

2014/15



Revenue and Capital Budgets

City and County of Swansea
Dinas a Sir Abertawe

The City & County of Swansea
Dinas a Sir Abertawe

**Revenue and Capital Budgets
2014/15**

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Introduction

This publication contains the detailed Budget Reports for the City and County of Swansea for the 2014/15 financial year as presented to Council on 18th February 2014.



Revenue Budget 2014/15

Report of the Section 151 Officer

Council – 18th February 2014

REVENUE BUDGET 2014/15

Purpose:	This report proposes a Revenue Budget and Council Tax levy for 2014/15
Policy framework:	Sustainable Swansea – Fit for the Future
Reason for decision:	To agree a Revenue Budget and Council Tax levy for 2014/15
Consultation:	Cabinet Members & Executive Board
Recommendations:	Council is asked to approve: a) A Revenue Budget for 2014/15 as detailed in Appendix 'A' and b) A Budget Requirement and Council Tax levy for 2014/15 as detailed in Section 9 of this report.
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1 Introduction and background

1.1 This report details:

Financial monitoring 2013/14
The Local Government Finance Settlement 2014/15
Budget Forecast 2014/15
Specific Savings Proposals
Outcome of Budget Consultation
Staffing Implications
Reserves and Contingency Fund requirements
The Budget Requirement and Council Tax 2014/15
Summary of funding proposals
Risks and uncertainties

- 1.2 The financial assessment in relation to 2015/16 – 2017/18 is contained in the Medium Term Financial Plan report elsewhere on the agenda.
- 1.3 This report builds upon and needs to be read in conjunction with -
- The budget strategy agreed by Council on 22nd October 2013 – **‘Sustainable Swansea, Fit for the Future’** focusing on the principles and strategies to be adopted as part of the current and future budget process
 - The report approved by Cabinet on 10th December 2013 setting out specific budget proposals for public consultation.
- 1.4 The report sets out the outcome of the budget consultation, Cabinet has considered the comments received from residents, community groups, partners, employees, School Budget Forum, Trade Unions and others, in recommending the budget to Council. The report also includes an Equality Impact Assessment statement so the Council can be aware of any key issues.

2. Financial Monitoring 2013/14

- 2.1 Cabinet considered a report on the estimated Revenue Outturn for 2013/14 on 11th February 2014.
- 2.2 That report highlighted a forecast net overspend in service budgets of £1.7m. However, the net position contained overspends specific to Social Services and Education totalling £3m which, where appropriate, have been incorporated into the budget proposals for 2014/15 contained within this report.
- 2.3 The monitoring report also detailed variations on budgets which are corporate in nature and not linked to direct service provision.

3. The Local Government Finance Settlement 2014/15

- 3.1 The Minister for Local Government & Government Business announced the Final Settlement on 11th December 2013.
- 3.2 The settlement differs substantially from the indicative support levels detailed in the final settlement figure and medium term financial plan (MTFP) for 2013/14, and hence the assumptions made for financial planning purposes in 2014/15, as follows:-

	£'000
2013/14 Medium Term Financial Plan assumption for Welsh Government Support 2014/15	4,000
Final Settlement (after adjusting for specific grants and Council Tax Support Scheme Transfers)	-12,255

- 3.3 The result is a loss of funding of -£16.255 compared to the Council's Medium Term Financial Planning assumptions as agreed in February 2013.
- 3.4 With the exception of an additional transfer of specific grant in respect of Pensioners Council Tax Support the final settlement remained unchanged from the provisional settlement as detailed in the report to Cabinet on 12th November 2013.

4. Budget Forecast 2014/15

Overview

4.1 The budget proposals for 2014/15 have been dominated by the requirement to meet the significant reductions in funding highlighted above which, combined with known budget pressures, has resulted in a funding gap of £26.235m as detailed in Table 1 in paragraph 4.4 below.

4.2 This differs from the figure of £25m reported to Cabinet on 10th December 2013 as follows

	<u>£'000</u>
Increase in projected funding for current year service overspends	1,000
Removal of duplication of procurement savings targets/other	466
Reduced impact of 2014/15 debt charges	-231

4.3 The options for funding this deficit are:-

- Savings on current service net expenditure
- Increases in Council Tax levels
- Potential reductions in contributions to the Contingency Fund
- Use of Reserves and Balances

Forecast shortfall 2014/15

4.4 The shortfall in funding identified in 4.1 above can be summarised in Table 1 below:-

<u>Table 1 – Budget shortfall 2014/15</u>	<u>£'000</u>	<u>£'000</u>
Reduction in external funding		12,255
Effect of 2013/14 cost increases:		
- 2013/14 pay award (1%)	1,700	
- Implementation of living wage	1,996	
- Known contract price inflation	875	
- Ongoing contingency items	1,190	
- Ongoing service pressures	<u>3,000</u>	8,761
Predicted 2014/15 increases:		
- 2014/15 pay award (1%)	1,700	
- Adjustment of procurement savings/waste costs	550	
- Capital charges	<u>769</u>	3,019
Reversal of 2013/14 use of general reserves		2,200
<u>Overall shortfall</u>		<u>26,235</u>

4.5 The above analysis specifically takes account of the outcome of the current Revenue Budget outturn forecast for 2013/14 and makes appropriate provision for baseline budget adjustments for both Education and Social Services where it is clear that there is an inevitable ongoing revenue effect in 2014/15.

- 4.6 Whilst the MTFP forecast for 2014/15 indicated the potential for additional expenditure to arise from increases in employer pension contributions, the results of the recent triennial valuation are such that there are no predicted increases for the Authority for the 2014/15 financial year or indeed the two years following (2015/16 & 2016/17).

Inflation

- 4.7 The 2013/14 budget provided for a £2m corporate provision for inflation. As reported within the 3rd quarter budget monitoring report considered earlier on this agenda, this provision was allocated in 2013/14 on a needs evidenced basis. The current assumption is that any under-utilisation of the 2013/14 provision should initially be used to mitigate the forecast net service overspends detailed in paragraph 2.2 above. Experience in identifying known contractual and unavoidable inflationary pressures, together with falling inflation estimates, means that it is possible to reduce the corporate provision for inflation for 2014/15 to a level of £1.049m, a reduction of £951k on the current year. There is no inflation element built into specific service budgets across the Council.

There was a national pay award for non teaching staff of 1% for 2013/14. The funding of that award has been taken into account for 2014/15 as has provision within service budgets for a further pay award of 1% for 2014/15.

As in previous years it is assumed that any provision for increases in School pay budgets will be met directly from Schools' delegated budgets.

Schools Protection

- 4.8 The settlement provided for a schools protection at a level of 1% above Welsh Government funding. In Swansea this amounts to approximately £1.2m.

The settlement provided for an increase in pupil deprivation grant of some £2.6m for 2014/15. Whilst this sum, which will be entirely devolved to schools, is in excess of the schools protection level, Welsh Government has indicated that 50% only of the protection value can be met from this source. Within the Capital charges increase of £0.769m which is being met by the Authority for 2014/15, a significant element of the increase relates to additional borrowing costs in relation to the Schools' improvement programme. Regulation allows the Authority to include any payment of such capital charges to score against protection levels. It is therefore proposed that, whilst there will be full passporting of the additional pupil deprivation grant to schools, the element of increases in Capital Charges relating to the schools improvement programme will be sufficient to evidence compliance with the funding guarantee.

Social Care protection

- 4.9 There is no implied protection for Social Care budgets within the 2014/15 grant settlement.

Capital Financing Charges

- 4.10 There is an increase of £769,000 to reflect increased forecast borrowing requirements and net interest charges, including, as detailed above, elements relating to the Schools' improvement programme.

Fire Authority Levy

- 4.11 An increase of £21,000. Although the overall Fire Authority levy on constituent Local Authorities has reduced by some 1.56% (notionally -£180,000 for Swansea), changes in population statistics have disproportionately affected the cost to the Council compared to the other Constituent Authorities.

Pay & Grading Settlement and the Living Wage

- 4.12 It is intended to introduce a single pay and grading structure across the Authority with effect from 1st April 2014. During 2013/14 all staff across the Authority were moved to a pay level which, as a minimum, reflected 'living wage' levels as at 1st April 2013. However, in implementing this scheme there was no commitment to review the living wage level on an annual basis and hence there is no provision within the current budget proposals to implement further living wage increases for 2014/15 and beyond.

The introduction of a single pay and grading scheme is welcome and in future years will add certainty to pay estimates. However, until the Authority has fully implemented the scheme, dealt with all outstanding equal pay claims and exhausted all appeals which may arise from implementation, single status/equal pay remains the single greatest financial risk outside of the significant challenges facing the delivery of savings targets during 2014/15. Whilst the Council has set aside significant sums to meet all known current liabilities, it remains the case that until the appeals process has been exhausted following implementation, and all equal pay claims have been settled, there remains an ongoing risk in respect of the overall future paybill which we will seek to manage.

It remains the case that the Authority is setting aside an additional sum of £4.277m in 2014/15 to fund the implementation of single status. During 2014/15 this sum will be incorporated into service budgets.

Council Tax Reduction Scheme

- 4.13 The Authority will receive a base grant allocation of £18.883m for 2014/15 which will be included as part of future grant settlements. The effect of this base grant allocation is that any future increases in Council tax levels will 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 in section 4.4 of this report.

5. Specific Savings Proposals: Update

- 5.1 In determining its budget proposals, the Authority has embarked on a specific long term strategy – '*Sustainable Swansea – Fit for the Future*' - as a means of setting Council priorities, transforming services and addressing current and future deficits.
- 5.2 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 at Cabinet on 15th October and subsequently at a meeting of Council on 22nd October 2013.

- 5.3 The strategy as adopted underpinned the decision taken at the Council's Cabinet on 10th December 2013 to recommend specific savings proposals totaling £12.2m in 2014/15 for consultation.
- 5.4 In addition to specific savings proposals detailed above, Cabinet also agreed proposed savings of £7.6m in 2014/15 from the further workstreams in *Sustainable Swansea* looking at the potential for management and administration savings, procurement savings, asset management utilisation and income generation.
- 5.5 With respect to workstream savings, the Council set an ambitious target of £5m in terms of additional workforce reductions in 2014/15. Whilst options have been proposed and considered by the Executive Board which would substantially achieve that target, it is prudent for the purposes of setting the current Revenue Budget that a sum of £3m be included at this stage for savings in this area. However, work will continue during 2014/15 to develop proposals to achieve the original target which, if successful, will assist with future year deficit reduction targets. The Executive Board also intends to identify areas across the workstreams where savings may be realised in year; this will be reported to Cabinet as appropriate. In addition, Cabinet will be asked to consider options for invest to save schemes to support the New Models of Delivery and Prevention workstreams, in particular: community capacity building and innovative work to reduce the cost of current services
- 5.6 Details around the proposals for Council tax levels are shown in section 9 of this report.
- 5.7 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

- 6.1 The report to Cabinet on 10th December 2013 invited comments on the forecasts, assessments and specific options for achieving a balanced budget set out in that report.
- 6.2 Phase One of the engagement plan held in September and October 2103 focused on raising awareness of *Sustainable Swansea – fit for the future* and generating feedback from staff, public and other stakeholders.

A series of events and activities were held, including 11 staff road shows, seven public drop-in sessions and two events for partners and stakeholder groups.

A total of more than 1,000 staff and public attended these events.

In addition, more than 4,200 budget information booklets were distributed to Council and community venues. The Council's dedicated website pages had 644 views and the pages on StaffNet had 4,257 views.

Social media was used to reach audiences and there was also comprehensive media coverage.

As a result, the Council received 326 responses and 330 budget saving suggestions. The suggestions have been forwarded to Heads of Service to respond.

6.3 Phase Two of the engagement plan held between 11th December, 2013 and 22nd January, 2014 and focused on engaging the public, staff and specific groups on the detailed budget proposals.

This included themed drop-in public events for:

- Libraries, Leisure and Tourism (24 attended);
- Communities and Transport (15 attended);
- Adult Services (190 attended);
- Education and Young People (87 attended for EMLAS and 35 for other issues).

There were also separate events for:

- Children and Young People (78 young people and workers attended);
- Stakeholders from organisations and partners (14 attended);
- Third sector groups (35 attended);
- Equality groups (7 attended).
- Member Seminar (28 attended)

Hard-copy consultation documents were distributed to 17 libraries, 10 District Housing Offices, 7 Community Centres, 5 Communities First offices, the Phoenix Centre and Civic Centre. The *Swansea Leader* has published details and promoted feedback.

In addition, the Council worked with the local media to promote the key issues along with using social media to encourage feedback from the public.

As a result, there were almost 4,000 hits on the Council's website and StaffNet pages dedicated to the budget consultation. The Council received 123 letters, 1,137 online and hard copy survey responses and additional comments from those attending the above events have been recorded (Appendix F).

6.4 A summary of the Phase Two consultation responses received is shown at Appendix F to this report. The key issues raised by respondents are set out below:

- **Pennard Library:** 265 survey responses on this proposal largely against closing the Library, also a number of letters directed to the Library Services manager.
- **EMLAS:** 193 survey responses, largely against the proposal to cut the service. We have also received a large number of detailed letters opposing the cut from staff and head teachers.
- **Care homes and day centres:** 44 survey responses, 120 attended the drop-in session on Adult Social care and a further 70 attended a follow-up meeting. The large majority were against any proposal which would result in the closure of care homes or day centres.
- **Car park/ Residents Parking charges:** 170 survey responses, largely opposed to the introduction of parking charges.

Other proposals creating interest are:

- Home to School Transport;
- Archives.

- 6.5 Cabinet Members and officers also met with School Headteachers on 18th December 2013 and there has been wide circulation of proposals to the School Budget Forum. As a statutory consultee the response of the School Budget Forum to the budget proposals is shown at Appendix 'H' to this report. This response has been considered in formulating these budget proposals and, as in previous years, a specific response will be provided following completion of the budget process.
- 6.6 Cabinet has considered the outcome of the consultation and Equality Impact Assessment Statement (Appendix G) and has decided to adopt the changes to the draft budget proposals as set out in Appendix D or E. Where the proposals in appendix D differ from those detailed in the Cabinet Report of 10th December 2013 details have been included in the Appendix.

Table 2 – Cabinet decisions on the Outcome of Budget Consultation

PROPOSAL	ADVICE
Pennard Library	<ul style="list-style-type: none"> • The Sustainable Swansea New Models of Delivery workstream envisages that some local services, such as small libraries, will be run by the community in the future. This model has been adopted successfully by many local authorities • It is considered that, in principle, this remains the right approach for a library such as Pennard and that there is much to be gained and learned from such a model • However, given the large number of responses opposed to the closure, Cabinet considers that the proposal should be deferred to allow a wider review of the future model for libraries, including community transfer • Cabinet proposes that the wider review is completed in six months, with an additional two months for further discussions about Pennard Library
EMLAS	<ul style="list-style-type: none"> • During the Budget process we have adopted the general principle that we should reduce spending to the level of specific grants across a number of areas. This remains the right principle. • However, it is clear from the responses received that it would be prudent to undertake a wider review of the purpose of EMLAS and the future options for service delivery models within a reduced budget before any decisions are made including consultation with staff and service users. • Such a review would also allow the Council to take full account of the views expressed by responders and to engage further with service users, Headteachers and the staff involved • Cabinet proposes a report to Cabinet in June following this consultation period.
Residential Care Homes	<ul style="list-style-type: none"> • Cabinet has agreed a strategy for Transforming Adult Social Services that includes a plan over time to increase independent supported living and decrease the provision of residential care in line with users expectations and national policy. • This remains the Council's strategy, as it provides better outcomes for those service users • However, responses to the consultation understandably reflect concerns about the timing of the closure of residential homes

	<p>and the transition to independent living</p> <ul style="list-style-type: none"> • Consequently, Cabinet proposes allowing a longer period of time to fully understand fully the impact on users and carers and for the development of detailed closure and transition plans, including effective engagement with residents and their families and to demonstrably have in place alternatives to residential care. • Cabinet proposes a report to Cabinet in June following this consultation period.
Car Park Charges	<ul style="list-style-type: none"> • A range of responses have been received on the current proposals to increase charges for car parking at specific car parks and for residents' parking • The Council's Budget Principles include increased income and full cost recovery for services. Similarly, the <i>Sustainable Swansea</i> Efficiency workstream includes the objective of increasing income from fees and charges • It is clearly important that we remain committed to increasing income as part of the contribution to addressing the overall budget shortfall and to help to minimise further cuts to services • Cabinet have agreed to defer the introduction of Residents Car parking charges at this stage and review all options as part of the wider work on fees and charges across all services during the course of the year, bearing in mind the principle of full cost recovery • Cabinet proposes a report to Cabinet in September following this consultation period
School Crossing Patrols	<ul style="list-style-type: none"> • Whilst the response from public consultation to this proposal was balanced, some concerns have been raised about the potential risks to pupils at these locations. • Given this, and although the proposal is in accordance with Road Safety GB guidance, Cabinet has decided to defer this proposal to allow a further review of all school crossing patrol locations to determine the lowest priority crossings, taking account of the views that have been received.

