

## Council

You are hereby summoned to attend a Meeting of the **Council of the City and County of Swansea** to be held in the Council Chamber, Guildhall, Swansea on Thursday, 28 February 2019 at 3.00 pm.

The following business is proposed to be transacted:

1. **Apologies for Absence.**
2. **Disclosures of Personal and Prejudicial Interests.**  
[www.swansea.gov.uk/disclosuresofinterests](http://www.swansea.gov.uk/disclosuresofinterests)
3. **Minutes.** **1 - 13**  
To approve & sign the Minutes of the previous meeting(s) as a correct record.
4. **Written Responses to Questions asked at the Last Ordinary Meeting of Council.** **14 - 19**
5. **Announcements of the Presiding Member.**
6. **Announcements of the Leader of the Council.**
7. **Public Questions.**  
Questions must relate to matters on the open part of the Agenda of the meeting and will be dealt with in a 10 minute period.
8. **Presentation - None.**
9. **Adoption of the Swansea Local Development Plan (LDP).** **20 - 48**
10. **Medium Term Financial Planning 2020/21 – 2022/23.** **49 - 91**
11. **Revenue Budget 2019/20.** **92 - 167**
12. **Capital Budget & Programme 2018/19- 2023/25.** **168 - 184**
13. **Housing Revenue Account (HRA) – Revenue Budget 2019/20.** **185 - 192**
14. **Housing Revenue Account (HRA) – Capital Budget and Programme 2018/19 – 2022/23.** **193 - 210**
15. **Statutory Resolution – Resolutions to be Made in Accordance with the Regulations in the Setting of the Council Tax 2019/20.** **211 - 215**

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|--|-----------|
| 16. Capital Strategy 2018/19 - 2023/24.  | 216 - 229 |
| 17. Treasury Management Strategy Statement, Prudential/Treasury Indicators, Investment Strategy and Minimum Revenue Provision Policy Statement 2019/20.  | 230 - 276 |
| 18. Treasury Management – Interim Year Review Report 2018/19.  | 277 - 295 |
| 19. Scrutiny Dispatches – Quarterly Impact Report.   | 296 - 301 |
| 20. Councillors' Questions.  | 302 - 315 |
| 21. Notice of Motion from Councillors R C Stewart, A S Lewis, C E Lloyd, J E Burtonshaw, M C Child, W Evans, R Francis-Davies, D H Hopkins, E J King, J A Raynor, M Sherwood, M Thomas & C A Holley. | 316 - 317 |



**Huw Evans**  
**Head of Democratic Services**  
**Guildhall,**  
**Swansea.**

**Wednesday, 20 February 2019**

**To: All Members of the Council**

# Agenda Item 3.



City and County of Swansea

## Minutes of the Council

Council Chamber, Guildhall, Swansea

Thursday, 24 January 2019 at 5.00 pm

**Present:** Councillor D W W Thomas (Chair) Presided

<b>Councillor(s)</b>	<b>Councillor(s)</b>	<b>Councillor(s)</b>
C Anderson	C A Holley	D Phillips
P M Black	P R Hood-Williams	C L Philpott
J E Burtonshaw	O G James	S Pritchard
M C Child	L James	A Pugh
J P Curtice	Y V Jardine	J A Raynor
N J Davies	M H Jones	B J Rowlands
A M Day	P K Jones	M Sherwood
P Downing	S M Jones	P B Smith
C R Doyle	L R Jones	R V Smith
M Durke	J W Jones	A H Stevens
V M Evans	E J King	R C Stewart
C R Evans	E T Kirchner	D G Sullivan
W Evans	M A Langstone	M Sykes
E W Fitzgerald	M B Lewis	G J Tanner
R Francis-Davies	R D Lewis	L G Thomas
S J Gallagher	W G Lewis	W G Thomas
L S Gibbard	A S Lewis	L J Tyler-Lloyd
F M Gordon	P Lloyd	G D Walker
K M Griffiths	I E Mann	L V Walton
J A Hale	P M Matthews	T M White
D W Helliwell	P N May	
T J Hennegan	H M Morris	

### Apologies for Absence

Councillor(s): S E Crouch, B Hopkins, D H Hopkins, C E Lloyd, C Richards, K M Roberts and M Thomas

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## 116. Disclosures of Personal and Prejudicial Interests.

The Chief Legal Officer gave advice regarding the potential personal and prejudicial interests that Councillors and Officers may have on the agenda.

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

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

- 1) Councillors J E Burtonshaw, P Downing, M Durke, S M Jones, H M Morris, C L Philpott, A Pugh, R C Stewart and M Sykes declared a Personal Interest in Minute 123 "Adoption of the Council Tax Reduction Scheme";
- 2) Councillor R D Lewis, declared a Personal & Prejudicial Interest in Minute 123 "Adoption of The Council Tax Reduction Scheme" and withdrew from the meeting prior to the item being discussed;
- 3) Councillor T J Hennegan declared a Personal interest in Minute 124 "Interim Designation of the Statutory Director of Education".

**117. Minutes.**

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

- 1) Ordinary Meeting of Council held on 20 December 2018 subject to Councillor J A Hale being shown as having given apologies for absence.

**118. Written Responses to Questions asked at the Last Ordinary Meeting of Council.**

The Chief Legal Officer submitted an information report setting out the written responses to questions asked at the last Ordinary Meeting of Council.

**119. Announcements of the Presiding Member.**

**1) Webcasting of Council Meeting**

The Presiding Member stated that as part of the ongoing works to enable Webcasting of Council, Cabinet, Planning Committee and the Scrutiny Programme Committee; this Council Meeting is being recorded for Webcasting purposes. The meeting will not be streamed live as we are still in the testing period; however it will be recorded. If the trial is successful, the meeting will be published online at a later date as a Podcast.

**2) New Year's Honours**

Citizens of Swansea who received awards in the New Year Honours.

**a) Royal Victorian Order (RVO)**

- i) David Byron Lewis. Lord-Lieutenant of West Glamorgan.

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

- i) Henry (Harry) Gregg, MBE. For services to Football. He managed Swansea City Football Club 1972-1975. (Londonderry);
- ii) William James Barry Liles. Formerly Principal and chief executive officer, Coleg Sir Gar, and Skills Champion for Wales. Now Pro-Vice-Chancellor at the University of Wales Trinity Saint David. For services to Skills and to Young People in Wales. (Loughor, Swansea);
- iii) Dr Andrew William Guest Rees. Head of Waste Strategy, Welsh Government. For services to the Environment and to Recycling in Wales. (Gower, Swansea);
- iv) Pamela Sutton. Operational Leader, Department for Work and Pensions. For services to Disadvantaged and Unemployed People in South Wales. (Swansea).

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

- i) Stephen Dennis Combe. Director, Corporate Governance, and Board secretary. Abertawe Bro Morgannwg University Health Board. For services to Governance in NHS Wales. (Swansea);
- ii) Melanie Louise Davies. Sister Morryston Hospital, Abertawe Bro Morgannwg University Health Board. For services to Patients with Learning Disabilities. (Neath, Neath Port Talbot)

**d) British Empire Medal (BEM)**

- i) Dr Heather Christine Potter. Area clinical director, Neath Port Talbot and Bridgend and clinical lead, Neath Cluster Network. For services to healthcare. (Swansea).

**3) Santes Dwynwen's Day**

It's Santes Dwynwen's day tomorrow, the Welsh and Celtic Patron saint of friendship and love.

The popularity and celebration of St Dwynwen's day has increased considerably in recent years, with special events, such as concerts and parties, often held, and Welsh cards printed. St Dwynwen is certainly becoming better-known amongst today's population of Wales.

**4) Amendments / Corrections to the Council Summons**

- i) **Item 14** "Notice of Motion". An amended version has been circulated.

**120. Announcements of the Leader of the Council.**

**1) Swansea Bay Region City Deal**

The Leader of the Council provided an update relating to the Swansea Bay Region City Deal and stated that the reviews were underway.

**2) Swansea Bay Tidal Lagoon**

The Leader of the Council provided an update on the Swansea Bay Tidal Lagoon.

**121. Public Questions.**

No questions were asked.

**122. Presentation - None.**

No Presentations were received.

**123. Adoption of The Council Tax Reduction Scheme.**

The Section 151 Officer submitted a report, which explained the requirement to annually consider whether to revise or replace the Council's existing Council Tax Reduction Scheme and the requirement to either adopt a new scheme or re-adopt the existing scheme by 31 January 2019.

**Resolved** that:

- 1) The Council Tax Reduction Schemes and Prescribed Requirements (Wales) Regulations 2013 ("the Prescribed Requirements Regulations") by the National Assembly for Wales (NAfW) on 26 November 2013, as amended be noted;
- 2) The amendments to "the Prescribed Requirements Regulations" contained in the Council Tax Reduction Schemes (Prescribed Requirements and Default Scheme) (Wales) (Amendment) Regulations 2018, considered and approved by NAfW on 8 January 2019 be noted;
- 3) The outcome of the consultation exercise undertaken by the Council in November 2018 on the discretionary areas of the current scheme be noted;
- 4) The current scheme (2018/2019) in relation to the discretionary areas (as set out in section 3 of the report) remain unchanged from 2019/2020;
- 5) The scheme as set out in section 3 of the report be adopted and any amendments to the regulations made by NAfW be reflected in the scheme.

**Note:** Councillor P M Black asked the following question:

“Paragraph 5.2 of the report states that the estimated shortfall between funding and Council Tax Reduction paid to recipients is £1,270k. How does this compare to previous years?”

The Interim Deputy Chief Finance Officer stated that a written response would be provided.

**124. Interim Designation of the Statutory Director of Education.**

The Monitoring Officer submitted a report, which asked Council to designate the Head of Vulnerable Learner Service as the Statutory Director of Education on an interim basis.

**Resolved that:**

- 1) Mark Sheridan, Head of Vulnerable Learner Service be designated as the Council's Statutory Director of Education on an interim basis. This will initially be for a period of three months whilst the current Statutory Director, Nick Williams is on sickness absence;
- 2) The Chief Executive in consultation with the Education Improvement, Learning & Skills Cabinet Member be granted delegated authority to extend the period of three months if necessary.

**125. Update on Progress for Education Department Priorities 2017-2018.**

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

**Resolved that:**

- 1) The progress report be noted.

**Note:**

A) Councillor A M Day asked the following questions:

“The last bullet point under “Challenges” on Page 27 of the report makes reference to the Authority being at risk of significant costs related to historical placement in independent schools within Swansea. There are two questions:

- i) Does the Cabinet Member have any idea of the figures that may be involved?
- ii) Can the Cabinet Member confirm whether any costs incurred will be met centrally or from schools delegated budgets?

The Education Improvement, Learning & Skills Cabinet Member stated that a written response would be provided.

B) Councillor C L Philpott asked the following question:

“How many people were affected by the closure of Brondeg and where are they now going?”

The Education Improvement, Learning & Skills Cabinet Member stated that a written response would be provided.

## **126. Councillors' Questions.**

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

Nine (9) Part A 'Supplementary Questions' were submitted. The relevant Cabinet Member(s) responded by way of written answers contained in the Council Summons.

Those supplementary question(s) required a written response are shown below:

**Question 3.** Councillor P M Black asked:

*“Can the response to the residents of Dunvant referred to by Councillor L S Gibbard in relation to the withdrawal of wood skips at both Clyne & Garngoch which was provided by the Environment & Infrastructure Management Cabinet Member to circulated to all Councillors?”*

The Leader of the Council stated that a written response would be provided.

**Question 5.** Councillor E W Fitzgerald asked:

*“Can the results of the satisfaction surveys showing high levels of satisfaction at Garngoch be shared?”*

The Leader of the Council stated that he would share the satisfaction surveys.

**Question 7.** Councillor P M Black asked:

*“Does Swansea Council run a Real Nappy Service or do we rely on the Private Sector to do it for us?”*

The Leader of the Council stated that a written response would be provided.

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

Two (2) Part B 'Questions not requiring Supplementary Questions' were submitted.



**127. Notice of Motion from Councillors M Sherwood, J E Burtonshaw, R C Stewart, C E Lloyd, M C Child, W Evans, R Francis-Davies, D H Hopkins, E J King, A S Lewis, J A Raynor & M Thomas.**

Councillor M Sherwood asked that an amendment be made to the motion. She stated that the amended motion was supported by those that initially proposed the motion. The amended motion was the substantive motion for discussion.

The amendment added a Paragraph 8 be added as follows:

*"8. Halt the natural migration of benefit claimants onto Universal credit until it is fit for purpose and widespread problems and concerns have been resolved."*

Proposed by Councillor M Sherwood and Seconded by Councillor J E Burtonshaw.

The amended motion reads:

*"Following Professor Alston's recent visit to the United Kingdom, this council notes with alarm the shocking report of the UN Special Rapporteur on Extreme Poverty and human rights.*

*We echo Professor Alston's observation that despite being the world's fifth largest economy, it seems patently unjust that 14 million people, a fifth of the population, live in poverty, while 1.5 million are destitute and unable to afford basic essentials. We agree that, "For almost one in every two children to be poor in twenty-first century Britain is not just a disgrace, but a social calamity and an economic disaster, all rolled into one".*

*We welcome the report's focus on the social security system, and the cruel impacts of welfare reform in explaining how this dramatic decline has come about. Simply, benefit changes have forced people into crisis, while the decimation of council and third sector support services have left them having to turn to more costly services.*

*We concur with the report's many observations about this UK government's failures in the name of austerity and their blatant "state of denial" of the dramatic decline in the fortunes of the least well off in this country. Therefore, we call for the Prime Minister to respond to the report by urgently implementing its recommendations:*

- 1. Reverse the benefit freeze, the two-child limit, the benefit cap, and the bedroom tax.*
- 2. Ensure local governments have the funds needed to tackle poverty at the community level, and take varying needs and tax bases into account in the ongoing Fair Funding Review.*
- 3. Conduct an independent review of the effectiveness of sanctions and immediately instruct DWP staff to explore more constructive and less punitive approaches to encouraging compliance.*
- 4. Eliminate the five week delay in receiving benefits under Universal Credit, allow separate payments to different household members, and facilitate weekly or fortnightly payments.*

*and, from our local experience of Universal Credit, we add:*

5. *Make the DWP behave like a responsible lender and conduct affordability assessments on UC claimants before issuing advances which often push people into unmanageable debt.*
6. *Re-instate the work allowances originally designed into UC.*
7. *Facilitate payments direct to landlords to reduce rent arrears.*
8. *Halt the natural migration of benefit claimants onto Universal credit until it is fit for purpose and widespread problems and concerns have been resolved.”*

*We resolve that the Council Leader will write to the Prime Minister setting out the contents of this motion.”*

In accordance with Council Procedure Rule 30 “Voting” a recorded vote was requested. The voting on the amendment was recorded as follows:

<b>For (53 Councillors)</b>		
<b>Councillor(s)</b>	<b>Councillor(s)</b>	<b>Councillor(s)</b>
C Anderson	T J Hennegan	C L Philpott
P M Black	C A Holley	S Pritchard
J E Burtonshaw	O G James	A Pugh
M C Child	L James	J A Raynor
J P Curtice	Y V Jardine	M Sherwood
N J Davies	J W Jones	P B Smith
A M Day	M H Jones	R V Smith
P Downing	P Jones	A H Stevens
C R Doyle	S M Jones	R C Stewart
M Durke	E J King	D G Sullivan
C R Evans	E T Kirchner	M Sykes
V M Evans	A S Lewis	G J Tanner
W Evans	M B Lewis	D W W Thomas
R Francis-Davies	W G Lewis	L G Thomas
L S Gibbard	P Lloyd	G D Walker
F M Gordon	P M Matthews	L V Walton
K M Griffiths	H M Morris	T M White
J A Hale	D Phillips	-

<b>Against (0 Councillors)</b>		
<b>Councillor(s)</b>	<b>Councillor(s)</b>	<b>Councillor(s)</b>
-	-	-

<b>Abstain (8 Councillors)</b>		
<b>Councillor(s)</b>	<b>Councillor(s)</b>	<b>Councillor(s)</b>
E W Fitzgerald	P R Hood-Williams	B J Rowlands
S J Gallagher	L R Jones	W G Tyler-Lloyd
D W Helliwell	M A Langstone	-

<b>Withdrawn from meeting due to declarable interest (0 Councillors)</b>		
<b>Councillor</b>	<b>Councillor</b>	<b>Councillor</b>
-	-	-

**Resolved** that the amended Notice of Motion outlined above be adopted.

**128. Notice of Motion from Councillors P M Black, J W Jones, M H Jones, C A Holley, E W Fitzgerald & D G Sullivan.**

Councillor P M Black stated that an amended motion had been circulated. He stated that the amended motion was supported by those that initially proposed the motion together with those recently added to the motion. The amended motion was the substantive motion for discussion.

Proposed by Councillor P M Black and Seconded by Councillor R C Stewart.

The amended motion reads:

**Notice of Motion from Councillors P M Black, J W Jones, M H Jones, C A Holley, E W Fitzgerald, D G Sullivan, R C Stewart, J E Burtonshaw, M C Child, W Evans, R Francis-Davies, D H Hopkins, E J King, A S Lewis, C E Lloyd, J A Raynor, M Sherwood & M Thomas**

*“Council notes that Swansea is known to be a dog loving city and many of our residents pay large sums of money for the puppy of their choice, sometimes thousands of pounds.*

*This love of dogs is being abused by illegal puppy farm owners who keep breeding dogs in very poor conditions. They also produce puppies who are in poor health, and are taken from their mothers too early, often causing the dog to have problems socialising.*

*These puppies cost their new owners large sums in vets bills but in many cases, this still ends in the puppy dying or being unmanageable. Many of these puppies are taken in by local charitable organisations to try and rehome them.*

*Lucy was one of these breeding dogs who was rescued from a puppy farm and Lucy’s Law is a campaign to ban the third-party sales of puppies to help stop this.*

*Council further notes that areas in West Wales have an increasing number of illegal puppy farms using third parties to sell the puppies and that these dogs are sold in Swansea or to residents of Swansea.*

*The UK Government have agreed to ban third party sales of puppies in England and a number of Assembly Members are asking the Welsh Government to follow suit.*

*Council believes that without Lucy’s Law, illegal puppy farms breeding dogs and their puppies will continue to languish behind closed doors in Wales, causing animals to suffer at the hands of people who put profit before animal welfare.*

*This Council resolves to*

- 1) Add its support to the Lucy’s Law National Campaign to ban and outlaw third party puppy sales and farming.*

- 2) *Add its name to the growing list of supporting organisations and will proactively highlight the campaign to our residents across the County.*
- 3) *Ask the Leader of Swansea Council to write to the First Minister of Wales, the Minister for Environment, Energy and Rural Affairs and to all AMs representing the Swansea area, expressing the view of members of this council that there should be urgent action to ban the third-party sales of puppies”.*

**Resolved** that the amended Notice of Motion outlined above be adopted.

The meeting ended at 6.43 pm

**Chair**



City and County of Swansea

## Minutes of the Council

Council Chamber - Guildhall, Swansea

Tuesday, 12 February 2019 at 1.00 pm

**Present:** Councillor D W W Thomas (Chair) Presided

<b>Councillor(s)</b>	<b>Councillor(s)</b>	<b>Councillor(s)</b>
C Anderson	M H Jones	C L Philpott
P M Black	P K Jones	S Pritchard
J E Burtonshaw	S M Jones	J A Raynor
M C Child	L R Jones	B J Rowlands
J P Curtice	J W Jones	M Sherwood
C R Doyle	E J King	A H Stevens
W Evans	E T Kirchner	R C Stewart
E W Fitzgerald	M B Lewis	G J Tanner
L S Gibbard	R D Lewis	W G Thomas
D W Helliwell	W G Lewis	M Thomas
T J Hennegan	A S Lewis	L J Tyler-Lloyd
P R Hood-Williams	C E Lloyd	L V Walton
O G James	I E Mann	T M White
L James	P M Matthews	
Y V Jardine	D Phillips	

### Apologies for Absence

Councillor(s): S E Crouch, N J Davies, A M Day, P Downing, M Durke, V M Evans, R Francis-Davies, S J Gallagher, F M Gordon, K M Griffiths, C A Holley, B Hopkins, D H Hopkins, M A Langstone, P N May, H M Morris, A Pugh, C Richards, P B Smith, R V Smith, D G Sullivan and L G Thomas

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### 129. Disclosures of Personal and Prejudicial Interests.

The Chief Legal Officer gave advice regarding the potential personal and prejudicial interests that Councillors and / Officers may have on the agenda.

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

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

**130. Announcements of the Presiding Member.**

**1) Webcasting of Council Meeting**

The Presiding Member stated that as part of the ongoing works to enable Webcasting of Council, Cabinet, Planning Committee and the Scrutiny Programme Committee; this Council Meeting is being recorded for Webcasting purposes. The meeting will not be streamed live as we are still in the testing period; however it will be recorded. If the trial is successful, the meeting will be published online at a later date as a Podcast.

**2) Phil Roberts, Chief Executive - Best Wishes & Speedy Recovery**

The Presiding Member extended the Council's best wishes to Phil Roberts, Chief Executive during his unexpected and unavoidable sickness absence. He wished Phil Roberts well in his treatment and for a full and speedy recovery. Phil has to take whatever time he needs and we all look forward to his return.

**131. Announcements of the Leader of the Council.**

No announcements were made.

**132. Public Questions.**

No questions were asked.

**133. Amendment to the Pay Policy Statement 2018-2019.**

The Chief Executive submitted a report, which asked Council to amend the Pay Policy Statement 2018-2019.

**Resolved** that:

- 1) Paragraph 11.1 of the Pay Policy Statement 2018-2019 be amended to read as follows:

*"11.1 No Chief Officer who was previously made redundant or granted early retirement from the Council will be later re-employed or re-engaged either as an employee (Contract of Service), as a Consultant (Contract for Service) or through an external contractor commissioned to work on behalf of the Council save for in exceptional circumstances when a meeting of Council may waive this requirement."*

- 2) The amended Pay Policy Statement 2018-2019 be adopted.

**134. Appointment of an Interim Chief Executive.**

The Leader of the Council submitted a report, which asked Council to appoint an Interim Chief Executive / Head of Paid Service.

**Resolved that:**

- 1) Jack Straw be appointed Interim Chief Executive / Head of Paid Service for a period of 3 months to exercise all the functions currently exercisable by the current Chief Executive including those of Returning Officer and Electoral Registration Officer;
- 2) The Chief Legal Officer be given delegated authority to take any further action necessary to give effect to the content of this report;
- 3) The Leader of the Council in consultation with other Group Leaders and the Chief Legal Officer be granted delegated authority to extend the appointment to 6 months.

The meeting ended at 1.10 pm

**Chair**

# Agenda Item 4.



## Report of the Chief Legal Officer

Council – 28 February 2019

### Written Responses to Questions Asked at the Last Ordinary Meeting of Council

The report provides an update on the responses to Questions asked during the Ordinary Meeting of Council on 24 January 2019.

#### For Information

#### 1. Introduction

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

#### 2. Responses

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

**Background Papers:** None

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



**Providing Council with Written Responses to Questions asked at Council  
24 January 2019**

1.	<p><b>Councillor P M Black</b></p> <p><b>In relation to Item 9 – Adoption of the Council Tax Reduction Scheme.</b></p> <p>Paragraph 5.2 of the report states that the estimated shortfall between funding and Council Tax Reduction paid to recipients is £1,270k. How does this compare to previous years.</p> <p><b>Response of the Section 151 Officer</b></p> <p>The comparable figures for previous years are attached below :</p> <table border="1" data-bbox="316 683 1228 817"> <thead> <tr> <th>2014/15</th> <th>2015/16</th> <th>2016/17</th> <th>2017/18</th> <th>2018/19</th> </tr> <tr> <th>£'000</th> <th>£'000</th> <th>£'000</th> <th>£'000</th> <th>£'000</th> </tr> </thead> <tbody> <tr> <td align="center">806</td> <td align="center">912</td> <td align="center">1,148</td> <td align="center">1,009</td> <td align="center">1,270</td> </tr> </tbody> </table>	2014/15	2015/16	2016/17	2017/18	2018/19	£'000	£'000	£'000	£'000	£'000	806	912	1,148	1,009	1,270
2014/15	2015/16	2016/17	2017/18	2018/19												
£'000	£'000	£'000	£'000	£'000												
806	912	1,148	1,009	1,270												
2.	<p><b>Councillor A M Day</b></p> <p><b>In relation to Item 11 - Update on Progress for Education Department Priorities 2017-2018.</b></p> <p>The last bullet point under “Challenges” on Page 27 of the report makes reference to the Authority being at risk of significant costs related to historical placement in independent schools within Swansea. There are two questions:</p> <p>i) Does the Cabinet Member have any idea of the figures that may be involved.</p> <p>ii) Can the Cabinet Member confirm whether any costs incurred will be met centrally or from schools delegated budgets.</p> <p><b>Response of the Cabinet Member for Education Improvement, Learning &amp; Skills</b></p> <p>The estimated figure is £173,314 to be met by the LA central budget. The figure is only an estimate as it is based on a specific Tribunal case. Since this case the authority has been working on reducing the risk going forward.</p>															
3.	<p><b>Councillor C L Philpott</b></p> <p><b>In relation to Item 11 - Update on Progress for Education Department Priorities 2017-2018.</b></p> <p>How many people were affected by the closure of Brondeg and where are they now going.</p> <p><b>Response of the Cabinet Member for Education Improvement, Learning &amp; Skills</b></p> <p>A total of 53 learners were affected by the closure of Brondeg but not all attended full-time. However, there was unprecedented support from Corporate Buildings and Facilities as well as teams in Poverty and</p>															

	<p>Prevention to manage the situation safely with staff at Brondeg as well as making the Brondeg site itself safe and fit for purpose. The building re-opened at the start of the new spring term and all learners are back in their planned provision from 10.1.19. This was an example of good co-ordinated working to turn around a difficult situation in a timely fashion.</p>
4.	<p><b>Councillor P M Black</b></p> <p><b>In relation to Item 12 - Councillors Questions (Q3)</b></p> <p>Can the response to the residents of Dunvant referred to by Councillor L S Gibbard in relation to the withdrawal of wood skips at both Clyne &amp; Garngoch which was provided by the Environment &amp; Infrastructure Management Cabinet Member be circulated to all Councillors.</p> <p><b>Response of the Leader/Cabinet Member for Environment &amp; Infrastructure Management</b></p> <p>Further to the question you raised at Council on the 24 January 2019 in relation to the withdrawal of wood skips at both Clyne &amp; Garngoch, here is a copy of the letter I sent to Councillor Louise Gibbard as requested:  “The decision to remove the wood skip from Clyne, is not a decision based on cost cutting. This year, the Welsh Government has changed the criteria to all Welsh Councils in respect of recycling of wood. Previously, for all wood brought to our sites, we would be credited with recycling percentages that went towards our overall recycling targets. Now, only wood that is separated out and sent for certain types of recycling can be counted. That has meant a decrease in our overall recycling rate. In order to combat this, as we can't afford for our recycling rate to fall, we have to now separate our wood into various recycling streams. We do not have the capacity, resources or room to do this at any of our HWRC sites, only Llansamlet. Although you have heard that we are removing the wood skip from Clyne on the 13 December, we will also be removing the wood skips from all our other sites in January also. We will however be looking to introduce replacement skips at these sites that will allow us to accept recyclable materials that we currently do not have capacity for. We have also produced leaflets to be given out at all the sites informing residents of these changes”.</p>
5.	<p><b>Councillor E W Fitzgerald</b></p> <p><b>In relation to Item 12 - Councillors Questions (Q5)</b></p> <p>Can the results of the satisfaction surveys showing high levels of satisfaction at Garngoch be shared.</p> <p><b>Response of the Leader/Cabinet Member for Environment &amp; Infrastructure Management</b></p> <p>Please see attached the results of the Satisfaction Surveys undertaken at Garngoch HWRC, both prior to, and after the implementation of a residual skip and black bag challenge at Garngoch HWRC.  It can be seen that on average 94.3% of visitors who answered were Very Happy or Happy with their visit before the implementation of a residual skip</p>

	and black bag challenge, and that this figure dropped to an average of 74.8% afterwards.
6.	<p><b>Councillor P M Black</b></p> <p><b>In relation to Item 12 - Councillors Questions (Q7)</b></p> <p>Does the Council offer a real nappy laundering scheme or does it rely on the private sector to provide that service</p> <p><b>Response of the Leader/Cabinet Member for Environment &amp; Infrastructure Management</b></p> <p>I can confirm that the Council does not run a laundry service for real nappies, and there are no plans to introduce such a service. I am not aware of any specific private sector nappy laundry services in the area, and this may well be due to such a service being uneconomical to operate. Liners are used with real nappies to capture solids, and can be flushed down the toilet, with the nappies suitable for being washed in domestic washing machines at 60 deg C.</p>

Date		Very Happy		Happy	
01/05/2018 - 06/05/2018	Garngoch	179	73%	41	17%
07/05/2018 - 13/05/2018	Garngoch	223	91%	12	5%
14/05/2018 - 20/05/2018	Garngoch	206	93%	6	3%
21/05/2018 - 27/05/2018	Garngoch	146	88%	14	8%
28/05/2018 - 03/06/2018	Garngoch	180	90%	13	6%
04/06/2018 - 10/06/2018	Garngoch	149	88%	7	4%
11/06/2018 - 17/06/2018	Tir John	77	74%	25	24%
18/06/2018 - 24/06/2018	Tir John	39	74%	14	26%
25/06/2018 - 01/07/2018	Garngoch	37	94%	0	0%
02/07/2018 - 08/07/2018	Garngoch	129	75%	12	7%
09/07/2018 - 15/07/2018	Garngoch	60	68%	5	6%
16/07/2018 - 22/07/2018	Garngoch	82	66%	3	2%
23/07/2018 - 29/07/2018	Garngoch	62	74%	0	0%
30/07/2018 - 05/08/2018	Garngoch	75	73%	3	3%
06/08/2018 - 12/08/2019	Garngoch	27	43%	0	0%
<b>Total All Sites</b>		<b>1644</b>		<b>155</b>	

 Before Black Bag Challenge

 During Black Bag Challenge

Not Happy		Unhappy		Total Response	
0	0%	25	10%	245	Average 94.3% Very Happy or Happy
2	1%	8	3%	245	
1	0%	9	4%	222	
2	1%	5	3%	167	
3	1%	7	3%	203	
4	2%	10	6%	170	Excluded as Tir John
0	0%	2	2%	104	
0	0%	0	0%	53	
1	3%	1	3%	39	
3	2%	28	16%	172	Average 74.8% Very Happy or Happy
2	2%	21	24%	88	
3	2%	37	30%	125	
1	1%	21	25%	84	
5	5%	20	19%	103	
3	5%	33	52%	63	Excluded as incomplete data
27		194		2020	

# Agenda Item 9.



## Report of the Cabinet Member for Delivery

Council - 28 February 2019

### Adoption of the Swansea Local Development Plan (LDP)

<b>Purpose:</b>	To confirm the findings of the Inspectors' Final Report on the Examination into the Swansea Local Development Plan (LDP), and to adopt the LDP as amended by the appropriate binding changes as the new development plan for the Swansea administrative area
<b>Policy Framework:</b>	Planning and Compulsory Purchase Act 2004; The Environmental Assessment of Plans and Programmes (Wales) Regulations 2004; Town and Country Planning (Local Development Plan) (Wales) Regulations 2005; Local Development Plans Wales Guidance (2005); Local Development Plan Manual (2015); The Habitats Regulations (Natural Habitats & Conservation) (Amendment) (England & Wales Regulations 2017); Equality Act 2010; Planning Policy Wales (Edition 10) and related technical advice notes, circulars and policy clarification letters
<b>Consultation:</b>	Legal, Finance, Access to Services
<b>Recommendation(s):</b>	It is recommended that Council: <ul style="list-style-type: none"><li>i) Adopts the Swansea LDP (Final Version at Appendix 2 - as amended by the binding changes set out in the Inspectors Report), as the new development plan for the Swansea administrative area;</li><li>ii) Approves the Adoption Statement (at Appendix 3), Final Sustainability Appraisal (at Appendix 4), Habitats Regulations Assessment including updates (at Appendix 5) and Final Equalities Impact Assessment (at Appendix 7);</li><li>iii) Authorises the Head of Planning and City Regeneration or appropriate delegated officer to make any outstanding typographical, grammatical, presentational or factual amendments to the Swansea LDP prior to its final publication; and</li><li>iv) Agrees that officers seek to secure, on certain developments, higher percentages of affordable housing than the target figures specified in Policy H3 for the North, East and Greater North West housing zones,</li></ul>

where this is justified having regard to the level of constraints, planning obligations and other relevant matters

<b>Report Author:</b>	Tom Evans
<b>Finance Officer:</b>	Aimee Dyer
<b>Legal Officer:</b>	Jonathan Wills
<b>Access to Services Officer:</b>	Rhian Millar

## 1.0 Overview

- 1.1 All local planning authorities in Wales are required to produce, and keep under review, a Local Development Plan (LDP). This report sets out the culmination of approximately 9 years of work to prepare and adopt an LDP for Swansea. It marks a significant moment for the Council in terms of providing the opportunity to endorse an up-to-date, fully evidenced strategic planning framework to facilitate positive, transformative development across the City and County.
- 1.2 The Swansea LDP will be the primary strategy and policy document against which the Council will make decisions on development proposals going forward. It is an innovative and ambitious Plan that promotes a strong 'Placemaking' agenda, and presents a positive approach to managing the inevitable future growth that Swansea is going to experience. The policies and proposals within the LDP address the County's need for new homes, jobs, infrastructure and community facilities to support economic growth and raise standards of living. Policies promoting development are set out alongside those that require proposals to respect and promote the County's cultural heritage, important landscapes and sensitive environments. Planning for growth commensurate with the aspirations of a City Region inevitably involves difficult decisions about releasing Greenfield land for development, and it is certainly the case that areas will see transformational change. Crucially however, the LDP provides the opportunity to successfully manage this change and ensure that development is of a quality that will ensure the places ultimately delivered across Swansea will provide a proud legacy for future generations.
- 1.3 Preparation of the LDP has been a comprehensive and iterative process, involving a substantial amount of consultation and engagement at various key stages over many years of Plan formation. This has included both statutory and non-statutory consultation exercises. It has involved engagement with the general public, key stakeholders, statutory bodies and industry representatives, all of which has been in accordance with relevant statutory Regulations. The key Stages of LDP preparation has included:
- **Candidate Sites Submitted and Assessed** (public consultation during September 2010 - September 2011)
  - **Vision, Objectives and Strategic Options** (public consultation during July - October 2012)
  - **Preferred Strategy** (approved by Members August 2014 following public consultation)
  - **Draft Proposals Map** (public consultation during January 2015 on sites initially proposed for allocation in the Plan)

- **Full Deposit Plan** (approved by Members for public consultation June 2016)

- 1.4 At Council on 27<sup>th</sup> July 2017 Members agreed to submit the Deposit LDP and supporting evidence to the Welsh Government and Planning Inspectorate for independent Examination. Subsequently, the Ministers of the Welsh Government appointed two Inspectors to conduct the Examination of the soundness of the LDP. The Examination commenced on the 13<sup>th</sup> December 2017 and Hearing Sessions subsequently took place over a 7 month period, commencing on 6<sup>th</sup> February 2018 and concluding on the 11<sup>th</sup> September 2018.
- 1.5 Subsequently, at Council on 25<sup>th</sup> October 2018 Members approved for public consultation the 'Matters Arising Changes' (MACs) to the Deposit LDP (i.e. the changes to the Plan that arose from the Examination process). The consultation was undertaken over a six week period and concluded on the 14<sup>th</sup> December 2018, with approximately 580 representations being duly made. Over 500 of the representations related to three particular matters of policy, namely changes to 'Policy H9 - Houses in Multiple Occupation', 'Policy H5 - Local Needs Housing Exception Sites' and the change in designation of land within the settlement of Bishopston from 'Policy ER3 - Green Wedges' to 'Policy ER2 - Strategic Green Infrastructure Network'. All duly made comments received were forwarded to the Inspectors for their consideration. In accordance with statutory obligations the comments were not considered by the Council. The consultation ensured that all interested parties had the opportunity to make the Inspectors aware of their views to inform their deliberations on the soundness of the LDP.

