

## Council

You are hereby summoned to attend a Meeting of the **Council of the City and County of Swansea** to be held in the Remotely via Microsoft Teams on Thursday, 3 March 2022 at 5.00 pm.

Watch Online: <https://bit.ly/3gQbzrt>

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 - 14  
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 - None.**
5. **Announcements of the Presiding Member.**
6. **Announcements of the Leader of the Council.**
7. **Public Questions.**  
Questions must be submitted in writing to Democratic Services [democracy@swansea.gov.uk](mailto:democracy@swansea.gov.uk) no later than noon on the working day prior to the meeting. Questions must relate to items on the agenda. Questions will be dealt with in a 10 minute period.
8. **Pay Policy Statement 2022/23.** 15 - 44
9. **Medium Term Financial Planning 2023/24 – 2025/26.** 45 - 73
10. **Revenue Budget 2022/23.** 74 - 127
11. **Capital Budget & Programme 2021/22- 2026/27.** 128 - 148
12. **Housing Revenue Account (HRA) – Revenue Budget 2022/23.** 149 - 159
13. **Housing Revenue Account – Capital Budget and Programme 2021/22 – 2025/2026.** 160 - 189

14. Statutory Resolution – Resolutions to be Made in Accordance with the Regulations in the Setting of Council Tax 2022/23.	190 - 197
15. Capital Strategy 2022/23- 2027/28.	198 - 211
16. Treasury Management Strategy Statement, Prudential/Treasury Indicators, Investment Strategy and Minimum Revenue Provision Policy Statement 2022/23, Interim Year Treasury Management Review 2021/22.	212 - 270
17. Membership of Committees.	271
18. Councillors' Questions.	272 - 282

**Webcasting:** This meeting may be filmed for live or subsequent broadcast via the Council's Internet Site. By participating you are consenting to be filmed and the possible use of those images and sound recordings for webcasting and / or training purposes.

**You are welcome to speak Welsh in the meeting.**  
Please inform us by noon, two working days before the meeting.

**Next Meeting:** Thursday, 17 March 2022 at 4.00 pm



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

**Tuesday, 22 February 2022**

**To: All Members of the Council**

# Agenda Item 3.



City and County of Swansea

## Minutes of the Council

Remotely via Microsoft Teams

Thursday, 27 January 2022 at 4.00 pm

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

### Councillor(s)

C Anderson  
P M Black  
J E Burtonshaw  
J P Curtice  
A M Day  
P Downing  
C R Doyle  
M Durke  
V M Evans  
W Evans  
E W Fitzgerald  
R Francis-Davies  
S J Gallagher  
L S Gibbard  
K M Griffiths  
J A Hale  
D W Helliwell  
C A Holley  
P R Hood-Williams

### Councillor(s)

B Hopkins  
D H Hopkins  
L James  
O G James  
Y V Jardine  
J W Jones  
M Jones  
P K Jones  
S M Jones  
E J King  
E T Kirchner  
H Lawson  
A S Lewis  
M B Lewis  
W G Lewis  
P Lloyd  
I E Mann  
P M Matthews  
P N May

### Councillor(s)

H M Morris  
C L Philpott  
S Pritchard  
A Pugh  
J A Raynor  
C Richards  
K M Roberts  
B J Rowlands  
P B Smith  
R V Smith  
R C Stewart  
D G Sullivan  
G J Tanner  
M Thomas  
L G Thomas  
W G Thomas  
G D Walker  
L V Walton  
T M White

### Officer(s)

Huw Evans	Head of Democratic Services
Tracey Meredith	Chief Legal Officer / Monitoring Officer
Phil Roberts	Chief Executive
Ben Smith	Chief Finance Officer / Section 151 Officer

### Apologies for Absence

Councillor(s): M C Child, N J Davies, C R Evans, F M Gordon, M H Jones, L R Jones, M A Langstone, R D Lewis, D Phillips and A H Stevens

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## 89. 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.

**90. Exclusion of the Public.**

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

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

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

**(Closed Session)**

**91. Appointment of Director of Finance / Section 151 Officer.**

The Presiding Member stated that only one candidate had been recommended to Council by the Appointments Committee for the post of Director of Finance / Section 151 Officer. He stated that the Political Group Leaders and he proposed that Council Procedure Rule 44 "Suspension of Procedure Rules" be enacted to dispense with the requirement:

- i) For the Candidate to give a presentation and be interviewed by Council.
- ii) To hold a written ballot.

The Chief Executive, Phil Roberts provided feedback from the Appointments Process relating to the appointment of a Director of Finance / Section 151 Officer.

**Resolved** that:

- 1) Council Procedure Rule 44 "Suspension of Procedure Rules" be enacted to dispense with the requirement:
  - i) For the Candidate to give a presentation and be interviewed by Council.
  - ii) To hold a written ballot.
- 2) The verbal update on the assessment process be noted.

- 3) Ben Smith be appointed as Director of Finance / Section 151 Officer.

**Note:** Following this decision, Ben Smith was invited into the Meeting and offered the post. Ben Smith accepted the post.

The meeting ended at 4.11 pm

**Chair**



City and County of Swansea

## Minutes of the Council

Remotely via Microsoft Teams

Thursday, 27 January 2022 at 5.00 pm

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

### Councillor(s)

C Anderson  
P M Black  
J E Burtonshaw  
M C Child  
J P Curtice  
N J Davies  
A M Day  
P Downing  
C R Doyle  
M Durke  
C R Evans  
V M Evans  
W Evans  
E W Fitzgerald  
R Francis-Davies  
S J Gallagher  
L S Gibbard  
F M Gordon  
K M Griffiths  
J A Hale  
D W Helliwell  
T J Hennegan  
C A Holley

### Councillor(s)

P R Hood-Williams  
B Hopkins  
D H Hopkins  
L James  
O G James  
Y V Jardine  
J W Jones  
M H Jones  
M Jones  
P K Jones  
S M Jones  
E J King  
E T Kirchner  
H Lawson  
A S Lewis  
M B Lewis  
W G Lewis  
C E Lloyd  
P Lloyd  
I E Mann  
P M Matthews  
P N May  
H M Morris

### Councillor(s)

D Phillips  
C L Philpott  
S Pritchard  
A Pugh  
J A Raynor  
C Richards  
K M Roberts  
B J Rowlands  
M Sherwood  
P B Smith  
R V Smith  
R C Stewart  
D G Sullivan  
G J Tanner  
M Thomas  
L G Thomas  
W G Thomas  
L J Tyler-Lloyd  
G D Walker  
L V Walton  
T M White

### Officer(s)

Huw Evans	Head of Democratic Services
Adam Hill	Deputy Chief Executive / Director of Resources
Tracey Meredith	Chief Legal Officer / Monitoring Officer
Phil Roberts	Chief Executive
Ben Smith	Director of Finance / Section 151 Officer

### Apologies for Absence

Councillor(s): L R Jones, M A Langstone, R D Lewis and A H Stevens

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**92. 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) Councillor P Lloyd declared a Personal Interest in Minute 98 "Adoption of the Council Tax Reduction Scheme".
- 2) Councillor K M Roberts declared a Personal Interest in Minute 98 "Adoption of the Council Tax Reduction Scheme". Note: Councillor K M Roberts did not participate in the vote on this item.
- 3) Councillor A Pugh declared a Personal & Prejudicial Interest in Minute 98 "Adoption of the Council Tax Reduction Scheme" and withdrew from the meeting during its consideration.
- 4) Councillor V M Evans declared a Personal Interest in Minute 99 "Private Sector Housing Renewal and Disabled Adaptations: Policy to Provide Assistance 2022-27".
- 5) Councillor K M Roberts declared a Personal Interest in Minute 99 "Private Sector Housing Renewal and Disabled Adaptations: Policy to Provide Assistance 2022-27". Note: Councillor K M Roberts did not participate in the vote on this item.
- 6) Councillors C Anderson, P M Black, J E Burtonshaw, M C Child, J P Curtice, N J Davies, A M Day, P Downing, C R Doyle, M Durke, C R Evans, V M Evans, W Evans, E W Fitzgerald, R Francis-Davies, S J Gallagher, L S Gibbard, F M Gordon, K M Griffiths, J A Hale, D W Helliwell, T J Hennegan, C A Holley, P R Hood-Williams, B Hopkins, D H Hopkins, L James, O G James, Y V Jardine, J W Jones, M H Jones, M Jones, P K Jones, S M Jones, E J King, E T Kirchner, H Lawson, A S Lewis, M B Lewis, W G Lewis, C E Lloyd, P Lloyd, I E Mann, P M Matthews, P N May, H M Morris, D Phillips, C L Philpott, S Pritchard, A Pugh, J A Raynor, C Richards, K M Roberts, B J Rowlands, M Sherwood, P B Smith, R V Smith, R C Stewart, D G Sullivan, G J Tanner, M Thomas, L G Thomas, W G Thomas, L J Tyler-Lloyd, G D Walker, L V Walton and T M White declared a Personal Interest in Minute 102 "Councillors ICT Allowances Policy – May 2022 & Beyond".
- 7) Councillors A M Day, E W Fitzgerald, P R Hood-Williams, E T Kirchner, C L Philpott, R C Stewart and L G Thomas declared a Personal & Prejudicial

Interest in Minute 104 "Nomination of Lord Mayor and Deputy Lord Mayor Elect 2022-2023" and withdrew from the meeting during its consideration.

- 8) Councillors P M Black, R Francis-Davies, C A Holley and A S Lewis declared a Personal Interest in Minute 104 "Nomination of Lord Mayor and Deputy Lord Mayor Elect 2022-2023".
- 9) Councillor M C Child declared a Personal Interest in Minute 107 "Councillors' Questions" (Question 6).
- 10) Councillors C Anderson, J P Curtice, E T Kirchner, W G Lewis, P Lloyd, I E Mann, P M Matthews, J A Raynor, C Richards, L G Thomas, L V Walton and T M White declared a Personal Interest in Minute 108 "Notice of Motion – National Energy Crisis".

**93. Minutes.**

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

- 1) Ordinary Meeting of Council held on 2 December 2022.

**94. Written Responses to Questions asked at the Last Ordinary Meeting of Council - None.**

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

**95. Announcements of the Presiding Member.**

**a) New Year's Honours**

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

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

- i) Professor Tavi Murray. Professor of Glaciology Swansea University. Services to glaciology and climate change research.

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

- i) Michael John Walters. Lifeboat Operations Manager. Loughor Inshore Lifeboat. Services to the community in Swansea.

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

- i) Reverend Steven Bunting. Vicar of St. Thomas Church. Charitable services to the community in Swansea.



- ii) Alison Williams. Headteacher Craigfelen School. Services to Education and the community in Swansea.
- iii) Dr. Edward Morgan Roberts DL. Services to medicine and to the community in Swansea and Neath Port Talbot.

**b) CEEQUAL: CQA 670 - Kingsway Urban Park**

The Presiding Member stated that CEEQUAL was the World leading sustainability assessment, rating and awards scheme for civil engineering, infrastructure, landscaping and public realm projects.

The BRE Academy had verified and ratified that Kingsway Urban Park has achieved the CEEQUAL award. This is the first CEEQUAL assessment that has been completed and the first to achieve a 'pass', actually exceeding this and getting a 'Good'.

The areas assessed under the Client, Design and Construction for the scheme were:

- Project Management.
- People and Communities.
- Land Use and Landscape.
- Historic Environment.
- Ecology and Biodiversity.
- Water Environment.
- Physical Resources Use and Environment.
- Transport.

He congratulated all involved.

**c) Holocaust Memorial Day – 27 January**

The Presiding Member stated that today was a national commemoration day dedicated to the remembrance of the six million Jews who lost their lives in the Holocaust, the demise of millions more who suffered under Nazi persecution and the genocides that followed in Cambodia, Rwanda, Bosnia and Dafur.

The 27 January is the anniversary of the liberation of Auschwitz-Birkenau. Together we bear witness for all those who were murdered and persecuted and we honour the survivors of those regimes and all those whose lives were changed beyond recognition.

There is still more that we can do to ensure we live in a world free from discrimination, hostility and persecution.

The Holocaust shook the foundations of civilisation and it is up to us to ensure this is never forgotten and the memory of those who lost their lives live on in generations to come.

The Council, in conjunction with schools, Standing Advisory Council on Religious Education (SACRE), Swansea Interfaith Forum and Norma Glass MBE have pre-recorded a ceremony which is available on the Council's Facebook page which you can view.

He invited all members of Council to pause for a moment of reflection to remember those who lost their lives to the Holocaust and subsequent genocides.

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

**i) Item 11 "Honorary Freedom of the City & County of Swansea"**

This item has been deferred due to the fact it will be very difficult to arrange a Ceremonial Council within a limited period in light of the Pre-Election Period starting in March 2022, ongoing Covid restrictions, a number of other Ceremonial Councils having to take priority i.e. Inauguration of Lord Mayor and Deputy Lord Mayor, Merchant Navy and the Local Government Election in May 2022.

Our Council Constitution states that all decisions should be implemented within 6 months of the date of the decision being made and I believe we will struggle to hold a Ceremonial Council within 6 months.

**ii) Item 12 "Councillors ICT Allowances Policy – May 2022 & Beyond"**  
Appendix A. Paragraph 8.1 refers to the Data Protection Act 1998.  
Amend the year to read 2018.

**iii) Item 15 "Membership of Committees"**  
Standards Committee Vacancy Panel  
Add Mike Lewis, Standards Committee Statutory Co-optee  
Add Community Councillor Phil Crayford

**96. Announcements of the Leader of the Council.**

**a) Appointment of Ben Smith as Director of Finance / Section 151 Officer**

The Leader of the Council stated that Ben Smith had been appointed as Director of Finance / Section 151 Officer following an interview process. His appointment was made at the Extraordinary Meeting of Council earlier that day. Councillor R C Stewart congratulated Ben Smith on his appointment on behalf of the Council.

The Leader of the Council also paid tribute to the Officers within the Finance Team for all of their work especially with ensuring that the business grants were processed during the Covid-19 pandemic.

Ben Smith thanked the Leader of the Council for the support. He stated that he looked forward to continuing to serve the Council.

**b) Mayhill Learning Review**

The Leader of the Council referred to the recent publication of the Mayhill Learning Review. He thanked all for their input into the report and its recommendations. He stated that the Council fully accepted the recommendations.

**97. Public Questions.**

Three Public Questions were submitted. All related to Minute 107 "Councillors' Questions". One related to Question 4 and 2 related to Question 11.

The relevant Cabinet Member responded.

**98. Adoption of the Council Tax Reduction Scheme.**

The Section 151 Officer submitted a report that outlined the requirement to annually consider whether to revise or replace the Council's existing Council Tax Reduction Scheme and the requirement to either adopt a new scheme or re-adopt the existing scheme by 31 January 2022. It also sought the re-adoption of the current scheme as set out in Section 3 of the report for the period 2022/23.

**Resolved** that:

- 1) The Council Tax Reduction Schemes and Prescribed Requirements (Wales) Regulations 2013 ("the Prescribed Requirements Regulations") by the National Assembly for Wales (Now the Senedd Cymru) 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 2022, to be considered by the Senedd Cymru on 18 January 2022 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 discretionary areas of the current scheme (2021/22) (as set out in section 3 of this report) remain unchanged for the period 2022/23.
- 5) The Council adopts the scheme as set out in section 3 of this report, to include any mandatory amendments which may be necessary as a result of, The Council Tax Reduction Schemes (Prescribed Requirements and Default Scheme) (Wales) (Amendment) Regulations 2022 being approved by the Senedd Cymru and coming into force.

**99. Private Sector Housing Renewal and Disabled Adaptations: Policy to Provide Assistance 2022-27.**

The Climate Change & Service Transformation submitted a report that outlined the proposed amendment to the current Private Sector Housing Renewal and Adaptations: Policy to Provide Assistance 2017-22 for inclusion in a new policy for 2022-27 and sought approval of the new policy.

**Resolved** that:

- 1) The proposed Private Sector Housing Renewal and Disabled Adaptations: Policy to Provide Assistance 2022-2027, including the proposed removal of the means test for small and medium Disabled Facilities Grants in accordance with Welsh Government guidance be approved.

**100. Waste Strategy 2022-2025.**

The Environment Enhancement & Infrastructure Management submitted a report that sought approval to adopt the Waste Strategy 2022-2025.

**Resolved** that:

- 1) The Waste Strategy 2022-2025 be adopted.

**101. Honorary Freedom of the City & County of Swansea.**

This item has been deferred due to the fact it will be very difficult to arrange a Ceremonial Council within a limited period in light of the Pre-Election Period starting in March 2022, ongoing Covid restrictions, a number of other Ceremonial Councils having to take priority i.e. Inauguration of Lord Mayor and Deputy Lord Mayor, Merchant Navy and the Local Government Election in May 2022.

Our Council Constitution states that all decisions should be implemented within 6 months of the date of the decision being made and I believe we will struggle to hold a Ceremonial Council within 6 months.

**102. Councillors ICT Allowances Policy - May 2022 & Beyond.**

The Head of Democratic Services and Head of Digital & Customer Services jointly submitted a report that sought adoption of the Councillors ICT Allowances Policy – May 2022 & Beyond.

**Resolved** that:

- 1) The “Councillors ICT Allowances Policy – May 2022 & Beyond” be adopted subject to the amendment outlined in the Presiding Member Announcements.
- 2) The Head of Digital & Customer Services provide a “Good Habits” Helpful Guide to Councillors setting out subjects such as Back Up & Sync etc.

- 3) Modern.gov software Training be added to the Councillors Induction Programme.

**103. Review of Councillors Handbook.**

The Head of Democratic Services submitted a report that sought adoption of the recently reviewed Councillors Handbook. The Democratic Services Committee held on 10 January 2022 reviewed Sections A-C and recommended the amendments to Council.

**Resolved** that:

- 1) The amendments proposed by the Democratic Services Committee as set out in Appendices A & B of the report be adopted.

**104. Nomination of Lord Mayor and Deputy Lord Mayor Elect 2022-2023.**

The Head of Democratic Services submitted a report that sought to nominate the Lord Mayor elect and Deputy Lord Mayor elect to enable the arrangements for the Inauguration of the Lord Mayor and Deputy Lord Mayor event to proceed.

**Resolved** that:

- 1) Councillor Mike Day be nominated Lord Mayor Elect 2022-2023.
- 2) Councillor Graham Thomas be nominated Deputy Lord Mayor Elect 2022-2023.
- 3) The nominations of Councillors Rob Stewart, Wendy Fitzgerald, Paxton Hood-Williams, Erika Kirchner & Cheryl Philpott for Lord Mayor / Deputy Lord Mayor be accepted to allow an automatic fall-back position should those named above not re-stand or not be re-elected.

**105. Membership of Committees.**

The Cabinet Member for Delivery & Operations submitted a report that sought approval of the nominations / amendments to various Council Bodies.

**Resolved** that the membership of the Council Bodies listed below be amended:

**West Glamorgan Archives Committee**

Remove Councillor L S Gibbard.  
Add Councillor M B Lewis.

**Standards Committee Vacancy Panel**

Add Mike Lewis, Standards Committee Statutory Co-optee.  
Add Community Councillor Phil Crayford.

**106. Scrutiny Dispatches – Impact Report.**

The Chair of the Scrutiny Programme Committee submitted an information report outlining the impact of scrutiny.

**107. Councillors' Questions.**

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

Six (6) Part A 'Supplementary Questions' were submitted. The relevant Cabinet Member(s) responded by way of written answers contained in the Council Summons.

No supplementary questions required a written response.

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

Five (5) Part B 'Questions not requiring Supplementary Questions' were submitted.

**108. Notice of Motion - National Energy Crisis.**

Proposed by Councillor A S Lewis and Seconded by Councillor R C Stewart.

*"This council recognises the unprecedented energy crisis facing many households across Swansea, Wales and the UK. In the coming months more and more households will see increases of a magnitude never seen before as the price cap is removed or energy deals come to an end.*

*This comes on top of a cost of living crisis created by the Impacts of Brexit and the Covid Pandemic which have already seen an unprecedented squeeze on peoples incomes.*

*Inflation remains very high which is putting huge pressure on household budgets as earnings have not kept pace with prices, leaving family budgets squeezed and people worse off.*

*The additional costs of day to day living are already impacting negatively on every household across Swansea but even more so on families who are living close to the bread line many of whom still need to visit food banks and will now be faced with the terrible choice of heating their home or putting food on the table.*

*As a Council, we will continue to do everything within our power to help mitigate energy costs by signposting residents to the number of financial support options available to improve the energy efficiency of residents homes as home owners as well as our significant investment in our Council homes to make them cheaper to heat and live in.*

*WG are also giving many households £100 each and we welcome this contribution in the interim with the Council processing up to 30,000 such payments to households in Swansea.*

*However, the help families need to deal with the cost of living crisis can only be fixed by decisive action by the UK Government.*

*This Council therefore calls upon the Leader of the Council to write to the Prime Minister and Chancellor of the Exchequer and call for the immediate implementation and action for the following:*

- *A reduction in VAT for Energy Bills to help families and householders.*
- *An introduction of a new lower price cap on energy bills to protect households from excessive price rises.*
- *Increasing the availability of grants or interest free loans to encourage the take up of renewable energy solutions such as domestic Solar / PV for private home owners and local businesses.*
- *A windfall tax on energy companies to fund a UK wide grant scheme for qualifying households to complement the work started by the WG £100 scheme.”*

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

<b>For (57 Councillors)</b>		
<b>Councillor(s)</b>	<b>Councillor(s)</b>	<b>Councillor(s)</b>
C Anderson	D H Hopkins	C L Philpott
J E Burtonshaw	O G James	S Pritchard
J P Curtice	L James	A Pugh
N J Davies	Y V Jardine	J A Raynor
P Downing	J W Jones	C Richards
C R Doyle	M Jones	K M Roberts
M Durke	P K Jones	B J Rowlands
C R Evans	S M Jones	M Sherwood
V M Evans	E J King	P B Smith
W Evans	E T Kirchner	R V Smith
R Francis-Davies	H Lawson	R C Stewart
S J Gallagher	A S Lewis	D G Sullivan
L S Gibbard	M B Lewis	D W W Thomas
F M Gordon	W G Lewis	L G Thomas
D W Helliwell	C E Lloyd	M Thomas
T J Hennegan	P Lloyd	W G Thomas
C A Holley	P M Matthews	L J Tyler-Lloyd
P R Hood-Williams	P N May	L V Walton
B Hopkins	D Phillips	T M White

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

Minutes of the Council (27.01.2022)  
Cont'd

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

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

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

The meeting ended at 7.51 pm

**Chair**



# Agenda Item 8.



## Report of the Cabinet Member for Delivery and Operations

Council - 3 March 2022

### Pay Policy Statement 2022/23

<b>Purpose:</b>	To present to full Council for approval, the Pay Policy for the City and County of Swansea for 2022/23.
<b>Policy Framework:</b>	None
<b>Consultation:</b>	Human Resources, Legal, Finance and Access to Services.
<b>Recommendation(s):</b>	It is recommended that;  1) The Pay Policy Statement 2022-2023 as attached at Appendix A of the report be approved and published.
<b>Report Author:</b>	Adrian Chard
<b>Finance Officer:</b>	Ben Smith
<b>Legal Officer:</b>	Tracey Meredith
<b>Access to Services Officer:</b>	Rhian Millar

#### 1. Introduction

- 1.1 Sections 38 to 43 of the Localism Act 2011 requires English and Welsh Local Authorities to produce and publish a Pay Policy Statement for each financial year, detailing:
- The Council's policies towards all aspects and elements of the remuneration of Chief Officers;
  - The approach to the publication of, and access to, information relating to all aspects of the remuneration of Chief Officers;
  - The Council's policy on the remuneration of its lowest paid employees (including the definition adopted and reasons for it);
  - The relationship between the remuneration of its Chief Officers and other employees.

- 1.2 This Pay Policy statement sets out the Council's approach to Pay Policy in accordance with the requirements for the financial year 2022/23.
- 1.3 This Pay Policy statement is appended as Appendix A.

## **2. Key Points of Consideration**

- 2.1 The NJC Pay Award for 2021/22 remains under negotiation as at 9<sup>th</sup> February 2022 and a further updated statement will be presented on agreement of that Award.
- 2.2 The Statement reflects the 2021/22 Pay Award for Chief Executives and Chief Officers which has already been agreed.
- 2.3 The Statement includes reference to a minimum rate of pay of £10.00 per hour for our lower paid workers with effect from 1<sup>st</sup> April 2022.
- 2.4 Included in the Statement is a linked reference to the Council's Pensions Discretion Policy which has been updated and agreed in the Autumn of 2021.
- 2.5 This policy reflects the legal position with regard to the provision of exit payments.

## **3. Integrated Assessment Implications**

- 3.1 The Council is subject to the Equality Act (Public Sector Equality Duty and the socio-economic duty), the Well-being of Future Generations (Wales) Act 2015 and the Welsh Language (Wales) Measure, 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 Acts.
  - 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.
  - Deliver better outcomes for those people who experience socio-economic disadvantage
  - Consider opportunities for people to use the Welsh language
  - Treat the Welsh language no less favourably than English.
  - Ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.
- 3.2 The Well-being of Future Generations (Wales) Act 2015 mandates that public bodies in Wales must carry out sustainable development. Sustainable development means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the 'well-being goals'.

3.3 Our Integrated Impact Assessment (IIA) process ensures we have paid due regard to the above. It also takes into account other key issues and priorities, such as poverty and social exclusion, community cohesion, carers, the United Nations Convention on the Rights of the Child (UNCRC) and Welsh language.

**4. Financial Implications**

4.1 The costs arising from the Council's Pay Policy Statement are reflected in the 2022/2023 Budget.

**5. Legal Implications**

5.1 Under s 39(1) of the Localism Act 2011, the Council is required to approve its Pay Policy Statement by 31 March each year.

**Background Papers:** None

**Appendices:**

Appendix A	Pay Policy Statement
Appendix B	Integrated Impact Assessment.



## PAY POLICY STATEMENT 2022/23

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## 1.0 Introduction

- 1.1 Under Section 112 of the Local Government Act 1972 the Council has the power 'to appoint officers on such reasonable terms and conditions as the Council thinks fit'.
- 1.2 This Pay Policy statement sets out the Council's approach to Pay Policy in accordance with the requirements of sections 38 to 43 of the Localism Act 2011 which requires English and Welsh Local Authorities to produce and publish a Pay Policy Statement for each financial year, detailing:
  - a) The Council's policies towards all aspects and elements of the remuneration of Chief Officers;
  - b) The approach to the publication of, and access to, information relating to all aspects of the remuneration of Chief Officers;
  - c) The Council's policy on the remuneration of its lowest paid employees (including the definition adopted and reasons for it);
  - d) The relationship between the remuneration of its Chief Officers and other employees.
- 1.3 Local authorities are large, complex organisations with multi-million pound budgets. They have a very wide range of functions and provide and/or commission a wide range of essential services. The general approach to remuneration levels may therefore differ from one group of employees to another to reflect the specific circumstances at a local, Welsh or UK national level. It will also need to be flexible when required to address a variety of changing circumstances, whether foreseeable or not.
- 1.4 The Council recognises the role of trade unions in consultation and negotiation of pay at local, regional and national levels. The Council supports the National Joint Councils and Joint Negotiating Committees, which govern the national agreements concerning pay and conditions of service, which are applicable to all of the employee groups referred to in this pay policy statement.
- 1.5 As required by legislation, full Council approved the first Pay Policy in 2012 and this policy statement came into immediate effect. The Policy is subject to review on a minimum of an annual basis in accordance with the relevant legislation. This policy will be submitted to full Council for approval.
- 1.6 This policy has made reference to the Welsh Government Guidance Pay Accountability in Local Government, December 2020 and November 2021.

- 1.7 The Council's Workforce Strategy for 2022/23 identifies that "Recognising Performance" is a key "Strand" to its success "to incentivise our workforce appropriately". There is the objective to "create a culture of "high performance" , "so that we have capable staff who are appropriately incentivised, recognised and motivated to achieve a high performance culture across all teams and demonstrating our core values".

## 2.0 Policy Statement

- 2.1 This Policy includes matters concerning the remuneration of Chief Officers, as defined under the Localism Act 2011, including the publication of and access to information relating to all aspects of their remuneration.
- 2.2 The policy includes details on the remuneration of its lowest paid employees (including the definition adopted and reasons for it) and the relationship between the remuneration of its Chief Officers and other employees.
- 2.3 The Council will endeavour to maintain the constructive Social Partnership approach that it has developed with the recognised Trade Unions and will continue to work closely with them on pay related matters. Collective bargaining will be followed as appropriate for any proposed changes to pay and/or allowances

## 3.0 Legislative Framework

- 3.1 In determining the pay and remuneration of all of its employees, the Council will comply with all relevant employment legislation. This includes:
- Equality Act 2010
  - Employment Act 1996
  - Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000 and the Fixed-term Employment (Prevention of Less Favourable Treatment) Regulations 2002
  - Working Time Regulations 1998
  - Agency Workers Regulations 2010
  - Transfer of Undertakings (Protection of Employment) Regulations 2006
  - National Minimum Wage (Amendment) Regulations 2021
- 3.2 The Council will ensure there is no pay discrimination within its pay structures and that all pay differentials can be objectively justified through the use of equality proofed Job Evaluation

mechanisms which directly relate salaries to the requirements, demands and responsibilities of the role.

### 3.3 DEFINITIONS

The Act sets out the requirements for Pay Policy Statements and as part of this there are certain terms that are used to define different employee groups and in particular senior officers. This section explains these definitions, and how they apply in this Council. The Localism Act 2011 defines 'Chief Officer' as Chief Executive, Monitoring Officer, Statutory Chief Officers and Non Statutory Chief Officers.

As stated in the Local Government and Elections (Wales) Act 2021, (with reference to the changes introduction in the Local Government (Wales) Measure 2011, the role of "Head of Paid Service" will be replaced by the role of "Chief Executive" from May 2022

#### **Chief Officers:**

Swansea Council's Chief Officers are as follows:

- Chief Executive
- Statutory Chief Officers:-
  - Director of Education
  - Director of Social Services
  - Director of Finance who undertakes the role of Section 151 Officer
  - Monitoring Officer – Head of Legal, Democratic Services and Business Intelligence
  - Head of Democratic Services (as of 5 May 2022)
- Non-statutory Chief Officers – this refers to non-statutory posts that report directly to the Chief Executive / Directors
  - Director of Corporate Services who undertakes the role of Deputy Chief Executive
  - Director of Place

#### **Deputy Chief Officers**

The Localism Act 2011 defines 'Deputy Chief Officers' as those officers that report directly to statutory or non-statutory Chief Officers. In Swansea Council this includes:

- Deputy Section 151 Officer and Deputy Chief Finance Officer
- Deputy Monitoring Officer and Deputy Chief Legal Officer

The Council's senior management arrangements includes Heads of Service. In addition to the posts identified above there are also some Managers that report directly to statutory or non-statutory Chief Officers.

- Heads of Service:
- Place Directorate
  - Building Services
  - Cultural Services
  - Highways and Transportation
  - Housing and Public Health
  - Planning and City Regeneration
  - Property Services
  - Waste, Cleansing and Parks
- Education
  - Achievement and Partnership
  - Planning and Resources
  - Vulnerable Learners
- Social Services
  - Adult Services
  - Child and Family Services
  - Integrated Services
- Corporate Services
  - Communications and Marketing
  - Human Resources and Service Centre
  - Digital and Customer Services
- Finance

## 4.0 Scope

- 4.1 The Localism Act 2011 required Authorities to develop and make public their Pay Policy on all aspects of Chief Officer Remuneration (including on ceasing to hold office), and that pertaining to the 'lowest paid' in the Council, explaining their Policy on the relationship between remuneration for Chief Officers and other groups. However, in the interests of transparency and accountability the Council has chosen to take a broader approach and produce a Policy covering all employee groups with the exception of School Teachers (as the remuneration for this latter group is set by the Secretary of State and therefore not within Local Council control).
- 4.2 The Council has autonomy in making decisions on pay that are appropriate to local circumstances and which deliver value for money for local taxpayers. However, this Policy will be complied with in setting remuneration levels for all groups within its scope.

## 5.0 Principles of the Pay Policy

- 5.1 The Council is committed to an open and transparent approach to pay policy which will enable the tax payer to access, understand and assess information on remuneration levels across all groups of council



employees. To this end the following are provided as Appendices to this policy:

- Swansea Council's Employee Pay Scales, Local Government Services Employees (Annex A)
- Swansea Council's Chief Officer Pay Scales (Annex B)
- National Pay Grades - Soulbury (Annex C)

The following are available on the Council's website:

- JNC Chief Officer Terms and Conditions )
- JNC Chief Officer Employment Rules (as per Council Constitution)
- Policy on Redundancy
- Policy on Employee Performance Management
- Annual Leave Policy
- Policy on Travel and Subsistence
- Partnership arrangements
  - Swansea Public Services Board
  - Swansea City of Sanctuary
  - Swansea Poverty Partnership Forum
  - Regeneration Swansea
  - Safer Swansea Advice

- 5.2 In addition to the above, the Chief Executive also plays a lead role in regional agencies such as ERW/Partneriaeth, Swansea Bay City Deal and the South West Wales Corporate Joint Committee.
- 5.4 In this context, it does need to be recognised that, at the more senior grades in particular, remuneration levels need to enable the attraction of a suitably wide pool of talent. This would ideally include people from the private and public sector and from inside and outside Wales. It is recognised that the Council will often be seeking to recruit in competition with other good public and private sector employers.
- 5.5 In addition, the Council is the major employer in the area. As such we must have regard to our role in improving the economic well-being of the people of the City and County. The availability of good quality employment on reasonable terms and conditions and fair rates of pay has a beneficial impact on the quality of life in the community as well as on the local economy. The Council also has a role in setting a benchmark example on pay and conditions to other employers in the area for the same reasons.

## 6.0 Pay Structures within the Council

- 6.1 **NJC Pay Structure:** The Council uses the nationally negotiated pay spine as the basis for its grading structure. This determines the salaries of the larger majority of the non-teaching workforce, together with the use of other nationally defined rates where relevant.

- 6.2 Pay increases for NJC staff are nationally negotiated. Pay rates for the period 1 April 2021 to 31 March 2022 are currently the subject of negotiation nationally and will be communicated once they are agreed (Annex B).
- 6.3 All other pay related allowances are the subject of either nationally or locally negotiated rates, having been determined from time to time in accordance with collective bargaining machinery and/or as determined by Council Policy.
- 6.4 New appointments will normally be made at the minimum of the relevant grade, although this can be varied where necessary to secure the best candidate.
- 6.5 **The Soulbury Committee** has its own pay scales and includes the following groups of staff:-
- Educational Inspectors and Advisers
  - Educational Psychologists
  - Youth and Community Service Officers

In addition to the annual pay increase, the Soulbury Committee determines the national salary framework. On other conditions of service issues, the Soulbury agreement ensures that Soulbury officers have conditions which are not less favourable than other local government staff employed in the Council they work in.

All future nationally negotiated pay increases for Soulbury staff will follow the same process as for Chief Officers; see below. The Council will therefore pay future pay rises as and when determined in accordance with contractual requirements.

The current pay rates for this group of staff are attached at **Annex C**.

- 6.6 **Teachers:** Teachers' salaries are set nationally, and the Teachers' Pay Policy is available on the Council website.

## 7.0 Job Evaluation

- 7.1 Job evaluation is a systematic way of determining the value/worth of a job in relation to other jobs within an organisation. It aims to make a systematic comparison between jobs to assess their relative worth, for the purpose of establishing a rational pay structure and pay equity between jobs.
- 7.2 The Council implemented Single Status for all staff in terms of Pay, Grading and Terms & Conditions on 1 April 2014. The concept of equality was central to this work and our Equality Impact Assessment (EIA) process has been utilised throughout. It has informed the

negotiating position of the Council in relation to a number of Terms and Conditions. The Council engaged Northgate to assist us to carry out an EIA in respect of our new pay model.

- 7.3 The Council currently uses 2 job evaluation schemes: the GLPC Chief Officers Scheme and the methodology of Job Family Allocation.
- 7.4 As part of the Senior Management Review, it is intended that a further review of pay and grading arrangements will be undertaken in 2022/23.

## 8.0 Market Supplements

- 8.1 Job evaluation has enabled the Council to set appropriate remuneration levels based on internal job size relativities within the council. However, from time to time it may be necessary to take account of the external pay market in order to attract and retain employees with particular experience, skills and capacity.
- 8.2 It is the Council's policy that any such additional payments be kept to a minimum and be reviewed on a regular basis so that they can be withdrawn where no longer considered necessary, as set out in the Market Supplement Procedure.
- 8.3 Where there are specialist technical roles required within a service, and the recruitment process has failed to deliver appropriately qualified suitable candidates for the role on offer, the Head of Service will submit a full business case for the additional market supplement payment, based on current labour market research for these required skills, to Corporate Management Team for approval.

## 9.0 Honoraria Payments

- 9.1 The Council recognises that it may be necessary from time to time to apply an additional payment when an employee is requested to 'act up' into a higher graded post or temporarily undertake additional duties associated with a higher graded post. In these circumstances an honoraria payment may be made, and the Honoraria Procedure seeks to ensure that honoraria payments are transparent, properly considered, subject to proper review and implemented on a consistent basis.

## 10.0 Pay and Performance

- 10.1 The Council expects high levels of performance from all employees and has a performance review process in place to monitor, evaluate and manage performance on an ongoing basis. No performance-related pay is currently applicable to any employee group.

- 10.2 The Chief Executive's performance review is undertaken by the Chief Executive's Appraisal and Remuneration Committee on an annual basis. The Chief Executive publishes the objectives set by the Council in the Chief Executive's blog. The Committee assists the Chief Executive in the annual appraisal of the Deputy Chief Executive.
- 10.3 For Chief Officers, the annual increment (if not already at top of scale) is awarded only when the Performance Review is deemed satisfactory.
- 10.4 The Council has an Employee Performance Management policy that is available on the Council's website.

## 11.0 Chief Executive

- 11.1 The role of Chief Executive is a full time and permanent appointment. The post holder is selected on merit against objective criteria, following public advertisement, and then will be appointed by full Council. The Local Government and Elections (Wales) Act 2021 introduced additional functions for the Chief Executive to keep certain matters including the organisation and appointment of the council's staff under review and where appropriate to do so to report to the council setting out proposals in respect of those matters.
- 11.2 The Chief Executive works closely with elected members to deliver the Council's Recovery Plan – Achieving Better Together.
- 11.3 The Chief Executive routinely works outside of the standard Monday to Friday business week, The Chief Executive also heads the Gold Command 'on call' arrangements particularly to cover emergency planning requirements.
- 11.4 The Chief Executive is employed on Joint National Committee for Chief Executives of Local Authorities (JNC for Chief Executives) terms and conditions. The JNC for Chief Executives negotiates on national (UK) annual cost of living pay increases, and any award of the same is determined on this basis. These pay awards are effective from 1 April each year however they are not normally confirmed in advance of this date.
- 11.5 The Chief Executive will act as the Returning Officer for Local Government Elections. The appointment of Electoral Registration Officer is required by S8 of the Representation of the People Act 1983 and the appointment of Returning officer by S35 of the Representation of the People Act 1983. All other Elections and referenda are not included; and this is covered by the JNC Terms and Conditions of Employment.
- 11.6 The 1.5% Chief Executives Pay Award for 2021/22 will increase the Chief Executive's current salary to £154,962.

## 12.0 Chief Officers

- 12.1 'Chief Officers' are defined within S43 of the Localism Act. The posts falling within the statutory definition of S43 of the Localism Act are as follows;
- (a) the head of its paid service designated under section 4(1) of the Local Government and Housing Act 1989;
  - (b) its monitoring officer designated under section 5(1) of that Act;
  - (c) a statutory chief officer mentioned in section 2(6) of that Act;
  - (d) a non-statutory chief officer mentioned in section 2(7) of that Act;
  - (e) a deputy chief officer mentioned in section 2(8) of that Act.
- For the purposes of its Pay Policy, Swansea Council includes those who are designated Heads of Service.
- 12.2 No bonus or performance related pay mechanism is applicable to Chief Officers' pay; although the annual increment (if not already at top of scale) is only awarded once the Annual Performance Review has been deemed as satisfactory. The Chief Executive is on a spot salary, with no incremental progression.
- 12.3 In respect of the nationally agreed JNC Pay Award for the Chief Executive's salary, half is afforded automatically with the other half subject to the performance rating at the Annual Performance Review. The current Chief Executive is on a spot salary with no incremental progression.
- 12.4 **Chief Officer Pay Decisions:** Although any pay increases referred to above are part of the nationally agreed terms and conditions, the Council's Constitution Employment Procedure Rules states that any decision to determine or vary the remuneration of Chief Officers (or those to be appointed as Chief Officers) must be made by full Council.
- 12.5 Therefore, in accordance with these rules, the Council's decision to agree this Pay Policy Statement constitutes agreement to implement future pay increases determined by the relevant negotiating body effective from 1 April 2022, as accounted for in the Budget set and agreed by Council.
- 12.6 Any additional financial implications arising from the national pay agreements determined after this date that cannot be met within the Council's agreed Budget will be referred to Council for consideration and decision.
- 12.7 **Additions to salary of Chief Officers:** The Council does not apply any bonuses or performance related pay to its Chief Officers. However, the annual increment (if not already at top of scale) is only awarded once the annual Review has been deemed as satisfactory.

- 12.8 The Council does pay all reasonable travel and subsistence expenses on production of receipts and in accordance with JNC conditions and other local conditions.
- 12.9 The cost of membership of one half of a professional body is met by the Council if it is deemed an essential requirement of the post.
- 12.10 **Pay Increases - Chief Officers:** The Council employs Chief Officers under JNC terms and conditions which are incorporated in their contracts. The JNC for Chief Officers negotiates on national (UK) annual cost of living pay increases for this group, and any award of same is determined on this basis. Chief Officers employed under JNC terms and conditions are contractually entitled to any national JNC determined pay rises and this Council will therefore pay these as and when determined in accordance with current contractual requirements.
- 12.11 Agreement has been reached on the pay award applicable from 1 April 2021 for all officers within the scope of the JNC for Chief Officers. This will increase salaries by 1.50 per cent with effect from 1<sup>st</sup> April 2021 to cover the period up to 31<sup>st</sup> March 2022. The Pay Scale for 2021/22 is attached at Annex A.
- 12.12 **Chief Officer Pay:** The current structure and pay remuneration was approved by the Independent Pay Review Panel in 2018 (appended as Annex B). The Council has approved a full review of the Senior Pay and Grading structure which will be undertaken in 2022/23.

## 13.0 Exit Payments

- 13.1 The Council's approach to statutory and discretionary payments on termination of employment of Chief Officers (and all other employees), prior to reaching normal retirement age, is set out within its Early Retirement & Redundancy Policy in accordance with Regulations 5 and 6 of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006. This is in respect of a redundancy payment being based on actual weekly earnings (Regulation 5) and when an enhanced redundancy payment of up to 45 weeks' pay would be granted (Regulation 6).
- 13.2 Regulations 12 and 13 of the Local Government Pension Scheme (Benefits, Membership and Contribution) Regulations 2007 do not apply as the Council does not increase the total membership of active members (Regulation 12) or award additional pension (Regulation 13).
- 13.3 The Council will comply with Chapter 8 Localism Act 2011 and the Council's Constitution which provides that the Council must determine the level, and any change in the level of remuneration to be paid to a

chief officer. Remuneration includes any amounts payable to a chief officer on the chief officer ceasing to hold office, other than amounts that may be payable by virtue of any enactment.

- 13.4 The Council will comply with the Welsh Government's guidance that full Council should be given the opportunity to vote on chief officer severance packages to ensure any settlement represents value for money for taxpayers. In presenting information to full council, the authority will set out clearly all the components of the relevant severance package including any statutory or non-statutory components.
- 13.5 When calculating the value of a severance package, the following payments should include the following items:-
- salary paid in lieu
  - lump sum redundancy/severance payment
  - cost to the Council of the strain on the pension fund arising from providing early access to an unreduced pension
- 13.6 Exit Payment Cap: Previous Pay Policy Statements have referred to the potential introduction of a cap on exit payments. The Restriction of Public Sector Exit Payments Regulations 2020 came into force across the United Kingdom on 4 November 2020; however, in February 2021 the UK government issued a Treasury Direction to dis-apply the regulations whilst the process of formal revocation can take place, (Revocation of Restriction of Public Sector Exit Payments Regulations 2020).
- 13.7 On 12<sup>th</sup> February 2021 the UK Government announced its decision to revoke the above Regulations in full and has dis-applied the key Regulations until this can be done by the UK Parliament. This means that the cap has been removed in both England and Wales, and there is no current requirement for public bodies to request waivers for exit payments over £95,000.
- 13.8 The Strategic HR&OD Manager will ensure that if there are further decisions made regarding this matter, the appropriate actions will be taken to ensure compliance.

## 14.0 Voluntary Severance

- 14.1 The Voluntary Redundancy Policy provides details of the position on making discretionary payments on early termination of employment under Regulation 7 of the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006. Details of the Council's policy on whether to increase an employee's total pension scheme membership and on awarding additional pension under Regulation 66 of the Local Government Pension Scheme (Administration) Regulations 2008 is included in our Employer's Pensions Discretions statement.

- 14.2 Further to the EAT decision *University of Sunderland v Drossou* (13 June 2017), the Council will take into consideration any pension contributions that form part of the overall package of 'remuneration' offered to an employee in return for their services. The result of this is that, where appropriate, the employer's pension contributions are included in the calculation of weekly pay subject to the current maximum allowed.

## 15.0 Pay relativities across the Council

- 15.1 The "lowest paid employees" under a Contract of Employment are defined as those employed on a full time [37 hours] equivalent salary in accordance with the minimum spinal column point currently in use within the Council's grading structure. The Council employs Apprentices [and other such Trainees] who are not included within the definition of 'lowest paid employees' as they are not employed under Contracts of Employment.
- 15.2 The relationship between the rate of pay for the lowest paid and Chief Officers is determined by the processes used for determining pay and grading structures as set out earlier in this Policy Statement.
- 15.3 The statutory guidance under the Localism Act recommends the use of pay multiples as a means of measuring the relationship between pay rates across the workforce and that of senior managers, as included within the Hutton 'Review of Fair Pay in the Public Sector' (2010). The Hutton Report explored the case for a fixed limit on dispersion of pay through a requirement that no public sector manager can earn more than 20 times the lowest paid person in the organisation. The report concluded that the relationship to median earnings was a more relevant measure and the Government's Code of Recommended Practice on Data Transparency recommends the publication of the ratio between highest paid salary and the median average salary of the whole of the Council's workforce.
- 15.4 The current pay levels within the Council define the multiple between the lowest paid (full time equivalent) employee and the Chief Executive as 1:11 and between the lowest paid employee and average Chief Officer as 1:6
- 15.5 The multiple between the median (average) full time equivalent earnings and the Chief Executive is 1:5 and between the median (average) full time equivalent earnings and average Chief Officer is 1:3.
- 15.6 As part of its overall and ongoing monitoring of alignment with external pay markets, both within and outside the sector, the Council will use available benchmark information as appropriate.



## 16.0 Support for Lower Paid Employees and Workers

- 16.1 The Localism Act 2011 requires the Council to define its 'lowest paid employee' within the Pay Policy Statement. Within the Council, there are currently 1200 employees at Grades 1, 2 and 3 that are paid below the current Real Living Wage (RLW) rate of £9.90 per hour (including schools based). This is subject to agreement on the NJC Pay Award for 2021/22.

It is recognised that there are clear benefits to the Council, as well as its employees, to support our workforce at that level. As a result, with effect from 1st April 2022, the Council will implement a minimum rate of £10 / hour, i.e. in excess of the Real Living Wage and equates to a minimum annual full-time equivalent salary of £19,240.

This recognises the key contribution our front line, and other lower-paid workers, have made in the delivery of essential services to our residents during the pandemic.

The Council would be Wales' first local authority to provide a £10 minimum rate.

- 16.2 The current NJC pay scales for 2020/21 are included in ANNEX A. These pay rates are currently under negotiation for 2021/22 and Council will be notified when changes have been agreed.

## 17.0 Independent Remuneration Panel for Wales

- 17.1 Section 143A Local Government (Wales) Measure 2011 refers to the Independent Remuneration Panel for Wales (IRPW) and sets out their functions in relation to salaries of Chief Executives.
- 17.2 Any changes to remuneration for the Chief Executive role will be referred to the IRPW and any recommendations received from the IRPW will be put before Council when determining any change in remuneration. Council will have regard to any recommendation received from the IRPW when deciding whether or not to proceed with any change to Chief Executive salary.
- 17.3 The Council is required to identify in this pay policy statement whether any such referral has been made to the IRPW, and if so, the nature of the referral, the IRPW' s decision and the council response.
- 17.4 The Council has not made a referral to the IRPW relating to the salary payable to the Chief Executive. .