6.7 Finally, Council is also asked to note that, as part of Phase 3 of the budget consultation process:

- A full account of the consultation responses will be placed on the Council's website
- The detailed consultation responses have been sent to the relevant Head of Service to:
 - Reply to any particular responders as appropriate, for example, community groups, Assembly Members
 - Where appropriate, build the comments into the implementation of the proposals, subject to these being agreed by Council

6.8 As previously agreed, engagement on the delivery of the objectives in *Sustainable Swansea, fit for the future* will continue during 2014.

6.9 Scrutiny involvement in the budget

Scrutiny has taken a number of opportunities to consider the budget and discuss details with Cabinet Members and officers.

The Schools Performance Panel investigated the implications for education at its meeting on January 31 and discussed details with the Cabinet Members for Finance and Resources and Learning and Skills. This will be followed-up with a Chair's Letter to the relevant Cabinet Members.

The Service Improvement and Finance Panel had the opportunity to consider the budget proposals on February 10th and the Panel's views were fed into the Cabinet meeting on February 11th and can be addressed at Council.

7.0 Staffing Implications

- 7.1 An estimate of the potential impact on staff of the budget proposals and a commentary on this was contained in the report to Cabinet on 10 December 2013. At that time it was **estimated** that, under the present proposals, approximately 687 posts would be deleted over the next three years. The estimated total for 2014/15 was 378 FTEs.
- 7.2 Since December, Heads of Service and Directors have reviewed the potential impact of the budget proposals on staff in order to seek to minimise the number of compulsory redundancies. **This has reduced the number of posts at risk of compulsory redundancies in some areas.**
- 7.3 The latest assessment of the staffing implications is shown in Table 3 below across both the Service Savings Proposals and the Additional Staffing Savings outlined in section 5 above. The assessment takes account of the changes to the budget proposed by Cabinet in Table 2 above:

Table 3: Savings Proposals – Staffing Impact: Nature of Change

	<u>FTE</u>	<u>Actual Number of Staff Affected</u>					
	Vacant Posts	ER/VR	Staff at Risk	Reduction in Hours	Termination of Agency Staff	Other	Total
Savings Proposals	30.2	46	95	14	6	5	165
Additional Staffing Savings	25	29	78	9	5	0	121
Total	55.2	75	173	23	11	5	288

*NB: Vacant Posts are shown as Full Time Equivalents
All other figures are the actual number of staff affected by the proposals ie: a higher figure than FTEs*

7.4 Consequently, the current estimate is that 173 staff are at risk, compared with the December estimate of 378. The key reasons for the difference in the figures from the Cabinet report dated 10 December are as follows:

- The 10th December estimate was high level and, since then, there has been a significant amount of work to refine the budget proposals
- Significant work has taken place to reduce the numbers of staff at risk through the management of vacancies, promoting ER/VR, flexible working and reducing the use of agency staff.

Section 188 Consultation

Three written responses to the Authority’s budget proposals were received from Unison, GMB and Unite on 4th and 5th February 2014.

In summary, the main issues raised in their responses, together with a brief comment on the Council’s position, are as follows:

Trade Union Response	Council’s’ Position
The Authority has not met its duty required under S188 with the current level of information that the Trade Unions had been provided with, i.e. not enough detail of the affected posts provided.	The Council’s view is that it has provided a list of the types of posts affected along with a breakdown of how posts are affected and that this does fulfil its obligations under S188. Discussions are continuing with the TUs to clarify the information that they consider they have not received.
The effect the budget savings would have on service provision and that, in their view, proposals have been put forward without any clear business case having been developed, i.e. closure of Residential Homes; removal of School Crossing Patrols; outsourcing areas, i.e. Leisure Centres, cleaning at the Bus Station etc.	The background to these proposals has been discussed with the relevant Heads of Service at the consultation meetings.
The Council should consider alternatives to prevent compulsory redundancies, including: <ul style="list-style-type: none"> • Selling off Council assets • Increase the general fund supporting borrowing • Greater use of reserves • Use of outcome agreement grant from the Welsh Government which could be put into revenue spending to support and protect services 	The proposed budget includes the prudent use of reserves in line with the advice of the Section 151 Officer. It would be unlawful to use borrowing and capital receipts to support ongoing revenue expenditure. Due to Welsh Government funding restrictions there are no capitalisation Directions currently available that would support capitalisation of equal pay settlements which continue to fall on the Revenue Budget

Process for Managing Redundancies

- 7.5 Guidance has been given to Heads of Service and senior managers about the process to be followed to manage any compulsory redundancies. This guidance is based on the Council's policy and previous practice and the final criteria that we will use following the conclusion of the TU consultation process.
- 7.6 Heads of Service have been asked to be ready to implement the changes and to commence formal consultation with the staff affected once decisions have been made by the Council on 18 February 2014.

Action to Minimise Compulsory Redundancies

- 7.7 In line with the Council's current policy, every effort will continue to be made to minimise compulsory redundancies. Ongoing and new management action is set out in Table 4 below:

Table 4: Ongoing Management Action to Minimise Compulsory Redundancies

Management Action	Current Position & Further Action
Tight management of vacancies so that we manage the deletion of posts via natural wastage over time	<ul style="list-style-type: none"> • Vacancy controls have been increased • All vacancies to be advertised internally only unless there is a compelling service reason e.g.: child care social worker
The use of fixed term appointments where a post needs to be covered	<ul style="list-style-type: none"> • Fixed term appointment will be the default position, unless there is a compelling service reason
Stopping the use of agency staff unless a clear business case can be made	<ul style="list-style-type: none"> • Services are now reducing agency spend • There will always be the need for some agency staff, for good reason
Redeployment and retraining where ever possible, including the development of an in house "recruitment and redeployment agency"	<ul style="list-style-type: none"> • This is being given increased priority and we will be looking for best practice and innovative ideas, in partnership with the TUs, to increase redeployment • These actions will be more successful in some areas than others • For example, any social care frontline staff who may be redundant are likely to have redeployment opportunities elsewhere in social care; whereas, because of our very low turnover in management and support services, staff in these categories will find redeployment opportunities more limited
Further encouragement of staff to consider ER/VR options, including bumped redundancies	<ul style="list-style-type: none"> • The scheme remains open and will be publicised from time to time • A Personnel Bulletin was issued on 30 January 2014
Encouraging staff to work flexibly eg: reduce hours or job share	<ul style="list-style-type: none"> • Staff have been reminded of these opportunities and some have come forward as part of the current savings proposals

	<ul style="list-style-type: none"> • Awareness raising will continue: a Personnel Bulletin was issued on 30 January 2014
Flexible retirement	<ul style="list-style-type: none"> • The rules on flexible retirement have been changed to remove the current time limit in cases where there is no cost to the Council • A Personnel Bulletin was issued on 30 January 2014
Discussions with other major employers about working together on redeployment	<ul style="list-style-type: none"> • Discussions have started on how the major employers across the City can work together to minimise the impact of reduction in posts • These will continue through the Local Service Board

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
 - treatment of planned efficiency savings / productivity gains
 - financial risks inherent in major capital developments
 - the availability of reserves, government grants and other funds
 - general financial climate to which the authority is subject

In addition there are local factors to consider including the possibility of further budget overspends, progress in achieving challenging savings targets, implementation of the Pay and Grading Scheme and the cost of any future redundancy scheme.

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.

General Reserves

- 8.3 The General Reserve amounted to £10.834m at 1st April 2013. The 2013/14 budget approved by Council on 14th February 2013 allowed for a transfer of £2.2m from general reserves to fund the 2013/14 budget. The report to Cabinet on 17th September 2013 detailing the revenue outturn position for 2012/13 recognised this commitment and, utilising the final underspend for that year, committed to transferring an additional sum of £2.2m into general reserves.
- 8.4 Following careful consideration it is proposed that for 2014/15 a sum of £2.2m be utilised from General Reserves to support the Revenue Budget. This is entirely in line

with the planning assumptions adopted in respect of the 2013/14 budget in terms of General Reserve levels, but account will have to be taken to include this sum in consideration of the Revenue Budget proposals for 2015/16 and beyond.

Contingency Fund

- 8.5 The 3rd quarter financial monitoring report detailed several forecast uses of the Contingency Fund in 2013/14. At this time, it is anticipated that the £8m budgeted contribution in 2013/14 will be fully expended. Given the overall position as forecast in the 3rd quarter budget monitoring report for 2013/14 considered elsewhere on this agenda, the forecast Fund balance as at 31st March 2014 is nil.
- 8.6 In assessing the value of the Contingency Fund requirement in 2014/15, the following potential requirements are relevant:
- (a) The risks and issues detailed in 10 below
 - (b) The need to provide a potential source of finance for invest to save initiatives including any future ER/VR scheme.
 - (c) The poor outlook for Public Finances as set out in the Cabinet report on 10th December and summarised in the MTFP report elsewhere on the agenda.
- 8.7 Bearing the above in mind, together with the proposals in respect of funding current year service pressures within the 2014/15 base budget, which significantly reduces risk, it is recommended that the contribution to the Contingency Fund in respect of 2014/15 is reduced to £5.4m., i.e. a reduction of £2.6m on the current year contribution.

Earmarked Reserves

- 8.8 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.

Review of Insurance Fund

- 8.9 A further review has been completed of the sums set aside to provide for future claims which are not known or only partly known at this time. Such claims can be very significant and can relate to past periods going back many years.

The review has highlighted an Insurance Fund surplus as at 31st March 2013.

- 8.10 Members will recall that the Budget for 2013/14 approved on 14th February 2013 allowed for:-
- A one off contribution from the insurance fund of £1m to finance high priority highways maintenance schemes on the basis that there was an historical link between the levels of claims and highways maintenance.
 - An ongoing reduction of £700,000 in insurance charges to services for that year and for 2014/15 and 2015/16.

The current budget proposals allow for the continuation of the £700,000 reduction in insurance premiums, together with a further one-off contribution of £1m towards

highways maintenance in 2014/15. There is an implicit link between effective highways maintenance and management of insurance claims and the Prevention workstream within *Sustainable Swansea*.

Transformation/Change Fund

- 8.11 The Revenue Outturn report for 2012/13 agreed by Cabinet on 17th September 2013 recommended that the sum of £2.030m was set aside in order to assist in the transformation of Council services in the light of the current and forecast budget position of the Council. It is intended to earmark the sum of £300,000 from that fund to assist in the development of Community based service delivery options.

Adequacy of Reserves

- 8.12 Whilst the proposed use of Earmarked Reserves in 2014/15 funds some recurring expenditure, taking into account the level of General and Earmarked Reserves which would be available should there be an overriding financial requirement, and the arrangements in place to monitor and manage financial risk in 2014/15 and future years, I am satisfied that the proposed management of reserves in 2014/15 will result in a forecast level of General Reserves, Earmarked Reserves and Provisions which is adequate, subject to the potential financial implications of the risks described in Section 11 below and the final budget proposals recommended by Cabinet to Council.
- 8.13 Given the considerable risks and uncertainties facing the Council in 2014/15 and future years, it remains my advice as the officer designated with responsibility for the overall finances of the Council that the above represents prudent financial management.

9. Budget Requirement and Council Tax 2014/15

- 9.1 The Council's recommended requirement is set out in Appendix A. The City and County of Swansea Requirement of £413.659m will be financed partly by Revenue Support Grant of £241.788m and National Non-Domestic Rates of £76.436m. Based on the specific savings proposals as detailed within this report, together with the proposed movements in reserves, contingency fund and inflation provision, the Council Tax in respect of the Council's own requirement would be £1,079.98 for a band 'D' property – a 5% increase compared to 2013/14.
- 9.2 Including Community Councils, the total requirement is £414.527m.

The overall Council Tax amounts, including the requirements of the South Wales Police Authority and Community Councils will be set out in the Resolutions to be made in accordance with the regulations for the setting of the Council Tax 2014/15.

10. Summary of Funding 2014/15

- 10.1 The proposals in sections 4, 5, 6, 7 and 8 above result in a forecast additional funding of £26.235m in 2014/15 as detailed in Table 5 below

Table 5 – Budget Proposals 2014/15	£'000	£'000
Specific savings proposals – (Appendix 'D')	-10,867	
Workstream savings (Appendix 'E')	<u>-5,600</u>	-16,467
Net effect of Council tax base increase and proposed charges		-4,043
Net increase in levies		26
Reduction in inflation provision		-951
Reduction in contribution to the Contingency Fund		-2,600
Use of General Reserves		-2,200
Overall resourcing		<u>-26,235</u>

Summary

10.2 I am satisfied that the budget proposals detailed in this report represent a realistic and achievable financial plan for 2014/15 subject to the potential financial implications of the risks described in paragraph 11 below.

11. Assessment of risks and uncertainties

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

(a) Implications of the 2013/14 Overspend

The 3rd quarter financial monitoring report on this agenda highlighted a number of service overspends. The budget proposals within this report largely cater for the ongoing effects of 2013/14 service overspends.

(b) New Unavoidable Spending Requirements

All services will need to meet a range of additional / new pressures in 2014/15. These include the implications of new legislation; demographic changes; implementation of single status; recession and other requirements. Whilst reasonable provision has been made for these costs, there is a risk that some items will result in overspends. In particular it is assumed that whilst the cost of pay protection arising out of single status implementation can be funded centrally, any additional costs that may potentially arise as a result of the appeals process will be met from within specific existing Directorate budgets.

(c) Savings

The 2014/15 budget includes significant and extensive savings targets which must be achieved. It is a requirement of the Council's financial procedure rules that

Responsible Officers are required to manage expenditure within approved budgets of the Council and to that extent it is essential, should specific proposed budget savings be delayed or postponed, alternative savings are achieved in year to meet approved Directorate Budgets.

Given the nature and scale of the savings challenge during 2014/15, there will be enhanced monitoring and tracking of progress in achieving budget savings which will be reported to Executive Board, Budget Steering Group and Cabinet.

It is essential in terms of the financial challenges facing the Council beyond 2014/15 that further savings proposals are developed and implemented in 2014/15 over and above those proposed within this budget. As noted above, further proposals will be brought to Cabinet during the year.

(d) Inflation

As was the case in previous years, no provision has been made for price increases within Directorate Budgets. The Corporate inflation provision recommended in this report is likely to be sufficient only to cover known and unavoidable contract inflation and is not available to fund general inflationary pressures.

(e) Outcome Agreement Grant

Whilst the full grant was received in 2013/14, there is an ongoing risk that the Council will not receive the full grant in future years. The process surrounding the criteria and evidence requirements for this grant are changing for 2014/15 and this could add further to the risk in terms of transition to the new arrangements.

(f) Care Home Fees

Budget provision has been made for the 2013 settlement. However, it is likely that fees will need to be further increased over and above the budget provision given that the Council has to undertake an annual review of payments to care home providers which must be robust and evidenced.

(g) Specific Grants

A number of specific grants are yet to be announced. In the event that the level of specific grants awarded for 2014/15 is less than that for 2013/14, it is essential that Directorates take action to manage such reductions within the proposed spending limits – i.e. there is no corporate provision for meeting such shortfalls. There is a clear expectation that expenditure will be cut to match the level of grant.

(h) Equal Pay Back Payments

There is a risk that future settlements could exceed the amount currently set aside for outstanding claims. Until such time as the Council extinguishes its liability by settling outstanding equal pay claims and succeeds in the implementation of single status this remains an ongoing and significant financial risk to the Council.

(i) Implementation of Single Status

Whilst Officers have undertaken substantial work in terms of validation and modelling of the Councils pay and grading proposals, due to be implemented on 1st April 2014,

there remains a potential for appeals to be made in line with any agreed process. Where appeals are successful this will add further costs to the paybill. The appeals process will be carefully monitored in order to assess ongoing financial implications.

(j) 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.

(k) Capital Financing Charges

There is a risk that the funding shortfalls highlighted in the Capital Budget report elsewhere on the agenda will result in additional charges over and above the agreed budget provision. The Report on the Capital Programme for 2014/15-2017/18 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.

- 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 2014/15 specific actions are being put in place which will involve:-
- Monthly monitoring of specific savings targets against an agreed implementation timetable in order to identify any slippage and appropriate and equivalent compensating budget savings.
 - Ensuring compliance with the Council's Financial Procedure Rules which require Responsible Officers to manage budgets within the limits set by Council
 - Early and ongoing monitoring of the effect of pay and grading implementation and in particular the cumulative effect of the initial appeals procedure
 - The impact of any changes to specific grant funding streams

12. Equality Impact Assessment (EIA)

- 12.1 Budget proposals have been subject to the Council's Equality Impact Assessment (EIA) process. Proposals have been screened and where potential for impact has been identified EIA reports have been opened. Appendix G contains the Equality Impact Assessment (EIA) Statement for the Budget.
- 12.2 The statement, where possible, attempts an overarching assessment of the impact of the revenue budget including a summary of the provisional outcomes of the process by Directorate.
- 12.3 The statement and the majority of the EIA reports will remain open as proposals, when agreed, are implemented and further developed. Thus, EIA reports will be updated or completed over a period of time to take account of impact and the outcomes of service specific engagement where required. As they are completed each report will be published on the Council's website here:

13. The Medium Term Financial Plan (MTFP) 2015/16 – 2017/18

- 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.