## **2.0 The Inspectors Report on the LDP Examination**

- 2.1 The LDP Inspectors have concluded their deliberations and their Final Report on the Examination into the Swansea LDP (dated 31<sup>st</sup> January 2019) has now been published. The Final Report and its Appendices are available at Appendix 1 of this report.
- 2.2 **The Inspectors' Report concludes that, subject to implementation of the binding changes set out within it, the Swansea LDP satisfies the requirements of the relevant legislation and meets the necessary 'tests of soundness'. In concluding this, the Inspectors have confirmed that the Council has provided sufficient evidence to support the Plan, and that they consider the policies and proposals will realistically be delivered.** The Inspectors consider that the necessary changes do not alter the thrust of the Council's overall strategy and do not undermine the Plan's Sustainability Appraisal (SA).
- 2.3 The recommended binding changes that are set out in the Inspectors Final Report are broadly consistent with the schedule of MACs to the Deposit Plan that arose out of the Examination process and that were subject to public consultation at the end of 2018. That is, the Inspectors have largely endorsed the amendments that were discussed during Hearings and subject to the recent public consultation. They have confirmed that these are appropriate changes to be made before the Plan is adopted. Some of the key changes endorsed by the Inspectors in their Report include:  
***Deleting the previously proposed Gypsy and Traveller site allocation at Pant y Blawd Road (having regard to the planning permission secured at***



*the site); Updating the Concept Plans and developer requirements for the key Strategic Development Areas allocated across the County; Identifying a Management Area for Houses in Multiple Occupation (HMOs) with a ‘capacity threshold’ to define over-intensification; Changing the Green Belt designation in the vicinity of Garngoch Common to a Green Wedge and adjusting its boundaries; Identifying a new Special Landscape Area at the Garngoch and Lower Afon Llan Valley; and retaining in an amended form the Plan’s innovative policy relating to Local Need Exception Housing Sites in Gower and Gower Fringe areas.* In respect of the ‘Alternative Sites’ put forward for housing development by objectors to the Plan, the Inspectors Report succinctly confirms that there is no need for the inclusion of any such alternative sites since they are satisfied the Plan makes appropriate provision for the delivery of housing.

- 2.4 As well as the MACs required to ensure soundness of the Plan, a small number of minor changes/updates are also put forward by the Inspectors in their Report as non-binding suggestions to improve clarity. These are not necessary for soundness and are therefore advisory only. Having reviewed these minor amendments, officers consider that all the minor suggestions put forward are helpful modifications and appropriate to be incorporated into the Plan.
- 2.5 Only a limited number of MACs that were subject to consultation have been considered not appropriate by the Inspectors due to reasons of soundness. Generally these do not give rise to any concerns for the Planning Authority and the Inspectors recommendations to not incorporate these will help ensure the Plan is clear and aligned with national guidance. Indeed some are the result of the Council itself identifying to the Inspectors that previously proposed changes were no longer appropriate given changes in circumstances, such as the need to reflect newly published Planning Policy Wales (Version 10, December 2018).

*Inspector Change – Affordable Housing Targets*

- 2.6 The only significant area of contention between the Council and the Inspectors’ published findings relates to the issue of affordable housing targets. The Deposit LDP policy contained the following targets for the ‘housing zones’ that cover the majority of Swansea’s developable area:

<b>Strategic Housing Policy Zone</b>	<b>Target for Affordable Housing</b>
<i>North</i>	15%
<i>East</i>	
<i>Greater North West</i>	20%

The Council has always maintained, and continues to contend, that the above targets are based on sound evidence and a track record of delivery. These targets received support through the Examination from Coastal Homes, Pobl, Llanmoor Homes and Morganstone Homes, who agreed with the Council’s general approach to providing a flexible policy that would allow the Planning Authority to pursue such targets for developments **if the circumstances justified it - e.g. for sites with little or no planning obligations**. All of the aforementioned companies submitted evidence and reasoning to the Examination as to why they thought the LDP policy approach and the % targets were appropriate.

- 2.7 The Inspectors have, however, not accepted the Council’s position in relation to this issue. Their Report states at para 6.14. *“We have received oral and written evidence from various interested parties either supporting the current targets or seeking their reduction to the proportions shown to be viable in the June 2018 analysis conducted on behalf of the Council. As set out above, we are not persuaded by the evidence that the targets identified in the submitted policy are viable. However, we also share the Council’s concern that setting the targets too low may yield fewer affordable homes than may be viably achieved. On the balance of evidence we therefore consider it reasonable to reduce the on-site targets in the three zones by 5% each.”* The Inspectors change reduces the affordable housing targets in Policy H3 as follows:

<b>Strategic Housing Policy Zone</b>	<b>Target for Affordable Housing</b>
<i>North</i>	10%
<i>East</i>	
<i>Greater North West</i>	15%

- 2.8 The impact of the Inspectors forced change in relation to the targets would be to reduce the potential of the Plan to facilitate affordable housing delivery on allocated housing sites (and windfall applications) in the order of 200 homes over the Plan period.
- 2.9 Senior Officers of the Council, as well as Cabinet Members and the Leader, have set out in clear terms in detailed submissions to the Inspectors why the Council does not agree with their suggestion that a reduction to affordable housing targets in Policy H3 is necessary to make the Plan sound. Officers would maintain that sufficient and appropriate evidence has been submitted to the examination to fully justify the Council’s approach. The Inspectors’ position stated in paragraph 6.14 of their Report, that they are ‘not persuaded the targets in the Deposit Plan are viable’, remains an extremely difficult one to rationalise given that these targets have been achieved on repeated occasions on developments in Swansea, including on LDP sites that have recently come through the planning system, and having regard to the likely costs associated with bringing forward the remaining allocated sites during the Plan period. Members have made clear the importance they attribute to the key corporate objective of maximising affordable housing delivery. For this reason, and given the strength of evidence that exists relating to this issue, once the Plan is formally adopted officers will take a case by case approach of considering whether submitted proposals justify seeking a proportion of affordable housing in excess of the target rate specified in LDP Policy H3. In particular the rates originally specified in the Deposit Plan for the Swansea North, East and Greater North West housing zones will be considered for their suitability, having regard to matters such as the level of constraints on a site, the tenure mix of affordable homes appropriate for the scheme, and the amount of any planning obligations that the development would generate. In relation to the latter, development that generate a cost of less than £5,000 per dwelling would be considered to be providing less than the average planning obligation contribution, having regard to the benchmark values that were used in the viability testing that has underpinned the Plan and that has been supported by the Inspectors. This approach is consistent with the supporting text to Policy H3 of the LDP (paragraph 2.5.20), which states *“in certain developments where there are fewer constraints or requirements, such as a lack of s106 obligations, a higher*

*percentage than that stated in the policy may be sought in exceptional circumstances”.*

### **3.0 Adoption Stage**

- 3.1 Statutory regulations require LDP adoption to be secured through a formal resolution of Council, and states that all binding recommendations in the Inspectors’ Report must be incorporated into the Plan. If and when it is adopted, the Swansea LDP will become the statutory Development Plan for the entire administrative area and the Unitary Development Plan (UDP) will cease to have effect.
- 3.2 A ‘tracked changes’ version of the LDP has been produced solely for the purpose of aiding the interpretation of the binding changes set out in the Inspectors Report, and highlighting all the changes made to the Deposit version. This can be viewed at Appendix 2 of this report.
- 3.3 A ‘Final Version’ of the LDP is also available at Appendix 2. This version, as well as including all the binding changes also incorporates minor typographical, grammatical and factual updates, which the Inspectors have authorised can be made in the interest of ensuring that the final adopted version of the Plan is usable and accurate. Following adoption, a graphically improved and fully formatted version of this Final Version will be produced for publication, which may necessitate some further typographical or factual amendments be made over and above those already incorporated. This could include some additional altered paragraph numbering, updated cross referencing, or improved layouts of text and diagrams. It is recommended that officers be authorised to make such minor amendments prior to publication of the fully formatted Final Version. In addition to the final published versions of the Plan to be produced as hard copies and for digital download, an interactive web-based version of the written statement and Proposals Map will also be produced for the benefit of users. The final version of the LDP will be published in Welsh and English.
- 3.4 Subject to the Council resolving to adopt the LDP, appropriate notification relating to the LDP and its supporting documentation will be published by means of a Public Notice in local media to comply with statutory Regulations. Notification and/or relevant documentation will also be sent to interested parties, stakeholders and consultees who have been involved in, or requested to be kept informed of the plan preparation process. The Adopted LDP and supporting documentation will also be made available at the Civic Centre, and will be available to view at all public libraries and on the Council’s website.
- 3.5 Statutory Regulations require the Council to publish an Adoption Statement (attached as Appendix 3 to this report), incorporating information relating to Sustainability Appraisal and Strategic Environmental Assessment (SA/SEA). The final SA/SEA and Habitats Regulations Assessment (HRA) are required by the Regulations to be published alongside the Adopted LDP. The SA/SEA process has ensured that LDP policies and proposals reflect sustainable development principles, and has assessed their effect on the economy, social wellbeing, resource conservation and environmental protection/enhancement. The HRA process has importantly concluded that the LDP will not adversely affect the integrity of any ‘European Site’ (designated under European Law), either alone or in combination with other plans or strategies. The final SA/SEA

and HRA Reports have been updated to take account of the Inspector's recommended changes. The Final Sustainability Appraisal Report and Non-Technical Summary, and the updated HRA Reports, are available as Appendices to this Report.

#### **4.0 Future Stages and LDP Monitoring**

- 4.1 Following adoption of the LDP, the Council has a statutory requirement to prepare and submit an Annual Monitoring Report on the LDP to the Welsh Government, and to publish this for public inspection. This Annual Report will examine whether LDP's policies are being properly implemented and/or appropriate development is coming forward on allocations. It also provides the mechanism for determining whether policies need to be reviewed. The LDP contains a Monitoring Framework, which was finalised through the course of the Examination process, containing over 100 indicators relating to the range of policies and proposals in the Plan. It is these indicators that must be measured and formally reported on each autumn. The Annual Reports will consider what action, if any, is required in line with the Monitoring Framework. This could include, for example, the need for additional Supplementary Planning Guidance (SPG), Development Briefs or further research into policy effects. Alternatively, where monitoring clearly shows that policies are significantly failing to implement the Plan's strategy, a policy review can be undertaken, which in turn can inform considerations for a wider Plan review.
- 4.2 The first full Annual Monitoring Report on the Swansea LDP is due in October 2020. The Council will also be required to undertake a full review of the LDP no later than 4 years after the date of adoption.
- 4.3 The Council has in the past prepared and approved a number of SPG to supplement the policies of the Swansea UDP. In order to ensure conformity with LDP policies, a review of these SPG documents will be carried out as soon as is practicable following adoption of the LDP, which will assess those that can continue be referenced in development management decisions. This approach will ensure the advice and guidance provided in existing SPGs is carried forward to offer support to the policies of the adopted LDP. A programme of entirely new SPG to support and amplify the policies in the LDP will also be progressed over the next 18 months. All SPG will need to be approved by Members and be subject to public consultation. The schedule of new and updated SPG to be prepared, together with an indicative timetable for their production, is set out in Appendix 6 of this report.

#### **5.0 Equality and Engagement Implications**

- 5.1 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.

5.2 An Equality Impact Assessment (EqIA) has been undertaken as part of the Council's legal duty to assess the Plan's policies for their impact on protected groups as defined in the Equality Act 2010. The Assessment found that the Plan is relevant to a number of protected characteristics, including age, disability, the Welsh language, poverty and social exclusion. The EqIA has been continually revised throughout the LDP process to reflect changes made to the Plan, and this process has ensured that the Council has paid due regard to the above duties. The final version of the EqIA is attached to this report at Appendix 7.

## **6.0 Financial Implications**

6.1 The recommendation to adopt the LDP will incur low level expenditure in relation to the administrative actions required for formal adoption of the Plan, including the publication of documents and notification procedures. These costs will be accommodated within existing budgets for the current financial year.

6.2 The costs associated with undertaking the Monitoring Programme and Associated Work Programme, including the preparation of SPG, will need to be met from within existing departmental budget.

## **7.0 Legal Implications**

7.1 The Council is statutorily obliged to prepare and keep under review a LDP, in accordance with the Planning and Compulsory Purchase Act 2004, the Environmental Assessment of Plans and Programmes (Wales) Regulations 2004 and the Town and Country Planning (Local Development Plan) (Wales) Regulations 2005. The adoption of the LDP will provide the Council with a clear, effective and up to date planning framework to guide proposals, without which there would be an absence of an approved local policy context to justify refusing undesirable and speculative development, such as on unallocated Greenfield land.

7.2 In accordance with the relevant Act and statutory Regulations, the Council is expected to adopt the LDP within eight weeks of receipt of the Inspector's report (dated Jan 31<sup>st</sup>, 2019). Also to meet the Regulations, an Adoption Statement will be published alongside the adopted Plan and Inspectors Report, along with the Final Sustainability Appraisal Report and Habitats Regulation Assessment.

7.3 All binding recommendations in the Inspectors' Report must be incorporated into the Plan, and it is not possible to adopt the Plan with any of the binding changes omitted. Should the Council elect not to adopt the LDP, the Welsh Government does have the legal authority to intervene and can endorse the LDP on the Council's behalf. Also, the Welsh Ministers do have the power to direct a further modification to the LDP that is contrary to any of those put forward by the Inspectors, if for example the Welsh Ministers considered a change to the Deposit LDP to be unsatisfactory. In such circumstances they could direct a modification in response to the final report, essentially countering the modifications put forward by the Inspector. It should be stressed that this would be a most unusual set of circumstances. The Council may be required to reimburse Welsh Government of any costs associated with direct intervention.

- 7.4 A six-week challenge period to the High Court is provided by the Planning and Compulsory Purchase Act (PCPA) 2004 (section 113) – commonly known as seeking a Judicial Review (JR). Applications for legal challenge to the LDP must be made within six weeks of the date of the published Adoption Statement.
- 7.5 Subject to the outcome of any potential High Court process, if and when the Swansea LDP is adopted it will supersede the now time expired Swansea Unitary Development Plan (UDP), and will provide the basis by which future planning applications and appeals will be determined.

**Background Papers:**

- Report to Council of the Cabinet Member for Commercial Opportunities & Innovation, 27 July 2017 - Swansea Local Development Plan (LDP) Update on Deposit LDP Public Consultation, Evidence Base Review and Next Stages
- Report to Council of the Cabinet Member for Delivery, 25 October 2018 - Outcome of Swansea Local Development Plan (LDP) Examination and requirement for Public Consultation on Proposed Amendments to the Plan

**Appendices:**

Appendix 1 - Inspectors Report on the Examination into the Swansea LDP and Related Appendices [\[link\]](#)

Appendix 2 - 'Tracked Changes' and 'Final Version' of Swansea LDP, incorporating binding changes [\[link\]](#)

Appendix 3 - The Adoption Statement

Appendix 4 - Sustainability Appraisal Reports [\[link\]](#)

Appendix 5 - Habitats Regulations Assessment Reports [\[link\]](#)

Appendix 6 - Programme of SPG

Appendix 7 - Equality Impact Assessment [\[link\]](#)

**Appendix 1:**

**Inspectors Report on the Examination into the Swansea LDP,  
including Appendices**

<https://www.swansea.gov.uk/ldpexamination>

and

<https://www.swansea.gov.uk/ldp>

**Appendix 2:**

**'Tracked Changes' and 'Final Version' of Swansea LDP,  
incorporating binding changes**

<https://www.swansea.gov.uk/ldp>



**Appendix 3:**  
**Swansea LDP Adoption Statement**

# Swansea Local Development Plan

2010 to 2025

## Adoption Statement

28<sup>th</sup> February 2019

### Background

In accordance with the requirements of Regulations 25 (2) of the Town & Country Planning (Local Development Plan) (Wales) Regulations 2005 and Regulation 16 of the Environmental Assessment of Plans and Programmes (Wales) Regulations 2004, the Council is required to prepare an Adoption Statement for the Swansea Local Development Plan.

**Part 1** of the statement addresses the requirements of the Town & Country Planning (Local Development Plan) (Wales) Regulations 2005 and **Part 2** accords with the requirements of the Environmental Assessment of Plans and Programmes (Wales) Regulations 2004.

### **Part 1: Requirements of the TOWN AND COUNTRY PLANNING (LOCAL DEVELOPMENT PLANS) (WALES) REGULATIONS 2005 (AS AMENDED)**

- 1.1 The Swansea Local Development Plan (LDP) was adopted on the 28<sup>th</sup> February 2019. The LDP became operative on its adoption.
- 1.2 The Swansea LDP is the planning policy document for the City and County of Swansea. It sets out key policies and land use allocations that will shape the future of Swansea and guide development up to 2025. The Swansea LDP replaces the adopted Swansea Unitary Development Plan.
- 1.3 Copies of the adopted LDP, the report of the Planning Inspectors appointed to hold the independent examination, the Sustainability Appraisal (SA) report (incorporating the Strategic Environmental Assessment [SEA]) and Habitats Regulations Assessment (HRA Report), together with this Adoption Statement, are available for inspection at:  
Civic Centre, Oystermouth Road, Swansea, SA1 3SN between the hours of 9.00am and 4.30pm Monday to Fridays, at all Public Libraries during normal opening hours and on the Council's website at: [www.swansea.gov.uk/ldp](http://www.swansea.gov.uk/ldp)
- 1.4 A person aggrieved by the LDP who desires to question its validity on the ground that it is not within the powers conferred by Part 6 of the Planning and Compulsory Purchase Act 2004, or that any requirement of that Act or any regulation made under it has not been complied with in relation to the adoption of the LDP, may, within six weeks from the date specified on the adoption notice make an application to the High Court under Section 113 of the 2004 Act.

## **Part 2 : Requirements of the Environmental Assessment of Plans and Programmes (Wales) Regulations 2004**

### **Introduction**

- 2.1 The LDP provides a spatial framework which is underpinned by the principles of sustainable development. The LDP provides a policy framework that integrates social, environmental and economic issues that are relevant to the people who live, work and visit the City and County of Swansea.

### **Sustainability Appraisal and Strategic Environmental Assessment**

- 2.2 Planning legislation requires that Development Plans are subject to a Sustainability Appraisal (SA). This is a systematic process that is designed to evaluate the predicted social, economic and environmental effects of development planning and to inform the decision making process. European and UK legislation requires that LDPs are also subject to a Strategic Environmental Assessment (SEA), a process that considers the effects of development planning on the environment. Where significant adverse effects are predicted, the SEA aims to identify means to avoid or mitigate such effects. Government guidance advises that these two processes should be carried out together as part of an iterative process and requires that Plans are subject to SA incorporating SEA through a single appraisal process. The term referred to as 'SA' throughout this report should therefore be taken to include the requirements of SEA.
- 2.3 This section of the Adoption Statement describes how the SA process has influenced the progression of the Swansea LDP and how environmental considerations and consultation responses have been taken into account during the development of the Plan. It also outlines why the Deposit LDP was progressed in the light of other reasonable alternatives and highlights the measures that have been developed to track the effects of the Plan.
- 2.4 The Environmental Assessment of Plans and Programmes (Wales) Regulations 2004 require when a Plan that is subject to an SA is adopted, a 'statement' is made available to accompany the adopted plan or programme. Section 16(4) of the Regulations require that this post 'Adoption Statement' provides the following information:
- a) *How environmental considerations have been integrated into the LDP;*
  - b) *How the Environmental Report (the SA Report) has been taken into account;*
  - c) *How opinions expressed in relation to the consultations on the plan and Environmental Report (the SA) have been taken into account;*
  - d) *How the results of any transboundary consultation have been taken into account;*
  - e) *The reasons for choosing the plan as adopted, in the light of the other reasonable alternatives dealt with; and*
  - f) *The measures that are to be taken to monitor the significant environmental effects of the implementation of the Plan.*

- 2.5 Each of the above requirements are dealt with in turn below. It should be noted that a substantial amount of information relating to these matters is contained within documents published throughout the plan preparation process, such as the SA Report 2018 (ED096) and the updated SA Report which takes into account the binding recommendations of the Report on the Examination into the Swansea Local Development Plan 2010 – 2025, 2019 (hereafter known as the ‘Inspectors Report’). The LDP Initial Consultation Report and Deposit Consultation Report (submitted documents LDP 16 & LDP 17) refer to the changes made to the LDP during the plan making process. In accordance with paragraph 8.4.2.3 of the Local Development Plan Manual (Edition 2, August 2015), rather than duplicate this material, appropriate cross references are made to relevant documents within this Adoption statement.
- 2.6 The LDP was also subject to a Habitats Regulations Assessment (HRA), which followed an iterative process and was carried out in parallel to the SA process. The HRA assessed the impacts of the LDP in combination with the effects of other plans and projects on European sites, designated for their ecological status. The findings of the HRA have informed the preparation of the LDP and the SA. The Final HRA is reported alongside the Adopted Plan. Details of the HRA are also available on the Council’s website.

<p><b>a) How environmental considerations have been integrated into the Local Development Plan</b></p>
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- 2.7 The LDP has been subject to a Strategic Environmental Assessment (SEA) in order to consider the potential impact of the Plan on the environment and to improve the LDP’s environmental performance.
- 2.8 The SA has been prepared by the Council. The SA process is intended to assist in the implementation of the LDP with a view to delivering sustainable development in Swansea through the integration of the key social, economic and environmental objectives. The SA has run in parallel with the development of the LDP, from the earliest stage of the plan making process through to adoption. The process has been iterative, with the SA informing the development of the LDP and ensuring that sustainability (including environmental) considerations are integrated into the LDP.
- 2.9 Shadow Habitats Regulations Assessments, have been undertaken throughout the Plan making process and have informed each stage of the process. This integrated HRA approach has ensured that, subject to certain identified mitigation measures, the LDP will not affect the integrity of European sites, alone or in-combination with any other plans or projects.
- 2.10 Table 1 below illustrates the stages of the LDP process and the corresponding stages of SA and HRA, together with dates of the consultation stages.

**Table 1: Stages of the LDP, SA and HRA Process and Consultation**

SA Stage	HRA	LDP Stage	Consultation/Time scale
<b>Scoping Report</b>			September 2010 2 months
<b>Sustainability Appraisal of Vision, Objectives &amp; Strategic Options</b>	Preliminary Screening	Pre-Deposit Plan Preparation	2012 23 <sup>rd</sup> July to 12 <sup>th</sup> October 2012
<b>SA of Preferred Strategy 2012</b>	Screening of Preferred Strategy		N/A
<b>SA of Preferred Strategy 2013</b>	Screening of Preferred Strategy		12 <sup>th</sup> August to 31 <sup>st</sup> October 2013
<b>SA of Deposit</b>	Screening of Deposit 2016 Updates October 2017 and February 2018. Update to include, Appropriate Assessment June 2018	Deposit Plan	18 <sup>th</sup> July to 31 <sup>st</sup> August 2016
<b>SA of Matters Arising Changes</b>	Screening of MACs, as an addendum to the Main HRA July 2018 Update to include IMACs November 2018	Matters Arising Changes	6 weeks ending 14 <sup>th</sup> December 2018
<b>Final LDP Sustainability Report</b>	Screening of the binding recommendations of the Inspectors Report. Final HRA report endorsed by Council.	Inspector's Report	Inspectors Report 31 <sup>st</sup> January 2019

## **b) How the environmental report has been taken into account**

2.11 The SA and LDP were developed in parallel, with each stage of the SA informing and influencing the preparation and progression of the LDP. The following sections summarise how the issues identified through the key stages of SA/SEA process have influenced and informed the LDP. Chapter 10 of the Updated SA Report (ED096) provides further details of each of the Stages and how the SA has influenced the development of the LDP.

### **SA Scoping Report**

2.12 The initial stage of the SA process involved the preparation of a 'Scoping Report' which reviewed the existing relevant baseline information considered relevant to inform the emerging LDP. The scoping exercise identified the key sustainability issues for the plan area and established a baseline for Swansea. The Scoping Report also set out the Sustainability Framework, which contains the SA objectives and indicators which are used to assess the plan's policies and proposals. The components of the SA framework reflect the issues highlighted within the Scoping Report.

2.13 Public consultation on the SA Scoping Report took place from 27<sup>th</sup> September 2010 for two months. In accordance with the statutory requirements of the SEA directive, the relevant named Consultation Bodies were consulted. However, the Scoping Report was also published for wider public consultation. The Scoping Report was updated in 2012 to take account of the consultation responses received and the latest available data. The updated Scoping report was finalised in February 2012.

### **Sustainability Appraisal of the Emerging Plan**

#### ***Vision, Strategic Objectives and Strategic Options***

2.14 Draft versions of the LDP Vision and Strategic Objectives were assessed against the SA Framework at the non-statutory Vision Objective and Strategic Options (VOSO) stage in 2012. The SA was not undertaken on the Strategic Options which were presented in the VOSO due to the large number of variables that would have to be assessed and the fact that many of them would not realistically be taken forward. Instead, the growth options were assessed at Preferred Strategy Stage following the public consultation exercise and subsequent revision of the Strategic Options to focus on realistically viable and sustainable options and reducing the total number of variables.

2.15 The recommendations from the SA of the VOSO with regard to the Vision and Strategic Objectives were contained within the Appendices of the SA Report, together with action taken. The iterative process resulted in amendments to 11 objectives.

#### ***The SA Report of the Preferred Strategy, 2013***

2.16 The SA Report 2013 contained an appraisal of the Vision, Objectives, Strategic Growth Options, Spatial Options and Strategic Policies against the SA

objectives in the SA Framework; updated the environmental baseline and the predicted effects with and without the implementation of the LDP. The SA of the Preferred Strategy was subject to public consultation in 2013 alongside the Preferred Strategy document (LDP10a and 10b). Appendix 7 of the SA Report tables the SA comments and recommendations together with the response (action taken) of planning policy team, demonstrating the iterative nature of the SA process. The SA process resulted in amendments to the Plan's Vision, Objectives, Growth Strategy, Spatial Strategy and Strategic Policies.

- 2.17 The HRA (LDP13) resulted in the inclusion of several mitigation measures in the Final Preferred Strategy of the final Preferred Strategy, 2014 recommended further mitigation measures for the Deposit Plan to address identified issues for European sites.

#### ***Revised SA of the Final Preferred Strategy, 2014***

- 2.18 The Revised SA Report 2014 (LDP11) concluded that the amendments to the Preferred Strategy following public consultation were relatively minor, focusing on housing figures and spatial strategy together with amendments as a result of the HRA. The Report recommended an additional Growth Option which blended the most sustainable spatial elements of the presented strategies, as well as the importance of mitigation being properly addressed by the Deposit Plan. Due to the minor changes to the Preferred Strategy it was considered unlikely that the effects on the County's environment, economy or people's health and well-being with implementation of the Preferred Strategy would be significantly different from those outlined within the initial SA Report. Appendix 7 of the SA Report tables the SA comments and recommendations together with the response (action taken) of planning policy team, once again demonstrating the iterative nature of the SA process.
- 2.19 The HRA of the final Preferred Strategy, 2014 recommended further mitigation measures for the Deposit Plan to address identified issues for European sites.

#### ***Deposit SA***

- 2.20 The SA Report of the Deposit LDP (LDP 08, 09a and 09b) provides an update to the previous SA Reports and was published in July 2016 alongside the Deposit Plan as part of the Deposit Plan public consultation. During the formulation of the Deposit Plan the SA provided an iterative framework which allowed for the development of a robust Plan and policy framework, ensuring sustainability considerations were embedded throughout the Plan, including allocated site selection. Appendix 7 of the Report tables SA recommendations and the response (actions) of the strategic planning team and how the comments were taken in to account during Plan formulation.
- 2.21 The HRA (LDP14) was able to screen out several earlier issues, because of the implementation of previously recommended mitigation measures. The overall HRA conclusion was that with the incorporation of certain identified mitigation measures, implementation of the Plan would not have an effect on any European site.

### ***Updates to Deposit SA – December 2017***

- 2.22 Updates were made to the SA Report in response to Inspectors' questions and this was published in December 2017 (reference ED006.8) prior to the start of the Examination in Public (EiP).
- 2.23 The HRA was updated in October 2017 (LDP14), February 2018 (ED017) and again in June 2018 (ED095), the latter involved an Appropriate Assessment. As a result of these updates the overall conclusion of the HRA remained unchanged.

### ***The Assessment and Selection of Sites***

- 2.24 Reasonable alternatives were considered during the SA of Housing Growth Options, SA of Spatial Growth options and SA of Site Options. The Council undertook an extensive process which considered a whole range of Candidate sites in accordance with a detailed site assessment methodology. Some sites were screened out in the early stages of the assessment process, those that progressed to the final stage of the process had a full site appraisal in accordance with with candidate site methodology which incorporated SA of sites using the **Council's SA Candidate Site Scoring Guide (see Appendix 2 of SA Report)** from which the final site allocations in the Deposit Plan were selected. The consideration of site options was an iterative process that was been carried out simultaneously to Plan preparation.
- 2.25 The process of considering site options through the SA are outlined within Deposit SA Report 2016, Revised SA Report 2017 and Updated SA Report 2018 Chapter 9 (ED096).

### ***Matters Arising Changes and Inspectors Matters Arising Changes 2018***

- 2.26 In response to agreed action points at the Examination hearing sessions, the Council published Matters Arising Changes (MACs) together with Inspectors Matters Arising Changes (IMACS) which have been made to the Deposit Plan for consultation between 31<sup>st</sup> October and 14<sup>th</sup> December 2018. The SA Report has been updated to take them into account (ED096), together with SA recommendations and actions from the Strategic Planning Team detailing how they have been taken into account.
- 2.27 The HRA of the MACs and IMACs, as an addendum to the main HRA (ED095a), screened out any likely significant effects for European sites. This assessment was also made available during the MAC consultation.

### ***Adopted LDP***

- 2.28 The SA of the Adopted Plan is the final stage of the process. The majority of the MACs published for consultation are recommended by the Inspector within the Inspectors Report. All MACs were subject to SA and considered within the 2018 SA Report, see Appendix 11 for full details of the screening and reassessment of Policies subject to MACs. The process identified a small number of further minor amendments to provide further clarity to the Plan. The



Inspector's Report includes a further seven Inspector proposed changes (IMACs) (including 5 which had previously been made [ED097] and were subject to SA within the 2018 SA Report) which the Inspectors concluded are needed to make the Plan sound. These are acknowledged in the final SA Report. The Inspectors concluded that:

*'these changes are in line with the substance of the overall Plan and its policies, and do not undermine the Sustainability Appraisal (SA) and the participatory processes undertaken.'*

- 2.29 The HRA of the adopted Plan considered the Inspector's binding recommendations to the MACs, including IMACs. It takes the form of an update to the original addendum (ED095a) and the overall screened out conclusion resulting from the assessment of the MACs and IMACS remains unchanged. The final HRA consists of the latest updates of both the HRA of the Deposit Plan [ED095] and the addendum relating to the MACs and IMACs ([ED095a] as amended following the Inspectors' Report.)
- 2.30 The SA and HRA of the Adopted Plan is available for viewing alongside the other statutory documents, including the Inspector's Report.
- 2.31 The integration of environmental considerations into the LDP has, therefore, been undertaken progressively and iteratively as the Plan has developed. The Scoping Report ensured that the sustainability issues most relevant to the Plan area were identified; and the Strategy and individual policies have been appraised against this framework of Sustainability Objectives. In this respect, the Inspectors, within their Report confirm that:  
*'we are satisfied that the general approach to SA/SEA is robust and that the procedural and legal requirements have been met'.*

In respect of the HRA, the inspectors state that:

*'In accordance with the Habitats Directive a shadow Habitats Regulations Assessment (HRA) of the deposit Plan was undertaken. The corresponding report as originally submitted was updated to respond to representations made by Natural Resources Wales (NRW), including in relation to the Carmarthen Bay and Estuaries European Marine Site (CBEEMS). The HRA was again revised during the examination to take account of likely future updates to the CBEEMS Memorandum of Understanding.*

*The European Court of Justice ruled in April 2018 that it is not permissible to take account of measures intended to avoid or reduce the harmful effects of a plan on a European site at the screening stage. In response to this Court judgment the Council revisited the HRA. As certain elements of the Plan have the potential to result in likely significant effects on the CBEEMS and Crymlyn Bog Special Area of Conservation, the revised HRA Report incorporates an Appropriate Assessment (AA). The AA identifies that, subject to certain identified mitigation measures, the Plan would have no adverse effect on the integrity of European Protected Sites, either alone or in combination with other plans and projects. As the mitigation measures identified in the AA would be incorporated within the Plan via six MACs, we are content that the Habitats Directive has been complied with.'*

**c) How opinions expressed in relation to the consultations on the Plan and environmental report have been taken into account**

- 2.32 The SA process and has been undertaken in accordance with: Article 6 of the EU Directive 2001/42/EC; the Environmental Assessment of Plans and Programmes Regulations 2004; and the Council's Community Involvement Scheme (CIS).
- 2.33 The statutory Consultation Bodies (namely NRW and Cadw) were consulted in accordance with the Regulations. In addition the public and a wider range of interested stakeholders were also consulted. In this respect, the Council's Delivery Agreement and CIS identified other relevant specific and general consultees in addition to others who had requested to be consulted and who were contained on the council's LDP consultation database
- 2.34 Consultation with the Consultation Bodies, range of stakeholders and members of the public was undertaken at the following key statutory stages:
- SA Scoping (2010)
  - SA Preferred Strategy (2013 and 2014)
  - SA of Deposit LDP (2016)
  - SA of MACs and IMACs (2018)
- 2.35 Responses to the consultations are contained within the Council's Consultation Reports (Initial Consultation Report LDP016a, Initial Consultation Report Appendices LDP016b and Deposit Consultation Report LDP 017). The SA Report was updated in 2017 following initial questions from the Inspector (Updated SA Report ED006.8) and further updated in 2018 following the Examination in Public in order to take in to account evidence which had been updated since the Deposit SA was undertaken and to clarify the content of the Report, ensuring it was expressed in a clear and transparent manner.
- 2.36 The Inspectors considered comments in relation to the SA Report, SA of MACs and IMACs and concluded that:  
*"we are satisfied that the general approach to SA/SEA is robust and that the procedural and legal requirements have been met".*
- 2.37 Further Inspectors binding recommendations contained within the Inspectors Report are considered by the Inspectors to be:  
*"in line with the substance of the overall Plan and its policies, and do not undermine the Sustainability Appraisal (SA) and the participatory processes undertaken."*
- 2.38 Similarly, consultation on the HRA with the full range of stakeholders was undertaken at the pre-deposit (2013 & 2014), deposit (2016) and MACs and IMACs (2018) stages. Consultation responses to the HRA of the deposit Plan [LDP14] are contained within the Council's consultation Report [LDP17] and demonstrate that all comments received were duly taken into account.

**d) How the results of any transboundary consultation have been taken into account**

- 2.39 Adjoining authorities were consulted during the SA process but no transboundary issues were raised through the SA process apart from potential issues relating to air quality along major transport corridors and water quality within the CBEEMS. These issues were examined in more detail via HRA and resulted in amendments to the Plan.
- 2.40 The HRA considered the effects of the LDP beyond the Swansea administrative boundary in respect of the impacts on European sites. It was concluded that subject to certain identified mitigation measures, the implementation of the LDP would not result in a likely significant effect on the integrity of any European Site (including those beyond the Swansea administrative boundary) either alone or in combination with other plans and projects.

**e) The reasons for choosing the Plan as adopted in the light of the other reasonable alternatives dealt with**

- 2.41 Reasonable alternatives were considered at three specific stages of the SA process: SA of Housing Growth Options; SA of Spatial Growth Options; and SA of Site Options.
- 2.42 Details on the consideration of both Housing Growth Options and Spatial Options at the Preferred Strategy Stage, are set out within the Chapter 6 of the SA Report. Five Growth Options were identified in the Draft Preferred Strategy, all of which were subject to SA. Growth option 3 (16,700 dwellings) was considered the preferred option, however consultation responses considered that the figure was too low. Following the publication of the 2011-based Welsh Government household projections in February 2014, the growth options were revisited. The revised options were also subject to SA and the Council considered a preferred option of 17,100 dwellings, which would help support the Council's regeneration and economic aspirations, whilst meeting the Welsh Governments projected growth figures.
- 2.43 The SA process helped to inform the selections of the spatial strategy contained within the Preferred Strategy and provided a mechanism through which reasonable alternatives were considered. The draft Preferred Strategy considered 4 alternative spatial growth options, together with a 'business as usual' option. Using the SA framework, the SA considered the 4 alternative spatial growth Options presented in the Preferred Strategy and predicted the likely positive and negative effects of each. Specific sites were not assessed at this stage. The SA process recommended that the approach required in order to achieve the most sustainable form of development and address existing capacity issues was therefore to pursue a blend of a limited number of strategic development sites, supported elsewhere by small to large-scale edge of settlement allocations, including limited rural/semirural extensions.
- 2.44 The SA process has been iterative, and has helped to inform the selection of sustainable sites, from the first candidate site submission to the continual review and development of the sites as Strategic Development Areas and allocations within the Plan. Whilst is not the role of the SA to decide on the alternative to be chosen for the LDP, the SA has provided information to make the decision making process more reliable and transparent. Chapter 6 sets out

how site options were considered during the emerging plan stages and explains how Stages 1 and 2 of the candidate site process effectively filtered out sites which were not considered to be realistic alternatives. This included sites which failed to meet the Preferred Spatial Strategy. Chapter 7 sets out the process of appraisal of all sites which progressed to Stage 3 which as a result of the earlier screening process were considered to have a realistic prospect of being found sound. A detailed appraisal was undertaken of all Stage 3 sites using the Council's Candidate Site Scoring Guide (see Appendix 2). This included a consideration of the viability and deliverability of each site. Full details of the results of the appraisal are set out in Table 17 of the Report.

2.45 Chapter 9 of the SA Report (ED096) summarises the consideration of reasonable alternatives throughout the whole plan process and outlines the reasons for selecting the strategy and sites contained in the Plan as adopted.

