

Councillor Chris Holley  
Convener  
Service Improvement & Finance  
Scrutiny Performance Panel

*Please ask for:* Councillor Rob Stewart  
*Direct Line:* 01792 63 6366  
*E-Mail:* [cllr.rob.stewart@swansea.gov.uk](mailto:cllr.rob.stewart@swansea.gov.uk)  
*Our Ref:* RS/CM  
*Your Ref:*  
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**SENT BY EMAIL**

Dear Councillor Holley

Thank you for your letter dated 17<sup>th</sup> February and summation of all the individual panels views.

Cabinet and Council took then fully into account when determining the final budget position. As was clear in the virtual Council chamber, much of the focus was on local choices reducing the burden of council tax below the 5% assumed by UK and Welsh governments, and despite our differences of opinion over the amount that was considered prudent and sustainable this inhibited consideration of additional spend in the budget on top of Cabinets recommendations. This debate was of course after Cabinet had already recommended a net increase in spending on services of £22m, which remained intact, bar some refinancing of the capital programme due to the late announcement in the national budget of accelerated city deal funding amongst other matters..

As I made clear in Council however I am extremely confident of a multi-million pound outturn underspend and have made arrangements for there to be a one off recovery fund to spend that one off money as part of our local contribution to recovering for Swansea. I very much expect this to be added to by in year funding from Welsh Government who will continue their financial support for ongoing covid spend.

- Could Cabinet provide their thoughts regarding a joint venture with the Health Board in terms of support for staff?

Cabinet is more than happy to continue working closely with the Health Board on all matters responding to covid including the joint health and wellbeing of our fantastic dedicated workforces. Whilst separate employers with separate duties, we have very much many common purposes and integrated service delivery in many aspects of our services. Cabinet will continue to receive officer advice and explore any scrutiny advice on the very best models of support to staff. Appropriate budget provision has been made for expanded and extended wellbeing support to our own staff as should be no less than expected from a

committed, compassionate, caring employer which values staff health and wellbeing.

- Is there provision in the budget to ensure the reimbursement of any expenses incurred by those schools that remained open throughout the Covid period?

As was explained to the Panel the unavoidable additional net costs as a result of Covid have been claimed against the available WG hardship fund and is a separate matter to the base delegated schools budget determined by the Council for the coming year. Any costs that are not reimbursed by WG will fall to the school and as such a degree of caution is clearly required. The significant cash increase in the delegated schools budget next year does however provide considerably greater flexibility to schools in determining their local spending priorities as it is far higher than the anticipated cost and demand pressures they are likely to face.

- Has the cost of the potential new footprint of ERW and the closing down of the existing ERW structure been factored into the budget moving forward?

The intention is that the new footprint will cost no more than the current ERW structure and base budget provision and this is the assumption underpinning next years proposed budget contribution to regional working. The potential share of any liabilities in relation to staffing redundancy costs associated with the current ERW structure has been highlighted as a contingency liability but it is hoped that the use of TUPE and the fact that Pembrokeshire are part of the new footprint will significantly limit any such costs.

- Could the Natural Environment Panel recommendations, relating to the job vacancies, be implemented?

One off costs may be able to be met from the recovery fund in due course. As my earlier answer in this letter indicates the debate in Council was over tax reductions and no new additions to the budget were proposed, though I did announce the new one off fund to be provided from major expected outturn underspending in 2020-21.

- The Panel would like clarification on the level of borrowing, in relation to the City Deal, and how this will affect revenue streams in the future.

The planning assumptions as they stand are fully set out in the capital programme, the capital strategy and in the explicit assumptions the S151 officer has made in the MTFP reports Council had just last week. I would refer you back to that report and I summarise the officer advice below for brevity and to assist you.

As reported to Council in Capital Budget Reports in 2019/20, 2020/21, 2021/22, The current projected unsupported borrowing requirement for approved City Deal Schemes in the capital programme (currently Swansea Central phase 1 and initial stages of Swansea Central phase 2 ) is £98.64m.

The Council shall need to meet the revenue implications of that borrowing in the form of interest and capital repayments. Although the actual financing ( PWLB borrowing in this case) is not hypothecated to individual schemes in the capital programme in this way, the most recent PWLB borrowing undertaken, as previously reported to Council was £90m undertaken in 2018/19, at an average interest rate of 2.35%. That is the marginal cost of the extra borrowing to date, the overall pool rate of course remains ever so slightly over 4%, as also reported. In accordance with the Council's adopted MRP policy, all unsupported borrowing shall be amortised in line with the useful life of the asset created.

As he has made repeatedly clear the position remains one that will evolve with all partners. Not all the borrowing has yet taken place, as we cannot borrow in advance of need. So we do not know the exact interest rates we will pay for certainty. Timing is an issue and as previously advised the peak costs were anticipated to be in 2025-26. With the announcement by HM treasury last Wednesday pm of an acceleration of the city deal funding from a 15 year programme to a 10 year programme the S151 officer rapidly estimated the peak costs will be deferred to 2028-29 and costs reduced for the intervening years. I am extremely grateful for his rapid work to calculate the effect of our Labour amendment to the budget reflecting the very latest information we had.