Contact officer : Mike Hawes, Head of Financial Services
Telephone no : 636423
Background papers : None

Appendix 'A' Revenue Budget summary 2014/15
Appendix 'B' Net Directorate budget proposals
Appendix 'C' Earmarked Reserves
Appendix 'D' Specific savings proposals
Appendix 'E' Additional savings proposals
Appendix 'F' Summary of consultation responses
Appendix 'G' Equality impact assessment
Appendix 'H' Response of the Schools' Budget Forum
Appendix 'I' Directorate Budgets

REVENUE BUDGET SUMMARY 2014/15
Appendix A

<u>DIRECTORATE</u>	BUDGET 2013/14 £000	BUDGET 2014/15 £000
CORPORATE SERVICES	45,155	46,384
PEOPLE - POVERTY AND PREVENTION	3,488	3,492
PEOPLE - SOCIAL SERVICES	103,283	104,727
PEOPLE - EDUCATION	161,033	160,987
PLACE	56,036	52,711
ADDITIONAL SAVINGS STRANDS - TO BE ALLOCATED	0	-2,600
<i>NET DIRECTORATE EXPENDITURE</i>	368,995	365,701
CORPORATE PROVISION FOR INFLATION	2,000	1,049
<i>OTHER ITEMS</i>		
LEVIES		
SWANSEA BAY PORT HEALTH AUTHORITY	89	94
CONTRIBUTIONS		
MID & WEST WALES COMBINED FIRE AUTHORITY	11,503	11,524
<i>CAPITAL FINANCING CHARGES</i>		
PRINCIPAL REPAYMENTS	12,777	14,033
NET INTEREST CHARGES	14,138	13,651
<i>NET REVENUE EXPENDITURE</i>	409,502	406,052
<i>MOVEMENT IN RESERVES</i>		
GENERAL RESERVES	-2,200	-2,200
EARMARKED RESERVES	11,840	9,432
<i>TOTAL BUDGET REQUIREMENT</i>	419,142	413,284
DISCRETIONARY RATE RELIEF	375	375
<i>TOTAL CITY AND COUNTY OF SWANSEA REQUIREMENT</i>	419,517	413,659
COMMUNITY COUNCIL PRECEPTS	847	868
<i>TOTAL REQUIREMENT</i>	420,364	414,527
<i>FINANCING OF TOTAL REQUIREMENT</i>		
REVENUE SUPPORT GRANT	254,557	241,788
NATIONAL NON-DOMESTIC RATES	74,941	76,436
COUNCIL TAX - CITY AND COUNTY OF SWANSEA	90,019	95,435
COUNCIL TAX - COMMUNITY COUNCILS	847	868
<i>TOTAL FINANCING</i>	420,364	414,527
<i>COUNCIL TAX BASE for the City and County of Swansea</i>	87,519	88,367
<i>COUNCIL TAX AT BAND 'D' (£) for the City and County of Swansea</i>	1,028.56	1,079.98
GENERAL RESERVES		
AT 1 APRIL	10,834	10,834
AT 31 MARCH	8,634	8,634

REVENUE BUDGET 2014/15

NET DIRECTORATE BUDGET PROPOSALS

	Corporate Services	People - Poverty and Prevention	People - Social Services	People - Education	Place	To be allocated	Total
	£000	£000	£000	£000	£000	£000	£000
Original estimate 2013/14	45,155	3,488	103,283	161,033	56,036	0	368,995
Directorate Transfers	167	182	17	-140	-226	0	0
Original estimates following transfers	45,322	3,670	103,300	160,893	55,810	0	368,995
Transfer to (+) / from (-) reserves 2013/14	4,277	0	-250	-250	647	0	4,424
Original estimate 2013/14 excluding reserves	49,599	3,670	103,050	160,643	56,457	0	373,419
Transfers for specific grants 2013/14	727	0	254	0	0	0	981
Baseline adjustments 2013/14	448	75	4,263	2,699	1,215	0	8,700
Adjusted service budgets 2013/14	50,774	3,745	107,567	163,342	57,672	0	383,100
Spending Needs	1,843	0	0	0	100	0	1,943
Inflation provision	251	92	463	275	660	0	1,741
Savings:							
Specific consultation proposals	-1,363	-294	-3,384	-2,294	-3,532	0	-10,867
Management layers and administrative savings	-1,036	-51	-169	-336	-1,408	0	-3,000
Other workstream savings strands	0	0	0	0	0	-2,600	-2,600
Original estimate 2014/15 excluding reserves	50,469	3,492	104,477	160,987	53,492	-2,600	370,317
Transfer to (-) / from (+) reserves 2014/15	-4,085	0	250	0	-781	0	-4,616
Net Directorate budgets 2014/15	46,384	3,492	104,727	160,987	52,711	-2,600	365,701

Appendix B

REVENUE BUDGET 2014/15

EARMARKED RESERVES

	Balance 31/03/13 £000	2013/14 £000	Balance 31/03/14 £000	2014/15 £000	Balance 31/03/15 £000
DIRECTORATE RESERVES					
Equalisation reserves	-2,521	0	-2,521	50	-2,471
Commuted sums	-5,023	-37	-5,060	3	-5,057
Repair & renewal funds	-2,133	-687	-2,820	-711	-3,531
Profit share	-1,149	222	-927	-70	-997
Service reserves	-4,450	339	-4,111	228	-3,883
TOTAL DIRECTORATE RESERVES	-15,276	-163	-15,439	-500	-15,939
CORPORATE RESERVES					
Contingency Fund	0	0	0	-5,400	-5,400
Insurance	-18,819	716	-18,103	716	-17,387
Job Evaluation earmarked	-2,100	-4,330	-6,430	-4,277	-10,707
Transformation/Efficiency	-2,279	-90	-2,369	-82	-2,451
TOTAL CORPORATE RESERVES	-23,198	-3,704	-26,902	-9,043	-35,945
UNUSABLE/TECHNICAL RESERVES	-1,949	340	-1,609	111	-1,498
SCHOOLS DELEGATED RESERVES*	-6,500	0	-6,500	0	-6,500
TOTAL RESERVES	-46,923	-3,527	-50,450	-9,432	-59,882

* No updated information available - balances held by individual schools

Appendix C

Appendix D - Savings Proposals**2014-15
£'000****Corporate Services**

Central overheads and management and administrative savings	1,120
Reduce corporate subscriptions	33
Fully integrate contact centre	60
Reduce subsidy of providing services to Schools	0
Reduce grants to external bodies	50
Renegotiate strategic contracts with large suppliers	100
Total	1,363

**2014-15
£'000****People - Education**

Align the retirement and redundancy policy on a whole Council basis	945
Reduce supervision costs for school breakfasts	250
Non staffing service efficiencies	71
Central overheads and management and administrative savings	215
Increase meal charges	100
Savings in non-school Cleaning Services	188
Reduce the Council's contribution to the Welsh Language Service	100
Reduced demand/need for out of county education provision	100
Provide School improvement at the level required by Welsh Government	325
Total	2,294

Removed from 10th December proposals**2014-15
£'000**

Provide Ethnic Minority Achievement Service at level of specific grant	294
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**2014-15
£'000****People - Poverty and Prevention**

Central overheads and management and administrative savings	94
Reduce residential and outdoor centre provision to focus resources	88
Reconfigure Childcare and Early Years Support and childcare apprentice training	91
Reconfigure youth services	21
Total	294

Appendix D (cont.)**2014-15****£'000****Place**

Management and admin savings - reductions in staff numbers	401
More cost effective use of Council vehicle fleet	130
Parks costs reduction	303
Reduce planning control and design costs	30
Increase fees (for agency work) and reduce costs	9
Efficiencies in building management and additional income generation	350
Street Cleansing - reduced management costs	10
Make public convenience provision cost neutral and close Caer Street toilet	90
Reduce subsidy for Burials, Cremations, Registrars and Public Health	235
Swansea Marina - increase fees and charges	10
Increase charges for highways agreements	15
Reduce subsidy to sports facilities	131
Increase marketing income targets	250
Increased income from commercial estate	150
Introduction of parking charges in car parks.	20
Grand theatre - reduce subsidy	25
Reduce landfill costs through increased recycling	335
Traffic management	146
Reduce bus shelter maintenance	30
Archives - reduce operating costs	46
Libraries - Reduce book fund, and changes to specialist services.	113
Relocate Tourist Information Centre and review marketing activity	190
Rationalise city centre Management and indoor market	155
Grant reduction	150
Park and Ride & other bus services reductions and other efficiencies	158
Plantasia - seek alternative operating model	50

Total**3,532****Removed from 10th December proposals****2014-15****£'000**

Withdraw school crossing patrols at sites with controlled crossings	22
Residents parking - increase residents' parking areas.	95
Close Pennard Library	34

Appendix D (cont.)**2014-15****£'000****People - Social Services**

Regional efficiencies re Adoption services, Youth Offending prevention, Alcohol and Substance Misuse	290
Occupational therapists partnership working	75
Change skill mix of staff providing services for older people, community mental health and learning disabilities	252
Social Services transport efficiencies	200
Contract changes and more effective commissioning and support for carers and supporting people	307
Central overheads and management and administrative savings	366
Talking Books - become self funding	100
Expand telecare and remove subsidy	231
Withdraw community meal provision	290
Learning Disability Day Services - seek alternative operating model	200
Increase supported living and reduce residential care for mental health and learning disability	450
Learning Disability - seek alternative operating model	283
Residential Long Term care for disabled - move to alternative model of provision	200
Learning Disability Special Projects - review funding arrangements	50
Review and remodel respite care for families with children with disabilities	90

Total**3,384****Removed from 10th December proposals****2014-15****£'000**

Develop independent living by reinvesting money released from closure of three residential care homes	500
Older Peoples Day Services - seek alternative operating model	300

Appendix E

2014-15

£'000

Additional savings proposals

Paybill: reducing management layers, ER/VR and consolidating and reducing business support 3,000

Assets: reduction in property costs 300

Third party spend: additional procurement savings 1,000

Income: selling services and full cost recovery 1,000

Customer contact: reducing costs of call handling and transactions 300

Total 5,600

Summary of Phase Two Budget Consultation

- 1137 responses to the consultation survey
- 123 letters received as part of the budget consultation
- 1 petition received re St John Care home and Day Centre
- 1 CYP budget big conversation event (78 attended)
- 4 consultation drop in sessions for members of the public over 200 people have attended
- 1 stakeholder group meeting 14 attended from various organisations
- 3rd Sector meeting 35 attended from various organisation
- Meeting with Head Teachers
- Equality group meeting 7 attended from various groups
- School budget forum

Main areas of discussion:

1. Pennard Library

265 survey responses on this proposal largely in support of not closing the Library, also a number of letters directed to the Library Services manager.

2. EMLAS (Ethnic Minority Language and Achievement Service)

193 survey responses to the service largely against the proposal to cut the service, we have also received a large number of detailed letters opposing the cut from members of staff and head teachers. The letters have been directed to the Chief Executive, several cabinet members, Equalities committee. EMLAS was also raised as an issue by Peter Black AM in the stakeholder forum. A large number of families and staff attended the drop in session Education and Young People to voice their concerns about the cut.

3. Care homes and Day Centres

44 survey responses, 120 attended the drop in session on Adult Social care and a further 70 attended a follow-up meeting. The large majority were against any proposal which would result in the closure of care homes or day centres. We have also received a petition with 1580 signatories against the closure of St John's Residential Home and Day Centre.

4. Car Park Charges

170 survey responses, largely opposed to the introduction of parking charges, specifically in Gorseinon

Other areas of interest

- Home to School Transport
- Archives
- Residents parking permits

Name of proposal	Number of survey responses received	Agree/disagree	Key Issues/ Alternatives from Consultation
Community and Transport			
Make public convenience provision cost neutral and close Caer Street toilets	18	Strongly agree -5 Tend to agree - 4 Tend to disagree - 4 Strongly disagree - 4	<ul style="list-style-type: none"> - Limited toilets already closure would add to the problem - Link with existing businesses to use their toilets - Charge instead of close
Park and Ride and other bus services reductions and other efficiencies	18	Strongly agree - 4 Tend to agree - 4 Tend to disagree -5 Strongly disagree - 7	<ul style="list-style-type: none"> - Should be kept manned, automated system will cause more problems and cause difficulties when paying/leaving the car park - Issues around safety if car park not manned - Charge more/ reduce service levels to cut cost
Parking charges in car parks	170	Strongly agree - 14 Tend to agree - 9 Tend to disagree -14 Strongly disagree – 135	<ul style="list-style-type: none"> - Largely against introducing car park charges in Gorseinon - Charges should be equal basis for Council car parks – some shouldn't be free while others are paying - Issues within the areas where charges are introduced - affect on residents and local businesses
Reduce bus shelter maintenance	7	Strongly agree - 3 Tend to agree - 1 Tend to disagree - 1 Strongly disagree - 1	<ul style="list-style-type: none"> - Health hazard - Discourage bus use - Communities encourage to clean shelters
Reduce subsidy for burials and cremations	7	Strongly agree - 3 Tend to agree - 1 Tend to disagree - 2 Strongly disagree - 0	<ul style="list-style-type: none"> - Seems reasonable proposal - Reduce subsidy for burials but not cremations - Offer catering/tea coffee facilities at Moriston to bring in income
Reduce subsidy for public health	6	Strongly agree - 3	<ul style="list-style-type: none"> - Householders should be responsible for cost

		Tend to agree - 0 Tend to disagree - 0 Strongly disagree - 3	
Reduce subsidy for registrars	4	Strongly agree - 2 Tend to disagree - 2 Tend to disagree - 0 Strongly disagree - 0	<ul style="list-style-type: none"> - Seems reasonable proposal - Should also offer packages including food etc to make more money

Residents parking - introduce charges for parking permits to cover costs	41	Strongly agree - 10 Tend to agree - 8 Tend to disagree - 2 Strongly disagree - 21	<ul style="list-style-type: none"> - Charge to much and would expect to be able to park if paying for a permit - Good idea but charge is to little
Transfer Swansea Mobility Hire to not for profit organisation	4	Strongly agree - 1 Tend to agree - 2 Tend to disagree - 0 Strongly disagree - 1	<ul style="list-style-type: none"> - Happy as long a facilities still runs
Withdraw school crossing patrols at sites with controlled crossings	12	Strongly agree - 5 Tend to agree - 2 Tend to disagree - 1 Strongly disagree - 4	<ul style="list-style-type: none"> - As long as their a suitable crossing in place - Worries regarding safety or younger pupils - Parent need to take responsibly

Education

Name of proposal	Number of survey responses received	Agree/disagree	Key Issues/ Alternatives from Consultation
Home to School Transport - change eligibility criteria	64	Strongly agree - 5 Tend to agree - 1 Tend to disagree - 9 Strongly disagree - 66	<ul style="list-style-type: none"> - Children not able to access school of choice (particularly faith schools) - Take-up of specific school could be affected - Ask for small charge based on ability to pay
Increase meal charges	15	Strongly agree - 1 Tend to agree - 4 Tend to disagree - 3 Strongly disagree - 7	<ul style="list-style-type: none"> - Charges will decrease uptake - Meals are not value for money at the moment,

Provide Ethnic Minority Achievement Service at level of specific grant	193	Strongly agree - 15 Tend to agree - 1 Tend to disagree - 9 Strongly disagree - 166	Lots of negative comments here, lots of letters and email also received around this issue (primarily from EMLAS staff and teachers who use the service) <ul style="list-style-type: none"> - Against council's commitment to UNCRC - Will drastically reduce the service and levels of support given - Proposal discriminates against children who are most vulnerable in Swansea
Reduce the Council's contribution to the Welsh Language service	22	Strongly agree - 11 Tend to agree - 4 Tend to disagree - 1 Strongly disagree - 6	<ul style="list-style-type: none"> - Can understand the proposal given the financial constraints - Essential service, look for alternatives ways of working.