2.46 On the issue of consideration of reasonable alternatives the Inspectors' Report concluded that:

*"Prior to the examination the deposit Plan was subjected to SA incorporating SEA. The SA Report as originally submitted provides a summary of the strategic alternatives considered and outlines the reasons for selecting the deposit Plan's strategy, site allocations and policies. Parts of the SA Report were updated during the examination to provide further clarity about the candidate site assessment process. The report has been further updated to take account of changes to the Plan arising from the examination."*

*"The detail provided in the SA Report in relation to specific sites is proportionate and the reasons for selecting site allocations are sufficiently outlined. There is little evidence of other realistic site-specific alternative being available."*

<b>f) The measures that are to be taken to monitor the significant environmental effects of the implementation of the Plan</b>
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2.47 LDP Regulation 37 of the Town and Country Planning (LDP) (Wales) Regulations 2005, requires that the Council prepare, and subsequently submit to Welsh Government, an Annual Monitoring Report (AMR). This is required to monitor specific items, as well as identifying where and why policies of the Plan are not being implemented.

2.48 In addition, Regulation 17 of the SEA regulations requires that the Council must monitor the most significant effects of the Plan. Chapter 12 of the Updated SA Report (ED096) details how the key issues for monitoring will be those areas of the environment where the SA has indicated that implementation of the LDP will have the most significant likely effect. In order to avoid duplication between the monitoring undertaken for the SEA and LDP, some indicators have been combined for the two processes to aid clarity.

2.49 The LDP Monitoring Framework, as set out within Chapter 4 of the Adopted LDP, provides the basis for measuring policy performance. In this respect, the implementation of the LDP will be monitored with appropriate regard to the objectives and outcomes of the SA.

2.50 Monitoring the Plan and its significant environmental effects are statutory requirements that will be undertaken through the AMR. The first AMR will be submitted to Welsh Government by 31<sup>st</sup> October 2020.

2.51 On the issue of monitoring, the Inspectors have concluded that the Monitoring Framework proposed for inclusion within the Adopted Plan:  
*“would include relevant targets and trigger points for core indicators. These would be complemented by a number of local indicators that would be used to monitor specific policies. Overall, we are satisfied that these proposed amended indicators, targets and trigger points are appropriate. They would allow the Council to accurately monitor the Plan’s implementation, and to identify whether individual policies and allocations should be revised or whether the Plan strategy requires more comprehensive updating. On the basis of the foregoing, we are satisfied that the Plan’s monitoring and review mechanisms are soundly based.”*

### **Further Information**

2.51 If you have any queries or would like further information please contact a member of the Strategic Planning team on 01792 635081 or email [ldp@swansea.gov.uk](mailto:ldp@swansea.gov.uk)

## **Appendix 4**

### **Sustainability Appraisal Reports**

<https://www.swansea.gov.uk/dpsasea>

## **Appendix 5**

### **Habitats Regulations Assessment Reports**

<https://www.swansea.gov.uk/ldphra>

## Appendix 6

### Schedule of SPG programmed for adoption

Policy (Deposit Plan Ref.)	Title	Existing SPG and Requires Updating to Reflect LDP	Existing Document Not Yet Adopted as SPG	New (to be drafted & adopted over plan period)	Target Adoption Date
PS2, SD2, H8, HC2 RC5, ER4 CV1, CV3 CV4 TR2 TR5 RP9	1. Places to Live Residential Design Guide	x			2019
	2. Infill and Backland Design Guide	x			2019-2021
	3. Design Guide for Householder Development	x			2019
	4. District Centres and Local Centres	x			2022-2025
	5. Gower AONB Design Guide - Update	x			2019
	6. Conservation Area Appraisals (various)			x	2019
	7. Shopfront & Commercial Frontage Design Guide	x			2022-2025
	8. Swansea Tall Building Strategy	x			2019-2025
SDI	9. Swansea Vale Development Strategy	x			2019-2021
SDK, T9	10. Fabian Way Development Framework			x	2019
SDL	11. Tawe Riverside Strategy	x			2019-2021
IO1, IO2, H3, SI3	12. Planning Obligations	x			2019-2021
H1.1	13. Vetch Field	x			2019-2021
H9	14. Houses of Multiple Occupation			x	2019
HC2	15. Locally Important Historic Assets			x	2022-2025
SI5 SI6	16. Open Space			x	2019
SI8	17. Planning for Community Safety	x			2022-2025
RC1	18. Swansea Central Area Regeneration Framework	x			2019-2021
RC1	19. Development Frameworks for Retail Area and/or Complementary Areas within Swansea Central Area			x	Ongoing up to 2025
ER2	20. Swansea Green Infrastructure			x	2019



<b>Policy</b> (Deposit Plan Ref.)	<b>Title</b>	<b>Existing SPG and Requires Updating to Reflect LDP</b>	<b>Existing Document Not Yet Adopted as SPG</b>	<b>New</b> (to be drafted & adopted over plan period)	<b>Target Adoption Date</b>
ER4, ER7 TR5 TR6 TR9 TR10 TR11 RP2	21. Gower Landscape Character Assessment		x		2019-2021
	22. Gower Landscape Sensitivity and Capacity Study for Caravan and Campsites		x		2019-2021
	23. Loughor Estuary, Gower and Swansea Bay Seascape Assessment		x		2019-2021
	24. Lighting Scheme Guidance for Gower AONB	x			2019-2021
	25. Gower Advertising Guidance	x			2022-2025
	ER5, CV2 EU11	26. Special Landscape Areas		x	
ER6	27. Biodiversity and Development			x	2019
CV2	28. The Use of Land For Horses for Recreational Purposes & Associated Structures, Fences, Access Ways			x	2019-2021
CV3	29. Hareslade Design Guide	x			2022-2025
	30. Holts Field Design Guide	x			2022-2025
	31. Miles Lane Design Guide	x			2022-2025
	32. Sandy Lane Design Guide	x			2022-2025
CV4	33. Conversion of Rural Buildings	x			2019-2021
TR2	34. Swansea Bay Strategy & (various) Development Frameworks for Waterfront Destinations	x			2022-2025
RP13	35. Minerals Safeguarding			x	2022-2025
T6, H9	36. Car Parking Standards	x			2019-2021

## **Appendix 7**

### **Equality Impact Assessment**

[www.swansea.gov.uk/ldpeqia](http://www.swansea.gov.uk/ldpeqia)

# Agenda Item 10.



## Report of the Section 151 Officer

Council - 28 February 2019

### Medium Term Financial Planning 2020/21 - 2022/23

<b>Purpose:</b>	This Report sets out the rationale and purpose of the Medium Term Financial Plan and details the major funding assumptions for the period and proposes a strategy to maintain a balanced budget.
<b>Policy Framework:</b>	Sustainable Swansea – Fit for the Future
<b>Consultation:</b>	Legal Services, Access to Services, Cabinet Members and Corporate Management Team
<b>Recommendations:</b>	It is recommended that:-  1) The Medium Term Financial Plan 2020/21 to 2022/23 be approved as the basis for future service financial planning.
<b>Report Author:</b>	Ben Smith
<b>Finance Officer:</b>	Ben Smith
<b>Legal Officer:</b>	Debbie Smith
<b>Access to Services Officer:</b>	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 6<sup>th</sup> 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
<b>Cumulative</b>	<b>-6,400</b>	<b>0</b>	<b>6,400</b>

\* 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 21<sup>st</sup> 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	2021/22	2022/23
		£'000	£'000	£'000
Future cost of pay awards	1			
- Non Teachers		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
<b>Total known pressures</b>		<b>24,928</b>	<b>45,104</b>	<b>63,366</b>
Aggregate External Finance reduction	14	0	0	0
<b>Total Savings Requirement</b>		<b>24,928</b>	<b>45,104</b>	<b>63,366</b>

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 20<sup>th</sup> 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 31<sup>st</sup> 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 16<sup>th</sup> 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 25<sup>th</sup> 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 14<sup>th</sup> 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%
<b>Total</b>	<b>362.7</b>		<b>-59.1</b>	

\* 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. Where Cabinet have recommended a change to the current proposals, any future impact has been adjusted for below.
- 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:

	<b>20/21 £'000</b>	<b>21/22 £'000</b>	<b>22/23 £'000</b>
<b>Future Year Impact of current (2019/20) proposals:</b>			
Resources	183	193	193
Poverty & Prevention	629	1,379	1,389
Education	1,160	1,941	2,908
Social Services	665	820	820
Place	1,610	3,060	4,241
Cross Cutting	2,005	2,327	2,367
	<b>6,252</b>	<b>9,720</b>	<b>11,918</b>
<b>Future Proposals to be Considered:</b>			
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
	<b>5,043</b>	<b>8,213</b>	<b>11,303</b>
<b>Sub-total of Service Specific Savings (as per Appendix C)</b>	<b>11,295</b>	<b>17,933</b>	<b>23,221</b>
Schools*	5,353	9,992	14,765
<b>Total Savings</b>	<b>16,648</b>	<b>27,925</b>	<b>37,986</b>

\*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.

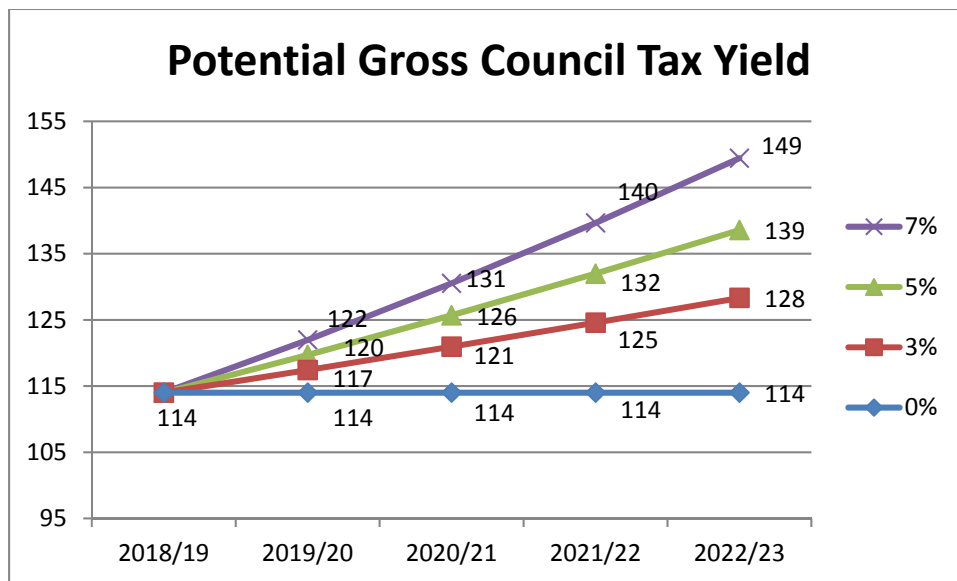
The following stylised planning assumptions are made:

- 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>
<b>Cumulative budget shortfall</b>	<b>24,928</b>	<b>45,104</b>	<b>63,366</b>

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>
<b><i>Cumulative budget shortfall</i></b>	<b>24,928</b>	<b>45,104</b>	<b>63,366</b>
<b><i>Future year impact of current service savings proposals</i></b>	<b>-6,252</b>	<b>-9,720</b>	<b>-11,918</b>
<b><i>Future year proposals to be considered</i></b>	<b>-5,043</b>	<b>-8,213</b>	<b>-11,303</b>
<b><i>Schools savings</i></b>	<b>-5,353</b>	<b>-9,992</b>	<b>-14,765</b>
<b><i>Cumulative budget shortfall before Council Tax is taken into consideration</i></b>	<b>8,280</b>	<b>17,179</b>	<b>25,380</b>
<b><i>100% Council Tax Premia on both long term empty and second homes - if introduced</i></b>	<b>-1,500</b>	<b>-3,000</b>	<b>-3,000</b>
<b><i>Cumulative budget shortfall after Council Tax Premia introduced</i></b>	<b>6,780</b>	<b>14,179</b>	<b>22,380</b>
<b><i>Council Tax at stylised assumption of 5%</i></b>	<b>-6,000</b>	<b>-12,300</b>	<b>-19,000</b>
<b><i>Cumulative budget shortfall to be initially funded immediately by additional savings flowing from Zero Based Budgeting Reviews</i></b>	<b>780</b>	<b>1,879</b>	<b>3,380</b>

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>
<b><i>Cumulative budget shortfall after Council Tax Premia</i></b>	<b>6,780</b>	<b>14,179</b>	<b>22,380</b>

<b><i>Zero Based Budgeting assumption</i></b>	<b>-2,000</b>	<b>-4,000</b>	<b>-6,000</b>
<b><i>Cumulative budget shortfall to be funded by Council Tax</i></b>	<b>4,780</b>	<b>10,179</b>	<b>16,380</b>

<b><i>This equates to Council Tax at</i></b>	<b>4.0%</b>	<b>4.4%</b>	<b>4.7%</b>
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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 12<sup>th</sup> January 2016 the Welsh Government issued guidance to Local Authority Members on matters to be taken into consideration when scrutinising the level of Local Authority Reserves held at any point in time. This has been circulated to all Members and any recommendation relating to the holding or release of reserves will be undertaken with reference to the principles underpinning best practice as issued by the Chartered Institute of Public Finance and Accountancy and this guidance.

## **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:

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

	<ul style="list-style-type: none"> <li>• reduce management and other overheads</li> <li>• maximise opportunities for increasing income from charges, trading and external sources</li> <li>• reduce the cost of purchasing supplies and services</li> <li>• work with others to achieve better outcomes</li> <li>• look for opportunities for residents or community groups to take or share responsibility for services</li> </ul>
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#### 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 goals<sup>1</sup> 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
<b>Safeguarding</b> people from harm – so that our citizens are free from harm and exploitation	<ul style="list-style-type: none"> <li>▪ Delivering digital solutions which join up information and services to both support and protect citizens</li> <li>▪ Training and development of the whole workforce and Councillors which includes safeguarding</li> </ul>
<b>Improving Education &amp; Skills</b> – so that everyone in Swansea gains the skills and qualifications they need to succeed in life.	<ul style="list-style-type: none"> <li>▪ A Digital Strategy for Swansea schools which supports the Digital Competence Framework</li> <li>▪ A Digital Strategy for the Council which supports communities, so people grow digital skills and feel confident using digital channels at any age</li> </ul>

<sup>1</sup> 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.

<b>Well-Being Objective</b>	<b>Sustainable Swansea Contribution</b>
<p><i>Transforming our <b>Economy &amp; Infrastructure</b></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"> <li>▪ A joined-up capital programme that supports the 21<sup>st</sup> Century Schools, building of new homes and City Centre development</li> <li>▪ A Digital Strategy that develops Swansea as a Smart City for both residents and tourism</li> </ul>
<p><i><b>Tackling Poverty</b></i> – so that every person in Swansea can achieve his or her potential</p>	<ul style="list-style-type: none"> <li>▪ 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</li> </ul>
<p><i>Maintaining and enhancing Swansea’s <b>Natural Resources and Biodiversity</b></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"> <li>▪ 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</li> <li>▪ Factoring biodiversity into service reviews</li> </ul>
<p><i><b>Transformation &amp; Future Council</b> 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"> <li>▪ Transformation of the whole Council through a targeted programme of reviews at service, Directorate and organisation levels</li> <li>▪ Changing the culture of the Council so it can meet future challenges, for example being more entrepreneurial and commercial, developing shared services and partnerships</li> <li>▪ 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</li> <li>▪ Involving communities in change and service outcomes through co-production</li> <li>▪ 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</li> <li>▪ Building the Council’s data capability to inform long term decision-making and service delivery</li> </ul>

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

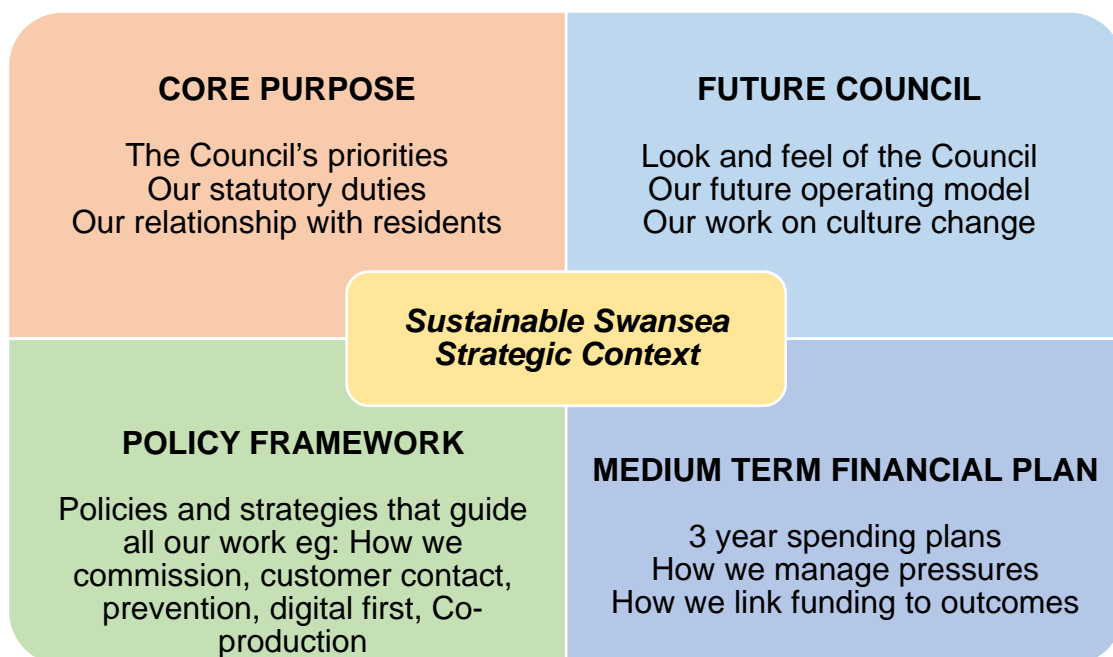
- Looking ahead to the medium and long-term challenges
- Preventing problems from occurring or from getting worse
- Ensuring our objectives do not contradict each other and complement those of other public bodies
- Working in partnership with others
- Involving local people.

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

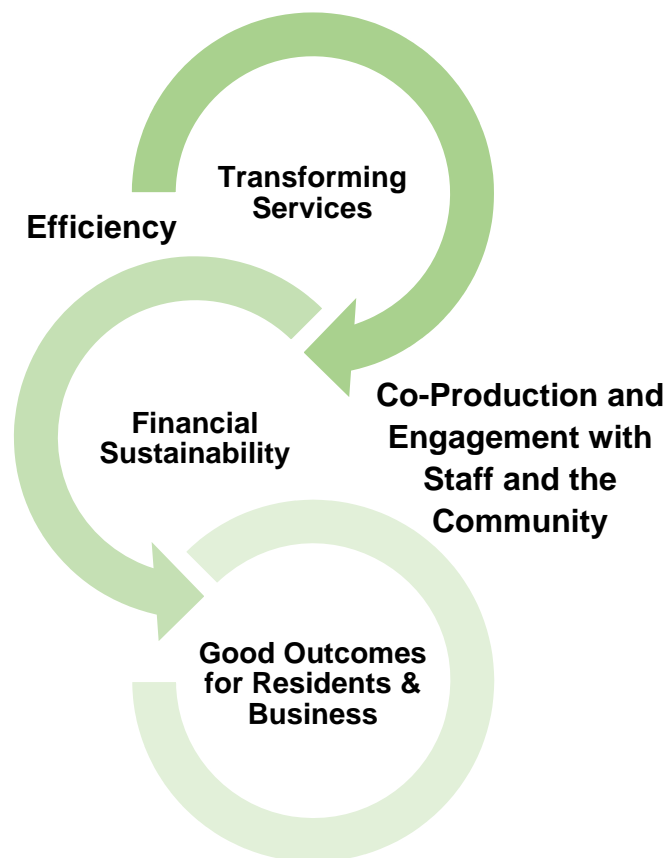
The *Sustainable Swansea – Fit for the Future* programme is governed within a strategic framework.

- 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 21<sup>st</sup> 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
<b>Social Services</b>				
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
<b>Education</b>				
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			✓	
<b>Place</b>				
Corporate Building & Corporate Property <ul style="list-style-type: none"> <li>▪ Mobile Working part of Digital Programme</li> <li>▪ Asset Optimisation part of Capital Programme</li> </ul>		✓		
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			✓	
<b>Resources</b>				
Business Support including in the next phase: <ul style="list-style-type: none"> <li>▪ Business Support Hub implementation</li> <li>▪ PA/Management support review</li> <li>▪ Review of Freedom of Information and Subject Access Request resources and processes</li> </ul>		✓		

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"> <li>▪ Enterprise Resource Planning (ERP)</li> <li>▪ Second phase of integration and rationalisation of ICT spend across the Council</li> <li>▪ Revised Digital Strategy</li> <li>▪ Transformation operating model</li> </ul>			✓	
Review of organisational development (OD) and learning including: <ul style="list-style-type: none"> <li>▪ Integration of training across the Council</li> <li>▪ Review of the OD Strategy</li> <li>▪ Innovation operating model</li> </ul>			✓	
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
<b>Cross-Cutting Projects involving multiple Services across the Council</b>				
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"> <li>▪ Housing Development</li> <li>▪ City Deal and City Centre Development</li> <li>▪ 21<sup>st</sup> Century Schools</li> </ul>				✓
Outcomes for Citizens – Lead sponsor Director of Social Services <ul style="list-style-type: none"> <li>▪ Leading learners</li> <li>▪ Adult improvement programme</li> <li>▪ Information, Advice &amp; Assistance Framework (IAA)</li> <li>▪ Child and Family – Reclaiming Social Work Transformation</li> </ul>				✓

### 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.

Director	Head of Service	2020/21 £'000	2021/22 £'000	2022/23 £'000	Saving Proposal
<b>Future Impact of 2019/20 Savings Proposals</b>					
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
<b>Place</b>	<b>Highways and Transportation</b>	<b>23</b>	<b>23</b>	<b>23</b>	<b>Charge for free car parks</b>
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
		<b>6,275</b>	<b>9,743</b>	<b>11,941</b>	<b>Total of future impact of 2019/20 savings proposals</b>
<b>New Proposals from 2020/21</b>					
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	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	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 3.
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, Morrison, St Thomas, Friendship House)
		<b>5,043</b>	<b>8,213</b>	<b>11,303</b>	<b>Total of new proposals from 2020/21</b>
		<b>11,318</b>	<b>17,956</b>	<b>23,244</b>	<b>Total of ALL service specific savings proposals</b>

Savings removed by Cabinet (in **bold** above)

Place	Highways and Transportation	-23	-23	-23	Charge for free car parks
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		<b>11,295</b>	<b>17,933</b>	<b>23,221</b>	<b>Revised total of ALL service specific savings proposals</b>
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# Agenda Item 11.



## Report of the Section 151 Officer

Council – 28 February 2019

## Revenue Budget 2019/20

<b>Purpose:</b>	This report proposes a Revenue Budget and Council Tax Levy for 2019/20.
<b>Policy framework:</b>	Sustainable Swansea – Fit for the Future
<b>Consultation:</b>	Cabinet Members, Legal, Access to Services & Corporate Management Team
<b>Recommendations:</b>	It is recommended that:  1) Council approves a Revenue Budget for 2019/20 as detailed in Appendix A.  2) Council approves a Budget Requirement and Council Tax Levy for 2019/20 as detailed in Section 9 of this report.
<b>Report Author:</b>	Ben Smith
<b>Finance Officer:</b>	Ben Smith
<b>Legal Officer:</b>	Debbie Smith
<b>Access to Services Officer:</b>	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 22<sup>nd</sup> October 2013 – ***‘Sustainable Swansea: Fit for the Future’*** focusing on the principles and strategies to be adopted as part of the current and future budget process.
  - The report to Cabinet on 29<sup>th</sup> July 2014 – ***‘Sustainable Swansea: Fit for the Future: Delivery Programme’*** which agreed the specific objectives of the programme and set out an outline programme for delivery.
  - The update report on Sustainable Swansea – Fit for the Future as approved by Cabinet on 16<sup>th</sup> July 2015.
  - The report to Cabinet on 14<sup>th</sup> 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. Cabinet has considered the comments received from residents, community groups, partners, employees, School Budget Forum, Joint Phase Head Teachers, Trade Unions and others. The report also includes an Equality Impact Assessment statement so that the Council can be aware of the key issues before finalising budget proposals.

## **2. Financial Monitoring 2018/19**

- 2.1 Cabinet considered a report on the estimated Revenue Outturn for 2018/19 at its meeting of 14<sup>th</sup> February 2019. It was 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 That report for the 3<sup>rd</sup> 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 1<sup>st</sup> 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 19<sup>th</sup> 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:

	<u>£'000</u>
Forecast increase in Welsh Government support 2019/20 per Cabinet report 14 <sup>th</sup> 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 14<sup>th</sup> 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**

	<b>2019/20 £'000</b>
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
<b>Total known pressures</b>	<b>27,525</b>
Aggregate External Finance increase CASH	-18

Aggregate External Finance increase (Estimated)	-1,500
Rebase of External Finance (grants as above)	-1,606
<b>Total Savings Requirement</b>	<b>24,401</b>

- 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**

	<b>2019/20 £'000</b>
<b>Target per Cabinet Report 14<sup>th</sup> December 2018</b>	<b>24,401</b>
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
<b>Cumulative revised target</b>	<b>24,401</b>

### ***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:**

	<b>£'000</b>
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 Council.

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
<b>Cash position</b>	
<b>Net core delegated base budget 2018/19</b>	<b>147,013</b>
Increase for Pay Award - all staff (up to 3.5%)	3,700
Increased Pension costs re non-teaching school based staff	300
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
<b>Core delegated base budget 2019/20</b>	<b>150,720</b>
	+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 1<sup>st</sup> April 2015, and to date, a significant element of the Capital Financing requirement has been met by the allocation of internal funds (internal borrowing). This is highly dependent on cash-flows of the Council and it is anticipated that, during 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 21<sup>st</sup> 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 14<sup>th</sup> February 2019 Cabinet report we have been notified of a confirmed increase in the Fire Authority Levy of £0.340m (2.7%). The final figure reflects an overall average 2.48% increase in the levy and some redistribution of shares of the levy between contributing authorities (£0.027m). This is £0.06m lower than the estimated increase included in the pressures table above.

### ***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 16<sup>th</sup> July 2015.

- 5.2 The strategy as adopted underpinned the decision taken at the Council's Cabinet on 14<sup>th</sup> December 2018 to recommend specific savings proposals totalling £17.058m in 2019/20 for consultation. Cabinet on 14<sup>th</sup> February 2019 has now considered what changes to make to these proposals in light of the outcome of the consultation, and these are set out in paragraph 6.9.
- 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 14<sup>th</sup> December 2018)**

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

\*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**

- 6.1 The annual budget consultation ran from 21<sup>st</sup> December 2018 to 1<sup>st</sup> February 2019. The consultation included a public survey available online and in hard-copy in council venues. In total 1,153 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 and Council will be kept updated on any potential issues that may arise as part of the budget implementation process.
- 6.3 Council will need to consider the response to consultation and the EIA report and demonstrate how we are taking account of the feedback. This is particularly the case, of course, if we are minded to proceed with any proposals where there is a significant majority of those responding opposed to this, bearing in mind that consultation feedback is just one of the factors that we need to consider when making difficult budget choices.

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

- 6.4 The survey provided the opportunity for people to have their say on:
- Future funding of services
  - Proposed spend 2019/20
  - Specific budget proposals

#### **Future funding of services**

- 60% would you be prepared to pay more for some services rather than lose them?
- 76% 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
- 84% agree to explore increased income opportunities within the Music Service
- 81% agree with the proposed opening hours for Gorseinon library
- 81% agree to further roll out of the Local Area Co-ordination provision across the Swansea area
- 80% agree with the proposed opening hours for Morriston library

### 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

All survey responses including open text comment have been provided to Cabinet for consideration

## 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.

<b>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?</b>		
General public	69% 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
<b>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?</b>		
General public	70% 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

All survey responses including open text comments have been provided to Cabinet for consideration

### **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”. The petition has been provided to Cabinet for consideration.

### **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](mailto:servicecentrehelpdesk@swansea.gov.uk) or their recognised Trade Unions. Staff were given until the 7<sup>th</sup> 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 18<sup>th</sup> 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, Council 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 At the meeting of Cabinet on 14<sup>th</sup> February 2019, as a result of the feedback from the public consultation and considering wider priorities, a number of amendments to the budget were approved for recommendation to Council as follows:

	<b>2019/20 £'000</b>
<b>Sub-total of Savings Proposals – as per Table 4 above (and as detailed in Appendix D)</b>	12,779
Remove the proposal to charge for free car parks	-23
Reduce the proposal to review additional payments to staff to retain payment of professional fees for staff	-49
Reduce the proposal for Library Services to ensure the Delivery Service is maintained	-67
<b>Revised Savings Proposals (as detailed in Appendix D)</b>	<b>12,640</b>

- 6.10 At the meeting of Cabinet on 14<sup>th</sup> February 2019, the Section 151 Officer suggested that the removal of these savings could be funded by the lower than expected Fire Authority Levy (as detailed in paragraph 4.14 above) and by reducing the contribution to the contingency fund.
- 6.11 It is the view of the Section 151 Officer that the contribution to the Contingency Fund is now at its absolute minimum for 2019/20 to protect

against any slippage in achieving savings and any newly emerging budget pressures.

- 6.12 Scrutiny Panels have reviewed and fed back on the proposals and the Service Improvement and Finance Panel have discussed the budget proposals with the Leader of the Council. Following a meeting of the Service Improvement and Finance Panel on 12<sup>th</sup> February 2019, the Convenor of the Panel attended Cabinet on 14<sup>th</sup> February 2019 to outline the views of the Scrutiny Panel.
- 6.13 Council will need to consider whether it is minded to make any further recommendations beyond this in its final proposals for the 2019/20 budget.

## 7. Staffing Implications

### Background

- 7.1 The Cabinet Report of 14<sup>th</sup> 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 Equivalents (FTEs))

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

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

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

- 7.2 The Council is committed to continue to work closely with Trade Unions to minimise the number of compulsory redundancies.
- 7.3 The S188 Letter was sent out on 18<sup>th</sup> 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 meetings 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 be 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 7<sup>th</sup> 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 25<sup>th</sup> 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 1<sup>st</sup> 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 31<sup>st</sup> March 2020 would be £9.352m.

### ***Contingency Fund***

- 8.7 The 3<sup>rd</sup> 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 3<sup>rd</sup> quarter budget monitoring report for 2018/19 considered by Cabinet on 14<sup>th</sup> February 2019, the forecast Fund balance as at 31<sup>st</sup> 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 14<sup>th</sup> 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 was recommended to Cabinet that the contribution to the base budget Contingency Fund in respect of 2019/20 was increased by £0.251m to £3.701m, depending upon any budget decisions Cabinet was also minded to recommend. Again this is considered the absolute minimum 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.

The implications of Section 6 above are that the contribution to the Contingency Fund will reduce by £0.79m to fund the reduced savings proposals.

<b>Contingency Fund</b>	<b>£'000</b>
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
Base budget decrease to fund reduced savings proposals	-79
<b>Total available for 2019-20</b>	<b>7,072</b>

### ***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 25<sup>th</sup> 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 14<sup>th</sup> 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, based on the recommendations made at Cabinet on 14<sup>th</sup> February 2019, a slightly lower Council Tax rise of 5.99% 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
Revised Savings proposals as per Section 6 above	12,640
Schools Savings Requirement as per Table 4 above	4,279
Net effect of Council tax base increase and proposed charges	6,986
Funding identified for change to Council Tax	357
Funding identified for change to Savings Proposals	139
<b>Overall resourcing</b>	<b>24,401</b>

- 10.2 I am satisfied that the budget proposals detailed in this report represent a realistic and achievable financial plan for 2019/20 subject to the potential financial implications of the risks described in Section 11 below.

## 11. Assessment of Risks and Uncertainties

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

### ***(a) Implications of specific 2018/19 overspends***

The 3<sup>rd</sup> quarter financial monitoring report, discussed at the Cabinet meeting on 14<sup>th</sup> February 2019, 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 1<sup>st</sup> 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 1<sup>st</sup> April 2014, there has been a significant number of appeals against grades awarded. Where these appeals have been successful, it will lead to additional costs over and above the grade initially allocated including incremental costs over a period of up to five years, 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 20<sup>th</sup> 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 Council 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

<b><u>DIRECTORATE</u></b>	<b>ORIGINAL BUDGET 2018/19 £'000</b>	<b>ORIGINAL BUDGET 2019/20 £'000</b>
RESOURCES	41,191	45,011
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
ADDITIONAL SAVINGS	0	0
<b><i>NET DIRECTORATE EXPENDITURE</i></b>	<b>383,776</b>	<b>392,549</b>
SPECIFIC PROVISION FOR INFLATION / APPRENTICESHIP LEVY	2,000	3,000
<b><i>OTHER ITEMS</i></b>		
<b>LEVIES</b>		
SWANSEA BAY PORT HEALTH AUTHORITY	86	86
<b>CONTRIBUTIONS</b>		
MID & WEST WALES COMBINED FIRE AUTHORITY	12,631	12,971
<b><i>CAPITAL FINANCING CHARGES</i></b>		
PRINCIPAL REPAYMENTS	16,066	14,152
NET INTEREST CHARGES	16,643	17,793
<b><i>NET REVENUE EXPENDITURE</i></b>	<b>431,202</b>	<b>440,551</b>
<b><i>MOVEMENT IN RESERVES</i></b>		
GENERAL RESERVES	-1,000	0
EARMARKED RESERVES	2,614	2,375
<b><i>TOTAL BUDGET REQUIREMENT</i></b>	<b>432,816</b>	<b>442,926</b>
DISCRETIONARY RATE RELIEF	400	400
<b><i>TOTAL CITY AND COUNTY OF SWANSEA REQUIREMENT</i></b>	<b>433,216</b>	<b>443,326</b>
COMMUNITY COUNCIL PRECEPTS	1,403	1,465
<b><i>TOTAL REQUIREMENT</i></b>	<b>434,619</b>	<b>444,791</b>
<b><i>FINANCING OF TOTAL REQUIREMENT</i></b>		
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
<b><i>TOTAL FINANCING</i></b>	<b>434,619</b>	<b>444,791</b>
<b><i>COUNCIL TAX BASE for the City and County of Swansea</i></b>	<b>89,962</b>	<b>90,069</b>
<b><i>COUNCIL TAX AT BAND 'D' (£) for the City and County of Swansea</i></b>	<b>1,268.64</b>	<b>1,344.69</b>
<b><i>GENERAL RESERVES</i></b>		
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
<b>Original estimate 2018/19</b>	<b>41,906</b>	<b>6,378</b>	<b>111,075</b>	<b>20,799</b>	<b>147,013</b>	<b>56,605</b>	<b>0</b>	<b>383,776</b>
Directorate Transfers	0	0	0	0	0	0	0	0
<b>Original estimates following transfers</b>	<b>41,906</b>	<b>6,378</b>	<b>111,075</b>	<b>20,799</b>	<b>147,013</b>	<b>56,605</b>	<b>0</b>	<b>383,776</b>
Transfer to (+) / from (-) reserves 2018/19	-88	0	-290	0	0	242	0	-136
<b>Original estimate 2018/19 excluding reserves</b>	<b>41,818</b>	<b>6,378</b>	<b>110,785</b>	<b>20,799</b>	<b>147,013</b>	<b>56,847</b>	<b>0</b>	<b>383,640</b>
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
<b>Adjusted service budgets 2018/19</b>	<b>42,028</b>	<b>6,500</b>	<b>110,870</b>	<b>20,985</b>	<b>147,619</b>	<b>56,521</b>	<b>0</b>	<b>384,523</b>
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	-642	-2,247	-4,265	-1,752	-4,279	-3,734	0	-16,919
Senior Staff Savings	0	0	0	0	0	0	0	0
<b>Original estimate 2019/20 excluding reserves</b>	<b>44,955</b>	<b>4,553</b>	<b>116,039</b>	<b>19,968</b>	<b>150,720</b>	<b>55,767</b>	<b>0</b>	<b>392,002</b>
Transfer to (-) / from (+) reserves 2019/20	56	0	0	0	0	491	0	547
<b>Net Directorate budgets 2019/20</b>	<b>45,011</b>	<b>4,553</b>	<b>116,039</b>	<b>19,968</b>	<b>150,720</b>	<b>56,258</b>	<b>0</b>	<b>392,549</b>

## 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
<b>DIRECTORATE RESERVES</b>					
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
<b>TOTAL DIRECTORATE RESERVES</b>	<b>-19,624</b>	<b>-5,035</b>	<b>-24,659</b>	<b>3,938</b>	<b>-20,721</b>
<b>CORPORATE RESERVES</b>					
Contingency Fund	0	0	0	-7,072	-7,072
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
<b>TOTAL CORPORATE RESERVES</b>	<b>-25,661</b>	<b>8,915</b>	<b>-16,746</b>	<b>-6,333</b>	<b>-23,079</b>
<b>UNUSABLE/TECHNICAL RESERVES</b>	<b>-947</b>	<b>371</b>	<b>-576</b>	<b>20</b>	<b>-556</b>
<b>SCHOOLS DELEGATED RESERVES*</b>	<b>-7,101</b>	<b>2,484</b>	<b>-4,617</b>	<b>0</b>	<b>-4,617</b>
<b>TOTAL RESERVES</b>	<b>-53,333</b>	<b>6,735</b>	<b>-46,598</b>	<b>-2,375</b>	<b>-48,973</b>

\* 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
<b>Cross Cutting</b>	<b>Cross Cutting</b>	<b>Review of additional payments to staff</b>	<b>356</b>
		<b>Cross Cutting Total</b>	<b>3,602</b>
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
		<b>Education Total</b>	<b>1,415</b>
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
<b>Place</b>	<b>Culture and Tourism</b>	<b>Remodel library services to ensure a more equal provision of service across Swansea</b>	<b>152</b>
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
Place	Highways and Transportation	Further rollout out of automated school crossing controls	25

Director	Head of Service Budget	Savings Proposals	Savings 19/20 £'000
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
		<b>Place Total</b>	<b>3,596</b>
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
		<b>Resources Total</b>	<b>615</b>
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
Social Services	Poverty & Prevention	Better integration of services in poverty & prevention, social services, education and aspects of Place to make management savings.	200

Director	Head of Service Budget	Savings Proposals	Savings 19/20 £'000
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
		<b>Social Services Total</b>	<b>3,551</b>
		<b>Grand Total</b>	<b>12,779</b>

Savings removed by Cabinet (in **bold** above)

Place	Culture and Tourism	Remodel library services to ensure a more equal provision of service across Swansea ( <b>remove part</b> )	-67
Place	Highways and Transportation	Charge for free car parks	-23
Cross Cutting	Cross Cutting	Review of additional payments to staff ( <b>remove part</b> )	-49
		<b>Total Reductions to Savings</b>	<b>-139</b>

		<b>Final Savings Total</b>	<b>12,640</b>
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## Budget Consultation Results 2019

### 1. Budget Consultation

Consultation on the specific budget proposals ran from 21st December 2018 to 1<sup>st</sup> February 2019. A survey was produced detailing the council's budget proposals, giving people the opportunity to provide their feedback. In total 1,153 people took part in the general budget consultation survey.