## 18.0 Accountability and decision making

- 18.1 In accordance with the Constitution of the Council, Full Council is responsible for decision making in relation to the recruitment, pay, terms and conditions and severance arrangements in relation to Chief Officer employees of the Council.
- 18.2 This policy has considered all the recommendations in the Welsh Government guidance notes on Pay Accountability in Local Government in Wales, and has been referred to throughout this Policy statement.

## 19.0 Non-Guaranteed Working Hours

- 19.1 In December 2016 the Welsh Government issued principles and guidance on the appropriate use of non-guaranteed hours arrangements in the devolved public services in Wales. These principles and guidance were developed by the Public Services Staff Commission in social partnership with the Welsh Government's Partnership Council and its sector groups.
- 19.2 The Council is committed to the principles determined by Welsh Government which apply to those employees who are employed on a relief, casual or sessional basis. These employees are used in services within the Council where there is either a need to bring in an additional workforce in order to cover peaks in workload or where the workload is on a one off basis.

## 20.0 Recruitment and Talent Management

- 20.1 Recruitment of Chief Officers: The Council's Policy and Procedures with regard to recruitment of Chief Officers is contained within the Officer Employment Procedure Rules as set out in Part 4 of the Constitution. The determination of the remuneration to be offered to any newly appointed Chief Officer will be in accordance with the pay structure and relevant policies in place at the time of recruitment.
- 20.2 Where the Council remains unable to recruit Chief Officers under a contract of service, or there is a need for an interim appointment to provide cover for a vacant substantive Chief Officer post or for any other reason, the Council will, where necessary, consider and utilise engaging individuals under 'contracts for service'. These will be sourced through a relevant procurement process ensuring the Council is able to demonstrate the maximum value for money benefits from competition in securing the relevant service. The Council does not currently have any Chief Officers engaged under such arrangements.

## 21.0 Re-employment procedures

- 21.1 No Chief Officer who was previously made redundant or granted early retirement from the Council, will be later re-employed or re-engaged. This would be 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 unless in exceptional circumstances when a meeting of Council may waive this requirement.
- 21.2 The Council will inform Chief Officers on appointment who are in receipt of a pension under the LGPS from a previous employer that they must inform their Pension Fund Provider of their re-employment in Local Government. The appropriate abatement rules can then be applied.

## 22.0 Teachers Pay

- 22.1 The Teachers Pay Policy provides a framework for making decisions on Teachers' pay. It has been developed to comply with the requirements of the School Teachers' Pay and Conditions Document (STPCD) and has been the subject of consultation with ASCL, ATL, NAHT, NASUWT, NUT AND UCAC.

## 23.0 Pension Scheme

- 23.1 All Council employees (with the exception of teachers) are entitled to join the local government pension scheme (LGPS) which is offered by the Local Government Employers. If employees are eligible they will automatically become a member of the scheme (to join they must have a contract for at least 3 months duration and be under the age of 75). Employees can decide to opt out of the scheme. The benefits and contributions payable under the Fund are set out in the LGPS regulations.
- 23.2 The current level of contribution to the scheme by employees, effective from 1<sup>st</sup> April 2022, is outlined in the following table:

<b>Contribution table 2022/23</b>			
<b>Band</b>	<b>Actual pensionable pay for an Employment (per annum)</b>	<b>Contribution rate for that employment</b>	
		<b>Main</b>	<b>50/50 section</b>
1	Up to £15,000	5.50%	2.75%
2	£15,001 to £23,600	5.80%	2.90%
3	£23,601 to £38,300	6.50%	3.25%
4	£38,301 to £48,500	6.80%	3.40%
5	£48,501 to £67,900	8.50%	4.25%
6	£67,901 to £96,200	9.90%	4.95%
7	£96,201 to £113,400	10.50%	5.25%
8	£113,401 to £170,100	11.40%	5.70%
9	£170,101 or more	12.50%	6.25%

- 23.3 Teachers are entitled to join the Teachers' Pensions scheme. As the Teachers Pensions scheme is operated externally further information can be found on [www.teacherspensions.co.uk](http://www.teacherspensions.co.uk).
- 23.4 the Council's Pensions Discretions Policy statement has been updated and agreed during in 2021 and, as required is published on the Council's website as required by regulations and as follows;  
[https://www.swansea.gov.uk/media/5047/Employers-pensions-discretions-policy-2021/pdf/Employers\\_pensions\\_discretions\\_policy.pdf?m=1642597102047](https://www.swansea.gov.uk/media/5047/Employers-pensions-discretions-policy-2021/pdf/Employers_pensions_discretions_policy.pdf?m=1642597102047)

## 24.0 Off-Payroll Arrangements

- 24.1 Where the Council is unable to recruit to a job under a contract of service, or where there is a need for specialist support for a specific project, the Council will, where necessary, consider engaging individuals under a contract for service. These will be sourced through the relevant procurement process under the Council's Contract Procedure Rules, ensuring the council is able to demonstrate value for money from competition in securing the relevant service.

## 25.0 Publication

- 25.1 Upon approval by the full Council, this statement will be published on the Council's Website. In addition, for posts where the full time equivalent salary is at least £60,000, as required under the Accounts

and Audit (Wales) (Amendment) Regulations 2010, the Council's Annual Statement of Accounts will include a note setting out the total amount of:

- salary, fees or allowances paid to or receivable by the person in the current and previous year;
- any bonuses so paid or receivable by the person in the current and previous year;
- any sums payable by way of expenses allowance that are chargeable to UK income tax;
- any compensation for loss of employment and any other payments connected with termination;
- any benefits received that do not fall within the above

## 26.0 Monitoring and review

26.1 The Policy outlines the current position in respect of pay and reward across the Council and it will continue to be monitored over the next year to ensure that it meets the principles of fairness, equality, accountability and value for money for citizens of Swansea.

26.2 This Pay Policy Statement will be kept under review and developments considered in the light of external best practice and legislation. The Pay Policy Statement may also be reviewed as part of the Council's existing Scrutiny arrangements. The Council will ensure the Pay Policy Statement is updated on an annual basis in line with the requirement of the Localism Act 2011.

26.3 This Pay Policy Statement will be reviewed and updated on an annual basis for consideration and agreement by full Council, with the next Pay Policy Statement to be in place for the 2022/23 financial year.

**ANNEX A: NJC National Pay Scale - Swansea April 2020/21 (subject to change)**

GRADE	SCP 19/20	HOURLY RATE 19/20	SALARY 19/20	HOURLY RATE 20/21	SALARY 20/21
GRADE 1	1	£9.00	£17,364.00	£9.25	17,842.00
GRADE 2	3	£9.36	£18,065.00	£9.62	18,562.00
GRADE 3	4	£9.55	£18,426.00	£9.81	18,933.00
GRADE 4	5	£9.74	£18,795.00	£10.01	19,312.00
	6	£9.94	£19,171.00	£10.21	19,698.00
GRADE 5	7	£10.14	£19,554.00	£10.41	20,092.00
	8	£10.34	£19,945.00	£10.62	20,493.00
	9	£10.54	£20,344.00	£10.83	20,903.00
GRADE 6	11	£10.97	£21,166.00	£11.27	21,748.00
	12	£11.19	£21,589.00	£11.50	22,183.00
	14	£11.64	£22,462.00	£11.96	23,080.00
	15	£11.88	£22,911.00	£12.20	23,541.00
	17	£12.35	£23,836.00	£12.69	24,491.00
GRADE 7	19	£12.85	£24,799.00	£13.21	25,481.00
	20	£13.11	£25,295.00	£13.47	25,991.00
	22	£13.64	£26,317.00	£14.02	27,041.00
	23	£13.99	£26,999.00	£14.38	27,741.00
	24	£14.46	£27,905.00	£14.86	28,672.00
GRADE 8	25	£14.92	£28,785.00	£15.33	29,577.00
	26	£15.36	£29,636.00	£15.78	30,451.00
	27	£15.81	£30,507.00	£16.25	31,346.00
	28	£16.26	£31,371.00	£16.71	32,234.00
	29	£16.60	£32,029.00	£17.06	32,910.00
GRADE 9	30	£17.04	£32,878.00	£17.51	33,782.00
	31	£17.52	£33,799.00	£18.00	34,728.00
	32	£18.03	£34,788.00	£18.53	35,745.00
	33	£18.63	£35,934.00	£19.14	36,922.00
	34	£19.11	£36,876.00	£19.64	37,890.00
GRADE 10	35	£19.62	£37,849.00	£20.16	38,890.00
	36	£20.12	£38,813.00	£20.67	39,880.00
	37	£20.62	£39,782.00	£21.19	40,876.00
	38	£21.13	£40,760.00	£21.71	41,881.00
	39	£21.60	£41,675.00	£22.20	42,821.00
GRADE 11	40	£22.12	£42,683.00	£22.73	43,857.00
	41	£22.63	£43,662.00	£23.25	44,863.00
	42	£23.13	£44,632.00	£23.77	45,859.00
	43	£23.63	£45,591.00	£24.28	46,845.00
	44	£24.14	£46,582.00	£24.81	47,863.00
GRADE 12	45	£24.65	£47,560.00	£25.33	48,868.00
	46	£25.16	£48,545.00	£25.85	49,880.00
	47	£25.69	£49,558.00	£26.39	50,921.00
	48	£26.22	£50,590.00	£26.94	51,982.00
	49	£26.77	£51,644.00	£27.50	53,065.00

**The minimum local pay rate with effect from 1st April 2022 will be £10.00/ hour irrespective of the prevailing national pay scale; current rates above.**

## ANNEX B: Chief Officers Pay 2021/22

<b>CHIEF EXECUTIVE'S PAY SCALE</b>								
£154,962 fixed point								
<b>DEPUTY CHIEF EXECUTIVE/ DIRECTOR OF RESOURCES</b>								
<b>£122,334 to £126,875</b>								
£126,875								
<b>DIRECTORS' PAY SCALES</b>								
<b>£107,257 to £121,756</b>								
Point 1	Point 2	Point 3	Point 4	Point 5	Point 6	Point 7		
£107,257	£110,078	£110,686	£113,454	£116,222	£118,989	£121,756		
<b>CHIEF OFFICERS</b>								
<b>£90,321 to £110,686</b>								
Point 1	Point 2	Point 3	Point 4	Point 5	Point 6	Point 7	Point 8	Point 9
£90,321	93,144	£95,967	£98,788	£101,611	£104,433	£107,257	£110,686	£110,686
<b>HEADS OF SERVICE</b>								
<b>BAND 1</b>								
<b>£73,386 to £90,321</b>								
Point 1	Point 2	Point 3	Point 4	Point 5	Point 6	Point 7		
£73,386	£76,209	£79,030	£81,853	£84,675	£87,500	£90,321		
<b>HEADS OF SERVICE</b>								
<b>BAND 2 £62,096 to 79,030</b>								
Point 1	Point 2	Point 3	Point 4	Point 5	Point 6	Point 7		
£62,096	£64,918	£67,742	£70,563	£73,386	£76,209	£79,030		
<b>HEADS OF SERVICE</b>								
<b>BAND 3 £56,452 to £67,742</b>								
Point 1	Point 2	Point 3	Point 4	Point 5				
£56,452	£59,219	£62,096	£64,918	£67,742				

## ANNEX C: Soulbury 2020/21

<b>Educational Improvement Professionals SCP</b>	<b>Current</b>	<b>01.09.20</b>
1	35444	36419
2	36713	37723
3	37912	38955
4	39127	40203
5	40334	41443
6	41542	42684
7	42811	43988
8	44032*	45243*
9	45455	46705
10	46724	48009
11	47976	49295
12	49188	50541
13	50561**	51951**
14	51785	53209
15	53137	54598
16	54359	55854
17	55585	57114
18	56788	58350
19	58029	59625
20	58670***	60283***
21	59902	61549
22	60976	62653
23	62158	63867
24	63218	64956
25	64351	66121
26	65457	67257
27	66588	68419
28	67734	69597
29	68883	70777
30	70030	71956
31	71167	73124
32	72322	74311
33	73477	75498
34	74661	76714
35	75841	77927
36	77055	79174
37	78250	80402
38	79457	81642
39	80648	82866
40	81838	84089
41	83035	85318



42	84230	86546
43	85424	87773
44	86624	89006
45	87821	90236
46	89020	91468
47	90224	92705
48	91416****	93930***
49	92613****	95160***
50	93812****	96392***

### Notes to Educational Improvement Professionals above

Salary scales to consist of not more than four consecutive points based on the duties and responsibilities attaching to posts and the need to recruit and motivate staff.

*\*normal minimum point for EIP undertaking the full range of duties at this level.*

*\*\*normal minimum point for senior EIP undertaking the full range of duties at this level.*

*\*\*\*normal minimum point for leading EIP undertaking the full range of duties at this level.*

*\*\*\*\*extension to range to accommodate structured professional assessments.*

<b>Trainee Educational Psychologists SCP</b>	<b>Current</b>	<b>01.09.20</b>
1	23884	24541
2	25632	26337
3	27378	28131
4	29128	29929
5	30875	31724
6	32623	33520

<b>Assistant Educational Psychologists SCP</b>	<b>Current</b>	<b>01.09.20</b>
1	29359	30166
2	30559	31399
3	31757	32630
4	32950	33856

<b>Educational Psychologists - Scale A SCP</b>	<b>Current</b>	<b>01.09.20</b>
1	37175	38197

2	39062	40136
3	40949	42075
4	42834	44012
5	44721	45951
6	46607	47889
7	48383	49714
8	50159	51538
9	51822*	53247*
10	53488*	54959*
11	55040*	56554

### Notes to Educational Psychologists - Scale A above

Salary scales to consist of six consecutive points based on the duties and responsibilities attaching to posts and the need to recruit retain and motivate staff.

*\*Extension to scale to accommodate structured professional assessment points.*

Senior and Principal Educational Psychologists SCP	Current	01.09.20
1	46607	47889
2	48383	49714
3	50,159*	51538*
4	51822	53247
5	53488	54959
6	55040	56554
7	55678	57209
8	56869	58433
9	58050	59646
10	59251	60880
11	60428	62090
12	61628	63323
13	62849	64577
14	64029**	65790**
15	65266**	67061**
16	66490**	68318**
17	67723**	69585**
18	68954**	70850**

### Notes to Senior and Principal Educational Psychologists above

Salary scales to consist of not more than four consecutive points based on the duties and responsibilities attaching to posts and the need to recruit retain and motivate staff.

*\*Normal minimum point for the principal educational psychologist undertaking the full range of duties at this level.*

*\*\*Extension to range to accommodate discretionary scale points and structured professional assessments.*



Please ensure that you refer to the Screening Form Guidance while completing this form.

**Which service area and directorate are you from?**

Service Area: HR&OD (Digital Transformation)

Directorate: RESOURCES

**Q1 (a) What are you screening for relevance?**

- New and revised policies, practices or procedures
- Service review, re-organisation or service changes/reductions, which affect the wider community, service users and/or staff
- Efficiency or saving proposals
- Setting budget allocations for new financial year and strategic financial planning
- New project proposals affecting staff, communities or accessibility to the built environment, e.g., new construction work or adaptations to existing buildings, moving to on-line services, changing location
- Large Scale Public Events
- Local implementation of National Strategy/Plans/Legislation
- Strategic directive and intent, including those developed at Regional Partnership Boards and Public Services Board, which impact on a public bodies functions
- Medium to long term plans (for example, corporate plans, development plans, service delivery and improvement plans)
- Setting objectives (for example, well-being objectives, equality objectives, Welsh language strategy)
- Major procurement and commissioning decisions
- Decisions that affect the ability (including external partners) to offer Welsh language opportunities and services

**(b) Please name and fully describe initiative here:**

**Pay Policy Statement** – a review and update of the existing policy outlining compliance requirements and procedures. Policy is reviewed annually as per legislative requirements.

**Q2 What is the potential impact on the following: the impacts below could be positive (+) or negative (-)**

	High Impact		Medium Impact		Low Impact		Needs further investigation
	+	-	+	-	+	-	
Children/young people (0-18)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Older people (50+)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Any other age group	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Future Generations (yet to be born)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Disability	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Race (including refugees)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Asylum seekers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gypsies & travellers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Religion or (non-)belief	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sex	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sexual Orientation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gender reassignment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Welsh Language	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Poverty/social exclusion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Carers (inc. young carers)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Community cohesion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Marriage & civil partnership	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pregnancy and maternity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Q3 What involvement has taken place/will you undertake e.g. engagement/consultation/co-productive approaches?  
Please provide details below – either of your activities or your reasons for not undertaking involvement**

The HR&OD Policy consultation process includes reviews of new draft policies and procedures by relevant specialists that include Finance, Legal, Service Centre, other relevant specialists (e.g. Audit and Finance officers), CMT and Leadership, Trade Unions, JCC and Council.

**Q4 Have you considered the Well-being of Future Generations Act (Wales) 2015 in the development of this initiative:**

- a) Overall does the initiative support our Corporate Plan’s Well-being Objectives when considered together?  
Yes  No
- b) Does the initiative consider maximising contribution to each of the seven national well-being goals?  
Yes  No
- c) Does the initiative apply each of the five ways of working?  
Yes  No
- d) Does the initiative meet the needs of the present without compromising the ability of future generations to meet their own needs?  
Yes  No

The Well-being goals are overarching and are considered during the development of all Council HR Policies. The pay structure is agreed nationally and implemented according to Local TU agreement.

**Q5 What is the potential risk of the initiative? (Consider the following impacts – equality, socio-economic, environmental, cultural, legal, financial, political, media, public perception etc...)**

High risk

Medium risk

Low risk

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

Yes  No If yes, please provide details below

**All Council services must comply with this policy.**

**Q7 What is the cumulative impact of this proposal on people and/or communities when considering all the impacts identified within the screening and any other key decisions affecting similar groups/ service users made by the organisation?**

*(You may need to discuss this with your Service Head or Cabinet Member to consider more widely if this proposal will affect certain groups/ communities more adversely because of other decisions the organisation is making. For example, financial impact/poverty, withdrawal of multiple services and whether this is disadvantaging the same groups, e.g., disabled people, older people, single parents (who are mainly women), etc.)*

The cumulative impact is to ensure that the Council has clearly outlined how employees and workers are paid, and the additional arrangements that are in place to provide remuneration and pension benefits. Overall the policy aims to ensure that how all employees and workers are paid for work, and also outlines the reasoning behind the policy, and to meet the guidance laid out by Welsh Government.

### Outcome of Screening

**Q8 Please describe the outcome of your screening below:**

- **Summary of impacts identified and mitigation needed (Q2)**
- **Summary of involvement (Q3)**
- **WFG considerations (Q4)**
- **Any risks identified (Q5)**
- **Cumulative impact (Q7)**

**All employees are directly affected by this policy, however the salary is set at UK national level.**

(NB: This summary paragraph should be used in the relevant section of corporate report)

Full IIA to be completed

Do not complete IIA – please ensure you have provided the relevant information above to support this outcome

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.

<b>Screening completed by:</b>
Name: Linda Phillips
Job title: OD Project Officer
Date: December 2021
<b>Approval by Head of Service:</b>
Name: Adrian Chard
Position: Strategic HR&OD Manager
Date: December 2021

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

# Agenda Item 9.



## Report of the Section 151 Officer

Council - 3 March 2022

### Medium Term Financial Planning 2023/24 to 2025/26

<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>	Medium Term Financial Plan and Budget Strategy
<b>Consultation:</b>	Legal, Access to Services, Cabinet Members and Corporate Management Team
<b>Recommendations:</b>	It is recommended that:-  1) The Medium term Financial Plan 2023/24 to 2025/26 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>	Tracey Meredith
<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 increasing service pressures and demand. Again this year there is the added pressure and uncertainty of the COVID-19 pandemic. This has affected short-term planning and is expected to continue to impact the budget in the medium term.
- 1.2. The Medium Term Financial Plan (MTFP) is an overarching strategy that:
- Covers three future years.
  - Forecasts future known additional spending requirements, likely resources and potential funding shortfalls.
  - Links to the Council's adopted strategy '**Swansea – Achieving Better Together**' 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.

- 1.3. **It is important to understand that the MTFP does not constitute a formal budget in respect of the period 2023/24 to 2025/26 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.**
- 1.4. 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.
- 1.5. 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.
- 1.6. The plan serves to highlight the trend for increasingly uncertain 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.
- 1.7. Importantly, it is essential that the MTFP is 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 2022/23, further reports to Cabinet regarding the MTFP will be made as necessary. In particular, the Mid Term Budget Statement in the autumn of 2022 will provide a key update on the financial outlook and delivery of savings.
- 1.8. 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 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 annually.
- 1.9. 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 2023/24 – 2025/26                                  |
| Section 3 | Detailed spending and resources forecast 2023/24 – 2025/26                                    |
| Section 4 | Strategy to address future savings requirements   |
| Section 5 | A summary of the Medium Term Financial Plan and Swansea – Achieving Better Together 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 2023/24 to 2025/26**

- 2.1. The Medium Term Financial Plan (MTFP) report considered by Council on 4<sup>th</sup> March 2021 included a service and financial overview. This was updated in the budget proposals report given to Cabinet in January 2022 and February 2022.

### ***Economic Outlook and Prospects for Public Finances***

- 2.2. The announcement of the provisional Revenue and Capital Settlement for 2022/23 has resulted in an overall cash increase of £33.943m in 2022/23 compared to 2021/22. There have been two transfers into the settlement in respect of Gate Fee Support for Food and Residual Waste (£0.102m) and a partial transfer in from the Social Care Workforce Grant (£0.395m). There is an increase of just under £33.5m in block grant after allowing for these changes. Whilst this is a much appreciated, substantial increase, it needs to be set in the context of the forecast cost of pressures faced by this Council – around £40m for 2022/23 alone.
- 2.3. The current economic climate continues to be uncertain, even more so at the moment, and the Welsh Government acknowledged in their letter to all Local Authorities that local government is facing significant pressures. There is and will continue to be uncertainty over the UK's relationship with Europe and the impact on Wales post Brexit as well as the on-going impact of the COVID-19 pandemic. It is still the case that the Section 151 Officer assumes the Welsh Government budget will be expected to reduce in real terms over the latter period to 2025/26 notwithstanding the short term boosts for the current and next year budget.
- 2.4. Of course, the level of Welsh Government devolved Block Grant is not the only determinant of Welsh Government support for Local Authorities. It is likely that further delegation and transfer of powers and rights from Westminster to Cardiff, including full devolution of matters relating to business

rates, together with further tax changing/raising powers, may impose greater or lesser financial risks to Welsh Government than is currently the case. There is also the fact that Welsh Government has to decide on its own cross-sectoral allocation of devolved funding to public services in Wales.

- 2.5. Whilst it is a very positive provisional settlement for 2022/23, there is no certainty that it can continue at such a relatively high level in future years and, in addition to possible real terms reductions in future 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 is of the changes to the National Living Wage, which will add around £1.1m 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 regarding cost movement.
- 2.7. In terms of core revenue funding, the provisional Revenue settlement issued by the Welsh Government in December 2021 gave a detailed settlement level for 2022/23 only, however there was an indication of the likely funding levels for Local Government for the following two years. Whilst only indicative it is nevertheless a very welcome tool to assist future forecasting by Authorities. The likely levels of funding indicated are increase of 3.5% for 2023/24 and 2.4% for 2024/25, significantly lower increases than for 2021/22 and 2022/23.
- 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, although the future year indications are very helpful, they are only indications at an all Wales level. Swansea's actual increase could be higher or lower than the headline increase. Furthermore it is possible that the all Wales headline figure will be different to the indication, given the Welsh Government is reliant on the funding that flows from the UK Government. As such it is good practice 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 a range of scenarios between cash flat (0%), an increase of 3% and an increase of 9.3%.
- 2.10. These are scenarios to demonstrate the range of possibilities and are entirely contingent upon UK and Welsh Government future budget decisions.

Year	AEF Standstill @ 0% £'000	AEF Increase @ 3% £'000	AEF Increase @ 9.3% £'000
2023/24	0	11,600	36,000
2024/25	0	11,900	39,300
2025/26	0	12,300	43,000
<b>Cumulative</b>	<b>0</b>	<b>35,800</b>	<b>118,300</b>

Note that the above scenarios are based on the provisional AEF for 2022/23 of £386.585m as announced in December 2021.

The above represents a spread in terms of potential overall increases over the life of the MTFP, which will have to be updated on a regular basis.

**The compounding effect of this key assumption is substantial over the life of the MTFP – the savings ask could be considerably higher if the actual increase is less than the range (of 3.5% - 2%) used as a planning assumption or considerably less if the settlements are more than assumed.**

- 2.11. During the timescale of the MTFP there are a significant number of events which could impact on some of the major assumptions made. These include:
- Any voluntary or joint arrangements, including regionalisation, in lieu of compulsory Local Government reorganisation in Wales;
  - Wider events that could impact on the Global economic position;
  - The impact of the final exit package agreed by the UK Government in respect of Brexit.
  - The on-going impact of the COVID-19 pandemic

### ***Support for Capital Programmes***

The provisional settlement indicated support for future General Fund Capital programme at a level of £10.722m for 2022/23, a disappointing decrease of £2.040m compared to 2021/22. It is understood this may be reinstated by 2023/24 but this allocation is not even sufficient to meet the current budgets allocations to cover core commitments. There will be a temporary use of the Capital Equalisation Reserve in 2022/23 to fund the gap of £2.040m, this is on a one-off basis and will only be utilised if necessary.

This settlement support is through a mix of General Capital Grant and support for borrowing. Wider capital support elsewhere is however very significant and must be equally recognised.

Planning assumptions over the life of the MTFP are based on unchanged levels of capital support, in the absence of any further indications from the Welsh Government.

As reported elsewhere on this agenda, in the Capital Budget & Programme 2021/22- 2026/27 Report, there is an ambitious capital investment programme. This includes the continued investment in Swansea Schools, through the Band B phase of the 21<sup>st</sup> Century Schools Programme and major capital schemes flowing from the Swansea Bay City Deal including the Swansea Arena and the Digital Village. There will also be continued investment in IT across the Council, as well as a significant programme to assist the economic recovery from the COVID-19 pandemic.

The 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 material unsupported borrowing to enable completion.

- 2.12. The total estimated cost of the Band B schools programme envelope is £149.5m (if the potential aided sector scheme is excluded this amounts to £141.3m). Of this total, £124m is being sought from traditional capital funding, requiring (after allowance for realisable capital and other receipts) a net local funding requirement of £34.5m. The remaining £25.19m (or £16.975m if the potential aided sector scheme is excluded) is expected 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 £3.225m although the 19% local contribution would apply to the annual revenue charge.
- 2.13. 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. The borrowing requirement identified to support the capital programme is significant and shall require substantial revenue support to service. The revenue implications are reported in the Revenue Budget elsewhere on this agenda. The revenue implications are considered affordable and sustainable over the cycle of the programme.
- 2.14. 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.
- 2.15. 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', which has served this Authority well. Sustained internalisation of borrowing requirement and the significant funding required for the capital programme from 2021/22 onwards and the planned medium term depletion of earmarked Reserves and Provisions means that externalisation of this funding became inevitable. It is clear that the Council

has taken the opportunity to progress this at a time when external borrowing rates are at an all-time low. Thus, following the removal of the HM Treasury imposed 1% premium on borrowing in November 2020, this strategy of averaging in external debt was undertaken in 2021/22.

It should be noted that all general fund debt has now been fully externalised and as such all interest rate risk has been removed in the medium and long term

- 2.16. It remains the case that each year the Council sets aside a significant amount of money (c £11.5m 2020/21) 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 revised 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 always, be considered on the overall merits of each business case, both in capital cost, and revenue income streams where appropriate. Unsupported borrowing will be undertaken on a phased basis within the overall envelope for affordability.

### **3. Detailed Spending and Resources Forecast 2023/24 to 2025/26**

- 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 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 – **these are pressures and must be read in conjunction with the funding plans and indicative solutions set out in 5.4:**

**Projected Spending Pressures/Funding Deficiency 2023/24 – 2025/26**

	Note	2023/24	2024/25	2025/26
		£'000	£'000	£'000
Future cost of pay awards	1			
- Non Teachers		4,900	10,000	14,100
- Teachers (Local top up required)		4,000	7,800	11,200
National Living Wage – pay bill	2	400	800	1,200
National Living Wage – contracts		1,300	2,800	5,000
Increase in Pension Costs	3	1,300	2,800	4,200
Cumulative contract inflation	4	1,497	3,877	4,957
Energy Price Inflation	4	2,000	2,000	2,000
Capital charges	5	1,000	2,000	3,000
Use of reserves to smooth capital charges impact	6	-1,000	-1,000	-1,500
Contingency	7	96	231	13
Demographic and Service pressures	8	3,000	6,000	9,000
Mid and West Wales Fire authority Levy ( <b>independently decided by the Fire Authority</b> )	9	400	900	1,400
Council Tax Support Scheme	10	1,250	2,650	4,050
Rebase ICT Cloud costs	11	500	1,000	1,500
Social Care extra money for Adults Services	12	2,500	5,000	7,500
Agreed Service Pressures	13	1,925	2,140	2,428
<b>Total known pressures / investment into services</b>		<b>25,068</b>	<b>48,998</b>	<b>70,048</b>
Total Savings Requirement	14	-4,511	-11,541	-16,691
<b>Net Funding Requirement</b>		<b>20,557</b>	<b>37,457</b>	<b>53,357</b>
Aggregate External Finance Increase @ 3.5%, 2.4%, 2%	15	13,500	23,100	31,300
Council Tax Assumption at 5% (see Section 4)	16	7,057	14,357	22,057
<b>Total Resource Investment</b>		<b>20,557</b>	<b>37,457</b>	<b>53,357</b>

Alternative scenarios at differing levels of Welsh Government Support – if AEF turns out to be higher or lower than the planning assumption

<b>Additional Money Available for Investment if 9.3% AEF (i.e. continues at current year increase)</b>		<b>22,500</b>	<b>52,000</b>	<b>87,000</b>
<b>OR</b>				
<b>Additional Savings needed if 0% AEF</b>		<b>-13,500</b>	<b>-23,100</b>	<b>-31,300</b>

Notes:

1. *The pay award figures represent a forecast increase of 2.5% for all staff, reducing to 2% over the life of the MTFP, following the UK Spending Review and removal of the public sector pay freeze.*
  2. *Assumed increases due to implementation of National Living Wage - will affect contract prices and lower end of own pay scale.*
  3. *The latest forecast from the triennial revaluation of the local government pension scheme effective from 1<sup>st</sup> April 2020 indicated a 0% increase per annum. This has been updated to an expected 1.5% increase from 2023/24 when the next revaluation takes effect.*
  4. *Reflects the assumed minimum cumulative effect of contract inflation, and from 2023/24 the impact of increased energy prices.*
  5. *The additional estimated borrowing costs arising from the new and regional capital programme together with the residual impact on borrowing from reviewing the MRP policy in 2018.*
  6. *Cabinet have prudently built up earmarked reserves to reduce the impact of increased capital charges in respect of new schemes, and targeted use of these reserves is now being built into the MTFP.*
  7. *A small sum to be added to the contingency to allow for changes to (for example) the estimates on levies.*
  8. *Assumed Demographic and Service pressures mainly around Schools and Adult and Children's Services.*
  9. *Estimated Fire Authority Levy increase.*
  10. *Reflects the assumed cost of Council Tax Support Scheme costs based on Council Tax increases as a planning assumption only at this stage.*
  11. *To rebase permanently some demand led pressures in Corporate Services predominantly around ICT cloud provision.*
  12. *Following the introduction of the new Social Care Levy (currently reflected as an increase to National Insurance rates) additional funding for social care has been allocated.*
  13. *The future year impact of service specific pressures agreed as part of the 2022/23 budget report*
  14. *The future year impact of service specific savings agreed as part of the suite of 2022/23 budget reports.*
  15. *Reflects the Welsh Government provisional guideline assumptions for 2023/24 and future years, namely a 3.5% increase in 2023/24, and a 2.4% increase in 2024/25. With 2% estimated for 2025/26.*
  16. *Reflects the Council Tax assumption of 5% as detailed in Section 4.*
- 3.4. As stated, this forecast contains limited provision for increases in net service costs, in particular there is no provision for :-
- Any increase in costs arising from decisions on Government taxation – most significantly increases arising from landfill tax costs.
  - Corporate costs in excess of budget provision in respect of issues relating to higher than assumed employee costs (higher than 2.5% (2023/24) and 2.0% (future years) pay awards), or bigger movements in minimum statutory wage.
  - Any one off costs arising from changes to service delivery across the Council, including transformational change.

- Any general inflation provision relating to non-contractual issues.
  - 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.
  - Any budget changes arising from further regionalisation of any services.
  - 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.
  - 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.
  - Any potential downward movement in service specific grants, some of which we have experienced at short notice in the past.
  - Any ongoing increase on non-funded schemes including the Teachers' Pension Scheme at a future date.
- 3.5. The Welsh Government has proposed legislative changes around Local Government and Elections (Local Government and Elections (Wales) Act 2021). There are likely to be financial implications arising from this, however until more detail and implementation timescales are known this can only remain a risk for future consideration.
4. **Strategy to Address Future Savings Requirements: Swansea – Achieving Better Together**
- 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 focused on:
- *The core future purpose of the Council*
  - *The transformation of services and the model of delivery*
  - *Greater collaboration with other councils and local organisations, community groups and residents*
  - *And, above all, sustainable solutions with prevention at its heart.*
- This ambition was set out in *Sustainable Swansea – fit for the future*, our long-term plan for change, underpinned by our Innovation Programme.
- 4.2. The Sustainable Swansea Strategy was agreed by Cabinet and reported to Council in October 2013. The Delivery Programme was approved by Cabinet on 29 July 2014 and was subject to further review and refresh at Cabinet on 16<sup>th</sup> July 2015.
- 4.3. A major refresh undertaken in 2020 recognised that it has successfully delivered the bulk of £70m worth of savings asks, and enabled the Council to maintain services, performance levels and protect jobs during a period of austerity. However, there are now new challenges and opportunities arising



from the new Local Government and Elections (Wales) Act as well as a changing national political landscape and economic uncertainty including COVID-19 and post-Brexit risks.

- 4.4. Thus, in October 2020 Cabinet approved the new Swansea - Achieving Better Together Transformation Strategy and Programme Framework to strengthen the changes needed due to current circumstances. The new programme builds on and strengthens the Sustainable Swansea approach, and the strategic aims of Swansea – Achieving Better Together will now focus on:
- The core purpose of the Council
  - Transforming services to be effective and efficient
  - Greater collaboration with other Councils, organisations, community groups and residents, with a focus on regionalisation
  - Balancing the budget for current and future years
  - Greater and more meaningful engagements with our residents and community
  - To meet aspirations and targets within the Medium Term Financial Plan

#### **Our Service Priorities for 2022/23 and the MTFP Period**

- 4.5. Although the Council is currently focused on a plan to save an additional £21m over the period of the MTFP (since revised as per the January 2021 Budget Proposals report to Cabinet), it is vital to continue to retain Member and management focus on the significant proportion of our budget that remains. Our gross budget is over £780m (excluding Housing Services (HRA)) and we spend just over £1.8m 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 to help deliver the well-being of future generations
  - The strategic aims of Swansea – Achieving Better Together – which embrace all we do
  - The application of the budget principles – which guides decision making
  - The ongoing and sustained real terms reduction in external funding and the need to meet known budget pressures.
  - All set within the context of the current COVID-19 pandemic.
- 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 budget 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 Place Services, the budgets for this area would have to be reduced by over a third.

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:** Services where the Council will increase levels of investment
  - **Maintain:** 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.

#### **Potential Funding 2023/24 to 2025/26**

- 4.10. The Revenue Budget report detailed elsewhere on this agenda identifies possible savings for the 2022/23 financial year. Some of these proposals will generate further savings in future years and so will contribute to the future years' savings requirement.
- 4.11. 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.
- 4.12. These are detailed in Appendix B, but are shown in summary below:

	<b>2023/24 £'000</b>	<b>2024/25 £'000</b>	<b>2025/26 £'000</b>
<b>Future Year Impact of current (2022/23) proposals:</b>			
Corporate Services	1	5	8
Finance and CTRS	210	210	210
Education	756	957	1,197
Social Services	150	470	670
Place	1,032	1,032	1,032
	<b>2,149</b>	<b>2,674</b>	<b>3,117</b>
<b>Future Proposals to be Considered:</b>			
Corporate Services	600	725	795
Finance and CTRS	0	0	0
Education	200	200	200
Social Services	250	2,238	3,998
Place	1,312	1,884	2,441
	<b>2,362</b>	<b>5,047</b>	<b>7,434</b>
<b>Sub-total of Service Specific Savings (as per Appendix B)</b>	<b>4,511</b>	<b>7,721</b>	<b>10,551</b>
Schools*	0	3,820	6,140
<b>Total Savings</b>	<b>4,511</b>	<b>11,541</b>	<b>16,691</b>

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

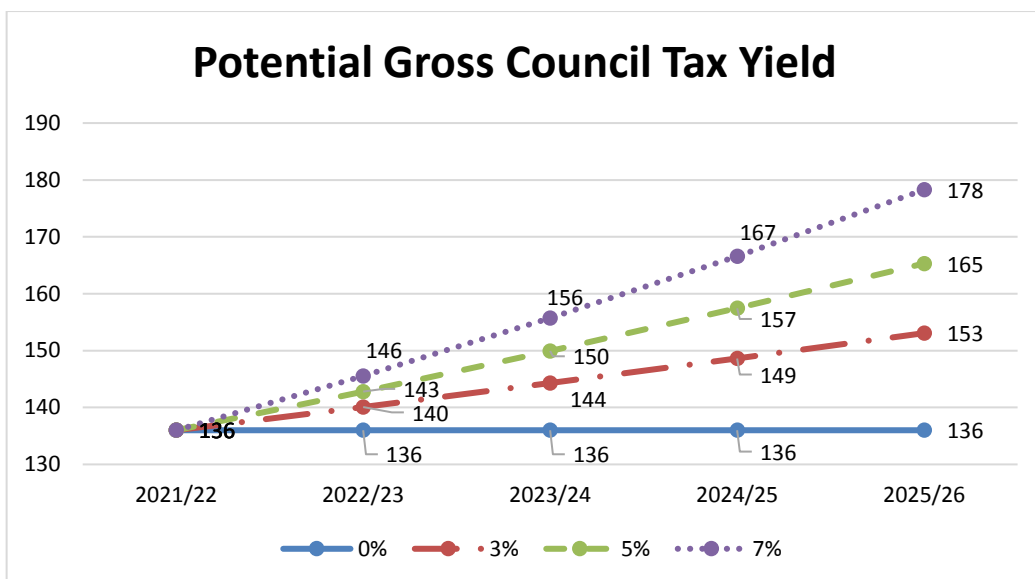
- 4.13. In addition to savings proposals, Council Tax levels must be considered as part of the MTFP. Budgeted gross council tax yield for Swansea for 2021/22 is £136,219,000, which we have rounded to £136 million. This remains the gross yield on Council Tax and it must be borne in mind that any Council 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). To remain prudent and err on the side of caution, only a minimal growth in Council Tax Base has been assumed.
- 4.14. 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. Therefore, 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.

It should be noted that lower tax increases in earlier years will (all other things being equal) result in higher increases in later years, and as the outlook is for lower settlements in future, persistent, high inflation and an immediate cost of living crisis, the timing of any rises must be weighted and due regard given to the Well Being of Future Generations Act.

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 since 2018/19 it has been clear that there is no cap and the Welsh Government have not taken any action against Councils that have set increases higher than this. As such, this in effect places no upper limit for planning assumptions, but for modelling purposes an upper limit of 7% is included.
- 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;
- As middle ground options 3% and 5% are also modelled.
- It should be noted that the Welsh Government Standard Spending Assessment calculations included 3.5% for 2022/23 and 5.1% for 2021/22.
- The 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 Swansea – Achieving Better Together 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>2022/23</u> <u>£'000</u>	<u>2023/24</u> <u>£'000</u>	<u>2024/25</u> <u>£'000</u>
<b><i>Cumulative Savings Requirement</i></b>	<b>4,511</b>	<b>11,541</b>	<b>16,691</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 increase 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.

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 2022/23 consultation proposals
- Additional Directorate/Service Area targeted savings as detailed in paragraph 4.12 of this report
- Potential rises in Council Tax levels, as estimated in paragraph 4.14

- 5.4. Bringing these items together, and assuming a balanced position for 2022/23, the following indicative position is envisaged:

	<u>2023/24</u> <u>£'000</u>	<u>2024/25</u> <u>£'000</u>	<u>2025/26</u> <u>£'000</u>
<b><i>Cumulative savings requirement</i></b>	<b>4,511</b>	<b>11,541</b>	<b>16,691</b>
<b><i>Future year impact of current service savings proposals</i></b>	<b>-2,149</b>	<b>-2,674</b>	<b>-3,117</b>
<b><i>Future year proposals to be considered</i></b>	<b>-2,362</b>	<b>-5,047</b>	<b>-7,434</b>
<b><i>Schools savings</i></b>	<b>0</b>	<b>-3,820</b>	<b>-6,140</b>
<b><i>Remaining Gap at 3.5%/2.4%/2% AEF</i></b>	<b>0</b>	<b>0</b>	<b>0</b>
<b><i>Surplus at 9.3% AEF – which would be available to re-invest, reduce savings and/or lower council tax assumptions</i></b>	<b>22,500</b>	<b>52,000</b>	<b>87,000</b>

- 5.5. In terms of addressing the overall budget, there are further options available to the Council that are not yet firm enough to be able to be included in the table above, but nevertheless are being worked through and considered for future inclusion.
- 5.6. These options include reviewing services and funding provided to schools and potentially higher or lower than 5% increases to Council Tax. To some extent decisions around these proposals will also be reliant on the annual settlements received from the Welsh Government.
- 5.7. The Council will use the overarching Swansea – Achieving Better Together Strategy when considering all options.

## **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 2022/23 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 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. It should be noted that at present there is a contribution from Schools built into the

budget forecast, however to some extent although this is a planning necessary intention of the Council if settlements prove low, whether this will happen in practice will be entirely reliant on future settlements from the Welsh Government and are likely to be reduced or removed if settlements prove higher than the central planning assumption for AEF.

6.4. It is essential 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:

- Whilst we have certainty for three years from the Welsh Government for indicative settlements, the increases are front loaded and thus remain volatile, leading to much harder temporal choices over council tax levels between years.
- Assumptions around the core funding support from the Welsh Government being incorrect, particularly if overstated.
- Ongoing reductions in specific grants that 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 that impose additional burdens on the Council.
- The ongoing practical impact of legislation such as the Wellbeing of Future Generations (Wales) Act 2015.
- The ongoing (and unknown) impact of the COVID-19 pandemic.

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 2022/23 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 2021/22 Revenue Budget was set with no planned use of General Reserves.
- 8.4. In terms of planning assumptions there is no assumption of ongoing use of or availability of General Reserves in 2022/23 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. (The exceptions to this are the already agreed use of the Capital Equalisation Reserve for targeted capital investment and the use of the Economic Recovery Fund for targeted COVID recovery plans).
- 8.6. In October 2021 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 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.

### **Integrated Assessment Implications**

- 9.2. The Council is subject to the Equality Act (Public Sector Equality Duty and the socio-economic duty), the Well-being of Future Generations (Wales) Act 2015 and the Welsh Language (Wales) Measure, 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 Acts.
  - 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.
  - Deliver better outcomes for those people who experience socio-economic disadvantage
  - Consider opportunities for people to use the Welsh language
  - Treat the Welsh language no less favourably than English.
  - Ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.
- 9.3. The Well-being of Future Generations (Wales) Act 2015 mandates that public bodies in Wales must carry out sustainable development. Sustainable development means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the 'well-being goals'.
- 9.4. Our Integrated Impact Assessment (IIA) process ensures we have paid due regard to the above. It also takes into account other key issues and priorities, such as poverty and social exclusion, community cohesion, carers, the United Nations Convention on the Rights of the Child (UNCRC) and Welsh language
- 9.5. The budget reductions implicit in the 2021/22 approved budget were subject to the corporate and appropriate Equality Impact Assessment process, which was considered as part of the overall budget process.



- 9.6. Where additional budget savings requirements are identified as part of the 2022/23 and MTFP budget processes they will be subject to the integrated 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 Savings Proposals

**Statement of Budget Principles and Service Budget priorities**

**GENERAL PRINCIPLES FOR ALL SERVICES**

1. A number of principles 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 that underpin the budget strategy:

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

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

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

**Service Transformation and Efficiency**

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

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

	<ul style="list-style-type: none"> <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 consistent and coherent budget strategy across delegated and non-delegated budgets.

Budget proposals offer significant additional funding to schools. This is more than sufficient to meet anticipated pay inflation and other cost pressures (such as Service Level Agreements and Free School Meal increases), wider pressures relating to mainstream Additional Learning Needs, and additional costs in respect of some specific SLAs as a result of external factors. The proposals also target additional funding through the funding formula to support wider reviews.

Whilst recognising the relative priority given to Education (and Social Services), further significant savings cannot be made in future years without reductions in real terms in the Schools Delegated Budget.

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 a fundamental review of those services being delivered through the new regional partnership in the coming years.

A continuing move towards a fundamentally different relationship between schools and the local authority is required, reflecting the challenges and opportunities presented by the national changes in curriculum and support for additional learning needs. By its very nature, this is a long-term strategy. 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:
  - Implementing the changes that underpin the ALN Act
  - Providing increasingly targeted specialist support, reflecting the findings of the independent behaviour review
  - Building further capacity in mainstream educational provision and in County specialist 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 further significant financial savings through a continuing coherent 'one education budget' strategy:
  - Retaining an absolute core level of statutory and regulatory provision at the centre
  - Ensuring a full 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**

The Social Services Directorate has faced significant challenges over recent years, however has achieved all of the existing Medium Term Financial Plan (MTFP) target savings commitments to date and maintained a high level of delivery.

COVID 19 has had an impact on the way we deliver services for children and families and an even more significant impact on our population of adults requiring care and support and their families and carers. The pandemic has also highlighted the crucial role community based early help and prevention and tackling poverty services play in supporting the most vulnerable members of our communities.

Over the past 18 months the whole directorate has become even more focussed on ensuring a joined up, strengths and assets based approach to working with and in communities with targeted support for the most vulnerable.

Future pressures on Social Care funding is expected, with increasing demand and service costs, and the challenge ahead to transform services to become more sustainable and meet future need and demand in the most effective and efficient way as we continue into recovery.

The proposed settlement should assist in meeting the additional pressures such as increased costs of externally commissioned care in line with inflation and a commitment to achieving the Real Living Wage, as well as embarking on a transformation and investment in some front line services positively impacting those needing care and support and our communities.

The main areas of priority are:

- Doing what matters to make things better for children, young people, and families
- Maintain the current Safe LAC Reduction Strategy for children and young people
- Continue our investment in preventative services to reduce the number of looked after children and achieve the planned savings and service improvements
- Taking into account changes necessary to mitigate the impact that COVID-19 has had on the well-being of vulnerable children, families and staff.
- Continue to work across with regional colleagues to ensure clear and seamless pathways for those needing care and support
- Further develop the agreed optimum model for adults, by embedding the following;
  - Better prevention and early help
  - A new approach to assessment
  - Improved cost effectiveness
  - Working together better
  - Keeping people safe
- Further embed tackling poverty services and prevention approaches across the Directorate and wider Council
- Continue to ensure we maximise the use of the various grant income streams available to delivery priorities

We will ensure we maintain a focus for the coming year on prioritising improvements to services that best support individuals, families and carers in recovering from the huge impact that COVID-19 has had on all their lives.

The next phase of recovery into 2022/23 will have a heavy focus upon financial efficacy; the transformation programmes will support the Medium Term Financial plan savings targets for Social Services. We will monitor progress as part of governance arrangements in monthly Social Services Performance and Financial Monitoring meetings.

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

For the Place Directorate 21/22 has been a challenging year as a result of ongoing pressures arising out of COVID-19 which has resulted in increased demands on the Directorate and an impact on reduced income streams some of which will continue through into 21/22. However, the proposed settlement will assist in underwriting the income loss allowing continued investment in many of its front line “place based” services positively impacting on the

environment and communities the Council serves. The main areas of priority are:

- Prioritisation of key corporate objectives including the regeneration of the City Centre, delivery of the city deal and its biodiversity and climate emergency objectives.
- The opening and first year of operation of the new Digital arena, delivery of the Kingsway digital village project and facilitation of the Phase 2 city centre development with our strategic development partners
- Deliver on a range of actions arising out of the Council's recovery plan with particular focus on the economic recovery, facilitating private sector investment and tourism
- Maximise commercial opportunities and income generation for services and assets to offset income losses
- Seek opportunities for community involvement in the delivery of services and community enablement
- Invest where necessary to maintain vital services including front line delivery of environmental services
- Work within the affordability of the housing revenue account to increase the speed of delivery of the more council homes and commence the delivery of the Welsh Housing Quality Standard 2 decarbonisation programme.
- Maximise the opportunities brought by modernising terms and condition across the council
- Adequately resource the significant council wide capital programme including highways, infrastructure and new schools and responds to the current recruitment challenges to aid delivery
- Seek to deliver on the Councils' homelessness strategy and housing first model
- Seek to maximise the success of grant bids maximising the beneficial use of council resources
- Grow the capacity to support local businesses and suppliers through the circular economy principles and maximise the support available for inward investment
- Working regionally with colleagues to progress delivery of the Regional Economic Delivery Plan.

