 1(b) below:

Table 1b – Movement in projected pressures

	2019/20 £'000
Target per Cabinet Report 14th December 2018	24,401
Change in Aggregate External Finance from the Welsh Government between provisional and final settlement	-2,223
Increase in respect of residential care capital limits (new responsibility)	557
Increase in respect of Discretionary Rate Relief (new responsibility)	166
Increase already assumed in December 2018 report	1,500
Cumulative revised target	24,401

Inflation

- 4.7 The 2018/19 revenue Budget provided a corporate provision of £2m for general inflation (£1m) and the cost of the Apprenticeship Levy (£1m).

Given current UK inflationary levels and forecasts to come through the year there is a strong case for increasing the corporate (General) provision for inflation in 2019/20. Mainly to cover the increase of costs associated with contracts, a further £1m will be provided in the corporate provision.

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 rises in inflation	1,000
Increased contract costs due to rise in National Minimum Wage levels (already in services)	1,000
Increased costs due to rise in National Minimum Wage levels (own pay bill) (already in services)	1,800

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 will affect direct employee costs incurred by this Council during 2019/20, and it is highly probable that this will impact directly on wage costs of external contractors particularly in respect of contracted services within Social Services.

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 corporate inflation provision on a case by case basis as the need arises.

The cap on public sector pay awards has recently loosened somewhat, with increases approved for firefighters and teachers that are considerably higher than the previous 1% cap. Indeed, the main local government pay sector is now in its second year of a two year agreement worth (on average) around 2.5%. The appropriate increase for 2019/20 has been fully built into, and adds to, revenue budget pressures.

The Apprenticeship Levy is still held centrally on the general provision for inflation line as it is currently a cost that is in effect a corporate tax. This makes the total provision for inflation £3m, although £1m of this has to be considered already fully committed for that levy.

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 term 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 2019/20 there is no longer any Ministerial funding commitment to schools. Although the Cabinet Secretary for Finance has notionally prioritised funding for the school element of the settlement, the fact is that there is no additional cash for this. 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 base budget cash settlement to Schools of some £3.777m (2.6%) for 2019/20, which is a much better position than the 0.5% increase in this Council's funding from Welsh Government.

This year the headline figures across Wales in respect of Pupil Deprivation Grant and Education Improvement Grant (now part of the Regional Consortia School Improvement Grant) remain the same as for 2018/19, if allocated across authorities on the same basis then this will mean no change to Swansea Schools.

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

Table 3 – Impact on Schools delegated budgets

Item	£'000
<i>Cash position</i>	
Net core delegated base budget 2018/19	147,013
Increase for Pay Award - all staff (up to 3.5%)	3,700
Increased Pension costs re non-teaching school	300

based staff	
Increased Teachers Pension costs	3,000
Increased demographics pressures	1,000
RSG funding for 2018/19 pay award	606
Teachers pay specific grant (already included in pressures)	-550
SLA top slice -at schools request (internal audit and occupational health)	-70
Non-funding of cost increases	-4,279
Core delegated base budget 2019/20	150,720
	+2.5%

I.e. the above cash increase assumes that Schools will help meet the additional costs of teachers pay awards and pension increases for 2019/20. Should this Council receive any further increases in funding specifically for schools then this will be passported directly to schools.

In 2018/19 schools were able to additionally access funding from the contingency fund and restructure reserve. This was predominantly needed to fund staffing departures. In 2019/20, as the restructure reserve has been fully utilised, and as the contingency fund is needed as a cushion for any delay in implementing savings proposals, this offer of access to these funds for schools is no longer available.

There are no further delegated funding changes for 2019/20 and so the total school cost centre budgets set out in Appendix H have increased by more than £3.7m for 2019/20 or 2.5% in respect of changes within the control of this authority.

It remains the case, however, that substantial elements of Schools Funding (c£17m) are now being delivered via specific Grant (Pupil Deprivation Grant and Education Improvement Grant (now part of the Regional Consortia School Improvement Grant)) which results in a substantial annual risk to overall School's funding which is not in the control of this Council.

The biggest funding risk to schools remains the lack of certainty over UK government administered increases to employers' teachers' pension costs. Whilst the department for Education holds a reserve to protect schools from the funding consequences in England ahead of the next Spending Review, and despite intense lobbying and reassuring indications, that this protection will extend to Welsh local authorities and their schools, no firm funding assurance or quantum, has still been provided at the date of producing this report.

In line with previous commitments already made, if any funding is confirmed as due to be received by this Council to recompense Swansea schools for those increased employers pension costs, then this will be passed on to schools in full at the earliest practicable opportunity.

Social Care protection

- 4.12 Similarly to Schools, the Welsh Government overall Revenue Settlement for 2019/20 included a notional prioritisation of funding for social care. In reality there is no significant additional funding specifically for social care as the overall settlement whilst increased, does not even begin to address inflationary pressures, let alone service specific pressures.

Overall the cash budget proposed for social services increases by around 4% or £4.4m, including money allocated for the increase in capital limits for social care.

Capital Financing Charges

- 4.13 There is a base line reduction of £764,000 compared to the 2018/19 approved budget reflecting both additional unsupported borrowing (for existing and new capital schemes) and the effect of the MRP review carried out in 2018/19, as well as the reduced borrowing requirement for Band B schools as a result of additional government grant availability.

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 2019/20, as has happened in 2018/19, 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, which are set out in the report on Capital elsewhere on this agenda.

Whilst the first year costs have been built into the 2019/20 budget, there is a longer term requirement to anticipate additional capital financing costs peaking at around £10m per annum extra (in 2025/26). This is materially lower than the equivalent figure reported last year as a result of substantial increases in current and medium term capital grant funding from the Welsh

Government and as a direct result of the change to MRP policy which was approved by Council in December 2018.

Fire Authority Levy

- 4.14 Since the 14th December 2018 Cabinet report we have been notified of a proposed increase in the Fire Authority Levy of 2.48%. We will need to await final notification, which will include changes expected due to the relative allocation across each levied Authority.

Council Tax Reduction Scheme

- 4.15 The Authority received a baseline adjustment to its Revenue Support Grant of £18.883m for 2014/15 which has been notionally included as part of all future settlements. The effect of this 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 paragraph 4.5 of this report in the sum of £1.4m.

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 14th December 2018 to recommend specific savings proposals totalling £17.058m in 2019/20 for consultation. Cabinet now needs to consider whether or not to make any changes to these proposals in light of the outcome of the consultation.
- 5.3 The overall savings proposals, totalling some £17.058m as summarised below include specific service savings and cross cutting items. These are detailed in Appendix D.

Table 4 – Summary of Savings proposals (as at 14th December 2018)

Savings	2019/20 £'000
Previously consulted on savings	3,196
Cross cutting savings	406
Service specific savings	9,177
Sub-total (as detailed in Appendix D)	12,779
Schools*	4,279
Total	17,058

*Schools savings and pressures fall entirely to the delegated budgets and are shown separately as these are decisions for schools to take

- 5.4 As with previous years, the Corporate Management Team will ensure that the Sustainable Swansea crosscutting savings targets are allocated to specific Heads of Service and cost centres for delivery during the course of 2019/20.
- 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

Please note these results are interim;

- 6.1 The annual budget consultation ran from 21st December 2018 to 1st February 2019. The consultation included a public survey available online and in hard-copy in council venues. In total 1,007 people took part in the general budget consultation survey.

We undertook targeted consultation activity around the Library Community Services proposals, letters and surveys were sent to service users. 182 people took part.

We also undertook a targeted consultation with schools on our proposed model for delivering Duke of Edinburgh Award (DofE) in the future. Four schools responded to this.

A full summary of consultation results can be found in Appendix E.

- 6.2 The EIA process has been running continually through the budget process. The EIA report is attached as Appendix F. Cabinet will be kept updated on

any potential issues that may arise as part of the budget implementation process.

- 6.3 Cabinet and 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:
- Future funding of services
 - Proposed spend 2019/20
 - Specific budget proposals

Future funding of services

- 57% would you be prepared to pay more for some services rather than lose them?
- 78% would you prefer for the Council to deliver services in a different way rather than lose them?

Proposed spend 2019/20

- 86% agree that Social Services and Education should remain the Council's priority in terms of future spend?

Specific proposals

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

Agree

- 85% agree to increase the income from street trading enforcement by creating additional trading pitches
- 82% agree with the proposed opening hours for central library
- 81% agree with the proposed opening hours for Gorseinon library
- 81% agree with the proposed opening hours for Morrison library
- 80% agree to further roll out of the Local Area Co-ordination provision across the Swansea area

Disagree

- 51% disagree to the introduction of charges for the 5 remaining free Council car parks
- 46% disagree to the expansion of the Camera car operation via the use of other vehicles
- 41% disagree with a 5% increase in fees for the Bereavement Services
- 41% disagree to the non-funding of street lighting on private roads

Library community Service Summary

The survey provided people to have their say on the 2 elements of the Library Community Proposals. These questions were also included in the main survey.

Do you agree or disagree that the Council <u>should continue</u> to provide free library book collections to 47 care homes and similar complexes?		
General public	68% agree	32% disagree
Users of the home delivery service (182 responses)	91% agree	9% disagree
Users of the care home deliver survey (9 responses received)	56% agree	44% disagree
Do you agree or disagree that the Council <u>should continue</u> to provide free library book delivery service to approximately 200 individuals who are unable to attend a library?		
General public	69% agree	31% disagree
Users of the home delivery service (182 responses)	99% agree	1% disagree
Users of the care home deliver survey (9 responses received)	78% agree	22% disagree

Duke of Edinburgh Award (DofE)

We wrote to schools outlining our proposed model for delivering DofE in the future:

- 50% agree with our proposed new approach to delivering the DofE

Petition

We received a petition against the proposed introduction to car parking charges in currently free Council car parks. Those who signed object to the proposals, stating:

“We, the undersigned, call on Swansea Council halt any plans to introduce any charges for parking in Gorseinon and ask that the Council clarify their position immediately”

Other Correspondence

We received a number of letters in relation to the budget proposals:

- 5 letters in relation to the proposed Library opening hours
- 2 letters in relation to the Library Community Service proposals
- 2 letters in relation car parking charges proposals

All letters have been provided to Cabinet view for consideration. .

Staff

In January 2019 a series of staff roadshows were held to explain the budget proposals and council priorities.

As part of the Council's budget proposals, a number of Cross-council paybill reduction proposals were identified and communicated via the roadshows. Employees were asked to comment on these proposals via servicecentrehelpdesk@swansea.gov.uk or their recognised Trade Unions. Staff were given until the 7th Feb to respond.

We received a number of letters and emails from staff, all of which have been provided to Cabinet view for consideration.

Children and Young People

- 6.6 As part of our planned 'Big Conversation' events with children and young people, we held an event on the 18th January which was attended by 67 young people from 10 secondary schools across Swansea.

Young people aged 11 – 18 years were offered the chance to contribute to the online budget consultation in the same way as other residents in Swansea, so their views would be included within the main body of the results.

Young people have asked in the future if conversations about budget proposals could be discussed throughout the year, and in more detail, when they are directly relevant to them so they can contribute at the early stages of planning and undertake a more meaningful conversation. This is something what we need to consider as the Council is committed to effectively engaging with young people.

Summary

- 6.7 Finally, Cabinet is asked to note that, as part of the budget consultation process:
- An 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.
- 6.8 As previously agreed, engagement on the delivery of the objectives in *Sustainable Swansea, fit for the future* will continue during 2019.

Changes proposed to the budget in this report

- 6.9 As a result of the public consultation Cabinet will need to consider whether it is minded to make any further recommendations to Council on its final proposals for the 2019/20 budget.

7. Staffing Implications

Background

- 7.1 The Cabinet Report of 14th December 2018 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 2019/20 as set out in **Table 6** (shown as Full Time Equivalent (FTEs))

Table 6 – Impact of Savings Proposals on FTEs 2019/20

Service Saving Proposals	FTEs
Resources	2
Place	28
Education (excluding schools)	4
Social Services	127
Total	161

Indicative schools figure if pensions funding is not released by UK government	FTEs
Schools	145
Total	145

- 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 18th December 2018 and consultation with Trade Unions will continue throughout the process.
- 7.4 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 2019/20 will be unavoidable, given that the Council spends over 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 wherever possible*
- *Further encouragement of staff to consider ER/VR options, including bumped redundancies*
- *Encouraging staff to work flexibly e.g. reduce hours or job share*
- *Flexible retirement*
- *Redeployment Open Days for staff*

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 in schools, social services and poverty and prevention and those in management/ supervisory posts and employed in business support functions.

Issues

7.9 Through consultation meeting the Trade Unions have raised some concerns regarding the cross cutting proposals relating to the Council paybill and Trade Union facilities time. In terms of consultation with individual directorates discussions are ongoing.

We have not yet received a formal response to the budget proposals.

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 and CMT 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 7th February 2019; although formal consultation meetings with staff and 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, Council is **not making sufficient progress towards rebalancing the budget** for 2018/19 and beyond, so a further draw from Specific Reserves at year end is considered inevitable, beyond the £3million already approved. The Section 151 Officer continues, as set out below, to view General Reserves as already being at the absolute minimum safe level. Any consideration on use of reserves to fund the 2019/20 Revenue Budget is dependent on the level of confidence in predicting 2018/19 Revenue Outturn and the overall draw from those reserves. At present it remains the case therefore that there should ordinarily be no planned use of general reserves for any future budgets.

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 25th October 2018 '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 £9.352m at 1st April 2018.

8.5 The Revenue Budget for 2018/19 approved by Council on 1st March 2018 assumed a transfer from General Reserves of £1m to support the budget in respect of grant losses. In the event this wasn't required and as such there is no movement in the General Reserve currently expected during 2018/19, although any final determination on the use of reserves will depend on the outturn position for 2018/19.

8.6 In the opinion of the S151 Officer the level of the General Reserve is currently at the very minimum recommended level and as such there is no assumed transfer from the reserve to support the 2019/20 budget.

Therefore the level of General Fund balances estimated at 31st March 2020 would be £9.352m.

Contingency Fund

8.7 The 3rd quarter financial monitoring report detailed several forecast uses of the Contingency Fund in 2018/19. At this time, it is anticipated that the £3.45m budgeted contribution in 2018/19 will be fully expended and/or used to fund the Council's final outturn position. Given the overall position as forecast in the 3rd quarter budget monitoring report for 2018/19 considered elsewhere on this agenda, the forecast Fund balance as at 31st March 2019 is nil.

8.8 In assessing the value of the Contingency Fund requirement in 2019/20, the following potential requirements are relevant:

(a) The risks and issues detailed in Section 11 below.

(b) The need to provide a substantial potential source of finance for repeated potential overspending in services given past performance in 2017/18 and 2018/19, bearing in mind the Council has now likely exhausted all other Earmarked Reserves.

- (c) The continuing poor outlook for Public Finances as set out in the Cabinet report on 14th 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, pay awards) 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 2019/20 base budget, and the risk of repeating overspending from 2018/19, which continues to increase levels of risk, it is recommended that the contribution to the base budget Contingency Fund in respect of 2019/20 is increased by £0.251m to £3.701m, depending upon any budget decisions Cabinet is also minded to recommend. Again this is considered the absolute minimum range necessary to be maintained in light of the likely risks and issues facing this Council. In addition as set out in the review of earmarked reserves it is considered prudent to, on a one-off basis increase contingency by a further £3.450m, as a further risk mitigation against repeated overspending in year.

Contingency Fund	£'000
Base budget funded from 2018-19	3,450
Base budget increased funding 2019-20	251
One off increased funding - for 2019-20 via draw from capital equalisation reserve	3,450
Total available for 2019-20	7,151

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 25th October 2018 Council received and approved a report detailing a formal review and re-allocation of Earmarked Revenue Reserves of the Council.

8.11 From the specific grants so far announced by the Welsh Government for 2019/20 it appears that where there are reductions to grants these are not significant so it is unlikely that there will be a significant impact on Swansea. However there are a number of grants that have not yet been announced and there may or may not be a significant reduction to those. Any reduction is likely to have an impact.

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 any reduction in associated expenditure may have a detrimental effect in meeting service targets with a consequential increase in future financial penalties.

There are no remaining reserves specifically to protect against grant losses so any reductions would fall firstly to the Service department to manage or if significant would have to be considered for funding from the Contingency Fund.

- 8.12 It is proposed to release £3.450m from the capital equalisation reserve (an originally funded from revenue reserve) to reduce the pressure on revenue budgets arising from capital spending, and financing, in line with the original intention. However the sum released has been added on a one off basis to the base budgeted contingency fund to support it's one off increase by a further £3.450m.

Review of Insurance Fund

- 8.13 A further review was 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 was released for the three years starting with 2017/18 and was already reflected in the budget proposals previously considered by Cabinet. This was extended as part of the budget process for 2018/19 and will now be extended for a further year so will end in 2022/23.

Adequacy of Reserves

- 8.15 Whilst the proposed use of Earmarked Reserves in 2019/20 funds one off and 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 2019/20 and future years, I am just satisfied that the proposed management of reserves in 2019/20 will result in a forecast level of General Reserves, Earmarked Reserves and Provisions which may be 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 2019/20 and future years, it remains my advice as the officer designated with responsibility for the overall finances of the Council that the above represents reasonable prudent financial management having due regard to service pressures and funding constraints. Nevertheless, increasingly the risks associated with the budget, especially any non-deliverability in practice of planned savings remains very pronounced. This is especially important when viewed in the context of draws from General Reserves in 2017-18 and

Earmarked Reserves in 2018-19, which cannot be repeated. Put simply and bluntly both those routes are now all but fully exhausted going forward and Council will have to consider some or all of the following in future years:

- Significant service reductions driven by the zero based budget review
- Significant reductions in future capital aspirations
- Significant further council tax increases each year

9. Budget Requirement and Council Tax 2019/20

- 9.1 The Council's recommended requirement is set out in Appendix A. The City and County of Swansea Requirement of £443.326m will be financed partly by Revenue Support Grant of £242.197m and National Non-Domestic Rates of £80.014m.

Based on the report to Cabinet on 14th December 2018, and in line with assumptions contained in the Welsh Government's spending assessment for Swansea, a Council Tax rise of 6.31% would have generated an additional sum of £7.343m.

However, following refinement of the implications of the final settlement, Cabinet are asked to consider a slightly lower Council Tax rise of 5.99%, which would generate an additional sum of £6.986m, a band 'D' charge of £1,344.69

Taking consequential lower Council Tax Reduction Scheme support costs into consideration there is a net reduction in proposed income of £0.26m. This is proposed to be funded by targeting the uplift in Discretionary Rate Relief funding from Welsh Government and a modest reduction to the level that the Contingency Fund would have been set at.

- 9.2 Including Community Councils, the total requirement, after taking account of proposals in respect of reserve transfers and currently assumed savings, is £444.791m.
- 9.3 The above proposals are based on an indicative Council Tax rise which is within the range of planning assumptions of the Medium Term Financial Plan.

10. Summary of Funding 2019/20

- 10.1 The implications of sections 4, 5, 6, 7 and 8 above, together with the assumed 5.99% rise in Council Tax identified in Section 9 above, results in a forecast additional funding of £24.401m in 2019/20 as detailed in Table 7 below.

Table 7 – Budget Proposals 2019/20

	£'000
Savings identified per Section 5.3 above	17,058
Net effect of Council tax base increase and proposed charges	6,986
Funding identified for change to Council Tax	357
<hr/> Overall resourcing <hr/>	<hr/> 24,401 <hr/>

- 10.2 Cabinet is asked to consider whether, as a result of the consultation exercise, it wishes to make any further changes to the budget savings proposals for 2019/20 and, if so, any other consequential changes that may need to be addressed. The wholly expected and fully built in increase in AEF should be seen as an opportunity to maintain 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.

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 2018/19 overspends

The 3rd quarter financial monitoring report, discussed elsewhere on this agenda, highlights a number of service overspends. It is anticipated that remedial action already in place will serve to mitigate some 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) Unavoidable Spending Requirements

All services will need to meet a range of additional / new pressures in 2019/20. 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 has previously been the case that the cost of pay protection arising out of single status implementation can be funded centrally, going forward any and all costs that arise 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 2019/20 that further savings proposals are continuously developed as part of the *Sustainable Swansea* programme and **implemented over and above those proposed within this budget to provide some headroom**. 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 through the zero based budget review.

The 2019/20 budget includes significant and extensive savings targets which must be fully achieved. **It is a fundamental 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, that alternative savings are fully achieved in year to meet approved Directorate Budgets.**

Given the nature and scale of the savings challenge during 2019/20, there will be continued and enhanced monitoring and tracking of progress in achieving budget savings which will be reported to Corporate Management Team, Financial Strategy and Transformation Group and Cabinet.

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

(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 £1.0m has been provided for potential inflationary increases in areas where there is a significant element of contracted out services.

(e) Care Home Fees

Budget provision has been made for the 2019 contract settlement with care home providers. However, it is likely that fees will need to be further monitored 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 2019/20 is less than that for 2018/19, 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. Any future bids for funding to cover loss of specific grants will have to be made against the already significantly reduced contingency fund.

Following last year's late announcements regarding the Ethnic Minority specific grant, the Welsh Government have included £8.7m (all of Wales) as a specific grant in 2019/20. As with many other specific grants there are no indications for future years.

(g) Equal Pay Back Payments

The bulk of equal pay claims both in number and value have now been fully settled. 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, of which 2018/19 represented the last year and effectively this risk is now dropping out for 2019/20.

(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 ask (in respect especially of additional unsupported borrowing) 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 2018/19 – 2024/25 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.

In additional mitigation, there was a report to Council on 20th December 2018 in respect of the formal review of the Minimum Revenue Provision. This has the benefit of reducing capital financing charges in the short to medium term, albeit at the expense of increases in the medium to longer term, before once again reducing in the very long term. These shorter-term savings have been built into the budget for 2019/20 and beyond.

- 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 2019/20 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.
 - The impact of any changes to specific grant funding streams.

12 Equality and Engagement Implications

- 12.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
 - Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment process ensures that we have paid due regard to the above.

- 12.2 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.
- 12.3 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.
- 12.4 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.

- 12.5 To ensure 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 that cannot be mitigated, the EIA is referred to senior managers for attention and consideration.

12.6 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 any point 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 with the relevant corporate report at:

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

There are a number of full Equality Impact Assessments reports that Cabinet need to consider in relation to this budget. These are currently being finalised following the consultation and engagement activities.