The consultation was available online at [www.swansea.gov.uk/budgetsurvey](http://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 3,531 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

**60%** would you be prepared to pay more for some services rather than lose them?

**76%** 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

**84%** agree to explore increased income opportunities within the Music Service

**81%** agree with the proposed opening hours for Gorseinon library

**81%** agree to further roll out of the Local Area Co-ordination provision across the Swansea area

**80%** agree with the proposed opening hours for Moriston library

#### Disagree

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

**45%** 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 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.

<b>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?</b>		
General public	69% 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
<b>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?</b>		
General public	70% 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 for consideration.

#### **4. 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

#### **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](mailto:servicecentrehelpdesk@swansea.gov.uk) or their recognised Trade Unions. Staff were given until the 7<sup>th</sup> February to respond.

We received a number of letters and emails from staff, all of which have been provided to Cabinet and Council 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 18<sup>th</sup> 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 that 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...

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

👤 6,358 people reached

Boost Post

👍👤 Swansea Labour Councillors, Craig Waters and 3 others · 9 Comments · 34 shares

👍 Like
💬 Comment
➦ Share
🔥

### Performance for your post

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**6,358** People Reached

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**95** Reactions, comments & shares ⓘ

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

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**597** Post Clicks

<b>0</b> Photo views	<b>168</b> Link clicks ⓘ	<b>429</b> Other Clicks ⓘ
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**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](https://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](mailto:consultation@swansea.gov.uk) or tel 01792 636732**

### Are you ...

887 (77.0%)	A member of the public	16 (1.4%)	A third sector organisation/partner organisation (please specify)
243 (21.1%)	A council employee	4 (0.3%)	A private sector organisation/partner organisation (please specify)
2 (0.2%)	An elected member		
12 (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.**

742 (100.0%) I agree for my comments to be published

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:

1076 (100.0%)

## 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?**

598 (60.3%) Yes  
393 (39.7%) No

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

481 (100.0%)

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

735 (76.4%) Yes  
227 (23.6%) No

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

421 (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?**

456 (43.7%)	Strongly Agree	444 (42.5%)	Tend to Agree	93 (8.9%)	Tend to Disagree	51 (4.9%)	Strongly Disagree
-------------	----------------	-------------	---------------	-----------	------------------	-----------	-------------------

**If you disagree, please tell us why?**

153 (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?**

	<b>Strongly Agree</b>	<b>Tend to Agree</b>	<b>Tend to Disagree</b>	<b>Strongly Disagree</b>
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.	317 (36.3%)	416 (47.6%)	91 (10.4%)	50 (5.7%)

**If you disagree, please tell us why?**

180 (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?

	<b>Strongly Agree</b>	<b>Tend to Agree</b>	<b>Tend to Disagree</b>	<b>Strongly Disagree</b>
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.	300 (30.4%)	496 (50.3%)	129 (13.1%)	61 (6.2%)
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.	238 (24.7%)	457 (47.4%)	168 (17.4%)	101 (10.5%)

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

335 (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?

	<b>Strongly Agree</b>	<b>Tend to Agree</b>	<b>Tend to Disagree</b>	<b>Strongly Disagree</b>
Review the way we fund the Third Sector by revisiting our commissioning arrangements and removal of funding of direct grants	236 (24.5%)	509 (52.9%)	138 (14.3%)	80 (8.3%)

### If you disagree, please tell us why?

217 (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... ?**

	<b>Strongly Agree</b>	<b>Tend to Agree</b>	<b>Tend to Disagree</b>	<b>Strongly Disagree</b>
Central Library	291 (29.4%)	480 (48.5%)	113 (11.4%)	105 (10.6%)

**If you disagree with the above please tell us why?**

241 (100.0%)

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

	<b>Strongly Agree</b>	<b>Tend to Agree</b>	<b>Tend to Disagree</b>	<b>Strongly Disagree</b>
Gorseinon Library	284 (31.1%)	453 (49.6%)	105 (11.5%)	72 (7.9%)
Morryston Library	272 (30.9%)	433 (49.3%)	104 (11.8%)	70 (8.0%)
Oystermouth Library	259 (29.7%)	416 (47.7%)	120 (13.8%)	77 (8.8%)

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

217 (100.0%)

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

	<b>Strongly Agree</b>	<b>Tend to Agree</b>	<b>Tend to Disagree</b>	<b>Strongly Disagree</b>
Clydach Library	192 (22.2%)	366 (42.4%)	152 (17.6%)	154 (17.8%)
Killay Library	198 (21.8%)	353 (38.9%)	166 (18.3%)	190 (20.9%)
Gowerton Library	199 (23.5%)	362 (42.7%)	155 (18.3%)	132 (15.6%)
Pontarddulais Library	196 (23.5%)	361 (43.2%)	152 (18.2%)	126 (15.1%)
Sketty Library	197 (23.4%)	362 (43.0%)	155 (18.4%)	128 (15.2%)
Pennard Library	200 (24.4%)	371 (45.3%)	142 (17.3%)	106 (12.9%)
Brynhyfyd Library	193 (23.7%)	341 (41.8%)	154 (18.9%)	128 (15.7%)

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

425 (100.0%)

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

	<b>Strongly Agree</b>	<b>Tend to Agree</b>	<b>Tend to Disagree</b>	<b>Strongly Disagree</b>
Fforestfach Library	191 (23.6%)	372 (46.0%)	141 (17.5%)	104 (12.9%)
Penlan Library	190 (23.8%)	353 (44.1%)	149 (18.6%)	108 (13.5%)
St Thomas Library	183 (23.0%)	356 (44.8%)	150 (18.9%)	105 (13.2%)
Townhill Library	185 (23.1%)	357 (44.6%)	151 (18.9%)	108 (13.5%)

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

274 (100.0%)

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

	<b>Strongly Agree</b>	<b>Tend to Agree</b>	<b>Tend to Disagree</b>	<b>Strongly Disagree</b>
Llansamlet Library	190 (23.7%)	391 (48.8%)	126 (15.7%)	95 (11.8%)

**If you disagree with the above please tell us why?**

182 (100.0%)

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

318 (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?**

385 (36.9%)	Strongly Agree	330 (31.6%)	Tend to Agree	220 (21.1%)	Tend to Disagree	109 (10.4%)	Strongly Disagree
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**Please provide us with any other views**

359 (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?**

383 (36.8%)	Strongly Agree	340 (32.7%)	Tend to Agree	226 (21.7%)	Tend to Disagree	91 (8.8%)	Strongly Disagree
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**Please provide us with any other views**

351 (100.0%)

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

276 (28.7%)	Introduce charges for the service	672 (69.9%)	Linking with charities to help deliver the service
677 (70.4%)	Use of volunteers to help deliver the service	95 (9.9%)	Other (please write in)
544 (56.6%)	Linking with partners to help deliver the service		
190 (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	329 (33.6%)	443 (45.2%)	125 (12.8%)	83 (8.5%)

**If you disagree, please tell us why?**

209 (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	149 (16.6%)	342 (38.0%)	247 (27.5%)	161 (17.9%)
No longer fund street lighting on private roads	238 (24.3%)	340 (34.8%)	244 (24.9%)	156 (16.0%)

Upgrade of Boatyard to enable the use for Caravan/Motor home parking (Urban Camping)	193 (20.6%)	422 (45.0%)	191 (20.4%)	131 (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	177 (18.1%)	410 (41.9%)	187 (19.1%)	204 (20.9%)
Introduce charges for the 5 remaining free Council car parks	165 (17.2%)	301 (31.4%)	218 (22.7%)	275 (28.7%)

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

481 (100.0%)

## Housing and Public Protection:

**Do you agree or disagree with the proposals listed below?**

	<b>Strongly Agree</b>	<b>Tend to Agree</b>	<b>Tend to Disagree</b>	<b>Strongly Disagree</b>
Bereavement Services - Increase fees by 5% for the next four years in line with other fee increases	134 (13.8%)	438 (45.2%)	252 (26.0%)	146 (15.1%)
Registration Services - Increase fees by 5% for the next four years in line with other fee increases	151 (15.7%)	529 (55.1%)	193 (20.1%)	87 (9.1%)
Trading standards - Increase income from street trading enforcement by creating additional trading pitches	323 (33.1%)	505 (51.8%)	92 (9.4%)	55 (5.6%)

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

197 (100.0%)

## Waste Management and Parks:

**Do you agree or disagree with the proposal listed below?**

	<b>Strongly Agree</b>	<b>Tend to Agree</b>	<b>Tend to Disagree</b>	<b>Strongly Disagree</b>
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.	295 (30.9%)	447 (46.8%)	120 (12.6%)	94 (9.8%)

**If you disagree, please tell us why?**

198 (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:**

299 (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...?**

369 (36.5%) Male

641 (63.5%) Female

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

900 Yes

(98.7%)

12 (1.3%) No

**How old are you ...**

4 (0.4%) Under 16

27 (2.7%) 16 - 25

124 (12.2%) 26 - 35

195 (19.2%) 36 - 45

185 (18.2%) 46 - 55

172 (17.0%) 56 - 65

192 (18.9%) 66 - 75

53 (5.2%) 76 - 85

20 (2.0%) Over 85

42 (4.1%) Prefer not to say

**Would you describe yourself as...**

Please mark all that apply

597 (59.8%) British

7 (0.7%)

Other British (please write in at end)

514 (51.5%) Welsh

14 (1.4%)

Non British (please write in at end)

38 (3.8%) English

2 (0.2%)

Gypsy/traveller

15 (1.5%) Irish

3 (0.3%)

Refugee/Asylum Seeker (please write in current/last nationality at end)

10 (1.0%) Scottish

Write in here

28 (100.0%)

**To what 'ethnic' group do you consider**

911 (94.8%)	<b>White</b> - British	0 (0.0%)	<b>Asian or Asian British</b> - Bangladeshi
30 (3.1%)	Any other <b>White</b> background (please write in at end)	3 (0.3%)	Any other <b>Asian</b> background (please write in at end)
1 (0.1%)	<b>Mixed</b> - White & Black Caribbean	0 (0.0%)	<b>Black or Black British</b> - Caribbean
1 (0.1%)	<b>Mixed</b> - White & Black African	0 (0.0%)	<b>Black or Black British</b> - African
1 (0.1%)	<b>Mixed</b> - White & Asian	0 (0.0%)	Any other <b>Black</b> background (please write in at end)
3 (0.3%)	Any other <b>Mixed</b> background (please write in at end)	3 (0.3%)	<b>Chinese</b>
0 (0.0%)	<b>Asian or Asian British</b> - Indian	7 (0.7%)	Other ethnic group ( please write in at end)
1 (0.1%)	<b>Asian or Asian British</b> - Pakistani		

Write in here  
50 (100.0%)

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

Please mark one box or write in

390 (40.8%)	No religion	1 (0.1%)	Jewish
542 (56.7%)	Christian (including Church of England, Catholic, Protestant, and all other Christian denominations)	2 (0.2%)	Muslim
5 (0.5%)	Buddhist	0 (0.0%)	Sikh
1 (0.1%)	Hindu	15 (1.6%)	Other

Any other religion or philosophical belief (please write in)  
35 (100.0%)

**Do you consider that you are actively practising your religion?**

288 (34.1%) Yes  
556 (65.9%) No

**What is your sexual orientation**

25 (2.8%)	Bisexual	110 (12.4%)	Prefer not to say
22 (2.5%)	Gay/ Lesbian	8 (0.9%)	Other
722 (81.4%)	Heterosexual		

Please write in  
26 (100.0%)

**Can you understand, speak, read or write Welsh?**

Please mark all that apply

182 (20.1%)	Understand spoken Welsh	74 (8.2%)	Write Welsh
113 (12.5%)	Speak Welsh	125 (13.8%)	Learning Welsh
115 (12.7%)	Read Welsh	570 (62.9%)	None of these

**Which languages do you use from day to day?**

Please mark all that apply

942 (98.5%) English  
100 (10.5%) 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."**

259 (26.8%) Yes  
707 (73.2%) No

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

191 (23.4%) Yes  
625 (76.6%) 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 is one full Equality Impact Assessments reports that Council need to consider in relation to this budget. This is attached in Appendix 1.

The EIA relates to Swansea Compact Fund, Open grant round. The proposal is to end the open funding round and retain only those services currently funded under SLA, these will move to a commissioned service model. The EIA demonstrates that there is no concern from a Equality perspective in relation to this proposal.

#### **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](http://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 1

### Equality Impact Assessment (EIA) Report – 2019/20

This form should be completed for each Equality Impact Assessment on a new or existing function, a reduction or closure of service, any policy, procedure, strategy, plan or project which has been screened and found relevant to equality.

Please refer to the 'EIA Report Form Guidance' while completing this form. If you need further support please contact [acesstoservices@swansea.gov.uk](mailto:acesstoservices@swansea.gov.uk).

Where do you work?
Service Area: Partnership, Performance and Commissioning - Discretionary grant Funding of the Third Sector - Swansea Compact Fund
Directorate: Social Services

(a) This EIA is being completed for a:

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

(b) Please name and describe here:

**Swansea Compact Fund– Open grant round: The proposal is to end the open funding round and retain only those services currently funded under SLA – these will move to a commissioned service model.**

Swansea Compact funds 3 major groups via SLA (service level agreement) – the remaining pool of finance is allocated by an open funding round. The open funding round is a competitive application process which all third sector/or not for profit groups working in Swansea are eligible potential applicants.

Funding is allocated on an annual basis only. In the Compact Application pack for 2018/19 it was made clear to all applicants that this was a one-off round. The Application Pack stated; "Swansea Compact Fund will award grants to voluntary and community groups for activities, services and facilities for the benefit of people living in the Swansea Council area. For 2018/19 Grants will be awarded on a one-off basis. Please note that previous or current support from the Swansea Change Fund (the Compact Funds Predecessor) does not guarantee continuation of your project."

The Current recipients of the open funding round are:

#### Swansea Change Fund 2018/19

Ref	Group	Project	Amount 18/19
CF-1	Ethnic Youth Support Team (EYST)	staffing (1 full time post) and core costs of 'Refugee and Asylum Advice Project	£12,928

CF-2	Swansea Bay Regional Equality Council	Core Funding	£15,000
CF-5	Swansea City of Sanctuary	Core Funding	£5,000
CF-6	Swansea Women's Aid	DAISE routes to support co-ordinator	£20,164
CF-7	BAWSO	Core Costs of Youth against Violence and Abuse (YAVA) project	£12,350
CF-8	Bikeability Wales	Project manager Costs	£10,000
CF-9	Local Aid	Training and accreditation project 2018	£3,600
CF-11	Coeden Fach Outdoor Activity Centre	Outdoor education and skills for young people with learning difficulties project	£5,000
CF-12	Swansea Community Farm	Core Funding	£10,000
CF-13	Pontarddulais Partnership	Manager; Pontarddulais Partnership and Canolfan Y Bont	£7,000
CF-15	Cyfle I Dyfu	Client mentoring and coaching project	£13,000
CF-18	Hillside Animal Sanctuary	Transport and care of ex pound horses from Swansea	£17,000
CF-22	Circus Eruption	Core Funding	£5,157
<b>TOTAL</b>			<b>£136,199</b>

**(c) It was initially screened for relevance to Equality and Diversity on: 09/18**

**(d) It was found to be relevant to...**

- |                                    |                                     |                                      |                                     |
|------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| Children/young people (0-18) ..... | <input checked="" type="checkbox"/> | Sexual orientation .....             | <input checked="" type="checkbox"/> |
| Older people (50+).....            | <input checked="" type="checkbox"/> | Gender reassignment .....            | <input checked="" type="checkbox"/> |
| Any other age group .....          | <input checked="" type="checkbox"/> | Welsh language .....                 | <input checked="" type="checkbox"/> |
| Disability .....                   | <input checked="" type="checkbox"/> | Poverty/social exclusion.....        | <input checked="" type="checkbox"/> |
| Race (including refugees).....     | <input checked="" type="checkbox"/> | Carers (including young carers)..... | <input checked="" type="checkbox"/> |
| Asylum seekers .....               | <input checked="" type="checkbox"/> | Community cohesion .....             | <input checked="" type="checkbox"/> |
| Gypsies & Travellers.....          | <input checked="" type="checkbox"/> | Marriage & civil partnership .....   | <input checked="" type="checkbox"/> |

Religion or (non-)belief .....

Pregnancy and maternity .....

Sex.....

**(e) Lead Officer  
Service**

**Name:**

**Job title:**

**Date:**

**(f) Approved by Head of**

**Name:**

**Date:**

## Section 1 – Aims (See guidance):

**Briefly describe the aims of the initiative:**

### What are the aims?

Swansea Compact Fund (SCF) provides grants to support the work of voluntary and community groups in Swansea, to aid in the delivery of the Swansea Council Corporate Plan Priorities.

Swansea Compact Fund awards grants to voluntary and community groups for activities, services and facilities for the benefit of people living in the Swansea Council area.

The area under consideration for budget cut is the open round element. The open round is a competitive application process open to all third sector groups in Swansea.

For 2018/19 Grants were awarded via the open round on a one-off basis. Applicants were instructed to note that previous or current support from the Swansea Change Fund (as the Compact Fund was previously known) does not guarantee continuation of a project.

The applications were received from groups covering all aspects of the protected characteristics; they were reviewed and decided by the Swansea Council Cabinet acting in their capacity as the 'External Funding Panel'. There were 23 application received for 2018/19 totalling £356,700. The successful applications are listed previously and total £136,199.

### Who has responsibility?

Decisions on application are made by Swansea Council Cabinet acting in their capacity as the 'External Funding Panel'

All projects are monitored on a six monthly basis by Partnership and Commissioning section within Social Services department. Although applicant groups may be funded under separate projects or contracts which are administered by other departments and sections within Swansea Council

### Who are the stakeholders?

The Clients and Beneficiaries of each funding project are specific to the group in question.

## Section 2 - Information about Service Users (See guidance):

**Please tick which areas you have information on, in terms of service users:**

Children/young people (0-18) .....	<input checked="" type="checkbox"/>	Sexual orientation .....	<input checked="" type="checkbox"/>
Older people (50+).....	<input checked="" type="checkbox"/>	Gender reassignment .....	<input checked="" type="checkbox"/>
Any other age group .....	<input checked="" type="checkbox"/>	Welsh language .....	<input checked="" type="checkbox"/>
Disability .....	<input checked="" type="checkbox"/>	Poverty/social exclusion.....	<input checked="" type="checkbox"/>
Race (including refugees).....	<input checked="" type="checkbox"/>	Carers (including young carers).....	<input checked="" type="checkbox"/>
Asylum seekers .....	<input checked="" type="checkbox"/>	Community cohesion .....	<input checked="" type="checkbox"/>
Gypsies & Travellers.....	<input checked="" type="checkbox"/>	Marriage & civil partnership .....	<input checked="" type="checkbox"/>
Religion or (non-)belief .....	<input checked="" type="checkbox"/>	Pregnancy and maternity .....	<input checked="" type="checkbox"/>
Sex.....	<input checked="" type="checkbox"/>		



**Please provide a snapshot of the information you hold in relation to the protected groups above:**

Ethnic Youth Support Team (EYST), Swansea Bay Regional Equality Council and Swansea City of Sanctuary deal with issues surrounding race and refugees

Swansea Women’s Aid and BAWSO both deal with domestic violence

Bikeability Wales, Local Aid, Coeden Fach and Circus Eruption all work with those with disabilities

All the above are not exclusive they also work with people suffering social exclusion, poverty and age. All protected characteristics would be able to liaise with funded groups at some level.

**Any actions required, e.g. to fill information gaps?**

### Section 3 - Impact on Protected Characteristics (See guidance):

**Please consider the possible impact on the different protected characteristics.**

	Positive	Negative	Neutral	Needs further investigation
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	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

**Thinking about your answers above, please explain in detail why this is the case.**

The Compact fund for 2018/19 explicitly stated it was a one year only programme – all grant recipients therefore know that funding would cease on March 31<sup>st</sup> 2019 and should have been preparing for this eventuality.

### Section 4 - Engagement:

**Please consider all of your engagement activities here, e.g. participation, consultation, involvement, co-productive approaches, etc.**

The option to cut the open funding round element of the Compact Fund was part of the wider budget consultation process, the Third Sector were aware of the consultation process so had the opportunity to comment fully on the Proposal.

The outcome of the Swansea Council Budget Consultation process was that 77% of the respondents strongly agreed or tended to agree with the proposal to move to commissioned services and end the open round.

**What engagement has been undertaken to support your view? How did you ensure this was accessible to all?**

Swansea Council held a service wide public budget consultation process which closed for comments on 1<sup>st</sup> February 2019.

The outcome of the Swansea Council Budget Consultation process was that 77% of the respondents strongly agreed or tended to agree with the proposal to move to commissioned services and end the open round. Of the respondents 143 took the opportunity to offer comments on the proposals which garnered a wider variety of views.

**What did your engagement activities tell you? What feedback have you received?**

The Respondents were overwhelmingly in support of the proposals with a 77% Strongly agreeing or Agreeing, 14.4% tended to disagree whilst 8.5% disagreed strongly.

The 143 written comments varied enormously. Many believed that the Third sector were a useful support for the Council, but that any work undertaken by them on the councils behalf should be closely monitored. There was some concern that the reluctance to offer an open funding round may stifle the sector.

A number of respondents were unsure what the term 'Third Sector' referred to, and what their role was. This indicates a need for the sector and Council to work together to promote their services more widely in the city

**How have you changed your initiative as a result?**

The consultation outcome of 77% support has meant we continue with the project as proposed.

**Any actions required (e.g. further engagement activities, mitigation to address any adverse impact, etc.):**

We will work with the Third Sector to raise its profile through our compact agreement meetings, which promote joint working between the sectors and encourages joint working on issues or initiatives.

**Section 5 – Other impacts:**

**Please consider how the initiative might address the following issues - see the specific Section 5 Guidance**

<b>Foster good relations between</b>	<b>Advance equality of opportunity</b>
--------------------------------------	--

<b>different groups</b>	<b>between different groups</b>
<b>Elimination of discrimination, harassment and victimisation</b>	<b>Reduction of social exclusion and poverty</b>

**Please explain any possible impact on each of the above.**

The loss of an open funding round will leave little room for the council to support innovation, to support projects which compliment directly to existing policy and work practices and lose on economy of scale whereby for a small amount of additional or complimentary funding we can achieve a lot more outcomes. Many the Third sector organisations operate at Tier Zero – that is the first stage of intervention that may negate the need for minor issues to escalate into problems that will affect the council. The impact of the Tier Zero effect will not become apparent until these third sector services are no longer available.

It will also stifle the development of new groups – the fund has been utilised for seed funding for new projects many times – projects such as the City Farm, Swansea Community Boat and Bikeability may not have developed without support from the Council funding process. Support from the local council also helps groups apply to other sources of funding as our direct financial sport demonstrates confidence in local groups.

The Work undertaken by the Domestic Violence groups currently supported (Womens Aid & BAWSO) compliments the Councils Statutory provision – this additional support could be incorporated in other funding arrangements.

It should be noted that all provision would be reviewed under a new application process should the open funding round continue – none of the groups referenced are guaranteed support should the opportunity to reapply be offered (or indeed are they guaranteed to submit an application) the open funding round is a competitive process and other groups may submit preferred applications.

All groups have the ability to apply to other sources for support, for existing and new projects, it is proposed the fund finder service currently operated by SCVS will continue after the cessation of Compact fund. This package matches applicant projects to appropriate sources of funding. There is also new funding opportunities for example Mynydd Yr Gwair windfarm funding.

**What work have you already done to improve any of the above?**

All grant recipients are aware the 2018/19 Compact funding round is a one off round.

**Is the initiative likely to impact on Community Cohesion? Please provide details.**

When new groups form they will have to attract funding from external sources. Community Cohesion work will still continue and develop through other funding sources.

**How does the initiative support Welsh speakers and encourage use of Welsh?**

The Open funding round has many times in the past supported Menter Iaith Abertawe, and all documentation and information is available in Welsh.

**Actions (to mitigate adverse impact or to address identified gaps in knowledge).**

The Council is in the process of commissioning a contract for the provision of a 'Third Sector organisation to support the sector and build capacity in Swansea'. We will work with the successful commissioned group to mitigate any required issues arising from the policy.

The Council will also continue working with third sector organisation to aid them to access other funding sources. This will apply to all groups working in and supporting Welsh Language issues.

There are many external funding opportunities including new funding programmes that groups can access, and although bidding processes are competitive we will work with the commissioned Third Sector development group to ensure that funding opportunities are publicised and accessed.

## **Section 6 - United Nations Convention on the Rights of the Child (UNCRC):**

**Many initiatives have an indirect impact on children and you need to consider whether the impact is positive or negative in relation to both children's rights and their best interests. Please read the UNCRC guidance before completing this section.**

**Will the initiative have any impact (direct or indirect) on children and young people (think about this age group holistically e.g. disabled children, those living in poverty or from BME communities)? If not, please briefly explain your answer here and proceed to Section 7.**

There is no restriction on the Third Sector groups that can apply to the open funding round. Many successful (and unsuccessful) applicants have the potential to impact on Children and Young people.

**All initiatives must be designed / planned in the best interests of children and young people.**

*Best interests of the child (Article 3): The best interests of children must be the primary concern in making decisions that may affect them. All adults should do what is best for children. When adults make decisions, they should think about how their decisions will affect children. This particularly applies to budget, policy and law makers.*

**Please explain how you meet this requirement:**

We will continue to work with groups who directly support Children and young people in accessing funding from other sources.

**Actions (to mitigate adverse impact or to address identified gaps in knowledge).**

The Council is in the process of commissioning a contract for the provision of a 'Third Sector organisation to support the sector and build capacity in Swansea'. We will work with the successful commissioned group to mitigate any required issues arising from the policy.

The Council will also continue working with third sector organisation to aid them to access other funding sources. This will apply to all groups working with children and young people in Swansea.

There are many external funding opportunities including new funding programmes that groups can access, and although bidding processes are competitive we will work with the commissioned Third Sector development group to ensure that funding opportunities are publicised and accessed.

## Section 7 - Monitoring arrangements:

Please explain the monitoring arrangements for this initiative:

### Monitoring arrangements:

We will continue to work with Commissioned Third Sector Services to monitor the health of the third sector in Swansea.

### Actions:

Quarterly meetings with the commissioned third sector support organisation and annual review under the Swansea Compact with the Voluntary Sector.

## Section 8 – Outcomes:

Having completed sections 1-5, please indicate which of the outcomes listed below applies to your initiative (refer to the guidance for further information on this section).

Outcome 1: Continue the initiative – no concern

Outcome 2: Adjust the initiative – low level of concern

Outcome 3: Justify the initiative – moderate level of concern

Outcome 4: Stop and refer the initiative – high level of concern.

**For outcome 3**, please provide the justification below:

**For outcome 4**, detail the next steps / areas of concern below and refer to your Head of Service / Director for further advice:

## 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 17<sup>th</sup> 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.

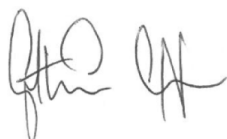
The Forum also looks forward to receiving any positive outcomes resulting from Welsh Government's decision to amend the respective intervention rates to 65% and 75% for mainstream school and specialist provision through the *21<sup>st</sup> Century Schools* programme.

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**

	<b>ORIGINAL BUDGET 2018/2019 £</b>	<b>ORIGINAL BUDGET 2019/2020 £</b>
<b>Resources Directorate</b>		
Deputy Chief Executive	215,300	190,100
	<b>215,300</b>	<b>190,100</b>
<b>Head of Communication &amp; Customer Engagement</b>		
Communications	211,900	134,800
Corporate Marketing	330,600	324,300
Corporate Mgt Team Support	366,900	332,400
Design and Print	240,200	161,600
Health and Safety	1,017,600	695,200
Commissioning Review	-28,000	0
Senior Staff Reductions	-84,000	0
	<b>2,055,200</b>	<b>1,648,300</b>
<b>Chief Transformation Officer</b>		
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
	<b>9,856,000</b>	<b>9,042,500</b>
<b>Chief Finance Officer</b>		
Audit	620,500	580,200
Benefits	23,915,700	24,943,600
Finance DMT	388,900	415,700
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
	<b>29,345,000</b>	<b>30,072,000</b>

## Revenue Budget 2019/2020

### Resources

	ORIGINAL BUDGET 2018/2019 £	ORIGINAL BUDGET 2019/2020 £
<b>Chief Legal Officer</b>		
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
	<b>5,495,000</b>	<b>5,812,200</b>
<b>Sustainable Swansea</b>		
Workstreams	-5,774,900	-1,754,100
	<b>-5,774,900</b>	<b>-1,754,100</b>
<b>Total Resources</b>	<b>41,191,600</b>	<b>45,011,000</b>

## Revenue Budget 2019/2020

# Poverty & Prevention

	ORIGINAL BUDGET 2018/2019 £	ORIGINAL BUDGET 2019/2020 £
<b>Poverty &amp; Prevention</b>		
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
	<b>6,378,000</b>	<b>4,553,000</b>
<b>Total Poverty &amp; Prevention</b>	<b>6,378,000</b>	<b>4,553,000</b>

## Revenue Budget 2019/2020

### Social Services

	<b>ORIGINAL BUDGET 2018/2019 £</b>	<b>ORIGINAL BUDGET 2019/2020 £</b>
<b>Head of Adult Services</b>		
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
	<b>75,691,200</b>	<b>77,400,000</b>
<b>Head of Child &amp; Family Services</b>		
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
	<b>36,098,600</b>	<b>38,639,000</b>
<b>Total Social Services</b>	<b>111,789,800</b>	<b>116,039,000</b>

## Revenue Budget 2019/2020

### Education

	ORIGINAL BUDGET 2018/2019 £	ORIGINAL BUDGET 2019/2020 £
<b>Delegated Schools</b>		
School Cost Centres	147,013,217	150,720,217
	<b>147,013,217</b>	<b>150,720,217</b>
<b>Director of Education</b>		
Mgt & Admin Effectiveness	129,900	129,800
Schools At Risk	109,056	109,056
WJEC Subscriptions	36,000	0
	<b>274,956</b>	<b>238,856</b>
<b>Head of Achievement &amp; Partnership Service</b>		
Education Improvement Service	1,273,300	1,251,600
Management Systems Unit	184,400	184,400
Welsh Service	39,600	32,600
	<b>1,497,300</b>	<b>1,468,600</b>
<b>Head of Vulnerable Learner Service</b>		
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
	<b>23,078,433</b>	<b>22,499,033</b>

## Revenue Budget 2019/2020

### Education

	ORIGINAL BUDGET 2018/2019 £	ORIGINAL BUDGET 2019/2020 £
<b>Head of Education Planning &amp; Resources</b>		
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
	<b>-4,051,906</b>	<b>-4,238,706</b>
<b>Total Education</b>	<b>167,812,000</b>	<b>170,688,000</b>

# Revenue Budget 2019/2020

## Place

	<b>ORIGINAL BUDGET 2018/2019 £</b>	<b>ORIGINAL BUDGET 2019/2020 £</b>
<b>Head of Corporate Building &amp; Property Services</b>		
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
	<b>6,758,800</b>	<b>6,599,100</b>
<b>Head of Highways &amp; Transportation</b>		
Car Parking and Enforcement	-2,937,300	-3,192,800
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
	<b>9,854,800</b>	<b>9,810,800</b>
<b>Head of Waste Management &amp; Parks</b>		
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
	<b>21,844,200</b>	<b>22,122,000</b>
<b>Place Directorate</b>		
Place Directorate	591,800	339,250
Workstreams	-1,365,000	-1,424,200
	<b>-773,200</b>	<b>-1,084,950</b>



# Revenue Budget 2019/2020

## Place

	ORIGINAL BUDGET 2018/2019 £	ORIGINAL BUDGET 2019/2020 £
<b>Head of Cultural Services</b>		
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	3,084,700
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
	<b>10,860,000</b>	<b>11,340,050</b>
<b>Head of Planning &amp; City Regeneration</b>		
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
	<b>2,748,100</b>	<b>2,572,300</b>
<b>Head of Housing and Public Protection</b>		
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
	<b>5,312,300</b>	<b>4,898,700</b>
<b>Total Place</b>	<b>56,605,000</b>	<b>56,258,000</b>

# Agenda Item 12.



## Report of the Section 151 Officer

Council - 28 February 2019

### Capital Budget & Programme 2018/19- 2023/25

<b>Purpose:</b>	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)
<b>Policy framework:</b>	None
<b>Consultation:</b>	Cabinet Members, Corporate Management Team (CMT), Legal, Finance and Access to Services
<b>Recommendation:</b>	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.
<b>Report Author:</b>	Ben Smith
<b>Finance Officer:</b>	Ben Smith
<b>Legal Officer:</b>	Debbie Smith
<b>Access to Services Officer:</b>	Rhian Millar

#### 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

- 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 21<sup>st</sup> Century Schools Programme
  - enabling works for Swansea Bay City Deal schemes
- 1.5 The additional capital investment identified above will attract significant grant funding ( 21<sup>st</sup> 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 2<sup>nd</sup> 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 21<sup>st</sup> 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 21<sup>st</sup> 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.