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

The Corporate Services 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 Corporate Services 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 supporting the workforce to have the right skills for the future, particularly managers
- Focus on the Priorities within the functions of the corporate centre such as governance, core HR advice and customer services
- Look for opportunities for collaboration and co-production 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 ICT and business support
- Maintain overall investment in ICT and Digital First, on a business case basis, to support the transformation agenda, including on-line self-service, agile and mobile working and direct service innovation.
- To continue to evolve the services as the operating environment changes to ensure we can be agile and responsive to change.
- To support the development of the councils workforce and ensure we can respond to the regionalisation agenda and maximise the opportunities it presents.

## **8. STATEMENT OF BUDGET PRIORITIES: FINANCE**

The newly created Finance Directorate will deliver high quality and cost effective core services, supporting frontline service delivery and achieve better outcomes for our residents, customers and visitors, as well as leading on the General Power of Competence (GPOC) and commercialism agendas.

The Finance 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 especially financial pressures and changes in the operating environment.

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

- Strategically manage the revenue and capital finances of the whole Council having due regard to the medium and longer term and the Wellbeing of Future Generations as well as the immediate and forthcoming budget cycles.
- Manage demand for financial support services by supporting the workforce to have the right skills for the future, particularly managers
- Focus on the priorities within the functions of the corporate financial centre such as financial control, financial advice, control of Council Tax and benefits, and commercial capability.
- Look for opportunities for collaboration and co-production models with other organisations and partners, in order to maintain support services as efficiently as possible

To continue to evolve the services as the operating environment changes to ensure we can be agile and responsive to change

**Part 1 – Savings Proposals**

Director	Head of Service	Savings Proposal	Savings 2023/24 £'000	Savings 2024/25 £'000	Savings 2025/26 £'000
<b>Future Impact of 2022/23 Savings Proposals</b>					
Corporate Services	Director	Non-staff spend savings due to different ways of working	1	5	8
Education	Non-Delegated	Further reductions in regional improvement service, consistent with funding settlements	16	16	16
Education	Non-Delegated	ALN - more costly out of County provision (recoupment) further mitigated by enhanced in County provision	92	92	92
Education	Non-Delegated	ALN Post 16 Transport - tighter scrutiny of costs / review of assessment / processes to better promote independent travel (unless savings are taken corporately and base budget reduced)	25	25	25
Education	Non-Delegated	Home to School Transport - savings identified as part of wider focused scrutiny of nature and spread of educational provision (unless savings are taken corporately and base budget reduced)	100	100	100
Education	Non-Delegated	ALN Transport - review of spread and nature of STF provision / review of assessment / processes to better promote independent travel and integrate provision with Social Services (unless savings are taken corporately and base budget reduced)	100	100	100
Education	Non-Delegated	Catering and Cleaning services - Continuing work towards full cost recovery through SLAs where schools are receiving additional funding to reflect such cost pressures	100	100	100
Education	Non-Delegated	ALN - more costly out of County provision mitigated by further enhanced in County provision (so impact dependent on resourcing to deliver enhanced provision)	140	341	511
Education	Non-Delegated	Review of EOTAS spending to better target resources following full implementation of new model of provision	120	120	190
Education	Non-Delegated	Wider review of Directorate staffing to refocus resources and enhance cost recovery from other funding streams	63	63	63
Finance and CTRS	Deputy Chief Finance Officer	Review of Finance management structure once Senior Management Review concluded - 1 net post ER/VR during 22/23	25	25	25



Director	Head of Service	Savings Proposal	Savings 2023/24 £'000	Savings 2024/25 £'000	Savings 2025/26 £'000
Finance and CTRS	CTRS	Increase CTRS saving by continued careful management	185	185	185
Place	Waste, Cleansing and Parks	Increase graffiti charges by 200% over 4 years to ensure full cost recovery	10	10	10
Place	Housing and Public Protection	Introduce paid for advice and approval service for businesses across Food Safety and Trading Standards functions	22	22	22
Place	Highways and Transportation	Increase in car park income resulting from tariff increases linked to city centre regeneration	250	250	250
Place	Various	"Income earning" services to self-fund pay increase costs from increased fee charges on full cost recovery. Assuming all charge increases passed on	750	750	750
Social Services	Adult Services	Reduction in costs for external residential care by changing the business model and how we are funding voids in the system	20	90	140
Social Services	Adult Services	Realise saving in efficiencies through the Supported Living Framework and benefits of being located together (2.5% rather than 5% stated in contractual arrangements in light of COVID-19)	10	80	130
Social Services	Child and Family Services	Supported accommodation and floating support efficiency savings following review and recommissioning exercise	50	100	150
Social Services	Adult Services	Work though Complex Needs high cost placements and establish a collaborative approach with Health for funding these packages of care (aligning with C&F) to achieve Reduction in high cost packages of care due to more efficient and effective working with health in terms of new guidance around CHC cases	20	100	150
Social Services	Child and Family Services	Work though Complex Needs high cost placements and establish a criteria and equitable formula for funding these placements with Health (Aligning with Adults)	50	100	100
<b>Total of Future Impact of 2022/23 Savings Proposals</b>			<b>2,149</b>	<b>2,674</b>	<b>3,117</b>
<b><u>New Proposals from 2023/24</u></b>					
Corporate Services	Director	Savings as linked to reshaping of services and future demand based on the changes to other services/Directorates	350	450	500
Corporate Services	Director	Additional savings to be identified including terms and conditions	100	100	100
Corporate Services	Director	Additional savings proposals drawn from future proposals and "in extremist list"	150	175	195

Director	Head of Service	Savings Proposal	Savings 2023/24 £'000	Savings 2024/25 £'000	Savings 2025/26 £'000
Education	Non-Delegated	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'.	140	140	140
Education	Non-Delegated	Further review of demand and service pressures with need for still tighter mitigation actions to replace the savings targets within the existing MTFP which are undeliverable to the timescale required	60	60	60
Place	Cultural Services	Reduce Library Service 'footprint' through providing accommodation and shared services via SitC - work needed to assess costs to other services versus reduced costs to the Library service	400	400	400
Place	Director	Additional savings proposals drawn from future proposals and "extremis list"	0	572	1,129
Place	Director	Additional savings to be identified including Terms and conditions	762	762	762
Place	Waste, Cleansing and Parks	Develop the most cost effective way of collection and disposal of plastics	150	150	150
Social Services	Adult Services	Prevention and redesign activities to deliver additional medium term savings linked to future reduced demand for care and support (may require drawdown of centrally held inflation contingency funds)	0	1,001	2,341
Social Services	Adult Services	Savings from implementing WCCIS	0	50	50
Social Services	Adult Services	Transformational co-produced future model for Day Services, based on lessons learned through COVID-19	0	150	200
Social Services	Adult Services	Replacing core costs of non-statutory teams with Grant money which may become available through local or regional opportunities	0	150	200
Social Services	Child and Family Services	Prevention and redesign activities to deliver additional medium term savings linked to future reduced demand for care and support (may require drawdown of centrally held inflation contingency funds)	0	549	869

Director	Head of Service	Savings Proposal	Savings 2023/24 £'000	Savings 2024/25 £'000	Savings 2025/26 £'000
Social Services	Poverty & Prevention	Prevention and redesign activities to deliver additional medium term savings linked to future reduced demand for care and support (may require drawdown of centrally held inflation contingency funds)	0	88	88
Social Services	Poverty & Prevention	Replacing core costs of non-statutory teams with Grant money which may become available through a range of local or regional opportunities	250	250	250
<b>Total of New Proposals from 2023/24</b>			<b>2,362</b>	<b>5,047</b>	<b>7,434</b>
<b>Total of ALL Service Specific Savings Proposals (Excluding Schools)</b>			<b>4,511</b>	<b>7,721</b>	<b>10,551</b>

## **Part 2 – Service Pressures and Investment**

Director	Head of Service	Description	2023/24 £'000	2024/25 £'000	2025/26 £'000
Corporate Services	Legal and Democratic Services	Increase to Councillors costs due to IRPW Report	15	30	48
Corporate Services	Legal and Democratic Services	Election System	0	50	50
Social Services	Poverty and Prevention	Various Poverty and Prevention Services pressures including loss of income (grants), staff costs, inflationary contract costs and ongoing additional COVID-19 costs	0	0	50
Social Services	Adults	Various Adult Services pressures including loss of income (grants), staff costs, inflationary contract costs and ongoing additional COVID-19 costs	50	100	150
Social Services	Child & Family	Various Child and Family Services pressures including loss of income (grants), staff costs, inflationary contract costs and ongoing additional COVID-19 costs	100	200	300
Education	Non-Delegated	Unbudgeted and uncontrollable ER/VR and ongoing pension costs - beyond base budget assumptions re service pressures	600	600	600
Education	Non-Delegated	ALN Act Implications	600	600	600
Education	Non-Delegated	ALN - out of county placements and pupil support - beyond base assumptions re service pressures	200	200	200
Education	Non-Delegated	ALN (including Post 16) Transport cost pressures in excess of planning assumptions	360	360	430
<b>Grand Total</b>			<b>1,925</b>	<b>2,140</b>	<b>2,428</b>

# Agenda Item 10.



## Report of the Section 151 Officer

Council – 3 March 2022

### Revenue Budget 2022/23

<b>Purpose:</b>	This report proposes a Revenue Budget and Council Tax Levy for 2022/23.
<b>Policy framework:</b>	Medium Term Financial Plan and Budget Strategy
<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 2022/23 as detailed in Appendix A.  2) Council approves a Budget Requirement and Council Tax Levy for 2022/23 as detailed in Section 9 of this report:
<b>Report Author:</b>	Ben Smith
<b>Finance Officer:</b>	Ben Smith
<b>Legal Officer:</b>	Tracey Meredith
<b>Access to Services Officer:</b>	Rhian Millar

## 1. Introduction and Background

### 1.1. This report details:

- Financial monitoring 2021/22
- The Local Government Finance Settlement 2022/23
- Budget Forecast 2022/23
- Specific Savings Proposals
- Outcome of Budget Consultation
- Staffing Implications
- Reserves and Contingency Fund requirements
- The Budget Requirement and Council Tax 2022/23

- Summary of funding proposals
  - Risks and uncertainties
- 1.2. The financial assessment in relation to 2023/24 – 2025/26 is contained in the ***Medium Term Financial Plan 2023/24 – 2025/26*** 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’***.
  - The report to Cabinet on 29<sup>th</sup> July 2014 – ***‘Sustainable Swansea: Fit for the Future: Delivery Programme’***.
  - 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 15<sup>th</sup> October 2020 – ***‘From Recovery to Transformation’*** detailing the “Swansea – Achieving Better Together, Transformation Strategy & Programme Framework 2022 – 2026”
  - The report to Cabinet on 20<sup>th</sup> January 2022 – ***Budget Proposals 2022/23 – 2025/26*** setting out the Council’s proposals for consultation.
- 1.4. The report sets out the latest budget estimates. Cabinet has considered any comments and feedback received as a result of the budget consultation. The report also includes an Integrated Impact Assessment statement so that Council can be aware of the key issues before finalising budget proposals.
- 1.5. **Similarly, 2021/22 marked the first full year of required full compliance with the CIPFA Financial Management Code.** The new code is the first from the Institute in 15 years, and brings together many areas of local government good financial management into one place. It is based on a set of standards and principles, including organisational leadership, transparency, assurance and sustainability. Its aim is to place financial management at the heart of policy and decision making in local government. The Section 151 Officer will comply personally with the Code, as professionally obligated to do so, and has raised awareness with the wider political and managerial leadership of the Council of its significance and the obligations on all to ensure sound financial management. The code was taken into consideration during the recent Senior Management Review and the resulting restructure ensures compliance with the code.
- 1.6. **Whilst rightly emphasising what is proposed being removed in savings for transparency, at just under £5 million, it must equally be borne in mind that approximately £40 million is being added. Net service budgets are increasing substantially, and the overall revenue budget by a net £35 million.**

## 2. Financial Monitoring 2021/22

- 2.1. Cabinet considered a report on the estimated Revenue Outturn for 2021/22 at its meeting of 17<sup>th</sup> February 2022. It was projected that the Council will outturn at an underlying directorate overspend position of £9.4m, which is an improved position compared to the forecast overspend at quarter 2.

- 2.2. The overspend is primarily in respect of the impact of COVID-19, aside from this the service position is an underspend of £4.0m, again improved from the second quarter position. Much of the COVID-19 related overspend is expected to be funded through grants from the Welsh Government, however there will be an element that isn't covered as it will be deemed a local decision.
- 2.3. In addition there is likely to be a shortfall on Council Tax collection, forecast at at least £2m. This would have added to the forecast service overspend of £9.4m. Negotiations with Welsh Government have recently resulted in agreement being reached and Swansea will receive £2.758m extra grant support, which now means we are broadly recompensed for losses.
- 2.4. The contingency fund will be used to fund a list of approved items, leaving a balance of £12.9m to offset service overspending on COVID-19 items. In addition to this, non-service items such as the inflation provision will be released to mitigate the overspend.
- 2.5. If the COVID-19 losses are covered by the Welsh Government in line with that currently forecast then there is likely to be an overall underspend for the Council in the region of at least £12m, though it is likely to go higher. Although shown as an effective underspend it is more accurately a lower than expected draw from one off contingency sums and Cabinet members will have the opportunity to consider in due course how to respond to that indicative figure.
- 2.6. One new proposal for these increasingly likely growing underspends is to create a new, centralised Place Directorate revenue reserve for targeted operational work in ward areas to supplement member initiatives from their own ward improvement budgets. It is hoped that sufficient sums will be available at outturn to establish a £2.5m reserve to allow spend of approximately £500,000 per annum for a period of 5 years. This will be considered and created as part of the outturn report to Cabinet in due course.
- 2.7. Any underspends on capital charges (at least a further £6 million) will be transferred to the capital equalisation reserve, a strategy previously agreed by Council.

### **3. The Local Government Finance Settlement 2022/23**

- 3.1. The Minister for Housing and Local Government announced the provisional Revenue and Capital Settlement for 2022/23 on 21<sup>st</sup> December 2021 and the final settlement will be announced on 2<sup>nd</sup> March 2022.
- 3.2. At the time of writing this report the Welsh Government had not announced the final settlement, however the Minister for Finance and Local Government stated in the provisional settlement that there was no intention to make significant changes to either the methodology or the data underpinning the settlement. **As such any changes should only be minor and capable of**

**being smoothed out by adjustments to the Contingency Fund.** Any other changes such as any new responsibilities transferred into the Revenue Support Grant will simply be passported to Services as usual. **If any more material announcements are made over elements regarding taxation policy (business rates, council tax, VAT, employers taxes etc.) or expectations for, or funding for helping with council tax levels, or indeed overall funding support to councils, this may need to be revisited at Council, which will be operationally and procedurally difficult given likely March timings of both Welsh Government and UK Government final budgets.**

- 3.3. For the purposes of this report there is assumed to be no change to the provisional settlement figure.
- 3.4. In respect of Schools and Social Services, although the provisional settlement does make it clear that the cost pressures in social care and schools are definitively recognised by the Welsh Government, there is no formal protection or funding guarantee within the settlement so any decision over funding is a local one to be made by Cabinet and ultimately by Council, having any due regard to any budget consultation responses received.
- 3.5. In revising the Medium Term Financial Plan and setting the Budget for 2022/23, it is essential that the Council adheres to the objectives in *Swansea – Achieving Better Together, Transformation Strategy & Programme Framework 2022 – 2026*. The Council 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 and this needs to be reinforced and strengthened under the new Transformation and Programme Framework.
- 3.6. **The longer term 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 Aggregate External Finance for next year should be seen as an opportunity to maintain investment in the Council's priorities and preventative action in particular, and embracing wider scale transformational change, as part of the recovery plan, not to slow down the pace of change or the level of required savings in the medium term.**
- 3.7. It should be noted that, as first highlighted in the Budget Proposals report to Cabinet in January, the provisional allocation for capital was reduced by £2.04m for 2022/23. Although it remains possible that the Welsh Government will announce further capital grants at the time of writing this report no details have been announced. Therefore, to maintain the level of the core capital commitments it is proposed that the Capital Equalisation Reserve is used temporarily to fund the £2.04m shortfall in Welsh Government funding.

#### 4. Budget Forecast 2022/23

##### *Overview*

- 4.1. The budget proposals for 2022/23 as submitted for consultation on 20<sup>th</sup> January 2022 highlighted pressures of £40.044m, resulting in a savings requirement of £4.758m once the provisional increase on Welsh Government Aggregate External Finance (AEF) of £33.943m was taken into account, together with estimated Council Tax rises of £1.343m.
- 4.2. The announcement of the final settlement will mean that the overall funding deficit forecast for 2022/23 will inevitably, but hopefully marginally, change.
- 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 (but weighing need for tax revenue sustainability with affordability for residents)
  - Use of Reserves and Balances more generally (not advised, but this explicitly does not include the already agreed full use of the materially large Economic Recovery Fund over 2 years to stabilise budgets and adjust and respond to Covid in the shorter term ).

##### *Forecast Funding Requirement 2022/23*

- 4.5. The revised funding requirement previously identified in paragraph 4.1 above can now be updated and summarised in Table 1(a) below.
- 4.6. The items highlighted in ***bold italic*** in the table have changed since the budget proposals report in January 2021. These are discussed later in the report, but have resulted in no change to the Net Funding Requirement.

**Table 1(a) – Projected Pressures 2022/23**

	<b>Budget 2022/23 £'000</b>
Future cost of pay awards	
- LG Staff	5,800
- Teachers	3,800
National Living Wage – pay bill	400
National Living Wage – contracts	700
National Insurance Increase	3,500
Increase in Pension Costs	0
<b><i>Cumulative contract inflation</i></b>	<b>5,022</b>



Energy Price Inflation	0
Capital charges	1,000
Remove 2021/22 use of Capital Equalisation Reserve	3,000
<b>Contribution to core capital programme to maintain existing spend</b>	<b>2,040</b>
<b>Temporary use of Capital Equalisation Reserve</b>	<b>-2,040</b>
Contingency	103
One-off funding for COVID-19	-7,000
Rebase ICT Cloud costs	500
Reinstate temporary Use of Insurance Reserve	700
Increase in Insurance Premiums	200
Demographic & Service pressures	3,000
Mid and West Wales Fire Authority Levy ( <b>independently decided by the Fire Authority</b> )	600
<b>Corporate Joint Committee – New Levy</b>	<b>200</b>
Council Tax Support Scheme (CTRS)	550
MTFP Service pressures accepted	2,250
<b>New service pressures accepted</b>	<b>2,722</b>
Passed through AEF to Services	497
Social Care extra money for Adult Services	2,500
Additional funding for Social Care	6,000
Additional funding for Schools	4,000
<b>Total Funding Requirement</b>	<b>40,044</b>
Savings Requirement	-4,758
<b>Net Funding Requirement</b>	<b>35,286</b>
Aggregate External Finance increase	33,943
Council Tax increase (including tax base changes)	1,343
<b>Total Resource Investment</b>	<b>35,286</b>

### ***Inflation***

- 4.7. The 2021/22 Revenue Budget provided a corporate provision of £4.25m for general inflation (£3.25m) and the cost of the Apprenticeship Levy (£1m). It is expected that the full £1m will be required for the Apprenticeship Levy, the remainder of the provision will be used retained to contribute to the service overspend, if necessary.

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 2022/23. Mainly to cover the increase of costs associated with contracts, a further £1.37m will be currently provided in the corporate provision. This may need to be weighed with the impact upon, and affordability of, council tax levels and the amounts that may be able to be further set aside at year end outturn to mitigate temporarily some of those immediate inflationary pressures. It is the case, however, that the Council is nonetheless likely to experience significant ongoing cost pressures in specific

areas as detailed in Table 1 (b) below and these have already been provided for as follows.

**Table 1 (b) – Potential Service Inflationary and Cost Pressures**

	<b>£'000</b>
Increased central inflation provision	1,372
Increased contract costs due to rise in National Minimum Wage levels (already in services)	700
Increased inflationary costs in Schools	1,000
Increased contract costs in Social Services	2,000
Increased contract costs in Place	850

4.8. In the November 2015 Autumn Statement, the Chancellor first announced significant increases in the National Minimum wage. Whilst the actual increases will vary year to year there will be continued pressures. The rise anticipated for 2022/23 could affect direct employee costs. There is some uncertainty around the impact as the 2021/22 pay award hasn't been settled yet, however the latest estimate has been included above. It will impact directly on wage costs of external contractors particularly in respect of contracted services within Social Services. It should also be noted that the local government finance settlement this year places an expectation on local government to move to become a living wage employer in own right and with targeted parts of contracted social care in the first instance. The pay policy will be considered at Council in March and those likely policy decisions on minimum pay levels, relative to general inflationary pay increases provided for, are already fully afforded within the overall budget envelope proposed. For the avoidance of doubt the pay policy proposals and decision to come will not likely need to be otherwise constrained by the budgetary position provided for.

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 inflation provision allocated to both services as the need arises.

4.9. In his Spending Review presented to Parliament in November 2021, the Chancellor of the Exchequer announced a stop to the freeze on public sector pay. Whilst the Chancellor doesn't control local government pay, this announcement will inform pay rises to some extent. Since the proposals report in January there has been no update on the 2021/22 pay award and therefore no further change to the 2022/23 estimated increase.

4.10. 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 central provision for inflation just over £5.6m, although £1m of this is already fully committed for that levy. The provision has been increased this year because of the current economic uncertainty surrounding inflationary levels.

4.11. 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**

- 4.12. 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.
- 4.13. Budget movements can be viewed in two ways:
- Cash increases or reductions in levels of funding provided to Schools
  - Real terms changes in Schools funding, taking into account known spending needs.
- 4.14. For 2022/23 there continues to be no Ministerial funding commitment to schools, although the provisional settlement does make it clear that the cost pressures in schools are specifically recognised by the Welsh Government and were a material factor in the overall settlement. It is intended to provide funding for various service pressures as a local priority for Council.
- 4.15. The net result of these proposals is an increase in the underlying base budget cash settlement to Schools of some £11.742m (7%) for 2022/23, (including anticipated Pupil Development Grant and Post 16 funding changes which come separately from Welsh Government), which is only slightly less favourable than the 9.6% increase in this Council's funding from Welsh Government. It must be remembered that once council tax levels are set by Council the overall council funding envelope will be a weighted average of the two increases and likely materially lower than the headline grant increase alone.
- 4.16. This year the headline figures across Wales in respect of Pupil Development Grant has increased and the Post-16 funding has remained the same, so an improved position. However the Regional Consortia School Improvement Grant has decreased, which may have an effect on Swansea Schools when allocated.
- 4.17. Table 1 (c) below sets out the effective impact of the core funding increase against expected funding pressures for Schools.

**Table 1 (c) – Impact on Schools Delegated Budgets**

Item	£'000
<b><i>Cash position</i></b>	
<b>Gross core delegated base budget 2021/22</b>	<b>167,304</b>
Increase for Pay Award - all staff (3%)	3,800
Increased National Insurance Levy (1.25%)	1,500
Increased demographics and other cost pressures	4,600
General Inflation	1,000

Increased budget delegation	842
<b>Core delegated base budget 2022/23</b>	<b>179,046</b>
	+7.0%

The above cash increase more than fully covers known pressures for Schools and further supports the enhancement of mainstream provision within schools as part of the existing education budget strategy.

There are no further delegated funding changes expected for 2022/23 and so the total school cost centre budgets set out in Appendix H have increased by £11.742m for 2022/23 or 7.0% in respect of schools core funding.

It remains the case, however, that substantial elements of Schools Funding (c£17m) are now being delivered via specific Grant (Pupil Development Grant and 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.

### ***Social Care Protection***

- 4.18. Similarly to Schools, the Welsh Government overall Revenue Settlement for 2022/23 no longer includes a protection or prioritisation of funding for social care. Although the settlement does make it clear that Social Care pressures are recognised in the settlement.

Overall the cash budget proposed for social services (including poverty & prevention) increases by around 12.4% or £15.9m.

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

- 4.19. There is a base line increase of £1.0m compared to the 2021/22 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.
- 4.20. 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 now the case that the overall borrowing envelope debt is now fully externalised, which will feed through into significantly higher base capital financing costs in 2022/23.
- 4.21. Regardless, we continue to enjoy historically low rates of interest on borrowing, and it should be noted that the 1% premium imposed on PWLB borrowing was removed in November 2020 with stringent guidance outlining what PWLB can and cannot be used for. The most economically / operationally advantageous form of borrowing shall be determined by the Section 151 Officer, and could include the following:
- Local authorities
  - Financial institutions

- Municipal Bonds Agency

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.

- 4.22. Whilst the initial costs have been built into annual budgets to date, and forecast general fund capital borrowing requirements have been externalised with PWLB borrowing already there is a longer term requirement to anticipate additional capital financing costs because elements of the Band B schools programme will not be funded by traditional capital borrowing but through the Mutual Investment Model (revenue funding). The authority continues to materially benefit from the substantial increases in current and medium term specific 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 and continued appropriate use of the Capital Equalisation Reserve to smooth future costs and have due regard to the Wellbeing of Future Generations. .

#### ***Fire Authority Levy and Port Health Authority Levy***

- 4.23. Since the 17<sup>th</sup> February 2022 Cabinet report we have been notified of the final increase in the Fire Authority Levy. The final figure reflects an overall average 3.95% increase in the levy and some minor redistribution of shares of the levy between contributing authorities (£0.014m). This is £0.028m less than the estimated increase included in the budget proposals report to Cabinet. The levy for 2022/23 will be £14.692m.
- 4.24. There has been a minor decrease in the Swansea Bay Port Health Authority Levy, the levy for 2022/23 has been set at £87,399 for Swansea.
- 4.25. From 2022/23 there will be a new Corporate Joint Committee levy. A budgetary provision of £0.200m has been made, based on their final budget, which has been apportioned based on population. This is a decrease of £0.050m from the estimate included in the budget proposals report to Cabinet.

#### ***Council Tax Reduction Scheme***

- 4.26. 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 4.6 of this report. This has been set at £0.55m for 2022/23 building on the larger increase provided last year to take account of the estimated impact of the COVID-19 pandemic.

### ***Discretionary Rate Relief***

- 4.27. The Authority is responsible for funding an element of any discretionary rate relief awarded to local businesses. No increase to this budget has been anticipated for 2022/23.

### ***Service Pressures and Additional Investment***

- 4.28. It can be seen from Table 1(a) above that there is a continued investment in pressures identified and approved as part of the budget process last year. In addition to this there have been a number of new pressures and new investment opportunities identified as part of this year's budget process. The funding of these items has been possible partly through a better than expected settlement from the Welsh Government and partly through efficiencies (savings) made elsewhere within the Authority. These are listed in part 2 of Appendix D.

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

- 5.1. As a strategy for determining its budget proposals, the Authority has, since 2013, used the principles embedded within '*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.

On 15<sup>th</sup> October 2020 Cabinet approved the new "From Recovery to Transformation" report detailing the "Swansea – Achieving Better Together, Transformation Strategy & Programme Framework 2022 – 2026". This has been the second year that this strategy has informed and shaped the budget process, ensuring the budget assists the strategic aims and outcomes of the framework. It is essential that the recovery programme and its associated delivery and governance is now delivered rapidly to ensure savings plan in train and expected to be needed in the future are more fully assured.

- 5.2. The strategy as adopted underpinned the decision taken at the Council's Cabinet on 20<sup>th</sup> January 2022 to recommend specific savings proposals totalling £4.758m in 2022/23 for consultation. Cabinet on 17<sup>th</sup> February has now considered what changes to make to these proposals in light of the most up to date consultation results available and the latest forecasts, and these are set out in paragraph 6.5.

- 5.3. Since the January report the overall savings requirement has remained the same, as detailed in Table 1 (a) above and paragraphs 4.7 to 4.28 above, still totalling some £4.758m. Consequently no changes to the service specific savings have been made, as summarised below. These are detailed in Appendix D (Part 1).

**Table 2 – Summary of Savings Proposals**

<b>Savings</b>	<b>2022/23 £'000</b>
Service specific savings as at 20 <sup>th</sup> January 2022	4,758
<b>Sub-total (as detailed in Appendix D)</b>	<b>4,758</b>
Schools*	0
<b>Total</b>	<b>4,758</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. Details around the currently assumed proposals for Council Tax levels are shown in Section 9 of this report.
- 5.5. 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> January 2022 to 11<sup>th</sup> February 2022. A final summary of the consultation results is attached at Appendix E.
- 6.2. The IIA process has been running continually through the budget process. The IIA report is attached as Appendix F. Cabinet will be kept updated on any potential issues that may arise as part of the budget implementation process.
- 6.3. Cabinet and Council will need to consider the response to consultation and the IIA report and demonstrate how we are taking account of the feedback.
- 6.4. 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

## Changes Proposed to the Budget in this Report

- 6.5. As a result of the latest updates to forecasts, Cabinet decided not to make any changes to the recommended budget at that stage. Following the final consultation results and the final settlement issued by the Welsh Government, Council will now need to consider whether it is minded to make any further changes to the final proposals for the 2022/23 budget:

## 7. Staffing Implications

### *Background*

- 7.1. The Cabinet Report of 17<sup>th</sup> February 2022 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 2022/23, these have been updated in **Table 3** (shown as Full Time Equivalent (FTEs))

**Table 3 – Potential Impact of Savings Proposals on FTEs 2022/23**

<b>Potential Headcount Reduction (likely vacant posts or volunteers for ER/VR)</b>	<b>Headcount Number</b>
Finance	2
Corporate Services	0
Place	0
Education (excluding schools)	2
Social Services	0
<b>Total</b>	<b>4</b>
<b>Indicative schools figure</b>	<b>FTEs</b>
Schools	0

### **The 4 posts do not pose compulsory redundancy risks.**

- 7.2. The Council will remain committed to continue to work closely with Trade Unions to minimise the number of compulsory redundancies in the future.
- 7.3. Trade Unions will be consulted on budgetary proposals.
- 7.4. In the event of changes to employee numbers, a S188 Letter may be issued and consultation with Trade Unions on individual proposals will continue throughout the process.
- 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 2022/23 may still be unavoidable, given that the Council spends around 40% of its overall budget on employees (significantly more in some Service Areas) and the national pay awards for 2 years remain unknown whilst inflation is also relatively high and will have to be funded from the Council's own resources.
- 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*
- 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 Finance and Education.

### ***Issues***

- 7.9. Consultation will take place with the Trade Unions as required and any issues raised will be considered.

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.

- 7.10. HR & OD 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***

- 7.11. In the event of organisational change that impacts on employees, the formal consultation period will last for a minimum of 30 days; 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. As indicated above there is no expectation at this stage that the budget in itself should cause any compulsory redundancies.

## **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
- 8.3. The Section 151 Officer continues, as set out below, to view General Reserves as already being at the absolute minimum safe level. Furthermore as the revenue budget continues to grow, the relative value and thus acceptability to the Section 151 Officer of the already low absolute level of General Reserves diminishes further, albeit mitigated to some extent by the growth in temporary earmarked reserves. Any consideration on use of reserves to fund the 2022/23 Revenue Budget is dependent on the level of confidence in predicting 2021/22 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 and indeed an expectation of the Section 151 Officer that longer term, General

Reserves will need to be bolstered to maintain their relative value when compared to the overall growth in budgets and risks and uncertainties faced.

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.

- 8.4. In considering reserve levels Members should have specific regard to:-
- The report of the Section 151 Officer to Council on 7<sup>th</sup> October 2021 '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***

- 8.5. The General Reserve amounted to £10.000m at 1st April 2021.
- 8.6. The Revenue Budget for 2021/22 approved by Council on 4<sup>th</sup> March 2021 assumed no transfer from General Reserves and there is no movement in the General Reserve currently expected during 2021/22, although any final determination on the use of reserves will depend on the outturn position for 2021/22.
- 8.7. 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 2022/23 budget.

Therefore the level of General Fund balances estimated at 31<sup>st</sup> March 2023 would be £10.000m.

**Longer term the Section 151 Officer expects there to be a need to increase General Reserves to maintain their relative and proportionate value as revenue budgets and risks and uncertainties grow significantly.**

### ***Contingency Fund***

- 8.8. The 3<sup>rd</sup> quarter financial monitoring report details several forecast uses of the Contingency Fund in 2021/22. At this time, it is anticipated that the original £3.621m 2021/22 budgeted contribution, plus the additional £10.000m carried forward from 2020/21, will be 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 2021/22, the forecast Fund balance as at 31<sup>st</sup> March 2022 is subject to final confirmation on outturn, but the recommended option is to retain £4.5m for future use in future years.
- 8.9. In assessing the value of the Contingency Fund requirement in 2022/23, the following potential requirements are relevant:
- The risks and issues detailed in Section 11 below.

- The need to provide a substantial potential source of finance for repeated potential overspending in services given past performance, bearing in mind the Council has now likely exhausted all other Earmarked Reserves.
  - The continuing uncertainty for Public Finances as set out in the Cabinet report on 20<sup>th</sup> January and summarised in the MTFP report elsewhere on the agenda.
  - 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.
- 8.10. Bearing the above in mind, together with the proposals in respect of funding current year service pressures within the 2022/23 base budget, and the reduced risk of repeating overspending from 2021/22, it is now recommended that the contribution to the base budget Contingency Fund in respect of 2022/23 is marginally increased by £0.103m to £3.724m depending upon any further budget decisions Cabinet is also minded to recommend. Again this is considered the absolute minimum range necessary to be maintained in light of the likely risks and issues facing this Council.
- 8.11. It should however be noted that the grants awarded during 2021/22 in respect of COVID-19 have either not been announced yet or have been reduced dramatically in 2022/23. Should the effects of the pandemic continue into 2022/23 this will be a huge risk. The scale is such that of those grants confirmed there is a drop from nearly £900m available in 2021/22 to just £105m in 2022/23 at an all Wales level for local government. The budget advice of the Section 151 Officer is given with the explicit statement of that fundamental uncertainty risk.
- 8.12. 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 will fall firstly to the Service department to manage or if significant will have to be considered for funding from the Contingency Fund.

### ***Earmarked Reserves***

- 8.13. 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. There are material draws, as planned, from the time limited Economic Recovery Fund

- 8.14. As detailed in paragraph 3.7 above, it is proposed that the gap in the Welsh Government capital funding allocation is temporarily replaced with funding from the Capital Equalisation Reserve. This is on a temporary, one-off basis and may not be drawn upon should the Welsh Government announce further increases and/or top-up grants.
- 8.15. On 7<sup>th</sup> October 2021 Council received and approved a report detailing a formal review and re-allocation of Earmarked Revenue Reserves.
- 8.16. From the usual list of specific grants announced by the Welsh Government for 2022/23 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.
- 8.17. As mentioned in paragraph 2.6 above it is intended to create a new revenue reserve at outturn, subject to funds being available. This reserve will fund targeted work in ward areas, and will be available for 5 years.

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

- 8.18. A 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.
- 8.19. 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 processes for 2018/19 and 2019/20, so will now end in 2022/23.

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

- 8.20. Whilst the proposed use of Earmarked Reserves in 2022/23 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 2022/23 and future years, I am satisfied that the proposed management of reserves in 2022/23 will result in a forecast level of General Reserves, Earmarked Reserves and Provisions which may be considered 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.
- 8.21. Given the considerable risks and uncertainties facing the Council in 2022/23 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:

- Service reductions
- Reductions in future capital aspirations
- Further council tax increases each year
- Some short term draws from the earmarked reserves set up to manage budgets through to 2025/26, but with an explicitly acceptance and understanding that these are one off mitigations only to enable longer term adjustment to the highly likely tighter public sector funding environment

## **9. Budget Requirement and Council Tax 2022/23**

- 9.1. The Council's recommended requirement is set out in Appendix A. The City and County of Swansea Requirement of £522.727m will be financed partly by Revenue Support Grant of £297.418m and National Non-Domestic Rates of £89.167m.

Based on the report to Cabinet on 20<sup>th</sup> January 2022, and in line with assumptions contained in the Welsh Government's spending assessment for Swansea, a Council Tax rise of 2.0% would have generated a sum of £1.343m including assumptions on council tax premiums and tax base movement. This is a band 'D' charge of £1,477.35.

However, following early consultation indications and other matters, including ensuring the wage aspirations likely to be set out in the pay policy to Council on 3 March were fully accommodated and the cumulative pressures of several major cost rises elsewhere on households and taxpayers were taken into account, Cabinet wished to consider a lower Council Tax rise of 0.95%. The advice of the Section 151 Officer is that this is the minimum required to cover the increases in respect of the increases to levies, plus the CTRS cost of those levies. This 0.95% Council Tax increase would generate a sum of £1.280m, a revised Band D charge of £1,462.10 and equally enable continued assurance to be given as to the affordability of the likely pay aspirations in the pay policy.

The impact is a reduction in proposed income of £1.420m. Taking consequentially lower CTRS support costs into consideration (because the council tax increase is itself now proposed lowered) this reduced income will be offset by lower CTRS expenditure (£0.300m), a reduction to the centrally held inflation provision (£1.092m) and the lower than expected final advised Fire Authority levy (£0.028m).

The Section 151 Officer can, just, accommodate this because service budgets have had significant and specific inflationary increases already built in, the updated assessment of the 3<sup>rd</sup> quarter and likely outturn means earmarked reserves including balance sheet contingency sums are likely to be significantly bolstered further still and thus reducing the risk of the centrally held inflation budget being insufficient if as expected inflation continues to climb higher and proves to persist for longer than expected.

This remains provisional pending the final local government finance settlement announcement on 2<sup>nd</sup> March and it is envisaged that as long as there are no material changes at final settlement that this can be contained within the margins of error in the assumptions and estimates already used in this report and accommodated by adjusting contingency. Council will be advised of the final settlement figure before making a final determination on budget and Council Tax and any implications it may have to take into account.

- 9.2. Including Community Councils, the total requirement, after taking account of proposals in respect of reserve transfers and currently assumed savings, is £524.424m.
- 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 2022/23

- 10.1. The implications of Sections 4, 5, 6, 7 and 8 above, together with the assumed 0.95% rise in Council Tax identified in Section 9 above, results in a forecast additional funding of £38.624m in 2022/23 as detailed in Table 4:

**Table 4 – Budget Proposals 2022/23**

	£'000
Savings identified per Section 5.3 above	4,758
Net effect of Council tax base decrease and proposed charges	-77
Aggregate External Finance increase	33,943
<b>Overall resourcing</b>	<b>38,624</b>

- 10.2. I am satisfied that the budget proposals detailed in this report represent a realistic and achievable financial plan for 2022/23 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 :-

### ***(a) Implications of Specific 2021/22 Overspends***

The 3<sup>rd</sup> quarter financial monitoring report, discussed elsewhere on this agenda, highlights a number of service overspends, albeit predominantly driven by the COVID-19 response. It is anticipated that remedial action already in place will serve to mitigate 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 2022/23. These include the implications of new legislation; demographic changes; final completion of the single status appeals process; and other requirements including heightened inflationary risks in pay and prices in all areas. 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 2022/23 that further savings proposals are continuously developed as part of the transition from the *Sustainable Swansea* to the *Achieving Better Together* programme and **implemented over and above those proposed within this budget to provide some future headroom**. This will be a continuation of plans already underway and specifically include existing and the next waves of reviews which **must be rapidly turning recovery plans and assumptions into delivered reality, otherwise service savings will fail to be delivered and net spending pressure return to service budgets for which immediate corrective action will be required**.

The 2022/23 budget includes 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 2022/23, and more importantly further beyond, there will be continued and enhanced monitoring and tracking of progress in achieving budget savings which will be reported to Corporate Management Team, Reshaping Board, Recovery Board 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 £3.850m has been provided for potential inflationary increases in areas where there is a significant element of contracted out services. Headline inflation is at the highest it has been for 30 years and remains a grave cause for concern for all, including the Council.



### ***(e) Care Home Fees***

Budget provision has been made for the 2022 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***

In the event that the level of specific grants awarded for 2022/23 is less than that for 2021/22, 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.

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 pressured contingency fund.

### ***(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 has now dropped out from 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) COVID-19 and COVID-19 Grants***

There is a real risk that the impact of the COVID-19 pandemic will continue into 2022/23 and beyond, at a level higher than that anticipated. There is also

a risk that the ongoing effects of the pandemic could continue to affect national and indeed global finances.

The Welsh Government has reduced dramatically the grant funding available for the impact of COVID-19 in 2022/23 compared to that available in 2021/22. This is a significant financial risk as things are unlikely to return to normality that rapidly in practice.

### ***(k) 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 2021/22 – 2026/27 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. The risks of course are heavily mitigated by having externalised all anticipated medium term traditional capital borrowing requirements for the General Fund.

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 2022/23 and beyond but appropriate use of the Capital Equalisation Reserve smooths future cost pressures. .

The low interest rate and bond yield environment has resulted in historically low interest rates available from the PWLB in the past few years, which the Authority has taken advantage of in funding its capital financing requirement. Although the PWLB have removed the 1% penalty premium on new local authority borrowing (subject to certain criteria), consideration will also need to be given to sourcing funding at cheaper rates from the following:

- Local authorities
- Financial institutions
- Municipal Bonds Agency

The degree which any of these options proves cheaper than PWLB Certainty Rate is still evolving at the time of writing but the Section 151 Officer is delegated to identify the most economically advantageous funding option.

- 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 2022/23 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. Integrated Impact Assessment Implications**

- 12.1. The Council is subject to the Equality Act (Public Sector Equality Duty and the socio-economic duty), the Well-being of Future Generations (Wales) Act 2015 and the Welsh Language (Wales) Measure, 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 Acts.
  - 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.
  - Deliver better outcomes for those people who experience socio-economic disadvantage
  - Consider opportunities for people to use the Welsh language
  - Treat the Welsh language no less favourably than English.
  - Ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.
- 12.2. The Well-being of Future Generations (Wales) Act 2015 mandates that public bodies in Wales must carry out sustainable development. Sustainable development means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the 'well-being goals'.
- 12.3. Our Integrated Impact Assessment (IIA) process ensures we have paid due regard to the above. It also takes into account other key issues and priorities, such as poverty and social exclusion, community cohesion, carers, the United Nations Convention on the Rights of the Child (UNCRC) and Welsh language.
- 12.4. 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 IIAs show potential significant impact with no possible mitigation, these proposals will be referred for further consideration

- for those IIAs 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 IIAs
  - this is an ongoing process and as noted this statement and many IIAs will remain open for varying periods of time
  - there is a focus on the council doing things differently in order to further deliver services that are flexible, citizen-centred, meet individual needs and are sustainable for the future
- 12.5. 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 IIA process, e.g. the protected characteristics defined within the Equality Act 2010.
- 12.6. As highlighted earlier in Appendix F, 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 ‘Swansea – Achieving Better Together’.

### **13. The Medium Term Financial Plan (MTFP) 2023/24 – 2025/26**

- 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 2022/23  
 Appendix ‘B’ Net Directorate Budget Proposals  
 Appendix ‘C’ Earmarked Reserves  
 Appendix ‘D’ Specific Savings Proposals and Service Investment  
 Appendix ‘E’ Summary of Consultation Responses  
 Appendix ‘F’ Integrated Impact Assessment Statement  
 Appendix ‘G’ Response of the Schools’ Budget Forum  
 Appendix ‘H’ Directorate Budgets

<b>REVENUE BUDGET SUMMARY 2022/23</b>		<b>APPENDIX A</b>	
<b><i>DIRECTORATE</i></b>	<b>ORIGINAL BUDGET 2021/22 £'000</b>		<b>ORIGINAL BUDGET 2022/23 £'000</b>
CORPORATE SERVICES	21,537		24,787
FINANCE (Including COUNCIL TAX REDUCTION SCHEME)	32,754		32,770
SOCIAL SERVICES (Including POVERTY AND PREVENTION)	128,694		144,711
EDUCATION	21,127		22,994
EDUCATION - DELEGATED TO SCHOOLS PLACE	167,304 64,469		179,046 74,801
<b><i>NET DIRECTORATE EXPENDITURE</i></b>	<b>435,885</b>		<b>479,109</b>
SPECIFIC PROVISION FOR INFLATION / APPRENTICESHIP LEVY	4,250		4,530
<b><i>OTHER ITEMS</i></b>			
<b>LEVIES</b>			
SWANSEA BAY PORT HEALTH AUTHORITY	88		88
CORPORATE JOINT COMMITTEE	0		200
<b>CONTRIBUTIONS</b>			
MID & WEST WALES COMBINED FIRE AUTHORITY	14,120		14,692
<b><i>CAPITAL FINANCING CHARGES</i></b>			
PRINCIPAL REPAYMENTS	16,368		16,868
NET INTEREST CHARGES	20,010		20,510
<b><i>NET REVENUE EXPENDITURE</i></b>	<b>490,721</b>		<b>535,997</b>
<b><i>MOVEMENT IN RESERVES</i></b>			
GENERAL RESERVES	0		0
EARMARKED RESERVES	-2,278		-13,688
<b><i>TOTAL BUDGET REQUIREMENT</i></b>	<b>488,443</b>		<b>522,309</b>
DISCRETIONARY RATE RELIEF	418		418
<b><i>TOTAL CITY AND COUNTY OF SWANSEA REQUIREMENT</i></b>	<b>488,861</b>		<b>522,727</b>
COMMUNITY COUNCIL PRECEPTS	1,641		1,697
<b><i>TOTAL REQUIREMENT</i></b>	<b>490,502</b>		<b>524,424</b>
<b><i>FINANCING OF TOTAL REQUIREMENT</i></b>			
REVENUE SUPPORT GRANT	269,725		297,418
NATIONAL NON-DOMESTIC RATES	82,917		89,167
COUNCIL TAX - CITY AND COUNTY OF SWANSEA	136,219		136,142
COUNCIL TAX - COMMUNITY COUNCILS	1,641		1,697
<b><i>TOTAL FINANCING</i></b>	<b>490,502</b>		<b>524,424</b>
<b><i>COUNCIL TAX BASE for the City and County of Swansea</i></b>	<b>94,051</b>		<b>93,114</b>
<b><i>COUNCIL TAX AT BAND 'D' (£) for the City and County of Swansea</i></b>	<b>1,448.35</b>		<b>1,462.10</b>
<b><i>GENERAL RESERVES</i></b>			
AT 1 APRIL	9,352		10,000
AT 31 MARCH	9,352		10,000

REVENUE BUDGET 2022/23								
NET DIRECTORATE BUDGET PROPOSALS								
	Corporate Services	Finance (Including Council Tax Reduction Scheme)	Social Services (Including Poverty and Prevention)	Education	Education - Delegated to Schools	Place	To be allocated	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Original estimate 2021/22</b>	<b>29,378</b>	<b>24,913</b>	<b>128,694</b>	<b>21,127</b>	<b>167,304</b>	<b>64,469</b>	<b>0</b>	<b>435,885</b>
Directorate Transfers	-7,841	7,841	0	0	0	0	0	0
<b>Original estimates following transfers</b>	<b>21,537</b>	<b>32,754</b>	<b>128,694</b>	<b>21,127</b>	<b>167,304</b>	<b>64,469</b>	<b>0</b>	<b>435,885</b>
Transfer to (+) / from (-) reserves 2021/22	-1,784	0	-200	35	0	-250	0	-2,199
<b>Original estimate 2021/22 excluding reserves</b>	<b>19,753</b>	<b>32,754</b>	<b>128,494</b>	<b>21,162</b>	<b>167,304</b>	<b>64,219</b>	<b>0</b>	<b>433,686</b>
Transfers for specific items 2021/22	0	0	0	0	0	0	0	0
Baseline adjustments 2021/22	191	-194	37	-41	0	7	0	0
<b>Adjusted service budgets 2021/22</b>	<b>19,944</b>	<b>32,560</b>	<b>128,531</b>	<b>21,121</b>	<b>167,304</b>	<b>64,226</b>	<b>0</b>	<b>433,686</b>
Baseline adjustments 2022/23	-5	0	345	-762	842	77	0	497
Spending Needs	1,323	650	13,875	2,964	5,600	-5,640	0	18,772
Pay inflation provision (including NI increase)	725	375	2,900	900	5,300	3,300	0	13,500
Savings:								
Specific proposals	-403	-815	-1,140	-1,184	0	-1,216	0	-4,758
<b>Original estimate 2022/23 excluding reserves</b>	<b>21,584</b>	<b>32,770</b>	<b>144,511</b>	<b>23,039</b>	<b>179,046</b>	<b>60,747</b>	<b>0</b>	<b>461,697</b>
Transfer to (-) / from (+) reserves 2022/23	3,203	0	200	-45	0	14,054	0	17,412
<b>Net Directorate budgets 2022/23</b>	<b>24,787</b>	<b>32,770</b>	<b>144,711</b>	<b>22,994</b>	<b>179,046</b>	<b>74,801</b>	<b>0</b>	<b>479,109</b>

APPENDIX B

## REVENUE BUDGET 2022/23

### EARMARKED RESERVES

	Balance 31/03/21 £000	2021/22 £000	Balance 31/03/22 £000	2022/23 £000	Balance 31/03/23 £000
<b>DIRECTORATE RESERVES</b>					
Equalisation reserves	-17,634	8,034	-9,600	4,540	-5,060
Commuted sums	-7,044	60	-6,984	60	-6,924
Repair & renewal funds	-2,092	-155	-2,247	-210	-2,457
Profit share	-1,575	-66	-1,641	-66	-1,707
Recovery Fund	-20,000	6,855	-13,145	6,487	-6,658
Service reserves	-24,678	-7,246	-31,924	6,401	-25,523
<b>TOTAL DIRECTORATE RESERVES</b>	<b>-73,023</b>	<b>7,482</b>	<b>-65,541</b>	<b>17,212</b>	<b>-48,329</b>
<b>CORPORATE RESERVES</b>					
Contingency Fund	-10,000	-3,279	-13,279	-3,724	-17,003
Insurance	-16,989	1,060	-15,929	0	-15,929
Job Evaluation earmarked	0	0	0	0	0
Transformation/Efficiency	-3,015	127	-2,888	200	-2,688
<b>TOTAL CORPORATE RESERVES</b>	<b>-30,004</b>	<b>-2,092</b>	<b>-32,096</b>	<b>-3,524</b>	<b>-35,620</b>
<b>UNUSABLE/TECHNICAL RESERVES</b>	<b>-3,262</b>	<b>800</b>	<b>-2,462</b>	<b>0</b>	<b>-2,462</b>
<b>SCHOOLS DELEGATED RESERVES*</b>	<b>-20,780</b>	<b>0</b>	<b>-20,780</b>	<b>0</b>	<b>-20,780</b>
<b>TOTAL RESERVES</b>	<b>-127,069</b>	<b>6,190</b>	<b>-120,879</b>	<b>13,688</b>	<b>-107,191</b>

\* There is no updated information available for schools for 2021/22 or 2022/23.