Grants

Name of proposal	Number of survey responses received	Agree/disagree	Key Issues/ Alternatives from Consultation
Reduce Grants to External Bodies	27	Strongly agree - 3 Tend to agree - 2 Tend to disagree - 4 Strongly disagree -18	<ul style="list-style-type: none"> - Voluntary organisations often work with those most vulnerable - Agree that council need to revisit this area in this financial climate, but also need to keep a sustainable service in this area

Libraries, leisure and tourism

Name of proposal	Number of survey responses received	Agree/disagree	Key Issues/ Alternatives from Consultation
Archives - reduce operating costs	45	Strongly agree - 2 Tend to agree - 1 Tend to disagree - 0 Strongly disagree -39	<ul style="list-style-type: none"> - Essential and quality service do not reduce (both Swansea and Neath) - A reduction in staffing levels will seriously effect the service provided
Grand Theatre - reduce subsidy	6	Strongly agree - 2 Tend to agree - 2 Tend to disagree - 1	<ul style="list-style-type: none"> - Grand should be able to survive on its own and not needs a subsidy - Need to improve the offer at the grand in order to make

		Strongly disagree -	more money
Libraries - changes to specialist services	14	Strongly agree - 2 Tend to agree - 2 Tend to disagree - 3 Strongly disagree - 7	<ul style="list-style-type: none"> - Many people are unable to visit the local library - Many people, not technically housebound, have no way of getting to a library, as the bus service is less than reliable and takes hours. - A reduced service - say once a month - would be more preferable than a total loss of the mobile library service.
Libraries - close Pennard Library	265	Strongly agree -10 Tend to agree - 1 Tend to disagree -5 Strongly disagree - 249	<ul style="list-style-type: none"> - Largely against the closure - Essential service in the community, valued by all and largely used by the school. - Look to make small cuts across all libraries rather than close

Libraries - Reduce book fund	4	Strongly agree - 1 Tend to agree - 0 Tend to disagree - 1 Strongly disagree -2	<ul style="list-style-type: none"> - Books are an invaluable source of learning for all ages.
Park costs reduction - litter	4	Strongly agree - 1 Tend to agree - Tend to disagree - 1 Strongly disagree - 2	<ul style="list-style-type: none"> - Needs to be more enforcement activity and fines for littering
Parks costs reductions - bowls greens	4	Strongly agree - 3 Tend to agree - Tend to disagree - 1 Strongly disagree -	<ul style="list-style-type: none"> - Bowls clubs should be managing and paying for their own facilities. - If bowling greens have to close then this will have a significant impact on the older community.
Plantasia - seek alternative operating model	4	Strongly agree - 2 Tend to agree - Tend to disagree - Strongly disagree - 1	<ul style="list-style-type: none"> - Good idea, may even enhance the facility - The facility need to be run by the Council
Reduce subsidy to sports facilities	1	Strongly agree - 1 Tend to agree - Tend to disagree - Strongly disagree -	No Comments received

Relocate Tourist Information Centre	28	Strongly agree - 11 Tend to agree - 7 Tend to disagree - 7 Strongly disagree - 3	<ul style="list-style-type: none"> - Agree it is in the wrong location and needs to be moved - Needs to be more visible - Disagree, current location is suitable
Stop financial support to Swansea Gymnastics Centre	3	Strongly agree - 1 Tend to agree - 1 Tend to disagree - Strongly disagree - 1	<ul style="list-style-type: none"> - This will lead to a huge increase in membership fees - An increase in fees will force a lot of parents to give up gymnastics for their children. - Swansea Gymnastics Club provides an excellent service and is extremely popular with a wide range of families
Transfer more leisure facilities to not for profit trust (Outdoor attractions)	6	Strongly agree - 2 Tend to agree - 2 Tend to disagree - Strongly disagree - 2	<ul style="list-style-type: none"> - Agree although worried this would mean additional charges - Worry that this means some will close
Transfer more leisure facilities to not for profit trust - Penlan and Bishopston Leisure Centres	10	Strongly agree - 3 Tend to agree - 6 Tend to disagree - 0 Strongly disagree - 1	<ul style="list-style-type: none"> - See the benefits that not for trust organisations can bring and so think, if this is done well, it could be successful. - Use by the school children may be affected

Poverty and prevention

Name of proposal	Number of survey responses received	Agree/disagree	Key Issues/ Alternatives from Consultation
Reconfigure youth services	1	Strongly agree - 2 Tend to agree - 3 Tend to disagree - 1 Strongly disagree - 0	<ul style="list-style-type: none"> - As long as no youth services close and leave kids back on the streets then this proposal is fine. - SMEs and the third sector could potentially provide an alternative service at a lower cost
Reduce outdoor and residential provision to focus resources	32	Strongly agree - 2 Tend to agree - 1 Tend to disagree - 5 Strongly disagree - 23	<ul style="list-style-type: none"> - Important experience for young people, do not take away - Valuable service - Maximise usage not take away

Social services

Name of proposal	Number of survey responses received	Agree/disagree	Key Issues/ Alternatives from Consultation

	(so far)		
Aftercare for care leavers	4	Strongly agree - 1 Tend to agree - 1 Tend to disagree - 0 Strongly disagree - 2	<ul style="list-style-type: none"> - An integrated approach is essential to ensure joined-up support for our younger people. - As long as aftercare packages are offered and are still accessible
Develop independent living by reinvesting money released from closure of three residential care homes	34	Strongly agree -5 Tend to agree - 3 Tend to disagree - 3 Strongly disagree -23	<ul style="list-style-type: none"> - Largely against the proposal to close care homes - More details required – which homes are at threat - Essential to ensure older people are provided for in a safe environment
Expansion of telecare and remove subsidy	12	Strongly agree - 2 Tend to agree - 6 Tend to disagree - 2 Strongly disagree -2	<ul style="list-style-type: none"> - Reduce, rather than remove, the subsidy, and at the same time gradually introduce a charge (less of a shock to all!) - This is vital service for vulnerable people some of whom may be unable to afford the full cost and will have to dispense with this vital safety provision
Learning disability day services - seek alternative operating model	8	Strongly agree - 0 Tend to agree - 3 Tend to disagree - 4 Strongly disagree -3	<ul style="list-style-type: none"> - Too vague to comment - Valuable shouldn't close - Alternative provision needed if closing

Mental Health Day services - seek alternative operating model	3	Strongly agree - 0 Tend to agree - 1 Tend to disagree - 0 Strongly disagree -2	To improve current services focusing on the recovery module, working in a more structured way which is outcome based, to be SMART. To focus on increasing service users independence, recovery and enablement.
Older people day services - seek alternative operating model	10	Strongly agree - 1 Tend to agree - 3 Tend to disagree -1 Strongly disagree -4	<ul style="list-style-type: none"> - Some elderly people have no family, so the only time they see anyone and get out of the house is when they attend the day service
Residential Short Term Older People	7	Strongly agree - 1 Tend to agree - 2 Tend to disagree - 1 Strongly disagree -3	<ul style="list-style-type: none"> - Acts as a lifeline to carers, who enable people to remain at home - Short term residential/respite care is difficult enough to access at the moment.
Review and remodel respite care for families for children with disabilities	2	Strongly agree - 0 Tend to agree - 0 Tend to disagree - 0 Strongly disagree - 2	<ul style="list-style-type: none"> - Respite care is essential and should not be cut.

Withdraw community meals provision	5	Strongly agree - 2 Tend to agree - 0 Tend to disagree - 1 Strongly disagree -2	- Pensioners, generally, have a reasonable level of income and could afford to purchase meals privately. - Older people who can not afford to pay in full would be left struggling
Internal services			
Name of proposal	Number of survey responses received (so far)	Agree/disagree	Key Issues/ Alternatives from Consultation
Welsh Service (Translation)	4	Strongly agree - 1 Tend to agree - 0 Tend to disagree - 2 Strongly disagree -1	- could be unfair for some areas
Occupational Health & Well Being Unit	4	Strongly agree - 0 Tend to agree - 2 Tend to disagree - 1 Strongly disagree -1	- Duty of care to staff
Home to Work Contributions for Council Vehicle Use	5	Strongly agree - 1 Tend to agree - 4 Tend to disagree - Strongly disagree -0	- Agree in principle

Comments received about other proposals

Name of proposal	Number of responses received	Key Issues/ Alternatives from Consultation
Sunbeams day care services	3	- Please don't close, valuable service
Menter laith	1	We have received e-mail from Menter which states that they could continue the post if the LA could continue to contribute £10k. The Menter laith Committee would commit to working to the LAs SLA even in respect of their contribution.

Drop – in Sessions/ Stakeholder Meetings

CYP budget consultation event

78 people participated in a Big Conversation event around the budget (38 Young people, 40 workers and professionals including Councillors and senior officers)

Schools: Birchgrove, Cefn Hengoed, Gowerton, Pentrehafod

Community Groups/Services: Blaenymaes Youth Centre, Craig-Cefn Parc Youth Centre, EYST, Fe-Fi Forum, Garnswllt Youth Centre, Gorseinon Youth Centre, Montana Youth Centre, Sketty Park Youth Centre, Townhill Youth Centre, Trehafod Youth Centre, St Thomas Youth Centre

6 Individual young people also attended, all of whom have been diagnosed on the ASD spectrum and were supported by their parent carers and other professionals.

The conversation was focused on 14 of the budget proposals:

Name of proposal	Key Issues/ Alternatives from Big Conversation
Make public convenience provision cost neutral and close Caer Street toilets	<ul style="list-style-type: none"> - Agree with closing of Caer St the space could be used for something else. People would rather pay 10p extra than use dirty toilets. - We don't use Caer St toilets. - Why would you pay to go to a toilet if you can go to one in store?
Park and Ride and other bus services reductions and other efficiencies	<p>Park and Ride</p> <ul style="list-style-type: none"> - It will affect the older people and they may become more isolated. - Shouldn't make too much difference. Need to ask people who use it.

	<p>Bus Service Reduction</p> <ul style="list-style-type: none"> - More frequent buses more frequent buses are needed in the holidays, especially summer holidays. - People who live in rural areas and cannot drive might become isolated, particularly the elderly and young.
Reduce bus shelter maintenance	<ul style="list-style-type: none"> - Don't disagree, but what will happen to the shelters? - Bus shelters are not very clean already. May stop people wanting to use the buses.
Withdraw school crossing patrols at sites with controlled crossings	<ul style="list-style-type: none"> - Safety issues re crossing. Protect children – particularly small children - Won't make much difference at comprehensive, primary school may have parents with them – common sense at secondary schools - Teachers/teaching assistants could support patrols in the morning.
Increase meal charges	<ul style="list-style-type: none"> - Should keep meal prices the same. - There are other things that need to be paid – this will make things difficult for poor families. - Food quality isn't best and for families with a lot of children cannot afford it - Making it more expensive will put people off.
Libraries - close Pennard Library	<ul style="list-style-type: none"> - Libraries serve a wider use to the community than they used to – internet, books, etc. could have wider impact than expected. - Pennard closure – raise awareness to community to use the library / if people still don't use it close it or ask the community to run it / if not close it.
Parks costs reductions - bowls greens	<ul style="list-style-type: none"> - People could/do look after their own facilities e.g. bowling greens. - Copy what already goes on and help volunteers to look after the greens.
Plantasia - seek alternative operating model	<ul style="list-style-type: none"> - Arguments for and against plantasia closure: - Should close plantasia down as:- <ul style="list-style-type: none"> - not value for money - nobody goes there - The smell s not nice
Reduce subsidy to sports facilities	<ul style="list-style-type: none"> - As long as good quality leisure services remained, reasonable changes were ok. - Leisure facilities were too expensive already and an increase in charges (as a result of a reduction in subsidy) could prevent the poorest families from taking part.
Reconfigure youth services	<ul style="list-style-type: none"> - Youth clubs should meet the needs of young people - disabled young people, older young people. - Research is needed to find out how many people use these - Closing clubs may affect friendship groups - Youth clubs – use the money to combine them and keep one.

	<ul style="list-style-type: none"> - Community police run clubs/ Run by volunteers
Reduce outdoor and residential provision to focus resources	<ul style="list-style-type: none"> - Only chance some people have of this experience. Are they working to capacity? - It's a good experience (inspire people to be active and experience the outdoors) - Experience provided by outdoor centres is important – no matter which centre is chosen it's the activities that are important. High standards
Review and remodel respite care for families for children with disabilities	<ul style="list-style-type: none"> - Respite charges means tested. Supporting vulnerable people. - Respite care: charge or reduction would have an impact – not fair to charge parents to have a break
Provide Ethnic Minority Achievement Service at level of specific grant	<ul style="list-style-type: none"> - EMLAS – good support for language, translation support for family / school - Volunteers – pupils from schools and colleges as part of their course could support teaching of English.

Cross Phase Head Teacher Extra Meeting (Budget Consultation)

36 Head teachers from across Swansea attended this meeting. Cllr Stewart gave a presentation on the proposals for savings and stressed the need to look for different ways to deliver services or provide different services in order to stay within the funding available. To do this innovation and entrepreneurship would be needed.

Main issues raised:

- Pupil Deprivation Grant – use of and conditions of the grant
- £45 Million savings, it that the worse care scenario
- Potential job losses in schools
- EMLAS – may have a significant impact in some schools, could it be run more efficiently?
- Council should look at service efficiencies before cutting money to schools.

Libraries, Leisure and Tourism

24 people attended this session

Pennard library main issue raised

- Strongly against closure
- The timescale for getting an alternative method of community management was criticised and we undertook to revisit it.
- There were major concerns over the fact that the book stock would not be renewed in a community book club.
- There was deep scepticism over the repair cost

- Concerned with the effect on the Authority's obligations to meet the WPLS and that the Council has to provide households within a two mile with access to a library
- Currently and excellent service, strong links with school and community – not in a position to afford regular visits to other alternative libraries in the area.
- Spread savings across the library service not close one.

Stakeholder Meeting – Partners

(Community Councils, MWWFS, DWP, SCVS, WAG, Peter Black AM, Quadrant, South Wales Police, Gower College, Natural Resources Wales)

- Need to take care on the impact on other areas
- Will there be opportunities to look for areas of collaborations (not just with other LA's)

Communities and Transport

15 People attended this session (including 7 young men)

Main issues raised

- Concerns re levels of bus services is subsidy is cut
- Home to school transport – serious concerns
- Issues raised re youth club provisions in Townhill

Adult Social Care (1 drop-in session, 1 follow up event)

120 attended the drop in session and a further 70 people attended the follow up event

Main Issues raised

Day Centres

- The wrong message has been given out to the public on what is going to happen to the Day Centres that they or members of their families attend (under the impression that they are going to be closed down and are quite upset about it)
- Daycentres are the only opportunity for some to get out of their homes and mix.
- Daycentres the only opportunity some carers have for respite as many of them are carers 24/7

Residential Care

- Largely against the proposed closure of any care homes
- Lot of misinformation/rumours around which homes were going to be up for closure
- Concerns around the alternative provision that would be made available if care homes were to close (would it meet peoples needs).

- Residents of the councils current care homes are feeling very vulnerable and frightened about this proposal

Third Sector Event

35 people attended representing a large range of organisations

Main issues raised

- Concerns raised around the short timescales in learning any final outcome in relation to funding
- How are the cuts going to affect the third sector and their clients
- Plenty of opportunity for the third sector to play a part in helping the council reduce its cost by innovative ways of working

Equality Groups Event

7 people attended representing various Equality groups/organisations

Main issues raised

- How has the effect of the cuts on vulnerable groups been taken into account
- Some proposals lack detail so feel unable to comment
- How will we ensure we are kept informed of the outcomes

Education and Young People (split into two events, one covering EMLAS and one for others education and young people issues and parking charges)

87 people attended the EMLAS meeting, including EMLAS staff, teachers and parents.

Main issues raised:

- The impact on pupils.
- The impact on teachers who would have to do this work in the absence of EMLAS.
- The impact on society because children will be isolated from the community unless language issues are dealt with.
- The impact on pupil attainment.

A further 35 people attended to discuss other education and young people issues and parking charges.

- Home to school transport charges may discourage pupils from attending Faith schools.
- Car parking charges will affect local businesses.

Profile of respondents

Which Best describes you?	Totals	%
Member of the general public	844	74
Work for the City and County of Swansea	261	23
Councillor	7	1
Representing a equality group	7	1
Member of the Swansea LSB	2	0
Representing a voluntary/community group	24	2
Representing businesses	20	2
Other (write in)	61	5

Age	Totals	%
Under 16	18	2
16 - 25	55	5
26 - 35	136	12
36 - 45	294	26
46 - 55	209	18
56 - 65	153	13
66 - 75	120	11
76 - 85	45	4
Over 85	2	0
Not Answered	105	9

Gender	Totals	%
Male	386	34
Female	658	58
Not Answered	93	8

Gender Identify - Is your gender identity the same as you were assigned at birth	Totals	%
Yes	654	58
No	7	1
Not Answered	476	42

Sexual Orientation	Totals	%
Bisexual	10	1
Gay/Lesbian	23	2
Heterosexual/Straight	782	69
Other	36	3
Prefer not to say	55	5
Not Answered	231	20

Ethnicity	Totals	%
White - British, any other White background	886	78
Mixed - White & Black Caribbean, White and Black African, White & Asian, any other Mixed background	9	1
Asian or Asian British - Indian, Pakistani, Bangladeshi, any other Asian background	48	4
Black or Black British - Caribbean, African, any other Black	6	1
Chinese or Other ethnic group	9	1
Not Answered	179	16

Can you understand, speak, read or write Welsh?	Totals	%
Understand spoken Welsh	129	11
Speak Welsh	58	5
Read Welsh	60	5
Write Welsh	32	3
Learning Welsh	123	11
None of these	617	54

Religion	Totals	%
No religion/belief	317	28
Christian (including Church of England, Catholic, Protestant, and all other Christian denominations)	535	47
Buddhist	7	1
Hindu	3	0
Jewish	0	0
Muslim	30	3
Sikh	1	0
Other	45	4
Not Answered	199	18
Which languages do you use from day to day?	Totals	%
English	936	82
Welsh	43	4
Other (write in)	44	4
Not Answered	114	10

Do you have any long-standing illness, disability or infirmity?	Totals	%
Yes	136	12
No	827	73
Not Answered	174	15

Equality Impact Assessment (EIA) Statement for the City & County of Swansea Revenue Budget 2014/15 (Open)

1. Introduction

1.1 Context:

The budget is set for the Council's operation which covers a wide range of services delivered to the citizens of the City & County of Swansea. This includes both providing and commissioning of services from other organisations and agencies.