13. The Medium Term Financial Plan (MTFP) 2020/21 – 2022/23

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 2019/20

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

APPENDIX A

REVENUE BUDGET SUMMARY 2019/20

<u>DIRECTORATE</u>	ORIGINAL BUDGET 2018/19 £'000	ORIGINAL BUDGET 2019/20 £'000
RESOURCES	41,191	44,962
POVERTY AND PREVENTION	6,378	4,553
SOCIAL SERVICES	111,790	116,039
EDUCATION	20,799	19,968
EDUCATION - DELEGATED TO SCHOOLS PLACE	147,013	150,720
	56,605	56,168
<i>NET DIRECTORATE EXPENDITURE</i>	383,776	392,410
SPECIFIC PROVISION FOR INFLATION / APPRENTICESHIP LEVY	2,000	3,000
<i>OTHER ITEMS</i>		
LEVIES		
SWANSEA BAY PORT HEALTH AUTHORITY	86	86
CONTRIBUTIONS		
MID & WEST WALES COMBINED FIRE AUTHORITY	12,631	13,031
<i>CAPITAL FINANCING CHARGES</i>		
PRINCIPAL REPAYMENTS	16,066	14,152
NET INTEREST CHARGES	16,643	17,793
<i>NET REVENUE EXPENDITURE</i>	431,202	440,472
<i>MOVEMENT IN RESERVES</i>		
GENERAL RESERVES	-1,000	0
EARMARKED RESERVES	2,614	2,454
<i>TOTAL BUDGET REQUIREMENT</i>	432,816	442,926
DISCRETIONARY RATE RELIEF	400	400
<i>TOTAL CITY AND COUNTY OF SWANSEA REQUIREMENT</i>	433,216	443,326
COMMUNITY COUNCIL PRECEPTS	1,403	1,465
<i>TOTAL REQUIREMENT</i>	434,619	444,791
<i>FINANCING OF TOTAL REQUIREMENT</i>		
REVENUE SUPPORT GRANT	239,946	242,197
NATIONAL NON-DOMESTIC RATES	79,141	80,014
COUNCIL TAX - CITY AND COUNTY OF SWANSEA	114,129	121,115
COUNCIL TAX - COMMUNITY COUNCILS	1,403	1,465
<i>TOTAL FINANCING</i>	434,619	444,791
<i>COUNCIL TAX BASE for the City and County of Swansea</i>	89,962	90,069
<i>COUNCIL TAX AT BAND 'D' (£) for the City and County of Swansea</i>	1,268.64	1,344.69
GENERAL RESERVES		
AT 1 APRIL	9,000	9,352
AT 31 MARCH	8,000	9,352

REVENUE BUDGET 2019/20
NET DIRECTORATE BUDGET PROPOSALS

	Resources £000	Poverty and Prevention £000	Social Services £000	Education £000	Education - Delegated to Schools £000	Place £000	To be allocated £000	Total £000
Original estimate 2018/19	41,906	6,378	111,075	20,799	147,013	56,605	0	383,776
Directorate Transfers	0	0	0	0	0	0	0	0
Original estimates following transfers	41,906	6,378	111,075	20,799	147,013	56,605	0	383,776
Transfer to (+) / from (-) reserves 2018/19	-88	0	-290	0	0	242	0	-136
Original estimate 2018/19 excluding reserves	41,818	6,378	110,785	20,799	147,013	56,847	0	383,640
Transfers for specific items 2018/19	0	0	0	277	606	0	0	883
Baseline adjustments 2018/19	210	122	85	-91	0	-326	0	0
Adjusted service budgets 2018/19	42,028	6,500	110,870	20,985	147,619	56,521	0	384,523
Baseline adjustments 2019/20	70	0	557	0	-70	0	0	557
Spending Needs	3,001	85	7,825	330	4,300	1,550	0	17,091
Pay inflation provision	498	215	1,052	405	3,150	1,430	0	6,750
Savings:								
Specific consultation proposals	-691	-2,247	-4,265	-1,752	-4,279	-3,824	0	-17,058
Senior Staff Savings	0	0	0	0	0	0	0	0
Original estimate 2019/20 excluding reserves	44,906	4,553	116,039	19,968	150,720	55,677	0	391,863
Transfer to (-) / from (+) reserves 2019/20	56	0	0	0	0	491	0	547
Net Directorate budgets 2019/20	44,962	4,553	116,039	19,968	150,720	56,168	0	392,410

REVENUE BUDGET 2019/20

EARMARKED RESERVES

	Balance 31/03/18 £000	2018/19 £000	Balance 31/03/19 £000	2019/20 £000	Balance 31/03/20 £000
DIRECTORATE RESERVES					
Equalisation reserves	-3,071	-7,199	-10,270	3,450	-6,820
Commuted sums	-6,140	-421	-6,561	60	-6,501
Repair & renewal funds	-3,664	544	-3,120	431	-2,689
Profit share	-1,318	-65	-1,383	-66	-1,449
Service reserves	-5,431	2,106	-3,325	63	-3,262
TOTAL DIRECTORATE RESERVES	-19,624	-5,035	-24,659	3,938	-20,721
CORPORATE RESERVES					
Contingency Fund	0	0	0	-7,151	-7,151
Insurance	-16,801	950	-15,851	700	-15,151
Job Evaluation earmarked	0	0	0	0	0
Transformation/Efficiency	-8,860	7,965	-895	39	-856
TOTAL CORPORATE RESERVES	-25,661	8,915	-16,746	-6,412	-23,158
UNUSABLE/TECHNICAL RESERVES	-947	371	-576	20	-556
SCHOOLS DELEGATED RESERVES*	-7,101	2,484	-4,617	0	-4,617
TOTAL RESERVES	-53,333	6,735	-46,598	-2,454	-49,052

* 2018/19 figures are based on the December 2018 position. The 2018/19 figures exclude the £1.5m special grant for teachers pay award that is likely by the 31st March. There is no updated information available for 2019/20.

APPENDIX D

Director	Head of Service Budget	Savings Proposals	Savings 19/20 £'000
Cross Cutting	Cross Cutting	Previously consulted upon savings	3,196
Cross Cutting	Cross Cutting	Extended Christmas office closure and invite staff to take as paid or voluntary unpaid leave	50
Cross Cutting	Cross Cutting	Review of additional payments to staff	356
		Cross Cutting Total	3,602
Education	Non Delegated	Increase income to support Music Service	97
Education	Non Delegated	Cease contribution to WJEC (working through WLGA)	36
Education	Non Delegated	Devolve funding to schools for changes to regional improvement service, particularly curriculum support	64
Education	Non Delegated	Implement new service model for ethnic minority achievement service in line with grant level received	23
Education	Non Delegated	Efficiency savings and joint-working for SIMS / MIS Joint Working and broadband / licence costs	20
Education	Non Delegated	Bring forward relocation of EOTAS (out of school provision) to new centre	150
Education	Non Delegated	Schools to fund demographic and other cost pressures	1,025
		Education Total	1,415
Place	Corporate Building Services	Staff efficiency savings via rollout of Mobile Working	100
Place	Corporate Building Services	Climate Change Levy costs	180
Place	Corporate Building Services	Increase in fee income for Construction Design and Management services	25
Place	Corporate Property	New income from rental of office space in Civic Centre	275
Place	Corporate Property	New ways of delivering services through community hubs following the commissioning review of services in the community	100
Place	Culture and Tourism	Efficiencies as a result of new leisure centre partnership	200
Place	Culture and Tourism	More efficient use of internal marketing services.	135
Place	Culture and Tourism	Review existing management arrangements of Dylan Thomas Centre	108
Place	Culture and Tourism	Remodel library services to ensure a more equal provision of service across Swansea	152
Place	Culture and Tourism	Efficiency savings and increased income at museums, galleries and theatre.	55
Place	Directorate	Back office savings	300
Place	Highways and Transportation	Integrated Transport Unit Savings	250
Place	Highways and Transportation	New income through additional tourist camp sites.	15
Place	Highways and Transportation	Modernise fleet management.	10
Place	Highways and Transportation	Reduced vehicle repair costs as a result of fleet investments	20
Place	Highways and Transportation	Expand Camera Car Operation via use of other council vehicles.	20
Place	Highways and Transportation	No longer fund lighting on non-highways owned land.	46

Director	Head of Service Budget	Savings Proposals	Savings 19/20 £'000
Place	Highways and Transportation	Further rollout out of automated school crossing controls	25
Place	Highways and Transportation	Charge for free car parks	23
Place	Housing & Public Protection	Above inflation (5%) increase to fees and charges and increased income generation activity across Bereavement Services, Registration Services, Building Control, Trading Standards and Food & Safety. Main risk in Burials and Registrations is terms of remaining competitive with direct LA neighbours	162
Place	Housing & Public Protection	Better use of resources through the implement new homelessness strategy	200
Place	Planning & City Regeneration	Renegotiate partnership contribution to City Centre Ranger Service	30
Place	Planning & City Regeneration	Increase planning applications fee target	50
Place	Planning & City Regeneration	Restructure Strategic Planning & Natural Environment Team	130
Place	Planning & City Regeneration	Delete vacant posts	60
Place	Planning & City Regeneration	Review payment model for Development/Regeneration Team	50
Place	Planning & City Regeneration	Budget efficiencies within directorate	50
Place	Various	Income earning services to self-fund pay increase costs	750
Place	Waste Management and Parks	Explore partnership arrangements for Botanical Gardens	75
		Place Total	3,596
Resources	Resources	Trade Union facility time reductions	40
Resources	Resources	Review of costs of Welsh Translation Service	10
Resources	Resources	Review of management structures across Resources directorate	126
Resources	Resources	Implement final phase of Service Centre changes	50
Resources	Resources	Reduce corporate subscriptions	25
Resources	Resources	Cost savings for digital services.	64
Resources	Resources	Further reduction in Council Tax Reduction Scheme	300
		Resources Total	615
Social Services	Adult Services	Merge and reconfigure commissioning and procurement resources within poverty & prevention and social services	500
Social Services	Adult Services	Review contribution to regional working on health and safeguarding.	85
Social Services	Adult Services	New business support hub for education and social services	205
Social Services	Adult Services	Further roll out of local area co-ordination and increase in 'trusted assessor' roles linked to hospital discharge and the review of long term care packages.	400
Social Services	Adult Services	Transfer Client Income and Finance from Social Services to central team	67
Social Services	Adult Services	More efficient funding of Care and Repair	59
Social Services	Child & Family	Management savings across shared regional children's services	20
Social Services	Child & Family	Fund advocacy in line with need	40

Director	Head of Service Budget	Savings Proposals	Savings 19/20 £'000
Social Services	Poverty & Prevention	Better integration of services in poverty & prevention, social services, education and aspects of Place to make management savings.	200
Social Services	Poverty & Prevention	Create a single family support function following review outcome	1,150
Social Services	Poverty & Prevention	Alignment of Early Intervention and Family Learning provision	20
Social Services	Poverty & Prevention	Increase income from training delivered at Gower Activity Centres and the Life Long Learning Service	10
Social Services	Poverty & Prevention	Realignment of employability service to maximise efficiency of grant and management.	200
Social Services	Poverty & Prevention	Increase income and full cost recovery for adult and community learning	119
Social Services	Poverty & Prevention	Efficiencies in joint commissioning arrangements in Disability Services	32
Social Services	Poverty & Prevention	Increase income and maximise grants for Adult Prosperity & Wellbeing -	30
Social Services	Poverty & Prevention	Direct licensing model with Duke of Edinburgh Wales in line with other authorities.	20
Social Services	Poverty & Prevention	Relocation of Early Intervention Service to release grant funding from Flying Start and Families First to offset core spend	40
Social Services	Poverty & Prevention	Recommission the statutory school based counselling contract to achieve best value	39
Social Services	Poverty & Prevention	Review contribution to VAWDASV (domestic abuse/violence) achieve efficiencies via regional working and align with other funding streams	20
Social Services	Poverty & Prevention	Remodelling of Community Safety partnership funding arrangements	15
Social Services	Poverty & Prevention	Review Life Stages Team and alignment with other commissioning roles in Social Services	30
Social Services	Poverty & Prevention	Reform third sector Change Fund to focus on direct SLA funding	250
		Social Services Total	3,551
	Grand Total		12,779

Budget Consultation Results 2019

1. Budget Consultation

Consultation on the specific budget proposals ran from 21st December 2018 to 1st February 2019. A survey was produced detailing the council's budget proposals, giving people the opportunity to provide their feedback. In total 1007 people took part in the general budget consultation survey. Please note these results are interim.

The consultation was available online at www.swansea.gov.uk/budgetsurvey and hard copies were made available in Libraries and Council venues across the City.

We undertook targeted consultation activity around the Community Library Service proposals, letters and surveys were sent to those who use the service. 182 people responded to this consultation survey.

We also undertook a targeted consultation with schools on our proposed model for delivering Duke of Edinburgh Award (DofE) in the future. Four schools responded to this.

There were 3531 visits to our Budget Consultation webpages. The link on Staffnet went straight to the main budget page.

Communication and Social Media

The consultation was widely promoted across Swansea within the press and social media. Example of social media can be found in Appendix 1. This resulted in:

- 3 press releases in total
- 9 media mentions, including three double-page spreads in EP and a number of radio mentions.
- 3 Facebook posts – with a total reach of 12,100 and 1,390 engagements
- 18 tweets – 44,500 impressions and 1,173 engagements

2. Budget Consultation Summary Results (full results Appendix 1)

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

- Future funding of services
- Proposed spend 2019/20
- Specific budget proposals

Future funding of services

57% would you be prepared to pay more for some services rather than lose them?

77% would you prefer for the Council to deliver services in a different way rather than lose them?

Proposed Spend

86% Agree that Social Services and Education should remain the Council's priority in terms of future spend?

Specific Proposals

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

Agree

85% agree to increase the income from street trading enforcement by creating additional trading pitches

82% agree with the proposed opening hours for central library

81% agree with the proposed opening hours for Gorseinon library

81% agree with the proposed opening hours for Moriston library

80% agree to further roll out of the Local Area Co-ordination provision across the Swansea area

Disagree

51% disagree to the introduction of charges for the 5 remaining free Council car parks

46% disagree to the expansion of the Camera car operation via the use of other vehicles

41% disagree with a 5% increase in fees for the Bereavement Services

41% disagree to the non-funding of street lighting on private roads

Text comments provided in the survey have been presented in full to Cabinet members for consideration.

3. Library community Service Results

The survey provided people to have their say on the 2 element of the Library Community Proposals. These questions were also included in the main survey.

Do you agree or disagree that the Council <u>should continue</u> to provide free library book collections to 47 care homes and similar complexes?		
General public	68% agree	32% disagree
Users of the home delivery service (182 responses)	91% agree	9% disagree
Users of the care home deliver survey (9 responses received)	56% agree	44% disagree
Do you agree or disagree that the Council <u>should continue</u> to provide free library book delivery service to approximately 200 individuals who are unable to attend a library?		
General public	69% agree	31% disagree
Users of the home delivery service (182 responses)	99% agree	1% disagree
Users of the care home deliver survey (9 responses received)	78% agree	22% disagree

Text comments provided in the survey have been presented in full to Cabinet members for consideration.

4. Duke of Edinburgh Award (DofE)

We have wrote to schools outlining our proposed model for delivering DofE in the future:

50% agree with our proposed new approach to delivering the DofE

5. Petition

We received a petition against the proposed introduction to car parking charges in currently free Council car parks. Those who signed object to the proposals, stating:

“We, the undersigned, call on Swansea Council halt any plans to introduce any charges for parking in Gorseinon and ask that the Council clarify their position immediately”

6. Other Correspondence

We received a number of letters in relation to the budget proposals:

- 5 letters in relation to the proposed Library opening hours
- 2 letters in relation to the Library Community Service proposals
- 2 letters in relation car parking charges proposals

All letters have been provided to Cabinet view for consideration. .

7. Staff

In January 2019 a series of staff roadshows were held to explain the budget proposals and council priorities.

As part of the Council's budget proposals, a number of Cross-council paybill reduction proposals were identified and communicated via the roadshows. Employees were asked to comment on these proposals via servicecentrehelpdesk@swansea.gov.uk or their recognised Trade Unions. Staff were given until the 7th Feb to respond.

We received a number of letters and emails from staff, all of which have been provided to Cabinet view for consideration.

8. Children and Young People

As part of our planned ‘Big Conversation’ events with children and young people, we held an event on the 18th January which was attended by 67 young people from 10 secondary schools across Swansea.

Young people aged 11 – 18 years were offered the chance to contribute to the online budget consultation in the same way as other residents in Swansea, so their views would be included within the main body of the results.

During feedback and evaluation from young people of Budget Big Conversations young people told us that they did not want to dedicate an entire Big Conversation session to the budget questions within the budget consultation were not directly relevant to them.

Young people told us that they would rather discuss the budget as and when it is relevant to the priority topic that they have allocated to each Big Conversation. For example, during The Big 'Strong Communities' Conversation, young people will discuss the budget in terms of housing and community opportunities, and during The Big 'Working With Nature' Conversation young people will discuss how much of the budget is spent on improving natural habitats in Swansea. This will ensure that young people contribute meaningful opinions on matters that they understand and are directly affected by.

Young people have asked in the future if conversations about budget proposals could be discussed throughout the year, and in more detail, when they are directly relevant to them so they can contribute at the early stages of planning and undertake a more meaningful conversation.

This is something what we need to consider for the future as the Council is committed to effectively engaging with young people.

Appendix 1

Cyngor Abertawe - Swansea Council

Published by Patrick Fletcher (?) · 14 December 2018 · 🌐

⋮

long read

We've just launched our consultation about the council budget proposals for 2019/20. You can have your say here:
<https://www.swansea.gov.uk/budgetsurvey>

The long read is here...
[Continue reading](#)

SWANSEA.GOV.UK

Swansea - Have your say on the council's budget

If we take action now and find sustainable alternatives, we'll be able to protect more services and the chances of being forced to close...

i

🟢 **Get more likes, comments and shares**
 Boost this post for £30 to reach up to 40,000 people.

6,358 people reached

Boost Post

Performance for your post

6,358 People Reached

95 Reactions, comments & shares ⓘ

22 👍 Like	3 On post	19 On shares
3 😂 Haha	2 On post	1 On shares
2 😞 Sad	0 On post	2 On shares
34 Comments	14 On Post	20 On Shares
34 Shares	34 On Post	0 On Shares

597 Post Clicks

0 Photo views	168 Link clicks ⓘ	429 Other Clicks ⓘ
-------------------------	-----------------------------	------------------------------

NEGATIVE FEEDBACK

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

Swansea Council @SwanseaCouncil · Dec 22

We've spent more than £7m on highways maintenance this year. Have your say on next year's overall council budget here: swansea.gov.uk/haveyoursay
[#consultSwansea](https://twitter.com/vDv59XFgr7) pic.twitter.com/vDv59XFgr7

[View Tweet activity](#)

4,116

92

2.2%

Promote

Appendix 2

If you require this survey in an alternative format e.g. large print please email consultation@swansea.gov.uk or tel. 01792 636732

Are you ...

813 (75.6%)	A member of the public	15 (1.4%)	A third sector organisation/partner organisation (please specify)
242 (22.5%)	A council employee	4 (0.4%)	A private sector organisation/partner organisation (please specify)
2 (0.2%)	An elected member		
9 (100.0%)			

I am happy for any comments I provide within this survey to be published (please note if you belong to an organisation we will also publish the name of the organisation). Please tick the box if you agree do this.

688 I agree for my comments to be published
(100.0%)

The proposals outlined in this survey will be of interest to those who live and work in Swansea. Please tell us in which area of Swansea you live or work:

Postcode:

1004 (100.0%)

Our budget challenge - have your say

The council is facing unprecedented financial pressures due to government budget reductions, increased demand for services and extra costs such as teachers' pay and pensions. On top of this we think that our funding from Welsh Government will reduce significantly in the coming years which means we'll have less to spend in real terms at a time when demand for services like social care is rising. This means we have to find savings of £24.5 million next year and £90 million savings during the next four years.

These are extremely challenging times for all councils in Wales but in Swansea our priority remains to deliver the frontline services that people value.

The public have already told us their priorities are schools and social services and other local services such as highways and waste, but we also need to invest in schools and the city centre for future generations. But with less money we'll have to reduce spending on these priorities whilst making bigger cuts in other areas to balance the books.

We've already reduced our costs by modernising services such as using the internet, reducing admin and back-office services, generating income to pay for services and helping families earlier so that we can reduce costs later on. We've identified efficiencies and savings totalling over £60 million in the last three years and we're planning to further reduce management, business support and other back office costs.

We're also reviewing all of our services to ensure they are delivered in the best way and saving money by working with partners such as the police and health services. And the public can play their part by helping to run services, such as the successful scheme where bowlers are maintaining their greens, or by increasing recycling at home.

But it's not all about reducing spending. Next year we will be investing £1.6 million every day in services that make a real difference to people's lives. Services like safeguarding the vulnerable, tackling poverty and caring for our ageing population. We also want to invest in the city centre, in building new council houses, improving classrooms and delivering the City Deal with the potential to create 10,000 jobs.

Balancing all of these things will mean taking difficult decisions.

The council raises more than £114 million in council tax each year, but this doesn't even cover the cost of our social services, let alone all the other services we provide. The overall cost of council services means simply raising council tax alone is not an option.

So we have to take other steps. We may have to close some services but if we take action now and find sustainable alternatives, we'll be able to protect more services.

That's why we want to talk to you now and get your views on how we can deliver services in the future.

The services we provide and what they cost

The council provides services to more than 240,000 residents, as well as developing the local economy to safeguard and create good jobs. These services include education and schools, care services to the elderly and disabled, care and protection services for children, waste and recycling collections, highways maintenance, subsidised public transport, leisure and recreation, environmental protection and licensing and planning.

You can find details of the many services we provide, including a full A to Z of Council services, on the following link:- www.swansea.gov.uk/residents
www.abertawe.gov.uk/preswylwyr

The Council has £430 million to spend. The vast majority of this money comes from the Government and grants, and we raise further money from council tax and income.

On average we spend £4,000 on every household in Swansea.

Future funding of services

Due to the size of the budget challenge facing the Council, we may not be able to provide the same number or level of services in the future.

We want your views on how we can provide services in the future:

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

536 (58.0%) Yes
388 (42.0%) No

If yes, please state in the box below which services you would be prepared to pay towards in the future:

428 (100.0%)

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

688 (76.4%) Yes
213 (23.6%) No

If yes, please state in the box below how would you like services delivered differently in the future.

389 (100.0%)

Proposed Spend 2019/20:

Do you agree or disagree that Social Services and Education should remain the Council's priority in terms of future spend?

420 (42.9%)	Strongly Agree	421 (43.0%)	Tend to Agree	86 (8.8%)	Tend to Disagree	51 (5.2%)	Strongly Disagree
-------------	----------------	-------------	---------------	-----------	------------------	-----------	-------------------

If you disagree, please tell us why?

148 (100.0%)

Budget Proposals

Education:

Education is our single biggest area of spending and continues to be a priority for the Council (over £170 million budget proposed for 2019/20).

Do you agree or disagree with the proposals listed below?

	Strongly Agree	Tend to Agree	Tend to Disagree	Strongly Disagree
Explore increased income opportunities within the Music Service which will reduce the cost for the Council at no additional cost to schools. This will create a sustainable model for the service going forward.	278 (34.6%)	397 (49.4%)	84 (10.4%)	45 (5.6%)

If you disagree, please tell us why?

164 (100.0%)

Social Services:

Demand for social care is rising. People are living longer and want to live independently at home. In many cases this requires support from the council. At the same time we need to support people with complex care needs. We also support vulnerable children and families and provide a range of community services. We are doing more to support people earlier to help keep people healthier for longer and reduce demand for social care and health services. But demand continues to rise so we need to change the way we deliver some services so that we can support more people.