**APPENDIX D**

**Part 1 – Savings Proposals**

Director	Head of Service	Savings Proposal	Savings 2022/23 £'000
Corporate Services	Comms and Marketing	Comms & Marketing various cross budget savings	85
Corporate Services	Digital and Customer Services	Development Fund replaced by use of reserves	250
Corporate Services	Director	Staff reward scheme (salary sacrifice)	3
Corporate Services	Director	Services recovering full cost recovery from regional, joint working or externally funded projects	30
Corporate Services	Director	Non-staff spend savings due to different ways of working	35
		<b>Corporate Services</b>	<b>403</b>
Education	Non-Delegated	Further reductions in regional improvement service, consistent with funding settlements	10
Education	Non-Delegated	ALN - more costly out of County provision mitigated by further enhanced in County provision (so impact dependent on resourcing to deliver enhanced provision)	150
Education	Non-Delegated	Home to School Transport - savings identified as part of wider focused scrutiny of nature and spread of educational provision (unless savings are taken corporately and base budget reduced)	100
Education	Non-Delegated	ALN Transport - review of spread and nature of STF provision / review of assessment / processes to better promote independent travel and integrate provision with Social Services (unless savings are taken corporately and base budget reduced)	100
Education	Non-Delegated	Catering and Cleaning services - Continuing work towards full cost recovery through SLAs where schools are receiving additional funding to reflect such cost pressures	100
Education	Non-Delegated	Review of EOTAS spending to better target resources following full implementation of new model of provision	180
Education	Non-Delegated	ALN - more costly out of County provision (recoupment) further mitigated by enhanced in County provision	24
Education	Non-Delegated	Review of Directorate Leadership - net of additional corporate funding re Senior Management Review	172
Education	Non-Delegated	Wider review of Directorate staffing to refocus resources and enhance cost recovery from other funding streams	205
Education	Non-Delegated	Containment of cost of management of absence post within catering and cleaning budgets	43



Director	Head of Service	Savings Proposal	Savings 2022/23 £'000
Education	Non-Delegated	ALN Post 16 Transport - tighter scrutiny of costs / review of assessment / processes to better promote independent travel (unless savings are taken corporately and base budget reduced)	76
Education	Non-Delegated	Efficiency savings to offset budget transfer to corporate centre re printing charges	24
		<b>Education</b>	<b>1,184</b>
Finance and CTRS	Commercial Services	Commercial Services (Income from HRA contribution and other sources)	16
Finance and CTRS	Commercial Services	Commercial Services (Income from HRA contribution and other sources)	15
Finance and CTRS	CTRS	CTRS - Carefully managed use of CTRS budget	400
Finance and CTRS	CTRS	Increase CTRS saving by continued careful management	165
Finance and CTRS	Deputy Chief Finance Officer	Review of Finance management structure once Senior Management Review concluded - 1 net post ER/VR during 22/23	25
Finance and CTRS	Director	Reduce historic pension costs to reflect actual costs - no direct staffing impact	50
Finance and CTRS	Director	CMT restructure whilst broadly cost neutral for finance places the S151 Officer at risk of redundancy This is shown as a negative cost (i.e a slight pressure) to reflect the post at risk	-1
Finance and CTRS	Director	Finance - give up £100k of the £250k extra to shore up Finance (effectively not fill 3 posts)	100
Finance and CTRS	Revenues & Benefits	AI and automation/ robots across council e.g., revenues and benefits	45
		<b>Finance and CTRS</b>	<b>815</b>
Place	Corporate Property Services	Additional income generated from the relating of released space in the Civic as a result of the agile programme	50
Place	Corporate Property Services	Additional income via existing investment properties and new property acquisitions	50
Place	Corporate Property Services	Additional Income from further commercial lettings (offset against St David's)	150
Place	Director	Savings temporarily on hold due to COVID (savings funded by additional COVID funding for one year)	-1,000
Place	Highways and Transportation	Partial removal of school crossing patrols where suitable safe measures exist. (Also need to implement previous proposal)	25
Place	Highways and Transportation	Increase in car park income resulting from tariff increases linked to city centre regeneration	500

Director	Head of Service	Savings Proposal	Savings 2022/23 £'000
Place	Housing and Public Protection	Above inflation (5%) increase to fees and charges and increased income generation activity across Bereavement Services, Registration Services, Building Control, Trading Standards, Food & Safety, HMO licensing and Housing Renewals. Main risk in Burials and Registrations is terms of remaining competitive with direct local authority neighbours	156
Place	Housing and Public Protection	Introduce paid for advice and approval service for businesses across Food Safety and Trading Standards functions	15
Place	Housing and Public Protection	Proceeds of Crime (POCA) income to be reinvested in core Trading Standards Service	10
Place	Various	"Income earning" services to self-fund pay increase costs from increased fee charges on full cost recovery. Assuming all charge increases passed on	1,250
Place	Waste, Cleansing and Parks	Increase graffiti charges by 200% over 4 years to ensure full cost recovery	10
		<b>Place</b>	<b>1,216</b>
Social Services	Adult Services	Realise saving in efficiencies through the Supported Living Framework and benefits of being located together (2.5% rather than 5% stated in contractual arrangements in light of COVID-19)	70
Social Services	Adult Services	Work through Complex Needs high cost placements and establish a collaborative approach with Health for funding these packages of care (aligning with C&F) to achieve Reduction in high cost packages of care due to more efficient and effective working with health in terms of new guidance around CHC cases	200
Social Services	Adult Services	Reduction in costs for external residential care by changing the business model and how we are funding voids in the system	60
Social Services	Adult Services	Non-staffing spend savings due to different ways of working	50
Social Services	Child and Family Services	Continue to reduce residential placements (There is a risk around this proposal which has been exacerbated by COVID-19, as cases coming through the systems are more complex, and there are limited placement options for adolescents, which is a growing area of demand	200
Social Services	Child and Family Services	Work through Complex Needs high cost placements and establish a criteria and equitable formula for funding these placements with Health (Aligning with Adults)	200
Social Services	Child and Family Services	Supported accommodation and floating support efficiency savings following review and recommissioning exercise	150

Director	Head of Service	Savings Proposal	Savings 2022/23 £'000
Social Services	Child and Family Services	External therapies efficiency savings following review and creating an internal offer through upskilling staff	70
Social Services	Child and Family Services	Non-staffing spend savings due to different ways of working	50
Social Services	Child and Family Services	Replacing core costs of non-statutory teams with Grant money which may become available through local or regional opportunities	60
Social Services	Poverty & Prevention	Non-staffing spend savings due to different ways of working	30
		<b>Social Services</b>	<b>1,140</b>
		<b>Grand Total</b>	<b>4,758</b>

## Part 2 – Service Pressures and Investment

Director	Head of Service	Description	2022/23 £'000
Corporate Services	Legal and Democratic Services	Increase to Councillors costs due to IRPW Report	15
Corporate Services	Legal and Democratic Services	Remove one-off funding for Local Elections	-300
Corporate Services	Digital and Customer Services	Net revenue cost of ERP Oracle Cloud (ultimately to be offset by staffing reductions)	330
Corporate Services	Legal and Democratic Services	Additional posts (Cabinet and Members Support)	95
Corporate Services	Comms and Marketing	Additional posts (Corporate Planning, Performance and Policy Team)	109
Corporate Services	Legal and Democratic Services	Further IRPW (draft) recommendations	250
Corporate Services	Legal and Democratic Services	Boundary Changes 3 additional Councillors	50
Corporate Services	Comms and Marketing	Performance Management System	37
Corporate Services	Senior Management Review	Senior Management Review	80
Corporate Services	Chief Executive	Pension Costs (Chief Executive)	40
Corporate Services	Legal and Democratic Services	Increased Coroner's costs (as determined by the Coroner)	43
Corporate Services	HR and the Service Centre	Evaluation and alignment of Unison posts	69

Director	Head of Service	Description	2022/23 £'000
<b>Corporate Services</b>	<b>Legal and Democratic Services</b>	<b>Members ICT Inflationary Allowance</b>	<b>5</b>
Finance	Commercial Services	Strengthen commercial activity expand resources for GPOC, strengthen procurement per Head of Service	155
Finance	Deputy Chief Finance Officer	Start accountancy trainee/apprenticeship scheme posts x 3 new - future proofing	100
Finance	Revenues and Benefits	Expand work on council tax and NDR reform - build management capacity by 1 post	55
Finance	Deputy Chief Finance Officer	Expand Audit Fraud Team	90
Social Services	Poverty and Prevention	Armed Forces Veterans Fund	25
<b>Social Services</b>	<b>Poverty and Prevention</b>	<b>Support for implementing the recommendations and actions flowing from the Mayhill Inquiry</b>	<b>100</b>
Social Services	Adults	Various Adult Services pressures including loss of income (grants), staff costs, inflationary contract costs and ongoing additional COVID-19 costs	50
Social Services	Senior Management Review	Senior Management Review	20
Social Services	Child & Family	Various Child and Family Services pressures including loss of income (grants), staff costs, inflationary contract costs and ongoing additional COVID-19 costs	680
Education	Non-Delegated	Unbudgeted and uncontrollable ER/VR and ongoing pension costs - beyond base budget assumptions re service pressures	600
Education	Non-Delegated	ALN Act Implications	800
Education	Non-Delegated	ALN - out of county placements and pupil support - beyond base assumptions re service pressures	200
Education	Senior Management Review	Senior Management Review	100
Education	Non-Delegated	ALN (including Post 16) Transport cost pressures in excess of planning assumptions	222
Education	Non-Delegated	Budget transfer to corporate centre re printing charges	24
Education	Non-Delegated	Increasing entitlement to Free School Meals (transitionally protected)	335
Education	Non-Delegated	Additional post within HR to support management of absence within catering and cleaning and deliver longer term benefits following successful temporary assignment - as part of wider corporate strategy	43
Education	Non-Delegated	Additional post within Performance Team to take on the essential statutory duty re Educational Visits transferred from Social Services	40
Place	Highways and Transportation	TRF19 Partial removal of school crossing patrols where suitable safe measures exist	25
Place	Cultural Services	Remove temporary funding for the City's 50th Anniversary celebrations and other events	-150

Director	Head of Service	Description	2022/23 £'000
Place	Corporate Property Services	Viking Way	130
<i>Place</i>	<i>Corporate Property Services</i>	<i>Boundary Changes 3 additional Councillors - Place budgets</i>	<i>30</i>
<i>Place</i>	<i>Corporate Property Services</i>	<i>Increase in Member Ward budgets</i>	<i>375</i>
<i>Place</i>	<i>Waste, Cleansing and Parks</i>	<i>Bin provision to accommodate dog waste</i>	<i>100</i>
		<b>Grand Total</b>	<b>4,972</b>

Changes to the budget proposal report are shown in ***Bold Italic***

## Interim Budget Consultation Results 2022

### 1. Budget Consultation

Consultation on the specific budget proposals ran from 21<sup>st</sup> January 2022 to 11<sup>th</sup> February 2022. A survey was produced detailing the council's budget proposals, giving people the opportunity to provide their feedback. In total 122 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)

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

### Communication and Social Media

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

- One press releases resulting in two media mentions
- Ten social media mentions, reaching 8.9k on social media and 4.8k via the council's online weekly newsletter.

### 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 2022/23
- Future Spend
- Budget Report

### Future funding of services

**45%** Would you be prepared to pay more for some services rather than lose them?

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

### Proposed Spend

**77%** Agree that Social Services and Education should remain the Council's priority in terms of future spend?

### Future Spend

Respondents were asked: **If there was money available, in which areas would you like to see the Council invest in?**

Areas which were selected the most are outlined below:

**56%** Care for Older People and Disabled Adults

**52%** Street/Road Repairs

**47%** Parks & Green Spaces

**46%** Tackling Poverty

**41%** Housing and Homelessness

**41%** Keeping Children Safe

**41%** Children's Play / Youth Services

## Budget Report

Due to the nature of this year's budget there were no specific budget proposals which required public consultation at this time. Comments on the overall budget report were sorted, to date 24 comments have been received.

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

### Appendix 1

Are you ...			
74 (60.7%)	A member of the public	4 (3.3%)	A third sector organisation/partner organisation (please specify)
44 (36.1%)	A council employee	0 (0.0%)	A private sector organisation/partner organisation (please specify)
0 (0.0%)	An elected member		
7 (100.0%)			

## Future funding of services

Due to the size of the budget challenge facing the Council in the coming years, 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?

54 (45.0%) Yes  
66 (55.0%) No

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

47 (100.0%)

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

90 (76.9%) Yes  
27 (23.1%) No

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

72 (100.0%)

## Proposed Spend 2022/23:

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

52 (45.2%) Strongly Agree (32.2%) Tend to Agree (16.5%) Tend to Disagree (16.1%) Strongly Disagree (7.6.1%)

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

27 (100.0%)

### **Future Spend:**

#### **If there was money available, in which areas would you like to see the Council invest in?**

68 (56.2%)	Care for Older People and Disabled Adults	38 (31.4%)	Council Housing
10 (8.3%)	Keeping people informed about the Council	10 (8.3%)	Improvements to Council buildings
25 (20.7%)	Engaging and consulting people on things the council does	50 (41.3%)	Housing & Homelessness
26 (21.5%)	Promoting and supporting Equality and Diversity	56 (46.3%)	Tackling Poverty
11 (9.1%)	Improving the Council's website	35 (28.9%)	Libraries
12 (9.9%)	Promoting and supporting Welsh Language	44 (36.4%)	Community Centres
19 (15.7%)	Making the Council more commercial	49 (40.5%)	Children's Play / Youth Services
50 (41.3%)	Keeping Children Safe	23 (19.0%)	Developing Swansea City Centre
46 (38.0%)	School improvements	38 (31.4%)	Refuse Collection
29 (24.0%)	Additional Learning needs	44 (36.4%)	Recycling services
38 (31.4%)	Education services	51 (42.1%)	Street cleaning
27 (22.3%)	Adult learning	57 (47.1%)	Parks & Green Spaces
63 (52.1%)	Street/Road Repairs	44 (36.4%)	Sports, Leisure & Cultural Facilities
19 (15.7%)	Traffic Management	34 (28.1%)	Transport services/ Bus station
24 (19.8%)	Car Parking	18 (14.9%)	Other (write in)
28 (100.0%)			

## **Budget**

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

36 (100.0%)

### **Welsh Language Impact:**

#### **Do you have any concerns or evidence to suggest that the Council is treating/using the Welsh language less favourably than English in relation to its proposed budget for 2022/23?**

70 (100.0%)

#### **If yes, please give details and state how the budget suggested will affect opportunities to use the Welsh language in your view?**

12 (100.0%)

#### **What changes could be made in order to have a more positive effect on the Welsh language?**

34 (100.0%)



## About You: Finding out who has taken part

You don't have to answer these questions, but we need to ask them to understand if our survey has reached the right people and to understand how different groups feel 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 [www.swansea.gov.uk/privacynotice](http://www.swansea.gov.uk/privacynotice)

### Are you...?

55 (47.4%)	Male
58 (50.0%)	Female
3 (2.6%)	Other (write in)
2 (100.0%)	

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

105 (92.9%)	Yes
1 (0.9%)	No
7 (6.2%)	Prefer not to say

### How old are you ...

1 (0.9%)	Under 16	19 (16.5%)	56 - 65
1 (0.9%)	16 - 25	12 (10.4%)	66 - 75
12 (10.4%)	26 - 35	1 (0.9%)	76 - 85
28 (24.3%)	36 - 45	0 (0.0%)	Over 85
32 (27.8%)	46 - 55	9 (7.8%)	Prefer not to say

### Would you describe yourself as...

Please mark all that apply

62 (53.9%)	British	0 (0.0%)	Other British (please write in at end)
60 (52.2%)	Welsh	3 (2.6%)	Non British (please write in at end)
6 (5.2%)	English	0 (0.0%)	Gypsy/traveller
3 (2.6%)	Irish	1 (0.9%)	Refugee/Asylum Seeker (please write in current/last nationality at end)
1 (0.9%)	Scottish	8 (7.0%)	Prefer not to say

Write in here

2 (100.0%)	
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### To what 'ethnic' group do you consider

90 (81.1%)	<b>White</b> - British	0 (0.0%)	<b>Asian or Asian British</b> - Bangladeshi
9 (8.1%)	Any other <b>White</b> background (please write in at end)	0 (0.0%)	Any other <b>Asian</b> background (please write in at end)
0 (0.0%)	<b>Mixed</b> - White & Black Caribbean	0 (0.0%)	<b>Black or Black British</b> - Caribbean
0 (0.0%)	<b>Mixed</b> - White & Black African	0 (0.0%)	<b>Black or Black British</b> - African
1 (0.9%)	<b>Mixed</b> - White & Asian	0 (0.0%)	Any other <b>Black</b> background (please write in at end)
0 (0.0%)	Any other <b>Mixed</b> background (please write in at end)	0 (0.0%)	<b>Arab</b>
0 (0.0%)	<b>Asian or Asian British</b> - Indian	0 (0.0%)	Other ethnic group ( please write in at end)
0 (0.0%)	<b>Asian or Asian British</b> - Pakistani	11 (9.9%)	Prefer not to say

Write in here

9 (100.0%)	
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### What is your religion, even if you are not currently practicing?

Please mark one box or write in

43 (38.7%)	No religion	0 (0.0%)	Muslim
46 (41.4%)	Christian (including Church of England, Catholic, Protestant, and all other Christian denominations)	0 (0.0%)	Sikh
2 (1.8%)	Buddhist	4 (3.6%)	Other
0 (0.0%)	Hindu	16 (14.4%)	Prefer not to say
0 (0.0%)	Jewish		

*Any other religion or philosophical belief (please write in)*

1 (100.0%)

### What is your sexual orientation

5 (4.6%)	Bisexual
2 (1.9%)	Gay/ Lesbian
83 (76.9%)	Heterosexual
16 (14.8%)	Prefer not to say
2 (1.9%)	Other

*Please write in*

2 (100.0%)

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

Please mark all that apply

21 (17.9%)	Understand spoken Welsh	13 (11.1%)	Write Welsh
18 (15.4%)	Speak Welsh	22 (18.8%)	Learning Welsh
14 (12.0%)	Read Welsh	75 (64.1%)	None of these

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

Please mark all that apply

116 (99.1%)	English
10 (8.5%)	Welsh
2 (1.7%)	Other (write in)

*Please write in*

4 (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."

38 (33.9%)	Yes
74 (66.1%)	No

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

27 (27.0%)	Yes
73 (73.0%)	No

**Thank you for your participation**

**Integrated Impact Assessment (IIA) Statement for Swansea Council's Budget  
2022/23**

**1. Introduction**

This statement provides an overall view of the budget IIA process for the Council, along with any specific relevant details for 2022/23.

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.

We, like other local authorities, will be facing a 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.

The council has faced unprecedented financial pressures over the last few years due to government budget reductions, increased demand for services and extra costs such as teachers' pay and pensions. We think our funding from Welsh Government, whilst substantially positive this year, will not increase our immediate real terms spending power, nor is it likely to increase significantly in future years. This means we will continue to have less to spend in real terms at a time when demand for services like social care is rising. The result of this is a need to find savings of £4.8m next year and roughly £21m savings over the next four years.

Change is already taking place and over the last few years the council has cut costs by being more efficient and more effective in what we do. But this is not enough to meet the scale of cuts and ensure council services are sustainable and fit for the future. Clearly, the sheer amount of savings required means that difficult decisions and potential impacts are inevitable. However, we continue to focus on mitigating any adverse impacts via our IIA process as well as officer expertise.

During 2020, the authority updated and replaced the 'Sustainable Swansea - Fit for the Future' strategy with the new 'Swansea – Achieving Better Together' transformation strategy and programme framework 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

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 Integrated Impact Assessment (IIA) process**

The council has had an EIA process in place for a number of years which was reviewed last year and replaced with Integrated Impact Assessments (IIA). The process covers:

- The nine protected characteristics covered by the Equality Act 2010
- The Public Sector Equality Duty for Wales
- Well-being of Future Generations Act (Wales) 2015
- 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 IIA process, officers follow these steps:

- An initial screening exercise (to identify whether a full IIA report is necessary)
- Completion of a full IIA 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 IIAs 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 IIAs, 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 IIA 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 IIAs 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 IIA
- IIA 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 IIA process to focus on mitigation
- Where a proposal has potential adverse impacts that cannot be mitigated, the IIA 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 IIA process being a continuing feature as proposals are further developed.

Therefore, we will continue to publish each IIA report with the relevant corporate report at: <http://democracy.swansea.gov.uk/ieDocHome.aspx?bcr=1&LLL=0?Lang=eng>

#### **4. Consultation and engagement**

Whilst there is a specific regulation around engagement (contained within the Public Sector Equality Duty for Wales), our 'Swansea – Achieving Better Together' strategy contains a substantial emphasis on consultation and engagement too.

Corporate budget consultation takes place on the proposed budget as a whole, and when needed, a wide variety of specific proposals. Others specific proposals are consulted on using service-specific groups and/or activities if required.

Corporately, the consultation results are reported separately via the budget reports themselves.

#### **5. Local information**

The Council delivers services to all the citizens of the City & County of Swansea. The overall population profile from the latest population estimates (2020) and 2011 Census is as follows:

- Within an overall population of **246,600**, the gender split of the **City & County of Swansea** is **50.2% Female** (123,900 people) and **49.8% Male** (122,700 people).
- Children and young people **aged 0-25 years** represent **31.8%** of the population, or **78,500** people.
- **Over 50s** represent **38.3%** of the population (94,500 people), of which around **49,000** are over 65 (19.9% of the total population).
- In 2011, **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.
- There were **26,332** Welsh speakers in Swansea in 2011, 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 IIA process.

## 6. Staffing

The Cabinet report in February 2022 referred to 4 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 adverse impact and to follow the IIA process.

## 7. Publication Arrangements

All IIA 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.

## 8. 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:

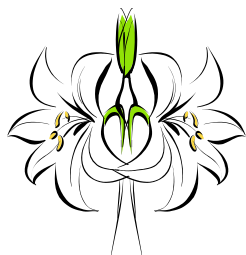
- where IIAs show potential significant impact with no possible mitigation, these proposals will be referred for further consideration

- for those IIAs 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 IIAs
- this is an ongoing process and as noted this statement and many IIAs will remain open for varying periods of time
- there is a focus on the council doing things differently in order to further deliver services that are flexible, citizen-centred, meet individual needs and are sustainable for the future.

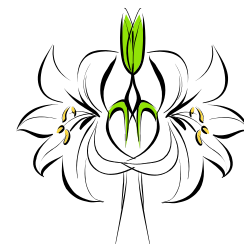
The council continues to deliver a wide range of services for all the citizens of Swansea. Many of these are of particular benefit to the areas covered by our IIA process, e.g. the protected characteristics defined within the Equality Act 2010.

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 'Swansea – Achieving Better Together'.

## APPENDIX G



Gwyrosydd Primary School - Ysgol Gynradd Gwyrosydd  
Parkhill Terrace, Treboeth, Swansea SA5 7DJ  
Tel: 01792 797117



Headteacher / Pennaeth  
Mr Jonathan Atter

17<sup>th</sup> February 2022

Dear Cllr. Stewart and Council Members,

As Chair of the School Budget Forum, it falls to me to feed back the thoughts, responses and concerns of the Forum members following your setting out of the budget proposals to be set before Council for approval.

I would like to thank you, Ben Smith, Brian Roles and other representatives for your open, honest and forthright approach in setting out the context of such a positive budget proposal and for the true sense of dialogue that takes place in the Forum.

The forum recognises that you, and in turn the Council and its officers, have remained true to the commitment made previously that the Council would relatively prioritise education budget wherever possible and would pass on any additional flexibility in funding that the Welsh Government funding settlement and specific grants allowed. It also warmly welcomes the commitment given to continue to improve Swansea's relative funding position in the All Wales funding statistics in the coming years.

The Forum members welcome the proposed overall 7% cash increase in the proposed delegated Education budgets. It is anticipated that the +£11.7M core funding increase and the passporting of specific grants, will represent a clear increase in real terms for schools for the second consecutive year. We acknowledge that the uplift will help schools to meet the increasing cost pressures that they face, including anticipated pay awards for all school-based staff and the impact of social care levy. The funding will also help with the wider inflationary and other non-pay cost pressures, including meeting Additional Learning Needs, free school meal entitlements and Service Level Agreements.

The Forum values the Council's continuing commitment to supporting the IT infrastructure upgrade. The £700K rolling investment that is covered centrally, with, as originally proposed, no cost to schools, is vital to ensuring that our children and young people and our schools are prepared for life in a rapidly changing digital world.

The forum recognises the scale of the Council's ambition in respect of the continuing school's capital investment programme and annual structural maintenance programme. The ambitious **£150m** investment in schools capital programme - with **no cost** to schools and every capital receipt in the council used to fund this programme, combined with the annual programme of **£3m** for continued capital structural repairs for 2022/23, shows a clear commitment to improving the condition of our school



buildings and to ensuring we can meet the future educational needs of our children and young people.

However, whilst acknowledging the need for new builds and major refurbishment schemes, and the positive impact they have for all involved, a solution is needed to the significant impact of the resulting rates increases on the budget quantum available to schools.

Whilst acknowledging the positive aspects of this year's budget proposals, it is wholly appropriate to raise a note of caution. As discussed at previous Forum meetings, the budget proposals for the next 3 years are very much 'front loaded' and whilst we all appreciate the 'cash up front' we need to recognise the challenging funding indications and resulting implications for future financial years, where there is far less clarity in terms of increases but already expectations are that they will be much lower. Cost pressures are likely to remain high in the coming years and we face far greater uncertainty in all areas, whilst indicative Welsh Government funding and cash limits are anticipated to be far lower and of course the Council's capacity to pass on budget increases will be severely impacted by Welsh Government decisions on future funding.

The forum commends the Council's decision to set aside **£1m** extra funding in 2023-24 as a pre-commitment for schools, for anticipated energy bills after the benefit of fixed energy cost advance purchase comes to an end. This will be a vital contribution towards meeting what is anticipated to be an area of very significant cost pressure going forward.

Whilst acknowledging the increases in cash funding for the coming years, we believe that it is appropriate to also highlight the challenges facing schools in the terms of the scale and timing of the continuing time limited Welsh Government specific grants, particularly when allocated at this late point in the financial year. Whilst gratefully accepting the funding made available, the implications of the late allocation of many such grants, and the serious uncertainty still with regard to the full range and nature of such initiatives, have a significant impact on strategic and financial planning and inevitably impacts on the level of published school reserves.

The present grant dependency and instability reinforces the need for greater certainty with regards to future grant funding streams and the vital importance of maintaining the level of Pupil Development Grant and EIG (Foundation Phase etc.) in real terms. These have now become a critical element in the core provision made by schools and no longer provide the level of additionality for which they were originally intended. Any change to funding levels of such grants will severely impact schools' ability to deliver core provision e.g. Maintaining Foundation Phase ratios. Should any such grants be subsumed within Revenue Support Grant in the future, such transfers must be quite explicit and transparent within the Local Government Finance Settlement to ensure that the appropriate sums can be fully passported by authorities to schools. In turn, the school budget allocation formula must ensure any funding that becomes passported in this way continues to meet the areas of need for which it is intended.

The Forum recognises and values how schools and Council representatives have worked far more closely in recent years and we believe this has brought about a far greater understanding of the challenges to be faced from both a school and Local Authority perspective. The Forum therefore believes it is vital to ensure we continue to

work together closely to press the case to the UK and Welsh Governments for appropriate and stable future base funding for education provision that fully reflects the scale of cost implications of present and future national policies e.g. in relation to the implementation of the ALN Act and the roll out of Universal Free School Meal provision for primary pupils. It is becoming increasingly apparent that there just isn't enough base funding in the system for schools to effectively provide even core provision, let alone meet the personal, social and educational needs that will arise from the pandemic. The Forum would wish to support Swansea Council in putting forward a coherent and unified argument to Welsh Government that education funding needs to see significant real terms increases in levels of funding, consistent with the increasing demands and policy expectations.

As stated previously, the implications of the late allocation of specific grants by Welsh Government has a significant impact on strategic and financial planning and inevitably on published school reserves. We therefore appreciate and welcome the recognition and support of the Leader and Cabinet to the judicious conservation and then planned use of reserves over the medium term.

In summary, the School Budget Forum recognises the Council's continued commitment to relatively prioritise education budget where ever possible and pass on any additional flexibility in funding that the Welsh Government funding settlement and specific grants allow. It also warmly welcomes the commitment given to improve Swansea's relative funding position in the All Wales funding statistics in the coming years. The Forum acknowledges the cash and real terms funding increase in the proposal offered this year but we all recognise that this is 'front loaded' funding and that there will be far more difficult and challenging funding settlements in the subsequent years ahead. Forum members look forward to continuing the positive working relationship that has been established and believe that in working together closely we can press the case with both the UK and Welsh Governments for appropriate and stable future base funding for education provision that fully reflects the scale of the cost implications of present and future national policies and the wider cost pressures faced by us all.

Yours Sincerely

Jonathan Atter

Schools Budget Forum Committee Chair

## Revenue Budget 2022/2023

**Corporate Services**

	<b>ORIGINAL BUDGET 2021/2022 £</b>	<b>ORIGINAL BUDGET 2022/2023 £</b>
<b>Corporate Services Directorate</b>		
Deputy Chief Executive	194,800	150,000
	<b>194,800</b>	<b>150,000</b>
<b>Chief Legal Officer</b>		
Coroners	731,600	789,600
Democratic Services	2,923,100	3,075,000
Information Governance Unit	173,700	182,200
Legal Services	2,296,400	2,431,500
Overview and Scrutiny Unit	211,500	222,700
Welsh Translation Unit	312,100	325,600
	<b>6,648,400</b>	<b>7,026,600</b>
<b>Head of Digital &amp; Customer Services</b>		
Customer Services	939,500	987,800
Digital Services	8,142,300	9,537,900
	<b>9,081,800</b>	<b>10,525,700</b>
<b>Head of Communications &amp; Marketing</b>		
Access to Services	112,600	111,300
Human Rights	50,000	44,200
Communications	477,300	457,000
Community Integration Team	104,300	216,735
Corporate Marketing	281,000	278,700
Corporate Mgt Team Support	350,900	420,400
Design and Print	4,500	216,700
Health and Safety	1,048,900	1,129,200
Strategic Delivery Unit	454,700	766,465
	<b>2,884,200</b>	<b>3,640,700</b>
<b>Head of HR &amp; Service Centre</b>		
Human Resources & Organisational Development	591,700	1,113,500
Service Centre	2,136,300	2,330,500
	<b>2,728,000</b>	<b>3,444,000</b>
<b>Total Corporate Services</b>	<b>21,537,200</b>	<b>24,787,000</b>

## Revenue Budget 2022/2023

### Finance

	<b>ORIGINAL BUDGET 2021/2022 £</b>	<b>ORIGINAL BUDGET 2022/2023 £</b>
<b>Deputy Section 151 Officer</b>		
Audit	596,100	724,600
Finance DMT	933,500	505,400
Financial Services	1,323,800	1,367,600
Pensions	12,500	46,800
Treasury and Technical	613,200	642,700
	<b>3,479,100</b>	<b>3,287,100</b>
<b>Head of Revenue &amp; Benefits</b>		
Revenues	751,000	861,500
Benefits	3,063,100	3,364,400
Council Tax Reduction Scheme	24,913,000	24,553,000
	<b>28,727,100</b>	<b>28,778,900</b>
<b>Head of Commercial Services</b>		
Commercial Team & Procurement	547,600	704,000
	<b>547,600</b>	<b>704,000</b>
<b>Total Finance</b>	<b>32,753,800</b>	<b>32,770,000</b>

## Revenue Budget 2022/2023

### Social Services

	ORIGINAL BUDGET 2021/2022 £	ORIGINAL BUDGET 2022/2023 £
<b>Child and Family Services</b>		
Adolescent and Young People's Services	2,708,500	2,298,500
Adoption Services	2,052,150	2,126,900
Care & Support Services	6,676,100	6,969,100
Central Services	4,512,200	7,565,200
Commissioning and Care Services	5,242,700	6,378,300
Commissioning and Care Services (Fostering)	7,628,500	7,685,400
Commissioning and Care Services (Independent Placements)	11,372,950	10,629,000
Early Help and Single Point of Contact	753,400	985,200
Family Support Services	1,621,700	1,752,300
	<b>42,568,200</b>	<b>46,389,900</b>
<b>Head of Adult Services</b>		
Community Services -Commissioned Domiciliary Care	8,803,400	10,103,000
Mental Health and Learning Disability	18,697,500	23,028,700
Prevention and Wellbeing	6,110,600	7,029,200
Regional Services, Central Administration & Grants	949,850	471,550
Safeguarding	1,267,950	1,050,300
Service Provision	12,245,400	13,927,550
	<b>48,074,700</b>	<b>55,610,300</b>
<b>Head of Integrated Services</b>		
Community Services	13,872,200	14,607,200
Community Services -Commissioned Residential Care	17,510,850	19,846,450
Regional Services, Central Administration & Grants	-1,030,700	91,850
	<b>30,352,350</b>	<b>34,545,500</b>
<b>Poverty &amp; Prevention</b>		
Commissioned Services	3,745,900	3,968,600
Tackling Poverty Service	714,200	788,400
	<b>4,460,100</b>	<b>4,757,000</b>
<b>Whole Directorate Services</b>		
Regional Services, Central Administration & Grants	3,238,650	3,408,300
	<b>3,238,650</b>	<b>3,408,300</b>
<b>Total Social Services</b>	<b>128,694,000</b>	<b>144,711,000</b>

# Revenue Budget 2022/2023

## Education

	<b>ORIGINAL BUDGET 2021/2022 £</b>	<b>ORIGINAL BUDGET 2022/2023 £</b>
<b>Delegated Schools</b>		
School Cost Centres	167,304,000	179,045,900
	<b>167,304,000</b>	<b>179,045,900</b>
<b>Director of Education</b>		
Mgt & Admin Effectiveness	145,400	159,000
Schools At Risk	109,100	109,000
	<b>254,500</b>	<b>268,000</b>
<b>Head of Achievement &amp; Partnership Service</b>		
Education Improvement Service	1,043,700	974,500
Management Systems Unit	310,500	542,500
Welsh Service	0	0
	<b>1,354,200</b>	<b>1,517,000</b>
<b>Head of Vulnerable Learner Service</b>		
Additional Learning Needs and Inclusion Team	0	0
Behaviour, Learning Support & EOTAS	6,236,300	6,097,300
Cleaning Services	135,800	225,400
Ethnic Minority Achievement Unit	0	0
Miscellaneous Grants	103,800	215,400
Psychology Service	664,400	698,300
Recoupment/Out of County	885,000	761,000
School And Governor Unit	342,700	411,900
School Meals	968,400	1,177,600
SEN Statementing & Support	5,312,100	5,944,700
STF Additional Hours	1,041,900	1,090,700
Swansea Music Service	0	0
Transport	8,370,200	8,613,100
Welfare Service	518,200	507,500
	<b>24,578,800</b>	<b>25,742,900</b>

## Revenue Budget 2022/2023

### Education

	ORIGINAL BUDGET 2021/2022 £	ORIGINAL BUDGET 2022/2023 £
<b>Head of Education Planning &amp; Resources</b>		
Additional School Support	78,200	78,100
Broadband & Cloud Technology	284,900	274,900
Capital Planning & Delivery Unit	344,800	346,700
Continuing Education & Pensions	402,300	418,700
Education Improvement Grant for Schools	714,000	714,000
Empty Properties	16,000	17,900
Funding & Information Unit	99,600	200,000
Health & Safety	84,500	84,500
Learning Portal Team	38,500	40,400
Management & Admin-Planning & Resources	105,000	101,300
Non Delegated - Pensions, Insurance & Public Duties	6,387,775	6,669,475
Post 16 Funding	-5,279,500	-5,279,500
Pupil Deprivation Grant	-8,462,375	-8,462,375
Stakeholder Engagement Unit	125,800	262,100
	<b>-5,060,500</b>	<b>-4,533,800</b>
<b>Total Education</b>	<b>188,431,000</b>	<b>202,040,000</b>

# Revenue Budget 2022/2023

## Place

	ORIGINAL BUDGET 2021/2022 £	ORIGINAL BUDGET 2022/2023 £
<b>Head of Corporate Building</b>		
Property Preventative Maintenance	2,901,200	2,861,800
Building Services Trading	1,174,700	1,539,300
	<b>4,075,900</b>	<b>4,401,100</b>
<b>Head of Corporate Property</b>		
Facilities Management	1,944,101	2,025,685
Strategic Estates Properties	391,000	752,023
	<b>2,335,101</b>	<b>2,777,708</b>
<b>Head of Highways &amp; Transportation</b>		
Car Parking and Enforcement	-3,186,800	-3,054,700
Transportation	5,106,400	5,197,400
Traffic Management	1,206,800	1,252,900
Central Transport	-849,200	-619,600
Engineering	650,900	610,175
Highways	7,460,800	8,922,425
Swansea Marina	-195,860	-171,960
Directorate and Other Costs	-120,500	-361,800
	<b>10,072,540</b>	<b>11,774,840</b>
<b>Head of Waste Cleansing &amp; Parks</b>		
Household Waste Recycling Centres	1,511,134	1,563,434
Parks	5,350,696	4,619,926
Recycling and Residual Waste Collection	10,554,051	11,789,121
Trade Refuse	-469,855	-424,155
Neighbourhood Working	5,298,404	6,752,464
Directorate and Other Costs	687,270	729,000
	<b>22,931,700</b>	<b>25,029,790</b>
<b>Place Directorate</b>		
Place Directorate	1,099,800	4,309,728
Arena	200,000	-326,500
Temporary COVID Impacts	6,000,000	6,000,000
Workstreams	-828,200	-828,200
	<b>6,471,600</b>	<b>9,155,028</b>



# Revenue Budget 2022/2023

## Place

	ORIGINAL BUDGET 2021/2022 £	ORIGINAL BUDGET 2022/2023 £
<b>Head of Cultural Services</b>		
Archives	223,350	215,350
Arts	2,177,999	2,393,910
Community Buildings	282,200	355,100
Development and Outreach	259,400	283,400
Libraries	3,059,400	3,162,600
Sport and Recreation	2,831,760	2,997,526
Tourism, Marketing & Events	1,609,900	1,985,600
Directorate and Other Costs	568,400	439,743
	<b>11,012,409</b>	<b>11,833,229</b>
<b>Head of Planning &amp; City Regeneration</b>		
Business Support	353,619	618,419
Property Development	1,279,598	1,256,398
City Centre Management & Indoor Market	-375,500	-39,600
European & External Funding Team	0	1,705,000
Major Projects, Design and Conservation	120,700	132,500
Planning Control	463,000	542,031
Planning Policy and Environment	997,600	1,109,864
Directorate and Other Costs	393,383	152,483
	<b>3,232,400</b>	<b>5,477,095</b>
<b>Head of Housing &amp; Public Health</b>		
Building Regulations	131,150	153,200
Burials and Cremations	-1,110,400	-1,180,553
Food Safety	662,700	695,900
Licensing	-41,500	-30,100
Pollution	630,000	644,600
Public Health	757,600	856,600
Registrars	-79,400	-76,150
Trading Standards	593,600	602,700
Housing Grants to the Independent Sector	40,500	40,500
Housing Renewals and Adaptations	46,500	84,300
Housing Strategy, Advice and Support	1,892,500	1,799,813
Other Housing Services	511,000	527,500
Directorate and Other Costs	303,100	233,900
	<b>4,337,350</b>	<b>4,352,210</b>
<b>Total Place</b>	<b>64,469,000</b>	<b>74,801,000</b>

# Agenda Item 11.



## Report of the Section 151 Officer

Council – 3 March 2022

### Capital Budget & Programme 2021/22- 2026/27

<b>Purpose:</b>	This report proposes a revised capital budget for 2021/22 and a capital budget for 2022/23 - 2026/27
<b>Policy Framework:</b>	Sustainable Swansea – Fit for the Future
<b>Consultation:</b>	Cabinet Members, Corporate Management Team (CMT), Legal, Finance and Access to Services
<b>Recommendation(s):</b>	It is recommended that:  1) The revised capital budget for 2021/22 and a capital budget for 2022/23 – 2026/27 as detailed in appendices A, B C, D, E, F and G 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 2021/22
- Capital expenditure and financing proposals for 2022/23 – 2026/27

##### 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 capital budget proposals are detailed in appendices to this report as follows:

Appendix A Total General Fund Capital Budget Expenditure 2021/22 - 2026/27

Appendix B Total General Fund Financing 2021/22 - 2026/27

Appendix C General Fund Capital Budget Expenditure (excluding C21st School programme and Swansea Central City Deal Schemes)

2021/22 - 2026/27

Appendix D C21st Schools Programme Band A Capital Expenditure and Budget 2012/13 – 2021/22

Appendix E C21st Schools Programme Band B Capital Expenditure and Budget 2017/18 – 2026/27

Appendix F Swansea Central City Deal Capital Expenditure and Budget 2018/19 – 2022/23

Appendix G Material changes to the original 2021/22 budget

1.4 Appendix A, C, D, E and F outline a comprehensive programme of capital investment including:

- A significant continuing programme of IT investment across the Council
- The continued investment in Swansea Schools through the Band B phase of the 21<sup>st</sup> Century Schools Programme, with a number of builds on-site during 2021-22
- Swansea Bay City Deal schemes, the construction and near completion of Phase 1 the Arena and commencement of construction of Phase 2 Digital Village
- A significant programme of capital expenditure to assist the City's economic recovery from the Covid 19 pandemic

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 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 medium/long term envelope of affordability.

Furthermore it has to be recognised that the scale of funding proposed to be injected by this Council, leverages in significant additional sums:

- £98m of Welsh Government funding for Band B schools
- a City Deal, worth, across the region, around £1.3 billion.

The Council continues to face significant challenges maintaining business as usual alongside delivering an already ambitious capital programme whilst managing the impacts of the Covid 19 pandemic. The Council continues to play a significant role in delivering Welsh Government schemes to support local businesses during the pandemic by delivering emergency Covid grant payments to local businesses.

1.7 Band B of the Welsh Government's 21st Century Schools and Colleges programme represent the largest single component of capital investment incorporated within the proposed capital programme. The numerous schemes comprise new school builds and significant asset improvements for both English and Welsh medium Schools throughout Swansea.

- 1.8 The Swansea City & Waterfront Digital District project is one of nine 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: an Innovation Matrix 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 capacity Digital Arena and associated developments (also led by the Council). A 5 case business model has been approved by UK and WG, it sets out the project in great detail, including the benefits, costs, and income derived. After an FPR7 report to cabinet the Digital Square construction has been on site for 24 months and has a further 2 months to go subject to the impact of covid-19. The Arena operator is contracted under an agreement for lease. With regard to Digital Village, a contractor has been procured and funding authorised through an FPR7 report and construction has started on site.

The Council through the Shaping Swansea procurement process, has appointed Urban Splash as a long term development partner. The partner and the Council will then progress the 7 sites as set out in the procurement process.

Cabinet through an FPR7 report approved the capital funding to reimagine Castle Square to create a step change in the quality of its public realm. An increased level of green space with up to 4 new commercial units will create a new destination which will make it more active, distinctive and vibrant in line with other regeneration investment which is taking place in the City centre.

## **2. Capital Budget 2021/22-2026/27**

- 2.1 Total General Fund Expenditure in the current year is forecast to be £159.479m (see Appendix A) an increase of £54.965m (see Appendix G) compared with the original estimate of £104.514m excluding waste provision.

This increase is due to the following:

- The addition of grant funded and non-grant funded schemes after Council approved the capital budget in March 2021, together with increases in the cost of schemes following detailed design and planning.
- Reprofiled forecast Cashflow of Swansea Central City Deal Arena scheme
- The net balance of schemes reprofiled from 2020/21 into 2021/22 and schemes reprofiled from 2021/22 into 2022/23.

- 2.2 The proposed capital programme 2021/22 – 2026/27 and associated financing is set out below in 2.3 for The General Fund Programme, 2.4 for The 21<sup>st</sup> Century Schools Programme and 2.5 for the Swansea Central City Deal Programme

### **2.3 The General Fund Programme and Financing 2021/22 -2026/27**

- 2.3.1 The General Fund programme in summary together with detailed schemes is in Appendix C. 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 4th March 2021 outlined an unsupported borrowing requirement in the five year forward programme of £180.724m
- 2.3.3 The updated total Capital programme which includes C21st Schools and Swansea Central City Deal Phase1 Arena highlights a 5 year forward expenditure programme plus 2021-22 of £413.599m (Appendix A) identifying an unsupported borrowing requirement of £136.520m (Appendix B). 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 has developed over recent years and, in the case of the funding, from the City Deal, across the next 11 years. Some Major schemes within the General Fund Capital Programme which are partially or fully financed by borrowing are as follows:
- Swansea Central Arena phased development £110.72m for construction phase
  - Digital Village offices
  - Community hub development
  - Castle Square Regeneration
  - Palace Theatre development £7m total scheme value
  - Swansea Vale new car park facility £3.1m (borrowing will be financed by future rental income)
  - Capital contingency of £20m to assist the City's economic recovery from the Covid 19 pandemic
- 2.3.5 Although there is significant accompanying grant funding and City Deal funding for the first two schemes above, there is substantial unsupported borrowing requirement to underwrite these schemes. The detailed financing for the City Deal schemes is shown in Appendix B.

## 2.4 Schools Programme and Financing 2021/22 -2026/27

- 2.4.1 Band A of the Welsh Government's 21st Century Schools and Colleges Programme has drawn to a close, and Band B officially commenced on the 1 April 2019 .
- 2.4.2 Band A was funded by a 50% contribution from the Welsh Government and a 50% contribution from the council towards a total of £51.507m (plus £150k Challenge Cymru funding).
- 2.4.3 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 and Colleges Programme is being provided through £600m capital and £500m revenue funding for the whole of Wales. The grant intervention rate for capital projects is 65%, except special schools and PRUs which is 75%, and voluntary aided schools which is 85%.
- 2.4.4 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.