This year's budget has been set in the context of the Minister for Local Government & Government Business announcement of the Final Settlement on 11th December 2013, which confirmed a reduction in grant funding of £12.255m from the Welsh Government. Thus, the relative protection of Welsh local authorities from the scale of cuts already seen in England has ended with the grant settlement for 2014/15 and the following 2 years. The budget proposals for 2014/15 have therefore been dominated by the requirement to meet significant reductions in funding which, combined with known budget pressures, has resulted in a funding gap of £26.235m.

As reported to Cabinet in October and November 2013, the Council, in common with all local authorities, has needed to take radical action to respond to the wide range of service and financial pressures that it faces, including the reduction in external grant as a result of the UK austerity measures.

1.2 Background – Sustainable Swansea – Fit for the Future

In determining its budget proposals, the Council has embarked on a specific strategy – '*Sustainable Swansea – Fit for the Future*' - as a means of setting Council priorities, transforming services and addressing current and future deficits.

The '*Sustainable Swansea - Fit for the Future*' Strategy builds on the Council's existing medium term financial plan and responds to the wide range of service and financial pressures that we face, including the reduction in external grant outlined above.

The scale of the financial, demographic and sustainability challenge requires the Council to adopt a radically different approach to previous years. An approach that focuses on:

- The core future purpose of the Council
- The transformation of services and the model of delivery
- Greater collaboration with other Councils and local organisations, community groups and residents
- And, above all, sustainable solutions with prevention at the heart of this

The Strategy contains:

- The financial context
- A "narrative" setting out the challenge for engagement purposes.
- A set of Budget Principles for generating and assessing options including a commitment to make engagement central to our approach - with employees, Members, residents, partners and other organisations

- Questions about the Council's future core purpose
- The proposed savings programme
- Key delivery requirements.

The detail is available at www.swansea.gov.uk/sustainableswansea

In terms of this statement and equality the following aspects of the Strategy are relevant:

- A focus on the increasing imminent and long term service and demographic pressures which all Councils face.
- Radical change is required to address these challenges both in relation to the Council and resident behaviour and expectations.
- To support those at risk by focussing resources on the vulnerable, using Target Areas in particular.
- Choices made based on evidence of need, value for money and whether it can be done cheaper or in a different way.
- To consider delivering services differently, for example, by collaborating with others.
- To provide help earlier to improve outcomes for people and reduce future costs.
- To encourage more residents and communities to help themselves as part of sustainable services.

As outlined above, the principles within '*Sustainable Swansea*' take into account the Council's duties in relation to equality and diversity. Ensuring that those who are vulnerable and most in need continue to be prioritised is imperative in meeting our legislative requirements under the Equality Act 2010.

1.3 Service and Budget Priorities for 2014/15

A possible cut in spend of 20-30% over the next few years cannot take place without a fundamental review of the future purpose and shape of the Council to 2017 and beyond. This is particularly important because:

- The Council has clear aspirations and policy commitments to improve outcomes for residents that will need to be delivered alongside savings
- We will also need to consider the requirement for further investment in prevention in social care to reduce the projected future demand for services
- This requires a debate about innovation, service transformation, and doing things differently
- And we must collaborate with others to achieve this

Although the Council is currently focused on a plan to save £45m over the next three years, it is important to recognise that the gross budget is approximately £710m (including Housing Services [HRA]) and around £1.5m a day is spent on services to residents.

Full information about the Council's Service and Budget priorities are available in the report to Cabinet on the 10th December 2013: <http://swansea.gov.uk/index.cfm?articleid=56882>

Many of the services delivered or commissioned by the Council are of particular benefit to those protected characteristics defined within the Equality Act 2010. 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 increasing challenging commitment given the financial constraints that it faces. However, services may be provided in a different way in line with *Sustainable Swansea*.

2. Process for assessing the impact of the 2014/15 Budget

2.1 Equality Impact Assessment (EIA) Process

The Council has had an EIA process in place for a number of years which was reviewed and streamlined about four years ago. The process, which has taken account of changes in regulation, has the following steps:

- Screening form identifies whether or not a full EIA is required
- EIA report form (where required)
- Quality assurance
- Sign off at Head of Service level
- Publication on the internet
- Review.

Officers following the EIA process have access to dedicated departmental support from members of the Access to Services Team who offer advice, guidance and support. The arrangements for undertaking the assessment of the budget using the Council's EIA process have included the following:

- Briefing notes to Cabinet, Executive Board and Heads of Service on the Budget Equality Impact Assessment process
- Proposals have been screened
- Where required, EIA reports have been opened/ drafted -the level of completion has varied, depending on the amount of information available and on the nature of the proposal
- All EIAs remain open throughout the budget process, in order to take account of consultation and engagement outcomes (as well as any other changes that may occur)
- Many EIAs will remain open over the coming months as outlined in section 2.3 below.
- Regular reports on process and progress have been made to Budget Strategy Savings Programme Board
- Summaries of the provisional content and outcomes of the EIA process have been made available to Cabinet and Executive Board.

2.3 EIA Statement

This statement, where possible, attempts an overarching assessment of the impact of the revenue budget. As in previous years the total or overall impact of the proposed budget is difficult to fully assess at this stage of implementation, particularly with the EIA process being a continuing feature as proposals are further developed following agreement. In addition this is a three year budget programme which will need further assessment and engagement over the next two years.

Therefore, this statement and the majority of the EIA reports will remain open as proposals, when agreed, are implemented and further developed. EIA reports will be updated or completed over a period of time to take account of impact and the outcomes of service specific engagement where required. As they are completed each report will be published on the Council's website at: <http://www.swansea.gov.uk/eia>

It is the responsibility of the Council to set the budget and the stakeholders are:

- All citizens of, and visitors to, the City & County of Swansea
- Council staff
- Partner organisations
- Council Tax Payers.

2.4 Information about service users

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

❖ The gender split of the **City & County of Swansea** is **50.6% Female** (120,936 people) and **49.4% Male** (118,087 people).

❖ Children and young people **aged 0-25 years** represent **32.9%** of the population, or **78,697** people.

❖ **Over 50s** represent **36.3%** of the population (86,800 people), of which **42,812** are over 65 (around 17.9% of the total population).

❖ **6.0%** of the total population of Swansea (**14,300** people) came from an ethnic minority background. In terms of religion, **8,530** people (**3.6%** of the population) belonged to non-Christian faiths with 34% (81,219 people) having no religion.

❖ **23.3% (55,719 people)** had a long term health problem or disability including 11.3% of people of working age (26,988 people). **6.9%** of those aged 16-74 (**12,146 people**) were economically inactive due to long term sickness or disability.

❖ In 2011, there were **26,332** Welsh speakers in Swansea, or **11.4%** of the population. **44,659** people had one or more skills in Welsh.



Further information about Swansea's population can be found at <http://www.swansea.gov.uk/index.cfm?articleid=28547>

Individual service areas will have considered the particular citizens, service users or groups that they may deliver services to when completing Equality Impact Assessment screenings and reports.

2.5 Budget: Assessment of impact on Equalityⁱ

a). Service Savings:

At the start of the process over 100 EIA screening forms (which identify whether or not a full EIA is required) were completed.

i). Directorate of Place:

Number of EIA reports opened	21
Provisional EIA outcomes	
1.Continue with the proposal	10
2.Adjust the proposal	4
3.Justify the proposal	5
4.Stop & remove the proposal	1
Outcomes pending	1

The Place Directorate consists of the following service areas:

- Corporate building and property services
- Highways and transportation
- Waste management
- Culture, sport, leisure and tourism
- Housing and public protection
- Economic regeneration and planning

Place: Summary Assessment of Impact:

The majority of the EIAs opened identify potential negative impacts for the community, which is inevitable due to the nature of the service. In terms of those assessed provisionally as Outcome 3 (justify the proposal), areas of concern include proposals in relation to Libraries (book fund, and specialist services (children’s mobile provision and community mobile provision)) and Parks cost reductions (bowls greens). However, some mitigation opportunities have been identified in these areas.

For the proposed closure of Pennard Library, mitigating actions are not possible, hence the current provisional outcome being 4 - ‘stop and remove’.

There are also some proposals requiring further consideration in future (pending outcomes of consultation or discussions with alternative providers), such as those for Swansea Mobility Hire and car parking charges.

In terms of consultation and engagement:

Pennard Library

265 survey responses on this proposal largely in support of not closing the Library, also a number of letters directed to the Library Services manager.

Car Park Charges

170 survey responses, largely opposed to the introduction of parking charges, specifically in Gorseinon

ii). Directorate of People:

Number of EIA reports opened	45
Provisional EIA outcomes	
1.Continue with the proposal	8
2.Adjust the proposal	3
3.Justify the proposal	20
4.Stop & remove the proposal	1
Outcomes pending	13

The People Directorate consists of the following service areas:

- Poverty and prevention
- Social services
- Education

People: Summary Assessment of Impact:

Social Services

The EIAs for these proposals have been opened. The proposals are in the context of the commissioning frameworks in relation to re-configuring and modernising services and will remain open for updating and completion as the proposals (if agreed) are progressed. This will include taking account of service specific engagement undertaken. The completion of the EIAs and engagement process will be overseen by the Commissioning Group.

In terms of consultation and engagement:

Care Homes and Day Centres

44 survey responses, 120 attended the drop-in session on Adult Social Care and a further 70 attended a follow-up meeting. The large majority were against any proposal which would result in the closure of care homes or day centres.

Education

The EIAs undertaken identify potential negative impacts for children and young people and poverty, which is inevitable due to the nature of the service. In terms of those assessed provisionally as Outcome 3 (justify the proposal) areas of concern include proposals in relation to the Welsh Language Service, increasing school meal charges, non-staffing service efficiencies and home to school transport. However, some mitigation opportunities have been identified and (in particular for the transport proposals) further statutory consultation will be required in future.

For EMLAS mitigating actions are not possible, hence the current provisional outcome being 4 - 'stop and remove'.

In terms of consultation and engagement:

EMLAS (Ethnic Minority Language and Achievement Service)

193 survey responses, largely against the proposal to cut the service. We have also received a large number of detailed letters opposing the cut from staff and head teachers.

Home to School Transport

This proposal has also received feedback with concerns raised about pupils being able to attend their school of choice (particularly in relation to faith schools) and the potential financial impact.

Poverty & Prevention

The EIAs undertaken within this service do identify potential negative impacts for children and young people (mainly due to the reconfiguration of youth services). However, mitigation opportunities have been identified to minimise the impact here. Further work is required in relation to a youth club within the reconfigure youth services proposal as well as the potential reduction in residential and outdoor centre provision.

iii). Corporate Services:

Number of EIA reports opened	3
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Provisional EIA outcomes	
1.Continue with the proposal	1
2.Adjust the proposal	1
3.Justify the proposal	1
4.Stop & remove the proposal	-
Outcomes pending	-

The Corporate Services Directorate consists of the following service areas:

- Communication and consultation
- Delivery and information
- Legal and democratic services and procurement
- Financial services
- Human resources and organisational development

Corporate Services: Summary Assessment of Impact:

The main area of concern within this service in relation to external impact is the proposal to reduce grants to external bodies, which would undoubtedly have an impact on the protected characteristics contained within equality legislation, due to the nature of the work of the Third Sector.

In terms of consultation and engagement, concerns have been raised regarding the proposed reduction in grants to external bodies, particularly around timescales, the impact on the Third Sector and its client groups.

b). Staffing

Whilst the overall savings package includes savings from supplies and services, reduced operating costs and increases in income, a significant reduction in posts in 2014/15 will be unavoidable, given that the Council spends 40% of its overall budget on employees (significantly more in some Service Areas).

Heads of Service have been provided with the same advice as in previous years that where an application is made for early retirement/voluntary redundancy consideration should be given to whether there is any potential equality impact or effect and, if there is, to follow the EIA process..

2.6 Summary of impact – additional information

Across the Council, a number of EIA reports have identified potential impacts in the following areas:

- Foster good community relations
- Promotion of equality of opportunity
- Elimination of discrimination
- Reduction of social exclusion/poverty
- Community cohesion
- Welsh language

Some examples include:

- The potential for opportunities to be based on ability to pay rather than the benefits of participation/choice
- The potential impact on vulnerable people and risks to social inclusion
- The potential risk to equal treatment of both the Welsh and English languages (as required by law)

Some examples of possible actions to mitigate impact include:

- Working with other organisations
- Promoting entitlements/discounts
- Using information to effectively target services
- Monitoring of usage, comments and complaints
- Examining alternative ways of delivering services.

The budget continues to support and promote these areas by:

- Continuing to provide a wide range of general services to all citizens and specific provision to particular groups including vulnerable people across the City & County of Swansea
- Continuing to prioritise issues around poverty and targeting areas with the highest levels of need
- Continuing to work locally and regionally on the community cohesion agenda.

2.7 Third Sector/Voluntary Organisations

In partnership with Swansea Council for Voluntary Services (SCVS) and in response to concerns raised, the following information was given to voluntary organisations in a letter published on the SCVS website and at an engagement meeting attended by 35 organisations:

- the Third Sector is an essential partner for the City & County of Swansea to be able to achieve its objectives, deliver services and support the Council's role as leader of the community.
- however, this does not mean that Third Sector organisations should not be subject to the same challenge as local authorities, other public sector bodies and our service providers to achieve more effective and efficient working in a time of severe budget reductions.
- it is also important that the Third Sector is involved in dialogue with the Council about how it can:
 - more effectively deliver services
 - achieve the aims of greater levels of community engagement, community action and more self-reliant communities, families and individuals

The Council is aware that a number of voluntary organisations receive funding from different service areas in grants, contracts or service level agreements (SLAs) and that there is a concern that Third Sector organisations could face disproportionate budget reductions, particularly if a cross-Council approach is not taken.

Some of the steps put in place to address these issues include the following:

1. budget proposals have been initially reviewed for potential impact on Third Sector organisations
2. the cross authority record of Third Sector Funding will be monitored to track the situation over the coming year
3. an advice note has been issued to Heads of Service
4. to continue the dialogue with SCVS and Third Sector organisations about possible opportunities within '*Sustainable Swansea*' in relation to:
 - Different models of delivery
 - Community action
 - Re-commissioning services
 - Prevention and early intervention

Outcomes of Engagement Meeting

Key issues raised by Third Sector organisations include the following:

- delay in receiving information about funding for 2014/15 (whether grant, SLA or contract) and timing of decisions impacts on:
 - staffing, service provision and vulnerable people who receive services
 - the ability to run, manage and plan Third Sector organisations effectively
- the need for clarity about the opportunities available for Third Sector organisations to support delivering services differently and information about how to become involved
- the need for support to develop organisationally in order to respond to emerging and new challenges both in terms of funding and different ways of working (e.g. regionally) as well as capacity building for any potential asset transfer.

Third Sector Potential Impact

As noted the proposal to reduce grants to external bodies impact Third Sector organisations. There are a number of other proposals that may impact the sector which, if agreed, may require re-configuring or re-commissioning of services. In this context there may be opportunities for Third Sector organisations to be involved in this work. There are also a number of proposals that look to third sector/community support in the delivery of services in different ways.

3. Consultation and Engagement

3.1 The consultation and engagement process was held in two phases:

- Phase One was held in September and October 2013 and focused on raising awareness of *Sustainable Swansea – Fit for the Future* and generating feedback from staff, public and other stakeholders.
- Phase Two was held between December 11, 2013 and January 22, 2014 and focused on engaging the public, staff and specific groups on the detailed budget proposals.

3.2 The outcomes of:

- Phase 1 have been sent to Heads of Service for consideration and response
- Phase 2 will be sent to Heads of Service for consideration including, where relevant, being taken into account within EIA reports.

3.3 Detailed outcomes of the consultation and engagement process can be found in Section 6 and Appendix F of the Revenue Budget Report.