<b>C21st School Schemes (Band A)</b>		
<b>Phase 1 Schemes</b>	£'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>	
<b>Phase 2 Schemes</b>		
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>	
<b>Total Phase 1 and 2 (includes £150k Challenge Cymru)</b>	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 20<sup>th</sup> 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
<b>DIRECTORATE</b>							
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
<b>TOTAL EXPENDITURE</b>	<b>66,651</b>	<b>53,842</b>	<b>22,880</b>	<b>18,690</b>	<b>12,815</b>	<b>25,150</b>	<b>200,028</b>
<b>FINANCED BY:</b>							
<b>Borrowing:</b>							
Welsh Government Supported Borrowing	6,398	6,429	6,430	6,430	6,430	12,860	44,977
Welsh Government loan for City Centre							
<b>Grants and Contributions:</b>							
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
<b>Capital Receipts:</b>							
Earmarked Capital receipts	1,357	849	593	1,216			4,015
General Capital receipts	1,943	666	4,340	12,193			19,142
<b>Revenue and Reserve Contributions (including provision for waste schemes)</b>	<b>4,603</b>	<b>4,771</b>					<b>9,374</b>
<b>TOTAL FINANCING</b>	<b>31,573</b>	<b>22,810</b>	<b>17,342</b>	<b>23,793</b>	<b>10,504</b>	<b>20,684</b>	<b>126,706</b>
<b>GENERAL FUND BORROWING REQUIREMENT</b>	<b>35,078</b>	<b>31,032</b>	<b>5,538</b>	<b>-5,103</b>	<b>2,311</b>	<b>4,466</b>	<b>73,322</b>
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	Actual spend	Actual spend	Actual spend	Actual spend	Actual spend	Forecast spend	Forecast spend	Forecast spend	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Band A</b>										
<b>EXPENDITURE</b>										
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
<b>TOTAL EXPENDITURE</b>	<b>5,478</b>	<b>13,274</b>	<b>13,718</b>	<b>9,509</b>	<b>12,344</b>	<b>7,956</b>	<b>5,681</b>	<b>5,349</b>	<b>107</b>	<b>73,416</b>
<b>FINANCED BY:</b>										
Welsh Government Grant										
Morrison Comprehensive Refurbishment	5,198	10,192								15,390
21st Century Programme Schemes - grant		782	6,231	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
<b>TOTAL FINANCING</b>	<b>5,231</b>	<b>11,566</b>	<b>7,077</b>	<b>5,702</b>	<b>7,114</b>	<b>2,382</b>	<b>729</b>	<b>2,865</b>	<b>0</b>	<b>42,666</b>
<b>CCS Borrowing requirement</b>	<b>247</b>	<b>1,708</b>	<b>6,641</b>	<b>3,807</b>	<b>5,230</b>	<b>5,574</b>	<b>4,952</b>	<b>2,484</b>	<b>107</b>	<b>30,750</b>
<b>CURRENT BORROWING REQUIREMENT (2018/19 TO 2019/20)</b>										<b>7,543</b>

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

			to 2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total
Band B	Progress		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	£'000
<b>EXPENDITURE</b>												
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	105	8,215
Site feasibility			66	-3	187							250
<b>TOTAL EXPENDITURE</b>			<b>66</b>	<b>189</b>	<b>2,597</b>	<b>17,083</b>	<b>23,732</b>	<b>17,792</b>	<b>48,912</b>	<b>38,608</b>	<b>966</b>	<b>149,945</b>
<b>FINANCED BY:</b>												
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
<b>TOTAL FINANCING (Excluding CCS Borrowing)</b>			<b>0</b>	<b>0</b>	<b>1,454</b>	<b>12,204</b>	<b>15,231</b>	<b>12,466</b>	<b>44,499</b>	<b>39,368</b>	<b>839</b>	<b>126,061</b>
<b>CCS Borrowing requirement</b>			<b>66</b>	<b>189</b>	<b>1,143</b>	<b>4,879</b>	<b>8,501</b>	<b>5,326</b>	<b>4,413</b>	<b>-760</b>	<b>127</b>	<b>23,884</b>
<b>CURRENT BORROWING REQUIREMENT (2018/19 TO 2024/25)</b>											<b>23,629</b>	

## MATERIAL CHANGES TO THE 2018/19 CAPITAL BUDGET

Scheme	Source Of Funding	2018/19 Change £'000
<b>Director of People</b>		
<b>Education Planning &amp; Resources</b>		
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
<b>Social Services</b>		
Refurbishment of residential home for young people	Revenue	61
Nant y Felin Conversion	Revenue	108
ENABLE Independent Living Grant	Grant	304
<b>Director of Place</b>		
<b>Highways &amp; Transportation</b>		
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
<b>Culture, Sport, Leisure &amp; Tourism</b>		
Freedom Leisure Contract - Improvements Various CLC	Borrowing	1,100
<b>Economic Regeneration &amp; Planning</b>		
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
<b>Corporate Building</b>		
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
<b>TOTAL MATERIAL CHANGES</b>		<b>25,320</b>

## 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
<b>DIRECTOR OF RESOURCES</b>						
<b>Digital &amp; Transformation</b>						
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
<b>Financial Services</b>						
Corporate Contingency	973					973
<b>TOTAL FOR DIRECTOR OF RESOURCES</b>	<b>5,390</b>	<b>2,100</b>	<b>1,575</b>	<b>2,130</b>		<b>11,195</b>
<b>DIRECTOR OF PEOPLE</b>						
<b>Education (excluding 21st Century schools programme)</b>						
Primary and secondary school schemes (not within C21st), including flying start schemes	391					391
<b>Poverty &amp; Prevention</b>						
Other schemes	79					79
<b>Social Services</b>						
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
<b>TOTAL FOR DIRECTOR OF PEOPLE</b>	<b>1,124</b>	<b>700</b>	<b>1,000</b>	<b>1,309</b>		<b>4,133</b>
<b>DIRECTOR OF PLACE</b>						
<b>Highways &amp; Transportation</b>						
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
<b>Waste Management</b>						
Tir John works	800	4,578				5,378
Provision of Food Waste Hall	26	26				52
Other waste schemes	31					31
<b>Culture,Sport,Leisure &amp; Tourism</b>						
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
<b>Economic Regeneration &amp; Planning</b>						
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
<b>Housing &amp; Public Protection</b>						
<b>Housing</b>						
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
<b>Corporate Building</b>						
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
<b>Corporate Property</b>						
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
<b>TOTAL FOR DIRECTOR OF PLACE</b>	<b>60,137</b>	<b>51,042</b>	<b>20,305</b>	<b>15,251</b>	<b>12,815</b>	<b>159,550</b>
Totals	66,651	53,842	22,880	18,690	12,815	174,878

**Total General Fund Capital Budget**

**Appendix F**

		<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/25</b>	<b>Total</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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
<b>Total General Fund (including Schools)</b>		<b>74,929</b>	<b>76,274</b>	<b>46,719</b>	<b>36,482</b>	<b>61,727</b>	<b>64,724</b>	<b>360,855</b>
Less waste provision		-800						
<b>Total General Fund (including Schools)</b>		<b>74,129</b>						

# Agenda Item 13.



## Report of the Section 151 Officer

Council – 28 February 2019

### Housing Revenue Account (HRA) - Revenue Budget 2019/20

<b>Purpose:</b>	This report proposes a Revenue Budget for 2019/20 and a rent increase for properties within the HRA
<b>Policy Framework:</b>	None.
<b>Consultation:</b>	Cabinet Members, Finance, & Legal
<b>Recommendation(s):</b>	It is recommended that:  1) Rents to be increased in line with the Welsh Government interim policy as detailed in section 3.  2) Fees, charges and allowances are approved as outlined in section 3.  3) The revenue budget proposals as detailed in section 3.
<b>Report Authors:</b>	Mark Wade / Ben Smith
<b>Finance Officer:</b>	Aimee Dyer
<b>Legal Officer:</b>	Debbie Smith
<b>Access to Services Officer:</b>	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 increase	-1500
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 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 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

### **Appendix:**

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

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

Equality Impact Assessment Screening Form

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

<b>Classification</b>	<b>Budget 2018/19</b>	<b>Budget 2019/20</b>
	£'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
<b>Total Expenditure</b>	<b>65,213</b>	<b>67,227</b>
<u>Income</u>		
Rents and other income	65,116	66,616
Affordable Housing Grant	0	208
Use of balances	97	403
<b>Total Income</b>	<b>65,213</b>	<b>67,227</b>

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

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

# 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).

<b>Section 1</b>	
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	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...?**

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 type="checkbox"/> (H)	<input checked="" 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"/>	<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 →      
 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.

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

**Please return the completed form to [accesstoservices@swansea.gov.uk](mailto:accesstoservices@swansea.gov.uk)**

# Agenda Item 14.



## Report of the Section 151 Officer & the Director of Place

Council – 28 February 2019

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

<b>Purpose:</b>	This report proposes a revised capital budget for 2018/19 and a capital budget for 2019/20 – 2022/23
<b>Policy Framework:</b>	None
<b>Consultation:</b>	Legal, Finance & Access to Services
<b>Recommendation(s):</b>	It is recommended that:  1) The transfers between schemes and the revised budgets for schemes in 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.
<b>Report Authors:</b>	Ben Smith / Mark Wade
<b>Finance Officer:</b>	Ben Smith
<b>Legal Officer:</b>	Tracey Meredith
<b>Access to Services Officer:</b>	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 2018/19**

- 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
<b>Good State of Repair</b>						
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
<b>Safe and Secure</b>						
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
<b>Adequately Heated, Fuel Efficient &amp; Well Insulated</b>						
Heating Systems	630	790	790	1,000	2,550	5,760
Energy Efficiency and Grant Support	£250	£589	£200	£250	£220	£1,509
<b>Contain Up to Date Kitchens and Bathrooms</b>						
Kitchens and Bathrooms	23,598	27,015	23,350	7,050	6,550	87,563
<b>Located in Attractive and Safe Environments</b>						
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
<b>Meeting Requirements of the Household</b>						
Adaptations	2,550	2,750	2,750	2,750	2,750	13,550
<b>More Homes</b>						
New Build and Acquisitions	825	8,590	4,510	3,310	9,100	26,335
<b>Total</b>	<b>47,705</b>	<b>67,313</b>	<b>63,440</b>	<b>45,260</b>	<b>49,735</b>	<b>273,453</b>

<b>Financed By:</b>	<b>2018/19 Revised</b>	<b>2019/20 Original</b>	<b>2020/21 Original</b>	<b>2021/22 Original</b>	<b>2022/23 Original</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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
<b>Total</b>	<b>47,705</b>	<b>67,313</b>	<b>63,440</b>	<b>45,260</b>	<b>49,735</b>	<b>273,453</b>



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
<b>Good State of Repair</b>							
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, Waunarlyydd					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, Waunarlyydd			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
<b>Good State of Repair continued</b>							
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
<b>Good State of Repair continued</b>							<b>0</b>
Structural Repairs	475	481	400	350	250	250	<b>1,731</b>
Drainage Repairs and Improvements	15	32	80	50	50	30	<b>242</b>
Repairs to District Housing Offices and Operational Assets	30	37	75	75	75	50	<b>312</b>
Design & Scheme preparation	5	5	5	5	10	10	<b>35</b>
<b>Safe and Secure</b>							<b>0</b>
Fire Safety General	155	310	372	100	50	50	<b>882</b>
Fire Safety Highrise		35					<b>35</b>
Smoke & Carbon Monoxide Detectors	230	200	300	200	270	260	<b>1,230</b>
Fire Safety Sprinkler System - Highrise & Sheltered	1,316	277	1,106	100			<b>1,483</b>
Sprinkler System - Jeffreys Court		119					<b>119</b>
Sprinkler System - Clyne Court	138	300	400				<b>700</b>
Sprinkler System - Matthew Street		400					<b>400</b>
Electrical Rewiring	320	109	508	800	900	900	<b>3,217</b>
Electrical Rewiring Contract 2 18/19		123					<b>123</b>
Electrical Rewiring Contract 3 18/19		98					<b>98</b>
Electrical Rewiring Contingency	20	20	20	20	20	20	<b>100</b>
Electrical Rewiring & Emergency Lighting Communal Blocks	215	225	255				<b>480</b>
Electrical Rewiring Sub Mains to Highrise Blocks				200	200	500	<b>900</b>
Communal Aerials	40	59	61	60	50	50	<b>280</b>
Passenger Lift Renewal & Improvements - Various	436		150	100	600	500	<b>1,350</b>
Passenger Lift Renewal & Improvements - Hafan Glyd		50	7				<b>57</b>
<b>Adequately Heated</b>							<b>0</b>
Boiler Replacement	600	600	750	750	800	1,800	<b>4,700</b>
Distribution Systems - General					200	750	<b>950</b>
Loft Insulation	60	50	80	50	50	20	<b>250</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
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adequately Heated continued</b>							
Heating Upgrades / Fuel Conversions	30	30	40	40			110
Energy Efficiency, Energy Grant Support & Decarbonisation	215	200	509	150	200	200	1,259
<b>Kitchens and Bathrooms</b>							
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
<b>Located in Safe Attractive Environment</b>							
<b>Environment - Within the Curtilage</b>							
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
<b>Located in Safe Attractive Environment continued</b>							
<b>Environment - Within the Curtilage</b>							
Voice Entry Systems	330	458	52	200	100	200	<b>1,010</b>
<b>Environment - Estate Based</b>							
General Environmental Schemes	2,000	1,091	1,500	1,500	1,000	1,000	<b>6,091</b>
<b>Meeting the Needs of the Household</b>							
Adaptations Internal	2,000	1,800	2,000	2,000	2,000	2,000	<b>9,800</b>
Adaptations External	750	750	750	750	750	750	<b>3,750</b>
<b>More Homes</b>							
More Homes - Parc Y Helig	2,757	338	3,503				<b>3,841</b>
More Homes - Colliers Way	100	111	3,792				<b>3,903</b>
More Homes - Acacia Refurbishment, West Cross			300				<b>300</b>
More Homes – Future Schemes			995	4,510	3,310	9,100	<b>17,915</b>
More Homes – Other		10					<b>10</b>
More Homes Acquisitions - Various	424	366					<b>366</b>
<b>Total</b>	<b>57,893</b>	<b>47,705</b>	<b>67,313</b>	<b>63,440</b>	<b>45,260</b>	<b>49,735</b>	<b>273,453</b>

## 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 it 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 15.



## Report of the Section 151 Officer

Council - 28 February 2019

### **Statutory Resolution – Resolutions to be Made in Accordance with the Regulations in the Setting of the Council Tax 2019/2020**

- (1) **That** the Council notes and adopts the statutory resolutions set out below.
- (2) **That** it be noted that at its meeting on 22<sup>nd</sup> November 2018 the Council calculated the following amounts for the year 2019/2020 in accordance with Regulations made under Section 33(5) of the Local Government Finance Act 1992 (as amended) -
- a) 90,069 being the amount calculated by the Council, in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) (Wales) Regulations 1995, as amended, as its Council Tax base for the year.
- b) Parts of the Council's Area –

Bishopston	1,943
Clydach	2,622
Gorseinon	3,263
Gowerton	1,951
Grovesend & Waungron	416
Ilston	318
Killay	2,146
Llangennith, Llanmadoc & Cheriton	505
Llangyfelach	940
Llanrhidian Higher	1,595
Llanrhidian Lower	332
Llwchwr	3,402
Mawr	744
Mumbles	9,651
Penllergaer	1,363
Pennard	1,468
Penrice	412
Pontarddulais	2,305
Pontlliw & Tircoed	1,042
Port Eynon	423
Reynoldston	300
Rhossilli	183
Three Crosses	713
Upper Killay	556

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

- (3) **THAT** the following amounts be now calculated by the Council for the year 2019/2020 in accordance with Section 32 to 36 of the Local Government Finance Act 1992 -
- (a) £721,346,138 being the aggregate of the amounts which the Council estimates for the items set out in Sections 32(2)(a) to (d) of the Act.
  - (b) £276,955,364 being the aggregate of the amounts which the Council estimates for the items set out in Sections 32(3)(a), 32(3)(c) and 32(3a) of the Act.
  - (c) £444,390,774 being the amount by which the aggregate at (3)(a) above exceeds the aggregate at 3(b) above, calculated by the Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year.
  - (d) £321,810,824 being the aggregate of the sums which the Council estimates will be payable for the year into its Council Fund in respect of redistributed non-domestic rates, and revenue support grant less discretionary Non Domestic Rate relief.
  - (e) £1,360.96 being the amount at (3)(c) above less the amount at (3)(d) above, all divided by the amount at (2)(a) above, calculated by the Council, in accordance with Section 33(1) of the Act, as the basic amount of its Council Tax for the year.
  - (f) £1,464,774 being the aggregate amount of all special items referred to in Section 34(1) of the Act.
  - (g) £1,344.69 being the amount at (3)(e) above less the result given by dividing the amount at (3)(f) above by the amount at (2)(a) above, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special items relate.

(h) Parts of the Council's Area -

Bishopston	1,370.42
Clydach	1,384.87
Gorseinon	1,379.69
Gowerton	1,362.05
Grovesend & Waungron	1,362.72
Ilston	1,359.69
Killay	1,353.54
Llangennith, Llanmadoc & Cheriton	1,360.33
Llangyfelach	1,370.22
Llanrhidian Higher	1,412.65
Llanrhidian Lower	1,353.73
Llwchwr	1,370.06
Mawr	1,428.02
Mumbles	1,399.98
Penllergaer	1,355.70
Pennard	1,400.55
Penrice	1,371.39
Pontarddulais	1,383.62
Pontlliw & Tircoed	1,380.40
Port Eynon	1,358.87
Reynoldston	1,386.36
Rhossili	1,362.72
Three Crosses	1,386.93
Upper Killay	1,377.06

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

## (I) Parts of the Council's Area -

	Band A £	Band B £	Band C £	Band D £	Band E £	Band F £	Band G £	Band H £	Band I £
Bishopston	913.61	1,065.88	1,218.15	1,370.42	1,674.96	1,979.50	2,284.03	2,740.84	3,197.65
Clydach	923.25	1,077.12	1,231.00	1,384.87	1,692.62	2,000.37	2,308.12	2,769.74	3,231.36
Gorseinon	919.79	1,073.09	1,226.39	1,379.69	1,686.29	1,992.89	2,299.48	2,759.38	3,219.28
Gowerton	908.03	1,059.37	1,210.71	1,362.05	1,664.73	1,967.41	2,270.08	2,724.10	3,178.12
Grovesend & Waungron	908.48	1,059.89	1,211.31	1,362.72	1,665.55	1,968.37	2,271.20	2,725.44	3,179.68
Ilston	906.46	1,057.54	1,208.61	1,359.69	1,661.84	1,964.00	2,266.15	2,719.38	3,172.61
Killay	902.36	1,052.75	1,203.15	1,353.54	1,654.33	1,955.11	2,255.90	2,707.08	3,158.26
Llangennith, Llanmadoc & Cheriton	906.89	1,058.03	1,209.18	1,360.33	1,662.63	1,964.92	2,267.22	2,720.66	3,174.10
Llangyfelach	913.48	1,065.73	1,217.97	1,370.22	1,674.71	1,979.21	2,283.70	2,740.44	3,197.18
Llanrhidian Higher	941.77	1,098.73	1,255.69	1,412.65	1,726.57	2,040.49	2,354.42	2,825.30	3,296.18
Llanrhidian Lower	902.49	1,052.90	1,203.32	1,353.73	1,654.56	1,955.39	2,256.22	2,707.46	3,158.70
Llwchwr	913.37	1,065.60	1,217.83	1,370.06	1,674.52	1,978.98	2,283.43	2,740.12	3,196.81
Mawr	952.01	1,110.68	1,269.35	1,428.02	1,745.36	2,062.70	2,380.03	2,856.04	3,332.05
Mumbles	933.32	1,088.87	1,244.43	1,399.98	1,711.09	2,022.19	2,333.30	2,799.96	3,266.62
Penllergaer	903.80	1,054.43	1,205.07	1,355.70	1,656.97	1,958.23	2,259.50	2,711.40	3,163.30
Pennard	933.70	1,089.32	1,244.93	1,400.55	1,711.78	2,023.02	2,334.25	2,801.10	3,267.95
Penrice	914.26	1,066.64	1,219.01	1,371.39	1,676.14	1,980.90	2,285.65	2,742.78	3,199.91
Pontarddulais	922.41	1,076.15	1,229.88	1,383.62	1,691.09	1,998.56	2,306.03	2,767.24	3,228.45
Pontlliw & Tircoed	920.27	1,073.64	1,227.02	1,380.40	1,687.16	1,993.91	2,300.67	2,760.80	3,220.93
Port Eynon	905.91	1,056.90	1,207.88	1,358.87	1,660.84	1,962.81	2,264.78	2,717.74	3,170.70
Reynoldston	924.24	1,078.28	1,232.32	1,386.36	1,694.44	2,002.52	2,310.60	2,772.72	3,234.84
Rhossili	908.48	1,059.89	1,211.31	1,362.72	1,665.55	1,968.37	2,271.20	2,725.44	3,179.68
Three Crosses	924.62	1,078.72	1,232.83	1,386.93	1,695.14	2,003.34	2,311.55	2,773.86	3,236.17
Upper Killay	918.04	1,071.05	1,224.05	1,377.06	1,683.07	1,989.09	2,295.10	2,754.12	3,213.14
All other parts of the Council area	896.46	1,045.87	1,195.28	1,344.69	1,643.51	1,942.33	2,241.15	2,689.38	3,137.61

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



- (4) **THAT** it be noted that for the year 2019/2020 the Police and Crime Commissioner for South Wales have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwelling shown below -

	Band A £	Band B £	Band C £	Band D £	Band E £	Band F £	Band G £	Band H £	Band I £
The Police and Crime Commissioner for South Wales	171.68	200.29	228.91	257.52	314.75	371.98	429.20	515.04	600.88

- (5) **THAT** having calculated the aggregate in each case of the amounts at (3)(i) and (4) above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2019/20 for each of the categories of dwelling shown below –

	Band A £	Band B £	Band C £	Band D £	Band E £	Band F £	Band G £	Band H £	Band I £
<i>Bishopston</i>	1,085.29	1,266.17	1,447.06	1,627.94	1,989.71	2,351.48	2,713.23	3,255.88	3,798.53
<i>Clydach</i>	1,094.93	1,277.41	1,459.91	1,642.39	2,007.37	2,372.35	2,737.32	3,284.78	3,832.24
<i>Gorseinon</i>	1,091.47	1,273.38	1,455.30	1,637.21	2,001.04	2,364.87	2,728.68	3,274.42	3,820.16
<i>Gowerton</i>	1,079.71	1,259.66	1,439.62	1,619.57	1,979.48	2,339.39	2,699.28	3,239.14	3,779.00
<i>Grovesend &amp; Waugron</i>	1,080.16	1,260.18	1,440.22	1,620.24	1,980.30	2,340.35	2,700.40	3,240.48	3,780.56
<i>Ilston</i>	1,078.14	1,257.83	1,437.52	1,617.21	1,976.59	2,335.98	2,695.35	3,234.42	3,773.49
<i>Killay</i>	1,074.04	1,253.04	1,432.06	1,611.06	1,969.08	2,327.09	2,685.10	3,222.12	3,759.14
<i>Llangennith, Llanmadoc &amp; Cheriton</i>	1,078.57	1,258.32	1,438.09	1,617.85	1,977.38	2,336.90	2,696.42	3,235.70	3,774.98
<i>Llangyfelach</i>	1,085.16	1,266.02	1,446.88	1,627.74	1,989.46	2,351.19	2,712.90	3,255.48	3,798.06
<i>Llanrhidian Higher</i>	1,113.45	1,299.02	1,484.60	1,670.17	2,041.32	2,412.47	2,783.62	3,340.34	3,897.06
<i>Llanrhidian Lower</i>	1,074.17	1,253.19	1,432.23	1,611.25	1,969.31	2,327.37	2,685.42	3,222.50	3,759.58
<i>Llwchwyr</i>	1,085.05	1,265.89	1,446.74	1,627.58	1,989.27	2,350.96	2,712.63	3,255.16	3,797.69
<i>Mawr</i>	1,123.69	1,310.97	1,498.26	1,685.54	2,060.11	2,434.68	2,809.23	3,371.08	3,932.93
<i>Mumbles</i>	1,105.00	1,289.16	1,473.34	1,657.50	2,025.84	2,394.17	2,762.50	3,315.00	3,867.50
<i>Penllergaer</i>	1,075.48	1,254.72	1,433.98	1,613.22	1,971.72	2,330.21	2,688.70	3,226.44	3,764.18
<i>Pennard</i>	1,105.38	1,289.61	1,473.84	1,658.07	2,026.53	2,395.00	2,763.45	3,316.14	3,868.83
<i>Penrice</i>	1,085.94	1,266.93	1,447.92	1,628.91	1,990.89	2,352.88	2,714.85	3,257.82	3,800.79
<i>Pontarddulais</i>	1,094.09	1,276.44	1,458.79	1,641.14	2,005.84	2,370.54	2,735.23	3,282.28	3,829.33
<i>Pontlliw &amp; Tircoed</i>	1,091.95	1,273.93	1,455.93	1,637.92	2,001.91	2,365.89	2,729.87	3,275.84	3,821.81
<i>Port Eynon</i>	1,077.59	1,257.19	1,436.79	1,616.39	1,975.59	2,334.79	2,693.98	3,232.78	3,771.58
<i>Reynoldston</i>	1,095.92	1,278.57	1,461.23	1,643.88	2,009.19	2,374.50	2,739.80	3,287.76	3,835.72
<i>Rhossili</i>	1,080.16	1,260.18	1,440.22	1,620.24	1,980.30	2,340.35	2,700.40	3,240.48	3,780.56
<i>Three Crosses</i>	1,096.30	1,279.01	1,461.74	1,644.45	2,009.89	2,375.32	2,740.75	3,288.90	3,837.05
<i>Upper Killay</i>	1,089.72	1,271.34	1,452.96	1,634.58	1,997.82	2,361.07	2,724.30	3,269.16	3,814.02
All other parts of the Council area	1,068.14	1,246.16	1,424.19	1,602.21	1,958.26	2,314.31	2,670.35	3,204.42	3,738.49

# Agenda Item 16.



## Report of the Section 151 Officer

Council - 28 February 2019

### Capital Strategy 2018/19 – 2023/24

<b>Purpose:</b>	To approve the Capital Strategy which informs the four year capital programme which is presented for approval
<b>Consultation:</b>	Legal, Finance and Access to Services.
<b>Recommendation(s):</b>	It is recommended that:  1) The Capital Strategy is approved
<b>Report Author:</b>	Jeff Dong
<b>Finance Officer:</b>	Ben Smith
<b>Legal Officer:</b>	Debbie Smith
<b>Access to Services Officer:</b>	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 21<sup>st</sup> 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
- 21<sup>st</sup> Century Schools Programme Board
  - Monitors all 21<sup>st</sup> 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:

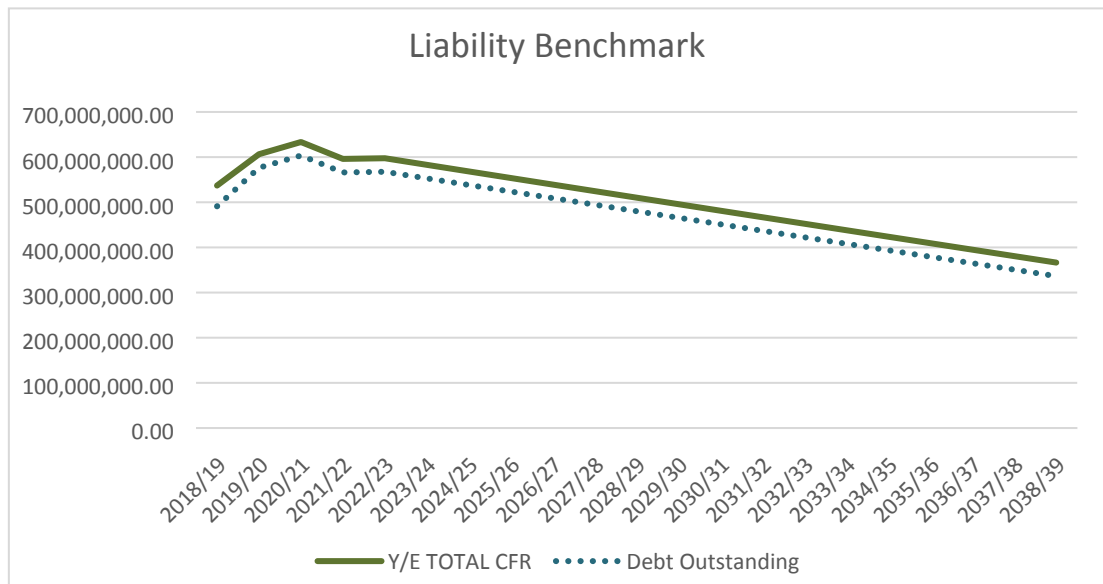
- maximise external private investment
- maximise external grant funding
- maximise capital receipt income
- finance self-funding income generative schemes
- minimise external borrowing
- minimise external funding costs

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:

<b>Risk</b>	<b>Appetite</b>
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](mailto:accesstoservices@swansea.gov.uk)

# Agenda Item 17.



## Report of the Section 151 Officer

Council – 28 February 2019

### **Treasury Management Strategy Statement, Prudential/Treasury Indicators, Investment Strategy and Minimum Revenue Provision Policy Statement 2019/20**

<b>Purpose:</b>	To recommend the Treasury Management Strategy Statement, Prudential Indicators, Investment Strategy and Minimum Revenue Provision Policy Statement for 2019/20 be approved.
<b>Policy Framework:</b>	None
<b>Consultation:</b>	Legal, Finance and Access to Services.
<b>Recommendation(s):</b>	It is recommended that Council approves the: <ol style="list-style-type: none"><li>1) Treasury Management Strategy and Prudential Indicators (Sections 2-7).</li><li>2) Investment Strategy (Section 8).</li><li>3) Minimum Revenue Provision (MRP) Statement (Section 9).</li></ol>
<b>Report Author:</b>	Jeff Dong
<b>Finance Officer:</b>	Ben Smith
<b>Legal Officer:</b>	Debbie Smith
<b>Access to Services Officer:</b>	Rhian Millar

#### **1. Introduction**

- 1.1 This strategy statement has been prepared in accordance with the revised CIPFA Treasury Management Code of Practice adopted by this Council in 2010 which has been recently revised in 2017. The Council's Treasury Management Strategy will be reviewed and reviewed annually by Council and there will also be an interim year report providing summary of progress against that strategy. The aim of these reporting arrangements is to ensure that those with ultimate responsibility for the scrutiny of the Treasury Management function



appreciate fully the implications of the Treasury Management policies and activities, and that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting. CIPFA has adopted the following as its definition of treasury management

*“The management of the organisation’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”*

## 1.2 CIPFA Prudential Code – Revised 2017

During the preparation of this year’s Treasury management Strategy, CIPFA have recently made some changes to the Code in 2017. They were

- Minor changes to the treasury indicators which were initially developed in 2004
- Clarifying that the definition of ‘Investments’ above includes:-
- Treasury Management investments (as historically included in this Strategy, as well as
- investments made for policy reasons and managed outside of normal treasury management activity.

1.3 The latter change is primarily in response to increasing commercialisation activities undertaken by Local authorities. Examples of investments made for policy reasons and managed outside of normal treasury management activity include:-

- ‘service investments’ held in the course of provision and for the purposes of operational services
- ‘commercial investments’ which are taken mainly for financial reasons. These may be shares and loans in business structures e.g. subsidiaries; investments explicitly taken with the aim of making a financial surplus for the Council; non financial assets such as investment properties held primarily for financial benefit

1.4 Where, in addition to treasury management investment activity, organisations invest in other financial assets and property primarily for financial return, the Code requires that these investments should be proportional to the level of resources available to the organisation and the organisation should ensure that robust procedures for the consideration of risk and return are applied to these decisions.

1.5 The Code requires that all investments have an appropriate investment management and risk management framework. This includes making it explicit in any decision making:-

- the powers under which investment is made
- the governance process including arrangements in place to ensure appropriate due diligence to support decision making

- the extent to which capital invested is placed at risk
  - the impact of potential losses on financial sustainability
  - the methodology and criteria for assessing performance and monitoring process
  - how knowledge and skills in managing such investments is arranged and that these are monitored, reported and highlighted explicitly in the decision making process and due diligence.
- 1.6 The most significant investments currently held by the Council and managed outside of normal treasury management activity are the Council's Investment Properties, which include various freeholds within the City held for strategic investments and/or income generation. The principles behind this strategy are outlined in the Capital Strategy, a separate report on this agenda
- 1.7 The Council will need to adhere to this strategy when considering any new proposals for non treasury investments as well as any updates to existing strategies, practices and reporting such as in the Statement of Accounts. It will be recommended that Council adopt the practices for Non Treasury Investments identified in a separate section of the Treasury Investment Strategy below in 8.7.
- 1.8 The Local Government Act 2003 requires the Council to have regard to the Prudential Code and to set Prudential and Treasury Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.
- The Council is required to formally consider the Prudential and Treasury Indicators as detailed in section 2 of this report
- 1.9 The Act also requires the Council to set out its Treasury Strategy for borrowing and to prepare an Annual Investment Strategy as required by Investment Guidance issued subsequent to the Act. This strategy sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. The management of the Council's Treasury Management activities are in line with the CIPFA Treasury Management Revised Code of Practice.
- 1.10 The recommended strategy for 2019/20 is based upon a view on interest rates, having considered leading market forecasts provided by the Council's treasury advisor, Link Asset Services. The overall strategy covers:
- Treasury Limits 2018/19-2022/23
  - Prudential / Treasury Indicators
  - The current portfolio position
  - Prospects for interest rates including a summary of the economic background
  - The Borrowing Requirement
  - The Borrowing Strategy
  - Gross v Net Debt Position
  - Policy on Borrowing in Advance of Need

- Debt Rescheduling
- The Annual Investment Strategy
- Investment Policy
- Including non Treasury Investments
- Interest Rate Outlook
- Creditworthiness Policy
- Country Limits
- Policy on the Use of External Advisors
- Scheme of Delegation
- Pension Fund Cash
- Minimum Revenue Provision (MRP) Policy Statement

1.11 A glossary of terms used within this report is attached at Appendix A.

## **2. Treasury Limits 2018/19 to 2022/23**

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

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

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

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

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

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

- The Operational Boundary :  
*“...is based on expectations of the maximum external debt of the authority according to probable not simply possible events and being consistent with the maximum level of external debt projected by the estimates....”*

- The Authorised Limit :  
*“..the Authorised Limit must therefore be set to establish the outer boundary of the local authority’s borrowing based on a realistic assessment of the risks. The authorised limit is certainly not a limit that an authority will expect to borrow up to on a regular basis. It is crucial that it is not treated as an upper limit for borrowing for capital expenditure alone since it must also encompass borrowing for temporary purposes...”*
- Upper limits for borrowing of fixed and variable rate loans.
- Upper limit for investments for over 364 days.
- Upper and lower limits for the maturity profile of the Council’s debt
- Estimates of the incremental impact of capital investment decisions on Council Tax / Housing rents
- Estimates of the ratio of financing costs to net revenue stream
- Estimates of the capital financing requirement

2.5 In setting and revising Prudential Indicators the authority is required to have regard to:-

- Affordability e.g revenue implications
- Prudence and sustainability e.g. implications for external borrowing
- Value for money e.g. option appraisals
- Stewardship of assets e.g. strategic planning
- Practicality e.g. achievability of forward plans

2.6 It is a requirement of the Code that Prudential / Treasury Indicators are regularly monitored and systems are in place to achieve compliance.

<b>Treasury / Prudential Indicators</b>						
	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>Actual</b>	<b>Probable</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
<b>Capital Expenditure</b>						
GF	40,379	66,651	53,842	22,880	18,690	12,815
HRA	45,835	47,705	67,313	63,440	45,260	49,735
<b>TOTAL</b>	<b>86,214</b>	<b>114,356</b>	<b>121,155</b>	<b>86,320</b>	<b>63,950</b>	<b>62,550</b>
<b>Capital Financing Requirement 31<sup>st</sup> March</b>						
GF	333,490	362,865	396,375	405,265	390,817	384,576
HRA	151,068	159,004	186,909	215,357	196,827	213,676
Magistrates' Court **	1,354	1,300	1,248	1,198	1,150	1,104
Credit Arrangements*	1,898	453	274	138	33	10
<b>Total</b>	<b>487,810</b>	<b>523,622</b>	<b>584,806</b>	<b>621,958</b>	<b>588,827</b>	<b>599,366</b>

<b>Authorised limit for external debt</b>	458,535	681,958	681,958	681,958	681,958	681,958
<b>Operational boundary for external debt</b>	458,535	641,958	641,958	641,958	641,958	641,958
<b>Upper limit for fixed interest rate exposure</b>	78.6%/ £360,535	100%/ £681,958	100%/ £681,958	100%/ £681,958	100%/ £681,958	100%/ £681,958
<b>Upper limit for variable rate exposure</b>	21.4%/ £98,000	40%/ £272,783	40%/ £272,783	40%/ £272,783	40%/ £272,783	40%/ £272,783
<b>Upper limit for total principal sums invested for over 364 days</b>	0	40,000	40,000	40,000	40,000	40,000

\* The GF Capital Financing Requirements includes arrangements classified as credit arrangements (finance leases) under International Financial Reporting Standards (IFRS) requirements as of 2011/12. However these continue to be budgeted on a revenue basis from the acquiring service and do not form part of the borrowing requirement.

\*\* Legacy Magistrates' Court debt which is wholly recharged is included for completeness

<b>Maturity structure of fixed rate borrowing during 2019/20-2022/23</b>		
	<b>Upper limit %</b>	<b>Lower limit %</b>
Under 12 months	60	0
12 months and within 24 months	60	0
24 months and within 5 years	60	0
5 years and within 10 years	90	0
10 years and above	95	15

<b>Ratio of Financing Costs to Net Revenue Stream</b>						
	<b>Actual 2017/18 %</b>	<b>Revised 2018/19 %</b>	<b>Estimate 2019/20 %</b>	<b>Estimate 2020/21 %</b>	<b>Estimate 2021/22 %</b>	<b>Estimate 2022/23 %</b>
<b>General Fund</b>	6.75	5.9	5.98	5.91	6.17	6.14
<b>HRA</b>	16.44	15.23	16.29	18.4	17.48	18.33

### Gross Debt v Capital Financing Requirement

The gross debt position versus the capital financing requirement is detailed below. The profile below assumes progressive external funding of the internalised borrowing and by the borrowing requirement informed by the capital programme.