Do you agree or disagree with the proposals listed below?

	Strongly Agree	Tend to Agree	Tend to Disagree	Strongly Disagree
Further roll out of the Local Area Co-ordination provision across the Swansea. There are currently 11 Local Area Co-ordinators covering 11 areas. We propose to increase this to 15, further extending our prevention approach and reducing demand on social care, health and other public services.	277 (30.0%)	463 (50.2%)	122 (13.2%)	60 (6.5%)

<p>The Council carries out assessments when reviewing long term care packages, or to put care plans in place for those due to be discharged from hospital. We propose to increase the use of trusted assessors from other organisations, to undertake more assessments in the future, as part of our further roll out of our integrated model of health and social care.</p>	<p>214 (23.8%)</p>	<p>428 (47.6%)</p>	<p>159 (17.7%)</p>	<p>98 (10.9%)</p>
--	------------------------	--------------------	--------------------	-------------------

If you disagree with either of the above, please tell us why?

321 (100.0%)

Poverty and Prevention:

The council currently provides funding to the Third Sector via service level agreements and direct grants. We want to review the way we fund the sector in the future to ensure that we are providing funding which aligns with the Council's priorities, including the possible removal of direct grants via the Swansea Compact Fund.

Do you agree or disagree with the proposal listed below?

	Strongly Agree	Tend to Agree	Tend to Disagree	Strongly Disagree
<p>Review the way we fund the Third Sector by revisiting our commissioning arrangements and removal of funding of direct grants</p>	<p>222 (24.6%)</p>	<p>472 (52.4%)</p>	<p>130 (14.4%)</p>	<p>77 (8.5%)</p>

If you disagree, please tell us why?

204 (100.0%)

Library Service Transformation:

We need to make some changes to our library services so that we continue to provide services in many communities. The Council has already started to create community hubs that include library services in a one-stop shop. The first of these is in Clydach. The Clydach pilot project has a strong emphasis on improving access to Council services digitally, however the make up of the hub will also ensure that support can be accessed physically, whether the need is for a council service, accessing local information, or being signposted to partner organisations. Our proposed changes to Library opening hours will help support the future delivery of community hubs and ensure more equal library service provision across Swansea.

In the future we are proposing that libraries will be managed in tiers and will deliver similar levels of service based on the tier they are in. The groupings are based on book issue data 2017/18 for libraries. This is the most reliable statistic for assessing impact and need which we have.

Therefore we are proposing the following changes in opening hours in our libraries:

Do you agree or disagree with the proposed opening hours for... ?

	Strongly Agree	Tend to Agree	Tend to Disagree	Strongly Disagree
Central Library	275 (29.3%)	449 (47.9%)	109 (11.6%)	104 (11.1%)

If you disagree with the above please tell us why?

230 (100.0%)

Do you agree or disagree with the proposed opening hours for... ?

	Strongly Agree	Tend to Agree	Tend to Disagree	Strongly Disagree
Gorseinon Library	277 (31.8%)	424 (48.7%)	98 (11.3%)	71 (8.2%)
Morryston Library	266 (31.8%)	406 (48.5%)	96 (11.5%)	69 (8.2%)
Oystermouth Library	253 (30.6%)	389 (47.0%)	111 (13.4%)	75 (9.1%)

If you disagree with any of the above please tell us why?

208 (100.0%)

Do you agree or disagree with the proposed opening hours for... ?

	Strongly Agree	Tend to Agree	Tend to Disagree	Strongly Disagree
Clydach Library	186 (22.8%)	351 (43.1%)	140 (17.2%)	138 (16.9%)
Killay Library	193 (22.4%)	340 (39.4%)	151 (17.5%)	179 (20.7%)
Gowerton Library	194 (24.0%)	345 (42.6%)	144 (17.8%)	127 (15.7%)
Pontarddulais Library	192 (24.1%)	343 (43.0%)	143 (17.9%)	120 (15.0%)
Sketty Library	194 (24.2%)	344 (42.8%)	140 (17.4%)	125 (15.6%)
Pennard Library	195 (24.9%)	354 (45.2%)	131 (16.7%)	103 (13.2%)
Brynhyfryd Library	187 (24.0%)	328 (42.1%)	143 (18.3%)	122 (15.6%)

If you disagree with any of the above please tell us why?

398 (100.0%)

Do you agree or disagree with the proposed opening hours for... ?

	Strongly Agree	Tend to Agree	Tend to Disagree	Strongly Disagree
Fforestfach Library	188 (24.2%)	356 (45.8%)	134 (17.2%)	99 (12.7%)
Penlan Library	187 (24.3%)	337 (43.8%)	142 (18.4%)	104 (13.5%)
St Thomas Library	181 (23.7%)	338 (44.2%)	144 (18.8%)	101 (13.2%)
Townhill Library	182 (23.6%)	341 (44.2%)	146 (18.9%)	102 (13.2%)

If you disagree with any of the above please tell us why?

253 (100.0%)

Do you agree or disagree with the proposed opening hours for... ?

	Strongly Agree	Tend to Agree	Tend to Disagree	Strongly Disagree
Llansamlet Library	185 (24.1%)	372 (48.4%)	120 (15.6%)	92 (12.0%)

If you disagree with the above please tell us why?

175 (100.0%)

Are there any alternative options you feel the Council should consider in terms of remodelling the library service?

301 (100.0%)

Library Community Service:

Library Community Services provide free library book collections to 47 private and public care homes and similar complexes. It also provides a free home delivery service to approximately 200 individuals who are unable to attend a library site. We can no longer provide these services in this way and need to explore ways of running the service at no cost to the Council. If this is not possible then this service will be removed.

Do you agree or disagree that the Council should continue to provide free library book collections to 47 care homes and similar complexes?

349 (35.8%)	Strongly Agree	315 (32.3%)	Tend to Agree	207 (21.2%)	Tend to Disagree	104 (10.7%)	Strongly Disagree
----------------	-------------------	----------------	------------------	----------------	---------------------	----------------	----------------------

Please provide us with any other views

334 (100.0%)

Do you agree or disagree that the Council should continue to provide free home delivery service to approximately 200 individuals who are unable to attend a library site?

349 (35.9%)	Strongly Agree	324 (33.3%)	Tend to Agree	211 (21.7%)	Tend to Disagree	88 (9.1%)	Strongly Disagree
-------------	-------------------	-------------	------------------	-------------	---------------------	-----------	----------------------

Please provide us with any other views

328 (100.0%)

Which options for the Library Community Service do you think the council should explore further with reducing budgets?

266 (28.8%)	Introduce charges for the service	653 (70.7%)	Linking with charities to help deliver the service
653 (70.7%)	Use of volunteers to help deliver the service	92 (10.0%)	Other (please write in)
522 (56.6%)	Linking with partners to help deliver the service		
180 (100.0 %)			

Cultural Services:

The museum has many boats in its collections and three of these are kept floating in Swansea Marina

Do you agree or disagree with the proposals listed below?

	Strongly Agree	Tend to Agree	Tend to Disagree	Strongly Disagree
Reduce our maintenance of the floating exhibitions and identify another maritime museum/ trust to take ownership of the assets	309 (33.5%)	419 (45.4%)	116 (12.6%)	78 (8.5%)

If you disagree, please tell us why?

198 (100.0%)

Highways and Transportation:

Do you agree or disagree with the proposals listed below?

	Strongly Agree	Tend to Agree	Tend to Disagree	Strongly Disagree
Expand Camera Car operation via use of other council vehicles	140 (16.5%)	318 (37.5%)	231 (27.3%)	158 (18.7%)
No longer fund street lighting on private roads	230 (24.9%)	319 (34.5%)	225 (24.4%)	150 (16.2%)
Upgrade of Boatyard to enable the use for Caravan/Motor home parking (Urban Camping)	184 (20.8%)	393 (44.5%)	183 (20.7%)	124 (14.0%)
Partial removal of school crossing where alternative safety measures are in place, eg Pelican crossings and where a safety audit has taken place	170 (18.5%)	386 (42.0%)	177 (19.3%)	186 (20.2%)
Introduce charges for the 5 remaining free Council car parks	158 (17.4%)	283 (31.2%)	207 (22.8%)	259 (28.6%)

If you disagree with any of the above, please tell us why?

449 (100.0%)

Housing and Public Protection:

Do you agree or disagree with the proposals listed below?

	Strongly Agree	Tend to Agree	Tend to Disagree	Strongly Disagree
Bereavement Services - Increase fees by 5% for the next four years in line with other fee increases	129 (14.1%)	412 (45.0%)	236 (25.8%)	139 (15.2%)

Registration Services - Increase fees by 5% for the next four years in line with other fee increases	145 (16.0%)	499 (55.0%)	180 (19.8%)	83 (9.2%)
Trading standards - Increase income from street trading enforcement by creating additional trading pitches	312 (33.7%)	476 (51.4%)	83 (9.0%)	55 (5.9%)

If you disagree with any of the above, please tell us why?

189 (100.0%)

Waste Management and Parks:

Do you agree or disagree with the proposal listed below?

	Strongly Agree	Tend to Agree	Tend to Disagree	Strongly Disagree
Explore partnership arrangements for Botanical Gardens. This may mean that we transfer the running and management of the Botanical Gardens to a partner. The Council would retain ownership.	273 (30.5%)	424 (47.3%)	112 (12.5%)	87 (9.7%)

If you disagree, please tell us why?

180 (100.0%)

Any Other Comments:

If you have any other comments about the budget proposals or anything else contained in the budget Cabinet report please write in here:

287 (100.0%)

About You

These questions are optional, but we need to ask them to understand if our consultation has reached the right people and to understand how different groups may be affected by the proposals allowing us to address this if we can. In accordance with Data Protection law, any information requested on the following questions is held in the strictest confidence for data analysis purposes only. For further information about how Swansea Council uses your personal data, please see our corporate privacy notice on our website.

Are you...?

346 (36.7%) Male
597 (63.3%) Female

Is your gender the same as that which you were assigned at birth?

840 Yes
(98.6%)
12 (1.4%) No

How old are you ...

4 (0.4%)	Under 16	161 (17.0%)	56 - 65
26 (2.7%)	16 - 25	167 (17.7%)	66 - 75
119 (12.6%)	26 - 35	44 (4.7%)	76 - 85
194 (20.5%)	36 - 45	15 (1.6%)	Over 85
177 (18.7%)	46 - 55	39 (4.1%)	Prefer not to say

Would you describe yourself as...

Please mark all that apply

578 (61.8%)	British	7 (0.7%)	Other British (please write in at end)
463 (49.5%)	Welsh	14 (1.5%)	Non British (please write in at end)
37 (4.0%)	English	2 (0.2%)	Gypsy/traveller
15 (1.6%)	Irish	3 (0.3%)	Refugee/Asylum Seeker (please write in current/last nationality at end)
10 (1.1%)	Scottish		
Write in here			
26 (100.0%)			

To what 'ethnic' group do you consider

850 (94.9%)	White - British	0 (0.0%)	Asian or Asian British - Bangladeshi
29 (3.2%)	Any other White background (please write in at end)	3 (0.3%)	Any other Asian background (please write in at end)
0 (0.0%)	Mixed - White & Black Caribbean	0 (0.0%)	Black or Black British - Caribbean
1 (0.1%)	Mixed - White & Black African	0 (0.0%)	Black or Black British - African
1 (0.1%)	Mixed - White & Asian	0 (0.0%)	Any other Black background (please write in at end)
3 (0.3%)	Any other Mixed background (please write in at end)	2 (0.2%)	Chinese
0 (0.0%)	Asian or Asian British - Indian	6 (0.7%)	Other ethnic group (please write in at end)
1 (0.1%)	Asian or Asian British - Pakistani		
Write in here			
49 (100.0%)			

What is your religion, even if you are not currently practising?

Please mark one box or write in

369 (41.5%)	No religion	1 (0.1%)	Jewish
497 (55.9%)	Christian (including Church of England, Catholic, Protestant, and all other Christian denominations)	2 (0.2%)	Muslim
5 (0.6%)	Buddhist	0 (0.0%)	Sikh
1 (0.1%)	Hindu	14 (1.6%)	Other
Any other religion or philosophical belief (please write in)			
34 (100.0%)			

Do you consider that you are actively practising your religion?

260 (32.8%) Yes
532 (67.2%) No

What is your sexual orientation

19 (2.3%)	Bisexual	101 (12.1%)	Prefer not to say
21 (2.5%)	Gay/ Lesbian	8 (1.0%)	Other
683 (82.1%)	Heterosexual		
Please write in			
25 (100.0%)			

Can you understand, speak, read or write Welsh?

Please mark all that apply

157 (18.6%)	Understand spoken Welsh	55 (6.5%)	Write Welsh
91 (10.8%)	Speak Welsh	121 (14.3%)	Learning Welsh
96 (11.3%)	Read Welsh	546 (64.5%)	None of these

Which languages do you use from day to day?

Please mark all that apply

887 (99.1%)	English
76 (8.5%)	Welsh
12 (1.3%)	Other (write in)

Please write in

12 (100.0%)

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

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

This could also be defined Under the Disability Discrimination Act 1995 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."

240 (26.6%) Yes
663 (73.4%) No

Does this illness or disability limit your activities in any way?

180 (23.3%) Yes

593 (76.7%) No

Thank you for your participation

**Equality Impact Assessment (EIA) Statement for Swansea Council's Budget
2019/20**

1. Introduction

This statement provides an overall view of the budget EIA process for the Council, along with any specific relevant details for 2019.

The budget is set for the council's operation which covers a wide range of services delivered to the citizens 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 will increase slightly next year, this has to be balanced by the fact that we expect £27.5million of additional expenditure (which is outside our control) such as the nationally agreed pay awards, for example. We also believe that our funding from Welsh Government will stand still or reduce in the coming years which means we'll have 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 for the second time last year. 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
- Human rights principles.

In order to apply the EIA process, officers follow these 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 alongside the relevant report
- 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.

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.

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.

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 any point 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 with the relevant corporate report at:

<http://democracy.swansea.gov.uk/ieDocHome.aspx?bcr=1&LLL=0?Lang=eng>

There are a number of full Equality Impact Assessments reports that Cabinet need to consider in relation to this budget. These are currently being finalised following the consultation and engagement activities.

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 (2017) and 2011 Census is as follows:

- The gender split of the **City & County of Swansea** is **50.0% Female** (122,600 people) and **50.0% Male** (122,800 people).
- Children and young people **aged 0-25 years** represent **32.7%** of the population, or **80,300** people.
- **Over 50s** represent **37.7%** of the population (92,400 people), of which around **47,500** are over 65 (19.4% 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% (55,718 people)** had a long term health problem or disability including 17.4% 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 aged 3+. **44,659** people (19.3%) had one or more skills in Welsh.

Further information about Swansea's population can be found at www.swansea.gov.uk/keyfacts

Officers consider the particular service users or groups affected when applying the EIA process.

6. Staffing

The Cabinet report in December 2018 referred to 161 posts at risk throughout the Authority, not including any impact in schools. 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 as to whether there is any potential equality impact effect and, if there is, to follow the EIA process.

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 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-centered, meet individual needs and are sustainable for the future.

The council continues to deliver a wide range of services for all the citizens 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'.

APPENDIX G



Ysgol Pen –y–Bryn
Glasbury Road
Morrison
Swansea
SA6 7PA

Headteacher: Gethin Sutton

Tel: 01792 799064

Fax: 01792 781311

email: pen-y-bryn.school@swansea-edunet.gov.uk

16th January 2019

Councillor Rob Stewart
City and County of Swansea
Civic Centre
Oystermouth Road
Swansea
SA1 3SN

Dear Councillor Stewart,

School Budget Forum Response to Budget Consultation

As always, the School Budget Forum has sought to support the discussions that have already been held and which will be held over the coming weeks. **As a statutory consultative body, the Forum expects that the points made will be carefully considered as part of any forthcoming corporate discussion of future revenue and capital budgets.** The School Budget Forum represents a considerable body of statutory provision meeting the needs of a great many pupils, families, schools and communities within Swansea.

The School Budget Forum recognises the scale of the continuing financial challenges facing the Council. Nevertheless, it has a responsibility to seek to ensure that the full implications of any budget proposals on schools and the wider education service are properly recognised by the Council before any decisions are taken.

We would suggest that the Council should take a very positive view of the outcomes achieved by schools in Swansea against the relevant benchmarks, together with significantly positive Estyn and school categorisation outcomes. These positive outcomes have been achieved in spite of very challenging financial settlements (despite the statement from the Chancellor that austerity is over, it is clearly evident that it is not) and should be the foundation for future excellence and should not be jeopardised by forthcoming Council budget decisions.

Swansea schools do not fare well financially. As has been noted in previous years, the Council can not control the settlement it receives and the Forum supports the council in sustaining a robust challenge to settlement decisions. The settlement from Welsh Government is relatively poor, ranking it around 17th out of the 22 authorities.

However, the Forum is appreciative of the council's continuing relative prioritisation of education spending which is now above the *IBA* (indicator based assessment). Schools' funding within Swansea is significantly lower than that of all of our ERW partners (three of whom are significantly above the Welsh average), thus putting the city's schools at considerable disadvantage when compared with our regional partners. The forum urges the council to lobby Welsh Government for a more equitable national funding formula for **local authorities** (and hence schools) as there is clear inequity highlighted by the fact that the difference in gross per pupil expenditure between the minimum and maximum is £1,349. This range is unacceptable and results in differentials across the average of all school sectors of £973 in delegated per pupil funding. This is clearly caused by Welsh Government funding. Even with the council's schools expenditure exceeding the IBA, Swansea council's schools expenditure is £169 and £791 per pupil less than the Wales average, and highest funded authority respectively and our schools delegated funding is £214 and £854 per pupil less than the Wales average, and highest funded authority respectively. The Forum urges the council to continue to robustly challenge Welsh Government regarding the inequity in RSG (Revenue Support Grant) settlements and hence funding for schools (Source: Welsh Government Statistical Bulletin *5 July 2018 SB 41/2018*).

It would be remiss of the Forum not to point out the impact of continued austerity (**the Forum will not consider austerity to be over until real terms funding levels are equivalent to pre austerity levels**).

The National Assembly's Research briefing entitled 'School Funding in Wales' highlights the following facts:

- Since the academic year 10-11, local authority gross expenditure on schools has **decreased in real terms** by 7.9%.
- The average amount local authorities spent per pupil in 18-19 whilst being £266 higher than that spent in 10-11 is a **real terms decrease** of 7.5%.

The impact of this incremental reduction in funding has seen:

- Reduced staffing levels
- Increased class sizes
- Reduced post 14 options
- Reduced leadership and management time for senior leaders
- Increased number of nursery classes without a qualified teacher

In addition there is now an **increased risk** to schools' ability to:

- respond to safeguarding concerns
- maintain premises
- deliver the foundation phase curriculum
- implement the new curriculum
- keep abreast of technological change – Swansea schools are in danger of being left behind

All of which may impact on:

- sickness-related absence levels
- behaviour of pupils
- dissatisfaction from parents

The Forum asserts that continued austerity presents a **significant threat to maintaining positive outcomes for learners in Swansea.**

We have appreciated the positive response in Council Budgets over recent years to some of the recommendations previously made by the Forum, particularly:

- The recognition of the essential contribution of the Education service to the achievement of wider Council priorities
- The recognition of the severe financial pressures facing school delegated budgets and other statutory Education services

Through working closely with the Authority, schools have been better able to manage the significant pressures and increasing expectations placed upon them and to mitigate the effects of large scale redundancies on the Council.

The Forum recognises the positive work undertaken by the primary, secondary and joint finance groups and the School Funding and Information Unit in revising the primary and secondary school funding formulars which will enable the SFIU to more swiftly calculate indicative school budgets. The Forum also recognises the work of the Chief Executive in the review of ERW and notes the positive initial impact of the interim Managing Director of ERW, for both the transparency and clarity of the information he has shared, and his suggestions for the future of regional working within the South West. However, the cost and relevance of regional consortia must be questioned and this additional layer of governance held up to scrutiny. As a nation, we need to be assured that regional consortia provide value for money and secure improved learner outcomes.

The Delegated Schools Budget

The Forum views positively the Council's stated aims of relative prioritisation of the delegated schools budget and of joining up thinking in terms of the integration of services in order to improve chances in communities and the families within them and to lessen the impact of poverty upon achievement. It is entirely right that priority is given to early intervention and prevention strategies so that services, including the education service, struggle less with the repercussions of non-intervention later on.

The Forum also welcomes the clear priority given to improving educational outcomes for children and young people and the recognition of the key role that education plays in supporting many other wider Council priorities.

The Forum recognises the council's prioritising of education and schools, and is encouraged that the council has committed to providing a cash increase equivalent to the full cost of teachers pay pressures this year as well as a further commitment to fully pass to schools any additional funding from the UK Treasury to meet the increased contributions to teachers pensions.

The Forum shares with the council the overriding concern of the unfunded pension increase by the UK Treasury. While teachers' pay is now devolved, pensions and the Terms and Conditions of teachers' employment are not devolved to the Welsh

Government. A significant number of Swansea schools have already written to our constituent members of parliament to help the council maintain pressure on the UK Government to resolve these issues as quickly as possible. Should this funding not materialise the impact will be severe, furthermore, expediency is necessary as balancing school budgets for a financial year that crosses the academic cycle could require the initiation of redundancy measures (due to HR timescales) should the matter not receive a swift resolution.

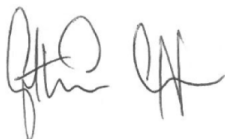
The Forum also looks forward to receiving any positive outcomes resulting from Welsh Government's decision to amend the respective intervention rates to 65% and 75% for mainstream school and specialist provision through the *21st Century Schools* programme.

Now that the new First Minister is in post the forum asks the leader to meet with him and his new team as soon as possible to press for further help for schools.

The Forum shares the council's belief that we must together keep up the pressure on both governments and continue to press for fairer funding for education. This needs to be in two parts; firstly, the UK government needs to ensure Welsh Government is fairly funded as part of the comprehensive spending review next year; secondly, Welsh Government needs to address the inequity of funding for local government and secure a fairer funding model for education. In addition both governments need to ensure that the cost implications of all decisions they make are fully and explicitly funded within funding settlements. A significant number of Swansea schools have written to Swansea's AMs and MPs respectively to raise these issues.

We share the council's commitment to fight for a better deal for education and welcome the assurance to continue to prioritise education within the council's budget and pass on all new monies made available for schools or education by either government.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Gethin Sutton', written in a cursive style.