2.4.5 The Band B programme envelope is £149.5m (if the potential aided sector scheme is excluded this amounts to £141.3m). Of this total, £124m is being sought from traditional capital funding, requiring (after allowance for realisable capital and other receipts) a net local funding requirement of £34.5m from unsupported borrowing. The remaining £25.19m (or £16.975m if the potential aided sector scheme is excluded) is expected to be delivered through the MIM, 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 for the MIM scheme excluding the voluntary aided sector would be £3.225m although the 19% local contribution would apply to the annual revenue charge.

2.4.6 The early projects in Band B have made good progress despite the challenges posed by the pandemic. Particular issues continue to include matters such as the capacity of contractors to maintain progress of schemes to timescales with the impact on the availability of staff, and the impact on the procurement and supply chains involved for materials. Resourcing of projects both internally and externally is also impacting timescales.

The first project, a new build for Education Other Than At School (EOTAS) at Cockett is now completed and occupied by pupils.

The extension, remodelling and refurbishment of Bishopston Comprehensive School started on site in June 2020 and several phases have now been completed and occupied by pupils. The project is due to be fully completed in autumn 2022.

2.4.7 The new builds for YGG Tan y lan and YGG Tirdeunaw also started on site in 2020. YGG Tirdeunaw is now completed and the school is in occupation. YGG Tan y lan will open to pupils in January 2022. The extension and remodelling project at YG Gwyr also started on site in the summer of 2020, the new block is completed and open to pupils and the second phase of the project is due to be completed in early Spring 2022.

2.4.8 Good progress has been made with the feasibility and design development for YGG Bryntawe to provide additional capacity and address condition and suitability issues at Gowerton secondary school.

2.4.9 The planning for the next phase of the programme is now in progress so that the final phases of Band B can be brought forward.

There remain three possible MIM schemes included in the programme since the switch of the special school to capital on the advice of Welsh Government that it was no longer suitable for MIM funding.

## 2.5 Swansea Central City Deal Programme and Financing

2.5.1 The Swansea Central City Deal Phase 1 Arena scheme construction phase was approved at Cabinet on 21 November 2019 at a cost of £134.837m, subsequently increased for additional elements to £135.267m (Appendix F). The detailed outstanding financing for this scheme is shown in Appendix B and spend will be funded from a combination of City Deal grant, WG grants, capital receipts and predominantly unsupported borrowing.

2.5.2 A contractor has been procured and construction commenced on the Swansea Central City Deal Phase 2 Digital Village scheme. The current approved financing for this scheme at a total of £41.592m is shown in Appendix F which is funded from a combination of City Deal grant, unsupported borrowing and contributions.

## 2.6 Financing the Capital Programme

2.6.1 The financing for the General Fund capital programme identified in 2.3, 2.4 and 2.5 is detailed in Appendix B and requires unsupported borrowing of £136.52m towards forecast expenditure of £413.599m (Appendix A).

2.6.2 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.

2.6.3 It is recognized that a forecast capital financing requirement of £136.52m remains 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.

2.6.4 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, mitigating the impact of revenue provision in the earlier years, aligning the repayment of the debt with the lifetime of the asset. It was recognised there would be short term 'savings' which would reverse in later years, therefore the establishments of the capital equalization reserve was approved by Council to mitigate and forward plan for the same. Advantage was taken of the low interest rate and volatility in the market to externalise some of its borrowing requirement in 2018/19, by borrowing £90m,

although the overall strategy is to mitigate the impact of interest charges by utilising internal resources to meet Cashflow demands but opportunities to take advantage of long term value shall be taken when deemed appropriate .Notwithstanding this and noting the risks to the upside to long term interest rates and the significant capital financing identified by this report, it was determined that in line with good Treasury Management practice and being mindful of interest rate movements and cashflow requirements, that during the financial year 2021/22, a further £120m of PWLB borrowing was undertaken. This borrowing was taken in 3 separate tranches at an average of 1.94 % during the year. (This is the cheapest borrowing ever undertaken by this Council). It should be noted that the decision to defer this funding from 2018/19 to 2021/22 was explicit, whilst the PWLB premium was in place and consultation to changes was ongoing. This deferral has therefore avoided the 1% premium imposed on PWLB borrowing during that time.

2.6.5 Noting the programmed profile of grant payments in respect of The Swansea Bay City Deal Financing, it has been determined prudent to utilise the already established 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 2021/22 and subsequent years.

## **7. Integrated Assessment Implications**

- 7.1 The Council is subject to the Equality Act (Public Sector Equality Duty and the socio-economic duty), the Well-being of Future Generations (Wales) Act 2015 and the Welsh Language (Wales) Measure, 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 Acts.
  - 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.
  - Deliver better outcomes for those people who experience socio-economic disadvantage.
  - Consider opportunities for people to use the Welsh language.
  - Treat the Welsh language no less favourably than English.
  - Ensure that the needs of the present are met without compromising the ability of future generations to their own needs.
- 7.2 The Well-being of Future Generations (Wales) Act 2015 mandates that public bodies in Wales must carry out sustainable development. Sustainable development means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the 'well-being goals'.
- 7.3 Our Integrated Impact Assessment (IIA) process ensures we have paid due regard to the above. It also takes into account other key issues and priorities, such as poverty and social exclusion, community cohesion, carers, the United Nations Convention on the Rights of the Child (UNCRC) and Welsh language.
- 7.4 An integrated 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 Integrated Impact Assessment process.

**Background Papers:** None

### **Appendices:**

- Appendix A Total General Fund Capital Budget Expenditure 2021/22 - 2026/27
- Appendix B Total General Fund Financing 2021/22 - 2026/27
- Appendix C General Fund Capital Budget Expenditure (excluding C21st School programme and Swansea Central City Deal Schemes) 2021/22 - 2026/27

- Appendix D C21st Schools Programme Band A Capital Expenditure and Budget 2012/13 – 2021/22
- Appendix E C21st Schools Programme Band B Capital Expenditure and Budget 2017/18 – 2026/27
- Appendix F Swansea Central City Deal Capital Expenditure and Budget 2018/19 – 2022/23
- Appendix G Material changes to the original 2021/22 budget
- Appendix H IIA

**Total General Fund Capital Budget Expenditure 2021/22 - 2026/27**

**Appendix A**

		<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</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 C21st School and Swansea Central City Deal schemes)	App C	86,769	53,806	20,612	15,987	12,762	12,762	202,698
C21st Schools Band A	App D	276						276
C21st Schools Band B	App E	19,153	5,155	12,578	51,320	29,133	5,888	123,227
City Deal Swansea Central Phase 1 Arena	App F	46,399	1,504					47,903
City Deal Swansea Central Phase 2 Digital Village	App F	7,332	25,944	6,219				39,495
<b>Total General Fund (including Schools and City Deal schemes)</b>		<b>159,929</b>	<b>86,409</b>	<b>39,409</b>	<b>67,307</b>	<b>41,895</b>	<b>18,650</b>	<b>413,599</b>
Less waste provision								
<b>Total General Fund (including Schools and City Deal schemes)</b>		<b>159,929</b>	<b>86,409</b>	<b>39,409</b>	<b>67,307</b>	<b>41,895</b>	<b>18,650</b>	<b>413,599</b>
Less waste provision		-450						
Total General fund excluding waste provision		159,479						

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>GF Financing (Excluding C21st Schools and Swansea Central City Deal)</b>							
<b>Supported Borrowing</b>							
Welsh Government Supported Borrowing	6,372	6,347	6,372	6,372	6,372	6,372	38,207
<b>Grants and Contributions</b>							
Welsh Government General Capital Grant	6,390	9,399	6,390	6,390	6,390	6,390	41,349
Welsh Government specific grants	24,550	5,603	48				30,201
European grants	500	500					1,000
Other Grants	5,030	800	38				5,868
Contributions	1,620	341	194				2,155
<b>Capital Receipts</b>							0
Earmarked Capital receipts	1,605	396	1,425	295			3,721
General Capital receipts	6,691	3,590	5,425	4,003			19,709
<b>Revenue and Reserve Contributions (including provision for waste schemes)</b>	5,838	3,144	1,036	2,706			12,724
<b>Financing excluding unsupported borrowing</b>	<b>58,596</b>	<b>30,120</b>	<b>20,928</b>	<b>19,766</b>	<b>12,762</b>	<b>12,762</b>	<b>154,934</b>
<b>Unsupported borrowing requirement</b>	28,173	23,686	-316	-3,779	0	0	47,764
<b>GF Financing (Excluding C21st Schools and City Deal)</b>	<b>86,769</b>	<b>53,806</b>	<b>20,612</b>	<b>15,987</b>	<b>12,762</b>	<b>12,762</b>	<b>202,698</b>

**C21st School Band A Financing**

21st Century Programme Schemes - grant							0
Unsupported borrowing requirement	276						276
<b>C21st School Band A Financing</b>	<b>276</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>276</b>

**C21st School Band B Financing**

WG Traditional capital grant funding	10,655	68	5,727	31,040	11,722	4,416	63,628
WG Welsh Medium grant	783	770	639	84			2,276
WG Mutual Investment Model financing (including VA school)				7,184	13,548		20,732
CCS Mutual Investment Model financing		94	94	4,269			4,457
S106 and other Contributions	158	275	1,007	2,262	293		3,995
Unsupported borrowing requirement	7,558	3,948	5,111	6,481	3,569	1,472	28,139
<b>C21st School Band B Financing</b>	<b>19,154</b>	<b>5,155</b>	<b>12,578</b>	<b>51,320</b>	<b>29,132</b>	<b>5,888</b>	<b>123,227</b>

**Swansea Central City Deal Schemes Financing****Swansea Central Phase 1 Arena Financing**

Capital receipts	4,900						4,900
City Deal funding (note City Deal funding will be annual for 15 years)	11,814						11,814
Grants (ERDF)	1,000						1,000
Unsupported borrowing requirement	28,685	1,504					30,189
<b>Swansea Central Phase 1 Arena Financing</b>	<b>46,399</b>	<b>1,504</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>47,903</b>

**Swansea Central Phase 2 Digital Village**

City Deal funding (note City Deal funding will be annual for 15 years)		13,700					13,700
Contribution		100					100
Unsupported borrowing requirement	7,332	12,144	6,219				25,695
<b>Swansea Central Digital Arena Financing</b>	<b>7,332</b>	<b>25,944</b>	<b>6,219</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>39,495</b>

<b>Swansea Central City Deal Schemes Financing</b>	<b>53,731</b>	<b>27,448</b>	<b>6,219</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>87,398</b>
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<b>Total General Fund Financing</b>	<b>159,930</b>	<b>86,409</b>	<b>39,409</b>	<b>67,307</b>	<b>41,894</b>	<b>18,650</b>	<b>413,599</b>
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**Total General Fund Unsupported Borrowing Requirement**

General Fund Unsupported borrowing requirement	28,173	23,686	-316	-3,779	0	0	47,764
C21st School unsupported borrowing requirement Band A	276	0	0	0	0	0	276
C21st School unsupported borrowing requirement Band B	7,558	4,042	5,205	10,750	3,569	1,472	32,596
Swansea Central City Deal schemes unsupported borrowing requirement	36,017	13,648	6,219	0	0	0	55,884
<b>Total GF unsupported borrowing requirement including C21st Schools and Swansea Central City Deal schemes</b>	<b>72,024</b>	<b>41,376</b>	<b>11,108</b>	<b>6,971</b>	<b>3,569</b>	<b>1,472</b>	<b>136,520</b>

**General Fund Capital Budget Expenditure (excluding C21st School programme and Swansea Central City Deal Schemes) 2021/22 - 2026/27**

**Appendix C**

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Directorate</b>							
Resources (see schemes below)	5,354	4,168					<b>9,522</b>
Education (see schemes below)	3,871						<b>3,871</b>
Social Services (see schemes below)	750	1,500					<b>2,250</b>
Place (see schemes below)	76,794	48,138	20,612	15,987	12,762	12,762	<b>187,055</b>
<b>Total Expenditure</b>	<b>86,769</b>	<b>53,806</b>	<b>20,612</b>	<b>15,987</b>	<b>12,762</b>	<b>12,762</b>	<b>202,698</b>
<b>Director of Resources</b>							
<b>Digital &amp; Transformation</b>							
Hwb in schools Infrastructure	108						108
Digital Business Strategy	225						225
Agile IT - mobile phones	721						721
Agile IT - accessories	60	200					260
Mobile IT - laptops	700	2,218					2,918
ERP System Upgrade	194						194
ICT equipment staff reimbursement scheme	356						356
Digital democracy	210						210
WIFI in commercial areas	300						300
Network switches for Guildhall	280						280
Other IT schemes	94						94
Capital creditors for 2020-21 paid in 2021-22	79						79
<b>Financial Services</b>							
Corporate Contingency	1,952	1,750					3,702
Civica upgrade	75						75
<b>Total for Director of Resources</b>	<b>5,354</b>	<b>4,168</b>					<b>9,522</b>
<b>Director of Education (excluding 21st Century schools programme)</b>							
Primary and secondary school schemes (not within C21st programme)	462						462
Flying Start schemes	648						648
Parklands Primary extension	380						380
Sketty Primary remodelling	156						156
Arfryn improvement works	172						172
Reducing Infant Class sizes	613						613
Capital creditors for 2020-21 paid in 2021-22	1,440						1,440
<b>Total for Director of Education</b>	<b>3,871</b>						<b>3,871</b>
<b>Director of Social Services</b>							
Capital to support social services for children		1,500					1,500
Residential home for young people	79						79
Nant-y-felin conversion	103						103
Intermediate Care Fund schemes	360						360
Borfa activity centre	130						130
Other Social Services Schemes	78						78
<b>Total for Director of Social Services</b>	<b>750</b>	<b>1,500</b>					<b>2,250</b>
<b>Director of Place</b>							
<b>Highways &amp; Transportation</b>							
Active Travel schemes	3,977						3,977
Safe Routes in Communities	641						641
Road Safety/Traffic grant Schemes	219						219
Local Transport Fund schemes	4,737						4,737
Traffic network schemes	147						147
Structural maintenance roads, including carriageway resurfacing, footways and lighting	5,183						5,183
Highways annual allocation		3,468	3,468	3,468	3,468	3,468	17,340
Highways additional - Street Lighting conversion to LED		1,000					1,000

**General Fund Capital Budget Expenditure (excluding C21st School programme and Swansea Central City Deal Schemes) 2021/22 - 2026/27**

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Highways additional - Additional Highways resurfacing programme		1,500					1,500
Highways additional - EV fleet renewal		484					484
Seawall repairs Mumbles programme	1,553	1,000					2,553
Electric Refuse collection vehicles	1,356	726					2,082
Integrated Transport Unit vehicles	415						415
Electric Vehicle Charging stations		792					792
Lower Tawe Riverside West SUP	566						566
Slip Bridge Refurbishment	139	200	123				462
Pont-y-Lon Bridge			139				139
Bascule Bridge		656					656
Other Bridges & retaining Walls	400	237					637
Drainage and flood alleviation grant schemes	546						546
Morfa Culvert	1,042						1,042
Coastal Defence works	500						500
Marina barrage schemes	134						134
Bailing plant and recycling centre roads	96						96
St Helen's Road upgrade	175						175
Graig road emergency repairs	300						300
Other highways schemes	423						423
<b>Waste Management and Parks</b>	272	180					452
Tir John works	449	260	1,036	2,706			4,451
Facility to collect and recycle electrical waste	139						139
Green recovery	218						218
Wood Re-use & Recycling Centre	332						332
Playground upgrades	157						157
Other waste schemes	42						42
<b>Culture, Sport, Leisure &amp; Tourism</b>							
Leisure Centre improvements (Freedom Leisure schemes)	385						385
3G Pitch Cefn Hengoed Comprehensive School	407	4,125	62				4,594
3G Pitch Bryntawe	115	235					350
3G Pitch renewal Phoenix Centre	100	200					300
Ashleigh Road Hockey pitch resurface	215						215
Library Service	45						45
Oystermouth Castle repairs	113						113
Glynn Vivian Art Gallery			75				75
Dylan Thomas Exhibition relocation	93						93
Grand Theatre foyer COVID works	67						67
Other Culture, Sport, Leisure & Tourism schemes	193						193
<b>Economic Regeneration &amp; Planning (Excluding Swansea Central City Deal schemes)</b>							
Kingsway Urban Parkway (including Barclays renovation)	1,364	900	296				2,560
Wind Street improvements	2,108	181					2,289
Skyline	87						87
Hafod/Morfa Copper Powerhouse	3,811						3,811
Community Hub development	3,875	5,262					9,137
Swansea Vale infrastructure/studies	70	429	1,459	295			2,253
Palace Theatre Redevelopment	1,906	3,847					5,753
Castle Square redevelopment	636	5,406	4,660	224			10,926
Re-purposing Swansea	500						500
TRI programme - Property Enhancement Development Grant	113						113
TRI programme - Sustainable Living Grant	318						318
TRI programme - Strategic	817						817
Valleys Task force Covid recovery schemes	226						226
Economic Stimulus	690	1,691					2,381
Local Nature Partnership schemes	395						395
Swansea Market Improvements	331						331
Other regeneration schemes	139						139
<b>Housing GF</b>							

**General Fund Capital Budget Expenditure (excluding C21st School programme and Swansea Central City Deal Schemes) 2021/22 - 2026/27**

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
DFG's -1996 Act	4,500						4,500
Housing GF annual allocation		5,200	5,200	5,200	5,200	5,200	26,000
Sandfields Renewal Area	212	100					312
Property Appreciation Loans	500	449					949
Grant For Nominations		46					46
Comfort Safety & Security Grants (CSS)	45						45
Mini Adaptation Grants (MAG)	600						600
Valleys Task Force Empty Properties Scheme	295						295
Western Valleys Empty Properties Scheme	625						625
Warm Homes Fund	470						470
Homelessness empty property grant	121						121
<b>Corporate Building</b>							
Bay Studios hospital	192						192
Capital Maintenance allocated including Schools additional capital maintenance	8,782						8,782
Social Services premises backlog maintenance	1,309						1,309
Capital Maintenance unallocated		3,094	3,094	3,094	3,094	3,094	15,470
Civic Centre Relocation			1,000	1,000	1,000	1,000	4,000
<b>Corporate Property</b>							
Accommodation Strategy (agile working)	59	1,110					1,169
Depot Review (including Pipehouse Wharf Replacement)	961						961
Property Portfolio (the funding for this will be repaid by future rental income)	820						820
Energy Efficiency schemes funded by WG Salix loan	682						682
Swansea Vale new car park facility		3,100					3,100
Tir John Solar Panel Farm	100	2,260					2,360
Capital Community Schemes for Play	887						887
Capital Community Schemes for Highways	888						888
Other Corporate Property schemes	84						84
Place Capital creditors for 2020-21 paid in 2021-22	11,385						11,385
<b>Total for Director of Place</b>	<b>76,794</b>	<b>48,138</b>	<b>20,612</b>	<b>15,987</b>	<b>12,762</b>	<b>12,762</b>	<b>187,055</b>
Totals	86,769	53,806	20,612	15,987	12,762	12,762	202,698

C21st Schools Programme Capital Expenditure and Budget 2012/13 - 2021/22

Appendix D

	to 2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Total
	Actual spend	Actual spend	Actual spend	Actual spend	Actual spend	Actual spend	Actual spend	Actual spend	Actual spend	Forecast spend	
	£'000	£'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					21,926
21st Century Schools Programme (Band A)											
Phase 1											
Burlais Primary new school build	17	453	5,941	1,266	94	185	10				7,966
Gowerton Primary new school build	16	446	2,193	3,833	136	2			5		6,631
YGG Lon Las rebuild and remodel		66	108	2,672	6,202	357	130	277		12	9,824
Glyncollen and Newton Primary improvements		393	1,007								1,400
Phase 2											0
Pentrehafod remodelling				52	3,704	6,951	3,418	539	281		14,945
Gorseinon Primary new school build			51	332	11	30	6	3,887	2,163	264	6,744
Pentre'r Graig Primary improvements			97	1,117	1,429	21					2,664
YG Gwyr improvements			50	109	766	246	6				1,177
<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>3,570</b>	<b>4,703</b>	<b>2,449</b>	<b>276</b>	<b>73,277</b>



C21st Schools Programme Capital Expenditure and Budget 2017/18 - 2026/27

Appendix E

			2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total	
Band B		Progress	Actual spend £'000	Actual spend £'000	Actual spend £'000	Actual spend £'000	Forecast spend £'000	Forecast spend £'000	Forecast spend £'000	Forecast spend £'000	Forecast spend £'000	Forecast spend £'000	£'000	
<b>Expenditure</b>														
21st Century Schools Programme (Band B)														
	Education other than at School new premises	Capital	Complete	155	607	3,777	4,919	306						9,764
	YGG Tan-y-Lan	Capital	Completion due Jan 22	2	177	219	4,601	4,653	248					9,900
	YG Gwyr	Capital	On site		112	187	3,622	2,611	186					6,718
	YG Bryntawe	Capital	RIBA stage two design stage			14	73	80	179	5,727	4,955			11,028
	YGG Tirdeunaw	Capital	Completed Nov 21		165	141	5,172	5,890	183					11,551
	Bishopston Comprehensive School	Capital	On site	35	100	448	5,834	5,297	2,239	64				14,017
	Gowerton Comprehensive School	Capital and MIM	Concept design stage			15	10	100	200	925	8,935	8,759		18,944
	Olchfa Comprehensive School	Capital and MIM	Pending					50	70	714	6,844	237		7,915
	Lougher / Kingsbridge new build welsh primary	Capital	Pending						275	3,690	5,761	400		10,126
	Special Schools	Capital	Pending					100	725	725	13,066	14,901	5,888	35,405
	English Medium Primary Scheme 2	MIM	Pending							8,200	284			8,484
	St Joseph's Cathedral School	MIM (VA)	Pending						94	94	3,475	4,552		8,215
	Welsh Medium schemes (Bryn-y-mor/Login Fach)	Capital	Concept design stage				5	66	756	639	84	0		1,550
<b>Total Expenditure</b>				<b>192</b>	<b>1,161</b>	<b>4,801</b>	<b>24,236</b>	<b>19,153</b>	<b>5,155</b>	<b>12,578</b>	<b>51,320</b>	<b>29,133</b>	<b>5,888</b>	<b>153,617</b>

Swansea Central City Deal Programme Capital Expenditure and Budget 2019/20 - 2023/24

Appendix F

	spend to 2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total
	Actual spend £'000	Actual spend £'000	Actual spend £'000	Forecast spend £'000	Forecast spend £'000	Forecast spend £'000	£'000
<b>Swansea Central Phase 1 Arena Expenditure</b>							
RIBA stage 4, enabling works and fees	9,413	9,499					18,912
Construction including main contract and internal staff		11,290	57,162	46,399	1,504		116,355
<b>Total Expenditure</b>	<b>9,413</b>	<b>20,789</b>	<b>57,162</b>	<b>46,399</b>	<b>1,504</b>	<b>0</b>	<b>135,267</b>

**Funding**

<b>WEFO grant funding</b>				1,000			1,000
<b>City Deal financing</b>				11,814			11,814
<b>Capital receipt</b>				4,900			4,900
<b>Borrowing</b>				28,685	1,504		30,189
<b>Total funding</b>				<b>46,399</b>	<b>1,504</b>	<b>0</b>	<b>47,903</b>

	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Swansea Central Phase 2 Digital Village (71-72 Kingsway) Expenditure</b>							
Design & Planning	343	903	851	1,098		75	3,270
Construction including main contract and internal staff				6,234	25,944	6,144	38,322
<b>Total Expenditure</b>	<b>343</b>	<b>903</b>	<b>851</b>	<b>7,332</b>	<b>25,944</b>	<b>6,219</b>	<b>41,592</b>

Scheme	Source of Funding	2021/22 Change £'000
<b>Director of Finance</b>		
Civica EDMS W3 Upgrade	Revenue	75
<b>Director of Education</b>		
Flying Start Capital Grant 21/22	Grant	611
Parklands Primary Single Storey Extension	Revenue	380
Dylan Thomas 3G Pitch	Revenue	85
<b>Director of Place</b>		
<b>Highways &amp; Transportation</b>		
Bascule Bridge Refurbishment	Grant	330
WG Highways Refurbishment Grant 21/22	Grant	1,192
Local Transport Fund - Baldwins Bridge Interchange land acquisitions	Grant	1,409
Local Transport Fund 21/22	Grant	2,214
Ultra Low Emissions Vehicle Transport Fund 21/22	Grant	566
Road Safety 21/22	Grant	219
Safer Routes In Communities 21/22	Grant	283
Active Travel Fund 21/22	Grant	3,975
Small Scale Flood Risk Mgmt Schemes-5 Sites	Grant	87
Highways & Transportation Vehicle Replacement Prog 21/22	Revenue	740
Purchase of Electric Refuse Vehicle	Grant/Revenue/Reserves	415
Purchase of Multihog Road Maintenance Machine	Revenue	150
Purchase of 2 Electric Compact Road Sweepers	Revenue	370
Resurfacing Work Townhill/Mayhill	Revenue	360
Morfa Rd Bus Enhancements and Tawe Riverside Shared Use Link	Contribution S106	149
<b>Waste Management</b>		
Upgrade Play Facilities at Golden Grove Park	Contribution S106/Revenue	54
Construction of Playground at Weig Fawr Farm, Cockett	Revenue	73
<b>Culture &amp; Tourism</b>		
Resurface Hockey Pitch at Ashleigh Rd	Contribution /Revenue	170
Grand Theatre Foyer - Covid related works	Revenue	25
Amphitheatre Access & H & S	Revenue	18
Special Event Site Electric Compliance	Revenue	40
3G Pitch at Phoenix Centre	Revenue	100
Oystermouth Castle Structural Works	Revenue	113
<b>Economic Regeneration &amp; Planning</b>		
Castle Square Regeneration	Borrowing	715
Kingsway Offices Design & Planning	Borrowing/Grant	7,021
Kingsway Urban Parkway - renovation (barclays building)	Borrowing/Grant	608
Kingsway Infrastructure	Contribution S106/Borrowing	658
Hafod/Morfa Copper works Regen Phase 2	Grant	27
Weighbridge Building Restoration	Borrowing	433
Infrastructure Works, Woodfield St, Morrision	Grant	100
Penllergare Wood-New Community Broadleaved Woodland	Grant	121
Swansea Nature Network and City Nature	Grant	274
<b>Housing &amp; Public Protection</b>		
Homelessness Empty Property Grant	Grant	121
<b>Corporate Building</b>		
All Weather Surface Facility at Pontarddulais Comprehensive School	Borrowing/Revenue	209
Pavilion Refurbish @ Parc William Loughor	Revenue	80
Bay Studios Nightingale Hospital (COVID 19)	Contribution SBUHB	192
Reprofiled Spending - All Services	Various	30,203
<b>TOTAL MATERIAL CHANGES</b>		<b>54,965</b>

Please ensure that you refer to the Screening Form Guidance while completing this form.

**Which service area and directorate are you from?**

Service Area: Finance & Delivery

Directorate: Resources

**Q1 (a) What are you screening for relevance?**

- New and revised policies, practices or procedures
- Service review, re-organisation or service changes/reductions, which affect the wider community, service users and/or staff
- Efficiency or saving proposals
- X Setting budget allocations for new financial year and strategic financial planning
- New project proposals affecting staff, communities or accessibility to the built environment, e.g., new construction work or adaptations to existing buildings, moving to on-line services, changing location
- Large Scale Public Events
- Local implementation of National Strategy/Plans/Legislation
- Strategic directive and intent, including those developed at Regional Partnership Boards and Public Services Board, which impact on a public bodies functions
- Medium to long term plans (for example, corporate plans, development plans, service delivery and improvement plans)
- Setting objectives (for example, well-being objectives, equality objectives, Welsh language strategy)
- Major procurement and commissioning decisions
- Decisions that affect the ability (including external partners) to offer Welsh language opportunities and services

**(b) Please name and fully describe initiative here:**

**Capital Budget 21/22 and programme 2022/23- 26/27**

The report outlines a comprehensive programme of capital investment including:

- A significant continuing programme of IT investment across the Council
- The continued investment in Swansea Schools through the Band B phase of the 21<sup>st</sup> Century Schools Programme, with a number of builds on-site during 2021-22
- Swansea Bay City Deal schemes, the construction and near completion of Phase 1 the Arena and commencement of construction of Phase 2 Digital Village
- A significant programme of capital expenditure to assist the City’s economic recovery from the Covid 19 pandemic

**Q2 What is the potential impact on the following: the impacts below could be positive (+) or negative (-)**

	High Impact		Medium Impact		Low Impact		Needs further investigation
	+	-	+	-	+	-	
Children/young people (0-18)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	x <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Older people (50+)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	x <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Any other age group	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	x <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Future Generations (yet to be born)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	x <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Disability	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	x <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Race (including refugees)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	x <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Asylum seekers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	x <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gypsies & travellers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	x <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Religion or (non-)belief	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	x <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sex	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	x <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sexual Orientation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	x <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gender reassignment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	x <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Welsh Language	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	x <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Poverty/social exclusion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	x <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Carers (inc. young carers)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	x <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Community cohesion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	x <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Marriage & civil partnership	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	x <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pregnancy and maternity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	x <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Q3 What involvement has taken place/will you undertake e.g. engagement/consultation/co-productive approaches? Please provide details below – either of your activities or your reasons for not undertaking involvement**

Engagement not required for the overall capital budget. Engagement and consultation is undertaken for individual capital schemes

**Q4 Have you considered the Well-being of Future Generations Act (Wales) 2015 in the development of this initiative:**

- a) Overall does the initiative support our Corporate Plan’s Well-being Objectives when considered together?  
 Yes  x      No
- b) Does the initiative consider maximising contribution to each of the seven national well-being goals?  
 Yes  x      No
- c) Does the initiative apply each of the five ways of working?  
 Yes  x      No
- d) Does the initiative meet the needs of the present without compromising the ability of future generations to meet their own needs?  
 Yes  x      No

**Q5 What is the potential risk of the initiative? (Consider the following impacts – equality, socio-economic, environmental, cultural, legal, financial, political, media, public perception etc...)**

High risk

Medium risk

Low risk  
 x

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

Yes X       No      If yes, please provide details below

The capital budget is informed/developed by the Service depts. that consume capital expenditure

**Q7 What is the cumulative impact of this proposal on people and/or communities when considering all the impacts identified within the screening and any other key decisions affecting similar groups/ service users made by the organisation?**

*(You may need to discuss this with your Service Head or Cabinet Member to consider more widely if this proposal will affect certain groups/ communities more adversely because of other decisions the organisation is making. For example, financial impact/poverty, withdrawal of multiple services and whether this is disadvantaging the same groups, e.g., disabled people, older people, single parents (who are mainly women), etc.)*

**The capital budget covers many areas. Each project will be subject to an IIA in its own right and any cumulative impacts identified at this point**

**Outcome of Screening**

**Q8 Please describe the outcome of your screening below:**

- **Summary of impacts identified and mitigation needed (Q2)**
- **Summary of involvement (Q3)**
- **WFG considerations (Q4)**
- **Any risks identified (Q5)**
- **Cumulative impact (Q7)**

Capital finance is constrained by the amount of available resources, the budgetary process allocates that budget appropriately. There are no implications arising from this report. All future programs and schemes covered within this report will be subject to their own Integrated Impact Assessment screening.

(NB: This summary paragraph should be used in the relevant section of corporate report)

Full IIA to be completed

X Do not complete IIA – please ensure you have provided the relevant information above to support this outcome

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.

<b>Screening completed by:</b>
<b>Name:</b> Jayne James
<b>Job title:</b> Strategic Finance Manager Capital
<b>Date:</b> 20.01.22
<b>Approval by Head of Service:</b>
<b>Name:</b> Ben Smith
<b>Position:</b> Chief Finance Officer (S151 Officer)
<b>Date:</b> 21.01.22

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

# Agenda Item 12.



## Report of the Section 151 Officer

Council – 3 March 2022

### Housing Revenue Account (HRA) Revenue Budget 2022/23

<b>Purpose:</b>	This report proposes a Revenue Budget for 22/23 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 the following budget proposals be recommended to Council for approval:  1) Rents to be increased in line with the Welsh Government policy as detailed in section 3;  2) Fees, charges and allowances are approved as outlined in section 4;  3) The revenue budget proposals as detailed in section 4.
<b>Report Authors:</b>	Mark Wade / Ben Smith
<b>Finance Officer:</b>	Aimee Dyer
<b>Legal Officer:</b>	Adrian Jeremiah
<b>Access to Services Officer:</b>	Catherine Window

#### 1. Introduction

1.1 The setting of the revenue budget has to take account of the following issues and factors:-

- the requirement to maintain the Welsh Housing Quality Standard (WHQS);
- the funding requirements of the More Homes Programme;
- future income and expenditure trends;
- The Welsh Governments rents policy;
- the affordability of rent increases;

- cost efficiencies and value for money
- 1.2 The proposals in this report are based on the objective of maximising the resources available for investment in the housing stock to meet Council priorities including maintaining the Welsh Housing Quality Standard (WHQS), to reduce carbon emissions and to build affordable housing in line with the More Homes Programme. These investment priorities have been carefully balanced against consideration of affordability of rents and other service charges for tenants.

## **2. Projected Revenue Outturn 2021/22**

- 2.1 The economic impact of the Covid pandemic on rent collection rates is being closely monitored. During the first half of the year, collection rates have not been significantly affected. Revenue repairs expenditure has increased as a result of the back log of repairs from 2020/21 caused by the pandemic and an overspend of £1m in 21/22 is forecast. Spend in this area will continue to be closely monitored.
- 2.2 In addition, an increase in the number of disrepair insurance claims has led to a forecast overspend of £170k. This is offset by a forecast underspend on employees costs of £180k as a result of higher than expected vacancies. Covid has also had an ongoing impact on the delivery of the HRA Capital Programme and some slippage is forecast. This will mean a reduction in the amount of borrowing required to fund this year's Programme and a reduction in financing costs.

## **3. Rent Income**

- 3.1 In December 2019 the Minister for Housing and Local Government set out the policy for the five year period from April 2020. The policy sets a maximum annual increase in rental income of Consumer Price Index plus 1%. Within the policy there is a clause which allows the Welsh Government to set a lower increase should CPI exceed 3%.
- 3.2 An intrinsic part of the new five year policy is that all social landlords will be expected to ensure that rents and service charges remain affordable for current and future tenants and carry out an assessment of cost efficiencies and value for money.
- 3.3 The proposed rent increase has taken into account the affordability of rents for tenants. The following factors have been examined;
- Based on the latest published Welsh Government data, Our current average weekly rent compares favourably with other Welsh social landlords ranking 29<sup>th</sup> highest out of 49.
  - The current average rent is significantly lower than the average private sector. The latest available figure for the average private sector rent in Swansea is £130.78 per week.



- A significant number of tenants are in receipt of Housing Benefit or Universal Credit. These benefits will be increased to cover the proposed rent increase.
  - The latest tenants survey carried out in October 2021 found that 64.8% of tenants were either very satisfied or satisfied that their rent provided value for money. 24.4% were neither satisfied or dissatisfied and 10.9% were either dissatisfied or very dissatisfied.
- 3.4 As CPI exceeded 3% in September 2021, the Welsh Government have decided that the maximum rent increase allowed for 2022/23 would be 3.1%. This would equate to an average increase of £3.09 per week and an average weekly rent of £102.72 (based on 50 weeks).

#### **4. Revenue Budget Proposals 2022/23**

##### *4.1 Overview*

- 4.1.1 In line with the requirements of the Welsh Government's Rents Policy, budgets have been examined and where possible savings have been identified.
- 4.1.2 The main budget increases from 2021/22 are an increase in revenue repairs costs of £1.32m as a result of the inflationary pressures set out in 4.2. An increase in the Revenue Contribution to Capital of £863k. An increase in Employee costs of £481k to fund forecast pay increases for 21/22 and 22/23 and an increase in employers NI contributions. Increases in Utility budgets of £257k as a result of a forecast significant increase in costs and an increase in Insurance costs of £200k largely as a result of an increase in the budget for Disrepair claims. In addition, a budget of £60k has been set aside towards the costs of implementing the new Renting Homes Regulations.
- 4.1.3 The main budget savings are a reduction in the provision for Bad Debts of £816k as a result of higher than forecast rent collection rates. In addition, Housing Management costs are regularly reviewed. A recent restructure of the senior management team within the Housing Service has seen the removal of 2 senior management posts and the recommendations of the Housing Commissioning Review have been implemented and 3 District Housing Offices have been closed. This has meant to a reduction in Housing Management costs of £156k.
- 4.1.4 The main changes to funding/income are an increase in rent income of £2.13m arising from the proposed rent increase and £32k from increases in other charges including charges for furnished tenancies and some sheltered service charges. In addition there is an additional £88k in grant funding for support services to sheltered tenants. There is a reduction of £25k in investment income due to lower balances and interest rates and £18k in commission income as a result of the ending of the Tenants Contents Insurance scheme.

4.1.5 The main changes from the 2021/22 budget are shown in the following table:-

<b>Item</b>	<b>£000</b>
Increase in Revenue Repairs	1,319
Increase in Revenue Contribution to Capital	863
Increase in employee costs	481
Increase in utilities and insurance costs	457
Addition of budget for Renting Homes	60
Increase in Finance Costs	45
Reduction in Transfer To Reserves	-46
Reduction in other Housing Management Costs	-156
Reduction in the Provision for Bad Debts	-816
Additional income including 3.1% rent increase and increases in other charges	-2,207

4.1.6 Income is expected to exceed expenditure next year by £28.3m. This amount will be used to contribute towards the capital programme of £58.1m in 2022/23 in order to maintain prudent levels of borrowing whilst meeting the investment priorities which are needed to maintain the WHQS and for the More Homes Programme.

#### 4.2 *Inflation*

There are significant inflationary pressures on the HRA budget for 2022/2023. No provision was included in the 2021/22 budget for a pay increase. It is now likely that an increase of 1.75% or above will be implemented. For 2022/23 a further budgeted increase of 3% has been included. In addition, the budget for employers National Insurance contributions has been increased. Revenue Repairs budgets have also been increased as a result of high building industry inflation particularly relating to the cost of materials. Other budgets, such as utility costs have also been amended to reflect a significant increase in prices.

#### 4.3 *Capital Financing Charges*

Capital financing charges will increase in 2022/23 as a result of the additional borrowing required to fund the Capital Programme.

#### 4.4 *Fees, Charges and Allowances*

General fees, charges and allowances are to be increased in line with the agreed rent increase of 3.1%.

#### 4.5 *Contributions to the Capital Programme*

The additional income enables a contribution of £28.3m to the capital programme.

## **5. Risks and Uncertainties**

- 5.1 The main risks and uncertainties for next year are the ongoing impact of the Covid pandemic and economic uncertainties particularly regarding levels of rental income and the rising costs due to inflation. The impact of the Renting Homes (Wales) Act 2016 is also unknown at this time.

## **6. Reserves**

- 6.1 The HRA predicted balance at the start of the year will be £5.593m. This is considered to be in line with the minimum level of reserves which is considered prudent and therefore reserves will not be used to finance capital expenditure in 2022/23. The reserves position is detailed in Table B.

## **7. Integrated Assessment Implications**

- 7.1 The Council is subject to the Equality Act (Public Sector Equality Duty and the socio-economic duty), the Well-being of Future Generations (Wales) Act 2015 and the Welsh Language (Wales) Measure, 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 Acts.
  - 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.
  - Deliver better outcomes for those people who experience socio-economic disadvantage
  - Consider opportunities for people to use the Welsh language
  - Treat the Welsh language no less favourably than English.
  - Ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.
- 7.2 The Well-being of Future Generations (Wales) Act 2015 mandates that public bodies in Wales must carry out sustainable development. Sustainable development means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the 'well-being goals'.
- 7.3 Our Integrated Impact Assessment (IIA) process ensures we have paid due regard to the above. It also takes into account other key issues and priorities, such as poverty and social exclusion, community cohesion, carers, the United Nations Convention on the Rights of the Child (UNCRC) and Welsh language.
- 7.4 An IIA screening form has been completed and reviewed. The agreed outcome was that a full IIA 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.

## **8. Legal Implications**

- 8.1 Tenants will need to be notified of the proposed increase in accordance with the provisions of section 102 of the Housing Act 1985. Section 102 b) states that variation of the Rent shall be carried out in accordance with the provisions of the Tenancy Agreement. Section 2.6 of the Council's Tenancy Agreement states that Tenants must be given 4 weeks notice before any Rent change.

**Background Papers:** None

### **Appendices:**

- Appendix 1 - Table A: Summarised HRA 2021/22 to 2022/23
  - Table B: Movement in Balances 2021/22 to 2022/23
- Appendix 2 – Integrated Impact Assessment Screening Form

## Appendix 1

**Table A: Summarised HRA 2021/22 to 2022/23**

Classification	Budget 2021/22	Budget 2022/23
	£'000	£'000
<u>Expenditure</u>		
Management and Maintenance	32,059	33,404
Capital Charges	10,399	10,444
Revenue Funding for capital schemes	27,457	28,320
Increase in Balances	48	2
<b>Total Expenditure</b>	<b>69,963</b>	<b>72,170</b>
<u>Income</u>		
Rents and other income	69,617	71,824
Affordable Housing Grant	346	346
<b>Total Income</b>	<b>69,963</b>	<b>72,170</b>

**Table B: Movement in Balances 2021/22 to 2022/23**

Description	£000's
Actual balance at 1 <sup>st</sup> April 2021	-6,244
Budgeted increase 21/22	-48
<b>Budgeted balance 31<sup>st</sup> March 2022</b>	<b>-6,292</b>
Forecast change 2021/22	699
<b>Forecast balance 31<sup>st</sup> March 2022</b>	<b>-5,593</b>
Budgeted change 2022/23	-2
<b>Forecast balance 31<sup>st</sup> March 2023</b>	<b>-5,595</b>

## Integrated Impact Assessment Screening Form – Appendix 2

Please ensure that you refer to the Screening Form Guidance while completing this form.

### Which service area and directorate are you from?

Service Area: Housing and Public Health

Directorate: Place

### Q1 (a) What are you screening for relevance?

- New and revised policies, practices or procedures
- Service review, re-organisation or service changes/reductions, which affect the wider community, service users and/or staff
- Efficiency or saving proposals
- Setting budget allocations for new financial year and strategic financial planning
- New project proposals affecting staff, communities or accessibility to the built environment, e.g., new construction work or adaptations to existing buildings, moving to on-line services, changing location
- Large Scale Public Events
- Local implementation of National Strategy/Plans/Legislation
- Strategic directive and intent, including those developed at Regional Partnership Boards and Public Services Board, which impact on a public bodies functions
- Medium to long term plans (for example, corporate plans, development plans, service delivery and improvement plans)
- Setting objectives (for example, well-being objectives, equality objectives, Welsh language strategy)
- Major procurement and commissioning decisions
- Decisions that affect the ability (including external partners) to offer Welsh language opportunities and services

### (b) Please name and fully describe initiative here:

This report proposes a Revenue Budget for 2022/23 and a rent increase in line with Welsh Government rent policy for properties within the HRA. The proposed rent increase has taken into account the affordability of rents for tenants. The following factors have been examined;

- The current average weekly rent compares favourably with other Welsh social landlords ranking 29<sup>th</sup> out of 49.
- The current average rent is significantly lower than the average private sector. The average private sector rent in Swansea is £130.78 per week.
- A significant number of tenants are in receipt of Housing Benefit or Universal Credit. These benefits will be increased to cover the proposed rent increase so tenants in receipt of these benefits will not be worse off.
- The latest tenants survey carried out in October 2021 found that 64.8% of tenants were either very satisfied or satisfied that their rent provided value for money. 24.4% were neither satisfied or dissatisfied and 10.9% were either dissatisfied or very dissatisfied.

**Q2 What is the potential impact on the following: the impacts below could be positive (+) or negative (-)**

further	High Impact		Medium Impact		Low Impact		Needs investigation
	+	-	+	-	+	-	
Children/young people (0-18)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Older people (50+)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Any other age group	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Future Generations (yet to be born)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Disability	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Race (including refugees)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Asylum seekers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Gypsies & travellers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Religion or (non-)belief	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Sex	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Sexual Orientation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Gender reassignment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Welsh Language	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Poverty/social exclusion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Carers (inc. young carers)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Community cohesion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Marriage & civil partnership	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<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"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

**Q3 What involvement has taken place/will you undertake e.g. engagement/consultation/co-productive approaches? Please provide details below – either of your activities or your reasons for not undertaking involvement**

The setting of the revenue budget has to take account of the following issues and factors:-

- the requirement to maintain 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 Welsh Government rent policy;
- the effect on tenants of rent increases.
- cost efficiencies and value for money

The proposals in this report are based on the objective of maximising the resources available for investment in the housing stock to maintain 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.

**Q4 Have you considered the Well-being of Future Generations Act (Wales) 2015 in the development of this initiative:**

- a) Overall does the initiative support our Corporate Plan's Well-being Objectives when considered together?  
Yes  No
- b) Does the initiative consider maximising contribution to each of the seven national well-being goals?  
Yes  No
- c) Does the initiative apply each of the five ways of working?  
Yes  No
- d) Does the initiative meet the needs of the present without compromising the ability of future generations to meet their own needs?  
Yes  No

---

**Q5 What is the potential risk of the initiative? (Consider the following impacts – equality, socio-economic, environmental, cultural, legal, financial, political, media, public perception etc...)**

High risk

Medium risk

Low risk

---

**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 What is the cumulative impact of this proposal on people and/or communities when considering all the impacts identified within the screening and any other key decisions affecting similar groups/ service users made by the organisation?**

*(You may need to discuss this with your Service Head or Cabinet Member to consider more widely if this proposal will affect certain groups/ communities more adversely because of other decisions the organisation is making. For example, financial impact/poverty, withdrawal of multiple services and whether this is disadvantaging the*



same groups, e.g., disabled people, older people, single parents (who are mainly women), etc.)

A significant number of Housing tenants will not be impacted by the proposed rent increase as they are in receipt of Housing Benefit or Universal Credit. These benefits will be increased to cover the proposed rent increase so tenants in receipt of these benefits will not be worse off.

### Outcome of Screening

**Q8 Please describe the outcome of your screening below:**

- **Summary of impacts identified and mitigation needed (Q2)**
  - **Summary of involvement (Q3)**
  - **WFG considerations (Q4)**
  - **Any risks identified (Q5)**
  - **Cumulative impact (Q7)**

An IIA screening form has been completed and reviewed. The agreed outcome was that a full IIA 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.

(NB: This summary paragraph should be used in the relevant section of corporate report)

Full IIA to be completed

Do not complete IIA – please ensure you have provided the relevant information above to support this outcome

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.

<b>Screening completed by:</b>
<b>Name:</b> Paul Lilley
<b>Job title:</b> Housing Finance and IT Manager
<b>Date:</b> 26/01/22
<b>Approval by Head of Service:</b>
<b>Name:</b> Mark Wade
<b>Position:</b> Head of Housing and Public Health
<b>Date:</b> 26/01/22

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

# Agenda Item 13.



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

Council – 3 March 2022

### Housing Revenue Account – Capital Budget & Programme 2021/22 – 2025/26

<b>Purpose:</b>	This report proposes a revised capital budget for 2021/22 and a capital budget for 2022/23 – 2025/26
<b>Policy Framework:</b>	None
<b>Consultation:</b>	Cabinet Member, Legal, Finance & Access to Services
<b>Recommendation(s):</b>	It is recommended that:  <ol style="list-style-type: none"><li>1) The transfers between schemes and the revised budgets for schemes in 2021/22 are approved.</li><li>2) The budget proposals for 2022/23 – 2025/26 are approved.</li><li>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 4 years are approved.</li></ol>
<b>Report Authors:</b>	Ben Smith / Mark Wade
<b>Finance Officer:</b>	Ben Smith
<b>Legal Officer:</b>	Debbie Smith
<b>Access to Services Officer:</b>	Rhian Millar

#### 1.0 Introduction

##### 1.1 This report details:

- Revised Housing Revenue Account (HRA) capital expenditure and financing proposals in 2021/22
- HRA Capital expenditure and financing proposals in 2022/23 – 2025/26

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

- Appendix A: Summary of the revised budget for 2021/22 and a budget for 2022/23 – 2025/26
- Appendix B: Detailed breakdown of the revised budget for 2021/22 and a budget for 2022/23 – 2025/26
- Appendix C: Welsh Housing Quality Standard (WHQS) and More Homes scheme descriptions

## **2.0 Capital Budget**

2.1 The revised programme for the current year is £47.42m i.e. an original budget of £59.1m plus carry-forward from 2020/21 of £2.53m, additional More Homes Schemes of £2.1m less slippage into 2022/23 of £15.49m and other budget adjustments of £0.82m.