Comparison of average gross debt and capital financing requirement	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	<b>actual</b>	<b>probable</b>	<b>estimate</b>	<b>estimate</b>	<b>estimate</b>	<b>estimate</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Average debt (gross)</b>	433,161	513,770	573,770	613,770	573,770	589,770
<b>Capital Financing Requirement at 31<sup>st</sup> March</b>	486,456	523,622	584,806	621,958	588,827	599,366
<b>Net Position</b>	53,295	9,852	11,036	8,188	15,057	9,596

### 3 . The current portfolio position

3.1 The Council's projected debt portfolio position at 31/3/19 comprises:

	<b>Principal outstanding 31 March 2019 £'000</b>	<b>Average rate of Interest %</b>
Public Works Loan Board (fixed)	444,083	4.41
Money Market	98,000	4.1
Temporary	2,193	0.55
Welsh Govt.	7,500	0
<b>Total</b>	<b>551,776</b>	<b>4.28</b>

3.2 The Council's forecast investment portfolio at 31 March 2019 is as follows:

<b>Managed Investments</b>	<b>Investments 31 March 2019</b>	<b>2018/19 Probable Investment Return</b>	<b>2019/20 Estimated Investment Return</b>
	<b>£'000</b>	<b>%</b>	<b>%</b>
Internally Managed	119,803	0.66	0.75%

### 4. Prospects for Interest Rates

4.1 The Council's Treasury advisers (Link Asset Services) provided the following interest rate forecast for both short term ( bank rate) and long term (PWLB) interest rates as at January 2019. There is a downside risk to these forecasts if economic growth proves to be weaker and slower than currently forecast.

Link Asset Services Interest Rate View														
	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
3 Month LIBID	0.80%	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	0.90%	1.00%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.10%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
10yr PWLB Rate	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
25yr PWLB Rate	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%

## 4.2 Economic Background

Attached at Appendix B is an economic background assessment provided by our Treasury advisers, Link Asset Services. This assessment has informed the proposed strategies .

## 5. The In Year Borrowing Requirement

5.1 The Council will have the following net capital borrowing / repayment requirements for 2018/19 to 2022/23:

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Borrowing and repayment requirements	Actual	Probable	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000	£'000
To finance new capital expenditure by supported borrowing	6,398	6,398	6,429	6,430	6,430	6,430
To finance new capital expenditure by unsupported borrowing	19,220	53,563	69,495	46,346	15,223	27,524
To replace loans maturing/repaid prematurely/voluntary contributions		1	1	3001		
Less						
Repayments (MRP)	17,728	13,332	13,718	13,420	13,916	14,263
Set aside capital receipts	14	20	20	20	20	20
<b>NET IN YEAR BORROWING /(REPAYMENT) REQUIREMENT</b>	<b>7,876</b>	<b>46,610</b>	<b>62,187</b>	<b>36,335</b>	<b>7,717</b>	<b>19,671</b>
Lease principal payments included within revenue (for information)	183	194	179	137	105	22

5.2 The borrowing requirement above reflects known planned capital expenditure to date as outlined in the “*The Capital Budget and Programme 2018/19 – 2023/24*” elsewhere on this agenda and may or may not be funded in year as opportunities to borrow affordably arise.

5.3 It is clear, however, that there are significant potential projects which are currently being developed which may have a significant effect on the Council’s

proposals for Capital Expenditure during the period covered by this report but which have not been included for a number of reasons including:

- Schemes which are currently in the development stage where approval is required in terms of overall scheme approval, the overall level of expenditure within each scheme and the projected level of CCS contribution.
- Such schemes would encompass the current Swansea City Region Deal and the Swansea Central Development
- Schemes which are being developed outside of formal bid processes but where the current level of development is insufficient to estimate potential levels of CCS contributions and the nature and timing of funding requirements.

5.4 In considering the above, the Council shall determine that its plans are affordable, prudent and sustainable and shall formulate its Treasury Management , Borrowing & Investment Strategy and MRP Policy accordingly.

5.5 The above table in 5.1 details the net borrowing requirement for each financial year. In accordance with the Prudential Code, borrowing must be undertaken in line with a funding plan informed by the projected capital financing requirement. Borrowing may be financed from one or more of Public Works Loan Board loans; Money Market loans or internal loans. The precise choice and timing will depend on market conditions from time to time and will not necessarily mirror the profiling above.

5.6 At time of writing, borrowing rates are materially higher than investment rates as has been the case since the onset of the financial crisis. Considering this it has been determined that in the main the borrowing requirement for the capital programme shall be met by internalising the borrowing. However, as cashflow constraints and prospects for interest rate rises remain, we shall continue averaging in the borrowing requirement in 2018/19 and 2019/20 and in the forthcoming financial years to fund the capital programme when borrowing rates offer long term value and Cashflow requirements dictate .

Short term savings (by avoiding material new long term external borrowing) will be weighed against the potential additional long term extra costs (by delaying unavoidable new external borrowing until later when PWLB long term rates are forecast to be marginally higher).

5.7 Housing Revenue Account (HRA) Subsidy Reforms - Self Financing Settlement

As outlined in the report approved by Council on 2<sup>nd</sup> Dec 2014 entitled "*Reform of the Housing Revenue Account Subsidy System*" the Authority has entered into a Voluntary Agreement with Welsh Government to exit the current HRA subsidy system, resulting in more flexibility for the Authority in meeting affordable housing needs in the locale. In order to exit the current HRA subsidy system, a cash settlement amount had to be paid over to HM Treasury equal to a sum determined by formulae agreed in the Voluntary Agreement which resulted in a settlement figure of £73.58m for this Authority. The overriding principle of the HRA Reform is that all local housing authorities will be financially better off in revenue terms after the reforms.



- 5.8 The HRA reform settlement was required to be made to the Welsh Government on 1 April 2015 which was subject to a separate borrowing strategy dictated by the terms outlined in the Voluntary Agreement. The Council borrowed £73.58m from the PWLB and remitted this total amount to Welsh Government on April 2<sup>nd</sup> 2015.
- 5.9 The servicing and amortisation of this pool of debt shall be managed completely separately from the remainder of the pooled ( GF and HRA) debt portfolio and recharged directly to the HRA.

## **6. Borrowing Strategy**

- 6.1 Long term borrowing rates are expected to be significantly higher than rates available for investment deposits. It is likely that this position will pertain in the short to medium term.

In addition, the continuing uncertain economic conditions has maintained the need for caution in managing credit counterparty risk. There is still the risk of a bank / institution defaulting on the payment of interest due or repayment of amounts invested.

At the current time, long term PWLB and market rates offer attractive funding opportunities and some borrowing may be taken in the short to medium term to average in the long term borrowing requirement demanded by the council's capital programme reported separately on this agenda and to address cash flow requirements.

- 6.2 However, the overall strategy - with a view to minimising interest costs and the risk of default by counterparties - is therefore to continue to internalise the majority of the borrowing requirement for the capital programme with a view to averaging in the remainder of the borrowing requirement as cashflow and interest rates dictate in the medium to long term.

6.3 Policy on borrowing in advance of need

The Council has only a limited power to borrow in advance of need.

In determining whether borrowing will be undertaken in advance of need the Council will;

- ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to borrow in advance of need
- ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered
- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow
- consider the merits and demerits of alternative forms of funding
- consider the alternative interest rate bases available, the most appropriate periods to fund and which repayment profiles to use.

## **7 Debt Rescheduling**

- 7.1 The introduction of different PWLB rates on 1 November 2007 for new borrowing (as opposed to early repayment of debt) and the setting of a spread between the two rates (of about 0.4%-0.5% for the longest period

loans narrowing down to 0.25%-0.30% for the shortest loans), has meant that PWLB to PWLB debt restructuring is now much less attractive than before that date.

7.2 Due to short term borrowing rates being expected to be cheaper than longer term rates, there may be opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of their short term nature and the likely cost of refinancing short term loans, once they mature, compared to the current rates of longer term debt in the existing debt portfolio. Any rescheduling needs to be considered net of any premium payable which in light of current interest rates is likely to be considerable.

7.3 In actively managing credit counterparty and interest rate risks, consideration will also be given to running down investment balances by repaying debt prematurely as short term rates on investments are likely to be significantly lower than rates paid on current debt.

However, a repayment strategy will only be considered if a loan repayment offers value in terms of discount / associated costs and does not compromise the Council's long term debt management policies. In this respect, we will need to be mindful of the potential future need to arrange new long term loans as market conditions change from time to time.

7.4 Notwithstanding the above, it is not envisaged that there will not be any debt rescheduling opportunities in the remainder of 2018/19 or 2019/20 in the PWLB portfolio, however there may be opportunities to review the Authority's market debt dependent upon counterparty appetite. All rescheduling decisions will be reported to the Cabinet Member for Resources in the quarter following action.

## **8. The Annual Investment Strategy**

### **8.1 Investment policy**

8.1.1 The Council will have regard to the National Assembly of Wales' Guidance on Local Government Investments ("the Guidance") issued in March 2004 (and subsequent amendments); CIPFA's Revised Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA Treasury Management Code") and the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2004 SI 1010(W.107). The Council's investment priorities are: -

- (a) to ensure the security of capital
- (b) to ensure the liquidity of investments.
- (c) to maximise interest returns (yield) commensurate with (a) and (b)

The investment strategy will be implemented with security of investment as the main consideration. The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.

- 8.1.2 The investment criteria are outlined in Appendix C.
- 8.1.3 Amendments to the arrangements, limits and criteria detailed in Appendix C may be made by the Section 151 Officer and advised to the Cabinet Member for Finance & Strategy in the quarter following action.

Appendix G is the list of UK financial institutions (counterparties) which satisfy the Council's minimum credit criteria as at 28<sup>th</sup> January 2019

- 8.1.4 It is anticipated that the Council will continue to hold internally managed sums during 2019/20 ensuring a suitable spread of investment risks. The Council has fixed benchmarks against which investment performance will be measured, i.e. the 7 day LIBID rate (internally managed).
- 8.1.5 Interest Rate Outlook:  
**Investment returns expectations.** Bank Rate is forecast to stay flat at 0.5% until quarter 2 2018 and not to rise above 0.75% until Dec 2019. Bank Rate forecasts for financial year ends (March) are:
- 2018/19 0.75%
  - 2019/20 1.25%
  - 2020/21 1.50%
  - 2021/22 2.00%

There are upside risks to these forecasts (i.e. start of increases in Bank Rate occurs earlier) if economic growth strengthens. However, should the pace of growth slow, there could be a downside risk.

- 8.1.6 For its cash flow generated balances, the Council will seek to utilise its business reserve accounts and short-dated deposits (1-3 months) in order to benefit from the compounding of interest. However longer dated deposits will be made with appropriate counterparties if opportunities arise.
- 8.1.7 During and following the end of the financial year, the Council will report on its investment activity as part of its Mid Term Treasury Management Report and its Annual Treasury Management Report.

## 8.2 Creditworthiness Policy

This Council uses the creditworthiness service provided by our Treasury Management Advisors. This service has been progressively enhanced over the years and now uses a sophisticated modelling approach with credit ratings from all three rating agencies. Fitch, Moodys and Standard & Poors form the core element.

Appendix C outlines the Council's creditworthiness policy. Details of Fitch's short and long term ratings are at Appendix D.

The creditworthiness service does not rely solely on the current credit ratings of counterparties but also uses the following as overlays: -

- credit watches and credit outlooks from credit rating agencies
- Credit Default Swaps (CDS) spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most

## creditworthy countries

This modelling approach combines credit ratings, credit watches, credit outlooks and CDS spreads in a weighted scoring system. The end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Council to determine the duration for investments.

All credit ratings will be monitored regularly with reference to the credit ratings report and updates. The Council is alerted to changes to ratings of all three agencies through its use of the Capita creditworthiness service.

There will be no future use of a counterparty/investment scheme which fails the credit rating tests .

In addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swaps against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in the downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition the Council will also use market data, market information, information on government support for banks and the credit ratings of that government support.

### 8.3 Country Limits

The Authority has not made any new overseas deposits for several years since the financial crisis. Going forward, continued caution will be required when considering future opportunities to make overseas investments. There are no plans to make overseas investments at this time.

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

### 8.4 Policy on the use of external advisers

The Council uses the services of an external Treasury Management adviser namely - Link Asset Services Treasury Management Advisors.

The Council recognises that responsibility for Treasury Management decisions remains with the Council at all times and as such, we will ensure that undue reliance is not placed upon external advisers.

However it is recognised that there is value in employing external advisers in relation to Treasury Management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be

assessed are properly agreed and documented, and subjected to regular review.

## 8.5 Scheme of Delegation

The role and responsibilities of the Council, Cabinet Member for Resources and the S 151 officer are as follows:

### (i) Council

- to receive and review reports on Treasury Management policies, practices and activities
- to receive and review the annual strategy.
- to receive and review amendments to the Authority's adopted clauses, Treasury Management policy statement
- to consider and approve the annual budget
- to receive and review the division of responsibilities

### (ii) Cabinet Member for Resources

- to receive and review regular briefings/reports
- to receive and review the Treasury Management policy and procedures

### (iii) Section 151 Officer

- to recommend clauses, Treasury Management policy for approval
- Implement and keep up to date operational Treasury Management practices
- to review the same regularly and monitor compliance
- to submit regular Treasury Management policy reports
- to submit budgets and budget variations
- to receive and review management information reports
- to review the performance of the Treasury Management function
- to ensure the adequacy of Treasury Management resources and skills, and the effective division of responsibilities within the Treasury Management function
- to ensure the adequacy of internal audit, and liaise with external audit
- to recommend the appointment of external service providers.

## 8.6 Pension Fund Cash

The Council will comply with the requirements of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 which was implemented on 1st January 2010. Any investments made by the Pension Fund will comply with the requirements of SI 2009 No 393 and will comply with the prevailing City & County of Swansea Treasury Management Policies, Practices and Strategies.

## 8.7 Non Treasury Investments

The Council recognises that investment for non-treasury management purposes in other financial assets and property, primarily for financial return, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios. The Council will ensure that all the organisation's investments are covered in its capital strategy, investment strategy or equivalent, and will set out, where relevant, the organisation's

risk appetite and specific policies and arrangements for non-treasury investments if undertaking such investments. It is recognised that the risk appetite for these activities may differ from that for treasury management. The Capital Strategy Report also on this agenda outlines the strategy for these non treasury investments

#### 8.8 Markets in Financial Instruments Directive II ( MIFID II)

The EU Regulation MIFID II came into force in Jan 2018. Pre Jan 2018, this Authority was recognised as a professional investor. The new directive required financial institutions to recognise all investors as retail clients. This ensured maximum protections but also precluded some forms of investments, only available to professional clients. Financial Institutions may elect to opt up clients upon request, if they can demonstrate suitable professional competency and governance frameworks are in place. This Authority has successfully elected to opt up to professional status with all its counterparties and service providers.

### **9. Minimum Revenue Provision Policy Statement**

9.1 Capital expenditure is generally expenditure on assets which have a life expectancy of more than one year e.g. buildings, vehicles, machinery. It is inappropriate to charge the entirety of this expenditure in the year in which it is incurred i.e the expenditure benefits more than a single year of account. As such, the resulting costs are spread over several years. The manner of spreading these costs is through an annual Minimum Revenue Provision (MRP) which was previously determined under Regulation and now is determined under Guidance.

9.2 Statutory instrument WSI 2008 no.588 section 3 states that “..a local authority must calculate for the current financial year an amount of minimum revenue provision which it considers to be prudent,,”

The previous requirement to make a 2% MRP charge for the Housing Revenue Account share of the Capital Financing Requirement (CFR) until 2020/21 when lifetime of asset shall be adopted is unchanged by this instrument.

9.3 Along with the above duty, the Welsh Assembly Government issued guidance in March 2008 which requires that a Statement on the Council’s Policy for its annual MRP should be submitted to the full Council for review before the start of the financial year to which the provision will relate. The Council is legally obliged to ‘have regard’ to the guidance.

9.4 The Welsh Assembly Government guidance outlined four broad options to adopt for the calculation of MRP. They are:

- Option 1- Regulatory Method
- Option 2 - Capital Financing Requirement Method
- Option 3 - Asset Life Method
- Option 4 – Depreciation Method

The options and guidance are detailed at Appendix F.

9.5 The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2008/09 and revised its MRP Policy for 2018/19 in

December 2018 in accordance with the main recommendations contained within the guidance issued by the Welsh Government

- 9.6 The major proportion of the MRP chargeable will relate to the historic debt liability (pre 2008/09) that will now be charged at the rate of 2.5%% straight line. ( equivalent to amortising over a 40 year asset life). Then other expenditure incurred using 'unsupported borrowing' will under delegated powers be subject to MRP under option 3 which will be charged over a period commensurate with the estimated useful life applicable to the nature of the expenditure or in accordance with the existing capitalisation directive.
- 9.7 Estimated life periods will be determined under delegated powers having taken professional advice. The Section 151 Officer reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.
- 9.8 Going forward, it is proposed that all GF debt arising from capital expenditure supported by the WG through supported borrowing or the Local Government Borrowing Initiative will be charged MRP at 2.5% straight line ( equivalent to being amortised over a 40 year asset life) and all other capital expenditure and other 'capitalised' expenditure will be repaid under option 3 as appropriate unless otherwise superseded by any accompanying capitalisation directive/guidance. All HRA debt to be amortised at 2% until 2020/21 when new borrowing shall be amortised over the useful life of the asset.

## **10 Legal Implications**

- 10.1 The Authority is under a duty to make arrangements for the proper administration of its financial affairs. Failure to do so will be a breach of that duty. The statutory provisions and guidance imposing such a duty on the Authority are as set out in the main body of the Report.

## **11. Equality Impact Implications**

- 11.1 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 H)

**Background papers:** The revised CIPFA Treasury Management Code of Practice 2011

The revised CIPFA Prudential Code for Capital Finance in Local Authorities 2011

The revised CIPFA Prudential Code for Capital Finance in Local Authorities 2017

**Appendices:**

Appendix A – Glossary of Terms

Appendix B – Treasury Advisors' View On The Economic Background

Appendix C – Investment Criteria and creditworthiness policy

Appendix D – Credit Rating Agency Definitions

Appendix E – Approved Countries for Investment

Appendix F Minimum Revenue Provision Guidance

Appendix G – Approved Internal Counterparty Lending List

Appendix H – Equality Impact Assessment



Treasury Management – Glossary Of Terms

<b>Annualised Rate of Return</b>	Represents the average return which would have been achieved each year.
<b>Authorised Limit</b> <i>( can also be considered as the affordable borrowing limit)</i>	The authorised limit must be set to establish the outer boundary of the local authority's borrowing based on a realistic assessment of the risks. The authorised limit is certainly not a limit that an authority will expect to borrow up to on a regular basis. It is crucial that it is not treated as an upper limit for borrowing for capital expenditure alone since it must also encompass borrowing for temporary purposes. It is the expected maximum borrowing need, with some headroom for unexpected movement.
<b>Bank Rate</b>	The Official Bank rate paid on commercial bank reserves i.e. reserves placed by commercial banks with the Bank of England as part of the Bank's operations to reduce volatility in short term interest rates in the money markets.
<b>Base Rate</b>	Minimum lending rate of a bank or financial institution in the UK.
<b>Basis Points (bp)</b>	A basis point is 0.01 of 1% (100 bp = 1%)
<b>Borrowing</b>	<p>In the Code, borrowing refers to external borrowing. Borrowing is defined as both:-</p> <ul style="list-style-type: none"> <li>• Borrowing repayable with a period in excess of 12months</li> <li>• Borrowing repayable on demand or within 12months</li> </ul>
<b>Capital Expenditure</b>	The definition of capital expenditure starts with all those items which can be capitalised in accordance with the Statement of Recommended Practice (SORP). To this must be added any items that have/will be capitalised in accordance with legislation that otherwise would not be capitalised. Prudential indicators for current and future years are calculated in a manner consistent with this definition.

<b>Capital Financing Charges (see financing costs also)</b>	These are the net costs of financing capital i.e. interest and principal, premium less interest received and discounts received.
<b>Capital Financing Requirement</b>	The Capital Financing Requirement is simply the total outstanding capital expenditure, which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need.
<b>CIPFA</b>	The Chartered Institute of Public Finance and Accountancy. One of the leading professional accountancy bodies in the UK and the only one which specialises in the public services.
<b>Counterparty</b>	The organisations responsible for repaying the Council's investment upon maturity and for making interest payments.
<b>Credit Rating</b>	<p>This is a scoring system that lenders issue people with to determine how credit worthy they are.</p> <p>The Credit Rating components are as follows:</p> <ol style="list-style-type: none"> <li>1. The AAA ratings through to C/D are long-term rating definitions and generally cover maturities of up to five years, with the emphasis on the ongoing stability of the institution's prospective financial condition. AAA are the most highly rates, C/D are the lowest. This Council does not invest with institutions lower than AA- for investments over 364 days</li> <li>2. F1/A1/P1 are short-term rating definitions used by Moody's, S&amp;P and Fitch Ratings for banks and building societies based on their individual opinion on an institution's capacity to repay punctually its short-term debt obligations (which do not exceed one year). This Council does not invest with institutions lower than F1/A1/P1 for investments under 364 days.</li> </ol>
<b>Debt</b>	For the purposes of the Code, debt refers to the sum of borrowing (see above) and other long-term liabilities (see below). It should be noted that the term borrowing used with the

	Act includes both borrowing as defined for the balance sheet and other long terms liabilities defined as credit arrangements through legislation.
<b>Discounts</b>	Where the prevailing interest rate is higher than the fixed rate of a long-term loan, which is being repaid early, the lender can refund the borrower a discount. This is calculated on the difference between the two interest rates over the remaining years of the loan, discounted back to present value. The lender is able to offer the discount, as their investment will now earn more than when the original loan was taken out.
<b>Financing Costs</b>	The financing costs are an estimate of the aggregate of the following:- <ul style="list-style-type: none"> <li>• Interest payable with respect to borrowing</li> <li>• Interest payable under other long-term liabilities</li> <li>• Gains and losses on the repurchase or early settlement of borrowing credited or charged to the amount to be met from government grants and local taxpayers (premiums and discounts)</li> <li>• Interest earned and investment income</li> <li>• Amounts required in respect of the minimum revenue provision plus any additional voluntary contributions plus any other amounts for depreciation/impairment that are charged to the amount to be met from government grants and local taxpayers</li> </ul>
<b>Financial Reporting Standards (FRSs)</b>	These are standards set by governing bodies on how the financial statements should look and be presented.
<b>Investments</b>	Investments are the aggregate of:- <ul style="list-style-type: none"> <li>• Long term investments</li> <li>• Short term investments (within current assets)</li> <li>• Cash and bank balances including overdrawn balances</li> </ul> <p>From this should be subtracted any investments that are held clearly and explicitly</p>

	in the course of the provision of, and for the purposes of, operational services.
<b>IMF</b>	International Monetary Fund
<b>LOBO (Lender's Option/ Borrower's Option)</b>	Money Market instruments that have a fixed initial term (typically one to ten year) and then move to an arrangement whereby the lender can decide at pre-determined intervals to adjust the rate on the loan. At this stage the borrower has the option to repay the loan.
<b>London Inter-Bank Bid Rate (LIBID)</b>	The interest rate at which major banks in London are willing to borrow (bid for) funds from each other.
<b>Managed Funds</b>	<p><u>In-House Fund Management</u> Surplus cash arising from unused capital receipts and working cashflows can be managed either by external fund managers or by the Council's staff in-house. The in-house funds are invested in fixed deposits through the money markets for periods up to one year.</p> <p><u>Externally Management Funds</u> Fund managers appointed by the Council invest surplus cash arising from unused capital receipts in liquid instruments such as bank certificates of deposit and government stocks. The fund managers' specialist knowledge should ensure a higher rate of earnings on the managed funds than would be otherwise obtained.</p>
<b>Maturity</b>	The date when an investment is repaid or the period covered by a fixed term investment.
<b>Minimum Revenue Provision (MRP)</b>	The amount required by statute to be principal repayment each year.
<b>Monetary Policy Committee (MPC)</b>	This is a body set up by the Government in 1997 to set the repo rate (commonly referred to as being base rate). Their primary target (as set by the Government) is to keep inflation within plus or minus 1% of a central target of 2% in two year time from the date of the monthly meeting of the Committee. Their secondary target is to support the Government in maintaining high and stable levels of growth

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

	calculated on the difference between the two interest rates over the remaining years of the loan, discounted back to present value. The lender may charge the premium, as their investment will now earn less than when the original loan was taken out.
<b>Prudential Code</b>	The Prudential Code is the largely self regulatory framework outlined by CIPFA for managing/monitoring capital investment in local government.
<b>Public Works Loan Board (PWLB)</b>	A Government agency which provides loans to local authorities. Each year, it issues a circular setting out the basis on which loans will be made available. Loans can be either at a fixed rate or on a variable rate basis. They can be repaid on either an annuity, equal instalment of principal or maturity basis. The interest rate charged is linked to the cost at which the Government itself borrows.
<b>Risk</b>	<p><u>Counterparty Credit Risk</u> The risk that a counterparty defaults on its obligations.</p> <p><u>Inflation Risk</u> The risk that growth in the Authority's investment income does not keep pace with the effects of inflation on its expenditure.</p> <p><u>Interest Rate Risk</u> The risk that changes in rates of interest creates an unexpected or unbudgeted burden on the Council's finances.</p> <p><u>Liquidity Risk</u> The risk that cash will not be available when it is needed.</p> <p><u>Operational Risk</u> The risk of loss through fraud, error, corruption, system failure or other eventualities in Treasury Management dealings, and failure to maintain effective contingency management arrangements.</p> <p><u>Refinancing Risk</u> The risk that the Authority is unable to replace its maturing funding arrangements on</p>

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

### Treasury Advisors' View On The Economic Background

#### 1.2

**GLOBAL OUTLOOK.** World growth has been doing reasonably well, aided by strong growth in the US. However, US growth is likely to fall back in 2019 and, together with weakening economic activity in China, overall world growth is likely to weaken.

**Inflation** has been weak during 2018 but, at long last, unemployment falling to remarkably low levels in the US and UK has led to a marked acceleration of wage inflation which is likely to prompt central banks into a series of increases in central rates. The EU is probably about a year behind in a similar progression.

#### **KEY RISKS - central bank monetary policy measures**

Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as quantitative easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

**The key issue now** is that that period of stimulating economic recovery and warding off the threat of deflation, is coming towards its close. A new period has already started in the US, and more recently in the UK, of reversing those measures i.e. by raising central rates and, (for the US), reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of a reduction in spare capacity in the economy, and of unemployment falling to such low levels that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this also encouraged investors into a search for yield and into investing in riskier assets such as equities. Consequently, prices in both bond and equity markets rose to historically high valuation levels simultaneously. This now means that both asset categories are vulnerable to a sharp downward correction. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery, by taking too rapid and too strong action, or, conversely, let inflation run away by taking action that was too slow and/or too weak. **The potential for central banks to get this timing and strength of action wrong are now key risks.**

The world economy also needs to adjust to a sharp change in **liquidity creation** over the last five years where the US has moved from boosting



liquidity by QE purchases, to reducing its holdings of debt. In addition, the European Central Bank has cut back its QE purchases substantially and is likely to end them completely by the end of 2018.

**UK.** The flow of positive economic statistics since the end of the first quarter this year has shown that pessimism was overdone about the poor growth in quarter 1 when adverse weather caused a temporary downward blip. Quarter 1 at 0.1% growth in GDP was followed by a return to 0.4% in quarter 2; quarter 3 is expected to be robust at around +0.6% but quarter 4 is expected to weaken from that level.

At their November meeting, the MPC repeated their well-worn phrase that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary or contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten years time but declined to give a medium term forecast. However, with so much uncertainty around Brexit, they warned that the next move could be up or down, even if there was a disorderly Brexit. While it would be expected that Bank Rate could be cut if there was a significant fall in GDP growth as a result of a disorderly Brexit, so as to provide a stimulus to growth, they warned they could also *raise* Bank Rate in the same scenario if there was a boost to inflation from a devaluation of sterling, increases in import prices and more expensive goods produced in the UK replacing cheaper goods previously imported, and so on. In addition, the Chancellor has held back some spare capacity to provide a further fiscal stimulus if needed.

It is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. Getting parliamentary approval for a Brexit agreement on both sides of the Channel will take well into spring next year. However, in view of the hawkish stance of the MPC at their November meeting, the next increase in Bank Rate is now forecast to be in May 2019. The following increases are then forecast to be in February and November 2020 before ending up at 2.0% in February 2022.

**Inflation.** The Consumer Price Index (CPI) measure of inflation has been falling from a peak of 3.1% in November 2017 to 2.4% in October. In the November Bank of England quarterly inflation report, inflation was forecast to still be marginally above its 2% inflation target two years ahead, (at about 2.1%), given a scenario of minimal increases in Bank Rate. This inflation forecast is likely to be amended upwards due to the Bank's inflation report being produced prior to the Chancellor's announcement of a significant fiscal stimulus in the Budget; this is likely to add 0.3% to GDP growth at a time when there is little spare capacity left in the economy, particularly of labour.

As for the **labour market** figures in September, unemployment at 4.1% was marginally above a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 3.2%, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates less CPI inflation), earnings are currently growing by about 0.8%, the highest level since 2009. This increase in household spending power is likely to feed through into providing some support to the

overall rate of economic growth in the coming months. This tends to confirm that the MPC was right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy.

In the **political arena**, there is a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit. However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to reaching an orderly Brexit in March 2019. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary and fiscal policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

**USA.** President Trump's massive easing of fiscal policy is fuelling a, (temporary), boost in consumption which has generated an upturn in the rate of strong growth which rose from 2.2%, (annualised rate), in quarter 1 to 4.2% in quarter 2 and 3.5%, (3.0% y/y), in quarter 3, but also an upturn in inflationary pressures. In particular, wage rates were increasing at 3.1% y/y in October and heading higher due to unemployment falling to a 49 year low of 3.7%. With CPI inflation over the target rate of 2% and on a rising trend towards 3%, the Fed increased rates another 0.25% in September to between 2.00% and 2.25%, this being the fourth increase in 2018. They also indicated that they expected to increase rates four more times by the end of 2019. The dilemma, however, is what to do when the temporary boost to consumption wanes, particularly as the recent imposition of tariffs on a number of countries' exports to the US, (China in particular), could see a switch to US production of some of those goods, but at higher prices. Such a scenario would invariably make any easing of monetary policy harder for the Fed in the second half of 2019. However, a combination of an expected four increases in rates of 0.25% by the end of 2019, together with a waning of the boost to economic growth from the fiscal stimulus in 2018, could combine to depress growth below its potential rate, i.e. monetary policy may prove to be too aggressive and lead to the Fed having to start on cutting rates. The Fed has also been unwinding its previous quantitative easing purchases of debt by gradually increasing the amount of monthly maturing debt that it has not been reinvesting.

The tariff war between the US and China has been generating a lot of heat during 2018, but it is not expected that the current level of actual action would have much in the way of a significant effect on US or world growth. However, there is a risk of escalation. The results of the mid-term elections are not expected to have a material effect on the economy.

**Eurozone.** Growth was 0.4% in quarters 1 and 2 but fell back to 0.2% in quarter 3, though this is probably just a temporary dip. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of manufacturing exports e.g. cars. For that reason, although growth is still expected to be in the region of nearly 2% for 2018, the horizon is less clear than it seemed just a short while ago. Having halved its quantitative easing purchases of debt in October 2018 to €15bn per month, the European Central Bank has indicated it is likely to end all further purchases in December 2018. Inflationary pressures are starting to build gently so it is expected that the ECB will start to increase rates towards

the end of 2019.

**China.** Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems. Progress has been made in reducing the rate of credit creation, particularly from the shadow banking sector, which is feeding through into lower economic growth. There are concerns that official economic statistics are inflating the published rate of growth.

**Japan** - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. It is likely that loose monetary policy will endure for some years yet to try to stimulate growth and modest inflation.

**Emerging countries.** Argentina and Turkey are currently experiencing major headwinds and are facing challenges in external financing requirements well in excess of their reserves of foreign exchange. However, these countries are small in terms of the overall world economy, (around 1% each), so the fallout from the expected recessions in these countries will be minimal.

#### **INTEREST RATE FORECASTS**

The interest rate forecasts provided by Link Asset Services in paragraph 4.1 are predicated on an assumption of an agreement being reached on Brexit between the UK and the EU. In the event of an orderly non-agreement exit, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall. If there was a disorderly Brexit, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

#### **The balance of risks to the UK**

- The overall balance of risks to economic growth in the UK is probably neutral.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed for ten years since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much

lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

**Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:**

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England monetary policy** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis**, possibly in **Italy**, due to its high level of government debt, low rate of economic growth and vulnerable banking system, and due to the election in March of a government which has made a lot of anti-austerity noise. At the time of writing, the EU has rejected the proposed Italian budget and has demanded cuts in government spending which the Italian government has refused. The rating agencies have started on downgrading Italian debt to one notch above junk level. If Italian debt were to fall below investment grade, many investors would be unable to hold it. Unsurprisingly, investors are becoming increasingly concerned by the actions of the Italian government and consequently, Italian bond yields have risen sharply – at a time when the government faces having to refinance large amounts of debt maturing in 2019.
- Weak capitalisation of some **European banks**. Italian banks are particularly vulnerable; one factor is that they hold a high level of Italian government debt - debt which is falling in value. This is therefore undermining their capital ratios and raises the question of whether they will need to raise fresh capital to plug the gap.
- **German minority government**. In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. Then in October 2018, the results of the Bavarian and Hesse state elections radically undermined the SPD party and showed a sharp fall in support for the CDU. As a result, the SPD is reviewing whether it can continue to support a coalition that is so damaging to its electoral popularity. After the result of the Hesse state election, Angela Merkel announced that she would not stand for re-election as CDU party leader at her party's convention in December 2018. However, this makes little practical difference as she is still expected to aim to continue for now as the Chancellor. However, there are five more state elections coming up in 2019 and EU parliamentary elections in May/June; these could result in a further loss of electoral support for both the CDU and SPD which could also undermine her leadership.
- **Other minority eurozone governments**. Spain, Portugal, Netherlands and Belgium all have vulnerable minority governments dependent on coalitions which could prove fragile. Sweden is also struggling to form a government due to the anti-immigration party holding the balance of power, and which no other party is willing to form a coalition with.
- **Austria, the Czech Republic and Hungary** now form a strongly

anti-immigration bloc within the EU while **Italy**, this year, has also elected a strongly anti-immigration government. Elections to the EU parliament are due in May/June 2019.

- Further increases in interest rates in the US could spark a **sudden flight of investment funds** from more risky assets e.g. shares, into bonds yielding a much improved yield. In October 2018, we have seen a sharp fall in equity markets but this has been limited, as yet. Emerging countries which have borrowed heavily in dollar denominated debt, could be particularly exposed to this risk of an investor flight to safe havens e.g. UK gilts.
- There are concerns around the level of **US corporate debt** which has swollen massively during the period of low borrowing rates in order to finance mergers and acquisitions. This has resulted in the debt of many large corporations being downgraded to a BBB credit rating, close to junk status. Indeed, 48% of total investment grade corporate debt is now rated at BBB. If such corporations fail to generate profits and cash flow to reduce their debt levels as expected, this could tip their debt into junk ratings which will increase their cost of financing and further negatively impact profits and cash flow.
- **Geopolitical risks**, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

#### **Upside risks to current forecasts for UK gilt yields and PWLB rates**

- **Brexit** – if both sides were to agree a compromise that removed all threats of economic and political disruption.
- **The Fed causing a sudden shock in financial markets** through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of QE, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation**, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

**Creditworthiness Policy and Investment Criteria**

The Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit Watches and credit Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands

- Yellow 5 years \*
- Dark pink 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.25
- Light pink 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

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

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

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

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

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

All credit ratings will be monitored before deals are undertaken and The Council is alerted to changes to ratings of all three agencies through its use of the Capita Asset Services' creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Capita Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on any external support for banks to help support its decision making process.

## Investment Criteria for Specified and Non Specified Investments

1.1 Investments will be made in accordance with the following terms:

### 1.1.1 Specified Investments:

(All such investments will be sterling denominated, with maturities up to maximum of 1 year, meeting the minimum 'high' rating criteria where applicable and the principal sum to be repaid at maturity is the same as the initial sum invested other than investments in the UK Government.)

Instrument	Minimum Credit Criteria	Use	Max investment
Debt Management Agency Deposit Facility	--	In-house	£120M
Term deposits – UK government	--	In-house	£120M
Term deposits – other LAs	--	In-house	£25M with each counterparty
Term deposits – banks and building societies	Short-term F1,P1,A1, Long-term AA- or UK nationalised banks  Blue Orange Red Green No Colour	In-house and fund managers  12 months 12 months 6 months 100 days Not for use	£25M with each counterparty/ See 2 and 3 below
Term deposits – Banks	Short-term	In-house and	£30M with each



nationalised by highly credit rated sovereign countries	F1,P1,A1, Long-term AA-  Blue Orange Red Green No Colour	fund managers  12 months 12 months 6 months 100 days Not for use	counterparty/ See 2 and 3 below
Government guarantee on all deposits by high credit rated sovereign countries	AA-	In-house and fund managers	£25M with each counterparty/ See 2 and 3 below
UK Government supported banking sector	AA-	In-house and fund managers	£30M with each counterparty/ See 2 and 3 below

### 1.1.2 **Non-Specified Investments:**

A maximum of 35% will be held in aggregate of Council managed funds in non-specified investments. A maximum of 50% of aggregate funds managed by the Council's external fund managers will be held in non-specified investments.