Gethin Sutton
Chair of Swansea Budget Forum

Revenue Budget 2019/2020

Resources

	ORIGINAL BUDGET 2018/2019 £	ORIGINAL BUDGET 2019/2020 £
Resources Directorate		
Deputy Chief Executive	215,300	190,100
	215,300	190,100
Head of Communication & Customer Engagement		
Communications	211,900	134,800
Corporate Marketing	330,600	324,300
Corporate Mgt Team Support	366,900	332,450
Design and Print	240,200	161,550
Health and Safety	1,017,600	695,200
Commissioning Review	-28,000	0
Senior Staff Reductions	-84,000	0
	2,055,200	1,648,300
Chief Transformation Officer		
Commercial Team & Procurement	670,200	527,500
Corporate Customer Services & Complaints	1,262,500	958,300
Welsh Translation Unit	107,200	104,500
Departmental Management Team	308,300	325,500
Digital Services	6,505,700	5,840,300
Human Resources & Organisational Development	869,400	706,100
Strategic Delivery Unit	281,700	580,300
Commissioning Review	-56,000	0
Senior Staff Reductions	-93,000	0
	9,856,000	9,042,500
Chief Finance Officer		
Audit	620,500	580,200
Benefits	23,915,700	24,943,600
Finance DMT	388,900	366,700
Financial Services	1,396,500	1,366,700
Pensions	-23,000	-7,400
Revenues	471,100	381,600
Service Centre	2,044,000	1,908,500
Treasury and Technical	531,300	483,100
	29,345,000	30,023,000

Revenue Budget 2019/2020

Resources

	ORIGINAL BUDGET 2018/2019 £	ORIGINAL BUDGET 2019/2020 £
Chief Legal Officer		
Access to Services	239,300	94,500
Coroners	624,800	731,000
Democratic Services	2,501,000	2,552,200
Information Governance Unit	40,000	162,900
Legal Services	1,884,100	2,072,000
Overview and Scrutiny Unit	224,800	199,600
Commissioning Review	-19,000	0
	5,495,000	5,812,200
Sustainable Swansea		
Workstreams	-5,774,900	-1,753,700
	-5,774,900	-1,753,700
Total Resources	41,191,600	44,962,400

Revenue Budget 2019/2020

Poverty & Prevention

	ORIGINAL BUDGET 2018/2019 £	ORIGINAL BUDGET 2019/2020 £
Poverty & Prevention		
Adult Prosperity & Wellbeing Service	960,400	791,300
Cross Directorate Commissioning	849,500	795,500
Early Intervention Services	1,035,900	955,900
Head of Poverty & Prevention	137,000	114,000
Partnership Performance & Commissioning	1,415,300	1,315,800
Young Peoples Services	2,034,900	2,038,600
Cross Directorate Integration Savings	0	-1,458,100
Poverty & Prevention Staffing Savings	-55,000	0
	6,378,000	4,553,000
Total Poverty & Prevention	6,378,000	4,553,000

Revenue Budget 2019/2020

Social Services

	ORIGINAL BUDGET 2018/2019 £	ORIGINAL BUDGET 2019/2020 £
Head of Adult Services		
Directorate Services	5,377,500	4,814,800
Disability Residential & Day Care	6,823,100	6,644,000
Integrated Services - Domiciliary Care & Hubs	20,380,650	21,508,350
Integrated Services - External Residential	14,494,100	16,047,850
Integrated Services - Other	2,979,000	2,879,500
Learning Disabilities & Mental Health Support	18,062,300	18,640,200
Older Persons Residential and Day Care	6,226,750	5,840,300
Safeguarding/Wellbeing	2,225,050	2,380,850
Western Bay	249,150	249,150
Commissioning Reviews	-669,000	-500,000
Business Support Review	42,600	-205,000
Staffing Savings	-500,000	-900,000
	75,691,200	77,400,000
Head of Child & Family Services		
Accommodation Services	16,411,550	18,782,800
Aftercare	849,000	1,277,400
Assessment and Care Management	12,888,750	12,520,800
Family Support Services	3,475,800	3,298,600
Regional Services	2,177,150	2,134,600
Residential Care-Internal Provision	525,000	624,800
Senior Staff Review	-228,650	0
	36,098,600	38,639,000
Total Social Services	111,789,800	116,039,000

Revenue Budget 2019/2020

Education

	ORIGINAL BUDGET 2018/2019 £	ORIGINAL BUDGET 2019/2020 £
Delegated Schools		
School Cost Centres	147,013,217	150,720,217
	147,013,217	150,720,217
Director of Education		
Mgt & Admin Effectiveness	129,900	129,800
Schools At Risk	109,056	109,056
WJEC Subscriptions	36,000	0
	274,956	238,856
Head of Achievement & Partnership Service		
Education Improvement Service	1,273,300	1,251,600
Management Systems Unit	184,400	184,400
Welsh Service	39,600	32,600
	1,497,300	1,468,600
Head of Vulnerable Learner Service		
Behaviour, Learning Support & EOTAS	6,506,500	6,276,900
Cleaning Services	119,760	91,860
Ethnic Minority Achievement Unit	949,000	38,000
Head of Learner Support Service	103,300	103,600
Miscellaneous Grants	81,400	103,400
One To One Support	735,573	1,069,373
Psychology Service	702,600	702,500
Recoupment/Out of County	1,750,000	1,035,000
School And Governor Unit	394,000	363,600
School Meals	477,800	660,800
SEN Statementing & Support	3,156,600	3,794,500
Swansea Music Service	142,600	45,300
Transport	7,338,100	7,593,100
Welfare Service	621,200	621,100
	23,078,433	22,499,033

Revenue Budget 2019/2020

Education

	ORIGINAL BUDGET 2018/2019 £	ORIGINAL BUDGET 2019/2020 £
Head of Education Planning & Resources		
Additional School Support	78,200	78,200
Broadband & Cloud Technology	400,000	363,900
Capital Planning & Delivery Unit	377,725	377,625
Continuing Education & Pensions	501,000	410,300
Education Improvement Grant for Schools	703,418	714,418
Empty Properties	16,800	15,500
Funding & Information Unit	0	0
Funding & Information Unit	91,400	76,600
Health & Safety	84,500	84,500
Learning Portal Team	48,500	52,500
Management & Admin-Planning & Resources	101,700	101,700
Non Delegated - Pensions, Insurance & Public Duties	5,492,926	5,439,126
Post 16 Funding	-5,132,945	-5,132,945
Pupil Deprivation Grant	-7,011,930	-7,011,930
Stakeholder Engagement Unit	196,800	191,800
	-4,051,906	-4,238,706
Total Education	167,812,000	170,688,000

Revenue Budget 2019/2020

Place

	ORIGINAL BUDGET 2018/2019 £	ORIGINAL BUDGET 2019/2020 £
Head of Corporate Building & Property Services		
Facilities Management	2,597,200	2,930,800
Strategic Estates Properties	-1,372,600	-1,708,200
Property Preventative Maintenance	3,085,900	3,001,100
Corporate Building Services Trading	1,727,900	1,653,600
Community Budgets	720,400	721,800
	6,758,800	6,599,100
Head of Highways & Transportation		
Car Parking and Enforcement	-2,937,300	-3,215,800
Transportation	4,730,600	4,847,500
Traffic Management	1,079,600	1,092,900
Central Transport	-657,300	-575,900
Engineering	477,600	664,400
Highways	7,067,500	7,117,400
Swansea Marina	-81,400	-82,400
Directorate and Other Costs	175,500	-60,300
	9,854,800	9,787,800
Head of Waste Management & Parks		
Household Waste Recycling Centres	748,800	872,300
Parks	5,101,000	5,238,600
Recycling	4,230,400	4,237,500
Residual Disposal/Tir John	3,688,600	4,032,400
Residual Waste Collection	2,948,200	2,660,000
Trade Refuse	-192,700	-776,900
Neighbourhood Working	4,463,500	4,592,800
Directorate and Other Costs	856,400	1,265,300
	21,844,200	22,122,000
Place Directorate		
Place Directorate	591,800	339,250
Workstreams	-1,365,000	-1,424,200
	-773,200	-1,084,950

Revenue Budget 2019/2020

Place

	ORIGINAL BUDGET 2018/2019 £	ORIGINAL BUDGET 2019/2020 £
Head of Cultural Services		
Archives	266,500	218,700
Arts	2,489,100	2,353,100
Community Buildings	205,800	210,200
Development and Outreach	233,900	241,300
Libraries	3,067,700	3,017,700
Sport and Recreation	2,596,400	3,362,950
Tourism, Marketing & Events	1,572,400	1,483,400
Directorate and Other Costs	428,200	385,700
	10,860,000	11,273,050
Head of Planning & City Regeneration		
Business Support	393,519	344,319
Property Development	581,998	833,398
City Centre Management & Indoor Market	-295,500	-331,400
European Team	0	0
Major Projects, Design and Conservation	105,100	112,600
Planning Control	614,900	452,600
Planning Policy and Environment	1,057,400	941,000
Directorate and Other Costs	290,683	219,783
	2,748,100	2,572,300
Head of Housing and Public Protection		
Building Regulations	120,100	130,900
Burials and Cremations	-653,200	-817,700
Food Safety	614,900	650,200
Licensing	-31,400	-44,700
Pollution	750,800	708,900
Public Health	827,600	823,900
Registrars	21,100	4,500
Trading Standards	613,300	629,500
Housing Grants to the Independent Sector	40,500	40,500
Housing Renewals and Adaptations	216,500	198,800
Housing Strategy, Advice and Support	2,055,500	1,872,700
Other Housing Services	472,800	496,200
Directorate and Other Costs	263,800	205,000
	5,312,300	4,898,700
Total Place	56,605,000	56,168,000

Agenda Item 11.



Report of the Section 151 Officer

Cabinet – 14 February 2019

Housing Revenue Account (HRA) Revenue Budget 2019/20

Purpose:	This report proposes a Revenue Budget for 2019/20 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 2019/20.
Consultation:	Cabinet Members, Finance & Legal.
Recommendations:	The following budget proposals be recommended to Council for approval: a) Rents to be increased in line with the Welsh Government interim 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 Authors:	Mark Wade / Ben Smith
Finance Officer:	Aimee Dyer
Legal Officer:	Tracey Meredith
Access to Services Officer:	Rhian Millar

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);
 - the funding requirements of the More Homes Programme;
 - 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 and to build affordable housing in line with the More Homes Programme.

2. Projected Revenue Outturn 2018/19

2.1 There is a forecast underspend on HRA Revenue management and maintenance budgets of £140k. This comprises of an underspend on employee costs (£270k) and transport costs (£20k). These underspends are offset by a forecast overspend on revenue repair costs (£150k). In addition there is a forecast underspend on finance costs of £1.1m as a result of lower than anticipated borrowing and a reduction in the 'pooled' rate of interest.

2.2 The forecast revenue contribution to the 2018/19 Capital Programme has increased by £1.7m as a result of higher than anticipated balances carried forward and a reduction in the borrowing requirement. As a result the forecast for the balances carried forward has reduced to £5.9m.

3. Revenue Budget Proposals 2019/20

3.1 Overview

3.1.1 There is a projected surplus on the HRA next year of £25.1m. This surplus together with the planned use of reserves will contribute towards the capital programme of £67.3m in 2019/20. This is for further investment in WHQS and for the More Homes Programme.

3.1.2 The main changes from 2018/19 are an increase in management and maintenance costs of £1.4m. This is mainly as a result of the 2% pay rise, increments and an increase in employer's pension contributions of £0.6m and an increase in the revenue repairs budget of £0.5m due to inflationary pressures. Capital charges reduced by £0.4m as a result of the lower than anticipated borrowing and a reduction in interest charges.

3.1.3 The main changes to funding/income are an increase in rent and other income of £1.7m arising from the proposed rent increases £1.5m and the receipt of WG Affordable Housing Grant £0.2m.

3.1.4 The main changes from the 2018/19 budget are shown in the following table:-

Item	£000
Increase in Revenue Contribution to Capital	1028
Effect of 2% pay rise and increase in pension contributions	590
Increase in Revenue Repairs Budget	547
Other Revenue Changes	265
Reduction in Finance Charges	-416
Affordable Housing Grant	-208
Additional income including 2.4% rent	-1500

increase	
Increase in the use of reserves	-306

3.2 *Rent Income*

3.2.1 The Welsh Government is currently reviewing their policy for setting social housing rents. This review is included as part of the larger Affordable Housing Review which is looking at the funding available to build more Affordable Housing. The findings of this review are due to be published in April 2019. In the interim, the Minister has announced that the maximum for 2019/20 will be in line with the Consumer Price Index for September 2018 which was 2.4%.

3.2.2 In February 2015, Council agreed to maximise the available rent income by using the full increase allowable under the WG policy. 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 2.4%, the average rent for 2019/20 will be £95.59 (based on 50 weeks). This is an average increase of £2.24 per week.

3.3 *Inflation*

Provision has been included in the budget for an average annual pay increase of 2% from April 2019. 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*

Capital financing charges will reduce in 2019/20 as a result of lower borrowing costs.

3.5 *Fees, Charges and Allowances*

General fees, charges and allowances are to be increased either in line with the agreed rent increase of 2.4%.

3.6 *Contributions to the Capital Programme*

The additional income enables a contribution of £25.5m to the capital programme. A further £403k 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 and what effect this will have on the level of income.

5. Reserves

- 5.1 The HRA balance at the start of this year was £6.8m and at the end of the current year it is estimated to be £5.893m. It is proposed that £403k is used next year to finance capital expenditure. The reserves position is detailed in Table B.

6. Equality and Engagement Implications

- 6.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
 - Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment process ensures that we have paid due regard to the above.

- 6.2 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.
- 6.3 An EIA screening form has been completed and reviewed. The agreed outcome was that a full EIA report is not required at this time. 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. Tenants will need to be notified of the proposed increase in accordance with the provisions of section 102 of the Housing Act 1985.”

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 week' notice before any Rent change.

Background Papers: None

Appendices: Appendix A - Table A: Summarised HRA 2018/19 to 2019/20 & Table B: Movement in Balances 2018/19 to 2019/20

Appendix B - Equality Impact Assessment Screening Form

Table A: Summarised HRA 2018/19 to 2019/20

Classification	Budget 2018/19	Budget 2019/20
	£'000	£'000
<u>Expenditure</u>		
Management and Maintenance	29,657	31,059
Capital Charges	11,085	10,669
Revenue Funding for capital schemes	24,471	25,499
Total Expenditure	65,213	67,227
<u>Income</u>		
Rents and other income	65,116	66,616
Affordable Housing Grant	0	208
Use of balances	97	403
Total Income	65,213	67,227

Table B: Movement in Balances 2018/19 to 2019/20

Description	£000's
Actual balance at 1 st April 2018	6,781
Budgeted use 2018/19	-97
Budgeted balance 31st March 2019	6,684
Forecast use 2018/19	-888
Forecast balance 31st March 2019	5,893
Budgeted use 2019/20	-403
Forecast balance 31st March 2020	5,490

Equality Impact Assessment Screening Form – 2017/18

Please ensure that you refer to the Screening Form Guidance while completing this form. If you would like further guidance please contact the Access to Services team (see guidance for details).

Section 1

Which service area and directorate are you from?

Service Area: Housing and Public Health

Directorate: Place

Q1(a) WHAT ARE YOU SCREENING FOR RELEVANCE?

Service/ Function	Policy/ Procedure	Project	Strategy	Plan	Proposal
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

(b) Please name and describe here:

This report proposes a Revenue Budget for 2019/20 and a rent increase in line with Welsh Government rent policy for properties within the HRA.

Q2(a) WHAT DOES Q1a RELATE TO?

Direct front line
service delivery

(H)

Indirect front line
service delivery

(M)

Indirect back room
service delivery

(L)

(b) DO YOUR CUSTOMERS/CLIENTS ACCESS THIS...?

Because they
need to

(H)

Because they
want to

(M)

Because it is
automatically provided to
everyone in Swansea

(M)

On an internal
basis
i.e. Staff

(L)

Q3 WHAT IS THE POTENTIAL IMPACT ON THE FOLLOWING...

	High Impact (H)	Medium Impact (M)	Low Impact (L)	Don't know (H)
Children/young people (0-18) →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Older people (50+) →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Any other age group →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Disability →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Race (including refugees) →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Asylum seekers →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Gypsies & travellers →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Religion or (non-)belief →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Sex →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Sexual Orientation →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Gender reassignment →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Welsh Language →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Poverty/social exclusion →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Carers (inc. young carers) →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Community cohesion →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Marriage & civil partnership →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Pregnancy and maternity →

Q4 WHAT ENGAGEMENT / CONSULTATION / CO-PRODUCTIVE APPROACHES WILL YOU UNDERTAKE?

Please provide details below – either of your planned activities or your reasons for not undertaking engagement

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);
- the funding requirements of the More Homes Programme;
- future income and expenditure trends;
- increases in rent in line with the rent policy;
- the effect on tenants of rent increases.
-

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 and to build affordable housing in line with the More Homes Programme. 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.

Q5(a) HOW VISIBLE IS THIS INITIATIVE TO THE GENERAL PUBLIC?

High visibility
 (H)

Medium visibility
 (M)

Low visibility
 (L)

(b) WHAT IS THE POTENTIAL RISK TO THE COUNCIL'S REPUTATION? (Consider the following impacts – legal, financial, political, media, public perception etc...)

High risk
 (H)

Medium risk
 (M)

Low risk
 (L)

Q6 Will this initiative have an impact (however minor) on any other Council service?

Yes

No

If yes, please provide details below
Building Services, Legal, Finance

Q7 HOW DID YOU SCORE?

Please tick the relevant box

MOSTLY H and/or M → HIGH PRIORITY → EIA to be completed
Please go to Section 2

MOSTLY L → LOW PRIORITY / NOT RELEVANT → Do not complete EIA
Please go to Q8 followed by Section 2

Q8 If you determine that this initiative is not relevant for an EIA report, you must provide a full explanation here. Please ensure that you cover all of the relevant protected groups.

An EIA screening form has been completed and reviewed. The agreed outcome was that a full EIA report is not required at this time. 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. Tenants will need to be notified of the proposed increase in accordance with the provisions of section 102 of the Housing Act 1985.

Section 2

NB: Please email this completed form to the Access to Services Team for agreement before obtaining approval from your Head of Service. Head of Service approval is only required via email – no electronic signatures or paper copies are needed.

Screening completed by:	
Name:	Paul Lilley
Job title:	Housing Finance Manager
Date:	21.1.19
Approval by Head of Service:	
Name:	Mark Wade
Position:	Head of Housing and Public Health
Date:	22.1.19

Please return the completed form to accesstoservices@swansea.gov.uk

Agenda Item 12.



Report of the Section 151 Officer & the Director of Place

Cabinet – 14 February 2019

Housing Revenue Account (HRA) - Capital Budget & Programme 2018/19 – 2022/23

Purpose	This report proposes a revised capital budget for 2018/19 and a capital budget for 2019/20 – 2022/23
Policy Framework:	None
Reason for Decision:	To agree a revised budget for 2018/19 and a capital budget for 2019/20 – 2022/23
Consultation:	Legal, Finance & Access to Services
Recommendation(s):	It is recommended that: 1) The transfers between schemes and the revised budgets for schemes in 2018/19 are approved. 2) The budget proposals for 2019/20 – 2022/23 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 Authors:	Ben Smith / Mark Wade
Finance Officer:	Ben Smith
Legal Officer:	Tracey Meredith
Access to Services Officer:	Catherine Window

1.0 Introduction

1.1 This report details:

- Revised Housing Revenue Account (HRA) capital expenditure and financing proposals in 2018/19
- HRA Capital expenditure and financing proposals in 2019/20 – 2022/23

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

- Appendix A: Summary of the revised budget for 2018/19 and a budget for 2019/20 – 2022/23
- Appendix B: Detailed breakdown of the revised budget for 2018/19 and a budget for 2019/20 – 2022/23
- Appendix C: WHQS and More Homes scheme descriptions

2.0 Capital Budget 2019/20

- 2.1 The revised programme for the current year is £47.705m i.e. an original budget of £57.893m plus carry-forward from 2017/18 of £6.049m less slippage into 2019/20 of £16.237m. Slippage from this current year into 2019/20 is mainly to fund the external facilities scheme, kitchen and bathroom renewal and More Homes scheme at Parc Y Helig.
- 2.2 The majority of all other projects for 2018/19 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 2019/20 financial year and where underspend has occurred, officers have mitigated these by bringing other priority work forward to compensate. Transfers and changes to the 2018/19 budget are reflected and detailed in appendix B.

3.0 2019/20 – 2022/23

- 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 contributes to the Council's strategic aim of meeting the Welsh Housing Quality Standard and provision has also been made for the continuing supply of new council housing.
- 3.2 Investment over the next two years is set out to provide an even profile of spend. The programme will be challenging due to its size, scope and complexity; however, this has been developed to be deliverable and to achieve WHQS compliance by the end of December 2020.
- 3.3 The main areas of work include kitchen and bathroom renewal; wind and weatherproofing; the start of a refurbishment programme for highrise flats; as well as environmental improvements and regeneration to gardens and the wider housing owned areas. These schemes are reported in detail in Appendix C and contribute towards the following components of the Welsh Housing Quality Standard:

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 are 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.

4.0 Financing of HRA Capital Budget 2018/19-2022/23

- 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, and borrowing. Details are set out in Appendix A.
- 4.2 The level of HRA borrowing has been capped in Wales since Local Housing Authorities exited the former Housing Revenue Account Subsidy scheme in March 2014. The cap formed part of a Voluntary Agreement signed by Welsh Ministers and the Council. The HRA borrowing Cap for Swansea is £220.96m. In October 2018, the Minister for Housing and Regeneration confirmed that, in line with decisions made by the Chancellor of the Exchequer in England, the HRA borrowing cap would be scrapped. In order for this to be implemented in Wales, the Welsh Government are currently consulting on how the Voluntary Agreements can be terminated.
- 4.3 The funding of the attached capital budget proposals requires borrowing in excess of the current cap of £6.32m in 2021/22 and a further £15.71m in 2022/23. At the time of reporting the HRA borrowing cap has not been formally withdrawn.

5.0 More Homes

- 5.1 The More Homes Strategy for providing new Council housing has been endorsed by Council. Indicative expenditure of £25.5m over 4 years up to 2022/23 for taking forward the strategy has been included in the programme.

6.0 Risks

- 6.1 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.

7.0 Equality and Engagement Implications

7.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment process ensures that we have paid due regard to the above.

7.2 Tenants and leaseholders have been engaged as part of the Council's Tenant Participation Strategy.

7.3 An EIA screening has been undertaken and there is 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.

8.0 Legal Implications

8.1 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.

9.0 Financial Implications

9.1 Expenditure is ring fenced to the HRA and will be fully funded by MRA grant from Welsh Government, revenue contributions from the Housing Revenue Account and HRA borrowing. There are no financial implications for the Council General Fund.

9.2 Borrowing of £99.1m million will be required to fund the WHQS and new build programmes up to 2022/23.

Background Papers

None.

Appendices

Appendix A: Summary of the revised budget for 2018/19 and a budget for 2019/20 – 2022/23.

Appendix B: A detailed breakdown of the revised budget for 2018/19 and a budget for 2019/20 – 2022/23.

Appendix C: Scheme descriptions.