2.2 Slippage from 2021/22 into 2022/23 has occurred for a number of reasons. The impact of the Covid 19 pandemic continues to affect sickness levels and normal work procedures. Contractor outputs remain well below pre-pandemic levels. Contractor capacity in the region and shortage of skilled labour has also restricted programme delivery across a number of work streams. This has been further compounded by shortages of core building materials and long lead in delivery periods within the supply chain. Programme delays have occurred securing scarce renewable energy design specialists to design, specify and integrate into a number of wind and weatherproofing schemes.

2.3 The revised More Homes programme for 2021/22 includes schemes brought forward from future years and others added to the original programme. This is in part due to Welsh Government (WG) issuing new guidance to local authorities in June 2020 setting out a requirement to produce “Phase 2 Transition Plans” to protect the homeless from the potential effects of the covid pandemic by providing emergency and long-term self-contained accommodation. In October 2020, Cabinet approved a report which outlined the successful bid for Phase 2 funding and Intermediate Care Fund (ICF) grant funding to acquire units of adapted accommodation. Additional financial provision has been made within the More Homes budget to allow for acquisition of sites from the Council’s General Fund to the Housing Revenue Account to develop suitable stock and the purchase of additional homes from the open market to help meet demand for more one bedroom social housing properties in Swansea.

2.4 The proposed four year capital programme and the priorities of the various schemes have been developed in line with the HRA Business Plan. They are designed to maintain the Welsh Housing Quality Standard as well as increase the supply of council housing. The investment set out in 2022/23 will ensure remaining 2021/22 commitments will be met and new 2022/23 work-streams have been developed to ensure they are deliverable. Transfers and changes to the 2021/22 budget are set out in appendix B.

### **3.0 Welsh Housing Quality Standard (WHQS)**

- 3.1 The 4 year capital investment programme will ensure the Council moves to WHQS Maintenance phase in 2022, having completed its Compliance phase to reach the Standard, in accordance with Welsh Government guidance. The WHQS guidance permits what are termed 'acceptable fails', which apply to building components 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 and routine repairs services to ensure tenants remain safe and secure in their homes.
- 3.2 Schemes detailed in Appendix C will result in homes maintaining compliance across the following key 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.

#### 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 checks to be up to date and safe; doors and windows to provide good levels of security and fire safety measures to be well designed and in good condition.

#### 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 for homes to meet the needs of their occupants ensuring necessary facilities such as kitchens and bathrooms are sufficient and where required, adaptations are undertaken for persons with disabilities.

### **4.0 Decarbonisation and Energy Efficiency**

- 4.1 The Welsh Government will be introducing new standards for social housing and revising requirements within the WHQS. It is expected carbon emissions

will need to be reduced and higher energy efficiency targets will be set in order to bring these into line with the Welsh Government's Decarbonisation agenda. The Better Homes, Better Wales, Better World report sets out a number of recommendations and has an overall objective to reduce carbon emissions in social housing by 95% by 2030. The findings of the report have been accepted in principle by the Housing Minister.

- 4.2 Revised guidance setting out additional decarbonisation duties are expected to be implemented by Welsh Government in April 2023. In the period leading up to formal adoption, there's an expectation that social housing providers will start integrating renewable technologies as a part of planned repair, maintenance and improvement capital programmes. The selection of properties to benefit from solar panels and battery storage will be based on property condition and our planned next phases of enveloping properties to upgrade aging fabric and improve thermal performance.
- 4.3 The proposed refurbishment programme, improved designs and specifications will deliver higher thermal performance and it is proposed that wind and weatherproofing schemes commencing from 2022 will integrate solar (photovoltaic) panels and battery storage into all future new projects. The strategic objective will mean homes will be warmer, cheaper to run for tenants and reduce carbon dioxide emissions which accords with future WG statutory decarbonisation requirements.
- 4.4 The introduction of solar panels and battery storage to planned schemes will on average require £7m of investment each year across the 4 years. This investment is affordable within the HRA business plan. This investment will contribute towards reducing carbon emissions and create a platform for future measures but will not deliver carbon zero properties.
- 4.5 The investment required to achieve a fully decarbonised housing stock is estimated to be £750 million in a time frame thought to be 10 years. Implementing these required statutory changes at this stage is a sensible and pragmatic decision noting that associated works are already in progress on these schemes. However, funding a full programme will only be achievable through additional material funding from Welsh or Central Government, and in the absence of the same, if the decarbonisation objectives are to be met, the current budgeted programme shall need to be reduced accordingly within the envelope of the business planned capital budget. These current proposals will allow the council to begin to develop and grow its knowledge and experience, build skills internally and support local supply chains.

## **5.0 More Homes**

- 5.1 The More Homes Strategy for providing new Council housing has been endorsed by Council. Indicative expenditure of £74.3m over 4 years up to 2025/26 for taking forward the strategy has been included in the programme. Cabinet has approved a target of 1,000 new council homes from 2021-2031, and this 4 year programme will enable the acquisition and construction of around 460 new council homes. This will also include the acquisition of properties and land to develop for council and affordable housing. Delivery

will be aided through partnerships which will increase capacity and pace in the programme.

## **6.0 Financing of HRA Capital Budget 2021/22-2025/26**

6.1 The attached capital budget proposals will be funded through a combination of Welsh Government (WG) contribution via its Major Repair Allowance (MRA) grant, revenue contributions from the HRA, borrowing and grants to support decarbonisation retrofit works to existing stock and new build. Details are set out in Appendix A.

6.2 The funding of the attached capital budget proposals requires additional borrowing of £125.2m for the period between 2022/23 and 2025/26. Total forecast of outstanding HRA borrowing at 31 March 2026 is £270.3m.

## **7.0 Risks**

7.1 The risks to the 4 year programme are similar to those set out in the HRA Revenue report. In particular, the level of Major Repair Allowance grant, levels of Social Housing Grant (SHG) available to support new build, future rent increases (which are determined by WG) and the effect of Welfare Reform on levels of rental income which support capital funding.

## **8.0 Integrated Assessment Implications**

8.1 The Council is subject to the Equality Act (Public Sector Equality Duty and the socio-economic duty), the Well-being of Future Generations (Wales) Act 2015 and the Welsh Language (Wales) Measure, 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 Acts.
- 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.
- Deliver better outcomes for those people who experience socio-economic disadvantage.
- Consider opportunities for people to use the Welsh language
- Treat the Welsh language no less favourably than English.
- Ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.

8.2 The Well-being of Future Generations (Wales) Act 2015 mandates that public bodies in Wales must carry out sustainable development. Sustainable development means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the 'well-being goals'.

- 8.3 Our Integrated Impact Assessment (IIA) process ensures we have paid due regard to the above. It also takes into account other key issues and priorities, such as poverty and social exclusion, community cohesion, carers, the United Nations Convention on the Rights of the Child (UNCRC) and Welsh language.
- 8.4 An IIA Screening Form has been completed and a full IIA report is not required. Delivering and maintaining the Welsh Housing Quality Standard for the Council's housing and creating new affordable homes is an example of the 5 Ways of Working promoted by the Wellbeing of Future Generations (Wales) Act 2015 and will contribute towards the 7 well-being goals. The planned programme of repairs set out in this report is about early intervention which will secure social housing for the long term and will benefit future generations. The investment will continue to repair homes and work towards reducing carbon emissions, increasing efficiency and creating affordable homes. Schemes will be subject to consultation with those individuals affected via the Council's Major Works Agreement and all schemes needing planning consent will be subject to normal planning procedures and the council's IIA process. Any individual requirement will be taken into account during the scheme liaison process.
- 8.5 Repairing and maintaining existing council housing will secure social housing for the long term, making them healthier and more efficient places to live. New build social housing will stimulate local economic growth, addressing issues such as poverty, inequality, jobs and skills which directly contributes to the council's obligations to act in a sustainable way pursuant to the WFGA.

## **9.0 Legal Implications**

- 9.1 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.

## **10.0 Financial Implications**

- 10.1 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, HRA borrowing, Social Housing Grant (SHG). There are no financial implications for the Council General Fund.
- 10.2 Additional borrowing of £125.2m will be required to fund the WHQS and new build programmes from 2022/23 to and including 2025/26.
- 10.3 Contained within programme of improvements are work streams that will contribute towards reducing occupancy related carbon emission as part of the decarbonisation agenda. The scale of these proposed improvements will be small relative to the overall requirement to fully decarbonise the housing stock and are affordable within the current HRA business plan. The investment required to completely decarbonise the Council's housing stock however, is assessed as unaffordable within the HRA's business plan and will

require additional investment and support from Welsh Government to achieve this aim.

### **Background Papers**

None.

### **Appendices**

Appendix A: Summary of the revised budget for 2021/22 and a budget for 2022/23 – 2025/26.

Appendix B: A detailed breakdown of the revised budget for 2021/22 and a budget for 2022/23 – 2025/26.

Appendix C: Scheme descriptions.

Appendix D: IIA



Summary of HRA Capital Budget and Programme 2021/22 to 2025/26							
Scheme	2021/22	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	Original	Revised	Original	Original	Original	Original	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
<b>Good State of Repair</b>							
Wind & Weatherproofing	16,919	6,265	18,761	24,247	29,595	30,819	<b>109,687</b>
System Built Properties & Highrise Blocks	2,560	948	2,266	5,725	9,355	5,405	<b>23,699</b>
Roofing	1,351	1,220	1,703	1,010	1,010	1,010	<b>5,953</b>
Windows, Doors & General Repairs	1,033	670	1,126	460	250	250	<b>2,756</b>
<b>Safe and Secure</b>							
Fire Safety	2,508	1,486	3,038	1,300	1,100	1,100	<b>8,024</b>
Electrical Improvements	2,050	1,807	1,974	1,716	1,709	955	<b>8,161</b>
Passenger Lifts	1,000	350	861	760	700		<b>2,671</b>
<b>Adequately Heated, Fuel Efficient &amp; Well Insulated</b>							
Heating Systems	1,050	945	850	900	950	1,200	<b>4,845</b>
Energy Efficiency & Grant Support	380		420	270	200	160	<b>1,050</b>
<b>Contain Up to Date Kitchens and Bathrooms</b>							
Kitchens & Bathrooms	5,000	9,103	1,647	1,500	1,000	1,000	<b>14,250</b>
<b>Located in Attractive and Safe Environments</b>							
Environment - Within the Curtilage	11,950	6,230	8,718	1,230	1,030	1,130	<b>18,338</b>
Estate Based Environment	1,652	1,550	2,025	2,300	2,500	3,500	<b>11,875</b>
<b>Meeting Requirements of the Household</b>							
Adaptations	3,280	2,600	2,750	2,750	2,750	2,750	<b>13,600</b>
<b>More Homes</b>							
New Build & Acquisitions	9,168	14,250	12,013	22,216	21,875	18,175	<b>88,529</b>
<b>Total</b>	<b>59,901</b>	<b>47,424</b>	<b>58,152</b>	<b>66,384</b>	<b>74,024</b>	<b>67,454</b>	<b>313,438</b>

## Appendix A cont.

<b>Financed By:</b>	<b>2021/22 Revised</b>	<b>2022/23 Original</b>	<b>2023/24 Original</b>	<b>2024/25 Original</b>	<b>2025/26 Original</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Major Repair Allowance (MRA)	9,220	9,220	9,220	9,220	9,220	46,100
RCCO	27,684	28,320	23,673	20,304	17,134	117,115
Borrowing	7,600	16,009	30,191	41,200	37,800	132,800
Innovative Housing Grant	406					406
Phase 2 Transitional Funding	145					145
Intermediate Care Fund (ICF) Grant	633					633
Social Housing Grant (SHG)	1,736	3,300	3,300	3,300	3,300	14,936
Land and Building Development Fund (LBDF)		1,303				1,303
<b>Total</b>	<b>47,424</b>	<b>58,152</b>	<b>66,384</b>	<b>74,024</b>	<b>67,454</b>	<b>313,438</b>

Appendix B

HRA CAPITAL PROGRAMME	2021/22 to 2025/26						
	2021/22	2021/22	2022/23	2023/24	2024/25	2025/26	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, Blaenymaes		18					18
Wind & Weatherproofing, Fforesthall	1,300	921	2,751	1,600	1,735	1,856	8,863
Wind & Weatherproofing, Garden City			600	1,585	2,473		4,658
Wind & Weatherproofing, Talcoppa	200	150					150
Wind & Weatherproofing, Birchgrove Road				350	2,400	2,400	5,150
Wind & Weatherproofing, Pentrechwyth	1,468	544	1,670	901			3,115
Wind & Weatherproofing, St Thomas Flats						995	995
Wind & Weatherproofing, Trallwn Road Area			1,210	769			1,979
Wind & Weatherproofing, William Morris Gardens						1,509	1,509
Wind & Weatherproofing, Gorseinon				2,379	2,505	2,492	7,376
Wind & Weatherproofing, Gowerton						2,660	2,660
Wind & Weatherproofing, Loughor					1,446	1,367	2,813
Wind & Weatherproofing, Penyrheol	1,307	31	800	1,898	2,131	1,191	6,051
Wind & Weatherproofing, Pontardulais					1,920	1,892	3,812
Wind & Weatherproofing, Waunarwydd			360	1,223	1,223	1,253	4,059
Wind & Weatherproofing, Clase, Longview & Penrhiw Rd	643	707	819				1,526
Wind & Weatherproofing, Clydach Tanycoed	2,100	1,397	2,900				4,297
Wind & Weatherproofing, Clydach Woodside Rd Area			50	1,690	2,036		3,776
Wind & Weatherproofing, Clydach Tyle Teg Area						1,768	1,768
Wind & Weatherproofing, Gwernfadog & Llanllienwen Rd			450	1,374	1,985		3,809
Wind & Weatherproofing, Garnswllt	850	25	910	460			1,395
Wind & Weatherproofing, Morryston Area			780	1,613			2,393
Wind & Weatherproofing, Trewyddfa Common Area						1,669	1,669

HRA CAPITAL PROGRAMME	2021/22 to 2025/26						
	2021/22	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	Original	Revised	Original	Original	Original	Original	Original
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Scheme / Project							
<b>Good State of Repair continued.</b>							
Wind & Weatherproofing, Llwynceithin & Maes Glas Flats		250	250				<b>500</b>
Wind & Weatherproofing, Penlan & Gendros				660	1,859	2,494	<b>5,012</b>
Wind & Weatherproofing, Sketty	2,079	21	866	2,571	2,051	1,591	<b>7,100</b>
Wind & Weatherproofing, Three Crosses						1,382	<b>1,382</b>
Wind & Weatherproofing, Jones, Evans & Wilkes Row	1,461	1,013	503				<b>1,516</b>
Wind & Weatherproofing, Cwm Road Area						1,069	<b>1,069</b>
Wind & Weatherproofing, Brondeg				1,560	1,349		<b>2,909</b>
Wind & Weatherproofing, Landore	1,169	519	1,143	802			<b>2,464</b>
Wind & Weatherproofing, Mayhill & Townhill	2,116	164	1,614	1,566	2,339	2,155	<b>7,838</b>
Wind & Weatherproofing, West Cross	200	357					<b>357</b>
Wind & Weatherproofing, West Cross - Warwick Place		2					<b>2</b>
Wind & Weatherproofing, West Cross - Boarspit	1,976	45	1,050	1,211	2,108	1,078	<b>5,493</b>
Wind & Weatherproofing, Various Locations	50	100	35	35	35		<b>205</b>
Airey & Traditional Built Properties, Felindre	950	20	959				<b>979</b>
Resiform & Traditional Built Properties, Craig Cefn Parc	150	30	520				<b>550</b>
Wimpey No Fines (WNFs) Properties, Waunarwydd	90	25					<b>25</b>
Wimpey No Fines (WNFs) Properties, Heol Emrys & Tudno Place	150	5	5	5	5	3	<b>23</b>
Easiform Properties, Winch Wen	18	18					<b>18</b>
Easiform & Traditional Properties, Sketty		4					<b>4</b>
Easiform & Wimpey No Fines Properties, Clase		20					<b>20</b>
Highrise Flats, Dyfatty - Croft Street	1,162	600	747	5,700	8,550	4,200	<b>19,797</b>
Highrise Flats, Dyfatty - GJS		51	30	20	800	1,200	<b>2,101</b>
Highrise Flats, Clyne & Jeffreys Court	40	175	5				<b>180</b>
Chimney Repairs	1,100	823	1,600	1,000	1,000	1,000	<b>5,423</b>
Pitched Roof – Various	50	30	10	10	10	10	<b>70</b>

HRA CAPITAL PROGRAMME	2021/22 to 2025/26						
	2021/22	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	Original	Revised	Original	Original	Original	Original	Original
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Good State of Repair continued.</b>							
Pitched Roof - Port Tennant Road Flats		4					4
Pitched Roof - Maes Yr Efail	20	19					19
Glass Canopy - Pantgwyn, Sketty	8	0					0
Flat Roof Renewal - Various	150	20	66				86
Flat Roof & Window Renewal, Rheidol Court	23	325	27				352
Balcony Repairs	100	55	390				445
Window & Door Renewal	75		98	10	10	10	128
Fire Door Improvement	450	300	208	150	20	20	698
Structural Repairs	250	250	200	200	200	200	1,050
Drainage Repairs & Improvements	35	15	30	50	20	20	135
Repairs & Regeneration to District Housing Offices - Various	121	50	200	50			300
Design & Scheme Preparation	2						0
<b>Safe and Secure</b>							
Fire Safety - General	500	86	700	250	100	100	1,236
Fire Safety - Highrise		25					25
Smoke & Carbon Monoxide Detectors	1,338	1,000	1,438	1,000	1,000	1,000	5,438
Sprinkler System - Highrise & Sheltered	100	64					64
Sprinkler System - Griffith John Street	570	270	900	50			1,220
Sprinkler System - Jeffreys Court		4					4
Sprinkler System - Clyne Court		31					31
Sprinkler System - Matthew Street		6					6
Electrical Rewiring	1,150	881	1,459	1,200	1,200	950	5,690
Electrical Rewiring Contract 2		16					16
Electrical Rewiring Contingency	20		5	5	5	5	20

HRA CAPITAL PROGRAMME  Scheme / Project	2021/22 to 2025/26						
	2021/22	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	Original	Revised	Original	Original	Original	Original	Original
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Safe and Secure continued</b>							
Electrical Rewiring & Emergency Lighting Communal Blocks	600	630	200	50	50		930
Electrical Rewiring Sub Mains to Highrise Blocks	20	20	20	10			50
Warden Call & Tynetec System	160	158	210	386	374		1,128
Communal Aerials	100	102	50	65	80		297
CCTV			30				30
Passenger Lift Renewal & Improvements - Various	1,000	350	861	760	700		2,671
<b>Energy Efficiency and Adequately Heated</b>							
Ventilation Programme - Various						200	200
Boiler / Heating Replacement	900	900	850	900	950	950	4,550
Heating Distribution Systems	100	30				50	80
Heating Upgrades / Fuel Conversions	50	15					15
Loft Insulation	80		20	20	50	10	100
Energy Efficiency & Energy Grant Support	300		300	200	100	100	700
Energy Efficiency - Insulation, Heat & Ventilation			100	50	50	50	250
<b>Kitchens and Bathrooms</b>							
Kitchens & Bathrooms - Various	2,500		1,500	1,500	1,000	1,000	5,000
Kitchens & Bathrooms - Asbestos Management		20					20
Kitchens & Bathrooms 20/21 Contractor 1	800						0
Kitchens & Bathrooms 20/21 Contractor 2	400						0
Kitchens & Bathrooms 20/21 Contractor 3	400						0
Kitchens & Bathrooms 20/21 Contractor 4	400						0
Kitchens & Bathrooms 20/21 Building Services	500						0
Kitchens & Bathrooms 21/22 Contractor 1		2,952	50				3,002
Kitchens & Bathrooms 21/22 Contractor 2		2,259	55				2,314

HRA CAPITAL PROGRAMME	2021/22 to 2025/26						
	2021/22	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	Original	Revised	Original	Original	Original	Original	Original
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Scheme / Project							
<b>Kitchens and Bathrooms continued</b>							
Kitchens & Bathrooms 21/22 Contractor 3		1,314	22				1,336
Kitchens & Bathrooms 21/22 Contractor 4		1,344	20				1,364
Kitchens & Bathrooms 21/22 Building Services		1,214					1,214
<b>Located in Safe Attractive Environment</b>							
<b>Environment - Within the Curtilage</b>							
External Facilities - General			500	1,000	800	800	3,100
External Facilities - Gorseinon		36					36
External Facilities 17/18 - Penlan	54	33					33
External Facilities 18/19 - Arennig Road Area	38						0
External Facilities 19/20 - St Thomas	37	173					173
External Facilities 19/20 - Bonymaen	35	40					40
External Facilities 19/20 - Birchgrove	18	20					20
External Facilities 19/20 - Trallwn	25	25					25
External Facilities 19/20 - Winch Wen	996	333	40				373
External Facilities 19/20 - Llanllienwen	800	790	155				945
External Facilities - Caemawr	128	350	13				363
External Facilities - Clase	860	620	400				1,020
External Facilities 20/21 - Brondeg/City Centre	350	200	350				550
External Facilities 20/21 - Samuel Cres, Gendros	412	700	35				735
External Facilities 20/21 - Heather Crescent, Sketty	140	99	20				119
External Facilities 20/21 - Oaktree Avenue, Sketty	238	313	250				563
External Facilities 20/21 - Landore/Trewyddfa	204	484	320				804
External Facilities 20/21 - Chestnut Avenue, West Cross	870		870				870
External Facilities 20/21 - Glenside, Portmead	900	252	550				802
External Facilities 20/21 - Sheltered Complexes		450	100				550

HRA CAPITAL PROGRAMME	2021/22 to 2025/26						
	2021/22	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	Original	Revised	Original	Original	Original	Original	Original
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Environment - Within the Curtilage continued</b>							
External Facilities 21/22 - Clase	350	300	50				350
External Facilities 21/22 - Gowerton	370	100	300				400
External Facilities 21/22 - Landore	100						0
External Facilities 21/22 - Portmead Avenue Area	1,060	260	650				910
External Facilities 21/22 - Fforesthall	1,020	320	700				1,020
External Facilities 21/22 - Loughor	915	300	700				1,000
External Facilities 21/22 - Caergynydd Road	600		1,000				1,000
External Facilities 21/22 - Gower	900		1,000				1,000
Meter Boxes	30		15	30	30	30	105
Voice Entry Systems	500	32	700	200	200	300	1,432
<b>Environment - Estate Based</b>							
General Environmental Schemes	1,577	1,550	1,750	1,500	1,500	1,500	7,800
Environment Estate Based	75		275	800	1,000	2,000	4,075
<b>Meeting the Needs of the Household</b>							
Adaptations Internal	2,400	1,600	2,000	2,000	2,000	2,000	9,600
Adaptations External	880	1,000	750	750	750	750	4,000
<b>More Homes</b>							
More Homes - Pilot - Parc Y Helig		125					125
More Homes - Pilot - Colliers Way		323					323
More Homes - Creswell Road	1,000	200	800	1,350			2,350
More Homes - Other		175	175	175	175	175	875
More Homes - Acquisitions	1,000	2,250	2,000	2,000	2,000	2,000	10,250
More Homes - Hillview & Beaconsview	2,785	6,059	100				6,159
More Homes - Purchase 70-72 Alexandra Rd, Gorseinon	225	225					225



HRA CAPITAL PROGRAMME	2021/22 to 2025/26						
	2021/22	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	Original	Revised	Original	Original	Original	Original	Original
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>More Homes continued</b>							
More Homes - Conversion 70-72 Alexandra Rd, Gorseinon	150	100	270				370
More Homes - The Circle West Cross	993	500	1,620				2,120
More Homes - Purchase & Conversion Bryn House	800	763					763
More Homes - Heol Dynys New Build	500	250	500	4,441			5,191
More Homes - Spark Centre Conversion	360	100	507				607
More Homes - 4 Ground Floor Flats and Bungalows		830	150				980
More Homes - Acquisition Phase 2 Funding		150					150
More Homes - Acquisition General Fund Land	700	1,150	1,525	1,500	1,000	1,000	6,175
More Homes - Heol Emrys & Tudno Place Regeneration	400	350	550	1,800	4,000	5,000	11,700
More Homes - Ty Fforest	255	255	109				364
More Homes - Brondeg House		445	77		2,000	2,000	4,522
More Homes - Scurlage				1,000	1,500	1,000	3,500
More Homes - Brokesby Road - 4 sites			730	1,000	2,000	5,000	8,730
More Homes - Milford Way Partnership Scheme A			500	500	1,000		2,000
More Homes - Milford Way Partnership Scheme B			500	1,000	1,500		3,000
More Homes - Gwynfaen Farm				1,600			1,600
More Homes - Skomer & Westdale			150	850	2,000	2,000	5,000
More Homes - Garden Village				1,000	1,700		2,700
More Homes - DHO Conversion			500	1,000			1,500
More Homes - Tan y Coed Road			150	1,000	1,000		2,150
More Homes - Heol Gwyrosydd			150	1,000	1,000		2,150
More Homes - Penrhos Place			150	1,000	1,000		2,150
More Homes - Gorseinon Business Park			500				500
More Homes - Gower Road			300				300
<b>Total</b>	<b>59,901</b>	<b>47,424</b>	<b>58,152</b>	<b>66,384</b>	<b>74,024</b>	<b>67,454</b>	<b>313,438</b>

## HRA 4 Year Capital Programme

### WHQS and Scheme Descriptions

#### Welsh Housing Quality Standard (WHQS)

The WHQS is a legal requirement and a strategic target for the council; it contains key standards that social landlords 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. Within the WHQS, landlords are permitted to apply 'acceptable fails' where building components are considered to be non-compliant. The four classifications of acceptable fails are: i.) Cost of remedy; ii.) Resident choice; iii.) Physical constraint; and iv.) Timing of remedy. Whilst properties may contain an acceptable fail they will continue to be maintained and managed through the Council's repairs services 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 and energy efficiency of individual homes. The purpose is to maintain structural integrity, improve weather protection and significantly increase the thermal and energy efficiency. The energy efficiency measures will be to reduce occupancy related carbon dioxide emissions and contribute towards the decarbonisation agenda.

The specification of work will improve thermal values and the scope of work will include renewing roofs, weatherboards and rainwater goods, wall tie renewal, application of external wall insulation, window renewal, porches and canopies where necessary, new front and back doors where required, balcony railings, balcony floors and 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 commencing from financial year 2022/23 will include as part of the specification renewable technologies including solar panels (photovoltaic panels generating electricity) and battery storage systems. For some locations which are off-mains gas, refurbishment may include solar hot water panels, air source heat pumps, or ground source heat pumps, ventilation systems, mechanical heat recovery systems or any emerging technology or system that provides low or carbon neutral benefits to homes. Where opportunities arise, the Council will participate in grant assisted energy efficiency schemes and officers will follow relevant financial procedure rules relating to grants.

Including renewable technologies into wind and weatherproofing schemes will reduce household costs and occupancy related carbon emissions and provide the opportunity to develop and increase skills and knowledge to design and deliver renewable energy systems in future.

To assist with delivery and monitoring performance of the energy efficiency measures, the Council may engage a partner such as an academic body. Partnership may include direct

contribution of some renewable equipment, post occupancy monitoring, as well as public acknowledgement of grant based contributions, promotion and academic reporting.

These contracts will operate over the period of this four year programme. Schemes may be packaged together to assist with delivery and may be subject to planning permission requirements; where this applies, officers will submit planning applications as necessary.

### **Airey and Traditional Constructed Properties, Felindre**

Airey properties are of a concrete panel type construction and were built in the early 1950s. Externally, work will include providing new roof coverings and rainwater goods, repairs to the structure, wall finishes replaced with a new system or with traditional building materials depending on the most effective solution. New windows, 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 and energy efficiency of the dwellings.

Due to location, these properties are not connected to the mains gas grid and depending on costs, the scheme may subject innovative whole house system of refurbishment that draws together a number of different measures that results in very high efficiency and very low occupancy related carbon dioxide emissions. Investment may support energy grants where available as well as monitoring.

To assist with delivery and monitoring performance of the energy efficiency measures, the Council may engage a partner such as an academic body. Partnership may 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 will 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 thermally efficient windows and 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 and energy efficiency of the dwellings. Selected properties may include 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 may be supported by grant funding. To assist with delivery and monitoring performance of the energy efficiency measures, the Council may engage a partner such as an academic body. Partnership may 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, window renewal where required and door renewal. Where required, thermally efficient windows as well as 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.

### **Wimpey No Fines Properties – Heol Emrys and Tudno Place**

A regeneration project has been commissioned to address some of the issues affecting the Wimpey No Fines properties in Heol Emrys and Tudno Place, An overarching masterplan is in the process of being developed which will set out a range of options and a programme of works to enable delivery of the agreed plan. It is likely that the plan will include a mix of refurbishment, new build and possible selective demolitions as part of regeneration works to improve the existing properties, increase the number of homes and enhance the area. Schemes will 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 safety and particularly improve the thermal efficiency of the properties. The scope of work will include roof repairs, wall repairs and insulation, window renewal as required, improvements to balconies where present and minor upgrades to fire safety. The scheme will include upgrades to communal entrance systems, 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 focus on the remaining blocks in Dyfatty, specifically Croft Street and Griffith John Street and the scope of the work will be significant and varied in order to deliver key aims which include protecting the structures; improving their weather resistance, thermal and energy efficiency and fire safety. The flats will also receive improvements to communal areas within the blocks, internal facilities for individual homes as well as wider environment to ensure they are safe and attractive places to live. Investment will go towards the design, research and preparation of the scheme and the repair and improvements to the high and low rise blocks.

For individual flats, the schemes will provide new kitchens and bathrooms including associated work and improved kitchen layout. Electrical rewiring will be renewed where required, improvements to heating systems, integrated television reception systems and cabling for internet access, new door entry systems and upgrades to fire safety which will include the installation of sprinklers through individual flats, improved fire detection and

warning, fire stopping and improved fire separation. Work inside homes may require additional repairs and renewal of decorative and floor finishes depending on the level of disruption within homes.

Communal areas will have improved drainage and repairs and upgrades to any incoming or outgoing ducts and pipe work as well as service shafts. The blocks will receive new passenger lift cars and equipment including firefighting lifts where appropriate, new communal lighting and electrical installations including communal integrated TV and internet cabling 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 finishes may be included.

Externally, the work will include a new roof and roof insulation, structural repairs, insulation and cladding systems, rainwater and foul water drainage and dispersal equipment, improvements to the communal walkways and upgrades to the balcony rails, balcony drainage and flooring, new balcony doors, repairs to balcony slabs, new thermally efficient windows, upgrades to fire protection, improved CCTV systems where required, improved entrances, renewal of the communal electrical wiring and lighting, and improvements to the decoration.

The highrise schemes will treat the immediate Housing owned areas in the surrounding areas with the aim to provide a safe and attractive environment for residents and visitors. To achieve this, the scheme will seek, amongst other works, to improve paths and circulation routes, improve security and safety which may include fencing and walls and improved lighting and CCTV coverage. Also work will include repairs to free standing and retaining walls, parking and areas of hard and soft landscaping, likely removal of garages and creation of additional resident parking.

The project will also create new accommodation by converting empty storage areas and commercial premises into HRA owned dwellings providing a mixture of general needs HRA accommodation where possible convert immediately surrounding hard environments into gardens or green buffer zones to improve the quality of accommodation. To create more ground floor area for accommodation and a plant room, the Town Centre District Housing Office will be relocated to vacant retail accommodation on High Street.

As part of the improvements to the wider area, the HRA may seek to acquire or appropriate properties or parcels of land in order to contribute more towards improvements to the High Street area. In such cases, 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 chimneys if no longer required as well as any associated works to heating systems. The work will prevent damp, minimise repairs for the response repair service and will be an ongoing scheme over the four year reporting period.

### **Pitched Roof Renewal**

Pitched and flat roof renewal includes repairing the roof structure and chimneys, increasing insulation levels and replacing the roof covering to ensure long term weather protection. Contracts are expected to run over the period of this four year programme.

### **Flat Roof Renewal**

The scheme will include the renewal of the main and store roofs and will include improved insulation. Work will also include any minor repairs and upgrades to fire safety in these areas.

### **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 and enclosures (where present), repairs to the balcony slabs, supports and structures, 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. Where required, some windows will be replaced to provide a means of escape. Where necessary, fire doors will be renewed in flats and to storage or communal areas to ensure they provide suitable fire protection.

### **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 belonging to HRA assets that are considered to be in need. Where necessary, the budget will meet the cost for demolition of properties or structures including any buy back of properties as required.

### **Drainage and Drainage Protection**

Where new drainage is required, existing drainage is in disrepair or in need of upgrading, servicing or there is a need to address changes in demand, the scheme will look to maintain or improve sites and may include amongst other items: activities assisting in the design and evaluation of systems, new systems, alternative or new layouts, expansion of current systems or works to support or protect systems and arrangements. In scope will be formal storm and foul water drainage systems, swales, rain gardens, attenuation systems, gullies, watercourses, rivers, streams, ditches and culverts and areas of water run-off, pooling or ponding.

### **Repairs to HRA Offices and Operational Assets – Various**

The investment is allocated to carry out repairs, alterations, refurbishment or renewal to HRA offices and / or HRA operational assets where required. The scope of work may include the conversion of existing facilities into accommodation or vice versa depending on service requirements, demolition of redundant offices or structures in connection, the repair and upgrade or the extension or creation of new assets to assist with the management and maintenance of the HRA housing stock. The work will include various items relating to the design, fees, structure, fabric, electrical, mechanical, drainage, incoming services and elements within the curtilage. If works are subject to planning permission requirements, officers will submit planning applications as required.

## **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 and testing in relation to improvement work, safety improvements within homes and communal areas including communal kitchens, fire barriers, upgrades to 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. Investment will also be used for works in connection with remote monitoring and activation and dis-repair monitoring. 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. Investment will be to all works in connection with delivering this work. 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. Investment will meet the cost of the installation and works in connection as well as disruptions costs. 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 Wiring and Emergency systems**

The electrical systems in communal areas will be rewired and improved where the existing installations are required by the relevant regulation, where an electrical inspection has identified that this is required or where it is required as part of a service provided by the Council. The scope of the work will include the provision of new electrical wiring, emergency lighting, new communal aerial facilities, lightning conductors, fire alarms, Automatic Opening Vents (AOVs), IT systems and cabling, warning or helpline systems, CCTV, electrical mains and sub mains supply (where in housing ownership) and communal fire alarm systems as required. This contract will operate over the period of this report.

### **Warden Call and Alarm Systems**

Investment is required to upgrade and improve tenant and warden call systems to alarm receiving centres to ensure continued uninterrupted provision for older and or infirm

tenants. Work will include all relevant materials, installation activities and subscriptions to ensure tenants have access to a call system that contributes towards or facilitates support and help in older person accommodation.

### **Communal Aerials and TV Systems**

The scheme is to repair, renew and upgrade existing communal aerial systems and install new where appropriate 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.

### **CCTV**

Investment will be to provide new where strictly required and renew and upgrade existing CCTV systems to ensure they meet the needs of the Housing Service. The installation and renewal will follow the required protocols for the installation and use of CCTV systems.

### **Passenger Lift Repair, Improvement and Provision – Various Locations**

The Housing Service has responsibility for passenger lifts within its blocks 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 lift shafts, and associated work where there are defects (or at the end of their useful life) to ensure continued safe and long-term provision. The scope of work will include new lift cars, work to electronics, lift shaft repairs and upgrade, provision of fire-fighting lift where appropriate and the creation of new lift provision. Where there is sufficient requirement, new provision may be included at selected sites.

## **Adequately Heated**

### **Ventilation Programme - Various**

Investment will be to improve ventilation arrangements to improve air quality, and the energy efficiency within homes to ensure they are healthy and efficient places to live.

### **Boiler Replacement – Various Locations**

Heating systems will be renewed or upgraded as part of a long term programme aimed at improving efficiency and reliability. The scope of the work will include renewal to both individual and communal heating systems, upgrades to existing systems and fuel switching where required – this may include renewable energy systems where appropriate. This contract is ongoing and will run over the period of this four year programme.

### **Heating Distribution Systems – Various Locations**

Investment will be used for the repair and improvement of heating distribution systems as well as any work in connection including gas or fuel supplies in HRA ownership or any drainage or discharging points. Work will typically include repairs, improvements and renewal of central heating pipe work, radiators, valves and thermostatic valves, insulation measures, room thermostats, electrical supply, safety valves and cut-off systems and communal heating systems. The work may also involve reconfiguring and rerouting pipe work and any works in connection. The aim is to ensure heating systems are efficient, effective, safe and reliable for tenants.



### **Heating Upgrades – Various Locations**

The scheme is designed to provide fuel switching to council homes e.g. coal to gas, storage heaters to gas or the installation of renewable heating system etc. as well as provide minor improvements to heating systems including time clocks and room thermostats.

### **Loft Insulation**

The scheme will improve loft, roof and ceiling insulation levels in council homes with the aim of improving thermal efficiency. This contract will operate over the period of this four year programme. The scheme will also seek to access and support grant funding where available.

### **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 and energy efficiency and/or Carbon Emissions in council homes. Work may include design and monitoring activities, engaging in academic studies into energy efficiency, 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 support projects that will develop knowledge and understanding, make homes more energy efficient, reduce energy costs for tenants, reduce carbon emissions and inform future approaches. The work will be ongoing and is expected to run over the period of this four year programme. Where opportunities arise, the Council will participate in grant assisted energy efficiency schemes and officers will follow relevant financial procedure rules relating to grants. Schemes or activities which are 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, incoming water supply, drainage arrangements, 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.

## **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 individual 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, repairs to structural 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.

#### **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 renew or upgrade existing or provide new communal entrance doors in blocks of flats with voice entry systems. Investment will also ensure communal areas are protected and improve the safety and security for tenants and residents.

### **Environment**

#### **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 and improvements necessary for the Housing Service to discharge its duties as asset holder.

#### **Area Enhancement – Estate Based**

Investment will be used to address the environment of areas where there are specific needs and challenges to ensure these are suitable for future use. Where schemes or activities are 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.

## **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 Council homes for social rent and increase the supply of affordable housing in Swansea. The investment will be primarily used to construct new homes on HRA land but also to acquire houses, flats, bungalows,

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 financial procedure rules. Activities to deliver the More Council Homes Strategy will include seeking and utilising grant assistance wherever available. As well as direct delivery to build new homes, the Council will also seek options to procure a development partner or a range of partners to deliver larger mixed tenure HRA sites, as well as exploring opportunities to work with local RSLs on delivery partnerships. 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.

Please ensure that you refer to the Screening Form Guidance while completing this form.

**Which service area and directorate are you from?**

Service Area: Housing and Public Health

Directorate: Place

**Q1 (a) What are you screening for relevance?**

- New and revised policies, practices or procedures
- Service review, re-organisation or service changes/reductions, which affect the wider community, service users and/or staff
- Efficiency or saving proposals
- Setting budget allocations for new financial year and strategic financial planning
- New project proposals affecting staff, communities or accessibility to the built environment, e.g., new construction work or adaptations to existing buildings, moving to on-line services, changing location
- Large Scale Public Events
- Local implementation of National Strategy/Plans/Legislation
- Strategic directive and intent, including those developed at Regional Partnership Boards and Public Services Board, which impact on a public bodies functions
- Medium to long term plans (for example, corporate plans, development plans, service delivery and improvement plans)
- Setting objectives (for example, well-being objectives, equality objectives, Welsh language strategy)
- Major procurement and commissioning decisions
- Decisions that affect the ability (including external partners) to offer Welsh language opportunities and services

**(b) Please name and fully describe initiative here:**

The report to Council details the revised Housing Revenue Account (HRA) capital expenditure and financing proposals in 2021/22, and the HRA Capital expenditure and financing proposals in 2022/23 to 2025/26. The investment will be allocated to long standing repair and maintenance programmes to the existing council housing stock to ensure it remains operational and meets requirements for social housing such as the Welsh Housing Quality Standard. The report also sets out programmes to increase council house provision.

**Q2 What is the potential impact on the following: the impacts below could be positive (+) or negative (-)**

	High Impact		Medium Impact		Low Impact		Needs further investigation
	+	-	+	-	+	-	
Children/young people (0-18)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Older people (50+)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Any other age group	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Future Generations (yet to be born)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Disability	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Race (including refugees)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Asylum seekers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gypsies & travellers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Religion or (non-)belief	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sex	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sexual Orientation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gender reassignment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Welsh Language	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Poverty/social exclusion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Carers (inc. young carers)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Community cohesion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Marriage & civil partnership	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pregnancy and maternity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Q3 What involvement has taken place/will you undertake e.g. engagement/consultation/co-productive approaches? Please provide details below – either of your activities or your reasons for not undertaking involvement**

Consultation will be carried out to all householders affected by the schemes proposed in the report via the Council’s Major Works Agreement, and any individual needs will be accounted for as part of the scheme. Statutory Consultation via the Planning Process will be carried out for any schemes requiring planning consent.

The Housing Service has ongoing working practices with other service areas within the Council and will be working closely with these to develop, design and deliver the capital investment programme over the next 4 years.

**Q4 Have you considered the Well-being of Future Generations Act (Wales) 2015 in the development of this initiative:**

- a) Overall does the initiative support our Corporate Plan’s Well-being Objectives when considered together?  
 Yes  No
- b) Does the initiative consider maximising contribution to each of the seven national well-being goals?  
 Yes  No
- c) Does the initiative apply each of the five ways of working?  
 Yes  No
- d) Does the initiative meet the needs of the present without compromising the ability of future generations to meet their own needs?  
 Yes  No

**Q5 What is the potential risk of the initiative? (Consider the following impacts – equality, socio-economic, environmental, cultural, legal, financial, political, media, public perception etc...)**

High risk

Medium risk

Low risk

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

Yes       No      If yes, please provide details below

The programme of repairs and new build properties will have an impact on the following Council services: Building Services, Procurement, Legal, Finance, Highways and Drainage,

Corporate Property, Building Control, Social Services and Planning will all be involved in the schemes.

**Q7 What is the cumulative impact of this proposal on people and/or communities when considering all the impacts identified within the screening and any other key decisions affecting similar groups/ service users made by the organisation?**

*(You may need to discuss this with your Service Head or Cabinet Member to consider more widely if this proposal will affect certain groups/ communities more adversely because of other decisions the organisation is making. For example, financial impact/poverty, withdrawal of multiple services and whether this is disadvantaging the same groups, e.g., disabled people, older people, single parents (who are mainly women), etc.)*

The planned investment and programme of repairs and maintenance to council housing and the creation of new housing set out in the report to Council will result in improved housing standards by increasing the number of homes with modern facilities, providing bespoke repairs and aids to those with medical or specific needs, increasing thermal efficiency to ensure homes are healthy, providing renewable technologies to individual homes to reduce carbon emission, and make homes cheaper to run (and protecting tenants from current pressures of fuel increases). The programmes are supported by the Beyond Bricks and Mortar Team with many contracts providing training and employment opportunities to those who are long term unemployed or hard to reach. The Beyond Bricks and Mortar team work with agencies who target those who may otherwise experience economic inactivity. Overall the programme will secure housing for future generations.

**Outcome of Screening**

**Q8 Please describe the outcome of your screening below:**

- **Summary of impacts identified and mitigation needed (Q2)**
- **Summary of involvement (Q3)**
- **WFG considerations (Q4)**
- **Any risks identified (Q5)**
- **Cumulative impact (Q7)**

Major investment into the Council's social housing stock and increasing its supply results in healthier, more thermally efficient and economical to run homes and supports and improves localities, communities and the wider environment. Investment and targeted employment contributes towards the local economy. The proposals set out in the report to Cabinet and Council will have a low impact with no mitigation required.

The schemes, when rolled out, will engage with those tenants who are affected as part of the major works agreement and ensure their needs are recognised and adjustments made where required. Public consultation will be undertaken to those schemes requiring planning permission via the planning process.

The proposal supports the Wellbeing of Future Generations (Wales) Act 2015 and will make a significant contribution to the 7 well-being goals. The decarbonisation element of the refurbishment programme will develop skills and employment opportunities, build local supply and safeguard current building industry related employment. Local communities with higher than average welsh speakers are scheduled for improved housing standards, the local environment and ensure these are affordable stable communities. Within the new build programme there will be collaborative working between the public and private sector in a sustainable way resulting in a long term partnership with the objectives of developing homes within the city for the benefit of future generations.

Overall, repairing the existing housing stock as well as increasing the supply of affordable housing will assist in the regeneration of areas, and stimulating economic growth, addressing issues such as poverty, inequality, jobs and skills which directly contributes to the council's obligations to act in a sustainable way pursuant to the WFGA. There are no risks to the Council as set out in the legal section of the report.

(NB: This summary paragraph should be used in the relevant section of corporate report)

- Full IIA to be completed
- Do not complete IIA – please ensure you have provided the relevant information above to support this outcome

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.