4. Overall assessment of impact

The EIA process has shown that, as expected, and given the scale of budget reductions those with protected characteristics are likely to be affected. In assessing the impact of the budget proposals, we have attempted to ensure that any effect is not disproportionate and where needed, mitigating actions have been identified to minimise negative impact. In this context the following should be noted:

- there has been an emphasis to support those at risk by focusing resources on vulnerable people
- evidence of partnership working to minimise impact
- where EIAs have shown potential significant impact with no possible mitigation, these proposals have been referred for further consideration
- for those EIAs where potential significant impact has been identified and mitigation has been possible, the associated action plans will be monitored and reviewed over the coming year
- the outcomes of engagement has informed the decision making process

- this is an ongoing process over the next 2 years and as noted this statement and many EIAs will remain open
- there is a focus on the Council doing things differently in order to further deliver services that are flexible, citizen centred, meet individual need/choice and are sustainable
- the Council continues to deliver a wide range of services for all the citizens of the City & County of Swansea.

5. Monitoring Arrangements

As noted above and as in previous years, all EIA reports will be published as they are finalised. 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, when agreed, are further developed.

Work will be undertaken over the next year to review the impact assessment process undertaken on the 2014/15 budget in preparation for implementing the process for the 2015/16 budget.

What are we going to do?	Who is going to do it?	By when?	What will be the outcome?
Publish all EIA reports on completion	Access to Services Team	As completed	All EIA reports available on council website
Review impact assessment process undertaken for 2014/15 budget and agree & implement process for 2015/16 budget	Executive Board/Head of Finance/Access to Services Team	May 2014	Process reviewed and agreed for 2015/16
Review consultation & engagement process undertaken for 2014/15 budget and agree & implement process for 2015/16 budget	Executive Board/Head of Finance/Access to Services Team	May 2014	Process reviewed and agreed for 2015/16
Monitor individual EIA action plans	Service areas/Access to Services Team	Within 12 months	Implementation of actions reviewed and reported

There are 4 potential outcomes to an EIA report:

Outcome 1 – continue – the proposal has no equality impact and could go ahead

Outcome 2 – adjust – the proposal has a slight impact but with some adjustments and mitigation could go ahead

Outcome 3 – justify – the proposal has the potential for significant impact and should only go ahead with robust mitigation and justification for doing so

Outcome 4 – stop and remove – the proposal has the potential for significant impact with no possible mitigation – it should be removed as a proposal.

13th January 2014

Councillor David Phillips
City and County of Swansea
Civic Centre
Oystermouth Road
Swansea
SA1 3SN

Dear Councillor Phillips,

School Budget Forum Response to Budget Consultation

As always, the School Budget Forum has sought to support the discussions that have already been held and which will be held over the coming weeks. **As a statutory consultative body, the Forum expects that the points made will be carefully considered as part of any forthcoming corporate discussion of future revenue and capital budgets.**

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

Swansea schools do not fare well financially. As has been stressed in previous years, they suffer a double blow. The Council can do nothing about the fact that the settlement it receives from the Welsh Government is relatively poor, ranking it 18th out of the 22 authorities. However, due to choices made by the Council, the education budget as a whole ranks even lower at 20th in 2013. Other authorities do better, including the large urban authority of Cardiff.

Schools' funding within Swansea is significantly lower than that of all of our ERW partners, thus putting the city's schools at considerable disadvantage as regionalisation gathers pace.

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

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

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

We would suggest that the Council should take a very positive view of the outcomes achieved by schools in Swansea against the relevant benchmarks, together with significantly positive Estyn outcomes and school bandings. These positive outcomes have been achieved in spite of very challenging financial settlements, notwithstanding the Welsh Government uplift guarantees of the past year. These outcomes should be the foundation for future excellence and should not be jeopardised by a return to constrictions of school delegated budgets. We will return to this point later in this letter.

The Delegated Schools Budget

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

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

The Forum also notes the Council's commitment to consistently prioritise the delegated schools budget and deliver the national education funding guarantee, as required of it by the Welsh Government.

In relation to 2014/15 the Forum understands that the Council is planning to meet the Ministerial guarantee by a combination of the Welsh Government's increase in the Pupil Deprivation Grant and also a notional 0.45% cash increase, which it is planned will then be top sliced to meet the revenue costs associated with capital borrowing for the QEd investment programme. As the Cabinet Report recognises, this effective cash freeze does not represent a protection of school delegated budgets which will face a significant real terms cut as a result of the non funding of any pay and price inflationary pressures. The Pupil Deprivation Grant has clear terms and conditions which prescribe how it may be used and it will not be received by all schools.

The picture for later years is bleaker still with no assurance regarding the continuing delivery of the Ministerial guarantee, the loss of the one off increase in Pupil Deprivation Grant in 2015/16 (and possibly cessation of the grant altogether in 16/17), the uncertainty regarding, and loss of other significant grant funding streams (e.g. SEG, 14-19 & Post 16), the significant estimated increase in the 'top slice' to meet the costs of capital borrowing, and the potentially devastating impact of the Government's proposed Universal Pension should any cost to the Council be passed on to schools.

The Forum is therefore extremely concerned that, given the very poor position of Swansea schools in funding terms, it is difficult to see how further savings can be achieved. **The Forum urges the Administration to recognise the importance of making proper revenue provision for schools every year as a matter of course**, not merely because it has been required to do so by the Minister, and to continue the good start that it has made in honouring the uplifts since 2012-13.

You will be aware that the Forum recognises the Council's support for capital investment in some of its schools and would once again **urge the Council to maintain its commitment to supporting the need to generate additional capital receipts to reach its commitment of a local contribution of 50% to minimise the inroads into school delegated budgets in terms of 'top slicing' to fund additional prudential borrowing.**

The Forum would seek clarification of the proposed 'top slicing' of delegated school budgets in later years as a 'contribution to capital investment'. It assumes that this is simply a broad planning assumption at this stage since it would clearly be inappropriate to 'top slice' the delegated budget in excess of the actual prudential borrowing costs incurred by the Council to support the continued delivery of the QEd capital investment priorities. The proposed 'top slice' by 2016/17 of more than £3.2m appears excessive when the total local contribution required was understood to be around £30m by 2019, even if it was all funded by borrowing. It would clearly be inappropriate to 'top slice' school budgets to meet borrowing costs in relation to any wider Council capital programme funding shortfall. Consequently, we would seek confirmation that any actual future 'top slicing' of the delegated budget would accurately reflect the borrowing costs incurred to support the schools programme after all other funding streams have been accounted for (particularly capital receipts and S106 developers contribution).

The Forum notes the reference in the Cabinet report to Single Status and Pay and Grading. **The Forum expects previous assurances to be honoured that, as school staff are Council employees, the costs of Single Status and Pay and Grading will be met by the Council from the funding set aside for this purpose, as for any other Council employees.**

Non Delegated Education Budgets

Last year, the Forum welcomed very warmly the idea that there should be a fundamental review of base budgets during 2013/14 in order to ensure that we have the correct starting points. The Forum felt that lessons could be learned from the One Education Budget Strategy, both in terms of the transparency of the process and also the rigour of the structured challenge and review undertaken over recent years, which has then been reflected in the Council's Medium Term Financial Plan and delivered. This continues to require difficult spending choices, challenging savings targets and robust management action, moving towards a largely statutory and regulatory 'core' minimum provision within the department.

As such, the Forum recognises the attempt to develop a more engaging wider corporate budget process, although it feels that the Cabinet Report fails to provide a fully transparent and accurate picture of the potential implications of the proposals. Consequently, it is unlikely that the responses to the next stage of public consultation will be adequately informed.

The Forum remains gravely concerned where the proposals would result in drastic cuts to a wide range of services currently provided from the non-delegated Education budget. These are not simply 'management and administration' but provide core support for statutory and regulatory duties of the Council. The Forum urges the Council to bear the pressures on the non-delegated budget in mind when setting the quantum of the education budget as a whole.

Whilst it is recognised that the delegated schools budget has clearly been prioritised, the proposals appear to indicate cuts of almost 10% in non delegated Education budgets for 2014/15. The long term cuts proposed appear to be at least 16%. These figures are

against net 2013/14 budgets, however, other Council services have far more scope to generate additional income from fees and charges. As such comparative percentages against gross budgets would surely add to any disparity.

The Forum appreciates that no services can be protected from cuts but it does feel strongly that the full implications of the very significant cuts proposed, which will impact severely on front line provision for pupils through the inevitable indirect strain on delegated school budgets, need to be recognised and fully transparent. Areas of particular concern include the following:

Mainstream Home to School Transport

- The Forum appreciates the need to review all remaining areas of discretionary provision. Such a review of existing Council policy would of course require a full statutory consultation process. The current public consultation cannot pre-empt such a process of course, and the current Cabinet Report does not provide sufficient clarity regarding the changes that might be considered. Remaining areas of discretionary policy cover 'eligibility' in relation to Aided School transport, as well as financial assistance for Post 16 Transport and the current policy regarding the provision of passenger assistants on all mainstream bus services.
- Changes in relation to Aided transport could significantly destabilise future school intakes (not only in the Aided sector), particularly when the Council is so well placed to more than meet national targets for reducing surplus places.

ICT – School's Contribution

- This appears to propose that from 2015/16 schools will bear the cost of broadband rental and network licences for schools, currently met from the non delegated education budget as a core statutory duty of the Authority. This would be a clear cut to the delegated schools budget and risks encouraging an incoherent future network/strategy.

Provide Ethnic Minority Achievement Service at level of specific grant

- Whilst it is understood that the Council needs to review all areas of current 'subsidy' to such areas of support, this will again add to the pressures facing schools. The Forum would wish to see further detailed discussion prior to implementation in order to ensure that the loss of front line support for pupils is as far as possible minimised.

Reduce the Council's contribution to the Welsh Language Service

- The need to review is again recognised but the Forum would again wish to see further detailed discussion in view of the inter-relationship with the still developing and 'fluid' regional consortia model.

Provide School Improvement at the level of grant

- The Forum understands the reasoning that, unless provision is in future met from within the regional consortia model, then it must be lost, however, the ringfenced sum for Swansea represents a 42% increase from current costed regional model and this additional cost will negate any saving.

Reduce Costs for School Breakfasts

- The Forum recognises the need to work with officers to ensure the fullest possible use of the available funding in order to seek to deliver this efficiency savings target. However, there will be an impact on the quality of the service in some schools.

Increase meal charges

- The Forum recognises that prices have been held constant for a number of years in spite of increasing food costs, and that it is now necessary for a price increase to be

considered. This appears to be a reasonably balanced proposal, in line with indications from other authorities.

Central overheads and management and administrative savings

- Whilst such areas clearly need challenge and further rationalisation, the scale of cuts proposed, on top of progressive cuts over the last 3 years, represent far more than efficiency savings or cuts to 'overheads' and 'management and administration'. Schools recognise the need to work increasingly collaboratively, but the loss of so many areas of professional support will seriously exacerbate the already unmanageable pressures on headteachers.

From the Cabinet Report, it would appear that there are some remaining discretionary areas of current provision which are being 'protected' on the basis of their absence from the cuts lists. Given the clearly endorsed principle of 'increased control of discretionary spend', there needs to be greater clarity and transparency to ensure the consistent level of review of all areas of discretionary spending across the Council. The Forum would be concerned if areas of clear discretionary spending, however laudable, were to be protected whilst core areas of statutory provision were being cut.

In Summary

The Forum notes the Council's commitment to consistently prioritise the delegated schools budget and deliver the national education funding guarantee, as required of it by the Welsh Government. However, the Forum urges the Administration to recognise the importance of making proper revenue provision for schools every year as a matter of course.

The Forum would once again urge the Council to maintain its commitment to supporting the need to generate additional capital receipts to reach its commitment of a local contribution of 50% to minimise the inroads into school delegated budgets in terms of 'top slicing' to fund additional prudential borrowing.

The Forum expects previous assurances to be honoured that, as school staff are Council employees, the costs of Single Status and Pay and Grading will be met by the Council from the funding set aside for this purpose, as for any other Council employees.

The Forum remains gravely concerned where the proposals would result in drastic cuts to a wide range of services currently provided from the non-delegated budget. In this way additional costs would effectively be passed onto schools in the future whilst schools will see further reductions in the quality and availability of professional support from departmental and central services. Proposals in relation to other Council services, such as Social Services, could further add to impact on front line Education services.

Whilst the continuing support for investment in school facilities through the QEd programme is welcome, the vital importance of the Corporate structural Repair and Maintenance programme cannot be exaggerated with the scale of Health and Safety/compliance issues affecting school premises.

There is a continuing willingness to support and contribute constructively to the further detailed discussion regarding the implications and implementation of budget proposals through the appropriate Task and Finish Groups.

We trust that you will seriously consider these points as you decide future Council budget allocations. We invite you to attend the next School Budget Forum meeting on 3rd February to respond to the issues raised in this letter.

Yours sincerely,

A handwritten signature in blue ink that reads "Hugh Davies". The signature is written in a cursive style with a long horizontal stroke at the end.

Hugh Davies
Chair, School Budget Forum

Corporate Services Directorate

	ORIGINAL BUDGET 2013/2014 £	ORIGINAL BUDGET 2014/2015 £
Director of Corporate Services		
Corporate Services Directorate	165,300	156,100
	165,300	156,100
Head of Communication and Consultancy		
Communications	321,700	332,000
Corporate Marketing	334,200	319,900
Corporate Mgt Team Support	442,300	411,850
Design and Print	299,200	278,100
Overview and Scrutiny	286,800	236,100
Web Development	66,700	102,950
Corporate Telephones	372,600	290,400
	2,123,500	1,971,300
Head of Delivery and Information		
ICS	7,157,600	7,116,300
Research and Information	393,300	369,900
ISIS Development	322,800	325,800
Strategic Projects	1,126,500	1,014,100
Performance and Strategic Planning	1,230,700	1,136,600
Joint Resilience Unit	85,000	87,700
LRF Secretariat	0	0
	10,315,900	10,050,400
Head of Financial Services		
Audit	529,800	487,300
Contact Swansea	486,600	468,600
Finance DMT	-1,691,800	-1,699,700
Treasury and Technical	875,800	834,200
Financial Services	1,522,400	1,381,600
Benefits	20,754,700	22,770,600
Revenues	1,481,800	1,432,200
	23,959,300	25,674,800

Revenue Budget 2014/2015

Corporate Services Directorate

	ORIGINAL BUDGET 2013/2014 £	ORIGINAL BUDGET 2014/2015 £
Head of Human Resources and OD		
Human Resources	712,400	680,600
Pay and Grading Team	311,900	363,000
Payroll	734,300	626,600
Pensions	-33,600	-45,000
Health and Safety	1,073,100	993,000
Training	265,100	294,100
	3,063,200	2,912,300
Head of Legal Democratic Services and Procurement		
Democratic Services and Complaints	2,650,800	2,570,600
Procurement	-5,800	441,500
Legal Services	2,453,700	2,176,500
Coroners	428,600	430,500
	5,527,300	5,619,100
Total Corporate Services Directorate	45,154,500	46,384,000

Revenue Budget 2014/2015

People Directorate - Poverty and Prevention

	ORIGINAL BUDGET 2013/2014 £	ORIGINAL BUDGET 2014/2015 £
Head of Poverty and Prevention		
Community First	259,700	219,900
Families First	598,300	514,400
Poverty and Prevention	1,358,000	1,541,600
Youth	1,271,800	1,216,200
	3,487,800	3,492,100

Total People Directorate - Poverty and Prevention	3,487,800	3,492,100
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Revenue Budget 2014/2015

People Directorate - Social Services

	ORIGINAL BUDGET 2013/2014 £	ORIGINAL BUDGET 2014/2015 £
Head of Child and Family Services		
Assessment and Care Mgt Child and Family	7,498,500	7,647,800
Accommodation Services-External	14,216,100	13,525,200
Accommodation Services-Internal	5,093,100	6,676,200
Residential Care-Internal Provision	498,600	512,200
Adoption Services	1,154,300	1,177,600
Aftercare-External	472,400	472,400
Aftercare-Internal	527,900	1,067,900
Family Support Services-External	1,308,400	1,706,400
Family Support Services-Internal	1,860,000	1,835,000
Other Children's Services-Internal	294,200	994,700
Preventing Youth Offending	1,074,200	759,800
Review and Quality Assurance	572,600	623,900
Mgt and Admin Child and Family	2,306,700	2,160,900
	36,877,000	39,160,000
Head of Older People		
Assessment and Care Management Older People	3,275,200	3,282,600
Day Services Older People	1,016,200	1,008,100
Domicillary Care Older People	11,672,300	12,749,500
Intermediate Care Older People	127,500	127,500
Occupational Therapy Older People	512,100	452,000
Older People & Disability Service Administration	759,600	493,500
Residential Long Term Older People	17,429,500	17,578,100
Residential Short Term Older People	165,200	122,200
Voluntary Agencies Contributions Older People	58,600	58,600
Assessment and Care Management Disability Services	790,400	803,100
Day Services Disability Services	521,000	436,500
Domicillary Care Disability Services	2,374,700	2,374,700
Equipment and Adaptations	569,600	625,000
Occupational Therapy Disability Services	232,600	232,600
Residential Long Term Disability Services	1,543,500	1,374,500
Voluntary Agencies Contributions Disability Serv.	17,300	13,700
Community Alarms Service	231,200	0
Community Meals External Provision	290,200	0
	41,586,700	41,732,200