Summary of HRA Capital Budget and Programme 2018/19 to 2022/23						
	2018/19	2019/20	2020/21	2021/22	2022/23	Total
HRA Subsidy Reform	Revised					
Scheme	£'000	£'000	£'000	£'000	£'000	£'000
Good State of Repair						
Wind and Weatherproofing	3,227	4,858	5,115	7,565	4,795	25,560
System Built Houses and Highrise Blocks	6,569	8,720	13,785	14,510	14,500	58,084
Roofing	1,612	1,296	2,400	1,100	1,650	8,058
Windows, Doors and Genera Repairs	1,025	1,226	580	785	940	4,556
Safe and Secure						
Fire Safety	1,641	2,178	400	320	310	4,849
Electrical Improvements	634	844	1,080	1,170	1,470	5,198
Passenger Lifts	50	157	100	600	500	1,407
Adequately Heated, Fuel Efficient & Well Insulated						
Heating Systems	630	790	790	1,000	2,550	5,760
Energy Efficiency and Grant Support	£250	£589	£200	£250	£220	£1,509
Contain Up to Date Kitchens and Bathrooms						
Kitchens and Bathrooms	23,598	27,015	23,350	7,050	6,550	87,563
Located in Attractive and Safe Environments						
Environment - Within the Curtilage	4,003	6,800	6,880	3,850	3,400	24,933
Estate Based Environment	1,091	1,500	1,500	1,000	1,000	6,091
Meeting Requirements of the Household						
Adaptations	2,550	2,750	2,750	2,750	2,750	13,550
More Homes						
New Build and Acquisitions	825	8,590	4,510	3,310	9,100	26,335
Total	47,705	67,313	63,440	45,260	49,735	273,453

Financed By:	2018/19 Revised	2019/20 Original	2020/21 Original	2021/22 Original	2022/23 Original	Total
	£'000	£'000	£'000	£'000	£'000	£'000
MRA	9,158	9,158	9,158	9,158	9,158	45,790
RCCO	26,157	25,499	22,082	21,102	19,777	114,617
Borrowing WHQS	12,390	31,100	32,200	15,000	20,800	111,490
Innovative Housing Grant		1,556				1,556
Total	47,705	67,313	63,440	45,260	49,735	273,453

Appendix B

HRA CAPITAL PROGRAMME	2018/19 to 2022/23						
	2018/19	2018/19	2019/20	2020/21	2021/22	2022/23	Total
	Original	Revised	Original	Original	Original	Original	Original
SCHEME/PROJECT	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Good State of Repair							
Wind & Weatherproofing, Penlan Scheme 1	326	86					86
Wind & Weatherproofing, Clydach Tanycoed				200	750	750	1,700
Wind & Weatherproofing, McRitchie Place	40	20					20
Wind & Weatherproofing, West Cross	1,655	371	2,499	1,200	850	825	5,745
Wind & Weatherproofing, West Cross Warwick Place	1,162	1,053	69				1,122
Wind & Weatherproofing, Llanllienwen	120	57					57
Wind & Weatherproofing, Penllergaer	800	956					956
Wind & Weatherproofing, Blaenymaes, Woodford Road				970			970
Wind & Weatherproofing, Tirdeunaw Sheltered Complex			400				400
Wind & Weatherproofing, Pontardulais	690	684	920				1,604
Wind & Weatherproofing, Clase					500		500
Wind & Weatherproofing, Fforesthall				930	1,115	1,100	3,145
Wind & Weatherproofing, Garnswllt					350		350
Wind & Weatherproofing, Jones, Evans & Wilkes Row					780		780
Wind & Weatherproofing, Talcoppa			410	800	1,020		2,230
Wind & Weatherproofing, Tower Gardens			300				300
Wind & Weatherproofing, Waunarwydd					960	820	1,780
Wind & Weatherproofing, Llwynceithin & Maes Glas Flats				715			715
Wind & Weatherproofing, Sketty						600	600
Wind & Weatherproofing, Landore					840		840
Wind & Weatherproofing, Various			260	300	400	700	1,660
Airey & Traditional Built Properties, Felindre			574				574
Resiform & Traditional Built Properties, Craig Cefn Parc	1,298	807	378				1,185
British Iron & Steel Federation (BISFs) Houses West Cross	1,054	1,188	52				1,240
Wimpey No Fines (WNFs) Properties, Waunarwydd			840	840	210		1,890

HRA CAPITAL PROGRAMME	2018/19 to 2022/23						
	2018/19	2018/19	2019/20	2020/21	2021/22	2022/23	Total
	Original	Revised	Original	Original	Original	Original	Original
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Good State of Repair continued							
Wimpey No Fines (WNFs) Properties, Caemawr	29	85	12				97
Wimpey No Fines (WNFs) Properties, Heol Emrys & Tudno Place			75	75	2,500	2,500	5,150
Easiform Properties, Winch Wen	1,400	1,269	1,610				2,879
Easiform & Traditional Properties, Sketty	440	603	1,050				1,653
Easiform & Wimpey No Fines Properties, Clase	990	1,085	980	1,370			3,435
Easiform Properties, Birchgrove	820	781	1,280				2,061
Highrise Flats, Dyfatty - Croft Street	200	27	1,172	10,500	3,800		15,499
Highrise Flats, Dyfatty - GJS			50	1,000	8,000	12,000	21,050
Highrise Flats, Matthew Street	70	155					155
Highrise Flats, Clyne & Jeffreys Court	453	569	647				1,216
Chimney Repairs	552	463	667	600	500	500	2,730
Chimney Repairs CBS		100					100
Pitched Roof Renewal, Blaenymaes	29	15					15
Pitched Roof Renewal, Blaenymaes 17/18		7					7
Pitched Roof Renewal, Talfan Road Carew PI Bonymaen	6						0
Pitched Roof Renewal, Townhill 17/18	21	11					11
Pitched Roof Renewal, Penlan Flats	16						0
Pitched Roof Renewal, Gower	129	540	14				554
Pitched Roof Various	308	147	406	500	500	950	2,503
Pitched Roof Various 1 Port Tennant Road Flats		118	3				121
Pitched Roof Various 2 Park Road Gowerton		63	2				65
Flat Roof Renewal, Sketty		148	4				152
Flat Roof Renewal, Various	150		150	100	100	200	550
Flat Roof & Window Renewal Rheidol Court			50	1,200			1,250
Balcony Repairs	250	224	156		100	100	580
Window & Door Renewal	400	246	10		300	500	1,056
Fire Door Improvement			500	100			600

HRA CAPITAL PROGRAMME	2018/19 to 2022/23						
	2018/19	2018/19	2019/20	2020/21	2021/22	2022/23	Total
	Original	Revised	Original	Original	Original	Original	Original
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Good State of Repair continued							0
Structural Repairs	475	481	400	350	250	250	1,731
Drainage Repairs and Improvements	15	32	80	50	50	30	242
Repairs to District Housing Offices and Operational Assets	30	37	75	75	75	50	312
Design & Scheme preparation	5	5	5	5	10	10	35
Safe and Secure							0
Fire Safety General	155	310	372	100	50	50	882
Fire Safety Highrise		35					35
Smoke & Carbon Monoxide Detectors	230	200	300	200	270	260	1,230
Fire Safety Sprinkler System - Highrise & Sheltered	1,316	277	1,106	100			1,483
Sprinkler System - Jeffreys Court		119					119
Sprinkler System - Clyne Court	138	300	400				700
Sprinkler System - Matthew Street		400					400
Electrical Rewiring	320	109	508	800	900	900	3,217
Electrical Rewiring Contract 2 18/19		123					123
Electrical Rewiring Contract 3 18/19		98					98
Electrical Rewiring Contingency	20	20	20	20	20	20	100
Electrical Rewiring & Emergency Lighting Communal Blocks	215	225	255				480
Electrical Rewiring Sub Mains to Highrise Blocks				200	200	500	900
Communal Aerials	40	59	61	60	50	50	280
Passenger Lift Renewal & Improvements - Various	436		150	100	600	500	1,350
Passenger Lift Renewal & Improvements - Hafan Glyd		50	7				57
Adequately Heated							0
Boiler Replacement	600	600	750	750	800	1,800	4,700
Distribution Systems - General					200	750	950
Loft Insulation	60	50	80	50	50	20	250

HRA CAPITAL PROGRAMME	2018/19 to 2022/23						
	2018/19	2018/19	2019/20	2020/21	2021/22	2022/23	Total
	Original	Revised	Original	Original	Original	Original	Original
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adequately Heated continued							
Heating Upgrades / Fuel Conversions	30	30	40	40			110
Energy Efficiency, Energy Grant Support & Decarbonisation	215	200	509	150	200	200	1,259
Kitchens and Bathrooms							
Kitchen & Bathroom Renewal	21,619		22,500	23,000	7,000	6,500	59,000
Kitchen & Bathroom Renewal - Asbestos	250	294	250	250			794
Kitchen & Bathroom Renew17/8 Contractor 1	494	479	12				491
Kitchen & Bathroom Renew17/8 Contractor 2	111	273	7				280
Kitchen & Bathroom Renew17/8 Contractor 3	129	505	15				520
Kitchen & Bathroom Renew18/19 Contractor 1		7,920	1,367				9,287
Kitchen & Bathroom Renew18/19 Contractor 2		5,537	1,396				6,933
Kitchen & Bathroom Renew18/19 Contractor 3		5,131	929				6,060
Kitchen & Bathroom Renew18/19 Contractor 4		1,759	339				2,098
Kitchen & Bathroom Renew18/19 CBS		1,700					1,700
Kitchen & Bathroom Renewal Contingency	200		200	100	50	50	400
Located in Safe Attractive Environment							
Environment - Within the Curtilage							
External Facilities Scheme	8,950	482	6,040	6,400	1,500	1,000	15,422
External Facilities Contingency			80	80	50		210
External Facilities Scheme Gorseinon Contract 1	30	47	16				63
External Facilities Scheme Gorseinon Contract 2	26	29	11				40
External Facilities 17/18 -Penlan		760	28				788
External Facilities 18/19 - Arennig Road Area		1,409	36				1,445
External Facilities 18/19 - Penlan 3 EHG Area		803	337				1,140
Area Enhancement					2,000	2,000	4,000
Meter Boxes	15	15	200	200	200	200	815

HRA CAPITAL PROGRAMME	2018/19 to 2022/23						
	2018/19	2018/19	2019/20	2020/21	2021/22	2022/23	Total
	Original	Revised	Original	Original	Original	Original	Original
SCHEME/PROJECT	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Located in Safe Attractive Environment continued							
Environment - Within the Curtilage							
Voice Entry Systems	330	458	52	200	100	200	1,010
Environment - Estate Based							
General Environmental Schemes	2,000	1,091	1,500	1,500	1,000	1,000	6,091
Meeting the Needs of the Household							
Adaptations Internal	2,000	1,800	2,000	2,000	2,000	2,000	9,800
Adaptations External	750	750	750	750	750	750	3,750
More Homes							
More Homes - Parc Y Helig	2,757	338	3,503				3,841
More Homes - Colliers Way	100	111	3,792				3,903
More Homes - Acacia Refurbishment, West Cross			300				300
More Homes – Future Schemes			995	4,510	3,310	9,100	17,915
More Homes – Other		10					10
More Homes Acquisitions - Various	424	366					366
Total	57,893	47,705	67,313	63,440	45,260	49,735	273,453

HRA 4 Year Capital Programme

WHQS and Scheme Descriptions

Welsh Housing Quality Standard (WHQS)

The WHQS is a strategic aim for the council and contains key standards council housing across Wales are expected to meet. Compliance with the WHQS is measured via condition surveys which gauge compliance based on the condition and suitability of a wide range of building components. The WHQS permits what are termed 'acceptable fails', these apply to building components which are considered to be non-compliant but where the Council is unable to undertake major repairs or improvements required to meet compliance due to the following four reasons: i.) Cost of remedy; ii.) Resident choice; iii.) Physical constraint; and iv.) Timing of remedy. When classing components as acceptable fail, properties will continue to be maintained and managed through the Council's responsive repairs service and its servicing activities to ensure tenants remain safe and secure in their homes.

Good State of Repair

Wind and Weatherproofing

Wind and Weatherproofing includes the repair and upgrade of the external fabric to maintain structural integrity, improve weather protection and thermal efficiency. Work typically includes renewing roofs, weatherboards and rainwater goods, wall tie renewal, application of external wall insulation and where required new front and back doors, repairs to paths, steps, and handrails, fencing and drying facilities within the curtilage of the home. In some instances, improvements to fire safety will be undertaken.

Schemes may include the application of renewable technologies and participate in grant assisted energy efficiency schemes. These schemes will explore the application of energy efficient and renewable technologies aimed at reducing household costs and carbon emissions which contributes towards the Welsh Government's decarbonisation agenda. Investment will also be used for major repair or renewal of existing systems.

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 cladding may be removed and renewed depending on the most effective solution and where required new front and back doors, repairs to paths, steps, handrails, fencing and drying facilities within the curtilage of the home where necessary. Internally, work will include kitchens and bathrooms and electric wiring 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 and Traditional 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. Selected properties will form part of a pilot scheme trialling a suite of renewable technologies to create Homes as Power Stations (HAPS) which aims to greatly improve the energy efficiency of homes, reduce energy costs for tenants and inform future approaches to reducing carbon emissions and address the Welsh Government's decarbonisation agenda. The scheme will be supported by grant funding and work will be undertaken in partnership with the consortium SPECIFIC in particular Cardiff University. Partnership will include direct contribution of some renewable equipment, post occupancy monitoring, as well as public acknowledgement of grant based contributions, promotion and academic reporting. This scheme 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 drying facilities within the curtilage of each home will 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. The scheme will include repairs to paths, steps, and handrails, fencing and drying 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 and Surrounding Low-rise 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 and new central heating boilers, integrated television reception systems, new door entry systems and upgrades to fire safety will also be included such the installation of sprinklers, fire stopping and improved fire separation.

Communal Areas will receive new passenger lift cars and equipment, new communal lighting and electrical installations including communal integrated TV and internet provision and where required upgrade to the incoming electrical sub mains supply. Communal areas will also be covered by a new sprinkler system and upgrades to CCTV to ensure all areas are monitored. Where required improvements to fire safety, decoration and floor finished may be included.

Externally, the work will include a new roof, balcony rails, repairs to balcony slabs, insulated cladding across the walls, rainwater goods and dispersal equipment, new double glazed windows, upgrades to fire protection, revised CCTV systems where required, improved entrances, renewal of the communal electrical wiring and lighting, and improvements to the decoration.

The local environment will receive upgrades to paths and areas of hard and soft landscaping, possible removal of garages and improvements to the immediate HRA owned environment. Additional resident parking may be provided where required and achievable.

The project will also create new accommodation by converting empty storage areas and redundant commercial premises into HRA owned dwellings providing a mixture of general needs as well as specialist temporary accommodation. In some cases this will require ownership transfer into the HRA as well as acquisition of private properties. Officers will undertake appropriation and acquisition activities in line with the Council's constitution and corporate financial rules.

The project is expected to take over four 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 required.

Chimney Repairs

The scheme 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.

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, drainage and floor surface.

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. A small number of windows will be replaced to provide a means of escape in selected areas as required. Where necessary, fire doors will be renewed in flats to ensure they achieve suitable fire safety.

Structural Repairs

Structural Repairs will treat free standing or retaining structures where there is failure or disrepair, subsidence, heave or movement cases, and other structural elements that are

considered to be in need . Where required, the budget will meet the cost for demolition of properties including any buy back of properties within blocks of flats as required.

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 HRA Offices and Operational Assets – Various

The scheme is to carry out repairs, refurbishment and renewal to HRA offices and operational assets where required. The scope of work may also include the conversion of existing facilities into accommodation or vice versa depending on service requirements. The work will include various items relating to the structure, fabric, electrical, mechanical and elements within the curtilage.

Design and Scheme preparation

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

Safe and Secure

Fire Safety and Risk Reduction – Various Locations

A range of fire safety and general risk reduction measures will be undertaken to homes, land and HRA assets. Work will be varied but may include the provision of up-to-date fire safety signage and other fire safety communication, upgrading fire stopping materials, minor changes to layout and access routes, specialist intrusive investigations in relation to improvement work, safety improvements to communal areas including communal kitchens, fire barriers, upgrades to fire firefighting equipment and material and improvements to fire warning systems.

Smoke Alarms and Carbon Monoxide Detectors

Hard wired smoke alarms, heat detectors 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 – Highrise and Sheltered Complexes

The scheme will install a sprinkler system to individual flats and communal areas of highrise blocks and older person sheltered complexes. The aim is to improve the fire safety for residents.

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

The electrical wiring in 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 and communal fire alarm system as required. This contract will operate over the period of this report.

Communal Aerials

The scheme is to repair or renew and upgrade existing communal aerial systems in housing accommodation. The majority of work will take place in older person sheltered accommodation and blocks of flats. The work will include upgrading and renewing aerial and satellite systems.

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, design and 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.

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 carrying out design and feasibility studies as well as the delivery of measures that improve thermal efficiency in council homes. Work may include design and monitoring activities, the installation or the renewal of solar photovoltaics, solar hot water, battery storage, air source or ground source heat pump, mechanical vent heat recovering systems, communal heating systems, insulation measures including wall insulation or other emerging energy saving technology / applications. The aim is to make homes more energy efficient, reduce energy costs for tenants, reduce carbon emissions and inform future approaches for meeting the Welsh Government's decarbonisation agenda. The work will be ongoing and is expected to run over the period of this four year programme. Where schemes or activities subject to planning permission requirements, officers will submit planning applications as necessary.

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, 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 age, illness or disability. Contracts will operate over the period of this four year programme.

Kitchen and Bathroom Asbestos Management

Investment is to meet costs of managing asbestos in relation to works to kitchen and bathroom renewal. The purpose is to ensure tenants remain safe in their homes and the Council meets its statutory obligations.

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 to the external facilities within the curtilage of homes and communal areas of blocks of flats to ensure they are reasonably safe and practicable areas. Garden 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 minor repairs or partial replacement of fencing and boundary walls, walls within the curtilage, paths, steps, handrails, drying facilities, clearance and or planting where necessary or lighting to communal areas. Where some facilities are no longer viable, these may be removed. . The project will be ongoing and will run over the period of this four year programme.

Area Enhancement

Investment will be to used address the environment of areas where there are specific needs and challenges to ensure these are suitable for future use. Where schemes or activities subject to planning permission requirements, officers will submit planning applications as necessary. The project will be ongoing and will run over the period of this report

Meter Boxes

The scheme will replace and upgrade gas and electric meter boxes to improve safety and the appearance. The project will be ongoing and will run over the period of this four year programme.

Voice Entry Systems

The scheme will replace existing or provide new communal entrance doors in blocks of flats with voice entry systems. Work will ensure communal areas are protected and improve the safety and security for tenants and residents.

Environment – Estate Based

General Environmental Improvement 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 scheme is ongoing and will operate over the period of this four year programme.

More Homes

The investment will be to support the creation of new Council homes for letting. The investment will also be used to acquire houses, property, buildings and land, and undertake any necessary clearance and preparation or other preparatory work associated with actions set out in the agreed 'More Council Homes Strategy'. Officers will undertake appropriation and acquisition activities in line with the Council's constitution and corporate financial rules. Activities to deliver the More Council Homes Strategy will include seeking and utilising grant assistance wherever available. The schemes will operate over the period of this four year programme. Schemes will be subject to planning permission requirements and officers will submit planning applications as required.

Agenda Item 13.



Report of the Section 151 Officer

Cabinet - 14 February 2019

Capital Budget & Programme 2018/19- 2023/25

Purpose:	This report proposes a revised capital budget for 2018/19 and a capital budget for 2019/20 - 2022/23 (2023/25 for Band B schools)
Policy framework:	None
Consultation:	Cabinet Members, Corporate Management Team (CMT), Legal, Finance and Access to Services
Recommendation:	It is recommended that: 1) The revised capital budget for 2018/19 and a capital budget for 2019/20 – 2023/25 as detailed in appendices A, B C, D, E and F is approved.
Report Author:	Ben Smith
Finance Officer:	Ben Smith
Legal Officer:	Debbie Smith
Access to Services Officer:	Sherill Hopkins

1 Introduction

1.1 This report details:

- Revised capital expenditure and financing proposals for 2018/19
- Capital expenditure and financing proposals for 2019/20 – 2022/23
- Extended to 2023/25 in relation to Band B schools (to fit Welsh Government timeframes)

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 2018/19 – 2023/25

Appendix B C21st Schools Programme Band A Capital Expenditure and Financing 2018/19 – 2020/21

- Appendix C C21st Schools Programme Band B Capital Expenditure and Financing 2018/19 – 2024/25
- Appendix D Material changes to the original 2018/19 budget
- Appendix E General Fund Capital Budget 2018/19 – 2022/23
- Appendix F Total General Fund Capital Budget (including C21st Schools)

- 1.4 Appendices B, C and E outline a comprehensive programme of capital investment including:
- a significant continuing programme of IT investment across CCS
 - the continued investment in Swansea Schools, including the near completion of Band A Schools with the exception of the new build for Gorseinon Primary School and implementing over several further years the Band B phase of the 21st Century Schools Programme
 - enabling works for Swansea Bay City Deal schemes
- 1.5 The additional capital investment identified above will attract significant grant funding (21st Century Schools and Swansea Bay City Deal), however the programme will still require a material unsupported borrowing to enable completion alongside the use of capital receipts as they are realised. Furthermore some schemes have the potential to provide additional revenue streams of property income, or, subject to agreement, in due course, with Welsh Government, retained elements of non-domestic rates or possibly tax increment financing as further powers devolve to Welsh Government and then on to local government.
- 1.6 Notwithstanding this scale of ambition, each major scheme will, as is always the case, be considered on the overall merits of each business case, both in capital cost, and revenue income streams where appropriate, and unsupported borrowing will be undertaken on a phased basis within the overall envelope for affordability which is considered over the medium to long term to be up to £180m.
- 1.7 Furthermore it has to be recognised that the scale of funding proposed to be injected by this Council, leverages in significant additional sums:
- over £90m of Welsh Government funding for Band B schools
 - a City Deal, worth, across the region, around £1.3 billion.
- 1.8 The Swansea City & Waterfront Digital District project is one of eleven projects comprising the wider City Deal. It has been developed by the Council, in partnership with University of Wales Trinity Saint David (UWTSD). The core aim of the project is to create a strong and vibrant digital city that will be the economic engine of the wider city region. There are 3 main components: a Box Village and Innovation Precinct project (led by UWTSD); a Digital Village, which includes 100,000 sq. ft. of flexible and affordable office accommodation for tech businesses (led by the Council); and a Digital Square and Arena which will deliver a 3,500 seat Digital Arena and associated developments (also led by the Council). A 5 case business model has been prepared which describes the project in great detail, including the benefits, costs, and income derived. This information has been submitted to UK and Welsh Governments for their consideration. The Digital Square forms part of the Swansea Central redevelopment with Reserved Matters Planning Consent for phase 1 granted in October 2018. An Arena operator has been procured. A two stage contractor procurement exercise has also been completed with selection of a successful contractor for Phase 1. The Council will enter into a PCSA with the Contractor to commence early enabling work and tender design packages to provide the final cost of the scheme, An FPR7 report will be presented to Cabinet in 2nd Qtr 2019 and subject to final authorisation and

contracts, to start on site with main contract works shortly afterwards. With regard to Digital Village, Council officers are currently analysing bids for appointing a consultant team to review the outline design of the Tech Industries Employment Hub building, progress to RIBA Stage 4 and deliver the project to practical completion.