<b>Screening completed by:</b>
<b>Name: Dave Bratley</b>
<b>Job title: Housing Asset Manager</b>
<b>Date: 24<sup>th</sup> Jan 2022</b>
<b>Approval by Head of Service:</b>
<b>Name: Mark Wade</b>
<b>Position: Head of Housing and Public Protection</b>
<b>Date: Jan 2022</b>

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

# Agenda Item 14.



## Report of the Section 151 Officer

Council - 3 March 2022

### **Statutory Resolution – Resolutions to Be Made in Accordance With the Regulations in the Setting of The Council Tax 2022/2023**

- (1) **THAT** the Council notes and adopts the statutory resolutions set out below.
- (2) **THAT** it be noted that at its meeting on 2<sup>nd</sup> December 2021 the Council calculated the following amounts for the year 2022/2023 in accordance with Regulations made under Section 33(5) of the Local Government Finance Act 1992 (as amended) -
- a) 93,114 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	2,024
Clydach	2,639
Gorseinon	3,288
Gowerton	2,008
Grovesend & Waungron	441
Ilston	351
Killay	2,144
Llangennith, Llanmadoc & Cheriton	527
Llangyfelach	965
Llanrhidian Higher	1,606
Llanrhidian Lower	340
Llwchwr	3,477
Mawr	758
Mumbles	10,089
Penllergaer	1,434
Pennard	1,563
Penrice	485
Pontarddulais	2,327
Pontlliw & Tircoed	1,034
Port Eynon	478
Reynoldston	324
Rhossilli	212
Three Crosses	712
Upper Killay	603



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 2022/2023 in accordance with Section 32 to 36 of the Local Government Finance Act 1992 -
- (a) £826,490,988 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) £302,484,634 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) £524,006,354 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) £386,167,079 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) £1,480.33 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) £1,697,024 being the aggregate amount of all special items referred to in Section 34(1) of the Act.
  - (g) £1,462.10 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	1,496.68
Clydach	1,514.29
Gorseinon	1,502.10
Gowerton	1,478.97
Grovesend & Waungron	1,482.51
Ilston	1,477.10
Killay	1,472.59
Llangennith, Llanmadoc & Cheriton	1,477.09
Llangyfelach	1,486.97
Llanrhidian Higher	1,557.99
Llanrhidian Lower	1,481.22
Llwchwr	1,488.61
Mawr	1,551.81
Mumbles	1,520.09
Penllergaer	1,469.77
Pennard	1,519.15
Penrice	1,488.45
Pontarddulais	1,515.36
Pontlliw & Tircoed	1,500.79
Port Eynon	1,474.65
Reynoldston	1,500.68
Rhossili	1,485.68
Three Crosses	1,504.34
Upper Killay	1,493.61

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	997.78	1,164.09	1,330.38	1,496.68	1,829.27	2,161.87	2,494.46	2,993.36	3,492.26
Clydach	1,009.52	1,177.78	1,346.03	1,514.29	1,850.80	2,187.31	2,523.81	3,028.58	3,533.35
Gorseinon	1,001.40	1,168.30	1,335.20	1,502.10	1,835.90	2,169.70	2,503.50	3,004.20	3,504.90
Gowerton	985.98	1,150.31	1,314.64	1,478.97	1,807.63	2,136.29	2,464.95	2,957.94	3,450.93
Grovesend & Waungron	988.34	1,153.06	1,317.78	1,482.51	1,811.96	2,141.40	2,470.85	2,965.02	3,459.19
Ilston	984.73	1,148.86	1,312.97	1,477.10	1,805.34	2,133.59	2,461.83	2,954.20	3,446.57
Killay	981.72	1,145.35	1,308.96	1,472.59	1,799.83	2,127.07	2,454.31	2,945.18	3,436.05
Llangennith, Llanmadoc & Cheriton	984.72	1,148.85	1,312.96	1,477.09	1,805.33	2,133.57	2,461.81	2,954.18	3,446.55
Llangyfelach	991.31	1,156.53	1,321.75	1,486.97	1,817.41	2,147.84	2,478.28	2,973.94	3,469.60
Llanrhidian Higher	1,038.66	1,211.77	1,384.88	1,557.99	1,904.21	2,250.43	2,596.65	3,115.98	3,635.31
Llanrhidian Lower	987.48	1,152.06	1,316.64	1,481.22	1,810.38	2,139.54	2,468.70	2,962.44	3,456.18
Llwchwr	992.40	1,157.81	1,323.20	1,488.61	1,819.41	2,150.21	2,481.01	2,977.22	3,473.43
Mawr	1,034.54	1,206.96	1,379.38	1,551.81	1,896.66	2,241.50	2,586.35	3,103.62	3,620.89
Mumbles	1,013.39	1,182.29	1,351.19	1,520.09	1,857.89	2,195.68	2,533.48	3,040.18	3,546.88
Penllergaer	979.84	1,143.16	1,306.46	1,469.77	1,796.38	2,123.00	2,449.61	2,939.54	3,429.47
Pennard	1,012.76	1,181.56	1,350.35	1,519.15	1,856.74	2,194.33	2,531.91	3,038.30	3,544.69
Penrice	992.30	1,157.68	1,323.06	1,488.45	1,819.22	2,149.98	2,480.75	2,976.90	3,473.05
Pontarddulais	1,010.24	1,178.61	1,346.98	1,515.36	1,852.11	2,188.85	2,525.60	3,030.72	3,535.84
Pontlliw & Tircoed	1,000.52	1,167.28	1,334.03	1,500.79	1,834.30	2,167.81	2,501.31	3,001.58	3,501.85
Port Eynon	983.10	1,146.95	1,310.80	1,474.65	1,802.35	2,130.05	2,457.75	2,949.30	3,440.85
Reynoldston	1,000.45	1,167.20	1,333.93	1,500.68	1,834.16	2,167.65	2,501.13	3,001.36	3,501.59
Rhossili	990.45	1,155.53	1,320.60	1,485.68	1,815.83	2,145.98	2,476.13	2,971.36	3,466.59
Three Crosses	1,002.89	1,170.04	1,337.19	1,504.34	1,838.64	2,172.93	2,507.23	3,008.68	3,510.13
Upper Killay	995.74	1,161.70	1,327.65	1,493.61	1,825.52	2,157.43	2,489.35	2,987.22	3,485.09
All other parts of the Council area	974.73	1,137.19	1,299.64	1,462.10	1,787.01	2,111.92	2,436.83	2,924.20	3,411.57

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 2022/2023 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	201.41	234.97	268.54	302.11	369.25	436.38	503.52	604.22	704.92

- (5) **THAT** having calculated the aggregate in each case of the amounts at (3)(l) 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 2022/23 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>	1,199.19	1,399.06	1,598.92	1,798.79	2,198.52	2,598.25	2,997.98	3,597.58	4,197.18
<i>Clydach</i>	1,210.93	1,412.75	1,614.57	1,816.40	2,220.05	2,623.69	3,027.33	3,632.80	4,238.27
<i>Gorseinon</i>	1,202.81	1,403.27	1,603.74	1,804.21	2,205.15	2,606.08	3,007.02	3,608.42	4,209.82
<i>Gowerton</i>	1,187.39	1,385.28	1,583.18	1,781.08	2,176.88	2,572.67	2,968.47	3,562.16	4,155.85
<i>Grovesend &amp; Waungron</i>	1,189.75	1,388.03	1,586.32	1,784.62	2,181.21	2,577.78	2,974.37	3,569.24	4,164.11
<i>Ilston</i>	1,186.14	1,383.83	1,581.51	1,779.21	2,174.59	2,569.97	2,965.35	3,558.42	4,151.49
<i>Killay</i>	1,183.13	1,380.32	1,577.50	1,774.70	2,169.08	2,563.45	2,957.83	3,549.40	4,140.97
<i>Llangennith, Llanmadoc &amp; Cheriton</i>	1,186.13	1,383.82	1,581.50	1,779.20	2,174.58	2,569.95	2,965.33	3,558.40	4,151.47
<i>Llangyfelach</i>	1,192.72	1,391.50	1,590.29	1,789.08	2,186.66	2,584.22	2,981.80	3,578.16	4,174.52
<i>Llanrhidian Higher</i>	1,240.07	1,446.74	1,653.42	1,860.10	2,273.46	2,686.81	3,100.17	3,720.20	4,340.23
<i>Llanrhidian Lower</i>	1,188.89	1,387.03	1,585.18	1,783.33	2,179.63	2,575.92	2,972.22	3,566.66	4,161.10
<i>Llwchwr</i>	1,193.81	1,392.78	1,591.74	1,790.72	2,188.66	2,586.59	2,984.53	3,581.44	4,178.35
<i>Mawr</i>	1,235.95	1,441.93	1,647.92	1,853.92	2,265.91	2,677.88	3,089.87	3,707.84	4,325.81
<i>Mumbles</i>	1,214.80	1,417.26	1,619.73	1,822.20	2,227.14	2,632.06	3,037.00	3,644.40	4,251.80
<i>Penllergaer</i>	1,181.25	1,378.13	1,575.00	1,771.88	2,165.63	2,559.38	2,953.13	3,543.76	4,134.39
<i>Pennard</i>	1,214.17	1,416.53	1,618.89	1,821.26	2,225.99	2,630.71	3,035.43	3,642.52	4,249.61
<i>Penrice</i>	1,193.71	1,392.65	1,591.60	1,790.56	2,188.47	2,586.36	2,984.27	3,581.12	4,177.97
<i>Pontarddulais</i>	1,211.65	1,413.58	1,615.52	1,817.47	2,221.36	2,625.23	3,029.12	3,634.94	4,240.76
<i>Pontlliw &amp; Tircoed</i>	1,201.93	1,402.25	1,602.57	1,802.90	2,203.55	2,604.19	3,004.83	3,605.80	4,206.77
<i>Port Eynon</i>	1,184.51	1,381.92	1,579.34	1,776.76	2,171.60	2,566.43	2,961.27	3,553.52	4,145.77
<i>Reynoldston</i>	1,201.86	1,402.17	1,602.47	1,802.79	2,203.41	2,604.03	3,004.65	3,605.58	4,206.51
<i>Rhossili</i>	1,191.86	1,390.50	1,589.14	1,787.79	2,185.08	2,582.36	2,979.65	3,575.58	4,171.51
<i>Three Crosses</i>	1,204.30	1,405.01	1,605.73	1,806.45	2,207.89	2,609.31	3,010.75	3,612.90	4,215.05
<i>Upper Killay</i>	1,197.15	1,396.67	1,596.19	1,795.72	2,194.77	2,593.81	2,992.87	3,591.44	4,190.01
All other parts of the Council area	1,176.14	1,372.16	1,568.18	1,764.21	2,156.26	2,548.30	2,940.35	3,528.42	4,116.49

**Background Papers:** None

**Appendices:** Appendix A - IIA

Please ensure that you refer to the Screening Form Guidance while completing this form.

**Which service area and directorate are you from?**

Service Area: Finance

Directorate: Resources

**Q1 (a) What are you screening for relevance?**

- New and revised policies, practices or procedures
- Service review, re-organisation or service changes/reductions, which affect the wider community, service users and/or staff
- Efficiency or saving proposals
- Setting budget allocations for new financial year and strategic financial planning
- New project proposals affecting staff, communities or accessibility to the built environment, e.g., new construction work or adaptations to existing buildings, moving to on-line services, changing location
- Large Scale Public Events
- Local implementation of National Strategy/Plans/Legislation
- Strategic directive and intent, including those developed at Regional Partnership Boards and Public Services Board, which impact on a public bodies functions
- Medium to long term plans (for example, corporate plans, development plans, service delivery and improvement plans)
- Setting objectives (for example, well-being objectives, equality objectives, Welsh language strategy)
- Major procurement and commissioning decisions
- Decisions that affect the ability (including external partners) to offer Welsh language opportunities and services

**(b) Please name and fully describe initiative here:**

**Statutory Resolution – Resolutions to be made in accordance with the regulations in the setting of the Council Tax 2022/23 (for adoption). Legislation requires the Council to set Council Tax as part of the budget setting process.**

**Q2 What is the potential impact on the following: the impacts below could be positive (+) or negative (-)**

	High Impact		Medium Impact		Low Impact		Needs further investigation
	+	-	+	-	+	-	
Children/young people (0-18)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Older people (50+)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Any other age group	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Future Generations (yet to be born)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Disability	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Race (including refugees)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Asylum seekers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gypsies & travellers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Religion or (non-)belief	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sex	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sexual Orientation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gender reassignment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Welsh Language	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Poverty/social exclusion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Carers (inc. young carers)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Community cohesion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Marriage & civil partnership	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pregnancy and maternity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Q3 What involvement has taken place/will you undertake e.g. engagement/consultation/co-productive approaches?  
Please provide details below – either of your activities or your reasons for not undertaking involvement**

Legislation requires the Council to set Council Tax as part of the budget setting process – does not require engagement. The revenue budget has been out for engagement and full consultation.

**Q4 Have you considered the Well-being of Future Generations Act (Wales) 2015 in the development of this initiative:**

- a) Overall does the initiative support our Corporate Plan’s Well-being Objectives when considered together?  
Yes  No
- b) Does the initiative consider maximising contribution to each of the seven national well-being goals?  
Yes  No
- c) Does the initiative apply each of the five ways of working?  
Yes  No
- d) Does the initiative meet the needs of the present without compromising the ability of future generations to meet their own needs?  
Yes  No

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**Q5 What is the potential risk of the initiative? (Consider the following impacts – equality, socio-economic, environmental, cultural, legal, financial, political, media, public perception etc...)**

High risk

Medium risk

Low risk

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

Yes       No      If yes, please provide details below

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**Q7 What is the cumulative impact of this proposal on people and/or communities when considering all the impacts identified within the screening and any other key decisions affecting similar groups/ service users made by the organisation?  
(You may need to discuss this with your Service Head or Cabinet Member to consider more widely if this proposal will affect certain groups/ communities more adversely because of other decisions the organisation is making. For example, financial impact/poverty, withdrawal of multiple services and whether this is disadvantaging the same groups, e.g., disabled people, older people, single parents (who are mainly women), etc.)**

Legislation requires the Council to set Council Tax as part of the budget setting process. There are Intergrated Impact Assessment screenings for the Revenue Budget Report and the Medium Term Financial Planning report. These two reports drive the Statutory Resolution report.

**Outcome of Screening**

**Q8 Please describe the outcome of your screening below:**

- **Summary of impacts identified and mitigation needed (Q2)**
- **Summary of involvement (Q3)**
- **WFG considerations (Q4)**
- **Any risks identified (Q5)**
- **Cumulative impact (Q7)**

Legislation requires the Council to set Council Tax as part of the budget setting process. There are no implications arising from this report. There are Intergrated Impact Assessment screenings for the Revenue Budget Report and the Medium Term Financial Planning report. These two reports drive the Statutory Resolution report.

(NB: This summary paragraph should be used in the relevant section of corporate report)

Full IIA to be completed

Do not complete IIA – please ensure you have provided the relevant information above to support this outcome

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.

<b>Screening completed by:</b>
<b>Name: Amanda Thomas</b>
<b>Job title: Strategic Finance Manager Corporate</b>
<b>Date: 18/02/22</b>
<b>Approval by Head of Service:</b>
<b>Name: Ben Smith</b>
<b>Position: Director of Finance</b>
<b>Date: 18/02/2022</b>

# Agenda Item 15.



## Report of the Section 151 Officer

Council - 3 March 2022

### Capital Strategy 2021/22 – 2026/27

<b>Purpose:</b>	To approve the Capital Strategy which informs and shapes the six year capital programme.
<b>Consultation:</b>	Legal, Finance and Access to Services.
<b>Recommendation(s):</b>	It is recommended that:  1) The Capital Strategy 2021/22- 2026/27 is approved
<b>Report Author:</b>	Jeff Dong
<b>Finance Officer:</b>	Beb Smith
<b>Legal Officer:</b>	Deb 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 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 decision making 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
- Swansea: Achieving Better Together, Transformation Strategy and Programme Framework (Recovery Plan)
- The Revenue Budget Report
- The Capital Budget & Programme Report
- The Medium Term Financial Plan
- The Treasury Management, Investment Strategy and MRP Policy Statement Report

and have due regard to :

- The Wellbeing of Future Generations Act 2015

- 1.4 The Council's Corporate plan has the following pre-existing 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.

- 1.5 Post Covid

The Council has subsequently adopted the Swansea: Achieving Better Together, Transformation Strategy and Programme Framework (Recovery Plan) with which it can plan and deliver services and objectives in the next 5 years directly addressing how the City moves out of the pandemic. It is utilising this framework and its other planning tools that the Council employs to steer the City to recover from the aftermath of the effects of the Covid 19 global pandemic.

- 1.6 In formulating the detailed schemes within the programme of capital expenditure 2021/22- 2026/27 in the Capital Budget report , it can be demonstrated that all projects promote the objectives of at least one or more of the above corporate priorities in 1.4 and included in the capital programme is significant additional capital expenditure to support the economic recovery of the City following the Covid 19 pandemic.

## **2 The Capital Programme 2021/22 – 2026/27**

- 2.1 The Capital Budget and Programme 2021/22 – 2026/27 for the General Fund and HRA is reported in detail in The Capital Budget & Programme & HRA Capital Programme Reports 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 & Recovery:
  - enabling strategic place shaping and economic growth
  - to support specific local community and regional projects
  - investing in the City to aid recovery from the effects of the Covid 19 pandemic

- 3.2 Operational – Within the capital programme, is a comprehensive schedule of programmed routine repairs and maintenance both on the existing property and housing inventory and 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 providing strategic control of key sites within the City boundaries.

- 3.4 Historically the PWLB has been the most economically advantageous form of capital financing for the Council. Following the HM Treasury consultation on the PWLB borrowing process, strict guidance has been issued by HM Treasury which strictly prohibits the use of PWLB borrowing for investing in property/commercial assets 'purely for yield'. These changes clearly affect the viability of the Council buying investment assets. However alternative financing ( grants, capital receipts and commercial financing ) can still be used to fund these 'yielding investments' if the investment metrics still support the business case. It is envisaged that these restrictions in PWLB borrowing shall require continued very robust business case appraisal and risk management to ensure any such investment is in the best interests of The Council. Any such investments shall be subject to the governance process identified in 5.1

### 3.5 Regeneration/Community

A significant portion of the current capital programme is comprised of a number of major regeneration and community construction programmes being undertaken by the Authority:

- 21<sup>st</sup> Century Schools – A programme of major school refurbishment and new school build Band A of the Welsh Government's 21st Century Schools and Colleges Programme has drawn to a close, and Band B officially commenced on the 1 April 2019 . Band A was funded by a 50% contribution from the Welsh Government and a 50% contribution from the council towards a total of £51.507m (plus £150k Challenge Cymru funding). 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 and Colleges Programme is being provided through £600m capital and £500m revenue funding for the whole of Wales. The grant intervention rate for capital projects is 65%, except special schools and PRUs which is 75%, and voluntary aided schools which is 85%. 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. The Band B programme envelope is £149.5m (if the potential aided sector scheme is excluded this amounts to £141.3m). Of this total, £124m is being sought from traditional capital funding, requiring (after allowance for realisable capital and other receipts) a net local funding requirement of £34.5m from unsupported borrowing. The remaining £25.19m (or £16.975m if the potential aided sector scheme is excluded) is expected to be delivered through the MIM, 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 for the MIM scheme excluding the voluntary aided sector would be £3.225m although the 19% local contribution would apply to the annual revenue charge.
- The early projects in Band B have made good progress despite the challenges posed by the pandemic. Particular issues continue to include matters such as the capacity of contractors to maintain progress of schemes to timescales with the impact on the availability of staff, and the impact on the procurement and supply chains involved for materials. Resourcing of projects both internally and externally is also impacting timescales.
- The Swansea City & Waterfront Digital District project is one of nine 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: an Innovation Matrix 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 capacity Digital Arena and associated developments (also led by the Council). A 5 case business model has been approved by UK and WG, it sets out the project in great detail, including the benefits, costs, and income derived. After an FPR7 report to cabinet the Digital Square construction has been on site for 24 months and has a further 2 months to go subject to the impact of covid-19. The Arena operator is contracted under an agreement for lease. With regard to Digital Village, a contractor has been procured and funding authorised and construction has started on site.

- The Council through the Shaping Swansea procurement process, has appointed Urban Splash as a long term development partner. The partner and the Council will then progress the 7 sites as set out in the procurement process.
- Cabinet approved the capital funding to reimagine Castle Square to create a step change in the quality of its public realm. An increased level of green space with up to 4 new commercial units will create a new destination which will make it more active, distinctive and vibrant in line with other regeneration investment which is taking place in the City centre.
- More Homes and Welsh Housing Quality Standards (WHQS)– A programme of council house refurbishment and new council house building, utilising new borrowing powers to invest in new Council housing stock. The More Homes Strategy for providing new Council housing has been endorsed by Council. Indicative expenditure of £74.3m over 4 years up to 2025/26 for taking forward the strategy has been included in the programme. Cabinet has approved a target of 1,000 new council homes from 2021-2031, and this 4 year programme will enable the acquisition and construction of around 460 new council homes. This will also include the acquisition of properties and land to develop for council and affordable housing. Delivery will be aided through partnerships which will increase capacity and pace in the programme. After having attained the Welsh Housing Quality Standard, the approved programme identifies the transition into WHQS Maintenance Phase.
- A significant programme of additional specific capital expenditure to assist the City's economic recovery from the Covid 19 pandemic

### 3.6 Covid 19 Pandemic Response

The robust asset management planning processes outlined above in 1.3, 1.4 and 3.1. could not have foreseen the speed and depth of impact of the global Covid 19 pandemic which took hold in March 2020. It is testament to the inherent robust, resilient professional, efficient asset management, corporate building services, legal support, procurement, finance and treasury management services operating within the Council which allowed it to design,

allow planning consent , contract with partners, finance, insure and build and handover a 1,000 bed Covid 19 Field Hospital in 3 months, being fully operational in June 2020. The facility has subsequently been modified to support the national Covid 19 vaccination programme. Included in the capital programme is part of a £20m recovery fund with which to fund various initiatives to support the City and its citizens recover from the effects of the pandemic.

#### **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, ( although as identified in 3.4 above, this now precludes PWLB). 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. The business case process shall now need to be a more challenging/rigorous in light of the PWLB position in relation to investing purely for yield. Alternative sources of commercial funding usually carry a premium compared to usual prevailing PWLB interest rates, therefore this sets a higher bar for the commercial returns expected from investing into the asset and as such the business case and risk management process shall need to continue to be extremely robust before any such investment is made.

4.3 The reasons for buying and owning property investments are primarily:

- Market and economic opportunity.
- Strategic control of key City sites
- Economic development and regeneration activity in the City ( all investment property is within the City & County boundaries)

And only secondarily and incidentally:

- Financial returns to fund services to residents

4.4 Historically, property has provided strong investment returns in terms of capital growth and 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 consider investments on a commercial basis and to take advantage of opportunities as they present themselves, supported by our robust governance process. However the source of finance needs to be robust and the interest rates

available need to be viable and support each business case. In light of this, it is expected that commercial property investment activity shall be reduced.

- 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 Procedure 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
- Risk Register
  - Corporate framework for monitoring corporate risks (including major capital schemes)
- Grants & Capital Manual
  - Outlines the corporate capital & grant protocols, procedures and practices for compliance by practitioners within the organisation

## **6 Capital Financing Strategy**

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

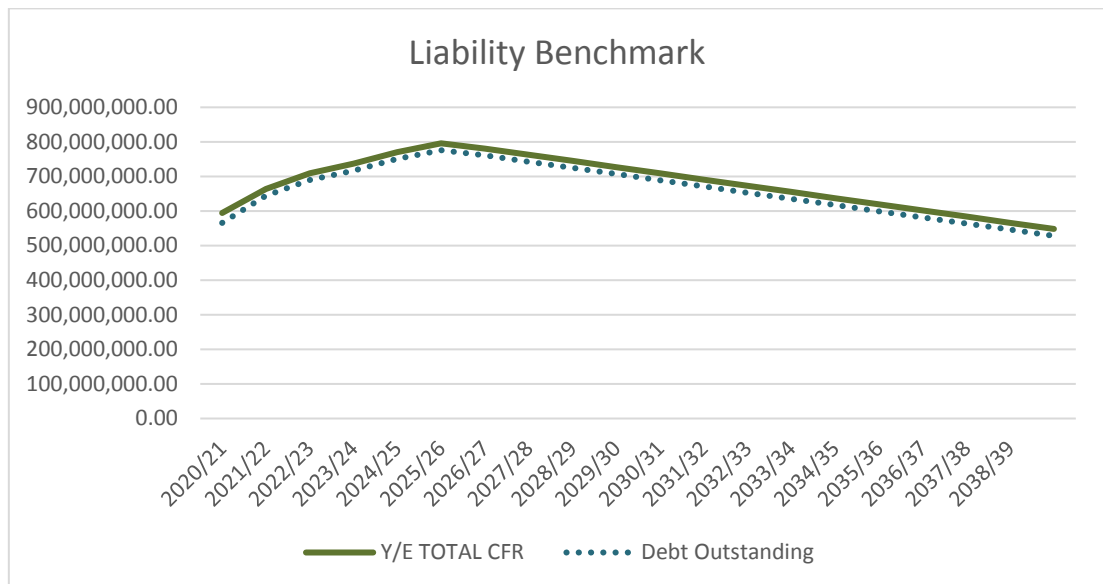
- maximise external private investment
- maximise external grant funding
- maximise capital receipt income
- finance self-funding income generative schemes
- minimise external borrowing
- minimise external funding costs

6.2 In the current difficult 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 still at relatively low levels, following the removal in Nov 2020 of the PWLB 1% premium introduced in Oct 2019, however PWLB borrowing cannot now be used in 'purely for yield' property investments as outlined in 3.4. but may still be used for operational and regeneration capital schemes. It should be noted that the Treasury Management Strategy Statement already forecasts interest rate rises for the short/medium term which make the recent external PWLB funding drawn down particularly prescient.

## **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 2025/26 as the current programme peaks, but in reality the ongoing capital programme shall be refreshed on an annual basis with new commitments 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 impacts 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.

8.2 The S 151 officer has carefully considered the impact of the many variables and unknowns inherent in the funding of the presented capital programme (e.g. Brexit impact, volatility of markets, timing of City deal funding, variability of direct capital grant funding, impact of MRP review on equalising principal repayments in later years) and has sought to mitigate the impact of the funding of the capital programme on the revenue account with the establishment of the capital equalisation reserve. The utilisation of the reserve recognises the future obligations arising out of the committed capital programme whilst prudently mitigating that impact on the revenue account by adopting professional judgement in reserving appropriately at this time in the capital equalisation reserve.

## 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 from outside.

- 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. managing 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. The benefits of this approach were apparent in the ability to fund

the building of the 1,000 bed Covid 19 Field Hospital until such time, the Council could be reimbursed by WG.

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.

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

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

Risk	Appetite
Financial	Moderate appetite for a range of asset classes, property and longer-term investments, subject to careful due diligence and an emphasis on

	<p>security as well required liquidity profile.</p> <p>Lower 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	<p>High appetite for exposure to local 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>Lower 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	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.
Environmental & Social	No appetite for environmentally negative risks.  Very low appetite for social risks, especially in the local region and always subject to full due diligence.

9.10 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, town planners, housing professionals, 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/ Director of Finance who is a CCAB qualified accountant and is supported by professionally CCAB qualified finance staff and technicians in providing the financial oversight and strategic financial advice for business case appraisal and ongoing monitoring of 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, ensuring that best value is achieved.

10.5 The Chief Legal Officer is responsible for ensuring legal compliance in the execution of contracts and completion of legal agreements in relation to the capital programme.

## **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 Integrated Assessment Implications**

- 13.1 The Council is subject to the Equality Act (Public Sector Equality Duty and the socio-economic duty), the Well-being of Future Generations (Wales) Act 2015 and the Welsh Language (Wales) Measure, 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 Acts.
- 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.
- Deliver better outcomes for those people who experience socio-economic disadvantage.
- Consider opportunities for people to use the Welsh language.
- Treat the Welsh language no less favourably than English.
- Ensure that the needs of the present are met without compromising the ability of future generations to their own needs.

- 13.2 The Well-being of Future Generations (Wales) Act 2015 mandates that public bodies in Wales must carry out sustainable development. Sustainable development means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the 'well-being goals'.

- 13.3 Our Integrated Impact Assessment (IIA) process ensures we have paid due regard to the above. It also takes into account other key issues and priorities, such as poverty and social exclusion, community cohesion, carers, the United Nations Convention on the Rights of the Child (UNCRC) and Welsh language.

- 13.4 An integrated 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 Integrated Impact Assessment process.

**Background Papers:** None

**Appendices:** None

# Agenda Item 16.



## Report of the Section 151 Officer

Council – 3 March 2022

### **Treasury Management Strategy Statement, Prudential/Treasury Indicators, Investment Strategy and Minimum Revenue Provision Policy Statement 2022/23, Interim Year Treasury Management Review 2021/22**

<b>Purpose:</b>	To approve the Treasury Management Strategy Statement, Prudential Indicators, Investment Strategy and Minimum Revenue Provision Policy Statement for 2022/23 and note the Interim Year Treasury Management Review 2021/22
<b>Consultation:</b>	Legal, Finance and Access to Services.
<b>Recommendations:</b>	<p>It is recommended that Council approves the:</p> <ul style="list-style-type: none"><li>(1) Treasury Management Strategy and Prudential Indicators (Sections 2-7) and</li><li>(2) Investment Strategy (Section 8) and</li><li>(3) Minimum Revenue Provision (MRP) Statement (Section 9)</li></ul> <p>and notes :</p> <ul style="list-style-type: none"><li>(4) The Interim Year Treasury Management Review 2021/22 ( Appendix H)</li></ul>
<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 received 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. Following the HM Treasury consultation and subsequently issued guidance, PWLB borrowing is now prohibited to fund investments 'purely for yield'. The PWLB have circulated a set of criteria that needs to be satisfied to secure PWLB finance. This new guidance still allows PWLB borrowing to fund regeneration and operational schemes where they are clearly not undertaken for yield only.

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 2022/23 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 2021/22-2025/26
- 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 2021/22to 2025/26**

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 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>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</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	162,553	159,929	79,885	39,409	67,307	41,895
HRA	41,601	47,424	58,152	66,384	74,024	67,454
<b>TOTAL</b>	<b>204,154</b>	<b>207,353</b>	<b>138,037</b>	<b>105,793</b>	<b>141,331</b>	<b>109,349</b>
<b>Capital Financing Requirement 31<sup>st</sup> March</b>						
GF	433,916	499,482	532,641	534,238	531,261	524,548
HRA	159,530	163,464	175,697	201,805	238,973	271,095
Magistrates' Court **	1,198	1,150	1,104	1,060	1,018	977
Credit Arrangements*	138	1,142	755	364	140	-
<b>Total</b>	<b>594,782</b>	<b>665,238</b>	<b>710,197</b>	<b>737,467</b>	<b>771,392</b>	<b>796,620</b>
<b>Authorised limit for external debt</b>	565,198	837,467	871,392	896,620	896,620	896,620
<b>Operational boundary for external debt</b>	565,198	777,467	811,392	836,620	836,620	836,620
<b>Upper limit for fixed interest rate exposure</b>	82.32%/ £467,198	100%/ £838,197	100%/ £871,392	100%/ £896,620	100%/ £896,620	100%/ £896,620
<b>Upper limit for variable rate exposure</b>	17.68%/ £98,000	40%/ £335,279	40%/ £348,557	40%/ £358,648	40%/ £358,648	40%/ £358,648
<b>Upper limit for total principal sums invested for over 364 days</b>	40,000	40,000	40,000	40,000	40,000	40,000

\* The GF Capital Financing Requirements includes arrangements classified as credit arrangements (finance leases) under International Financial Reporting Standards (IFRS) requirements as of 2011/12. However these continue to be 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 2022/23-2025/26</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 2020/21 %</b>	<b>Revised 2021/22 %</b>	<b>Estimate 2022/23 %</b>	<b>Estimate 2023/24 %</b>	<b>Estimate 2024/25 %</b>	<b>Estimate 2025/26 %</b>
<b>General Fund</b>	6.01	6.23	7.66	7.65	7.33	6.90
<b>HRA</b>	15.14	15.26	15.07	15.90	17.65	20.16

### 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, however in all likelihood internal balances shall be utilised where appropriate and the actual external borrowing shall be lower.

<b>Comparison of average gross debt and capital financing requirement</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
	<b>actual</b>	<b>probable</b>	<b>estimate</b>	<b>estimate</b>	<b>estimate</b>	<b>estimate</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Average Debt Outstanding (gross)</b>	565,198	642,260	678,260	698,270	723,260	763,260
<b>Capital Financing Requirement at 31<sup>st</sup> March</b>	594,644	664,197	686,620	737,102	770,540	795,726
<b>Net Position</b>	29,446	21,937	8,360	38,832	47,280	32,466

### **3 . The current portfolio position**

3.1 The Council's projected debt portfolio position at 31/3/22 comprises:

	<b>Principal outstanding 31 March 2022 £'000</b>	<b>Average rate of Interest %</b>
Public Works Loan Board (fixed)	487,500	3.79
Money Market	98,000	4.10
Temporary	1,091	0.49
Welsh Govt.	24,574	0.00
<b>Total</b>	<b>611,165</b>	<b>3.75</b>

And managed separately as required by statute:

**HRA Subsidy Buyout**

**73,580**

**4.25**

3.2 The Council's forecast investment portfolio at 31 March 2022 is as follows:

Managed Investments	Investments 31 March 2022	2021/22 Probable Investment Return	2022/23 Estimated Investment Return
	£'000	%	%
Internally Managed	205,900	0.1	0.1

#### 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 2021, following the UK Government's agreement to the Brexit deal..

Link Group Interest Rate View 20.12.21														
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

#### 4.2 Economic Background

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

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

- The overall balance of risks to economic growth in the UK is probably now skewed to the upside, but is still subject to some uncertainty due to the virus and the effect of any mutations, and how quick vaccines are in enabling a relaxation of restrictions.
- There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates), in the UK.

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

- **UK government** takes too much action too quickly to raise taxation or introduce austerity measures that depress demand and the pace of recovery of the economy.
- **UK - Bank of England** 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**. The ECB has taken monetary policy action to support the bonds of EU states, with the positive impact most likely for “weaker” countries. In addition, the EU agreed a €750bn fiscal support package. These actions will help shield weaker economic regions for the next two or three years. However, in the case of Italy, the cost of the virus crisis has added to its already huge debt mountain and its slow economic growth will leave it vulnerable to markets returning to taking the view that its level of debt is unsupportable. There remains a sharp divide between northern EU countries favouring low debt to GDP and annual balanced budgets and southern countries who want to see jointly issued Eurobonds to finance economic recovery. This divide could undermine the unity of the EU in time to come.
- Weak capitalisation of some **European banks**, which could be undermined further depending on extent of credit losses resultant of the pandemic.
- **Minority EU governments**. Italy, Spain, Austria, Sweden, Portugal, Netherlands, Ireland and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU, and they had threatened to derail the 7 year EU budget until a compromise was thrashed out in late 2020. There has also been a rise in anti-immigration sentiment in Germany and France.
- **Geopolitical risks**, for example in China, Iran or North Korea, but also in Europe and other Middle Eastern countries, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates include:

- **UK** - a significant rise in inflationary pressures e.g. caused by a stronger than currently expected recovery in the UK economy after effective vaccines are administered quickly to the UK population, leading to a rapid resumption of normal life and return to full economic activity across all sectors of the economy.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a rapid series of increases in Bank Rate to stifle inflation. Bank Rate is unlikely to rise from 0.10% for a considerable period. It is very difficult to say when it may start rising so it may be best to assume that investment earnings from money market-related instruments will be sub 0.50% for the foreseeable future.

4.4 The overall balance of risks to economic growth in the UK is probably now skewed to the upside, but is subject to world reaction to future Covid variants . There is UK domestic risk of increases in Bank Rate and significant changes in

shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, or a return of investor confidence in equities, could impact gilt yields, (and so PWLB rates), in the UK.

## 5. The In Year Borrowing Requirement

5.1 The following outlines the Council's net capital borrowing / repayment requirements for 2021/22 to 2025/26: Actual borrowing shall not reflect the profile below. Timing of borrowing is informed by best Treasury management practice, prevailing interest rates and cashflow demands.

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
<b>Borrowing and repayment requirements</b>	<b>Actual</b>	<b>Probable</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
To finance new capital expenditure by supported borrowing	6,483	6,430	6,430	6,430	6,430	6,430
To finance new capital expenditure by unsupported borrowing	61,020	79,624	57,385	41,299	48,171	41,369
To replace loans maturing/repaid prematurely/voluntary contributions	1	1	365	5,365	7,365	7,539
Less						
Repayments (MRP)	13,185	15,111	18,509	20,185	21,129	22,381
Set aside capital receipts						
<b>NET IN YEAR BORROWING /(REPAYMENT) REQUIREMENT</b>	<b>54,319</b>	<b>70,944</b>	<b>45,671</b>	<b>32,909</b>	<b>40,837</b>	<b>32,957</b>

5.2 The borrowing requirement above reflects known planned capital expenditure to date as outlined in the *"The Capital Budget and Programme 2021/22 – 2025/26"* and the *"HRA Capital Programme 2021/22-2025/26"* reports elsewhere on this agenda and may or may not be funded in year as opportunities to borrow affordably arise.

5.3 It can be seen from the *"The Capital Budget and Programme 2021/22 – 2025/26"*, that the capital programme contains a comprehensive programme of major construction projects requiring material capital funding :

- 21<sup>st</sup> Century Schools – A programme of major school refurbishment and new school build
- Swansea Bay City Region Deal Schemes - The Swansea City and Waterfront Digital District project ( one of the 9 Swansea Bay City Region Projects) plans include a 3,500-seat digital indoor arena at the current LC car park site in the city centre that will accommodate music concerts, touring shows, exhibitions, conferences, gaming tournaments and other events. A digital square featuring digital artworks and ultrafast internet connection speeds will also be developed outside the

- arena.
  - More Homes and Welsh Housing Quality Standards– A programme of council house refurbishment and new council house building utilising new borrowing powers to invest in new Council housing stock.
  - Significant capital investment to help the City’s economic recovery from the Covid 19 pandemic
- 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, other local authorities 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. In practice, borrowing shall be optimised when interest rates offer long term value with operational financing being funded from internal cash balances as cashflow allows in accordance with our long term strategy.
- 5.6 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.
- 5.7 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.
- 5.8 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 as required by statute and this shall be recharged directly to the HRA.

## **6. Borrowing Strategy**

- 6.1 PWLB borrowing interest rates were on a major falling trend during the first half of 2019-20 but then jumped up by 100 bps on 9.10.19 following the shock announcement from HMT applying a 100bps premium on PWLB borrowing. The policy of avoiding new borrowing by running down spare cash balances



has served this local authority well over the last few years. However, the Authority took advantage of the unprecedented historically low interest rates and undertook £90m of PWLB borrowing in 2018/19. This was extremely well timed ahead of the unexpected increase of 1% premium in PWLB rates in Nov 2019. Following HM Treasury consultation, the PWLB has removed the premium but has implemented strict criteria for PWLB borrowing and strictly prohibits investment purely for yield as identified in 1.4. At time of writing, borrowing rates are higher than investment rates as has been the case since the onset of the global financial crisis. Considering this, it has been determined that, cashflow dictating, the main strategy for funding the borrowing requirement for the capital programme shall be met by internalising the borrowing. Following the revocation of the PWLB premium in Nov 2020, the relative long term value of fixing long term PWLB funding increased significantly. Therefore as market volatility increased early in financial year 2021/22, the market was monitored for long term funding opportunities and the S 151 Officer approved £75 m of borrowing at an average rate of 1.94% in April 2021 and a further £45m in October 2021 @ an average rate of 1.93% representing the cheapest borrowing ever drawn down by this Authority.

6.2 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 long term rates are forecast to be higher.( see 4.1)

6.3 However, notwithstanding the borrowing activity identified in 6.1 the overall strategy - with a view to minimising interest costs and the risk of default by counterparties - is therefore to continue to manage the borrowing requirement for operational financing with a view to averaging in the remainder of the borrowing requirement as cashflow and interest rates dictate in the short/medium term.

6.4 Policy on borrowing in advance of need

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

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

- ensure that there is a clear link between the expected 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 envisaged that there will not be any debt rescheduling opportunities in the remainder of 2021/22 or in the medium term in the current PWLB portfolio, noting relative value and premiums payable to implement, however there may be opportunities to review the Authority's market debt dependent upon counterparty appetite. Opportunities are received from time to time and appraised and considered in line with 7.3. Any rescheduling decisions will be reported to the Cabinet Member 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.  
and only then
- (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 permitted 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 during the year 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 20<sup>th</sup> January 2022

- 8.1.4 It is anticipated that the Council will continue to hold internally managed sums during 2022/23 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). NB (*LIBOR and LIBID rates will cease from the end of 2021. Work is currently progressing to replace LIBOR with a rate based on SONIA (Sterling Overnight Index Average)*)

8.1.5 Interest Rate Outlook:

Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16<sup>th</sup> December 2021.. Bank Rate forecasts for financial year ends (March) are:

- Q1 2022 0.25%
- Q1 2023 0.75%
- Q1 2024 1.00%
- Q1 2025 1.25%

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

2022/23	0.50%
2023/24	0.75%
2024/25	1.00%
2025/26	1.25%
Later years	2.00%

As shown in the forecast table in 4.1 above , the forecast for Bank Rate now includes four increases, one in December 2021 to 0.25%, then quarter 2 of 2022 to 0.50%, quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and, finally, one in quarter 1 of 2025 to 1.25%.

**Significant risks to the forecasts**

- **Mutations** of the virus render current vaccines ineffective, and tweaked vaccines to combat these mutations are delayed, or cannot be administered fast enough to prevent further lockdowns. 25% of the population not being vaccinated is also a significant risk to the

NHS being overwhelmed and lockdowns being the only remaining option.

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity.
- **The Monetary Policy Committee** acts 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.
- **The Monetary Policy Committee** tightens monetary policy too late to ward off building inflationary pressures.
- **The Government** acts too quickly to cut expenditure to balance the national budget.
- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- **Longer term US treasury yields** rise strongly and pull gilt yields up higher than forecast.
- **Major stock markets** e.g., in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the “moral hazard” risks of having to buy shares and corporate bonds to reduce the impact of major financial market selloffs on the general economy.
- **Geopolitical risks**, for example in Ukraine, Iran, North Korea, but also in Europe and Middle Eastern countries; on-going global power influence struggles between Russia/China/US. These could lead to increasing safe-haven flows.

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 Interim Year Treasury Management Report and its Annual Treasury Management Report. The Interim Year Treasury Management Report 2021/22 is attached at Appendix H.

## 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 types of investment considered appropriate for investment and the absolute limits

in each case.

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 global 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 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 appoint external service providers.
- to ensure adequate Treasury Management training for elected members

## 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, 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 useful 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 ( useful life) 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 ( equivalent to 2.5% annualised).

## **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. Integrated Assessment Implications**

- 11.1 The Council is subject to the Equality Act (Public Sector Equality Duty and the socio-economic duty), the Well-being of Future Generations (Wales) Act 2015 and the Welsh Language (Wales) Measure, 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 Acts.
- 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.
- Deliver better outcomes for those people who experience socio-economic disadvantage.
- Consider opportunities for people to use the Welsh language.
- Treat the Welsh language no less favourably than English.
- Ensure that the needs of the present are met without compromising the ability of future generations to their own needs.

11.2 The Well-being of Future Generations (Wales) Act 2015 mandates that public bodies in Wales must carry out sustainable development. Sustainable development means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the 'well-being goals'.

11.3 Our Integrated Impact Assessment (IIA) process ensures we have paid due regard to the above. It also takes into account other key issues and priorities, such as poverty and social exclusion, community cohesion, carers, the United Nations Convention on the Rights of the Child (UNCRC) and Welsh language.

11.4 An integrated 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 Integrated Impact Assessment process.

## **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- Interim Treasury Management Report 2021/22

## TREASURY MANAGEMENT – GLOSSARY OF TERMS

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

<b>(see financing costs also)</b>	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>	<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 Standards (FRSs)</b>	These are standards set by governing bodies on how the financial statements should look and be presented.
<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> <p>From this should be subtracted any investments that are held clearly and explicitly in the course of the provision of, and for the purposes of, operational services.</p>

<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>	Consists of financial institutions and deals in money and credit.

	The term applied to the institutions willing to trade in financial instruments. It is not a physical creation, but an electronic/telephone one.
<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 appropriate terms.</p>
<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>SONIA ( sterling overnight index average)</b>	<p>Sterling Overnight Index Average, abbreviated SONIA, is the effective overnight <a href="#">interest rate</a> paid by banks for <a href="#">unsecured</a> transactions in the British sterling market. It is used for overnight funding for trades that occur in off-hours and represents the depth of overnight business in the marketplace.</p> <p>It offers an alternative to LIBOR as a <a href="#">benchmark</a> interest rate for financial transactions.</p>
<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>	<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



	<p>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.</p>
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**TREASURY ADVISORS' VIEW ON THE ECONOMIC BACKGROUND****COVID-19 vaccines.**

These were the game changer during 2021 which raised high hopes that life in the UK would be able to largely return to normal in the second half of the year. However, the bursting onto the scene of the Omicron mutation at the end of November, rendered the initial two doses of all vaccines largely ineffective in preventing infection. This has dashed such hopes and raises the spectre again that a fourth wave of the virus could overwhelm hospitals in early 2022. What we now know is that this mutation is very fast spreading with the potential for total case numbers to double every two to three days, although it possibly may not cause so much severe illness as previous mutations. Rather than go for full lockdowns which heavily damage the economy, the government strategy this time is focusing on getting as many people as possible to have a third (booster) vaccination after three months from the previous last injection, as a booster has been shown to restore a high percentage of immunity to Omicron to those who have had two vaccinations. There is now a race on between how quickly boosters can be given to limit the spread of Omicron, and how quickly will hospitals fill up and potentially be unable to cope. In the meantime, workers have been requested to work from home and restrictions have been placed on large indoor gatherings and hospitality venues. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in sectors like restaurants, travel, tourism and hotels which had been hit hard during 2021, but could now be hit hard again by either, or both, of government restrictions and/or consumer reluctance to leave home. Growth will also be lower due to people being ill and not working, similar to the pingdemic in July. The economy, therefore, faces significant headwinds although some sectors have learned how to cope well with Covid. However, the biggest impact on growth would come from another lockdown if that happened. The big question still remains as to whether any further mutations of this virus could develop which render all current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread until tweaked vaccines become widely available.

**A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE**

- In December, the Bank of England became the first major western central bank to put interest rates up in this upswing in the current business cycle in western economies as recovery progresses from the Covid recession of 2020.

- The next increase in Bank Rate could be in February or May, dependent on how severe an impact there is from Omicron.
- If there are lockdowns in January, this could pose a barrier for the MPC to putting Bank Rate up again as early as 3<sup>rd</sup> February.
- With inflation expected to peak at around 6% in April, the MPC may want to be seen to be active in taking action to counter inflation on 5<sup>th</sup> May, the release date for its Quarterly Monetary Policy Report.
- The December 2021 MPC meeting was more concerned with combating inflation over the medium term than supporting economic growth in the short term.
- Bank Rate increases beyond May are difficult to forecast as inflation is likely to drop sharply in the second half of 2022.
- However, the MPC will want to normalise Bank Rate over the next three years so that it has its main monetary policy tool ready to use in time for the next down-turn; all rates under 2% are providing stimulus to economic growth.
- We have put year end 0.25% increases into Q1 of each financial year from 2023 to recognise this upward bias in Bank Rate - but the actual timing in each year is difficult to predict.
- Covid remains a major potential downside threat in all three years as we ARE likely to get further mutations.
- How quickly can science come up with a mutation proof vaccine, or other treatment, – and for them to be widely administered around the world?
- Purchases of gilts under QE ended in December. Note that when Bank Rate reaches 0.50%, the MPC has said it will start running down its stock of QE.

#### **MPC MEETING 16<sup>H</sup> DECEMBER 2021**

- The Monetary Policy Committee (MPC) voted 8-1 to raise Bank Rate by 0.15% from 0.10% to 0.25% and unanimously decided to make no changes to its programme of quantitative easing purchases due to finish in December 2021 at a total of £895bn.
- The MPC disappointed financial markets by not raising Bank Rate at its November meeting. Until Omicron burst on the scene, most forecasters, therefore, viewed a Bank Rate increase as being near certain at this December meeting due to the way that inflationary pressures have been comprehensively building in both producer and consumer prices, and in wage rates. However, at the November meeting, the MPC decided it wanted to have assurance that the labour market would get over the end of the furlough scheme on 30<sup>th</sup> September without unemployment increasing sharply; their decision was, therefore, to wait until statistics were available to show how the economy had fared at this time.
- **On 10<sup>th</sup> December we learnt of the disappointing 0.1% m/m rise in GDP** in October which suggested that economic growth had already slowed to a crawl even before the Omicron variant

was discovered in late November. Early evidence suggests growth in November might have been marginally better. Nonetheless, at such low rates of growth, the government's "Plan B" COVID-19 restrictions could cause the economy to contract in December.

- **On 14<sup>th</sup> December, the labour market statistics** for the three months to October and the single month of October were released. The fallout after the furlough scheme was smaller and shorter than the Bank of England had feared. The single-month data were more informative and showed that LFS employment fell by 240,000, unemployment increased by 75,000 and the unemployment rate rose from 3.9% in September to 4.2%. However, the weekly data suggested this didn't last long as unemployment was falling again by the end of October. What's more, the 49,700 fall in the claimant count and the 257,000 rise in the PAYE measure of company payrolls suggests that the labour market strengthened again in November. The other side of the coin was a further rise in the number of vacancies from 1.182m to a record 1.219m in the three months to November which suggests that the supply of labour is struggling to keep up with demand, although the single-month figure for November fell for the first time since February, from 1.307m to 1.227m.
- These figures by themselves, would probably have been enough to give the MPC the assurance that it could press ahead to raise Bank Rate at this December meeting. However, the advent of Omicron potentially threw a spanner into the works as it poses a major headwind to the economy which, of itself, will help to cool the economy. The financial markets, therefore, swung round to expecting no change in Bank Rate.
- **On 15th December we had the CPI inflation** figure for November which spiked up further from 4.2% to 5.1%, confirming again how inflationary pressures have been building sharply. However, Omicron also caused a sharp fall in world oil and other commodity prices; (gas and electricity inflation has generally accounted on average for about 60% of the increase in inflation in advanced western economies).
- **Other elements of inflation are also transitory** e.g., prices of goods being forced up by supply shortages, and shortages of shipping containers due to ports being clogged have caused huge increases in shipping costs. But these issues are likely to clear during 2022, and then prices will subside back to more normal levels. Gas prices and electricity prices will also fall back once winter is passed and demand for these falls away.
- Although it is possible that the Government could step in with some **fiscal support for the economy**, the huge cost of such support to date is likely to pose a barrier to incurring further major economy wide expenditure unless it is very limited and

targeted on narrow sectors like hospitality, (as announced just before Christmas). The Government may well, therefore, effectively leave it to the MPC, and to monetary policy, to support economic growth – but at a time when the threat posed by rising inflation is near to peaking!

- This is the adverse set of factors against which the MPC had to decide on Bank Rate. For the second month in a row, the MPC blind-sided financial markets, this time with a **surprise increase in Bank Rate from 0.10% to 0.25%**. What's more, the hawkish tone of comments indicated that the MPC is now concerned that inflationary pressures are indeed building and need concerted action by the MPC to counter. This indicates that there will be more increases to come with financial markets predicting 1% by the end of 2022. The 8-1 vote to raise the rate shows that there is firm agreement that inflation now poses a threat, especially after the CPI figure hit a 10-year high this week. The MPC commented that “there has been significant upside news” and that “there were some signs of greater persistence in domestic costs and price pressures”.
- On the other hand, it did also comment that “**the Omicron variant is likely to weigh on near-term activity**”. But it stressed that at the November meeting it had said it would raise rates if the economy evolved as it expected and that now “these conditions had been met”. It also appeared more worried about the possible boost to inflation from Omicron itself. It said that “the current position of the global and UK economies was materially different compared with prior to the onset of the pandemic, including elevated levels of consumer price inflation”. It also noted the possibility that renewed social distancing would boost demand for goods again, (as demand for services would fall), meaning “global price pressures might persist for longer”. (Recent news is that the largest port in the world in China has come down with an Omicron outbreak which is not only affecting the port but also factories in the region.)
- On top of that, there were no references this month to inflation being expected to be below the **2% target in two years' time**, which at November's meeting the MPC referenced to suggest the markets had gone too far in expecting interest rates to rise to over 1.00% by the end of the year.
- These comments indicate that there has been a material reappraisal by the MPC of the inflationary pressures since their last meeting and the Bank also increased its forecast for inflation to peak at 6% next April, rather than at 5% as of a month ago. However, as the Bank retained its guidance that only a “**modest tightening**” in policy will be required, it cannot be thinking that it will need to increase interest rates that much more. A typical policy tightening cycle has usually involved rates rising by 0.25% four times in a year. “Modest” seems slower than that. As such, the Bank could be thinking about

raising interest rates two or three times next year to 0.75% or 1.00%.