Revenue Budget 2014/2015

People Directorate - Social Services

	ORIGINAL BUDGET 2013/2014 £	ORIGINAL BUDGET 2014/2015 £
Head of Mental Health and Learning Disabilities		
Central Management and Administration	862,400	840,100
Coastal	0	0
Community Mental Health Teams	1,018,400	1,009,800
Community Support Teams	1,108,800	1,125,600
Flexible Support Services Learning Disabilities	246,400	251,200
Learning Disability Day Services	3,660,400	3,493,900
Learning Disability Respite Services and Maesglas	1,404,600	1,161,300
Llanfair House	362,400	379,600
Mental Health Day Services	575,400	606,700
Protection of Vulnerable Adults	270,400	160,300
Residential Services-Ext Provision Learning Dis.	6,928,100	6,779,900
Residential Services-Ext Provision Mental Health	1,511,400	1,211,400
Special projects Learning Disabilities	116,800	66,800
Substance and Alcohol Abuse	142,100	92,100
Transport Depot	1,638,700	1,505,700
	19,846,300	18,684,400
Directorate Services		
Carers	632,500	583,500
Commissioning Support Unit	1,874,800	1,789,300
Supporting People Services	788,000	760,200
Central Services	1,492,100	1,537,100
Service Strategy and Regulation	138,200	279,900
Social Services Training Section	247,800	199,800
ER/VR Savings 2013-14	-200,000	0
	4,973,400	5,149,800
Total People Directorate - Social Services	103,283,400	104,726,400

Revenue Budget 2014/2015

People Directorate - Education

	ORIGINAL BUDGET 2013/2014 £	ORIGINAL BUDGET 2014/2015 £
Delegated Schools		
School Cost Centres	133,490,000	138,304,100
	133,490,000	138,304,100
Chief Education Officer		
Ethnic Minority Language Service	293,800	329,200
Management and Admin	207,900	135,300
Miscellaneous Grants	22,600	23,800
Music Service	0	307,200
School Effectiveness Grant	653,400	653,400
School Improvement	1,013,000	1,061,700
School Intervention	480,100	87,000
Support for the Arts	156,400	86,600
Welsh Service	379,100	385,000
	3,206,300	3,069,200
Head of Education Inclusion		
Access to Learning Mgt and Admin	254,900	269,400
Behaviour and Learning Support	1,187,700	1,158,900
Community Education	388,900	406,300
Employment Training	668,900	760,700
EOTAS Pathways	1,018,000	1,099,200
Home Tuition Service	500,000	419,900
Management and Admin	146,700	159,600
One to One Support Primary	720,400	739,400
One to One Support Secondary	360,000	367,300
Psychology Service	683,400	708,900
Pupil Referral Units	1,865,300	1,833,500
Recoupment	680,000	580,000
School and Governor Unit	311,500	295,800
School Planning and Information From 2013/14	0	66,400
SEN Statementing and Support	3,067,300	3,155,700
Student Finance	257,600	195,600
Welfare Service	542,900	544,800
	12,653,500	12,761,400

Revenue Budget 2014/2015

People Directorate - Education

	ORIGINAL BUDGET 2013/2014 £	ORIGINAL BUDGET 2014/2015 £
Head of Education Planning and Resources		
Asset Management	115,400	118,100
Cleaning Service	862,500	1,287,200
Continuing Education	879,100	901,300
DfES Post 16 Grant	-6,071,600	-5,656,700
Empty Properties	165,000	15,000
Free Breakfast	1,157,900	1,027,500
Health and Safety	62,900	62,900
ICT Strategy	701,000	671,500
Management and Admin	1,008,100	869,400
Pupil Deprivation Grant	0	-5,229,000
School Cost Centres	11,760,600	11,444,400
School Funding and Information	111,000	113,200
School Meals Client	1,161,700	1,256,600
School Meals Service	-295,100	-28,900
School Planning and Information	65,000	0
	11,683,500	6,852,500
Total People Directorate - Education	161,033,300	160,987,200

Revenue Budget 2014/2015

Place Directorate

	ORIGINAL BUDGET 2013/2014 £	ORIGINAL BUDGET 2014/2015 £
Head of Corporate Building and Property Services		
Facilities Management	3,931,500	3,930,600
Strategic Estates Properties	-3,808,600	-3,987,200
Property Preventative Maintenance	4,408,600	4,246,700
Corporate Building Services Trading	-50,200	-125,300
	4,481,300	4,064,800
Head of Highways and Transportation		
Car Parking and Enforcement	-1,354,900	-1,435,100
Transportation	3,050,300	2,949,300
Traffic Management	1,402,900	1,270,800
Central Transport	-258,900	-362,300
Engineering	733,500	587,400
Highways	6,879,300	6,898,200
Neighbourhood Working	3,964,900	3,939,300
Swansea Marina	-50,600	-50,600
Directorate and Other Costs	606,300	510,600
	14,972,800	14,307,600
Head of Waste Management		
Household Waste Recycling Centres	900,000	895,500
Recycling	352,700	366,600
Residual Disposal/Tir John	4,356,300	4,182,700
Residual Waste Collection	3,436,600	3,405,800
Trade Refuse	-527,200	-521,800
Waste Management Strategy	226,500	228,700
Directorate and Other Costs	1,723,600	1,696,800
	10,468,500	10,254,300
Director of Place		
City Centre Action Plan	100,000	100,000
Place Directorate	-301,400	17,100
	-201,400	117,100

Revenue Budget 2014/2015

Place Directorate

	ORIGINAL BUDGET 2013/2014 £	ORIGINAL BUDGET 2014/2015 £
Head of Culture, Sport, Leisure and Tourism		
Archives	290,500	265,400
Arts	3,177,300	3,044,600
Community Buildings	253,200	256,200
Development and Outreach	495,900	343,900
Libraries	2,904,700	2,870,800
Parks	5,656,400	5,392,000
Sport and Recreation	2,103,000	1,935,900
Tourism, Marketing and Events	1,683,900	1,585,600
Directorate and Other Costs	591,900	476,500
	17,156,800	16,170,900
Head of Economic Regeneration and Planning		
Business Support	528,100	414,300
Planning Policy and Environment	203,400	206,000
Property Development	900,500	728,100
City Centre Management and Indoor Market	-80,400	-265,700
Major Projects, Design and Conservation	175,800	177,600
Planning Control	864,200	811,700
Planning Policy and Environment	1,035,600	1,004,800
Directorate and Other Costs	192,800	213,800
	3,820,000	3,290,600
Head of Housing and Public Protection		
Building Regulations	165,000	115,300
Burials and Cremations	-90,400	-291,000
Community Safety	575,900	515,100
Food Safety	553,800	553,600
Licensing	-124,900	-145,100
Pollution	783,300	792,100
Public Health	880,300	801,200
Registrars	61,100	42,900
Trading Standards	758,300	712,800
Housing Grants to the Independent Sector	85,500	85,500
Housing Renewals and Adaptations	314,700	160,300
Housing Strategy, Advice and Support	677,300	645,900
Other Housing Services	81,800	64,500
Directorate and Other Costs	616,300	452,600
	5,338,000	4,505,700
Total Place Directorate	56,036,000	52,711,000



Capital Budget & Programme 2014/15 – 2017/18

Report of the Section 151 Officer

Council – 18th February 2014

CAPITAL BUDGET & PROGRAMME 2014/15 – 2017/18

Purpose:	This report proposes a revised capital budget for 2013/14 and a capital budget for 2014/15 - 2017/18
Policy framework:	None
Reason for decision:	To agree a revised budget for 2013/14 and a budget for 2014/15 – 2017/18
Consultation:	Cabinet Members & Executive Board
Recommendation:	1) The revised capital budget for 2013/14 and a capital budget for 2014/15 – 2017/18 as detailed in appendices A, B C, D, E and F is approved.
Report Author:	M.Hawes
Finance Officer:	M.Hawes
Legal Officer:	Patrick Arran
Access to Services Officer:	Euros Owen

1. Introduction

1.1 This report details:

- Revised capital expenditure and financing proposals in 2013/14
- Capital expenditure and financing proposals in 2014/15 – 2017/18

1.2 Capital spending and funding proposals in relation to the Housing Revenue Account (HRA) are detailed in a separate report to be considered.

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

Appendix A Summary of General Fund Capital Expenditure and Financing 2013/14 – 2017/18

Appendix B Schools Programme Capital Expenditure and Financing 2013/14 – 2017/18

Appendix C Material changes to the original 2013/14 budget

Appendix D Material changes to the Capital Programme agreed in February 2013

Appendix E General Fund Capital Budget 2013/14 – 2017/18

Appendix F Education surplus land sites to be sold

- 1.4 The key point in this report is that the updated forecast shows a shortfall of £28.977m. In order to address the shortfall the Council will need to consider the following options:-
- Identify and progress significant additional Capital receipts over and above those already identified including those listed in 3.6.
 - Reduce the expenditure contained within the Capital Programme primarily a reduction in proposed allocations as set out in 3.9
 - Incur additional unsupported borrowing. This is a last resort given the known pressures on future revenue budgets within the Council.

Whichever option(s) is pursued it is likely that there will have to be an increase in both temporary and overall borrowing limits in the short term.

- 1.5 Having considered this report, Cabinet recommended that Council approves the revised capital budget for 2013/14 and the capital budget for 2014/15 – 2017/18. Cabinet also agreed a review of the programme and the asset disposal programme in the early part of 2014/15.

2. Capital Budget 2013/14

- 2.1 Spending in the current year will be £69.221m – an increase of £4.42m compared to the original estimate of £64.801m.

This increase is mainly due to the addition of grant funded schemes after Council approved the capital budget in February 2013.

Material changes to the 2013/14 budget are summarised in Appendix C.

3. Capital Programme and Financing 2014/15 to 2017/18

- 3.1 The proposed programme and financing is set out below.

Paragraphs 3.2 to 3.9 detail the material changes to the General Fund Programme and Financing.

Paragraphs 3.9 to 3.15 detail the Schools Programme and Financing.

GENERAL FUND PROGRAMME AND FINANCING

- 3.2 The General Fund programme is summarised in Appendix A and detailed in appendix E. The attached proposals exclude the Housing Revenue Account capital budget which is detailed elsewhere on the agenda.

- 3.3 The Capital Budget report considered by Council on 14th February 2013 highlighted a forecast shortfall in the four year forward programme of £31.276m for the 21st Century Schools programme and £19.931m for the rest of the General Fund capital programme. The report contained the following in respect of both the general fund and Schools programme shortfalls:- *'If required, it will be necessary to finance the forecast shortfall in 2013/14 by temporary unsupported borrowing pending the identification of a funding solution in relation to the four year programme'*.

3.4 The updated General Fund programme is summarised in Appendix A. This highlights expenditure of £ 141.992m; financing of £113.015m and a forecast shortfall of **£28.977m**. Appendix D provides a reconciliation between the General Fund programme shortfall reported in February 2013 and the current proposals. The material changes are as follows:

Addition of a further year to the programme

3.5 The addition of a further year (i.e. 2017/18) in itself causes a £2.851m increase in the funding shortfall. This is because recurring annual commitments are no longer offset by Welsh Government annual funding i.e.

	£m
Welsh Government funding 2017/18	10.129
<i>less 2017/18 spending requirements</i>	
Property and highways maintenance	-7.280
DFGs & Improvement Grants	-5.200
<u>Annual Contingency Budget</u>	<u>-0.500</u>
<u>Additional shortfall 2017/18</u>	<u>2.851</u>

The effect of this is that there is no provision for any additional general fund capital expenditure in that year.

It should be noted that the core capital budget identified above is itself in excess of the likely support available from Welsh Government (£10.129m). Given the annual repayment of principal as detailed in 3.8 above expenditure at this level would not increase overall levels of borrowing.

Additional capital receipts

3.6 The proposed financing of the General Fund programme as approved for 2013/14 assumed additional capital receipts of £8.39m would be included in the Disposal Programme.

Forecast General Fund shortfall

3.7 The updated forecast shortfall of £28.977m. represents an increase of £9.046m compared to the February 2013 position as detailed in appendix D. In order to address the shortfall Cabinet will need to consider the following options:-

- Identify and progress significant additional Capital receipts over and above those already identified including those listed in 3.6.
- Reduce the expenditure contained within the Capital Programme primarily a reduction in proposed allocations as set out in 3.9
- Incur additional unsupported borrowing. This is a last resort given the known pressures on future revenue budgets within the Council.

Whichever option(s) is pursued it is likely that there will have to be an increase in both temporary and overall overall borrowing limits in the short term.

3.8 It should be noted that that, whilst annually the Council repays some £12.5m in respect of Capital Debt, the projected increase in supported borrowing over the projected four year period means that the additional funding gap of £28.977m is likely to remain unchanged.

- 3.9 It should also be noted that the projected 4 Year Capital Programme as detailed from 2014/15 includes the following annual allocations which in total exceed the WG capital provision by £2.851m:-

	£'000
Highways capital maintenance	3,280
Buildings maintenance	4,000
Disabled Facilities Grants(private)	5,200
Contingency	500
Total	12,980

SCHOOLS PROGRAMME AND FINANCING

- 3.10 The Welsh Government announced its support in principle for an agreed programme of school building improvements in early 2012. This programme – termed the 21st Century Schools Programme - will entail the Welsh Government providing a 50% contribution in relation to schemes costing £51m. The Council is expected to provide the remaining 50% contribution.
- 3.11 Considerable work has been undertaken over the last year to progress the first phase of the programme. The schemes included in the first phase of the programme are detailed in Appendix B and are as follows:

	£m	£m
Phase 1 schemes	Original	Revised
Burlais Primary new school	7.500	8.250
Gowerton Primary new school	5.000	6.575
YGG Lon Las rebuild and remodel	5.000	6.900
Glyncollen Primary improvements	0.750	0.750
Newton Primary improvements	0.650	0.650
Post 16 provision	2.100	2.100
Total Phase 1 schemes	21.000	25.225
Total Phase 2 schemes	30.310	26.085

Notwithstanding the difficulties faced by the Council in financing its 50% contribution towards these schemes, the attached proposals provided that some of the schemes could be committed in 2013/14 in order to access funding at the earliest opportunity through the process set out by the Welsh Government.

- 3.12 For completeness, the previously agreed Morriston Comprehensive School scheme and the second phase of the 21st Century Schools Programme are also detailed in Appendix B. This is necessary as the funding for the Morriston Scheme and the second phase needs to be considered in the context of the wider schools programme.
- 3.13 Details of the second phase schemes have not yet been finalised due to the deteriorating financial and budget outlook.

3.14 The financing of the schools programme and current shortfall of £31.276m is set out in Appendix B. As previously highlighted, the position remains extremely difficult and challenging and may be summarised as follows:

- a) The Welsh Government has provided a 70% grant contribution to the Morriston Comprehensive Refurbishment Scheme. As previously reported, this means that the Council must provide a £6.4m contribution – see (c) below.
- b) The Council is required to fund a 50% contribution to the 21st Century Schools Programme cost i.e. **£25.7m**.
- c) The implication of (a) and (b) is that the Council is required to fund a contribution of £31.3m over the period to 2019. The assumption underpinning the financing of the Council's contribution to the programme has been that sufficient capital receipts would be obtained through disposal of land surplus to Schools requirements to meet the additional funding requirement.

- d) The Capital Budget report considered by Council on 28th February 2011 highlighted potential parcels of land surplus to Educational requirements at a number of listed sites. Whilst progress has been made in agreeing several sales, only a small part of the then estimated £12m receipt has been received to date. To date this amounts to £530k with another expected £460k this year. Most receipts are not expected to be realized until 2015/16. A full list of the sites is set out in Appendix F.

It is clearly important to optimise the capital receipts that can be realised from disposals through appropriate marketing and timing of any sales. It may therefore be appropriate to agree short term additional unsupported borrowing in order to generate a greater capital receipt at a later date when the market has improved. However, progress to date against projected targets is poor.

Given the scale of the potential funding deficit it is clear that a wider list of potential disposals of land surplus to Educational requirements is required to achieve the full funding for the 21st Century Programme.

- e) At this time, as stated above, it is assumed that the above funding requirement will be met by agreeing excess land sales. Failure to achieve this will require:

- a revision of the agreed programme and / or
- Subject to identifying a funding source to meet the resulting principal and interest payments, the agreement of further unsupported borrowing. Given the poor outlook for the Council's finances, it is inevitable that, under such circumstances, schools will have to fund the cost of unsupported borrowing if the programme is to progress as planned.