2 Capital Budget 2018/19-2023/25

- 2.1 Spending in the current year is forecast to be £74.129m (GF £65.851m plus Schools programme £8.278m) – an increase of £25.32m (see Appendix D) compared with the original estimate of £48.809 m.

This increase is due to the following:

- the addition of grant funded and non-grant funded schemes after Council approved the capital budget in February 2018, together with increases in the cost of schemes following detailed design and planning.
- the net balance of schemes carried over from 2017/18 into 2018/19 and schemes carried over from 2018/19 into 2019/20.

- 2.2 The proposed capital programme 2018/19 – 2023/25 and associated financing is set out below in 2.3 for The General Fund Programme and 2.4 for The 21st Century Schools Programme :

2.3 The General Fund Programme and Financing 2018/19 -2022/23

2.3.1 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.

2.3.2 The Capital Budget report considered by Council on 23rd February 2018 outlined an unsupported borrowing requirement in the four year forward programme of £98.252m made up of £51.464m for the 21st Century Schools programme and £46.788m for the rest of the General Fund capital programme.

2.3.3 The updated General Fund programme is summarised in Appendix A, B and C, in addition, Appendix F summarises the total General Fund programme including C21st Schools. This highlights a 4 year forward programme expenditure of £360.855m (Appendix F), including Band B Schools to 2024/25; identifying an unsupported borrowing requirement of £104.494m (Appendix A). This reflects a significant increase in the unsupported borrowing requirement of the capital programme. The capital planning envelope for unsupported borrowing requires significant revenue funding to service the finance and this is set out in both the reports on the revenue budget and the medium term financial plan.

2.3.4 Phased, considered affordable borrowing, within the overall planning envelope will develop over the next 5-7 years and, in the case of the funding, from the City Deal, the next 15 years. The major schemes added to the General Fund Capital Programme are as follows:

- 2.3.5
- Property Investment Portfolio £7.3m
 - Swansea Central, additional phased development £6.4m

2.3.6 As outlined above, the material additions in this year's GF capital programme do not include the full development cost for the proposed Swansea Central City Centre Development – Swansea Central and the projects associated with the Swansea Bay City Deal. The Council will enter into a PCSA with the Contractor to commence early enabling work and tender design packages to provide the final cost of the scheme, An FPR7 report will then be presented to Cabinet in 2nd Qtr 2019 and subject to final authorisation and contracts, to start on site with main contract works shortly afterwards

2.3.7 Although there is significant accompanying grant funding and City Deal funding for these schemes, there is still a substantial unsupported borrowing requirement to underwrite these schemes.

2.4 Schools Programme and Financing 2018/19 -2024/25

2.4.1 The Welsh Government implemented funding for its agreed programme of school building improvements in early 2012. This programme – termed the 21st Century Schools Programme – was funded by a 50% contribution from the Welsh Government and a 50% contribution from the Council towards a programme Band A total of £51.46m (£51.31m C21st programme plus £150k Challenge Cymru funding). The initial 2 phases, phase 1 and phase 2 of Band A projects are now largely complete with the exception of the new build for Gorseinon Primary School.

C21st School Schemes (Band A)		
Phase 1 Schemes	£'000	
Burlais Primary new school build	7,995	Completed
Gowerton Primary new school build	6,640	Completed
YGG Lon Las rebuild and remodel	9,841	Completed
Glyncollen Primary improvements	750	Completed
Newton Primary improvements	650	Completed
	<u>25,876</u>	
Phase 2 Schemes		
Pentrehafod remodelling	15,076	Completed other than external works
Gorseinon Primary new school build	6,642	Full business case approved by WG (revised FPR7 and change request to SOP due)
Pentre Graig Primary improvements	2,685	Completed
YGG Gywr improvements	1,180	Completed
Special Schools review		Uncommitted
	<u>25,583</u>	
Total Phase 1 and 2 (includes £150k Challenge Cymru)	51,460	

2.4.2 Welsh Government approved the Council's Strategic Outline Programme (SOP) for Band B in December 2017; the funding for Band B of the 21st Century Schools Programme is being provided through £600m capital and £500m revenue funding for the whole of Wales. It was announced by Welsh Government on the 21 November 2018, that for Band B the grant rate for capital projects will be increased to 65%. (The intervention rate for special schools and PRUs will be increased to 75%). However the programme envelope remains the same.

The approval in principle of the SOP for Band B does not commit the council to the funding contributions until the final approval of any capital allocation from the Welsh Government which is subject to the submission of further detailed business cases in respect of each specific project, and specific approvals in accordance with Financial Procedure Rules.

2.4.3 The total estimated cost of the Band B programme envelope is £141.7m (excluding the potential aided sector project which is assumed to require no Council contribution). Of this total, £91m is from traditional capital funding, requiring (after allowance for realisable capital and other receipts) a net local funding requirement of £23.885m. The remaining £50m is proposed to be delivered through revenue funding (Mutual Investment Model), which would require no local capital funding contribution but incur an annual charge once the accommodation and facilities are completed. An equivalent local share of the capital cost would be £12.6m although the 25% local contribution would apply to the annual revenue charge.

There are risks around the potential delivery of some of the schemes through the MIM model most notably the Special School; discussions are ongoing with Welsh Government to resolve this.

2.5 Financing the Capital Programme

2.5.1 The financing for the General Fund capital programme identified in 2.3 and 2.4 is detailed in Appendix A and requires unsupported borrowing of £104.494m towards forecast expenditure of £360.855m (Appendix F).

2.5.2 It should be noted that efforts to increase and maximize grants, contributions and capital receipts in order to minimize borrowing requirements are pursued throughout the year. Included within the programme are a number of schemes which are self-financing. Indeed there is a clear strategy for the Council 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.

2.5.3 It is recognized that a forecast capital financing requirement of £104.494m is significant. The revenue implications of this are identified in the revenue budget and medium term financial plan on this agenda. The above programme is affordable and sustainable throughout the lifetime of the medium term financial plan subject to the risks highlighted below.

2.5.4 It should be noted that the Council makes an annual budget provision to

repay debt through what is known as the Minimum Revenue Provision (MRP). The MRP policy was revised and approved by Council on Dec 20th 2018. 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 as far as possible. However, noting the significant capital financing required, 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 be averaged in the short/medium term, as the capital programme develops with the associated increase in interest payments.

2.5.3 Noting the programmed profile of grant payments in respect of The Swansea Bay City Deal Financing, it has been determined prudent to establish a Capital Equalisation Reserve, with which to mitigate and smooth the timing differences between funding and capital spend during the early years of the programme.

3 Future Schemes

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

3.2 Future discretionary projects and schemes shall only be incorporated if they are self-financing or the associated financing costs can be supported from the revenue budget affordably and sustainably.

4 Risks

4.1 There are significant risks which may require a future revision of the attached six 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
- failing to deliver revenue budget savings as identified in the Revenue Budget Report
- 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
- increased borrowing costs

Mitigation in respect of the latter four risks will be achieved by continual review and consideration of individual business cases for the larger schemes.

5 Legal Implications

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

6 Prudential Code

6.1 Under the Local Government Act 2003 and subsequent regulations, a local authority is required to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities when setting its budget and must determine and keep under review how much it can afford to borrow.

6.2 A further report on the agenda will detail what is required under the requirement of the Code and set out in detail Prudential Borrowing Indicators for 2018/19 and subsequent years.

7 Equalities Implications

7.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment process ensures that we have paid due regard to the above. An equality impact assessment screening has been undertaken and it concludes that there are no equality impact implications arising from this report. All future programs and schemes covered within this report will be subject to their own Equality Impact Assessment process.

Background Papers: Equality Impact Assessment Screening Form

Appendices: Appendices A-F

SUMMARY OF GENERAL FUND CAPITAL BUDGET AND FINANCING 2018/19 - 2022/23 (plus C21st Schools Band B to 2024/25)

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/25 (2 years)	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
DIRECTORATE							
Resources	5,390	2,100	1,575	2,130			11,195
People	1,124	700	1,000	1,309			4,133
Place	60,137	51,042	20,305	15,251	12,815	25,150	184,700
TOTAL EXPENDITURE	66,651	53,842	22,880	18,690	12,815	25,150	200,028
FINANCED BY:							
Borrowing:							
Welsh Government Supported Borrowing	6,398	6,429	6,430	6,430	6,430	12,860	44,977
Welsh Government loan for City Centre							
Grants and Contributions:							
Welsh Government General Capital Grant	7,497	6,085	3,912	3,912	3,912	7,824	33,142
Welsh Government specific grants	5,912	331					6,243
European grants	2,586	2,330	121				5,037
Other Grants	159	1,283	1,946	42	162		3,592
Contributions	1,118	66					1,184
Capital Receipts:							
Earmarked Capital receipts	1,357	849	593	1,216			4,015
General Capital receipts	1,943	666	4,340	12,193			19,142
Revenue and Reserve Contributions (including provision for waste schemes)	4,603	4,771					9,374
TOTAL FINANCING	31,573	22,810	17,342	23,793	10,504	20,684	126,706
GENERAL FUND BORROWING REQUIREMENT	35,078	31,032	5,538	-5,103	2,311	4,466	73,322
C21st School borrowing requirement Band A (App B)	4,952	2,484	107				7,543
C21st School borrowing requirement Band B (App C)	1,143	4,879	8,501	5,326	4,413	-633	23,629
Total GF borrowing requirement including C21st Schools	41,173	38,395	14,146	223	6,724	3,833	104,494

C21st 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	2020/21	Total
	Actual spend £'000	Actual spend £'000	Actual spend £'000	Actual spend £'000	Actual spend £'000	Actual spend £'000	Forecast spend £'000	Forecast spend £'000	Forecast spend £'000	£'000
Band A										
EXPENDITURE										
Morrison Comprehensive Refurbishment	5,445	11,916	4,271	128	2	164	31			21,957
21st Century Schools Programme (Band A)										
Phase 1										
Burlais Primary new school build	17	453	5,941	1,266	94	185	39			7,995
Gowerton Primary new school build	16	446	2,193	3,833	136	2	14			6,640
YGG Lon Las rebuild and remodel		66	108	2,672	6,202	357	436			9,841
Glyncollen and Newton Primary improvements		393	1,007							1,400
Phase 2										0
Pentrehafod remodelling				52	3,704	6,951	4,259	110		15,076
Gorseinon Primary new school build			51	332	11	30	872	5,239	107	6,642
Pentre'r Graig Primary improvements			97	1,117	1,429	21	21			2,685
YG Gwyr improvements			50	109	766	246	9			1,180
Secondary Review										0
TOTAL EXPENDITURE	5,478	13,274	13,718	9,509	12,344	7,956	5,681	5,349	107	73,416
FINANCED BY:										
Welsh Government Grant										
Morrison Comprehensive Refurbishment	5,198	10,192								15,390
21st Century Programme Schemes - grant		782	6,231	5,702	4,621		729	1,132		19,197
21st Century Programme Schemes - PB					2,343	2,382		1,733		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	2,382	729	2,865	0	42,666
CCS Borrowing requirement	247	1,708	6,641	3,807	5,230	5,574	4,952	2,484	107	30,750
CURRENT BORROWING REQUIREMENT (2018/19 TO 2019/20)										7,543

C21ST SCHOOLS PROGRAMME CAPITAL EXPENDITURE & FINANCING 2018/19 - 2024/25

Band B	Progress	to 2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total	
		Actual spend £'000	Actual spend £'000	Forecast spend £'000	Forecast spend £'000	Forecast spend £'000	Forecast spend £'000	Forecast spend £'000	Forecast spend £'000	Forecast spend £'000	Forecast spend £'000	£'000
EXPENDITURE												
Band A : Gorseinon Primary school new build (from Band A)												
21st Century Schools Programme (Band B)												
Education other than at School new premises	Capital		Site set up Jan19	155	866	7,609	114					8,744
YGG Tan-y-Lan	Capital		SOC/OBC approved	2	457	1,688	5,157	101				7,405
YG Gwyr	Capital		SOC/OBC due Feb19		243	2,697	4,567	105				7,612
YG Bryntawe	Capital		Initial feasibility				250	840	6,350	840	112	8,392
YGG Tirdeunaw	Capital		SOC/OBC approved		601	2,720	7,462	154				10,937
English medium secondary schools	Capital		SOC/OBC submitted (Ph1)	35	243	1,949	5,277	13,107	8,173	120		28,904
English Medium Primary Scheme 2	Capital		Pending				150	436	3,270	435	60	4,351
Lougher / Kingsbridge new build welsh primary	Capital		Pending					275	3,389	6,462	142	10,268
Remodelled english medium primary in Lougher / Kingsbridge area	Capital		Pending					150	1,298	2,430	52	3,930
Additional Welsh Medium Primary places	MIM		Pending				150	446	3,417	446		4,459
English Medium Primary Scheme 1	MIM		Pending				275	1,057	8,184	1,057		10,573
Crug Glas & Penybryn Special Schools	MIM		Pending					300	11,384	23,226	495	35,405
St Joseph's Cathedral School	(VA)		Pending					250	821	3,447	3,592	8,215
Site feasibility		66	-3		187							250
TOTAL EXPENDITURE		66	189	2,597	17,083	23,732	17,792	48,912	38,608	966	149,945	
FINANCED BY:												
Welsh Government funding												
Traditional capital grant funding					1,454	12,204	14,556	9,842	15,067	6,687	239	60,049
Mutual Investment Model financing								1,128	17,782	18,547	371	37,828
Voluntary Aided Schools								698	3,142	3,056	86	6,982
CCS Capital Receipts estimate									3,000	4,360		7,360
CCS Mutual Investment Model financing							425	675	5,203	6,182	124	12,609
Contributions (voluntary aided)							250	123	305	536	19	1,233
TOTAL FINANCING (Excluding CCS Borrowing)		0	0	1,454	12,204	15,231	12,466	44,499	39,368	839	126,061	
CCS Borrowing requirement		66	189	1,143	4,879	8,501	5,326	4,413	-760	127	23,884	
CURRENT BORROWING REQUIREMENT (2018/19 TO 2024/25)												23,629

MATERIAL CHANGES TO THE 2018/19 CAPITAL BUDGET

Scheme	Source Of Funding	2018/19 Change £'000
Director of People		
Education Planning & Resources		
Flying Start Capital Grant 18/19	Grant	112
21st C S Band B - Early Progression - YGG Tan y Lan	Borrowing	457
21st C S Band B - Early Progression - YGG Tirdeunaw	Borrowing	601
21st C S Band B - Early Progression - YG Gwyr	Borrowing	243
21st C S Band B - Early Progression - 1st Phase Secondary	Borrowing	243
Olfhfa-extension to reception area and build contact centre	Contribution	90
Social Services		
Refurbishment of residential home for young people	Revenue	61
Nant y Felin Conversion	Revenue	108
ENABLE Independent Living Grant	Grant	304
Director of Place		
Highways & Transportation		
Local Transport Fund 18/19	Grant	1,156
Local Transport Network Fund 18/19	Grant	700
Road Safety 18/19	Grant	391
Safer Routes In Communities 18/19	Grant	365
Active Travel Fund 18/19	Grant	2,068
Small Scale Flood Risk Management Schemes	Grant	49
Mumbles Promenade Coastal Design & Management	Grant	400
WG H'ways Grant Received 17/18 releasing additional funding to be used in 18/19	Borrowing/Revenue	1,786
Culture, Sport, Leisure & Tourism		
Freedom Leisure Contract - Improvements Various CLC	Borrowing	1,100
Economic Regeneration & Planning		
Swansea Central Ph 1	Borrowing/Loan	3,731
Swansea Central Ph 1 Enabling (a)	Borrowing	500
Swansea Central Ph 1 Enabling (b)	Borrowing	2,070
Swansea Central Ph 2 Feasibility & Design	Borrowing	100
Kingsway Urban Parkway - Demolition	Borrowing/Grant	587
Enabling Works High St MSCP	Borrowing	85
Musgrave Engine House Repairs	Borrowing/Grant	145
Corporate Building		
Property Investment Portfolio	Borrowing	7,353
Delayed & Reprofiled Spending From 2017/18 - All Services	Various	19,785
Delayed & Reprofiled Spending Into 2019/20 - All Services	Various	-18,904
Other changes	Various	-366
TOTAL MATERIAL CHANGES		25,320

GENERAL FUND CAPITAL BUDGET 2018/19 - 2022/23

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	TOTAL £'000
DIRECTOR OF RESOURCES						
Digital & Transformation						
Telephony system replacement	51					51
Improvements to school networks and associated equipment	206					206
Digital Business Strategy	419					419
Laptops for agile working	240					240
Agile IT - mobile phones	446	300	225	150		1,121
Agile IT - accessories	302	100	75	50		527
Mobile IT - laptops	2,524	1,700	1,275	1,930		7,429
Other IT schemes	215					215
Capital creditors for 2017-18 paid in 2018-19	14					14
Financial Services						
Corporate Contingency	973					973
TOTAL FOR DIRECTOR OF RESOURCES	5,390	2,100	1,575	2,130		11,195
DIRECTOR OF PEOPLE						
Education (excluding 21st Century schools programme)						
Primary and secondary school schemes (not within C21st), including flying start schemes	391					391
Poverty & Prevention						
Other schemes	79					79
Social Services						
Residential home for young people	147					147
Enable scheme (support for independent living)	304					304
Nant-y-felin conversion	108					108

GENERAL FUND CAPITAL BUDGET 2018/19 - 2022/23

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	TOTAL £'000
Other schemes	56					56
Social services premises and vehicles		700	1,000	1,309		3,009
Capital creditors for 2017-18 paid in 2018-19	39					39
TOTAL FOR DIRECTOR OF PEOPLE	1,124	700	1,000	1,309		4,133
DIRECTOR OF PLACE						
Highways & Transportation						
Active Travel schemes	2068					2,068
SRIC - Gower	365					365
Road Safety/Traffic grant Schemes	391					391
LTF Active travel scheme design	356					356
LTF - South-West Wales Metro business case	700					700
LTF Baldwins Bridge business case	100					100
LTNF Strategic bus corridor improvements	700					700
Structural maintenance roads, including carriageway resurfacing, footways and lighting	3015					3,015
Highways annual allocation		3375	3375	3375	3375	13,500
Highways/Infrastructure additional Capital Maintenance (funded by reserves)	1000					1,000
Additional grant funding for carriageway resurfacing, footways and safety barriers	1786					1,786
Highways/Infrastructure additional Capital for carriageways, traffic network and drainage schemes (within commissioning review)	1400	1400	1400	1400		5,600
Seawall repairs	535	375	1772			2,682
Highways & Transportation Vehicle replacement programme	226					226
Van Mounted Access Platforms	370					370
Integrated Transport Unit		300				300

GENERAL FUND CAPITAL BUDGET 2018/19 - 2022/23

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	TOTAL £'000
Slip Bridge Refurbishment		139				139
Pont-y-Lon Bridge	50	750				800
Bascule Bridge		850				850
Other Bridges & retaining Walls	840					840
Drainage and flood alleviation grant schemes	58					58
Coast protection	242					242
Marina barrage schemes	217					217
Marina barrage fuel pump and campervan parking schemes	180					180
Bailing plant and recycling centre roads	264					264
Other highways schemes	188					188
Waste Management						
Tir John works	800	4,578				5,378
Provision of Food Waste Hall	26	26				52
Other waste schemes	31					31
Culture,Sport,Leisure & Tourism						
Art Gallery - Refurbishment	98					98
Library Service	45					45
3G Pitch Cefn Hengoed Comprehensive School	1	492				493
3G Pitch expansion (match funding for 2 x 3G pitches)		500				500
3G Pitch expansion (Ashleigh road - joint scheme with University)		140				140
Leisure Centre improvements (Freedom Leisure schemes)	1,176	4,062				5,238
Other Culture, Sport, Leisure & Tourism schemes	113	27				140
Economic Regeneration & Planning						
Kingsway Urban Parkway	5,217	6,415	305			11,937
City Centre regeneration - Swansea Central Phase 1 planning and design	7,350	4,235				11,585
City Centre regeneration - Swansea Central Phase 1 enabling works (1)	500	1,000				1,500

GENERAL FUND CAPITAL BUDGET 2018/19 - 2022/23

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	TOTAL £'000
City Centre regeneration - Swansea Central Phase 1 enabling works (2)	2,070	4,900				6,970
City Centre regeneration - Swansea Central Phase 2 feasibility and design	1,125	1,050	233			2,408
City Centre regeneration - Swansea Central Phase 2 Kingsway offices design and planning	100	750				850
Civic Centre Relocation		200				200
City centre schemes (to include Castle Square and Market) Skyline	50	750	250			1,050
Hafod/Morfa Copper Powerhouse	40	50				90
Hafod/Morfa Copper Powerhouse	197	1,912	2,902	60	240	5,311
Musgrave Engine House repairs	100					100
Swansea Vale infrastructure/studies	264					264
Vibrant & Viable Places: Oceana demolition	236	327	593	1,216		2,372
Vibrant & Viable Places: Llys Dewi Sant site	25	85				110
High Streep MSCP enabling works	101	300				401
Other regeneration schemes	85					85
	31					31
Housing & Public Protection						
Housing						
DFG's -1996 Act	4,078	5,200	5,200	5,200	5,200	24,878
Sandfields Renewal Area	1,486					1,486
Property Appreciation Loans (CCS funded)	1,174					1,174
Grant For Nominations	208					208
Comfort Safety & Security Grants (CSS)	26					26
Mini Adaptation Grants (MAG)	338					338
Corporate Building						
Capital Maintenance allocated including Schools additional capital maintenance	6,705					6,705
Mansion House conversion for public access	200					200
Capital Maintenance unallocated		4,000	4,000	4,000	4,000	16,000

GENERAL FUND CAPITAL BUDGET 2018/19 - 2022/23

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	TOTAL £'000
Corporate Property						
Accommodation Strategy (agile working)	385	1,014	275			1,674
Pipehouse Wharf Replacement	1,477	500				1,977
Property Investment Portfolio (the funding for this will be repaid by future rental income)	8,296					8,296
Energy Efficiency schemes funded by WG Salix loan		1,340				1,340
Capital creditors for 2017-18 paid in 2018-19	932					932
TOTAL FOR DIRECTOR OF PLACE	60,137	51,042	20,305	15,251	12,815	159,550
Totals	66,651	53,842	22,880	18,690	12,815	174,878

Total General Fund Capital Budget

Appendix F

		2018/19	2019/20	2020/21	2021/22	2022/23	2023/25	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total General Fund (Excluding Schools)	App A	66,651	53,842	22,880	18,690	12,815	25,150	200,028
C21st Schools Band A	App B	5,681	5,349	107				11,137
C21st Schools Band B	App C	2,597	17,083	23,732	17,792	48,912	39,574	149,690
Total General Fund (including Schools)		74,929	76,274	46,719	36,482	61,727	64,724	360,855
Less waste provision		-800						
Total General Fund (including Schools)		74,129						

Agenda Item 14.