- In as much as a considerable part of the inflationary pressures at the current time are indeed **transitory**, and will naturally subside, and since economic growth is likely to be weak over the next few months, this would appear to indicate that this tightening cycle is likely to be comparatively short.
- As for the timing of the next increase in Bank Rate, the MPC dropped the comment from November's statement that Bank Rate would be raised "in the coming months". That may imply another rise is unlikely at the next meeting in February and that May is more likely. However, much could depend on how adversely, or not, the economy is affected by Omicron in the run up to the next meeting on 3<sup>rd</sup> February. Once 0.50% is reached, the Bank would act to start shrinking its stock of QE, (gilts purchased by the Bank would not be replaced when they mature).
- **The MPC's forward guidance on its intended monetary policy** on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -
  - Raising Bank Rate as "the active instrument in most circumstances".
  - Raising Bank Rate to 0.50% before starting on reducing its holdings.
  - Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
  - Once Bank Rate had risen to at least 1%, it would start selling its holdings.

**US.** Shortages of goods and intermediate goods like semi-conductors, have been fuelling increases in prices and reducing economic growth potential. In November, **CPI inflation hit a near 40-year record level of 6.8%** but with energy prices then falling sharply, this is probably the peak. The biggest problem for the Fed is the mounting evidence of a strong pick-up in cyclical price pressures e.g., in rent which has hit a decades high.

**Shortages of labour** have also been driving up wage rates sharply; this also poses a considerable threat to feeding back into producer prices and then into consumer prices inflation. It now also appears that there has been a sustained drop in the labour force which suggests the pandemic has had a longer-term scarring effect in reducing potential GDP. Economic growth may therefore be reduced to between 2 and 3% in 2022 and 2023 while core inflation is likely to remain elevated at around 3% in both years instead of declining back to the Fed's 2% central target.

Inflation hitting 6.8% and the feed through into second round effects, meant that it was near certain that the **Fed's meeting of 15<sup>th</sup> December** would take aggressive action against inflation. Accordingly, the rate of tapering of monthly \$120bn QE purchases

announced at its November 3<sup>rd</sup> meeting. was doubled so that all purchases would now finish in February 2022. In addition, Fed officials had started discussions on running down the stock of QE held by the Fed. Fed officials also expected three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy. The first increase could come as soon as March 2022 as the chairman of the Fed stated his view that the economy had made rapid progress to achieving the other goal of the Fed – “maximum employment”. The Fed forecast that inflation would fall from an average of 5.3% in 2021 to 2.6% in 2023, still above its target of 2% and both figures significantly up from previous forecasts. What was also significant was that this month the Fed dropped its description of the current level of inflation as being “transitory” and instead referred to “elevated levels” of inflation: the statement also dropped most of the language around the flexible average inflation target, with inflation now described as having exceeded 2 percent “for some time”. It did not see Omicron as being a major impediment to the need to take action now to curtail the level of inflationary pressures that have built up, although Fed officials did note that it has the potential to exacerbate supply chain problems and add to price pressures.

- **EU.** The slow roll out of vaccines initially delayed **economic recovery** in early 2021 but the vaccination rate then picked up sharply. After a contraction of -0.3% in Q1, Q2 came in with strong growth of 2%. With Q3 at 2.2%, the EU recovery was then within 0.5% of its pre Covid size. However, the arrival of Omicron is now a major headwind to growth in quarter 4 and the expected downturn into weak growth could well turn negative, with the outlook for the first two months of 2022 expected to continue to be very weak.
- **November’s inflation figures** breakdown shows that the increase in price pressures is not just due to high energy costs and global demand-supply imbalances for durable goods as services inflation also rose. Headline inflation reached 4.9% in November, with over half of that due to energy. However, oil and gas prices are expected to fall after the winter and so energy inflation is expected to plummet in 2022. Core goods inflation rose to 2.4% in November, its second highest ever level, and is likely to remain high for some time as it will take a long time for the inflationary impact of global imbalances in the demand and supply of durable goods to disappear. Price pressures also increased in the services sector, but wage growth remains subdued and there are no signs of a trend of faster wage growth which might lead to *persistently* higher services inflation - which would get the ECB concerned. The upshot is that the euro-zone is set for a prolonged period of inflation being above the ECB’s target of 2% and it is likely to average 3% in 2022, in line with the ECB’s latest projection.
- **ECB tapering.** The ECB has joined with the Fed by also announcing at its meeting on 16th December that it will be reducing its QE purchases - by half from October 2022, i.e., it will

still be providing significant stimulus via QE purchases for over half of next year. The main struggle that the ECB has had in recent years is that inflation has been doggedly anaemic in sticking below the ECB's target rate despite all its major programmes of monetary easing by cutting rates into negative territory and providing QE support, however shows signs of ticking up sharply from 2022

- The ECB will now also need to consider the impact of **Omicron** on the economy, and it stated at its December meeting that it is prepared to provide further QE support if the pandemic causes bond yield spreads of peripheral countries, (compared to the yields of northern EU countries), to rise. However, that is the only reason it will support peripheral yields, so this support is limited in its scope.
- The EU has entered into a **period of political uncertainty** where a new German government formed of a coalition of three parties with Olaf Scholz replacing Angela Merkel as Chancellor in December 2021, will need to find its feet both within the EU and in the three parties successfully working together. In France there is a presidential election coming up in April 2022 followed by the legislative election in June. In addition, Italy needs to elect a new president in January with Prime Minister Draghi being a favourite due to having suitable gravitas for this post. However, if he switched office, there is a significant risk that the current government coalition could collapse. That could then cause differentials between Italian and German bonds to widen when 2022 will also see a gradual running down of ECB support for the bonds of weaker countries within the EU. These political uncertainties could have repercussions on economies and on Brexit issues.
- **CHINA.** After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of **2020**; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021.
- However, the pace of economic growth has now fallen back in **2021** after this initial surge of recovery from the pandemic and looks likely to be particularly weak in 2022. China has been struggling to contain the spread of the Delta variant through using sharp local lockdowns - which depress economic growth. Chinese consumers are also being very wary about leaving home and so spending money on services. However, with Omicron having now spread to China, and being much more easily transmissible, this strategy of sharp local lockdowns to stop the virus may not prove so successful in future. In addition, the current pace of providing boosters at 100 billion per month will leave much of the 1.4 billion population exposed to Omicron, and any further mutations, for a considerable time. The **People's Bank of China** made a start in



December 2021 on cutting its key interest rate marginally so as to stimulate economic growth. However, after credit has already expanded by around 25% in just the last two years, it will probably leave the heavy lifting in supporting growth to fiscal stimulus by central and local government.

- Supply shortages, especially of coal for power generation, were causing widespread power cuts to industry during the second half of 2021 and so a sharp disruptive impact on some sectors of the economy. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.
- **JAPAN.** 2021 has been a patchy year in combating Covid. However, recent business surveys indicate that the economy has been rebounding rapidly in 2021 once the bulk of the population had been double vaccinated and new virus cases had plunged. However, Omicron could reverse this initial success in combating Covid.
- The Bank of Japan is continuing its **very loose monetary policy** but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was actually negative in July. New Prime Minister Kishida, having won the November general election, brought in a supplementary budget to boost growth, but it is unlikely to have a major effect.
- **WORLD GROWTH.** World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum in the second half of the year, though overall growth for the year is expected to be about 6% and to be around 4-5% in 2022. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. While headline inflation will fall sharply, core inflation will probably not fall as quickly as central bankers would hope. It is likely that we are heading into a period where there will be a **reversal of world globalisation** and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.
- **SUPPLY SHORTAGES.** The pandemic and extreme weather events, followed by a major surge in demand after lockdowns ended, have been highly disruptive of extended worldwide supply chains. Major queues of ships unable to unload their goods at ports in New York, California and China built up rapidly during quarters 2 and 3 of 2021 but then halved during quarter 4. Such issues have led to a misdistribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. The latest additional disruption has been a shortage of coal in China leading to power cuts focused primarily on producers

(rather than consumers), i.e., this will further aggravate shortages in meeting demand for goods. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods available to purchase.

**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
Banks /UK Govt debt*	yellow	£120m	5yrs
Banks	purple	£30m	2 yrs
Banks	orange	£30m	1 yr
Banks – part nationalised	blue	£35m	1 yr
Banks	red	£30m	6 mths
Banks	green	£30m / %	100 days
Banks	No colour	Not to be used	
Council's banker	-	£35m / %	5 yrs
Other institutions limit	-	£30m	1yr
DMADF	AAA	unlimited	6 months
Local authorities	n/a	£35m	5yrs
	Fund rating	Money and/or % Limit	Time Limit
Money market funds	AAA	£30m / %	liquid
Enhanced money market funds with a credit score of 1.25	Dark pink / AAA	£30m / %	liquid
Enhanced money market funds with a credit score of 1.5	Light pink / AAA	£30m / %	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	£30M 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	fund managers and In-house  12 months 12 months 6 months 100 days Not for use	£30M with each counterparty/ per agreement
Term deposits – Banks nationalised by highly credit rated sovereign countries	Short-term F1,P1,A1, Long-term AA-  Blue Orange Red	fund managers and In-house  12 months 12 months 6 months	£30M with each counterparty/ per agreement

	Green No Colour	100 days Not for use	
Government guarantee on all deposits by high credit rated sovereign countries	Short-term F1,P1,A1, Long-term AA- or UK nationalised banks  Blue Orange Red Green No Colour	fund managers and In-house  12 months 12 months 6 months 100 days Not for use	£30M with each counterparty/ per agreement
UK Government supported banking sector	Short-term F1,P1,A1, Long-term AA- or UK nationalised banks  Blue Orange Red Green No Colour	fund managers and In-house  12 months 12 months 6 months 100 days Not for use	£30M with each counterparty/ per agreement
UK Government Gilts with maturities in excess of 1 year	AAA	Fund Managers/in house	See 2 below/£25M with each counterparty
Bonds issued by multilateral development banks	AA	In-house on a 'buy-and-hold' basis.  Also for use by fund managers	£25M with each counterparty and per agreement
Bonds issued by a financial institution which is guaranteed by the UK government	AA-	In-house on a 'buy-and-hold' basis.  Also for use by fund managers	£25M with each counterparty  per agreement
Sovereign bond issues (i.e. other than the UK govt)	AAA	In- house  Fund Managers	£25M with each counterparty  per agreement
Corporate Bonds : [under SI 1010 (W.107)]	AA-	In- house  Fund Managers	£25M with each counterparty  per agreement
Gilt Funds and Bond Funds	AA-	In- house  Fund Managers	£15M  per agreement
Money Market Funds	AAA	In- house  Fund Managers	£25M  per agreement

Property/alternative asset funds	AA-	Fund managers	£20M per agreement
Floating Rate Notes	AA-	Fund managers	per agreement
Treasury Bills	N/A	Fund Managers	per agreement
Local authority mortgage guarantee scheme	Short-term F1,P1,A1	In-house	£25m with each counterparty

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

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

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

Certificates of deposits issued by banks and building societies	Long-term AA-  Blue Orange	fund managers/in-house	10 years  12 months 12 months	per agreement /£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	AA	In-house on a 'buy-and-hold' basis.  Also for use by fund managers	5 years  10 years	£25M with each counterparty and per agreement
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  per agreement
Sovereign bond issues (i.e. other than the UK govt)	AAA	In- house  Fund Managers	5 years  10 years	£25M with each counterparty  per agreement
Corporate Bonds : [under SI 1010 (W.107)]	Long-term AA-	In- house  Fund Managers	5 years  10years	£25M with each counterparty  per agreement
Gilt Funds and Bond Funds	Long-term AA-	In- house  Fund Managers	5 years  10years	£15M  per agreement
Money Market Funds	AAA	In- house  Fund Managers	n/a  n/a	£25M  per agreement
Property/alternative asset funds	-	Fund managers	n/a	£20M  per agreement
Floating Rate Notes	Long-term AA-	Fund managers	10 years	per agreement
Treasury Bills	N/A	Fund Managers	10 years	per agreement
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	Highly speculative. <ul style="list-style-type: none"> <li>• For issuers and performing obligations, 'B' ratings</li> </ul>

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

## APPENDIX E

### Countries with approved Credit ratings as at Jan 2022 ( NB subject to change and no overseas investments at this time)

#### AAA

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

#### AA+

- Canada
- Finland
- U.S.A.

#### AA

- Abu Dhabi (UAE)
- France

#### AA-

- Belgium
- Hong Kong
- Qatar
- **U.K.**

## 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, with the MRP policy being formally revised in Dec 2018 to reflect a 2.5% annual charge going forwards from that date.

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 2021  
subject to change)**

Institution	Country	Bank/BS	Fitch		S Term
			Ratings	Support	
Institution	Country	Bank/BS	L Term	Support	S Term
Santander Financial Services PLC	UK	Bank	A+	Withdrawn	F1
Bank of Scotland PLC	UK	Bank	A+	Withdrawn	F1
Barclays Bank PLC	UK	Bank	A+	5	F1
Close Brothers Ltd	UK	Bank	A-	5	F2
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+	Withdrawn	F1
Santander UK PLC	UK	Bank	A+	Withdrawn	F1
Standard Chartered Bank	UK	Bank	A+	5	F1
SMBC International PLC	UK	Bank	A	1	F1
Coventry Building Society	UK	BS	A-	Withdrawn	F1
Leeds Building Society	UK	BS	A-	Withdrawn	F1
Nationwide Building Society	UK	BS	A	Withdrawn	F1
Skipton Building Society	UK	BS	A-	Withdrawn	F1
Yorkshire Building Society	UK	BS	A-	Withdrawn	F1



**APPENDIX H**

**INTERIM YEAR TREASURY MANAGEMENT REPORT 2021/22**

**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

1.2 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.

1.3 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 half of 2021/22
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy

- A review of the Council's investment portfolio for 2021/22
- A review of the Council's borrowing strategy for 2021/22
- A review of any debt rescheduling undertaken during 2021/22
- A review of compliance with Treasury and Prudential Limits for 2021/22

## **2 Cashflow Management**

2.1 As previously reported, the Authority continues to lead in the distribution of Welsh Government grant aid, often funding the distribution of cash before receiving it from Welsh Government.

2.4 It can be seen the prudent, careful management of Council balances/reserves enables a nimble reactive treasury management function in times of crisis. The Council's Treasury Management function was able to address and meet all the demands above and continues to do so in the ongoing lockdown.

## **3 Economic Update**

### **3.1 The balance of risks to the UK economy: -**

- The overall balance of risks to economic growth in the UK is now to the downside, including residual risks from Covid and its variants - both domestically and their potential effects worldwide.

### **Forecasts for Bank Rate**

Bank Rate is not expected to go up fast after the initial rate rise as the supply potential of the economy has not generally taken a major hit during the pandemic, so should be able to cope well with meeting demand without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the surge to around 4% towards the end of 2021. Three increases in Bank rate are forecast in the period to March 2024, ending at 0.75%. However, these forecasts may well need changing within a relatively short time frame for the following reasons: -

- There are increasing grounds for viewing the economic recovery as running out of steam during the summer and now into the autumn. This could lead into stagflation which would create a dilemma for the MPC as to which way to face.
- Will some current key supply shortages e.g., petrol and diesel, spill over into causing economic activity in some sectors to take a significant hit?
- Rising gas and electricity prices in October and next April and increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflation. Then we have the Government's upcoming budget in October, which could also end up in reducing consumer spending power.
- On the other hand, consumers are sitting on around £200bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?
- There are 1.6 million people coming off furlough at the end of September; how many of those will not have jobs on 1<sup>st</sup> October and will, therefore, be available to fill labour shortages in many sectors of the economy? So, supply shortages which have been driving up both wages

and costs, could reduce significantly within the next six months or so and alleviate the MPC's current concerns.

- There is a risk that there could be further nasty surprises on the Covid front, on top of the flu season this winter, which could depress economic activity.

In summary, with the high level of uncertainty prevailing on several different fronts, it is likely that these forecasts will need to be revised again soon - in line with what the new news is.

It also needs to be borne in mind that Bank Rate being cut to 0.10% was an emergency measure to deal with the Covid crisis hitting the UK in March 2020. At any time, the MPC could decide to simply take away that final emergency cut from 0.25% to 0.10% on the grounds of it no longer being warranted and as a step forward in the return to normalisation. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.

- 3.2 **PWLB RATES.** There was much speculation during the **second half of 2019** that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was heightened expectations that the US could have been heading for a recession in 2020. In addition, there were growing expectations of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued. Combined, these conditions were conducive to very low bond yields. While inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers. This means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. The consequence of this has been **the gradual lowering of the overall level of interest rates and bond yields in financial markets.** Over the year prior to the coronavirus crisis, this resulted in many bond yields up to 10 years turning negative in the Eurozone. In addition, there was, at times, an inversion of bond yields in the US whereby 10 year yields fell below shorter-term yields. In the past, this has been a precursor of a recession.
- 3.3 **Gilt yields had, therefore, already been on a generally falling trend up until the coronavirus crisis hit western economies during March 2020 which caused gilt yields to spike up.** However, yields then fell sharply in response to major western central banks taking rapid policy action to deal with excessive stress in financial markets during March and starting massive quantitative easing driven purchases of government bonds: these actions also acted to put downward pressure on government bond yields at a time when there was a huge and quick expansion of government expenditure financed by issuing government bonds. Such unprecedented levels of issuance in "normal" times would have caused bond yields to rise sharply.
- 3.4 **At the start of January 2021,** all gilt yields from 1 to 8 years were negative: however, since then all gilt yields have become positive and rose sharply during the spring, especially in medium and longer-term periods, until starting a

significant decline since May which was then sharply reversed in August / September. Repeated assurances by the Fed in the US, and by other major world central banks, that inflation would spike up after Covid restrictions were abolished, but would only be transitory, allayed investor fears until August / September when high inflation was again seen as a growing danger and both central banks in the US and UK gave indications that monetary policy tightening was now on the horizon. There is considerable concern that the US Fed is taking a too laid-back view that inflation pressures in the US are purely transitory and that they will subside without the need for the Fed to take significant action to tighten monetary policy. Inflation is now a primary concern for all central banks

3.5

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

4.1 The Treasury Management Strategy Statement for 2021/22 was approved by Council in February 2021. The Council's Annual Investment Strategy, which is incorporated in the Treasury Management Strategy Statement, outlines the Council's investment priorities as follows in order of priority:

- Security of capital
- Liquidity
- 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 appraisal approach, including sovereign credit rating and credit default swap (CDS) overlay information.

4.4 Borrowing rates and available investment interest rates have remained at historically low rates during 2021/22, with certain periods of extreme volatility, reflecting the political uncertainty prevailing each time. As planned by The S 151 Officer, no external borrowing has been undertaken during the period when the PWLB Premium prevailed, pending the outcome of HM Treasury Consultation in 4.6 below. However, the S151 Officer cognisant of the mid/long term funding requirements of the capital programme, took advantage of the volatility in yields and undertook the historically low borrowing in the year outlined in 4.7

4.5 As outlined in Section 3 above, there is still considerable uncertainty and volatility in financial and banking markets, both globally and particularly in the UK, as it comes out of the of the pandemic and pending the full impact of the Brexit agreement and uncertainty in Western Europe. In this context, it is considered that the strategy approved in February 2021 is still appropriate in the current economic climate and has been reviewed whilst considering and formulating the strategy for 2022/23 as funding for capital and cashflow requirements dictate.

4.6 Public Works Loan Board (PWLB)

HM Treasury made a shock determination on the 9<sup>th</sup> October 2019 affecting all future borrowing from the Public Works Loan Board (PWLB) which would now be subject to an additional 1.00% 'premium' over and above existing margins above prevailing Gilt yields, primarily in response and to deter exponential growth in borrowing to fund speculative investment by a small number of local authorities in England. Strong representations were made via WLGA, and WG about the negative impact this change would have on capital programmes in progress throughout local authorities in Wales.

- 4.7 Following the strength of representations, HM Treasury launched a consultation process on the PWLB borrowing process. The results of the consultation and accompanying guidance was issued in November 2020 when the 1.00% premium was removed. The accompanying guidance outlines what constitutes eligible expenditure for PWLB borrowing:

The guidance clearly prohibits 'investing primarily for yield' which it defines as:

*Investment assets bought primarily for yield would usually have one or more of the following characteristics:*

*a. buying land or existing buildings to let out at market rate*

*b. buying land or buildings which were previously operated on a commercial basis which is then continued by the local authority without any additional investment or modification*

*c. buying land or existing buildings other than housing which generate income and are intended to be held indefinitely, rather than until the achievement of some meaningful trigger such as the completion of land assembly*

The guidance DOES allow borrowing for regenerative purposes, which it defines as:

*Regeneration projects would usually have one or more of the following characteristics:*

*a. the project is addressing an economic or social market failure by providing services, facilities, or other amenities that are of value to local people and would not otherwise be provided by the private sector*

*b. the local authority is making a significant investment in the asset beyond the purchase price: developing the assets to improve them and/or change their use, or otherwise making a significant financial investment*

*c. the project involves or generates significant additional activity that would not otherwise happen without the local authority's intervention, creating jobs and/or social or economic value*

*d. while some parts of the project may generate rental income, these rents are recycled within the project or applied to related regeneration projects, rather*

than being applied to wider services

Preventative action would have all of the following characteristics:

- a. the intervention prevents a negative outcome, such as by buying and conserving assets of community value that would otherwise fall into disrepair, or providing support to maintain economic activity that would otherwise cease
- b. there is no realistic prospect of support from a source other than the local authority

The guidance is also clear that PWLB borrowing cannot be used to replace other Council funds which are then used to finance the 'primarily for yield' investment.

- 4.7 It should be noted that this Council undertook £90m of borrowing, wholly fulfilling its then capital financing requirement in 2018/19 at historically low interest rates, materially bringing down the average cost of capital to the Council, ahead of the punitive change in 4.6 being implemented.

Noting the market conditions outlined in 4.4, in April, May and June 2021, the S 151 Officer authorised **£75m** of PWLB long term borrowing which was drawn down from HM Treasury :

Date	Amount	Maturity Date	Interest Rate
13 <sup>th</sup> April 2021	£20m	12 <sup>th</sup> April 2070	1.96
13 <sup>th</sup> April 2021	£25m	12 <sup>th</sup> April 2071	1.95
28 <sup>th</sup> May 2021	£15m	27 <sup>th</sup> May 2069	1.91
1 <sup>st</sup> June 2021	£15m	31 <sup>st</sup> May 2068	1.94
<b>TOTAL</b>	<b>£75m</b>		<b>1.94</b>

Similarly as inflationary pressures ( energy, fuel, transportation, materials, food, labour markets) are making imminent short term interest rate rises all the more likely. Therefore the S 151 Officer gave the instruction to monitor the volatile Gilt market with a view to take the opportunity to mitigate further funding risk within the Council's approved capital programme and drawdown a further **£45m** of PWLB borrowing resulting in £45m being drawn down from PWLB in Oct 2021.

Date	Amount	Maturity Date	Interest Rate
15 <sup>th</sup> Oct 2021	£15m	14 <sup>th</sup> April 2068	1.94
15 <sup>th</sup> Oct 2021	£15m	14 <sup>th</sup> April 2069	1.93
15 <sup>th</sup> Oct 2021	£15m	14 <sup>th</sup> Oct 2070	1.93
<b>TOTAL</b>	<b>£45m</b>		<b>1.93</b>

The borrowing identified above **NOW** represents the **cheapest long term borrowing ever undertaken by this Authority.**

## 5 Review of Investment Portfolio 2021/22

- 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 31st Dec 2021, is shown in Appendix 3. To 31st Dec 2021, the portfolio has returned 0.1% against a 7 day benchmark rate of 0.05%

## 6 Review of Borrowing 2021/22

- 6.1 The latest projected capital financing requirement (CFR) for 2021/22 is £664.197m. The in year borrowing undertaken is identified at 4.7. The total outstanding borrowing is now £642.260m

## 7 Review of Debt Rescheduling 2021/22

- 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 2021/22 to date.

## 8 Review of Compliance with Treasury & Prudential Limits 2021/22

- 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 Section 9.

## 9.0 Prudential Indicators

<b>Capital Prudential Indicators</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>Outturn</b>	<b>Revised Estimate</b>
	<b>£'000</b>	<b>£'000</b>
<b>Capital Expenditure</b>		
GF	162,553	159,929
HRA	41,601	47,424
<b>TOTAL</b>	<b>204,154</b>	<b>207,353</b>
<b>Ratio of financing costs to net revenue stream</b>	<b>%</b>	<b>%</b>
GF	6.01	6.23
HRA	15.14	15.26
<b>Capital Financing Requirement</b>	<b>£'000</b>	<b>£'000</b>

GF	433,916	499,482
HRA	159,530	163,464
TOTAL	593,446	662,946

<b>Treasury Management Prudential Indicators</b>		
	<b>2020/21</b>	<b>2021/22</b>
	<b>Outturn</b>	<b>Revised Estimate</b>
	<b>£'000 or %</b>	<b>£'000 or %</b>
Authorised limit for external debt	565,198	837,467
Operational boundary for external debt	565,198	777,467
Upper limit for fixed interest rate exposure	82.32%/ £467,198	100%/ £838,197
Upper limit for variable interest rate exposure	17.68%/ £98,000	40%/ £335,279
Upper limit for total principal sums invested for over 364 days	40,000	40,000

<b>Maturity Structure of Fixed Rate Borrowing in 2021/22</b>			
	<b>Upper Limit</b>	<b>Lower Limit</b>	<b>Actual</b>
Under 12 months	50%	0%	0.7
12 months and within 24 months	50%	0%	0.5
24 months and within 5 years	50%	0%	0.1
5 years and within 10 years	85%	0%	9.7
10 years and above	95%	15%	89

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 2021/22

Above figures are as at 31<sup>st</sup> Dec 2021. None of the above limits/Prudential Indicators have been breached during 2021/22 to date.



## Report of the Cabinet Member for Delivery & Operations

Council – 3 March 2022

### Membership of Committees

<b>Purpose:</b>	Council approves the nominations/amendments to the Council Bodies.
<b>Policy Framework:</b>	None.
<b>Consultation:</b>	Political Groups.
<b>Recommendation:</b>	It is recommended that:
	1) The amendments to the Council Bodies listed in paragraph 2 be approved.
<b>Report Author:</b>	Gareth Borsden
<b>Legal Officer:</b>	Tracey Meredith
<b>Finance Officer:</b>	N/A
<b>Access to Services Officer:</b>	N/A

#### 1. Introduction

- 1.1 Meetings of Council regularly agree and amend the membership of the various Committees/Council Bodies as reflected in the lists submitted by the Political Groups.

#### 2. Changes to Council Body Membership

- 2.1 The political groups have indicated that they have changes to the following Council Body:

##### **Chief Officers Disciplinary Committee**

Remove Councillor J P Curtice

Add Councillor D W W Thomas

##### **Chief Officers Disciplinary Appeals Committee**

Remove Councillor E T Kirchner

Add Councillor J P Curtice

#### 3. Financial Implications

- 3.1 There are no financial implications associated with this report.

#### 4. Legal Implications

- 4.1 There are no legal implications associated with this report.

**Background Papers:** None

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**Appendices:** None



Council – 3 March 2022

## Councillors' Questions

### Part A – Supplementaries

1	<p><b>Councillors Mike Lewis, Mike White, Wendy Lewis, Cyril Anderson and June Burtonshaw</b></p> <p>Many people will be looking forward to getting back to normality this year, and enjoying events again. Will the cabinet member confirm what the people of Swansea can look forward too in the coming year.</p> <p><b>Response of the Cabinet Member for Investment, Regeneration &amp; Tourism</b></p> <p>2022 promises to deliver one of the biggest event line-ups Swansea has ever seen – with a combination of in-house, partnership, collaboration and enablement /facilitation producing an exciting and diverse calendar.</p> <p>Croeso kick-starts the season with a celebration of all aspects of Welsh Culture, in the heart of the city centre. Other highlights include at least four major concerts in Singleton Park between June and August and the return of the Wales Airshow in July. In August, we turn to international sport with three brand new major events for Swansea, including an already 'sold out' Ironman 70.3 and the World Para Triathlon events, set against a backdrop of the Welsh Para Festival. We will also be supporting and facilitating a range of third party and collaborative events, including the return of duathlons, half marathons and bike rides. Of course, our events are underpinned by our regular programming at our venues, libraries, galleries and museums, and those of our partners, including concerts at the Swansea.Com stadium and at Swansea Arena, when it opens later this spring. Some special events to look out for are a Gala performance at Swansea Grand, to celebrate its 125<sup>th</sup> anniversary, and the return of Swansea Festival to the Brangwyn Hall, where Sir Karl Jenkins will conduct his newest work, in celebration of the Queen's Jubilee year.</p> <p>As part of our remit in providing advice and guidance, we also anticipate supporting a range of street parties and community events to celebrate the Queen's Jubilee, and the popular circus, food festivals, outdoor cinemas and car shows also make a welcome return. As we head into Autumn/Winter, the 41<sup>st</sup> Swansea Bay 10K, returns, and we host three national cultural programmes that will play out across the city throughout October. The World, Reimagined is a national public arts and education programme, focusing on better understanding our shared histories to make racial justice a reality. The education and community programme will run throughout the summer and result in a spectacular arts trail of globes in key locations, creating a new temporary visitor attraction. This will take place alongside two major projects of Festival 2022 – a UK wide celebration of British creativity. Swansea is host to the Welsh and UK 'winning teams', including the Reading Agency, who will present a walking trail, using augmented and virtual reality, to bring our libraries, reading and storytelling to life, along with a new theatre piece by National Theatre Wales, which</p>
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will culminate in an immersive experience in the city centre. The annual Fireworks and Christmas Parade draw the season to a close, providing a much needed boost to the Tourism & Hospitality sector and delivering a on a key aspect of the council's economic recovery plan. Backed by the creative Enjoy Swansea Bay marketing campaign, targeting visitors within and outside of the destination, all this and more can also be found on [www.enjoyswanseabay.com](http://www.enjoyswanseabay.com) – which is regularly updated and which we'd encourage everyone to view and share, boosting Swansea's profile and awareness of what's on, even further.

2 **Councillors Mike White, Wendy Lewis, Cyril Anderson, June Burtonshaw and Mike Lewis**

Can the Leader or Cabinet Member give an update on the progress with Skyline, the river corridor and Penderyn Whisky distillery

**Response of the Cabinet Member for Investment, Regeneration & Tourism**

**Skyline Current Position**

Excellent progress continues to be made, Draft Heads of terms was signed in 2018, Skyline confirmed their Full Board approval to prepare and submit a business case for the Project in July 2021. Swansea Council and Welsh Government has been undertaking detailed discussions with Skyline and good progress has been made despite the impacts of the Covid pandemic.

The Council is undertaking the necessary land acquisitions and/or Agreements required by the Skyline scheme. There are a number of ownership and interest rights on Kilvey Hill and along the route down of the gondola cable car to Hafod Copper works. The Council is currently in negotiations to acquire these interests.

**Tawe Riverside**

A draft Strategy has been prepared for the river corridor which supplements the Strategic development area policy in the Swansea Local development plan and is used to guide development and regeneration funding.

**Hafod Coperworks**

Swansea Council has recently appointed award-winning regeneration company Urban Splash as its preferred development partner for a number of key sites in the City Centre and in the Tawe Riverside area through the Shaping Swansea initiative.

The Hafod Morfa Copper works site is included. Urban Splash will deliver future plans with the support of a range of specialist partners. Urban Splash will focus on the delivery of a heritage led mixed use regeneration programme for Hafod MorfaCopperworks. This will integrate the proposals for Skyline and Penderyn build on the current momentum of regeneration and re use of heritage assets to create a new leisure and residential destination for the lower Swansea Valley complementing the city centre offer.

**Penderyn**

The council refurbishment works on the Power House building will be completed Summer 2022 to be handed over to Penderyn for their fit out which is likely to take around 4 months.

**Laboratory Building**

In very close proximity to the Powerhouse (Penderyn whisky), Porters Lodge and Weighbridge Office. This building has been undergoing emergency stabilisation works for almost a year due to its structurally dangerous condition, but is this is

nearly complete. The building will need to retain its extensive scaffolding until re-development works can be undertaken (shell and core as a minimum). Funding will need to be identified to do so, which is currently being discussed including grant funding opportunities being scrutinised.

#### **Pontoons**

Awaiting on a flood report and will then be submitted for planning. Delivery expected September 2022.

3 **Councillors Cllrs Wendy Lewis, Cyril Anderson, June Burtonshaw, Mike Lewis and Mike White**

Can the Leader give an update on progress with the Blue Eden lagoon project.

#### **Response of the Leader**

The concept for Blue Eden was created by the city region, led by Swansea Council under the banner of Dragon Energy Island which would be an integrated, multi-faceted infrastructure project that would feature many elements, including zero carbon, tidal energy generation.

This integrated renewables project would include

- A lagoon wall and turbines producing 320MW of renewable energy
- A 6.7Gw battery manufacturing plant
- Wind turbines
- 72,000 m2 of Floating solar this will be the largest floating solar array in the UK, capable of generating up to 5,250 kWp of energy. An array of this size is estimated to avoid over 2,000,000 kg of CO2 per year.
- A mega data centre operated by 100% renewable energy
- One of the largest battery storage facility within the UK Storing up to 1,200 MWh of energy
- Hydrogen production
- Oceanic and climate research centre plus a public park and infrastructure
- The Blue Eden consortium has agreed to work together with a leading German company to provide 400mW of district heating and cooling from its hyper-scale data centre.
- Homes for 5000 people with a large proportion being affordable social housing fed by the renewable heat and electricity
- The opportunity to build in appropriate flood defences to protect the development and surrounding land from future flooding risks
- One of DST's subsidiaries, Batri has agreed terms with WG to build the battery manufacturing plant and Batri HQ in Pencoed, which will be the training and production staff feed for the Blue Eden plant. Batri will spend £22m developing the site and its facilities.
- Work continues on the detailed master plan, which will be published in detailed sections over the coming months.

At a projected cost of £1.7 billion, for the main proposals plus the additional housing investment the project would create circa 2500 new direct jobs and a future 16,000 supply chain jobs and create significant inward investment opportunities for Swansea

and the surrounding region. It will also see a significant contribution towards the city's overall ambition to achieve net zero carbon by 2050

A number of high profile partners are now part of the collaboration with details to be announced during the next few months. A planning pre application has been submitted to the council and active discussions continue between DST innovations and other key partners including ABP. The project continues to draw in wider and alignment opportunities to Swansea including the consideration of creating a hydrogen powered ferry service between Swansea and the Devon coast.

**4 Councillors Will Thomas and Steve Gallagher**

Digital connectivity is very important for our communities. What is the take up of IT equipment by the public in each library across Swansea.

**Response of the Cabinet Member for Business Improvement & Performance**

IT use is measured in PC bookings and WiFi use; but the latter cannot be determined by individual site. Overall there were 26,329 hourly Reservations on PC's in libraries between April 2021, and end January 2022; and 23,650 hours of WiFi use measured until end of December '21.

The amount of PC bookings and use is in decline as more people get online at home and move to using handheld mobile phone and tablet technology in the library also. However, demand clearly remains, and anecdotally, is increasingly for the purposes of completing online applications and transactions with organisations who have moved to digital platforms, and in most cases, to benefit from the support of library staff at the same time.

	<b>PC Reservations by library -April to Jan</b>
	<b>2021/22</b>
<b>Bonymaen</b>	0
<b>Brynhyfryd</b>	1,239
<b>Clydach</b>	991
<b>Fforestfach</b>	380
<b>Gorseinon</b>	2,847
<b>Gowerton</b>	744
<b>Killay</b>	642
<b>Llansamlet</b>	330
<b>Morrison</b>	2,996
<b>Oystermouth</b>	1,787
<b>Penlan</b>	876
<b>Pennard</b>	110
<b>Pontarddulais</b>	787
<b>St Thomas</b>	491
<b>Sketty</b>	672

		<b>Sw. Central</b>	9,987	
		<b>Townhill</b>	1,450	
		<b>All sites</b>	<b>26,329</b>	
5	<p><b>Councillors Cyril Anderson, June Burtonshaw, Mike Lewis, Mike White, and Wendy Lewis</b></p> <p>Will the Cabinet Member outline plans for smart bins in Swansea.</p> <p><b>Response of the Cabinet Member for Environment Enhancement &amp; Infrastructure Management</b></p> <p>The Council is looking to increase the funding going into the Cleansing Service, over and above the additional £45K a year currently being invested, to improve the quality of its litter bin infrastructure. This investment includes replacing damaged/life expired litter bins, replacing small dog waste bins with larger litter bins which are also for dog waste, and exploring options for smart bins. The technology being explored uses the retrofitting of level sensors which feedback when a bin needs emptying, which could be particularly useful in the more remote areas.</p>			
6	<p><b>Councillors Linda Tyler Lloyd and Will Thomas</b></p> <p>It is important to have good working conditions and surroundings for staff at the Guildhall. How much damp and water damage has occurred at the Guildhall since staff there have been working from home.</p> <p><b>Response of the Cabinet Member for Climate Change &amp; Service Transformation</b></p> <p>There has historically been issues with damp walls and water penetration particularly on the ground floor, particularly on the front and north side of the building. This has occurred we believe due to the failure of Damp Proof Course and external pointing. With less use of the rooms, the natural ventilation is reduced as doors are constantly closed and this has resulted in the reduction of air flow. We are constantly working on remedial works at various locations throughout the building, however due to the nature and Grade 1 listing of the building the requirement to get Listed Building Consent means that a fix is not quick or straightforward.</p> <p>We have recently been made aware of further water ingress into the Brangwyn Hall but remedial work has been taken to address this.</p> <p>We are monitoring all areas of the Guildhall to seek resolution and it is our intention to carry out some redecoration to affected areas prior to full return to office use.</p>			

**7 Councillors June Burtonshaw, Mike Lewis, Mike White, Wendy Lewis and Cyril Anderson**

Will the Leader give an update on the likely impacts of the cost of living crisis for an average family in Swansea.

**Response of the Leader**

Regrettably, the impacts of the Tory cost of living crisis are likely to be substantial for all families and utterly devastating for those on the lowest incomes. The full horror of what this means will not be clear until April or May but we can hazard a guess.

Energy Bills are already going to rise by around £700 and more bad news will come in the autumn when the next price cap review is due with a further likely hike in energy costs.

How can a promise of a £200 loan to people of their own money from the Chancellor of the Exchequer, which they then have to pay back over a number of years when their energy bills may be even higher, can be seen as a sensible scheme to deal with a cost of living or energy crisis. It looks like it's been designed by someone who is out of touch and doesn't really understand the issues affecting ordinary families.

On top of this around £650 from interest rate rises just on the last base rate increase alone for anyone on a variable rate and an average mortgage.

Regrettably more increases look inevitable to come throughout 2022. The majority of mortgages are fixed rates so there may be some delay to the pain for most for now.

National Insurance will see around +£250 for those on average wages due to the National Insurance increase which the UK Tory Government have refused to reverse or defer.

And at the pumps petrol and diesel has hit an all time high with petrol costing families in the region of £300 per year more compared to a year ago

There are other stealth taxes which are still to feed through with personal allowance income tax freeze costing £135 per year more.

Food inflation will add around £165 per year due to rising prices and household costs and goods purchases will be around £200 higher if inflation hits 7% as widely expected

So maybe just under £3000 per family worse off under this shambles of a Tory Government which is uncaring, out of touch and out of ideas.

The indifference and incompetence of the government not to do all they can to avoid this crisis is damning. It will be painful for all but the very rich, and devastating for many. It will be Utterly devastating for those on working families on universal credit who've also seen their income cut by £1040 per year - meaning they could be £4000 year worse

Boris negotiated a third rate deal for Britain and now everyone is paying the price. Welcome to 21<sup>st</sup> century post Brexit Britain.

Inevitably the UK economy will suffer as prices rise more than wages and people have less money to spend just at the time when businesses need them the most.

8	<p><b>Councillors Chris Holley, Mary Jones and Wendy Fitzgerald</b></p> <p>Can the Cabinet Member tell us what is being done to  (a) address the recommendations in the recent Independent IICSA: child sexual exploitation by organised networks report; and  (b) in the report it is stated that Swansea Council had misinterpreted as a 'national requirement' the outdated Sexual Exploitation Risk Assessment Framework (SERAF) and had not been following the Welsh Government's more holistic approach. How has that been addressed.</p> <p><b>Response of the Cabinet Member for Children Services</b></p> <p>When we provided evidence to the inquiry, we were already developing better ways of safeguarding children and we were making changes to improve the way we work to protect all young people - including boys, young people with disabilities and those from ethnic minority backgrounds.</p> <p>The strategic children missing, exploited and trafficked group (CMET) brings together senior managers from key partner agencies on a monthly basis. They are reviewing their strategic action plan in light of the detail contained in the IICSA report published on 1<sup>st</sup> February. This will provide assurance on the progress of the implementation of the strategic action plan and give an opportunity to reflect on the report's findings and recommendations when updating the local plan.</p> <p>The CMET multi-agency operational panel established last year, led by Swansea Council child and family services in partnership with more than 25 agencies from police and health to the third sector and local business has now actively considered 50 referrals and taken a range of actions from street lighting and help signage to outreach youth work, training in schools, and supporting community groups and businesses to help keep places safe</p> <p>We are not advocating the use of the SERAF, however where this is sometimes used by agencies, decisions are not based on a SERAF scoring. All decisions are based on narrative and circumstances for each individual child. If we have a concern of exploitation then an assessment is used to determine risk and harm supported by information from initial strategy discussions or multi agency working via the operational CMET panel.</p> <p>We use the Welsh Government CSE guidance in multiagency meetings and remind partner agencies that they should use this to consider exploitation risks when making a referral.</p> <p>All our child exploitation/CSE training uses the Welsh Government Guidance to support our current practice. For example, the guidance is used in strategy meetings and considers peer and adult networks. However, Welsh Government has recognised that this guidance needs to be revised and updated and is about to launch a CSE toolkit which we will be adopting.</p>
9	<p><b>Councillors June Burtonshaw, Mike Lewis, Cyril Anderson, Wendy Lewis and Mike White</b></p> <p>Can the Cabinet Member outline the current, and programmed, new Council home build programme.</p>



## Response of the Cabinet Member for Climate Change & Service Transformation

In addition to the completion of the initial pilot phase schemes which resulted in 58 new build and 38 acquisitions which added to the council stock profile, the following schemes are underway, or in the future programme for development.

In programme/Underway			Year
Bryn House, Uplands	4 units	To be used as temp accommodation with handover March 22. The main house conversion to 4 flats has already been completed	2021/22
Hillview & Beaconsview, Clase	25 units	Handover due end of March (22 units) and 3 units in May 22.	2021/22
Ty Fforest, Blaenymaes	3 units	Conversion to 3 homes due for completion Spring 22.	2021/22
Cedar Crescent, West Cross	6 bungalows	Construction to start on site Feb 22	2022
Alexandra road, Gorseinon	2 units	Conversion of a former social services property into 2 x 3 bed houses. Work to start June 22.	2022
Acquisitions	39 units	20 acquisitions completed and 19 under offer.	2021/22
Integrated Care Fund acquisitions	6 units	Funding to acquire 6 properties for adapted or accessible accommodation.	2021/22
Former Penlan DHO	6 units	Conversion of office into flats, including adapted ground floor apartments	2022/23
Creswell road, Clase	9 units	Detailed design being worked up, a mix of bungalows, flats and houses. Demolition of former Clase DHO to start this Spring.	2022/23
Heol Dynys, Fforesthall	20 units	Detailed design being worked up, mix of 1,2,3 and 4 bed homes.	2023/24
Sparks centre, Blaenymaes	3 units	Detailed design being worked up for 1 x 3 bed house and 2 accessible apartments	2022/23
Brondeg House	approx. 14 units	Detailed design being worked up. Demolition of main house to be completed this year.	2023/24
Concept plans developed and pre-apps completed for following sites -			Estimated start date

	Scurlage, Gower	30-35 units	Concept plans being developed.	2024/25
	Skomer & westdale (Penderry)	12 units	Concept plans being developed	2024/25
	Penrhos Place, Gendros	34 units	Concept plans being developed	2024/25
	Tanycoed Road, Clydach	13-15 units	Concept plans being developed	2025/26
	Heol Gwyrosydd, Penlan	15-25 units	Concept plans being developed	2025/26
	Ty Draw, Bonymaen	TBC	Concept plans being developed	2025/26
	Gorseinon Business park	Demolition to be completed before site surveys etc.		2024/25
	Gower road	Concept plans being developed		2024/25
	Midland place	Concept plans being developed		2026/27
	<b>4 x Brokesby Road sites</b> - appointment of consultants to develop masterplan for 4 sites. This will take the scheme to RIBA stage 4, including obtaining planning permission and costing the scheme ready for tender.			2024/25
	<b>2 HRA sites at Milford way</b> to be developed in partnership as part of the Penderry regen framework - potentially 70+ units across 2 sites, with a partner. Procurement exercise to appoint a partner/s to take place during 2022.			2024/25

10	<p><b>Councillors Brigitte Rowlands and David Helliwell</b></p> <p>Is the automatic telephone system on the main switchboard at the Council Office fit for purpose.</p> <p><b>Response of the Cabinet Member for Business Improvement &amp; Performance</b></p> <p>Performance of the automatic telephone system is continually reviewed and monitored. Discussions with the supplier indicate performance is close to what would be expected, and is close to that of other Councils that have implemented the same system. In addition, work is underway to review each call to ensure the automated system recognises the full range of phonetics and dialects, i.e. how each word sounds. A separate exercise is also being undertaken to reflect hybrid working, as Officers out in services may be based at different locations on a given day.</p>
11	<p><b>Councillors Wendy Fitzgerald, Kevin Griffiths and Gareth Sullivan</b></p> <p>Will the Cabinet Member comment on the greening of the city centre.</p> <p><b>Response of the Cabinet Member for Investment, Regeneration &amp; Tourism</b></p> <p>The Council have adopted a Green Infrastructure document which means that all current and future scheme will include the need for greening which is measured through a green infrastructure tool. The Green Artery policy in the Swansea Central</p>

	<p>Area Regeneration Framework also sets out the need for greening in the City Centre, this document is in delivery with significant progress being made on greening the city greening through the work already undertaken on the Kingsway and Wind Street, the first new park in Swansea for 70 years is being delivered at the Arena together with green walls and additional greening on the boulevard. In addition the recent proposals for Castle Square increase greening in that area from 21 to 41 %.</p>
12	<p><b>Councillors Lyndon Jones and Myles Langstone</b></p> <p>We recognise how important recycling is, so that we can reduce landfill and is vital for our environment. What is the position of recycling from businesses across Swansea and what percentage of their waste is recycled.</p> <p><b>Response of the Cabinet Member for Environment Enhancement &amp; Infrastructure Management</b></p> <p>“The Council’s Commercial Waste Collection Service which is available to businesses across the Authority promotes recycling to all its customers. The Council has a statutory requirement to make this service available, however businesses have a choice whether they use the Council or a private waste contractor. Currently recycling collections are available for food, glass, cans, paper, cardboard, and plastic bottles tubs and trays.</p> <p>The Council’s Waste Strategy includes a desire to reduce the non-recyclable waste received from businesses. In 2019/20 we recycled 58.3% of commercial waste, an increase on previous years which averaged around 46%. The prediction for this year is over 60%”</p>
	<p><b>Part B – No Supplementaries</b></p>
13	<p><b>Councillors Jeff Jones, Chris Holley and Peter Black</b></p> <p>Considering that we have been informed that the seating capacity of the Arena is 2420, can the Leader clarify the circumstances where the capacity is increased to 3500.</p> <p><b>Response of the Leader</b></p> <p>The arena will operate at full capacity without using the retractable seating for music concerts and any events where the full arena floor can be used. This will be for concerts and other suitable events where the additional retractable seating is not required.</p>
14	<p><b>Councillors Peter Black, Graham Thomas and Gordon Walker</b></p> <p>Will the Council consider waiving the charge for street closures for those holding parties celebrating the Queen's Platinum Jubilee in June this year.</p> <p><b>Response of the Cabinet Member for Environment Enhancement &amp; Infrastructure Management</b></p>

<p>The Council is waiving all charges for street parties in connection with Jubilee, applications will require formal approval through the Streetworks team. Please refer to <a href="https://www.swansea.gov.uk/organisestreetparty">https://www.swansea.gov.uk/organisestreetparty</a> for guidance on applications.</p>
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