<b>Instrument</b>	<b>Min Credit/Colour Criteria</b>	<b>Use</b>	<b>Maximum Period</b>	<b>Maximum Investment</b>
Term deposits – UK government (with maturities in excess of 1 year)		In-house	5 years	£30M
Term deposits – other Local Authorities (with maturities in excess of 1 year)		In-house	5 years	£25M with each counterparty
Deposits with banks and building societies covered by UK government guarantee	Short-term F1,P1,A1 Long-term AA-  Blue Orange	Fund managers/ in-house	See 2 and 3 below  12 months 12 months	See 2 below/£30m with each counterparty
Certificates of deposits issued by banks and building societies covered by UK government guarantee	Short-term F1,P1,A1 Long-term AA-  Blue Orange	Fund managers/in house	See 2 and 3 below  12 months 12 months	See 2 below/£25m with each counterparty
UK Government Gilts	-	Fund Managers/in house	See 2 and 3 below/5 years	See 2 below /£25M
Treasury Bills	-	Fund Managers/in	See 2 and 3 below/5	See 2 below /£25M

		house	years	
Term deposits – banks and building societies (with maturities in excess of 1 year)	Short-term F1,P1,A1 Long-term AA-, or UK nationalised banks  Blue Orange	In-house	5 years  12 months 12 months	£25M with each counterparty
Certificates of deposits issued by banks and building societies	Short-term F1,P1,A1 Long-term AA-,  Blue Orange	fund managers/in-house	10 years  12 months 12 months	See 2 below/£25M with each counterparty
UK Government Gilts with maturities in excess of 1 year	AAA	Fund Managers/in house	10 years	See 2 below/£25M with each counterparty
Bonds issued by multilateral development banks	AAA	In-house on a 'buy-and-hold' basis.  Also for use by fund managers	5 years  10 years	£25M with each counterparty and See 2 below
Bonds issued by a financial institution which is guaranteed by the UK government	-	In-house on a 'buy-and-hold' basis.  Also for use by fund managers	5 years  10 years	£25M with each counterparty  See 2 below
Sovereign bond issues (i.e. other than the UK govt)	AAA	In- house  Fund Managers	5 years  10 years	£25M with each counterparty  See 2 below
Corporate Bonds : [under SI 1010 (W.107)]	Long-term AA-	In- house  Fund Managers	5 years  10years	£25M with each counterparty  See 2 below
Gilt Funds and Bond Funds	Long-term AA-	In- house  Fund Managers	5 years  10years	£15M  See 2 below
Money Market Funds	AAA	In- house  Fund Managers	n/a  n/a	£25M  See 2 a below
Property funds	-	Fund	n/a	£20M

		managers		See 2 below
Floating Rate Notes	Long-term AA-	Fund managers	10 years	See 2 below
Treasury Bills	N/A	Fund Managers	10 years	See 2 below
Local authority mortgage guarantee scheme	Short-term F1,P1,A1 Long-term AA-,	In-house	10 years	£25m with each counterparty

**Fitch International Long-Term Credit Ratings**

International Long-Term Credit Ratings (LTCR) may also be referred to as Long-Term Ratings. When assigned to most issuers, it is used as a benchmark measure of probability of default and is formally described as an Issuer Default Rating (IDR). The major exception is within Public Finance, where IDRs will not be assigned as market convention has always focused on timeliness and does not draw analytical distinctions between issuers and their underlying obligations. When applied to issues or securities, the LTCR may be higher or lower than the issuer rating (IDR) to reflect relative differences in recovery expectations. The following rating scale applies to foreign currency and local currency ratings:

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

B	<p>Highly speculative.</p> <ul style="list-style-type: none"> <li>• For issuers and performing obligations, 'B' ratings indicate that significant credit risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favourable business and economic environment.</li> <li>• For individual obligations, may indicate distressed or defaulted obligations with potential for extremely high recoveries. Such obligations would possess a Recovery Rating of 'RR1' (outstanding).</li> </ul>
CCC	<p>For issuers and performing obligations, default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favourable business or economic conditions.</p> <ul style="list-style-type: none"> <li>• For individual obligations, may indicate distressed or defaulted obligations with potential for average to superior levels of recovery. Differences in credit quality may be denoted by plus/minus distinctions. Such obligations typically would possess a Recovery Rating of 'RR2' (superior), or 'RR3' (good) or 'RR4' (average).</li> </ul>
CC	<p>For issuers and performing obligations, default of some kind appears probable.</p> <ul style="list-style-type: none"> <li>• For individual obligations, may indicate distressed or defaulted obligations with a Recovery Rating of 'RR4' (average) or 'RR5' (below average).</li> </ul>
C	<ul style="list-style-type: none"> <li>• For issuers and performing obligations, default is imminent.</li> <li>• For individual obligations, may indicate distressed or defaulted obligations with potential for below-average to poor recoveries. Such obligations would possess a Recovery Rating of 'RR6' (poor).</li> </ul>
RD	<p>Indicates an entity that has failed to make due payments (within the applicable grace period) on some but not all material financial obligations, but continues to honour other classes of obligations.</p>
D	<p>Indicates an entity or sovereign that has defaulted on all of its financial obligations. Default generally is defined as one of the following:</p> <ul style="list-style-type: none"> <li>• Failure of an obligor to make timely payment of principal and/or interest under the contractual terms of any financial obligation;</li> <li>• The bankruptcy filings, administration, receivership, liquidation or other winding-up or cessation of business</li> </ul>

	<ul style="list-style-type: none"> <li>• The distressed or other coercive exchange of an obligation, where creditors were offered securities with diminished structural or economic terms compared with the existing obligation.</li> </ul>
--	---

***Fitch International Short-Term Credit Ratings***

The following ratings scale applies to foreign currency and local currency ratings. A Short-term rating has a time horizon of less than 13 months for most obligations, or up to three years for US public finance, in line with industry standards, to reflect unique risk characteristics of bond, tax, and revenue anticipation notes that are commonly issued with terms up to three years. Short-term ratings thus place greater emphasis on the liquidity necessary to meet financial commitments in a timely manner.

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

**Approved Countries for Investment as at Dec 2018**

AAA

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

AA+

- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- U.K.
- Hong Kong

AA-

- Belgium
- Qatar

## Minimum Revenue Provision

### 1. Government Guidance

The Welsh Assembly Government issued new guidance in March 2008 which requires that a Statement on the Council's policy for its annual MRP should be submitted to the full Council for approval before the start of the financial year to which the provision will relate.

The Council are legally obliged by section 21 (1b) to "have regard" to the guidance, which is intended to enable a more flexible approach to assessing the amount of annual provision than was required under the previous statutory requirements. The guidance offers four main options under which MRP could be made, with an overriding recommendation that the Council should make prudent provision to redeem its debt liability over a period which is reasonably commensurate with that over which the capital expenditure is estimated to provide benefits. The requirement to 'have regard' to the guidance therefore means that: -

Although four main options are recommended in the guidance, there is no intention to be prescriptive by making these the only methods of charge under which a local authority may consider its MRP to be prudent.

It is the responsibility of each authority to decide upon the most appropriate method of making a prudent provision, after having had regard to the guidance.

Where the CFR was nil or negative on the last day of the preceding financial year, the authority does not need to make an MRP provision. MRP in the current financial year would therefore be zero,

#### **Option 1: Regulatory Method**

Under the previous MRP regulations, General Fund MRP was set at a uniform rate of 4% of the adjusted CFR (i.e. adjusted for "Adjustment A") on a reducing balance method (which in effect meant that MRP charges would stretch into infinity). This option is available for the General Fund share of capital financing requirement which relates to capital expenditure incurred prior to 1 April 2008. It may also be used for new capital expenditure up to the amount which is deemed to be supported by the Welsh Assembly Government annual supported borrowing allocation. The use of the commutation adjustment to mitigate the MRP charge is also allowed to continue under this option.

#### **Option 2: Capital Financing Requirement Method**

This is a variation on option 1 which is based upon a charge of 4% of the aggregate CFR without any adjustment for Adjustment A, or certain other factors which were brought into account under the previous statutory MRP calculation. The CFR is the measure of an authority's outstanding debt liability as depicted by their balance sheet.



### **Option 3: Asset Life Method.**

This method may be applied to most new capital expenditure, including where desired that which may alternatively continue to be treated under options 1 or 2.

The guidance suggests that any new borrowing which receives no Government support and is therefore self-financed would fall under option 3

Under this option, it is intended that MRP should be spread over the estimated useful life of either an asset created, or other purpose of the expenditure. There are two useful advantages of this option: -

- Longer life assets e.g. freehold land can be charged over a longer period than would arise under options 1 and 2.
- No MRP charges need to be made until the financial year after that in which an item of capital expenditure is fully incurred and, in the case of a new asset, comes into service use (this is often referred to as being an 'MRP holiday'). This is not available under options 1 and 2.

There are two methods of calculating charges under option 3:

Equal instalment method – equal annual instalments which are calculated using a simple formula set out in paragraph 9 of the MRP guidance,

under this approach, the MRP is provided by the following formula

$A - B$  divided by  $C$

A is the amount of capital expenditure in respect of the asset financed by borrowing or credit arrangements

B is the total provision made before the current financial year in respect of that expenditure

C is the inclusive number of financial years from the current year to that in which the estimated life of the asset expires

Annuity method – annual payments gradually increase during the life of the asset with an appropriate interest rate used to calculate the annual amount

Under both options, the authority may make additional voluntary revenue provision and this may require an appropriate reduction in later years' MRP

In addition adjustments to the calculation to take account of repayment by other methods (e.g. application of capital receipts) should be made as necessary.

#### **Option 4: Depreciation Method**

Under this option, MRP charges are to be linked to the useful life of each type of asset using the standard accounting rules for depreciation (but with some exceptions) i.e. this is a more complex approach than option 3.

The same conditions apply regarding the date of completion of the new expenditure as apply under option 3.

#### **2. Date of implementation**

The previous statutory MRP requirements cease to have effect after the 2006/07 financial year. However, the same basis of 4% charge in respect of the GF share of CFR may continue to be used without limit until the 2009/10 financial year, relative to expenditure incurred up to 31/3/2008.

The guidance suggests that Options 3 and 4 should be applied to any capital expenditure which results in an increase in the CFR and does not relate to the authority's Supported Capital Expenditure.

The guidance also provides the authority with discretion to apply Options 3 or 4 to all capital expenditure whether or not supported and whenever it is incurred.

Any capitalised expenditure incurred after 1 April 2008 which gives rise to an increase in the GF CFR should be repaid by using option 3 as adapted by paragraphs 23 and 24 of the guidance.

Appendix G

Active Internal Credit UK Counterparty List (as at 31 January 2019)

Institution	Country	Bank/BS	Fitch Ratings	Support	S Term
			L Term		
Abbey National Treasury Services PLC	UK	Bank	A	1	F1
Bank of Scotland PLC	UK	Bank	A+	5	F1
Barclays Bank PLC	UK	Bank	A+	5	F1
Close Brothers Ltd	UK	Bank	A	5	F1
Goldman Sachs International Bank	UK	Bank	A	1	F1
HSBC Bank PLC	UK	Bank	AA-	1	F1+
Lloyds Bank Corporate Markets Plc)	UK	Bank	A	1	F1
Santander UK PLC	UK	Bank	A+	2	F1
Standard Chartered Bank	UK	Bank	A+	5	F1
Sumitomo Mitsui Banking Corporation Europe Ltd	UK	Bank	A	1	F1
UBS Ltd.	UK	Bank	AA-	1	F1+
Coventry Building Society	UK	BS	A	5	F1
Leeds Building Society	UK	BS	A-	5	F1
Nationwide Building Society	UK	BS	A	5	F1
Skipton Building Society	UK	BS	A-	5	F1
Yorkshire Building Society	UK	BS	A-	5	F1
Debt Management Office	UK				
Local Authorities	UK				

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).

<b>Section 1</b>
What service area and directorate are you from?
Service Area: Finance & 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"/>	<input type="checkbox"/>

**(b) Please name and describe below  
TREASURY MANAGEMENT STRATEGY, PRUDENTIAL INDICATORS,  
INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION POLICY  
STATEMENT 2019/20**

**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	Medium Impact	Low Impact	Don't know
	(H)	(M)	(L)	(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 type="checkbox"/>
Race	<input type="checkbox"/>	<input type="checkbox"/>	✓	<input type="checkbox"/>
Religion or (non-)belief	<input type="checkbox"/>	<input 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**  
The cost of capital for all capital projects undertaken by the Authority is informed by the TM strategy

**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**

**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 a back office function which although important has little or 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.

<b>Screening form completed by:</b>	
Name: Jeff Dong	
Location: 1.4.1c civic centre	
Telephone Number: 6934	
Date: 31/1/19	
<b>Approval by Head of Service:</b>	
Name: Ben Smith	
Position: S 151 Officer	
Date: 31/1/19	

Please return the completed form to [accesstoservices@swansea.gov.uk](mailto:accesstoservices@swansea.gov.uk)

# Agenda Item 18.



## Report of the Section 151 Officer

Council – 28 February 2019

### Treasury Management – Interim Year Review Report 2018/19

<b>Purpose:</b>	To receive and note the Treasury Management Interim Year Review Report 2018/19
<b>Report Author:</b>	Jeffrey Dong
<b>Legal Officer:</b>	Debbie Smith
<b>Finance Officer:</b>	Ben Smith
<b>Access to Services Officer:</b>	Rhian Millar
<b>For Information</b>	

#### 1 Background

- 1.1 This report is presented in line with the recommendations contained within the The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management which requires an interim year review of Treasury Management operations to be presented to Council

#### 2 Introduction

- 2.1 Treasury Management is defined as:

“The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.” A glossary of terms is at Appendix 1.

- 2.2 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised November 2009) was adopted by this Council in February 2010.

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's Treasury Management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead; a Mid-year Review Report and an Annual Report covering activities during the previous year.
4. Delegation by the Council of responsibilities for implementing and monitoring Treasury Management policies and practices and for the execution and administration of Treasury Management decisions.
5. Delegation by the Council of the role of scrutiny of Treasury Management strategy and policies to a specific named body.

This Interim Year Review Report has been prepared in compliance with CIPFA's Code of Practice, and covers the following:

- An economic update for the first six months of 2018/19
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy
- A review of the Council's investment portfolio for 2018/19
- A review of the Council's borrowing strategy for 2018/19
- A review of any debt rescheduling undertaken during 2018/19
- A review of compliance with Treasury and Prudential Limits for 2018/19

### **3 Economic Update**

3.1 **UK.** The first half of 2018/19 has seen UK **economic growth** post a modest performance, but sufficiently robust for the Monetary Policy Committee, (MPC), to unanimously (9-0) vote to increase **Bank Rate** on 2<sup>nd</sup> August from 0.5% to 0.75%. Although growth looks as if it will only be modest at around 1.5% in 2018, the Bank of England's August Quarterly Inflation Report forecast that growth will pick up to 1.8% in 2019, albeit there were several caveats – mainly related to whether or not the UK achieves an orderly withdrawal from the European Union in March 2019.

3.2 Some MPC members have expressed concerns about a build-up of **inflationary pressures**, particularly with the pound falling in value again against both the US dollar and the Euro. The Consumer Price Index (CPI) measure of inflation rose unexpectedly from 2.4% in June to 2.7% in August due to increases in volatile components, but is expected to fall back to the 2% inflation target over the next two years given a scenario of minimal increases in Bank Rate. The MPC has indicated Bank Rate would need to be in the region of 1.5% by March 2021 for inflation to stay on track. Financial markets are currently pricing in the next increase in Bank Rate for the second half of 2019.



- 3.3 As for the **labour market**, unemployment has continued at a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high in July, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 2.9%, (3 month average regular pay, excluding bonuses) and to a one month figure in July of 3.1%. This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 0.4%, near to the joint high of 0.5% since 2009. (The previous high point was in July 2015.) Given the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC were right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy. However, the MPC will need to tread cautiously before increasing Bank Rate again, especially given all the uncertainties around Brexit.
- 3.4 In the **political arena**, there is a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit. However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to Brexit in March 2019. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.
- 3.5 **USA.** President Trump's massive easing of fiscal policy is fuelling a (temporary) boost in consumption which has generated an upturn in the rate of strong growth which rose from 2.2%, (annualised rate), in quarter 1 to 4.2% in quarter 2, but also an upturn in inflationary pressures. With inflation moving towards 3%, the Fed increased rates another 0.25% in September to between 2.00% and 2.25%, this being four increases in 2018, and indicated they expected to increase rates four more times by the end of 2019. The dilemma, however, is what to do when the temporary boost to consumption wanes, particularly as the recent imposition of tariffs on a number of countries' exports to the US, (China in particular), could see a switch to US production of some of those goods, but at higher prices. Such a scenario would invariably make any easing of monetary policy harder for the Fed in the second half of 2019.
- 3.6 **Eurozone.** Growth was unchanged at 0.4% in quarter 2, but has undershot early forecasts for a stronger economic performance in 2018. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of manufacturing exports e.g. cars. For that reason, although growth is still expected to be in the region of 2% for 2018, the horizon is less clear than it seemed just a short while ago.

- 3.7 **China.** Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.
- 3.8 **Japan** - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

#### **4 Review of the Treasury Management Strategy Statement and Investment Strategy**

- 4.1 The Treasury Management Strategy Statement for 2018/19 was approved by Council in February 2018. The Council's Annual Investment Strategy, which is incorporated in the Treasury Management Strategy Statement, outlines the Council's investment priorities as follows:
- Security of capital
  - Liquidity
- And only then
- Yield
- 4.2 The Council shall aim to achieve the optimum return (yield) on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered only appropriate to invest with highly credit rated financial institutions, using our advisor's suggested creditworthiness approach, including sovereign credit rating and credit default swap (CDS) overlay information.
- 4.4 Borrowing rates and available investment interest rates have remained low during 2018/19. Opportunities for undertaking some external borrowing was taken in October 2018, December 2018 and February 2019 ( details below in 6) as volatility in the market due to Brexit uncertainty offered long term opportunities.
- 4.5 As outlined in Section 3 above, there is still considerable uncertainty and volatility in financial and banking markets, both globally and in the UK following Brexit.. In this context, it is considered that the strategy approved in February 2018 is still appropriate in the current economic climate and has been reviewed whilst considering and formulating the strategy for 2019/20 as funding for capital and cashflow requirements dictate

#### **5 Review of Investment Portfolio 2017/18**

- 5.1 In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite

- 5.2 A full list of internally managed investments held as at 30th September 2018, is shown in Appendix 3. To 30<sup>th</sup> September 2018, the portfolio has returned 0.63% against a 7 day benchmark rate of 0.5%

## **6 Review of Borrowing Strategy**

- 6.1 As outlined in the Treasury Management Strategy 2018/19, it was planned to maximise the use of internal funds to finance capital borrowing requirements in 2018/19 to minimise interest costs unless there were opportunities to externally borrow advantageously. The benefits of this strategy are twofold i.e.
- The risk of borrower(counterparty) default is reduced
  - There is a reduced cost of carry ( borrowing rates v investment rates)

Notwithstanding the above, as outlined in 4, there has been a degree of volatility ahead of the Brexit negotiations where borrowing rates offered some real long term value where the Authority took the opportunity to undertake the following borrowing in the during the year :

### 23<sup>rd</sup> April 2018

£10m for 46 years @ 2.46%

£10m for 49 years @ 2.45%

£10m for 50 years @ 2.45%

### 25<sup>th</sup> Oct 2018

£10m for 9 years @ 2.21%

£10m for 10 years @ 2.28%

### 13<sup>th</sup> Dec 2018

£10m for 11 years @ 2.09%

£10m for 50 years @ 2.39%

### 4<sup>th</sup> Feb 2019

£10m for 43 years @ 2.41%

£10m for 44 years @ 2.40%

The average rate of the borrowing undertaken above is 2.35%. Total external debt as at 4<sup>th</sup> Feb 2019 is £552m at an average rate of 4.28%, with a budgeted capital financing requirement in 2019/20 of £585m.

## **7 Review of Debt Rescheduling**

- 7.1 Debt rescheduling opportunities are constantly evaluated but have been limited in the current economic climate and consequent structure of interest rates. No debt rescheduling has been undertaken in 2018/19 to date.

## **8 Review of Compliance with Treasury & Prudential Limits**

- 8.1 It is a statutory duty for the Council to determine and keep under review the "Affordable Borrowing Limits". The Council's approved Treasury and Prudential Indicators (affordability limits) are outlined in the approved Treasury Management Strategy Statement.

8.2 During the financial year to date the Council has operated within the Treasury limits and Prudential Indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices. Compliance with the Prudential and Treasury Indicators are shown in Appendix 4.

## **9 Financial Implications**

9.1 The financial implications associated with this report have been reported at Council in February 2018 in the Revenue and Capital Budget Reports 2018/19.

## **10 Legal Implications**

10.1 There are no direct legal implications associated with this report

## **11 Equality and Engagement Implications**

11.1 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 5)

**Background Papers:** The revised CIPFA Treasury Management Code of Practice 2009  
The revised CIPFA Prudential Code for Capital Finance in Local Authorities 2013  
The revised CIPFA Prudential Code for Capital Finance in Local Authorities 2017

## **Appendices**

Appendix 1 – Glossary of terms  
Appendix 2 –Interest Rate forecast  
Appendix 3 – Schedule of investments  
Appendix 4 - Prudential Indicators  
Appendix 5 – Equality Impact Assessment

## Treasury Management – Glossary of Terms

<b>Annualised Rate of Return</b>	Represents the average return which was achieved each year.
<b>Authorised Limit</b>	The authorised limit must be set to establish the outer boundary of the local authority's borrowing based on a realistic assessment of risks. The authorised limit is not a limit that a Council will expect to borrow up to on a regular basis. It is crucial that it is not treated as an upper limit for borrowing for capital expenditure alone since it must also encompass borrowing for temporary purposes. It is the expected maximum borrowing need, with some headroom for unexpected requirements.
<b>Bank Rate</b>	The Official Bank rate paid on commercial bank reserves i.e. reserves placed by commercial banks with the Bank of England as part of the Bank's operations to reduce volatility in short term interest rates in the money markets.
<b>Base Rate</b>	Minimum lending rate of a bank or financial institution in the UK.
<b>Borrowing</b>	In the Code, borrowing refers to external borrowing. Borrowing is defined as both:- <ul style="list-style-type: none"> <li>• Borrowing repayable with a period in excess of 12months</li> <li>• Borrowing repayable on demand or within 12months</li> </ul>
<b>Capital Expenditure</b>	The definition of capital expenditure starts with all those items which can be capitalised in accordance with the Statement of Recommended Practice (SORP). To this must be added any items that have/will be capitalised in accordance with legislation that otherwise would not be capitalised. Prudential indicators for current and future years are calculated in a manner consistent with this definition.
<b>Capital Financing Charges</b>	These are the net costs of financing capital i.e. interest and principal, premia less interest discounts received.
<b>Capital Financing Requirement</b>	The Capital Financing Requirement is capital expenditure, which needs to be financed from borrowing.

	It is essentially a measure of the Council's underlying borrowing need.
<b>CIPFA</b>	The Chartered Institute of Public Finance and Accountancy. One of the leading professional accountancy bodies in the UK and the only one which specialises in the public services.
<b>Counterparty</b>	The organisations responsible for repaying the Council's investment upon maturity and for making interest payments.
<b>CPI (Consumer Price Index)</b>	The consumer price index (CPI) is a measure of the average price of consumer goods and services purchased by households. It is one of several price indices calculated by national statistical agencies. The percent change in the CPI is a measure of inflation.
<b>Credit Rating</b>	<p>This is a scoring system that lenders use to determine how credit worthy borrowers are.</p> <p>The Credit Rating components are as follows:</p> <ol style="list-style-type: none"> <li>1. The AAA ratings through to C/D are long-term rating definitions and generally cover maturities of up to five years, with the emphasis on the ongoing stability of the institution's prospective financial condition. AAA are the most highly rated, C/D are the lowest. This Council does not invest with institutions lower than AA - for investments over 364 days</li> <li>2. F1/A1/P1 are short-term rating definitions used by Moody's, S&amp;P and Fitch Ratings for banks and building societies based on their individual opinion on an institution's capacity to repay punctually its short-term debt obligations (which do not exceed one year). This Council does not invest with institutions lower than F1/A1/P1 for investments under 364 days.</li> </ol>
<b>Debt</b>	For the purposes of the Code, debt refers to the sum of borrowing (see above) and other long-term liabilities (see below). It should be noted that the term borrowing used in the Act includes both borrowing as defined for the balance sheet and other long terms liabilities defined as credit arrangements through legislation.

<b>Debt Management Office (DMO)</b>	Government Agency responsible for the issuance of government borrowing and lending.
<b>De- leveraging</b>	Paying back borrowed sums of money
<b>Discounts</b>	Where the prevailing interest rate is higher than the fixed rate of a long-term loan, which is being repaid early, the lender can refund the borrower a discount. This is calculated on the difference between the two interest rates over the remaining years of the loan, discounted back to present value. The lender is able to offer the discount, as their investment will now earn more than when the original loan was taken out.
<b>Financing Costs</b>	<p>The financing costs are an estimate of the aggregate of the following:-</p> <ul style="list-style-type: none"> <li>• Interest payable with respect to borrowing</li> <li>• Interest payable under other long-term liabilities</li> <li>• Gains and losses on the repurchase or early settlement of borrowing credited or charged to the amount to be met from government grants and local taxpayers (premiums and discounts)</li> <li>• Interest earned and investment income</li> <li>• Amounts required in respect of the minimum revenue provision plus any additional voluntary contributions plus any other amounts for depreciation/impairment that are charged to the amount to be met from government grants and local taxpayers</li> </ul>
<b>Financial Reporting Statements (FRSs)</b>	These are standards set by governing bodies on how the financial statements should look.
<b>Gilts</b>	Gilts are bonds issued by the UK government. The term is of British origin, and refers to the securities certificates issued by the Bank of England, which had a gilt (or gilded) edge.
<b>Investments</b>	<p>Investments are the aggregate of:-</p> <ul style="list-style-type: none"> <li>• Long term investments</li> <li>• Short term investments (within current assets)</li> <li>• Cash and bank balances including overdrawn balances</li> </ul>
<b>IMF</b>	International Monetary Fund
<b>Leverage</b>	Borrowed sums of money

<b>LOBO (Lender's Option/ Borrower's Option)</b>	Money Market instruments that have a fixed initial term (typically one to ten year) and then move to an arrangement whereby the lender can decide at pre-determined intervals to adjust the rate on the loan. At this stage the borrower has the option to repay the loan.
<b>London Inter-Bank Bid Rate (LIBID)</b>	The interest rate at which major banks in London are willing to borrow (bid for) funds from each other.
<b>Managed Funds</b>	<p><u>In-House Fund Management</u> Surplus cash can be managed either by external fund managers or by the Council's staff in-house. The in-house funds are invested in fixed deposits through the money markets.</p> <p><u>Externally Managed Funds</u> Fund managers appointed by the Council invest surplus cash in liquid instruments such as bank certificates of deposit and government stocks. The fund managers' specialist knowledge should ensure a greater diversification of investments and higher expected returns</p>
<b>Maturity</b>	The date when an investment is repaid or the period covered by a fixed term investment.
<b>Monetary Policy Committee (MPC)</b>	This is a body set up by the Government in 1997 to set the repo rate (commonly referred to as being base rate). Their primary target (as set by the Government) is to keep inflation within plus or minus 1% of a central target of 2% in two years time from the date of the monthly meeting of the Committee. Their secondary target is to support the Government in maintaining high and stable levels of growth and employment.
<b>Money Market</b>	<p>Consists of financial institutions and deals in money and credit.</p> <p>The term applied to the institutions willing to trade in financial instruments. It is not a physical creation, but an electronic/telephone one.</p>
<b>Net Borrowing</b>	For the purposes of the Code, net borrowing refers to borrowing (see above) net of investments (see above).
<b>Net Revenue Stream</b>	Estimates for net revenue stream for current and future years are the local authority's estimates of the



	amounts to be met from government grants and local taxpayers.
<b>Operational Boundary</b>	This is based on expectations of the maximum external debt of the authority according to probable not simply possible – events and being consistent with the maximum level of external debt projected by the estimates. It is not a limit and actual borrowing could vary around this boundary for short periods.
<b>Other Long Term Liabilities</b>	The definition of other long term liabilities is the sum of the amounts in the Council's accounts that are classified as liabilities that are for periods in excess of 12months, other than borrowing (see definition above).
<b>Premature Repayment of Loans (debt restructuring/ rescheduling)</b>	A facility for loans where the Council can repay loans prior to the original maturity date. If the loan repaid has a lower interest rate than the current rate for a loan of the same maturity period the Council can secure a cash discount on the repayment of the original loan. If the loan replaced has a higher rate of interest than the current rate for a loan of the same maturity period, a cash penalty is payable to the lender.
<b>Premia</b>	Where the prevailing current interest rate is lower than the fixed rate of a long term loan, which is being repaid early, the lender can charge the borrower a premium. This is calculated on the difference between the two interest rates over the remaining years of the loan, discounted back to present value. The lender may charge the premium, as their investment will now earn less than when the original loan was taken out.
<b>Prudential Code</b>	The Prudential Code is the largely self regulatory framework outlined by CIPFA for managing/monitoring capital investment in local government.
<b>Public Works Loan Board (PWLB)</b>	A Government agency which provides loans to local authorities. Each year, it issues a circular setting out the basis on which loans will be made available and a quota formula for the amount that can be borrowed. Loans can be either at a fixed rate or on a variable rate basis. They can be repaid on either an annuity, equal instalment of principal or maturity basis. The interest rate charged is linked to the cost at which the Government itself borrows.

<b>Quantitative Easing</b>	<p>Extreme form of monetary policy used to stimulate an economy where interest rates are either at or close to zero. Normally a central bank stimulates the economy by lowering interest rates but when it cannot lower them further it can attempt to seed the system with new money by quantitative easing.</p> <p>In practical terms, the central bank purchases financial assets including government debt and corporate bonds from financial institutions using money it has created by increasing its own credit limits in its own bank accounts. Also know as 'printing money' although no extra physical cash is created.</p>
<b>Risk</b>	<p><u>Credit /Counterparty Risk</u> The risk that counterparty defaults on its obligations.</p> <p><u>Inflation Risk</u> The risk that growth in the Authority's investment income does not keep pace with the effects of inflation on its expenditure.</p> <p><u>Interest Rate Risk</u> The risk that changes in rates of interest creates an unexpected or unbudgeted burden on the Council's finances.</p> <p><u>Liquidity Risk</u> The risk that cash will not be available when it is needed.</p> <p><u>Operational Risk</u> The risk of loss through fraud, error, corruption, system failure or other eventualities in treasury management dealings, and failure to maintain effective contingency management arrangements.</p> <p><u>Refinancing Risk</u> The risk that the Authority is unable to replace its maturing funding arrangements on appropriate terms.</p>
<b>Set Aside Capital Receipts</b>	<p>A proportion of money received by the Council for the sale of fixed assets must be set aside to repay debt.</p>
<b>SORP</b>	<p>Statement of Recommended Practice, published by CIPFA (Local Authority Accounting Body). This sets out guidelines regarding the Council's financial matters.</p>

<b>Specified/Non Specified investments</b>	Specified investments are sterling denominated investments for less than 364 days as identified in Appendix A in line with statutory investment regulations. Non-specified investments are all other investments identified in Appendix A in line with statutory investment regulations.
<b>Supranational Bonds</b>	These are bonds issued by institutions such as the European Investment Bank and World Bank. As with Government bonds (Gilts) they are regarded as the safest bond investments with a high credit rating.
<b>Temporary Borrowing and Investment</b>	Loans which are capable of being repaid within one year. The term of the loans will be negotiated from overnight to 364 days.
<b>Treasury Management</b>	<p>Treasury management has the same definition as in CIPFA's code of Practice of Treasury Management in the Public Services.</p> <p>"The management of the organisation's cash flows its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."</p>
<b>Yield Curve</b>	The line resulting from portraying interest rate graphically for a series of periods, e.g. 7days, 1month, 3, 6, 9, and 12months. When longer-term interest rates are higher than short-term rates the yield curve slopes upwards and is described as positive. When the opposite prevails the yield curve is referred to as inverse.

## Appendix 2

Link Asset Services Interest Rate View											
	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate View	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%
3 Month LIBID	0.75%	0.80%	0.80%	0.90%	1.10%	1.10%	1.20%	1.40%	1.50%	1.60%	1.60%
6 Month LIBID	0.85%	0.90%	0.90%	1.00%	1.20%	1.20%	1.30%	1.50%	1.60%	1.70%	1.70%
12 Month LIBID	1.00%	1.00%	1.00%	1.10%	1.30%	1.30%	1.40%	1.60%	1.70%	1.80%	1.80%
5yr PWLB Rate	2.00%	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%
10yr PWLB Rate	2.40%	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%
25yr PWLB Rate	2.80%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.50%	3.50%
50yr PWLB Rate	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%

## Appendix 3

### Investments as at 30/9/18

Counterparty	£
Bank of Scotland	11,318,647.72
Santander Bank	750,000.00
Coventry Building Society	3,000,000.00
Dumfries and Galloway Council	3,000,000.00
Eastleigh Borough Council	3,000,000.00
Goldman Sachs International	3,000,000.00
Kingston upon Hull City Council	5,000,000.00
Medway Council	5,000,000.00
North East Lincolnshire Council	2,000,000.00
North Lanarkshire Council	3,000,000.00
North Lincolnshire Council	5,000,000.00
Salford City Council	5,000,000.00
Suffolk County Council	3,000,000.00
Telford and Wrekin Borough Council	3,500,000.00
Thurrock Borough Council	15,500,000.00
	<b>71,068,647.72</b>

## Appendix 4

### Prudential Indicators

Capital Prudential Indicators	2017/18	2018/19
	Outturn	Original Estimate
	£'000	£'000
<b>Capital Expenditure</b>		
GF	40,379	38,269
HRA	45,835	57,893
<b>TOTAL</b>	<b>86,214</b>	<b>96,162</b>
<b>Ratio of financing costs to net revenue stream</b>	<b>%</b>	<b>%</b>
GF	6.75	6.66
HRA	16.44	17.84
<b>Capital Financing Requirement</b>	<b>£'000</b>	<b>£'000</b>
GF	333,490	374,478
Credit Arrangements	1,898	368
HRA	151,068	186,316
<b>TOTAL</b>	<b>486,456</b>	<b>561,162</b>

Treasury Management Prudential Indicators	2017/18	2018/19
	Outturn	Original Estimate
	£'000 or %	£'000 or %
Authorised limit for external debt	458,535	689,329
Operational boundary for external debt	458,535	629,329
Upper limit for fixed interest rate exposure	78.6%/ £360,535	100%/ £629,329
Upper limit for variable interest rate exposure	21.4%/ £98,000	40%/ £251,731
Upper limit for total principal sums invested for over 364 days	0	40,000

### Maturity Structure of Fixed Rate Borrowing in 2018/19

	Upper Limit	Lower Limit	Actual
Under 12 months	50%	0%	0.0%
12 months and within 24 months	50%	0%	0.55%

24 months and within 5 years	50%	0%	0.0%
5 years and within 10 years	85%	0%	9.46%
10 years and above	95%	15%	89.99%

The treasury management prudential indicators identified above as:

- Upper limit for fixed interest rate exposure
- Upper limit for variable interest rate exposure
- Upper limit for total principal sums invested for over 364 days
- Maturity Structure of fixed rate borrowing in 2018/19

Above figures are as at 4<sup>th</sup> Feb 2019. None of the above limits/Prudential Indicators have been breached during 2018/19 to date.

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: Finance & Delivery

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 type="checkbox"/>

**(b) Please name and describe below  
TREASURY MANAGEMENT INTERIM YEAR REPORT 18/19**

**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)	✓ (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)	✓ (L)

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

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

Religion or (non-)belief		<input type="checkbox"/>	<input 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 <input type="checkbox"/> (H)	Medium visibility to general public <input type="checkbox"/> (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 <input type="checkbox"/> (H)	Medium risk to reputation ✓ (M)	Low risk to reputation <input type="checkbox"/> (L)
---	------------------------------------	--

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

✓ Yes       No      **If yes, please provide details below**  
The cost of capital for all capital projects undertaken by the Authority is informed by the TM strategy

**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 a back office function which although important has little or 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.

<b>Screening form completed by:</b>	
Name: Jeff Dong	
Location: 1.4.1c civic centre	
Telephone Number: 6934	
	Date: 1/2/19
<b>Approval by Head of Service:</b>	
Name: Ben Smith	
Position: S 151 Officer	
	Date: 1/2/19

Please return the completed form to [accesstoservices@swansea.gov.uk](mailto:accesstoservices@swansea.gov.uk)

# Agenda Item 19.



## Report of the Chair of the Scrutiny Programme Committee

Council – 28 February 2019

### Scrutiny Dispatches – Quarterly Impact Report

<b>Purpose:</b>	To present the quarterly report from the Scrutiny Programme Committee to Council on the impact of scrutiny.
<b>Policy Framework:</b>	None
<b>Consultation:</b>	Finance, Legal, Access to Services
<b>Report Author:</b>	Brij Madahar
<b>Finance Officer:</b>	Paul Cridland
<b>Legal Officer:</b>	Debbie Smith
<b>Access to Services Officer:</b>	Rhian Millar

#### For Discussion

#### 1. Introduction

- 1.1 The Scrutiny Programme Committee is responsible for the overall work programme, including the various informal scrutiny activities, and monitoring progress to ensure that the work is effective.
- 1.2 The Committee is also concerned about improving communication and public engagement, and getting more coverage in the media so that the public are more aware of the work of scrutiny.
- 1.3 In order to provide ‘headlines’ from scrutiny activity and give the work of scrutiny greater visibility, both for Council and public audience, a quarterly ‘Scrutiny Dispatches’ report is published.