Report of the Section 151 Officer

Cabinet - 14 February 2019

Capital Strategy 2018/19 – 2023/24

Purpose:	To approve the Capital Strategy which informs the four year capital programme which is presented for approval
Consultation:	Legal, Finance and Access to Services.
Recommendation(s):	It is recommended that: 1) The Capital Strategy is approved
Report Author:	Jeff Dong
Finance Officer:	Ben Smith
Legal Officer:	Debbie Smith
Access to Services Officer:	Rhian Millar

1 Introduction

1.1 Following the publication of the Revised CIPFA Prudential Code in Dec 2017, it is now a requirement for Authorities to produce a Capital Strategy in addition to its other suite of reports which are required by Regulation which outline and support the capital and revenue budgets

1.2 The Capital Strategy has been developed to ensure that the Council can take capital expenditure and investment decisions in line with Council priorities and properly take account of stewardship, value for money, prudence, risk, sustainability and affordability. The Strategy, therefore, sets out the longer term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and the impact on the achievement of priority outcomes. The Capital Strategy sets out the underlying principles in support of the capital programme presented to Council for approval on this same agenda. It seeks to ensure that each project is supportive of our corporate objectives, has clearly identified funding and has

appropriate governance arrangements in place to support and deliver the scheme.

1.3 The strategy covers capital expenditure, capital financing and asset management and is one of the key strategies alongside the more operational strategies for these and other areas including Treasury Management, Tax, Property Investment and service areas such as housing and other spending areas. It also gives an overview of how associated risk is managed and the implications for future financial sustainability. The Capital Strategy should support the delivery of the corporate objectives of the Authority and must complement and demonstrate clear links with the:

- The Corporate Plan
- The Revenue Budget Report
- The Capital Programme Report
- The Medium Term Financial Plan
- The Treasury Management, Investment Strategy and MRP Policy Statement Report

1.4 The Council's Corporate plan has the following well-being priorities:

1. **Safeguarding** people from harm - so that our citizens are free from harm and exploitation
2. Improving **Education and Skills** - so that every child and young person in Swansea gains the skills and qualifications they need to succeed in life
3. Transforming our **Economy and Infrastructure** - so that Swansea has a thriving mixed use City Centre and a local economy that will support the prosperity of our citizens
4. **Tackling Poverty** - so that every person in Swansea can achieve his or her potential
5. Maintaining and enhancing Swansea's **natural resources and biodiversity** - so that we maintain and enhance biodiversity, reduce our carbon footprint, improve our knowledge and understanding of our natural environment and benefit health and well-being
6. **Transformation and Future Council** development - so that we and the services that we provide are sustainable and fit for the future.

In formulating the detailed schemes within the programme of capital expenditure 2018/19- 2023/24, it can be demonstrated that all projects promote the objectives of at least one or more of the above priorities.

2 The Capital Programme 2018/19 – 2023/24

2.1 The Capital Budget and Programme 2018/19 – 2023/24 for the general fund and HRA is reported in detail in The Capital Programme Report on this agenda.

3 Asset Management Planning

3.1 The programme includes capital expenditure on the following categories of spend:

- Operational – supporting core business and service delivery
- Investment – to provide a financial return to the Council

- Regeneration/ Community – enabling strategic place shaping and economic growth / to support specific local community projects
- 3.2 Operational – Within the capital programme, is a comprehensive schedule of programmed routine repairs and maintenance both on the existing property inventory but also on the significant portfolio of highways assets.
- 3.3 Investment – It is recognised that, over the long term property offers a sound total investment opportunity, (including yield in the form of contractually agreed rental/lease income and the potential for capital growth in the form of potential asset appreciating in value). The formation of the Property Investment Board has enabled the Authority to take advantage of investing in property with a view to making a financial return, based on robust business case analysis evaluating not only on financial returns but also considering strategic control of key sites within the City boundaries.
- 3.4 Regeneration/Community – A cornerstone of the existing capital programme is the 21st Century Schools Programme which includes major school refurbishment and new school build. The HRA programme also includes its continued investment in the WHQS improvement programme and its More Homes programme of new house building, which shall take advantage of the removal of the HMT imposed borrowing cap. Although only referenced marginally in the current programme, the Swansea Bay City Region Deal shall play a large part in the capital strategy going forwards including the new Indoor Arena as part of the Swansea Central , The Digital Village, 5G infrastructure, and Homes as Power Stations.

4 Commercial Activity & Property Investment

- 4.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) defines investment property as property held solely to earn rentals or for capital appreciation or both. Returns from property ownership can be both income driven (through the receipt of rent) and by way of appreciation of the underlying asset value (capital growth). The combination of these is a consideration in assessing the attractiveness of a property for acquisition
- 4.2 In the context of the Capital Strategy, the council can use capital to invest in property and or infrastructure assets to provide a positive surplus/financial return. The council may fund the purchase of the property/infrastructure by borrowing money, normally from the PWLB as part of HM Treasury. The income generated should cover the cost of servicing and repaying the borrowed money each year. If an annual surplus is generated, this can be used to support the council's budget position, and enables the council to continue to provide services for local people
- 4.3 The reasons for buying and owning property investments are primarily:
- Financial returns to fund services to residents
 - Market and economic opportunity.
 - Economic development and regeneration activity in the City (all investment property is within the City & County boundaries)
- 4.4 Historically, property has provided strong investment returns in terms of capital growth generation of stable income. Property investment is not without risk as

property values can fall as well as rise and changing economic conditions could cause tenants to leave with properties remaining vacant

4.5 The strategy makes it clear that the council will continue to invest prudently on a commercial basis and to take advantage of opportunities as they present themselves, supported by our robust governance process

4.6 The Authority has established an appropriate gateway mechanism through the property investment board to appraise and evaluate all such investment opportunities.

5 Governance & Oversight

5.1 The Council has a well-established corporate governance framework with which to manage, monitor and quality assure the delivery of the capital programme:

- Cabinet
 - Approval of large schemes/programmes
- Capital Budget Monitoring Cycle
 - Quarterly monitoring of progress against budget/programme
- Contract Procurement Rules
 - Identifies most appropriate procurement route for project
- Financial Procedure Rules
 - Identifies appropriate scheme approval limits and budget virements/overspends thresholds
- Regeneration Programme Board
 - Monitors all regeneration programme schemes for progress against time, budget, quality
- Housing Futures Programme Board
 - Monitors all Housing schemes for progress against time, budget, quality
- 21st Century Schools Programme Board
 - Monitors all 21st Century Schools schemes for progress against time, budget, quality
- Property Investment Board
 - Identifies, appraises and approves property investment opportunities
- External Funding Panel
 - Approves applications for grant funding where appropriate
- Grants & Capital Manual
 - Outlines the corporate capital & grant protocols and practices for practitioners within the organisation

6 Capital Financing Strategy

6.1 The Council's adopted capital financing strategy is to:

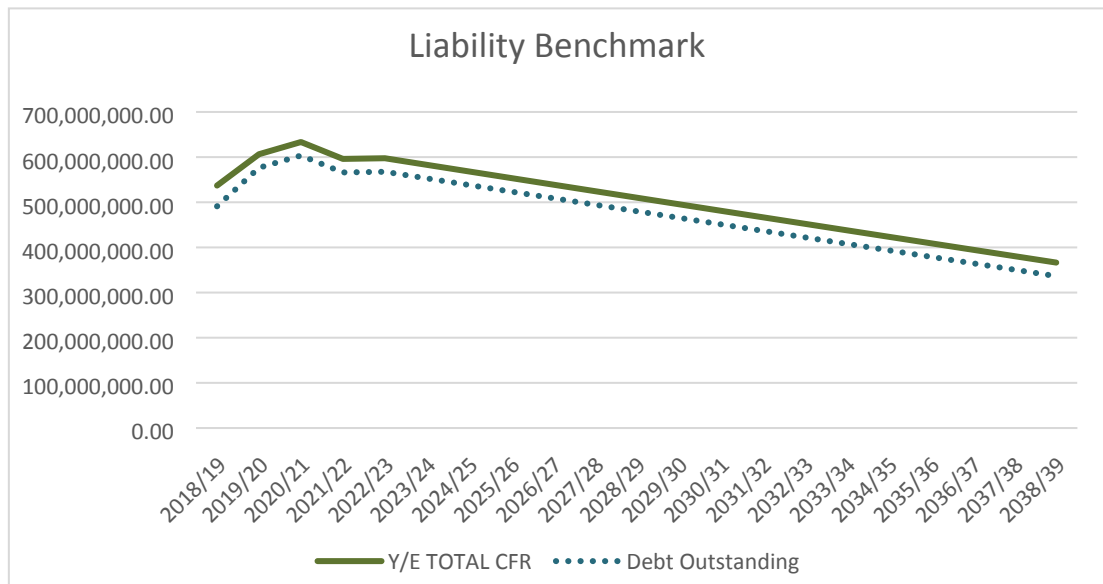
- maximise external private investment
- maximise external grant funding
- maximise capital receipt income
- finance self-funding income generative schemes
- minimise external borrowing
- minimise external funding costs

6.2 In the current austere financial climate, capital allocations are constrained and the financing of prioritised schemes need to be carefully considered. In light of the continuing pressures on the revenue budget, unsupported borrowing is only to be utilised if there is a clear business case for expenditure and other sources of finance have been fully explored and ruled out. The corollary of austerity is that PWLB capital financing is at historic lows which affords financing at very attractive levels at this present time. At time of writing, Brexit negotiations/voting has had minimal effect on Gilt yields.

7 Treasury Management Strategy

7.1 The Capital Strategy and the Capital Programme is intrinsically linked to the Treasury Management Strategy employed to fund the programme. The capital programme determines the borrowing need of the Council, essentially the longer term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. The Council approves its Treasury Management Strategy, Investment Strategy and Minimum Revenue Policy in a separate report on this agenda.

7.2 The Council is required to produce a liability benchmark informed by its underlying need to borrow, otherwise known as the Capital Financing Requirement (CFR), mapped against its actual levels of debt entered into. The attached is a projection of the benchmark as informed by the current capital programme. It can be seen that the benchmark enters into net repayment mode from 2023/24 as the current programme ends, but in reality the ongoing programme will be refreshed and ongoing financing shall be required.



8 Revenue Impact of The Capital Programme

8.1 Unsupported borrowing has a direct impact on the revenue budget, with revenue required to support both interest and principal repayments. The associated capital financing costs of a project are thoroughly considered when appraising a potential capital investment. The revenue impact are considered in light of affordability, prudence and sustainability whilst considering the long term impact and benefits of a considered capital programme. The revenue impact of the capital programme are outlined in the Medium Term Financial Plan, which is also presented on this agenda.

9 Risk Appetite

9.1 Under CIPFA guidance, a local authority is required to outline its risk appetite in respect of its investment activities.

9.2 For the purpose of this statement, the Authority has referenced the Orange Book (UK government publication on the strategic management of risk within government) definition of Risk Appetite, namely:

“the amount of risk that an organisation is prepared to accept, tolerate, or be exposed to at any point in time.”

It is important to note that risk will always exist in some measure and cannot be removed in its entirety. Additionally, in order to realise investment and commercial gains, one has to take some measure of risk. Therefore, risks need to be considered both in terms of threats to the Council as well as positive opportunities. It is worth noting that the Public Accounts Committee supports well-managed risk taking across government, recognising that innovation and opportunities to improve public services requires risk taking, providing that the ability, skills, knowledge and training to manage those risks well exist within the organisation or can be brought to bear.

9.3 The risk appetite statement sets out how we balance risk and return in pursuit of achieving our objectives. It is intended to aid careful decision-making, such that the Council takes well thought through risks to aid successful delivery of

its services and obligations, while also understanding the adverse aspects of risk undertaken and taking appropriate measures to mitigate these in line with its stated goals. Thereby, the Council's risk judgements are more explicit, transparent and consistent over time.

- 9.4 The risk appetite statement shall form a key element of the Council's governance and reporting framework. In addition, the risk appetite will be considered annually and monitored on an ongoing basis by senior management, advisors, Audit Committee and Scrutiny Panel as appropriate.
- 9.5 It is important to note that the risk appetite is a high level view on the key areas of risk and the qualitative quantum therein that the Council is willing to accept in pursuit of its objectives. In this, it is different to other key aspects of risk management, primarily:
- The risk universe – a detailed list of all the potential risks the Council is exposed to.
 - Risk capacity – the maximum level of risk the Council can run given its reserves, revenues, and access to funding, liquidity, regulatory and legal constraints, and any other restrictions.
 - Risk tolerance – the maximum amount and type of risk that the Council is willing to tolerate on a prudent assessment.
- 9.6 The latter two are usually quantified and given as a series of limits and analyses. The risk appetite is also supported by the following:
- The Council's risk management framework
 - The governance structure and responsibilities
 - Risk reporting
 - Monitoring and escalation procedures

It should be noted that aspects of these will be bespoke to individual areas where risk is undertaken, e.g. the treasury portfolio, GDPR,

- 9.7 In general, the Council's risk appetite is expressed through its tolerance to risk in respect of capital preservation, meaningful liquidity and income certainty and volatility. The Council seeks to minimise its exposure to risks that are unwanted and unrewarded. Capital is managed centrally on an ongoing basis to ensure that there is sufficient liquidity in the short and medium term to meet costs and support front line services, as well as meeting long-term solvency and funding requirements.
- 9.8 The Council is exposed to a broad range of risks:
- **Financial risks** related to the investment of the Council's assets and cash flow, market volatility, currency etc.
 - **Macroeconomic risks** related to the growth or decline of the local economy, interest rates, inflation and to a lesser degree, the wider national and global economy amongst others.

- **Credit and counterparty risks** related to investments, loans to institutions and individuals and counterparties in business transactions.
- **Operational risks** related to operational exposures within its organisation, its counterparties, partners and commercial interests
- **Strategic risks** related to key initiatives undertaken by the Council such as significant purchases, new ventures, commercial interests and other areas of organisational change deemed necessary to help the Council meet its goals.
- **Reputational risks** related to the Council's dealings and interests, and the impact of adverse outcomes on the Council's reputation and public perception.
- **Environmental and social risks** related to the environmental and social impact of the Council's strategy and interests.
- **Governance risks** related to ensuring that prudence and careful consideration sit at the heart of the Council's decision-making, augmented by quality independent advice and appropriate checks and balances that manage oversight and efficiency.

9.10 Managing the Council's risks is an area of significant focus for senior management and members, and the Council adopts an integrated view to the management and qualitative assessment of risk .The Council aims to minimise its exposure to unwanted risks – those risks that are not actively sought and which carry no commensurate reward for the Council – through a range of mitigation strategies to the extent that it is cost-effective to do so. Specifically, the Council has no appetite for reputational risk, governance risk and currency risk.

For other risks, the Council's appetite is as follows:

Risk	Appetite
Financial	<p>Moderate appetite for a range of asset classes, property and longer-term investments, subject to careful due diligence and an emphasis on security as well required liquidity profile.</p> <p>Low appetite for capital growth oriented investments versus income generating investments.</p> <p>No appetite for currency risk, emerging markets and high volatility investments.</p>
Macroeconomic	High appetite for exposure to local

	<p>economic growth. Moderate appetite for exposure to national and global growth.</p> <p>Low appetite for interest rate risk, and inflation risk.</p> <p>No appetite for geopolitical risks and tail risk events.</p>
Credit & Counterparty	<p>High appetite for investment grade or secured credit risk, as well as exposure to highly rated counterparties and financial institutions with strong balance sheets.</p> <p>Low appetite for unsecured non-investment grade debt. All subject to careful due diligence and an assessment of the transaction capacity, funding needs, broader goals and cashflow requirements.</p>
Operational	<p>Low appetite for BAU (Business as Usual) operational risks such as pricing errors, errors in administration, IT, cybersecurity etc. The Council maintains Risk Registers for key initiatives and significant investments to assess and mitigate specific risks on a more granular level. Business continuity plans have also been established to mitigate external occurrences.</p> <p>No appetite for fraud, regulatory breaches and exceeding risk tolerances.</p>
Strategic	<p>High appetite for strategic initiatives, where there is a direct gain to the Council's revenues or the ability to deliver its statutory duties more effectively and efficiently.</p>
Environmental & Social	<p>No appetite for environmentally negative risks. Low appetite for social risks, especially in the local region and always subject to full due diligence.</p>

- 9.11 Risk management is not a stand-alone discipline. In order to maximize risk management benefits and opportunities, it is integrated with existing business processes.

10 Skills & Knowledge

- 10.1 It is important that the Authority has the appropriate staff with the right skills, knowledge and expertise with which to deliver the capital strategy and the programme.
- 10.2 The Director of Place has operational responsibility for the delivery of the capital programme and has management responsibility for :
- Building Services (including procurement of Education Capital Programme)
 - Property Services
 - Regeneration & Planning Services
 - Highways and Transportation
 - Housing

where the staff are appropriately qualified as engineers, quantity surveyors electricians, carpenters, subject matter experts and building professionals. Where required, external professionals are engaged and the appropriate framework/procurement route is adopted.

- 10.3 The financial management and budget monitoring of the capital programme is the responsibility of the S 151 Officer who is a CCAB qualified accountant and is supported by professionally CCAB qualified finance staff and technicians in providing the financial oversight and advice for the capital programme.
- 10.4 The Head of Commercial Services is responsible for ensuring appropriate internal and external procurement and commissioning procedures are adhered to, to ensure that best value is achieved.

11 Legal Implications

- 11.1 The regulations requiring Authorities to have regard to The Prudential Code are issued under part 1 of The Capital Finance Act 2003. The code and subsequent guidance was revised in 2017 and 2018 respectively. The 2017 Code now requires the production of a Capital Strategy.

12 Financial Implications

- 12.1 The financial implications of this strategy are outlined in the Capital Programme, Medium Term Financial Plan and Treasury Management Strategy and Investment Strategy also on this agenda.

13 Equality Impact Assessment

- 13.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
 - Advance equality of opportunity between people who share a protected characteristic and those who do not.

- Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment (EIA) process ensures that we have paid due regard to the above. We have undertaken an EIA screening which demonstrates there are no equality impact implications arising directly from this report (appendix 1)

Background Papers:

None

Appendices

Appendix 1 – Equality Impact Assessment

Please ensure that you refer to the [‘Screening Form Guidance’](#) while completing this form. If you would like further guidance please contact your support officer in the Access to Services team (see guidance for details).

Section 1

What service area and directorate are you from?

Service Area: Financial Services & Service Centre

Directorate: Resources

Q1(a) WHAT ARE YOU SCREENING FOR RELEVANCE?

Service/ Function Proposal	Policy/ Procedure	Project	Strategy	Plan
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

(b) Please name and describe below Capital Strategy- Now a requirement of the CIPFA Prudential Code, this sets out the overarching principles guiding the formulation of the capital programme

Q2(a) WHAT DOES Q1a RELATE TO?

Direct front line service delivery	Indirect front line service delivery	Indirect back room service delivery
<input type="checkbox"/> (H)	<input type="checkbox"/> (M)	<input checked="" type="checkbox"/> (L)

(b) DO YOUR CUSTOMERS/CLIENTS ACCESS THIS SERVICE...?

Because they internal need to	Because they want to	Because it is automatically provided to everyone in Swansea	On an basis i.e. Staff
<input type="checkbox"/> (H)	<input type="checkbox"/> (M)	<input type="checkbox"/> (M)	<input checked="" type="checkbox"/> (L)

Q3 WHAT IS THE POTENTIAL IMPACT ON THE FOLLOWING...

	High Impact (H)	Medium Impact (M)	Low Impact (L)	Don't know (H)
Age	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Disability	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Gender reassignment	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Marriage & civil partnership	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Pregnancy and maternity	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Race	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Religion or (non-)belief	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Sex	→	<input type="checkbox"/>	<input type="checkbox"/>	✓	<input type="checkbox"/>
Sexual Orientation	→	<input type="checkbox"/>	<input type="checkbox"/>	✓	<input type="checkbox"/>
Welsh Language	→	<input type="checkbox"/>	<input type="checkbox"/>	✓	<input type="checkbox"/>
Poverty/social exclusion	→	<input type="checkbox"/>	<input type="checkbox"/>	✓	<input type="checkbox"/>
Carers	→	<input type="checkbox"/>	<input type="checkbox"/>	✓	<input type="checkbox"/>
Community cohesion	→	<input type="checkbox"/>	<input type="checkbox"/>	✓	<input type="checkbox"/>

Q4 Have you / will you undertake any public consultation and engagement relating to the initiative?

Yes ✓ No (If no, you need to consider whether you should be undertaking consultation and engagement – please see the guidance)

If yes, please provide details below

Q5(a) HOW VISIBLE IS THIS SERVICE/FUNCTION/POLICY/PROCEDURE/PROJECT/ STRATEGY TO THE GENERAL PUBLIC?

High visibility to general public
 (H)

Medium visibility to general public
 (M)

Low visibility to general public
✓ (L)

(b) WHAT IS THE POTENTIAL RISK TO THE COUNCIL'S REPUTATION? (Consider the following impacts – legal, financial, political, media, public perception etc...)

High risk to reputation
 (H)

Medium risk to reputation
✓ (M)

Low risk to reputation
✓ (L)

Q6 Will this initiative have an impact (however minor) on any other Council service?

Yes ✓ No If yes, please provide details below

Q7 HOW DID YOU SCORE? Please tick the relevant box below – NOTE: Q3 counts as a single H, M or L (and one H / M outscores any n° of Ls)

MOSTLY H and/or M → HIGH PRIORITY → EIA to be completed
Please go to Section 2

MOSTLY L → LOW PRIORITY / NOT RELEVANT → ✓ Do not complete EIA
Please go to Q8 followed by Section 2

Q8 If after completing the EIA screening process you determine that this service/function/policy/project is not relevant for an EIA you must provide adequate explanation below.

This is now a code requirement to outline the principles behind the formulation of the capital programme and has no direct impact on the groups identified in Q3

Section 2

Please send this completed form to the Access to Services Team for agreement before obtaining email approval from your Head of Service.

Screening form completed by:
Name: Jeff Dong
Location: 1.4.1c
Telephone Number: 07810438119
Date: 29/1/19
Approval by Head of Service:
Name: B Smith
Position: Section 151 Officer
Date: 29/1/19

Please return the completed form to accesstoservices@swansea.gov.uk

Agenda Item 15.