As he has made repeatedly clear throughout the past several years timing matters on capital are a broadly zero sum game in the long run, but does provide some cash flow benefits in the medium term, and as major asset producing capital spend must be viewed in that long run context. Short run effects of savings on interest, capital spend, borrowing sums and MRP are rightly, and wholly in line with agreed Council policy acting on his officer advice, added to the Capital Equalisation Reserve to 'smooth the glide path' as the S151 Officer refers to it. That glide path may now be more elongated and gradual which is a real benefit. To not do so would result in deferred major step up in costs in future years which is not in line with our wellbeing of future generation act obligations...

As you will appreciate this is a rapidly developing position and the exact timing and quantum will need to be agreed by the programme office, the city deal joint committee and the S151 Officer for the city deal in conjunction with the 4 individuals S151 officers including our own. When it is clearer, an update can be provided, in the meantime the S151 officer used his best endeavours at rapid speed to reprofile the capital programme financing and defer the stepped increase in capital financing for 2021-22 in the base budget thus reducing costs to taxpayers over the life of the MTFP and for the next 7 years, making as he made clear in "chamber" the matter more sustainable than the opposition proposed one off additional cut to council tax funded from a spurious one off grab from the capital equalisation reserve, which would be guaranteed to bite us doubly hard the following year.

- Can you clarify how many jobs will be created to reflect the amount of investment in the City Deal projects?

The jobs created by the 71/72 Kingsway and Box village City Deal projects have been assessed by economic specialist Amion based on standard economic modelling. The Arena figures are prepared by Ambassador Theatre Group based on their business case and assessed by Amion.

The figures in the table below set out the job numbers for Swansea the Region and Wales for the construction phase and permanent jobs once the facilities reach maturity. These are based on the approved city deal business case which will continue to be monitored as part of the requirement to report on actual deliverables through the city deal process

Project	Construction Phase Jobs			Permanent Jobs		
	Swansea	Region	Wales	Swansea	Region	Wales
Arena	1262	1196	1051	593	507	387
71/72 Kingsway	253	309	287	359	450	373
Box Village Innovation precinct	161	196	182	329	413	343
<b>Totals</b>	<b>1676</b>	<b>1701</b>	<b>1520</b>	<b>1281</b>	<b>1370</b>	<b>1103</b>

- Can you provide a more detailed breakdown on what money has been spent in relation to the City Deal and on what is planned currently?

The capital report approved by Council set out spending to date. Further details are attached.

- Can you provide further information about the financial impact on Council finances of the future multiple joint committees that may be introduced and be levied against the Council budget; inclusive of the risks of such committees to the Council budget?

This question is asking for information on committees that don't even yet exist! As the revenue budget made quite clear there are risks and potential costs associated, but the figures are not known, and hence why none were specifically budgeted for, openly and transparently disclosed in the budget paper. If they were known they would have been included in the papers. I am sure once they are established and setting own budgets the full costs will be clear for this council. The WG has produced a raft of helpful documentation setting out the rationale and outline policy costs for all CJs. I refer you there for now to read in full detail to aid your understanding.

- Can you provide further information regarding the risks around ongoing capital costs and the income from the new developments?

The risks are fully set out, as currently understood, in the raft of papers that went to cabinet and council setting the budget, including the capital programmes for the General fund and HRA, the capital strategy and the treasury management reports and the associated medium term revenue financial planning assumptions. There is nothing further to add these being either now extant council policy or council approved planning assumptions., They will of course be reviewed continuously by officers and in the fullness of time and as always as part of the next budget cycle formally.

- Can you provide us with a risk register with regards to ongoing revenue costs, with the uncertainties around pay back from Welsh Government?

The Council has an existing risk register and covid risks are well documented. No specific additional risk register is considered necessary, nor practical given the uncertainty to timing of sums and announcements, many of which are undoubtedly still to come as the covid response and recovery “evolves”.

As all members have noted, the pace and scale of opportunities considered and delivered in a week of three budgets: UK, Welsh Government and local is unprecedented and the net outcome a truly positive one for services and recovery in Swansea.

I am also pleased that Cabinet and Council worked repeatedly to progressively bring down the increase in council tax from that national planning assumption of 5% below 4% to below 3%. I consider the right balance was struck between protecting services, investing in the recovery and discharging our duties for the wellbeing of future generations and not just simply passing the tax burden on to later years. The corollary is the expected underspend for 2020-21 will be made available as a major local recovery fund to provide an investment dividend for services and residents and help drive recovery in 2021-22.

Yours sincerely



**Y Cyngorydd/ Councillor Rob Stewart**  
**Arweinydd/ Leader**