#### 2. Scrutiny Dispatches

- 2.1 ‘Scrutiny Dispatches’ is intended to demonstrate scrutiny achievements and outcomes. It is effectively a regular report about

impact and how scrutiny is making a difference, rather than a descriptive account of scrutiny activities. The aim is to focus on and promote a small number of ‘significant stories’. A chair’s roundup is also featured to highlight other work.

- 2.2 The quarterly report is attached for Council discussion – see **Appendix 1**. This issue features scrutiny of Homelessness, Air & Noise Pollution, Child & Adolescent Mental Health Services, and Natural Environment & Biodiversity. The chair’s roundup mentions progress with the work programme, praise from Care Inspectorate Wales for scrutiny following recent Child & Family Services inspections, the recently agreed scrutiny improvement action plan, issues looked at by the Committee, and regional scrutiny work.
- 2.3 As well as being a report to Council the content will be shared more widely, with advice and support from the Council’s Communications Team and utilising social media. This should help raise awareness of the work and impact of scrutiny, and hopefully encourage more public engagement and participation in scrutiny. It is anticipated that some of the impact stories within Scrutiny Dispatches will generate press releases.
- 2.4 In order to ensure that people are informed more generally about the work of scrutiny a monthly newsletter is also being produced. This list is shared via an email subscription ([www.swansea.gov.uk/scrutinyemail](http://www.swansea.gov.uk/scrutinyemail)), and includes details of:
  - Forthcoming panel and working group meetings
  - Topics being looked at by scrutiny
  - Progress with current activities

### **3. Equality & Engagement Implications**

- 3.1 There are no specific equality and engagement implications raised by this report.

### **4. Financial Implications**

- 4.1 There are no specific financial implications raised by this report.

### **5. Legal Implications**

- 5.1 There are no specific legal implications raised by this report.

**Background papers:** None

#### **Appendices:**

Appendix 1 – Scrutiny Dispatches

‘How scrutiny councillors are making a difference’

## Helping to Shape the Council’s new Homelessness Strategy

*(Lead: Councillors Peter Black / Mary Jones)*

Scrutiny Councillors have contributed to the Council’s new Homelessness Strategy.

Homelessness has been a topic of significant interest and concern over the last year for scrutiny. Scrutiny councillors were able to influence the Homelessness Strategy and Action Plan for 2018-2022 through a series of meetings to discuss the issues, challenges, and plans. The Strategy, approved by Cabinet in November, took on board issues and suggestions made by scrutiny councillors. Scrutiny contributed initially through a cross-party Working Group, chaired by Councillor Peter Black, mid-2018 to look at the Council’s activities to manage homelessness, the current position, performance of relevant services and the challenges faced. This work benefitted from the involvement of a number of interested parties including: Swansea Homeless Sanctuary, Shelter Cymru, Crisis, Wallich Dinas Fechan, Caer Las, Zac’s Place, Matthew’s House, Abertawe Bro Morgannwg University Health Board and the relevant Cabinet Member and officers from Swansea Council. This led to a number of issues being raised with Councillor Andrea Lewis, Cabinet Member for Homes & Energy.

The Scrutiny Programme Committee, chaired by Councillor Mary Jones, which oversees the Scrutiny Work Programme, then met early October to review a consultation draft of the Strategy and Action Plan to ensure that its views can be fully considered in drawing up the final document. This led to a detailed consultation response being submitted to the Cabinet Member including views including around:

- Service user involvement and co-production
- The development of pre-eviction protocols
- Use of the private rented sector / loss of rented accommodation
- Working with Registered Social Landlords to alleviate homelessness
- Barriers to accessing temporary accommodation
- Proposals / timescales for increased support for people with mental health / complex needs
- Plans for a holistic “solutions centre” for services for rough sleepers
- Support to children affected by parental homelessness
- Monitoring, evaluation and review of success / impact of the Strategy

The Committee also carried out ‘pre-decision scrutiny’ in November which enabled it to review the contents of the final Strategy and Action Plan ahead of Cabinet decision. Councillor Mary Jones said ‘I am pleased to see our impact on the final document, and shows the value of the early engagement of scrutiny in such important decisions. We particularly welcomed:

- Recognition of the United Nations Convention on the Rights of the Child and children’s voice, and plan to develop a separate Homelessness Charter for children and young people
- The revision of timescales for the development of a holistic ‘solutions centre’ and clarity about what will be achieved e.g. the feasibility study will be carried out within a period of six months
- That there will be an annual progress report on the delivery of the Strategy and Action Plan.’

The contribution made by scrutiny to improve the Strategy and Action Plan, which saw amendments being made to the consultation draft, was praised by the Cabinet Member for Homes & Energy, ahead of its approval by Cabinet on 15 November.

## Reducing Air & Noise Pollution

*(Lead: Councillor Joe Hale)*

Scrutiny councillors have had their say about air and noise pollution in Swansea.

A Working Group has looked at the situation in Swansea and the effects, how pollution is measured and monitored, and efforts to tackle problems and reduce pollution. As a result of their views and issues raised with Councillor Mark Thomas, Cabinet Member for Environment and Infrastructure Management, action will include:

- Working with academic and health colleagues to complete specific air quality research projects aimed at engaging members of the public and achieving compliance with objective concentrations and reducing exposure to pollutants.
- Continued assessment of The Out of Hours Noise Control Service to seek efficiencies during times of austerity to enable continued delivery of this service.
- Looking at ways to reinvigorate the presentation of data on the Council's air pollution webpages and working with ICT service to redesign the site in order to engage the public in its content, including integrating the Nowcaster System within the site.
- The Air Quality Action Plan investigating pollution around schools and behaviour of parents when bringing their children to school to enable behavioural change and the reduction in pollutant concentrations.
- Working with colleagues in the School of Management and Life Science in Swansea University to investigate several themes around air quality and public health.

The views of the Working Group, which met in November 2018, and Cabinet Member response can be read in full here:

<https://democracy.swansea.gov.uk/ieListDocuments.aspx?CId=647&MId=8323&Ver=4&LLL=0>

## Improving Child & Adolescent Mental Health Services

*(Lead: Councillor Mary Jones)*

Scrutiny councillors have made a positive impact in efforts to improve Child & Adolescent Mental Health Services (CAMHS).

Following an in-depth inquiry carried out in 2017, councillors involved in this work met in November 2018 to follow up on the implementation of inquiry recommendations and assess the difference made. The Inquiry Panel was pleased to hear about a greater focus on prevention, better joint working between local authorities and the ABMU Health Board and improved response to urgent cases. They also welcomed changes to some of ABMU's commissioning arrangements, simplified processes to access the service, and the greater involvement of parents and Third Sector representatives.

A number of people addressed the Panel on progress, including the Cabinet Member for Children Services (Early Years), Director of Social Services, Head of Child & Family Services, and representatives from the Local Health Board.

The Cabinet Member for Early Years has recognised the contribution made by the scrutiny inquiry in highlighting the issues and in the progress made to improve services.

Although pleased with progress the Panel recognised that there is a long way to go to implement all of the recommendations and achieving significant improvement. The Panel agreed that the Child & Family Services Scrutiny Performance Panel was best placed for continued monitoring of CAMHS. Read more here:

<https://democracy.swansea.gov.uk/ieListDocuments.aspx?CId=598&MId=8389&Ver=4&LLL=0>

# Supporting the Natural Environment & Biodiversity

*(Lead: Councillor Peter Jones)*

The call from scrutiny councillors for the Council to give priority to the Natural Environment & Biodiversity has been answered.

The Council has recently adopted a sixth, and new, priority: 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. Over the past year a Scrutiny Inquiry has been looking at what the Council should be doing to maintain, enhance and promote its natural environment and biodiversity, and in doing so promote the resilience of eco-systems. The Inquiry Panel will be publishing its final report shortly - more on that in the next edition. Both before and during this piece of in-depth scrutiny, which has shone a light on this topic, repeated calls (in different forums) were made for the Council to recognise the growing importance of the natural environment and biodiversity on well-being and future generations, something already recognised by the Public Services Board in its Well-being Plan and 'Working with Nature' objective. Councillor Peter Jones, convener of the Natural Environment Inquiry Panel, said: 'This is a scrutiny success - something we raised over a year ago. The decision by the Council is not only welcome but overdue, and supports our findings. Indeed the action taken pre-empts one of the recommendations that the Panel would certainly have made. I look forward to presenting the Panel's final report to Cabinet in the knowledge that the natural environment and biodiversity is now looked upon as a key priority, and our scrutiny report will offer our thoughts about how this priority can be delivered.'

## Chair's Roundup:

This is my second roundup of the work of [scrutiny](#) for 2018/19, as Chair of the Scrutiny Programme Committee.

### Progressing our priorities for 2018/19

We have made good progress over the year so far. The work programme is dominated by our six Performance Panels, which meet on an ongoing and regular basis. This has ensured continued focus on in-depth monitoring performance and challenge concerning Adult Services, Child & Family Services, Schools, the Public Services Board, and Development & Regeneration. The Service Improvement & Finance Panel keeps an eye on performance & spending across the Council. We have two in-depth inquiries in progress. Our examination of the Natural Environment is almost complete and a final report, with conclusions and recommendations for Cabinet, will be presented soon. The inquiry into Equalities is currently evidence gathering, looking at how effectively the Council is meeting and embedding requirements under the law. Both of these inquiries have generated public interest, and it is pleasing that a number of people have responded to the 'call for evidence' and taken the opportunity to submit their views. Each Panel has also been proactive in seeking evidence from a wide range of sources, including people and groups involved or affected. We have arrangements in place to check on implementation of previous inquiry recommendations and assess the impact of our work. Because of good progress Councillors were able to conclude monitoring of the inquiries on Tackling Poverty and Child & Adolescent Mental Health Services. We also arrange Working Groups for a 'light-touch' look at issues and this has enabled scrutiny to look at, and make improvement recommendations, on the following: Hate Crime, Homelessness, Local Flood Risk Management, Air & Noise Pollution, Welfare Reform, and Environmental Enforcement.

### Getting praise from inspectors

Recent reports by the Care Inspectorate Wales (CIW) have praised the work of scrutiny. The Council's Child & Family Services and Foster Swansea Service were the subject of external inspections, which have identified good practice with positive outcomes for children and young people. As well as positive findings about the service provided, the inspectors commented that there are robust scrutiny arrangements in place for accountability and challenge in these areas.



## Improving scrutiny

I wrote previously about the process of improvement and development, with challenge provided by the Wales Audit Office (WAO) and the Committee identifying five scrutiny improvement objectives. I am happy to say that we have now agreed a Scrutiny Improvement Action Plan to address the WAO proposals for improvement and deliver our own objectives. This means action on: meeting development needs for scrutiny councillors; the relationship between scrutiny and the Council's Policy Development Committees; and better demonstrating the impact and outcomes of scrutiny. It also means a focus on getting more of our work formally reported to cabinet, earlier involvement in cabinet decision-making, improving councillor participation in scrutiny, strengthening the follow-up of recommendations, and getting more of our work in the media to raise awareness and public engagement in scrutiny. The Committee has previously identified the need to develop closer links with regulators and inspectors so that we can provide a more coordinated and effective challenge. The Scrutiny Work Programme will also now include consideration of relevant WAO reports. Scrutiny will expect assurance from Council leads about their response to WAO reports and provide challenge to monitor and ensure improvement.

## Questioning Cabinet Members

The Committee continues to focus on holding cabinet members to account, through monthly Q & A sessions to discuss their work. Acting as a 'critical friend' we question and challenge them on their priorities, actions, achievements and impact. As I write we are due to meet with the Cabinet Member for Investment, Regeneration & Tourism in March. We invite the public and all scrutiny councillors to contribute ideas to ensure the Committee asks the right questions. A summary of each session and views of the Committee are published in a letter to relevant Cabinet Members. We have recently put questions to the Cabinet Members for Care, Health & Ageing Well, Economy & Strategy (Leader), and Environment & Infrastructure Management.

## Challenging proposed decisions

Pre-decision scrutiny enables us to question Cabinet Members on proposals and present views and any concerns to Cabinet ahead of decisions. Since September scrutiny has looked at reports on: Homelessness Strategy & Action Plan 2018-2022 (Nov); Swansea Central Phase 1 (Nov); proposed closure of Craigcefnparc School - report on Small School Review (Dec); and YGG Felindre - report on School Organisation Linked to the Welsh Education Strategic Plan (Dec).

## Developing regional scrutiny

The regional Scrutiny Councillor Group continues to meet to consider progress with school improvement across the ERW (Education Through Regional Working) region. In January the Group met with the Chair of the ERW Joint Committee, Lead Chief Executive, and Lead Officer for ERW concerning the ERW Review and Reform Programme. Also, the new Joint Scrutiny Committee looking at the Swansea Bay City Deal Programme met for the first time on 20 November. The Chair and Vice-Chair of the Committee were confirmed as: Councillor Arwyn Woolcock (Neath Port Talbot) and Councillor Rob James (Carmarthenshire) respectively, for a two year period. The Committee held an extra meeting on 31 January for update on internal and external reviews of the City Deal Programme, and recent developments.

## Making the work of scrutiny transparent and accessible

Scrutiny agenda packs are available on the Council's ['agenda and minutes' webpage](#). There you can also find scrutiny letters sent to cabinet members following meetings and responses. Our meetings are open to the public and anyone living or working in Swansea can [suggest a topic for scrutiny](#). There are also opportunities to suggest questions, and submit views. To keep an eye on what's going see the links below, subscribe to our newsletter, or even follow us on Twitter.

*Councillor Mary Jones*

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Twitter: @swanseascrutiny

Blog: [www.swanseascrutiny.co.uk](http://www.swanseascrutiny.co.uk)

# Agenda Item 20.



Council – 28 February 2019

## Councillors' Questions

### Part A – Supplementaries

1	<p><b>Cllrs Kevin Griffiths, Wendy Fitzgerald &amp; Mary Jones</b></p> <p>Will the Labour Administration be honouring their pledge to put a 3G pitch in Pontarddulais considering the fact that Swansea City Football Club are no longer in the Premier League.</p> <p><b>Response of the Cabinet Member for Investment, Regeneration &amp; Tourism</b></p> <p>During the first phase of the strategy for sport facilities in Swansea, two new full sized 3G pitches were provided in Morrision Leisure Centre and Penyrheol Leisure Centre. I am pleased to report that both facilities have operated extremely successfully since opening in July 2017. The facility in Penyrheol in particular was considered a regional venue for the North West of Swansea and the usage suggests that this has indeed been the case. I can also confirm that four major sports clubs from Pontarddulais have made regular use of the Penyrheol site since its opening, including senior, junior and women's teams, with 9-12 hours of usage per week from these.</p> <p>Given this information, our present view is that the demand for such facilities in this particular part of Swansea has been met and given the ongoing revenue obligations for such a facility, believe that a stand-alone facility within Pontarddulais would not have enough demand to be financially sustainable; a view that is shared by the All –Wales Collaboration Group. We remain open to this view changing, should demand increase to prove the business case and have no issue with you pursuing funding from various grant bodies if you wish to do so.</p>
2	<p><b>Cllrs Brigitte Rowlands, Lyndon Jones &amp; Myles Langstone</b></p> <p>I note with interest an article in the Evening Post 1st February. "P8 – Fly-tipping fines 'not a good fit' – Swansea Council has not issued any new fly-tipping fines since adopting them last year because they are not a good fit for the cases investigated".</p> <p>I personally have reported numerous incidents of fly tipping across my ward, Mawr since I was elected in May 2017. Unfortunately this is a regular occurrence in this rural location, often a daily occurrence. On many occasions names and addresses have been provided. Why is nothing being done by this local authority to prosecute these mindless individuals.</p> <p>How much is fly tipping costing this authority. Surely Swansea Council should be taking action against these criminals. It appears that Neath Port Talbot County Borough Council have a far better track record on this matter, why aren't Swansea Council doing the same or better for its residents.</p>



	<p><b>Response of the Cabinet Member for Environment &amp; Infrastructure Management</b></p> <p>The ability to issue £400 Fixed Penalty Notices (FPNs) for medium scale fly tipping in lieu of direct prosecution was adopted by the council in June 2018. In order to issue an FPN or proceed with a prosecution, admissible evidence of the offence and perpetrator is required.</p> <p>Whilst since June 2018, no instances of medium level fly tipping have had sufficient evidence to issue an FPN, there have been dozens of £100 FPN issued for the deposition of black bags where/when they shouldn't be, as a low level issue. Whilst these instances were not considered severe enough to warrant the £400 FPN for fly tipping, over this time period there have also been 22 prosecutions for the deposition of black bags where/when they shouldn't be, when the FPN's have not been paid.</p> <p>At the other end of the scale there have also been a couple of direct prosecutions for serious fly tipping where a £400 FPN was considered insufficient as a sanction. One of these has led to a suspended prison sentence.</p> <p>Far from doing nothing, the Council Enforcement and Cleansing Teams are working extremely hard to both take fly tippers to task, and take preventative measures to reduce future fly tipping. An effective strategy to combat fly tipping is not only about prosecutions, it is the balance of preventative and enforcement action in order the reduce incidents of fly tipping.</p>
3	<p><b>Cllrs Lyndon Jones, Myles Langstone &amp; Will Thomas</b></p> <p>Do the Council Employ any staff on zero hours contracts and if so, how do the numbers employed compare with the last three years.</p> <p><b>Response of the Cabinet Member for Business Transformation &amp; Performance</b></p> <p>The Council does not offer its employees Zero Hour Contracts. However it has an agreed casual/relief policy which was updated and agreed with Trade Unions back in 2015. This recognises that there may be occasions where there could be a need to offer employment on a casual/relief basis to meet a specific business need e.g. unexpected or short notice events or temporary staff shortages. However, the policy has safeguards in place as it is not appropriate to offer this type of employment on a continual basis. These types of contract should be regularly reviewed by the Manager to ensure there is still a need and this is backed up by an annual review in conjunction with HR. The full Casual/Relief policy is available on the staff intranet.</p>
4	<p><b>Cllrs Wendy Fitzgerald, Gareth Sullivan &amp; Chris Holley</b></p> <p>In regard to the proposed LDP development at Parc Mawr Farm, Penllergaer, what provision will be included in the S106 agreements to ensure that the full development and infrastructure is completed within the envisaged timescales and in accordance with the information provided by the Council to the Inspectors, in particular the Burrows Hutchinson viability assessment.</p>

**Response of the Cabinet Member for Delivery**

Given the early stage of the application, the individual elements of the s106 agreement have not been agreed with the applicant. In determining the application and drafting the s106 agreement, the Planning Authority will refer to the placemaking requirements and development principles that are set out in the relevant LDP policy as being appropriate for the site. These requirements and principles were formulated having regard to a variety of supporting evidence such as the Burrows Hutchinson viability assessment. The LDP contains policy IO1 'Supporting Infrastructure', which states that development must be supported by appropriate infrastructure, facilities and other requirements considered necessary as part of the proposal. In order to comply with the policy, and the statutory legal requirements, any obligations that are sought to be provided in a s106 agreement must be directly related to the impact of the proposed development.

**5 Cllrs Lyndon Jones, Will Thomas & Brigitte Rowlands**

The Swansea "Leader" is produced by this Council for distribution in Swansea. What is the total cost of production, including total staff costs involved, printing and distribution costs throughout the area. These costs are obviously off-set by revenue made from advertising. If you deduct advertising income from sources, including departments and bodies connected to the Council, what is the profit / loss to the Council for the "Leader" for each of the last five years.

**Response of the Cabinet Member for Business Transformation & Performance**

The costs and savings per year are set out below.

Historically, the Swansea Leader provided regular opportunities for the Council to reach the population of Swansea in a timely and cost-effective way. However, increasingly the council is using social media and other digital platforms to inform and engage the public and the Swansea Leader has now ceased as the implementation of a previous budget proposal and the final edition was produced in November 2018.

We decided to cease producing the Swansea Leader due to a number of factors. We have corporate advertising deals with the local media that make it more cost-effective to advertise externally. Also, the growth of social media and digital communications has reduced the need to print materials so we can avoid these costs without having to publish information in the Swansea Leader. This has reduced the amount of savings generated by the Swansea Leader in recent years and we anticipate that trend would have continued.

**2014/15 – six editions**

Delivery budget: £45,000

Print budget: £32,000

Income generation: £14,265

Estimated value to the council of costs avoided: £114,831

Total saving to the Council: £52,096

	<p><b>2015/16 – six editions</b>  Delivery budget: £45,000  Print budget: £32,000  Income generation: £13,510  Estimated value to the council of costs avoided: £92,554  <u>Total saving to the Council: £28,510</u></p> <p><b>2016/17 – four editions</b>  Delivery budget: £31,500  Print budget: £19,500  Income generation: £10,817  Estimated value to the council of costs avoided: £53,426  <u>Total saving to the Council: £13,243</u></p> <p><b>2017/18 – four editions</b>  Delivery budget: £31,500  Print budget: £19,500  Income generation: £4,060  Estimated value to the council of costs avoided: £30,947  <u>Total cost to the Council: £15,993</u></p> <p><b>2018/19 – Two editions</b>  Delivery budget: £17,800  Print budget: £9,762  Income generation: £2,712  Estimated value to the council of costs avoided: £26,540  <u>Total saving to the Council: £1,690</u></p> <p><b>Total over the last five years</b>  Delivery budget: £170,800  Print budget: £112,762  Income generation: £54,672  Estimated value to the council of costs avoided: £318,298  Total saving to the council: <u>£79,546</u></p>
	<p><b>Part B – No Supplementaries</b></p>
<p>6</p>	<p><b>Cllrs Peter May &amp; Irene Mann</b></p> <p>Recently a brochure was circulated entitled "Ganges Field Community Development". Inside, it proposed the construction of "Energy-efficient, affordable, self-build homes" followed by a second phase of "single storey, over 55s supported living units."</p> <p>a. Was the council aware that this brochure was being circulated,</p> <p>b. Did any meetings take place between the author of the brochure and any council officer,</p> <p>c. If so what did the meetings discuss and how many meetings were there,</p>

	<p>d. Was the cabinet member aware of or present at any of these meetings if they took place,</p> <p>e. Do the council have any plans to try and dispose of or develop property on the Ganges.</p> <p><b>Response of the Cabinet Member for Homes &amp; Energy</b></p> <p>a. Yes, the brochure was intended to form part of the public consultation exercise to gauge the views of local residents, to support the proposal or otherwise.</p> <p>b. Yes</p> <p>c. Two meetings were held. They formed part of wider discussions around the Council's emerging policy of supporting Co-operative Housing and liaising with grass roots organisations to enable the delivery of the policy as developed by PDC and since approved by Cabinet on the 17<sup>th</sup> January. As would be the case if any other organisations would wish to discuss potential opportunities.</p> <p>d. I was not aware or present at these meetings, however, I was aware of the proposal and the local consultation which was undertaken.</p> <p>e. To reiterate the statements made at the public consultation meeting on the 25th January, there is no commitment from the Council to support this proposal. However, all Council assets will continue to be under consideration for future development or disposal, to try and counteract the impacts of austerity on the Council budget.</p>
7	<p><b>Cllrs Mike Day, Jeff Jones &amp; Cheryl Philpott</b></p> <p>Can the relevant Cabinet Member give Council a list of all organisations that have used Council controlled channels of communication during 2017/8 and separately to date for 2018/9 to advertise their products and services. The information should be broken down by channel, that is,</p> <p>a. Advertising on roundabouts and other council owned land</p> <p>b. on the Council's website</p> <p>c. In Council publications</p> <p>d. On Council vehicles</p> <p>and</p> <p>Will the Cabinet Member inform Council how much money has been raised through such revenue streams during those periods and what the budget figure is likely to be for 2019/20.</p> <p><b>Response of the Cabinet Member for Delivery</b></p> <p>Please find attach a list of organisations that have advertised their products and services on our Council platforms in 2018/18 and 2018/19. This has generated in the region of 17/18 = £185,000 and 18/19 £206,000. We are projecting an increase of approximately £10,000 for 19/20.</p> <p>Please note the data captures income except gained from the sponsorship of events, bus shelters and billboards.</p>

8	<p><b>Cllrs Mary Jones, Jeff Jones &amp; Chris Holley</b></p> <p>Will the Leader/Cabinet Member tell Council what are the total capital receipts received from the sale of assets over the past 2 years.</p> <p><b>Response of the Cabinet Member for Business Transformation &amp; Performance</b></p> <p>2016/17 £3,772,390</p> <p>2017/18 £5,145,200</p>
9	<p><b>Cllrs Jeff Jones, Chris Holley &amp; Cheryl Philpott</b></p> <p>Will the Cabinet Member give a breakdown of receipts from Singleton Park Events over the last 12 months and from any lease agreements in the park over this period.</p> <p><b>Response of the Cabinet Member for Investment, Regeneration &amp; Tourism</b></p> <p>The revenue generated from Event hire fees in Singleton Park from the 1st April to the 7th February was £3,379. This was as a result of 8 diverse activities ranging from Cycling and Cross Country to a small circus, funfair and charity events. An advance bond is also required and which is then utilised, if necessary, to meet any reparation costs within the park as a result of the event taking place. This excludes some events, such as the Biggest Weekend, which was jointly hosted by CCS and Visit Wales, with all income going to BBC. Other large music events, of which there were none during the last year, are a combination of hire and a share of gate receipts, with some also including a service fee for event management. The format of which is negotiated on a case by case, commercial basis, with individual promoters and decisions made based on the best return for the Authority, as well as regional/ national profile.</p>
10	<p><b>Cllrs Wendy Fitzgerald, Mary Jones &amp; Kevin Griffiths</b></p> <p>The Cabinet Member has recently praised the tree planting taking place in the centre of Swansea as contributing to the greening of the city. If trees are now regarded as such valuable assets for the City could he explain why so many of them have been felled on the Civic Office site in Penllergaer, formerly owned by the Council, and a part of the Grade 2 Historic Landscape, Park and Gardens.</p> <p><b>Response of the Cabinet Member for Environment &amp; Infrastructure Management</b></p> <p>The impact upon trees on the site was fully considered as part of the determination of planning application Ref. 2017/0986/FUL for the erection of 80 dwellings at the form Civic Centre Site, Penllergaer, and this issue was addressed clearly in the report which was considered by Planning Committee Members prior to the decision being made on 1<sup>st</sup> May 2018. It should also be recognised that prior to planning permission being granted the application was</p>

also referred to Welsh Government who determined not to call in the application.

In this respect the Civic Centre site is considered to be previously developed land as defined within Planning Policy Wales and was proposed in the Emerging Local Development Plan as a residential site with a capacity for 80 dwellings. On the issue of trees the application was supported by an Arboricultural Report and significant emphasis was placed on maintaining the setting and the preservation of the higher quality trees on site whilst providing a balance in order to facilitate a sustainable and viable development.

Many of the removed trees were planted in the 1980s when the site was redeveloped as a Civic Centre or had only grown since woodland/ground clearance occurred at the time and on this basis it was considered that through suitable compensatory tree planting this loss could be offset to an acceptable degree. It should also be noted that the development retains a high proportion of the heritage trees that made up part of the former Penllergaer Estate and a large amenity meadow area which will provide the required space around the higher value heritage trees to ensure their future health is protected whilst providing a high amenity area to the development. Further to the above and specifically in respect of Root Protection Areas, with the installation of permanent no dig ground protection, no significant long term adverse impact is anticipated to the retained tree root systems or associated soil structure. The impact on the trees was considered acceptable within this context.

Please note that this response relates to the authorised tree felling that has taken place within the application site as considered as part of the application, it does not refer to the subsequent unauthorised works that took place outside the site boundary and which is currently subject to investigation.

## **2017-2018**

### **People Transport - Bus & Train Station advertising**

BBC NOW  
First Cymru  
Abertawe Travel  
Ospreys  
National Waterfront Museum  
Krispy Kreme  
Tawes Cymru WG  
Unison

### **Fleet Management - Fleet advertising**

MetroRod  
Renault Swansea

### **Web Team - Web & Staff Discount advertising**

School House  
National Trust  
Welsh Hospitals & Health Services Association  
CPR Global Limits  
Ospreys

### **Communications - Swansea Leader advertising**

Unison  
Golley Slater

### **Child & Family - High 5 sponsorship**

McDonalds  
Days Rental  
Stenor Environmental Services  
Gower College  
LC2  
Go Air  
Swansea Building Society  
CPR Global Limited

### **Roundabouts sponsorship**

Sweet Dreams  
Trade Centre Wales  
Manor Park  
Treetops  
TWK Thomas  
Simply Gym/Webbox  
Renault Swansea  
Treboeth Pharmacy  
Pine Warehouse  
David W Harris Solicitors  
Go Air  
Chic Blinds

Castle Hot Tubs  
Locktec  
Denny's  
Dreamtime Beds

Adopt Bench/Tree/Flowerbed sponsorship

Due GDPR personal names have been extracted

Design Print - Payslip advertising

Days  
Gravells  
Peter Lynn Solicitors  
Maggies  
Welsh Hospitals & Health Services Association  
Unison  
John Long Furnishers

Highways - Winter Servicing sponsorship

Alun Griffiths Limited

Education - Buddy Benches sponsorship

Penllergaer PTA  
United Dental  
AD Gas  
Oldwalls  
Oxwich Bay Hotel  
Coop  
Lakeside  
Denny's

Swansea Music Festival - Sponsorship

Swansea Bay Radio

Car Parks - MSCP Pillar Wrap advertising

Unison  
Go Safe WG

Road Safety - School Patrol Uniforms/Events sponsorship

Admiral  
M&P Motorcycles

CCS Staff Event - Sponsorship

Welsh Hospitals  
Unison  
GMB  
Leisure Time  
Peter Lynn & Partners  
RMS  
Santander



City Centre - Christmas in Swansea Sponsorship

Unison  
National Waterfront Museum  
Clean Sweep

Winterland - sponsorship contribution

McDonalds 2 x Penguins  
Go Air - Bronze package

Local Marketing 2017/18 Enjoy Brochure (Summer /  
School Holidays / Christmas)

Go Air  
Best Start Swansea  
JR Events  
Gower Getaways  
Swansea International Jazz Festival  
Taliesin  
360 Beach and Watersports  
Wales National Pool  
Home from Home  
National Waterfront Museum  
Surf GSD  
Down to Earth  
Maggie's  
BBC Proms in the Park  
ParkLives  
LC  
Swansea International Festival  
Limitless  
BBC National Orchestra of Wales  
Gower Activity Centres (Internal service)

Local Marketing (Singleton Park Events Board)

Swansea Cricket Festival  
Swansea University  
German Village and Bierfest  
BBC Proms in the Park  
Swansea International Festival  
Sister Act

Local Marketing Big Screen (Castle Sq)

S3 Advertising  
GPM  
GPM

## **2018-2019**

### **People Transport - Bus & Train Station advertising**

BBC NOW  
First Cymru  
National Waterfront Museum  
Aspire Finance  
Swansea Stitch Festival  
Chrohns & Colitus  
Swansea Uni DACE  
Swansea Wellbeing Centre  
Swansea Railway Modellers  
British Heart Foundation  
Ospreys

### **Fleet Management - Fleet advertising**

Unison

### **Web Team - Web & Staff Discount advertising**

Front page banner advertising  
WWT Llanelli Wetlands  
National Trust  
Juniper Place

### **Child & Family - High 5 sponsorship**

McDonalds  
Days Rental  
Stenor Environmental Services  
Gower College  
Oldwalls  
Denny's  
Swansea Building Society  
Bako Wales  
A2Z Motoring  
Skidz Karting  
Gower Fudge  
WG Davies  
Lazerdome  
LC2  
Village Hotel  
Cinema & Co  
Buy a Gift - Harley Davison experience  
Joes Icecream

### **Child & Family - Mr X Appeal sponsorship**

Dainton Storage

#### Roundabouts sponsorship

Manor Park  
TWK Thomas  
Pine Warehouse  
Days Rental  
Go Air  
Chic Blinds  
Castle Hot Tubs  
RGM  
Dreamtime Beds  
Hargan Resin  
Starbucks  
Dennys  
Sofa Solutions  
Gravells Kia  
Locktech  
City Paving  
Trade Centre Wales

#### Adopt Bench/Tree/Flowerbed sponsorship

Due GDPR personals names have been extracted

#### Bracelet Bay - Replacement slide sponsorship

Castellamare

#### Design Print - Payslip advertising

Days  
Levy Restaurants - Liberty Stadium  
Peter Lynn Solicitors

#### Highways - Winter Servicing sponsorship

Alun Griiffiths Limited

#### Street Lighting - Lamp Post banner sponsorship

University of Wales Trinity St. Davids

#### Education - Buddy Benches sponsorship

Arfryn Primary School – NDE  
Dan y Graig - Celtic Mowers  
FMP Motor Factors  
Pont y Brenin - City Loos  
Pen y Fro - Burns Pet Nutrition

#### Car Parks - MSCP Pillar Wrap advertising

Unison  
NWM  
TWK Thomas

#### Commercial Brochure - advertising

Ministry of Furnishers  
MetroRoad  
Days Rental  
Gower College  
Peter Lynn  
Miles Hire  
Pisys.net  
Swansea University - School of Management  
UWTSD  
Swansea University R&D  
Freshwater PR

#### Road Safety - Think Bike promotion

M&P Motorcycles - Think Bike campaign

#### Grand Theatre - Screen advertising

BT Recruitment  
Ospreys

#### City Centre - Christmas in Swansea Sponsorship

Gower College  
UWTSD

#### Local Marketing 2018/19 Enjoy Brochures (Summer/Christmas)

Home from Home  
BBC National Orchestra of Wales  
Swansea International Jazz Festival  
River Tawe Cruises  
Wales National Pool  
ParkLives  
360 Beach and Watersports  
Cancer Research  
National Waterfront Museum  
Swansea Festival of Stitch  
Maggie's  
Swansea International Festival  
Now the Hero  
Sayers Events  
Swansea BID  
Foster Swansea (Internal service)

Local Marketing 2018/2019 to date (Singleton Park Events Board)

University of Wales Trinity St.Davids  
German Bierfest  
Swansea International Festival  
Now The Hero  
Swansea College of Art Summer Show  
Festival of Stitch  
Sepsis 6k  
Sayers Amusement

Local Marketing 2018/2019 to date Big Screen (Castle Square)

Thirty three LLP  
GPM  
GPM  
Thirty three LLP  
GPM  
Swansea Uni  
Swansea Uni  
GPM  
Thirty three LLP  
Thirty three LLP  
Gower College

# Agenda Item 21.



**Council – 28 February 2019**

**Notice of Motion from Councillors R C Stewart, A S Lewis, C E Lloyd, J E Burtonshaw, M C Child, W Evans, R Francis-Davies, D H Hopkins, E J King, J A Raynor, M Sherwood, M Thomas & C A Holley.**

## **Notice of Motion on Government Proposals for two Geological Disposal Facilities (GDF) to bury Nuclear and Radioactive Waste.**

This Council has a proud record of standing up to those who would seek to damage our environment. In 2016 this Council unanimously supported a Notice of Motion to oppose any proposals for “Unconventional” Gas Development (Fracking) within the City & County of Swansea. This was in response to growing public concern that any unconventional gas extraction methods would entail significant harm to the environment and to the health and wellbeing of local communities.

In addition, Council has recently added to its Corporate Plan a well-being objective that commits to 'Maintaining and enhancing Swansea's Natural Resources and Biodiversity'; dumping nuclear and radioactive waste runs completely counter to this objective.

Recently the UK government department for Radioactive Waste Management (RWM), is proposing to find two suitable locations for “Geological Disposal Facilities” in the UK, to bury highly dangerous nuclear and radioactive materials accumulated over the past 60 years, to be stored hundreds of metres below ground. Potentially both sites could be located in Wales.

Whilst Swansea has not been identified as a potential site, widespread public concern has quite rightly emerged with the announcement of a consultation session in our City.

This council takes its responsibility to preserve and protect the City & County of Swansea against any threats to our local natural marine and urban environment very seriously. Swansea was extremely proud to be the first designated Area of Outstanding Natural Beauty (AONB) and it is of critical importance that we protect this legacy for future generations.

Swansea will continue to uphold its commitment to support a cleaner greener energy future.

**Council resolves therefore that:**

**The Council strongly objects to the proposal from Radioactive Waste Management (RWM), to hold a consultation event in Swansea. The Council is disappointed that this decision was made without consulting or informing Swansea Council of its intent and feel it is very wrong not to inform the elected representatives of the City of Swansea of their intentions before going to the media with a press statement.**

**The Council objects to the establishment of any Geological Disposal Facility within the City & County of Swansea.**

**The Council will also strongly support any other Welsh or UK local authorities that object to these proposals.**

**The Council requests that the Leader writes to the Prime Minister, the First Minister for Wales and to the UK Government department for Radioactive Waste Management (RWM), to express the views of this Council.**