Report of the Chief Finance and Section 151 Officer

Cabinet - 14 February 2019

Council Tax Premiums in Wales

Purpose:	<p>To provide information and consider whether to continue to allow 50% Council Tax discounts on unoccupied and unfurnished properties after any statutory period of exemption expires.</p> <p>To provide information and to consider the discretionary powers to charge higher amounts of Council Tax (premiums) on certain properties provided for by the Housing (Wales) Act 2014.</p>
Policy Framework:	None.
Consultation:	Access to Services, Finance, Legal
Recommendation(s):	<p>It is recommended that:</p> <ol style="list-style-type: none">1) The details of the discretionary powers relating to Council Tax premiums, discretionary discounts for unoccupied and unfurnished dwellings and the related issues outlined in this report are noted.2) Cabinet agrees to undertake a consultation exercise in respect of the following:<ul style="list-style-type: none">• Whether to cease to allow a 50% Council Tax discount on dwellings that remain unoccupied and unfurnished after any statutory period of exemption has expired;• Whether to charge a Council Tax Premium of up to 100% for dwellings that have been unoccupied and unfurnished for more than 12 months (long term empty properties);• Whether to charge a Council Tax Premium of up to 100% for dwellings occupied periodically, commonly referred to as “second homes”.
Report Author:	Julian Morgans
Finance Officer:	Ben Smith
Legal Officer:	Tracey Meredith
Access to Services Officer:	Rhian Millar

1.0 Background

1.1 The Local Government Finance Act 1992 gave local councils the discretion to allow a 50% Council Tax discount on properties that remain unoccupied and unfurnished after any statutory period of exemption expires. Swansea made a decision to allow such discounts in 2005 and continues to do so.

- A determination to vary or revoke the decision to allow this discount must be made before the start of the financial year to which the decision relates.

1.2 From 1 April 2017, S139 The Housing (Wales) Act 2014 (which amended the Local Government Finance Act 1992) gave local authorities in Wales the discretion to charge higher amounts (a premium), of up to an additional 100% on top of the standard rate of Council Tax, on second homes and long-term empty properties. Whether to charge a premium on second homes and/or long term empty homes is an individual decision to be made by each local authority and must be made by full Council.

- A decision to charge a premium on second homes must be made at least one full year before the beginning of the financial year to which the premium relates. In order to charge a premium from 1 April 2021, a billing authority must make a determination before 1 April 2020.
- A decision to charge a premium on long-term empty properties must be made before the start of the financial year to which the premium relates.

1.3 The Act also gave Welsh Ministers powers to make regulations setting out exceptions which prescribe certain classes of dwelling which may not be subject to a premium. These are set out in the Council Tax (Exceptions from Higher Amount Regulations) 2015 (see section 5 below).

1.4 Local authorities are able to retain any additional funds generated by implementing the premia and amendments to the calculation of the tax base have been made to facilitate this. However, authorities are encouraged by WG to use any additional revenue generated to help meet local housing needs, in line with the policy intentions of the premiums.

2. 50% discretionary discount

2.1 The decision whether to allow a 50% Council Tax discount on unoccupied and unfurnished properties after any period of statutory exemption expires is a local one made by each authority. Swansea made a decision to allow this discount in 2005 and this decision has not been reviewed for some years. As the potential implementation of Council Tax premia is being considered, this would be an opportune time to do so as the premiums and discretionary discount would be closely linked within Council Tax administration. There is currently no time limit on this discount. Other local authorities in Wales either allow the discount in the same way as Swansea, have never done so or have ceased doing so. In

addition, contact from Welsh Government at the end of 2018 indicated that, in future, they might cease making allowances in the Revenue Support Grant for Councils that allow this discount and so those continuing to do so would be penalised. From informal discussions with colleagues in other local authorities, a number are looking at ceasing to allow this discount with this change in mind.

- 2.2 In practice, if this discount was removed, once a statutory period of exemption expired, the standard 100% level of Council Tax would become payable immediately. This is a separate decision to the implementation of any premium although the outcomes could be linked when determining a taxpayer's liability.
- 2.3 In Swansea we currently have 2,206 unfurnished and unoccupied dwellings liable for a 50% Council Tax charge. Although dis-applying this discount would appear to provide an opportunity to raise additional revenue, if/when Welsh Government change how the Council Tax base is calculated, as we anticipate they will, then that will not be the case.

3. Dwellings Occupied Periodically (Second Homes)

- 3.1 At present this authority has determined under the Council Tax (Prescribed Classes of Dwellings) (Wales) Regulations 1998 that second homes (those that are furnished and no one's sole or main residence) are subject to a full Council Tax charge at the standard amount.
- 3.2 In relation to the premiums that can be applied to second homes, a second home is defined as a dwelling which is not a person's sole or main home and is substantially furnished. These dwellings are referred to in the Local Government Finance Act 1992 ("the 1992 Act") as inserted by the Housing (Wales) Act 2014, as dwellings occupied periodically and commonly referred to as "second homes".
- 3.3 In order for a premium to apply to a 'second home', a billing authority must make its first determination to charge a premium at least one year before the beginning of the financial year to which the premium will relate. In order to charge a premium for second homes from 1 April 2021, a determination, by full Council, would have to be made before 1 April 2020.
- 3.4 Swansea, like other authorities considering this decision, does not hold a definitive list of properties that would fall into the second home category. However, based on the details we currently hold, we estimate that there are 1811 properties that fall into the second home category within the Swansea area. Of these 1811 properties, around 566 have been in this category for under 12 months, 218 for between 12 and 24 months and 1027 for more than 24 months.
- 3.5 When reviewing the distribution of second homes throughout Swansea, as expected, 67% of second homes are based in the Gower, Swansea West and the Marina areas with the remaining properties being more evenly spread throughout the council area.

3.6 The current amount of council tax charged for 1811 second homes is

Estimated Additional Revenues That Could be Generated from Premiums on Second Homes					
Estimated Second Homes (i.e. not falling into an exception class) = 1,100					
Estimated Average charge = £1,681					
Current Revenue for 1,100 Properties	Current Revenue for 1,100 properties + 0% Premium	Current Revenue for 1,100 properties + 25% Premium	Current Revenue for 1,100 properties + 50% Premium	Current Revenue for 1,100 properties + 75% Premium	Current Revenue for 1,100 properties + 100% Premium
£1,849,100	£1,849,100	£2,311,375	£2,773,650	£3,235,925	£3,698,200
Estimated Difference in Additional Revenues					
Premium	0%	25%	50%	75%	100%
Gross estimated additional income	Nil	£462,275	£924,550	£1,386,825	£1,849,100
Less estimate reduction for excepted properties, moves into NDR and recovery rate say 20% (conservative estimate)	Nil	- £92,455	- £184,910	- £277,365	- £369,820
Net estimated additional income		£369,820	£739,640	£1,109,460	£1,479,280

£3,044,544. The amount of additional revenue which could be generated from a premium is difficult to accurately predict due to the uncertainty on whether properties would fall into an exception class. However the last census data revealed that there were 1100 second homes declared which indicates they would be “true” second homes. This would appear to tie in with the 1027 dwellings our records show as being second homes for over 2 years although some of the ‘holiday homes’ declared will have transferred from Council Tax to Non Domestic rates since the census was taken.

Taking an estimated 1100 second homes into account and an estimated average charge of £1681 (by dividing the 1811 second homes currently on the Council Tax system into the current £3m yield), the table below shows the additional revenue that could potentially be generated from a higher amount over a range of percentages on this deliberately conservative estimate of 1100 second homes.

4. Long term empty properties

4.1 The Housing (Wales) Act 2014 gives local authorities the discretion to charge a premium for dwellings that are considered to be long-term empty properties. The premium can be any percentage up to 100% and

can be applied as soon as the property satisfies the definition of a 'long term empty property' (after a year of being unoccupied/unfurnished) or from a later date as decided by the Council.

4.2 At present, properties that remain unoccupied and unfurnished after any statutory period of exemption from Council Tax expires are awarded a discretionary 50% discount without any time limit as explained in paragraph 2. One of the decisions from this report will be whether to cease to allow that discount on all properties.

4.3 However, even if Swansea decides to continue allowing that 50% discount, to implement a premium, the legislation requires that it be removed before a premium can be charged. In practice, this means that once a dwelling is classed as long-term empty property (after one year), the current 50% discount would be dis-applied, bringing the maximum Council Tax to the standard 100% level. A premium of up to a further 100% may then be added, bringing the maximum charge to 200% of the standard charge.

If Swansea decides to cease to allow the 50% discount (as mentioned in 2), then the charge would already be at the standard 100% rate at the point the premium was added.

4.4 At the 2018/19 Band D annual charge of £1,502.16 (for wards without community councils), a long-term empty dwelling would currently receive a discount of 50%, leaving £751.08 to pay. A determination to apply a maximum 100% premium would result in an un-discounted council tax charge of £1,502.16 to which a maximum 100% premium could be applied, making a total of £3,004.32 to pay.

4.5 A long-term empty property is one which is both unoccupied and substantially unfurnished for a continuous period of one year. The furnishing or occupation of a dwelling for one or more periods of six weeks or less during the year will not affect its status as a long-term empty dwelling. In other words, a person cannot alter a dwelling's status as a long-term empty dwelling by taking up residence or installing furniture for a short period.

4.6 Where a local authority makes a determination to charge a premium on long-term empty properties, it has the discretion to charge whatever percentage rate of premium it determines is appropriate (up to a maximum of 100%) and also the date from which that premium will apply. This is intended to enable local authorities to take a stepped approach with incremental increases applying over time.

4.7 In Swansea we currently have 2,206 unfurnished and unoccupied dwellings liable for a 50% Council Tax charge. The length of time those properties have been charged at that rate are as follows:

- 803 for less than 1 year
- 576 between 1 and 2 years
- 250 between 2 and 3 years
- 209 between 3 and 5 years
- 368 more than 5 years

4.8 The 2,206 dwellings generate an annual yield of £1,526,194 based on a 50% Council Tax charge. An average yield of £692 per empty dwelling. Based on a 100% charge they would yield an average of £1,384 per dwelling.

4.9 The table below provides estimated yields for premiums charged on long term empty properties with various options depending on when the premium is charged from and the amount of the premium charged. There are multiple potential combinations of when a premium could be charged from and how much that premium could be so only the most 'standard' options have been listed.

Estimated Additional Revenues That Could be Generated from Premiums on Long Term Empty Properties (values have been rounded)						
Yield	Dwellings Affected	100% charge	100%+ 25% premium	100%+ 50% premium	100%+ 75% premium	100%+ 100% premium
Average estimated Yield		£1,384	£1,730	£2,076	£2,422	£2,768
charge premium after 1 year	1,403	1,941,752	2,427,190	2,912,628	3,398,066	3,883,504
Potential maximum revenue gained			£485,438	£970,876	£1,456,314	£1,941,752
Less 20% for exceptions, recovery rate and other variables = net estimated income			388,350	776,701	1,165,051	1,553,402
charge premium after 2 years	827	£1,144,568	£1,430,710	£1,716,852	£2,002,994	£2,289,136
Potential maximum revenue gained			£286,142	£572,284	£858,426	£1,144,568
Less 20% for exceptions, recovery rate and other variables = net estimated income			228,914	457,827	686,741	915,654
charge premium after 3 years	577	£798,568	£998,210	£1,197,852	£1,397,494	£1,597,136
Potential maximum revenue gained			£199,642	399,284	£598,926	£798,568
Less 20% for exceptions, recovery rate and other variables = net estimated income			159,714	319,427	479,141	638,854
charge premium after 5 years	368	£509,312	£636,640	£763,968	£891,296	£1,018,624
Potential maximum revenue gained			£127,328	£254,656	£381,984	£509,312
Less 20% for exceptions, recovery rate and other variables = net estimated income			101,862	203,725	305,587	407,450

NB: The 20% adjustment is a conservative estimate

5.0 Exceptions to the Council Tax Premiums on Second Homes and Long Term Empty Properties.

5.1 A premium cannot be charged on a dwelling that falls within an exception as detailed in The Council Tax (Exceptions to Higher Amounts) (Wales) Regulations 2015. Broadly these are:-

Classes of Dwellings	Definition	Application
Class 1	Dwellings being marketed for sale – time limited for one year.	Second Homes and Long-Term Empty Properties
Class 2	Dwellings being marketed for let – time limited for 1 year	
Class 3	Annexes forming part of, or being treated as part of the main dwelling	
Class 4	Dwellings which would be someone's sole or main residence if they were not residing in armed forces accommodation	
Class 5	Occupied caravan pitches and boat moorings	Second Homes
Class 6	Seasonal homes where year-round occupation is prohibited	
Class 7	Job-related dwellings	

5.2 Some further guidance has been provided by WG for each exception class.

6. Potential issues arising from the application of Council Tax premiums in Swansea.

6.1 **Limited data** – the estimates of the potential revenue that might be raised by dis- applying the 50% discount for unoccupied and unfurnished properties and/or charging premiums are based on limited indicative data. Also, taking into account the 12 month lead-in time before a premium can be charged, coupled with external economic factors and the way in which owners of empty property might respond to these changes, it is difficult to accurately predict the level of income that the premia might bring or indeed the impact of these changes on housing availability.

6.2 **Consultation** – the previous consultation exercise in 2016 only looked at the potential for premiums to be applied to second homes. We would need to consult on the application of premiums and any change to the

current policy of allowing a 50% discount on unoccupied and unfurnished properties. The responses to the last consultation exercise highlighted concerns about the detrimental impact of charging premiums on tourism in the area and a reduction in the income generated from tourism. Other concerns raised were the effect on the housing market in Swansea and on people who use their second home when supporting sick or elderly relatives in the area or to maintain contact with family in Swansea.

- 6.3 **Use of the additional revenue raised** – Welsh Government advises that the discretion to charge a premium is intended to be a tool to help local authorities bring long-term empty homes back into use and meet local housing needs. Consideration should be given to how this will be done so the authority can provide justification for its decision.
- 6.4 **Additional resources/costs** - There will be a need to consider additional safeguards to mitigate tax avoidance or tax evasion as part of the implementation plan, ensuring owners are paying the right amount of council tax. Current inspection resources would not permit us to investigate/inspect dwellings where we suspect such avoidance is occurring with sufficient frequency. At least one additional permanent property inspector would be needed and a temporary post for the introduction period process to manage the implementation. These posts could potentially be funded from the additional income raised.
- 6.5 **Loss of Council Tax Revenue** – if a dwelling considered to be a second or holiday home satisfies the necessary criteria, it can become a commercial property and so subject to Non Domestic (Business) Rates (NDR). When Pembrokeshire implemented premiums on second homes, upwards of 600 properties were lost from Council Tax to Non-Domestic rates with the resulting loss of income to the Authority. We cannot estimate the extent to which this might happen in Swansea. Also, the date from which properties move into NDR can be backdated by the Valuation Office Agency and the authority might be required to refund payments of Council Tax for past years.
- 6.6 **Additional Council Tax burden to the authority** – a number of the properties currently recorded as empty for two years or more are Council owned and so the authority would have to meet the cost of the increased Council Tax on these properties.
- 6.7 **Negative publicity** – charging premiums and the removal of the 50% discretionary discount for unoccupied and unfurnished properties will no doubt be a controversial measure if implemented. It seems likely that the amount of appeals, complaints and calls to the Council Tax Section and member involvement in those queries would increase. Most likely these will have to be dealt with by senior staff.
- 6.8 **Tax Base Considerations** - Currently, allowances are made in the Council Tax base calculation for dwellings on which we allow the discretionary 50% discount for empty and unoccupied currently properties. Contact from Welsh Government at the end of 2018 indicated that, in future, they might cease making allowances in the Revenue

Support Grant for Councils that allow this discount and so those authorities continuing to do so would be penalised

In terms of the income from the premia, Welsh Government excludes this from Tax Base calculations, since it may be earmarked for particular use in bringing dwellings back into use following the policy intention behind the premium regulations.

- 6.9 **The amount of the premia** - Having spoken to colleagues in other authorities that have already implemented premia, we are advised that not setting the premiums for long term empty dwellings and second homes at the same level will result in a significant administrative challenges. Taxpayers will attempt to switch between the categories to try and achieve a lower charge but this can be prevented by charging the same for both categories.

7. Equality and Engagement Implications

- 7.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
 - Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment process ensures that we have paid due regard to the above.

- 7.2 A consultation exercise was undertaken in respect of the application of a Council Tax premium to second homes the last time the authority considered the issue in 2016. There was no consultation undertaken into the application of a Council Tax premium to long term empty properties or the disapplication of the discretionary 50% discount currently given to all unoccupied and unfurnished properties. A new consultation exercise covering all 3 issues would be needed and will be carried out at the beginning of 2019/20 so that an early decision can be made. An interim Equality Impact Assessment screening for this proposal has been completed (see Appendix 1) which will be repeated again after the consultation exercise and so will take into account the points raised by the consultation.
- 7.3 The proposal was previously screened in 2016 and at that time did not require an Equality Impact Assessment. The premiums would be based on the classification of a property as a second home/long term empty property and not the owner or other person. There is insufficient data available to accurately identify whether a particular group of people will be adversely affected, although it is expected a significant percentage of second homes will be owned by older people and the wealthier. If a decision is made to charge premiums on second homes, further information will be sought from owners and other sources to ensure exceptions are identified correctly.

Where a determination to charge a premium is made, a local authority must publish a notice of the determination in at least one newspaper circulating in its area within 21 days of the date of the determination.

8. Financial Implications

- 8.1 There are no financial implications other than those already set out in the report.

9. Legal Implications

- 9.1 There are no legal implications associated other than those already set out in the report.

Background Papers:

WG Guidance on the Implementation of the Council Tax Premiums on long Term Empty homes and Second Homes in Wales – issued in 2016.
<https://gov.wales/docs/dsjlg/publications/localgov/160122-guidance-implementation-of-council-tax-premiums-en.pdf>

Appendices:

Appendix 1 Interim EIA screening

Please ensure that you refer to the Screening Form Guidance while completing this form. If you would like further guidance please contact the Access to Services team (see guidance for details).

Section 1

Which service area and directorate are you from?

Service Area: Resources

Directorate: Financial Services and the Service Centre

Q1(a) WHAT ARE YOU SCREENING FOR RELEVANCE?

Service/ Function	Policy/ Procedure	Project	Strategy	Plan	Proposal
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

(b) Please name and describe here:

To consider whether to continue to allow 50% Council Tax discounts on unoccupied and unfurnished properties after any statutory period of exemption expires.

To provide information and to consider the discretionary powers to charge higher amounts of Council Tax (premiums) on certain properties provided for by the Housing (Wales) Act 2014. This is be subject to public consultation.

Q2(a) WHAT DOES Q1a RELATE TO?

Direct front line service delivery	Indirect front line service delivery	Indirect back room service delivery
<input checked="" type="checkbox"/> (H)	<input type="checkbox"/> (M)	<input type="checkbox"/> (L)

(b) DO YOUR CUSTOMERS/CLIENTS ACCESS THIS...?

Because they need to	Because they want to	Because it is automatically provided to everyone in Swansea	On an internal basis i.e. Staff
<input checked="" type="checkbox"/> (H)	<input type="checkbox"/> (M)	<input type="checkbox"/> (M)	<input type="checkbox"/> (L)

Q3 WHAT IS THE POTENTIAL IMPACT ON THE FOLLOWING...

	High Impact (H)	Medium Impact (M)	Low Impact (L)	Don't know (H)
Children/young people (0-18)	<input type="checkbox"/>	<input type="checkbox"/>	X	<input type="checkbox"/>
Older people (50+)	<input type="checkbox"/>	<input type="checkbox"/>	X	<input type="checkbox"/>
Any other age group	<input type="checkbox"/>	<input type="checkbox"/>	X	<input type="checkbox"/>
Disability	<input type="checkbox"/>	<input type="checkbox"/>	X	<input type="checkbox"/>
Race (including refugees)	<input type="checkbox"/>	<input type="checkbox"/>	X	<input type="checkbox"/>
Asylum seekers	<input type="checkbox"/>	<input type="checkbox"/>	X	<input type="checkbox"/>
Gypsies & travellers	<input type="checkbox"/>	<input type="checkbox"/>	X	<input type="checkbox"/>
Religion or (non-)belief	<input type="checkbox"/>	<input type="checkbox"/>	X	<input type="checkbox"/>
Sex	<input type="checkbox"/>	<input type="checkbox"/>	X	<input type="checkbox"/>
Sexual Orientation	<input type="checkbox"/>	<input type="checkbox"/>	X	<input type="checkbox"/>
Gender reassignment	<input type="checkbox"/>	<input type="checkbox"/>	X	<input type="checkbox"/>
Welsh Language	<input type="checkbox"/>	<input type="checkbox"/>	X	<input type="checkbox"/>
Poverty/social exclusion	<input type="checkbox"/>	<input type="checkbox"/>	X	<input type="checkbox"/>
Carers (inc. young carers)	<input type="checkbox"/>	<input type="checkbox"/>	X	<input type="checkbox"/>
Community cohesion	<input type="checkbox"/>	<input type="checkbox"/>	X	<input type="checkbox"/>
Marriage & civil partnership	<input type="checkbox"/>	<input type="checkbox"/>	X	<input type="checkbox"/>
Pregnancy and maternity	<input type="checkbox"/>	<input type="checkbox"/>	X	<input type="checkbox"/>

Q4 WHAT ENGAGEMENT / CONSULTATION / CO-PRODUCTIVE APPROACHES WILL YOU UNDERTAKE?

Please provide details below – either of your planned activities or your reasons for not undertaking engagement

A full consultation will be undertaken on the various proposals and an new EIA screening will be made after the consultation.

Q5(a) HOW VISIBLE IS THIS INITIATIVE TO THE GENERAL PUBLIC?

High visibility <input type="checkbox"/> (H)	Medium visibility X (M)	Low visibility <input type="checkbox"/> (L)
---	----------------------------	--

(b) WHAT IS THE POTENTIAL RISK TO THE COUNCIL’S REPUTATION? (Consider the following impacts – legal, financial, political, media, public perception etc...)

High risk X (H)	Medium risk <input type="checkbox"/> (M)	Low risk <input type="checkbox"/> (L)
--------------------	---	--

Q6 Will this initiative have an impact (however minor) on any other Council service?

X Yes No **If yes, please provide details below**

Revenue generated from this will be used to fund Council Services. There may be an impact on every service. Also, the intention behind the legislation that it is supposed to encourage empty properties back into use so there may be an impact on the work of the empty properties officer in Environmental Health and Housing.

Q7 HOW DID YOU SCORE?

Please tick the relevant box

**MOSTLY H and/or M → HIGH PRIORITY → EIA to be completed
Please go to Section 2**

**MOSTLY L → LOW PRIORITY / NOT RELEVANT → Do not complete EIA
Please go to Q8 followed by Section 2**

Q8 If you determine that this initiative is not relevant for an EIA report, you must provide a full explanation here. Please ensure that you cover all of the relevant protected groups.

Mostly low impacts but also this is also an interim screening which will be repeated after the consultation exercise and will take into account the points raised by the consultation.

Section 2

NB: Please email this completed form to the Access to Services Team for agreement before obtaining approval from your Head of Service. Head of Service approval is only required via email – no electronic signatures or paper copies are needed.

Screening completed by:
Name: Julian Morgans
Job title: Revenues and benefits Manager
Date: 04/2/19
Approval by Head of Service:
Name: Ben Smith
Position: Chief Finance Officer
Date: 04/2/19

Please return the completed form to accesstoservices@swansea.gov.uk