- f) The Welsh Government has indicated that it may wish to meet part of its 50% contribution by providing annual support for Council unsupported borrowing rather than grants. However, there is no agreed scheme at this time and it assumed that grant (rather than borrowing) support will be provided. If agreed, such additional unsupported borrowing would be over and above any which the Council may agree to fund its contribution.

3.15 Notwithstanding the uncertainties regarding the funding of the overall Schools Programme, it is proposed that the phase 1 schemes detailed above and attached

be committed over the coming year. It should also be noted that these schemes are high priority due to the significant risks of building failure.

If required, it will be necessary to finance the forecast schools programme shortfall in 2013/14 by temporary unsupported borrowing pending the identification of a funding solution in relation to the overall schools programme.

4. Risks

4.1 There are significant risks which may require a future revision of the attached four year capital budget. In particular:

- additional capital costs arising from future waste disposal arrangements
- urgent capital maintenance requirements
- unforeseen costs e.g. failure of retaining walls
- failing to achieve the General Fund capital receipts target and in relation to the Schools Programme, school land sale targets.
- Capital financing charges arising from additional unsupported borrowing which can not be met from revenue budgets.
- Additional costs arising from any other additions to the Capital programme.

4.2 There is a further significant risk that external grants will greatly diminish as cuts are applied by grant providers – in particular the Welsh Government and European Grants.

4.3 Whilst there is an annual Contingency Budget provided to deal with unexpected spending requirements this would be insufficient if a number of the risks detailed above were to arise.

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 2013/14 and subsequent years.

7. Equalities Implications

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

SUMMARY OF GENERAL FUND CAPITAL BUDGET AND FINANCING 2013/14 - 2017/18

	2013/14	2014/15	2015/16	2016/17	2017/18	Total
	£'000	£'000	£'000	£'000	£'000	£'000
DIRECTORATE						
Resources	2,577	1,767	1,982	500	500	7,326
People	1,803	121				1,924
Place	52,726	35,158	18,626	13,752	12,480	132,742
TOTAL EXPENDITURE	57,106	37,046	20,608	14,252	12,980	141,992
FINANCED BY:						
Borrowing:						
Supported Borrowing	6,227	6,297	6,297	6,297	6,297	31,415
Supported Borrowing - Highways	5,060	3,450				8,510
Grants and Contributions:						
Welsh Government General Grant	3,801	3,832	3,832	3,832	3,832	19,129
Welsh Government specific grants	7,335	5,052	252			12,639
European grants	11,440	6,423	970			18,833
Other Grants	370	301				671
Contributions	1,787	53				1,840
Capital Receipts:	2,788	3,242	6,852	550	2,500	15,932
Revenue and Reserve Contributions:	3,191	855				4,046
TOTAL FINANCING	41,999	29,505	18,203	10,679	12,629	113,015
FORECAST SHORTFALL	15,107	7,541	2,405	3,573	351	28,977

SCHOOLS PROGRAMME CAPITAL EXPENDITURE & FINANCING 2012/13 - 2017/18

	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	Total £'000
EXPENDITURE							
Morrison Comprehensive Refurbishment	5,730	10,785	4,515				21,030
21st Century Schools Programme							
Phase 1							
Burlais Primary new school	17	449	6,402	1,264	118		8,250
Gowerton Primary new school	16	519	3,852	2,096	92		6,575
YGG Lon Las rebuild and remodel		50	400	4,970	1,340	140	6,900
Glyncollen Primary improvements		100	650				750
Newton Primary improvements		212	438				650
Post 16 provision				100	1,500	500	2,100
Phase 2			1,540	4,550	10,320	9,675	26,085
TOTAL EXPENDITURE	5,763	12,115	17,797	12,980	13,370	10,315	72,340
FINANCED BY:							
Welsh Government Grant							
Morrison Comprehensive Refurbishment	4,414	10,324	-98				14,640
21st Century Programme Schemes		1,330	5,993	6,490	6,685	5,157	25,655
Contributions	33		736				769
TOTAL FINANCING	4,447	11,654	6,631	6,490	6,685	5,157	41,064
FORECAST SHORTFALL	1,316	461	11,166	6,490	6,685	5,158	31,276

MATERIAL CHANGES TO THE 2013/14 CAPITAL BUDGET

Scheme	Source Of Funding	2013/14 Change £'000
<u>Director of Resources</u>		
LIDW Broadband Scheme	Grant	1,130
Purchase of Litho Printing Press	Revenue	50
ICT Infrac-Civic Centre LAN Upgrade	Revenue	127
<u>Director of People</u>		
Special Teaching Facility-Trallwn, Gwyrosydd and Morryston	Revenue	150
<u>Director of Place</u>		
Highways & Transportation		
Regional Transport Programme Schemes	Grant	1,130
Road Safety Schemes	Grant	329
Safe Routes in Communities - Morryston	Grant	478
High Street and Strand Highway Improvements	Contribution	241
Gower Road Traffic Imps	Contribution	116
Carriageway Resurfacing	Revenue	1,000
River Tawe Barrage Outer Lock Gates	Revenue	50
Waste Management		
Provision of Food Waste Hall	Revenue	200
Culture, Sport, Leisure & Tourism		
LC2 Condensation Issues	Revenue	64
Mobile Street Sports Facility	Revenue	125
Dry Docking Helwick & Canning	Revenue	120
Morryston Library Refurbishment	Grant/Revenue	261
Child Play Project - Equipment	Grant	28
Morryston Ball Stop Fencing	Capital Receipts	15
Economic Regeneration & Planning		
Boulevard - LC to Strand	Grant	1,077
BEP Grants	Grant	1,000
Swansea Vale Studies & Infrastructure Projects	Capital Receipts	267
Housing & Public Protection		
Houses into Homes Loans	Grant	1,058
Hafod Renewal Area	Contribution	719
Corporate Building		
Heol Y Gors Waste Transfer Station	Revenue	198
School Building Improvement Grant	Grant	445
Roofing Works Civic Centre	Revenue	70
Asbestos Removal	Revenue	60
Guildhall Ph 5 (Brangwyn Hall)	Revenue	40
Fire Precaution Work - Bishop Gore	Contribution	81
Fforestfach ATC Kitchen Refurbishment	Revenue	27
Match Funding for Schools	Contribution	305
Delayed Spending From 2012/13 - All Portfolios	Various	8,683
Delayed Spending Into 2014/15 - All Portfolios	Various	-13,770

Other Minor Changes	Various	124
TOTAL MATERIAL CHANGES		5,998

MATERIAL CHANGES TO CAPITAL PROGRAMME AGREED IN FEBRUARY 2013

	£m	£m
Forecast shortfall - per Council 2013 February 2013		7.926
Add in Unsupported borrowing as per Budget book	22.355	
Less Highways USB included in above	-10.350	
Revised forecast shortfall for 2013/14 Budget		19.931
Less Increase in WG allocation 4 years		-0.404
Addition of a further year (2017/18) to programme		2.851
		22.378
<i>Unavoidable maintenance additional requirements</i>		
No schemes approved		
<i>Other priorities</i>		
No schemes approved		
Assumed capital receipts not approved/actioned		8.390
Less minor extra capital receipts		-1.791
Amended forecast shortfall		28.977

GENERAL FUND CAPITAL BUDGET 2013/14 - 2017/18

	2013/14	2014/15	2015/16	2016/17	2017/18	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
DIRECTOR OF RESOURCES						
Delivery & Information						
IT Infrastructure	847	900	1,100			2,847
WiFi Provision	100					100
ECC/Teleconferencing		110				110
LiDW Broadband Scheme	1,380					1,380
Communication & Consultation						
Purchase of Litho Printing Press D & P	50					50
Financial Services						
Corporate Contingency	200	757	882	500	500	2,839
TOTAL FOR DIRECTOR OF RESOURCES	2,577	1,767	1,982	500	500	7,326
DIRECTOR OF PEOPLE						
Education(excluding 21st Century schools programme)						
Primary schools schemes	919					919
Secondary schools schemes	563					563
Special school schemes	251	90				341
Youth Activities schemes	20					20
Social Services Adult Services						
Refurbishment offices-Homecare Team		12				12
Community Regeneration Minor schemes	50	19				69
TOTAL FOR DIRECTOR OF PEOPLE	1,803	121				1,924

	2013/14	2014/15	2015/16	2016/17	2017/18	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
DIRECTOR OF PLACE						
Highways & Transportation						
Regional Transport Programme	760					760
SRIC 13/14 - Morriston	478					478
Highways Unsupported Borrowing schemes	4,999	3,450				8,449
Highways/Infrastructure Capital Maintenance	4,889	3,280	3,280	3,280	3,280	18,009
Cycleway Mumbles Road	400					400
Slip Bridge Refurbishment		1	138			139
Other Bridges & retaining Walls	526	238	350			1,114
Bascule Bridge		50	500			550
Road Safety/Traffic Schemes	462					462
Langland Sea Wall	399					399
West Cross Coastal Defence	150					150
Mumbles Cutting Rockface	200					200
Bus facility schemes	43	20				63
Car Park improvements	52					52
Foreshore & Marina	425					425
Other Highways schemes	376					376
Waste Management						
Tir John works	900	2,058	600	1,272		4,830
12/13-Replace Litter Bins	45					45
Provision of Food Waste Hall	200					200
Culture, Sport, Leisure & Tourism						
Art Gallery - Refurbishment	1,400	5,027	520			6,947
Boat repairs	128					128
Library Service	370					370

	2013/14	2014/15	2015/16	2016/17	2017/18	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
Sport Centres	101	106				207
Oystermouth Castle Restoration	24					24
Cwmdonkin Park Refurbishment	285	68				353
Clyne Country Park Enhancements	50					50
Retaining Wall Lon Coed Bran	112					112
Additional Play Areas	300					300
Parks equipment	51					51
Mobile Street Sports Facility	125					125
St Helens/Knab Rock	178					178
Economic Regeneration & Planning						
BEP Grants	1,000	2,916				3,916
Boulevard Advanced Works/Walk Ways	12					12
Boulevard LC to Strand	5,228	300				5,528
Boulevard Strand to Bridges	300	1,900	900			3,100
Lower Oxford St Public Realm Imps	175					175
Boulevard-River Bridges	3					3
Waterfront Connections	398	27				425
Boulevard Public Art	18					18
City Centre Major Redevelopment study		92				92
SA 1 Art Riverside Walkway	14					14
St Davids/Oldway Demo & St Davids car park	345					345
Sx Castle works	155					155
Oldway Car Park	275					275
Regeneration Match Funding		500	500			1,000
Revelopment schemes	4	184	100			288
Pontarddulais Public Realm Ph 1	186					186
Hafod/Morfa Copper Works Regeneration Ph1	23					23

	2013/14	2014/15	2015/16	2016/17	2017/18	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
Felindre Development	4,476	1,020	70			5,566
Environmental Services	56					56
Refurb Swansea Market	49					49
Swansea Market Roof	250	814				1,064
Swansea Vale infrastructure/studies	267	593				860
Housing & Public Protection						
Housing						
DFG's -1996 Act	5,098	5,200	5,200	5,200	5,200	25,898
Hafod Renewal Area 12/13	719	17				736
Emergency Repair Fund	280					280
Property Appreciation Loans	768	84	50			902
Grant For Noms	308					308
Comfort Safety & Security Grants (CSS)	30					30
Mini Adaptation Grants (MAG)	234					234
Houses into Homes Loans	1,058	458				1,516
Public Protection						
Replacement Cremators	9					9
Air Quality Management Action Plan	1					1
Corporate Building						
Guildhall Refurb. Phase 3 part 2	39					39
Guildhall Refurb. Phase 4	2,029	92				2,121
Guildhall Refurb. Phase 5 (Brangwyn)	2,900	1,905	168			4,973
Guildhall Relocation Management costs	166	90				256
Accommodation Strategy	200	105				305
Upgrade Server Hardware	352	201				553
Heol y Gors Waste Transfer Station	198					198
Heol Y Gors Office Refurbishment	46	75				121

	2013/14	2014/15	2015/16	2016/17	2017/18	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
Pipehouse Wharf Replacement	100	82	2,250			2,432
Penlan LC Roof	392	8				400
Civic-Council Chamb Renovation incl e voting	658					658
Capital Maintenance allocated	5,479	197				5,676
Capital Maintenance unallocated		4,000	4,000	4,000	4,000	16,000
TOTAL FOR DIRECTOR OF PLACE	52,726	35,158	18,626	13,752	12,480	132,742

Education surplus buildings or land

<p>Sold</p>	<p>First tranche of surplus sites</p> <p>Llanmorlais Primary KS3 pupil referral unit, Pontardulais</p>
<p>Sale expected 2013/14</p>	<p>Morrison comp site Arfryn Primary site</p>
<p>To be sold</p>	<p>Knelston Primary site Gors Primary site Olchfa Comp site Pontardulais Primary site Penyrheol Comp site Cwm Primary site Parklands Primary site Tre Uchaf Primary site YGG Gellionen site Clwyd Primary site Clase Primary site</p> <p>Second Tranche of surplus sites</p> <p>To be determined</p>



Medium Term Financial Plan 2015/16 – 2017/18

Report of the Section 151 Officer

Council 18th February 2014

MEDIUM TERM FINANCIAL PLAN 2015/16-2017/18

Purpose:	This report proposes a Medium Term Financial Plan 2015/16-2017/18
Policy framework:	Sustainable Swansea – Fit for the Future
Reason for decision:	To agree a financial framework for future service planning
Consultation:	Cabinet Members & Executive Board
Recommendation:	The Medium Term Financial Plan 2015/16-2017/18 be approved.
Report Author:	Mike Hawes
Finance Officer:	Mike Hawes
Legal Officer:	Patrick Arran
Access to Services Officer:	Euros Owen

1. Introduction

1.1 This report details:

- An overview of financial planning
- A financial and service overview
- A spending and resources forecast
- The strategy to resolve future Medium Term Financial Plan (MTFP) shortfalls, including delivery of the *Sustainable Swansea* strategy
- Risks and uncertainties

2. Overview of Financial Planning

2.1 Service and financial planning is undertaken against a backdrop of reducing overall resources.

The Medium Term Financial Plan (MTFP) is an overarching plan which:

- Covers several future years
- Forecasts future known additional spending requirements, likely resources and potential funding shortfalls

- Links to the Councils adopted strategy '**Sustainable Swansea – Fit for the Future**' as a means of addressing future budget shortfalls

Service planning is undertaken in the light of the assessments and forecasts contained in the MTFP.

3. Financial and Service Overview

Background

- 3.1 The Medium Term Financial Plan (MTFP) report considered by Council on 14th February 2013 included a service and financial overview. This has been updated as follows:

Economic outlook and prospects for Public Finances

- 3.2 The announcement of both the provisional and final Revenue and Capital Settlements for 2014/15 and beyond has led to a significant acceleration with regard to cuts in core revenue funding. Whilst the previous MTFP assumed a small increase in levels of support for 2014/15 followed by significant reductions from 2015/16 onwards, the announcements made clear that there would be an acceleration in terms of funding reductions leading specifically to a net movement in assumed available resources for 2014/15 of -£16.020million compared to the MTFP as published.
- 3.3 The UK Government's decision to cut public spending over several years is being implemented as planned.
- 3.4 Whilst Welsh local government has seen relative protection from cuts in Government grant since 2010, it is now clear that the Council faces an overall funding gap of around £45m in the next 3 years (2014/15 to 2016/17) due to both reductions in Welsh Government Finance and Service pressures – and it may be more.
- 3.5 In addition to known core funding reductions, the Council also has a wide range of service and demographic pressures which will inevitably impact on demand for services.
- 3.6 Given the current Economic Climate both in the UK and the Eurozone it is likely that reductions in core funding will be exacerbated by further reductions in specific grant funding both for Revenue and Capital purposes. Some commentators, such as the Institute for Fiscal Studies, are predicting cuts in public spending up until 2020, reducing the overall level of spending in the UK to immediate post Second World War levels.
- 3.7 In terms of core revenue funding the Revenue and Capital settlement issued by the Welsh Government on 11th December 2013 contained the following indicative figures:-

Revenue Aggregate External Finance

<u>Year</u>	<u>£'000</u>	<u>Cash reduction £'000*</u>	<u>% reduction on previous year*</u>	<u>% reduction on 2013/14 level*</u>
2014/15	318,224	12,255	3.65	
2015/16	314,385	3,839	1.2	4.81

* after allowing for the effects of specific grant transfers and Council Tax support

No indicative figures have been given beyond 2015/16. It is clear that in terms of planning assumptions across Local Authorities in Wales a number of scenarios have been mapped for 2016/17 and beyond. For the purposes of the planning assumptions within this Council further cash reductions of 1.5% have been assumed for both 2016/17 and 2017/18.

Support for Capital Programmes

The settlement indicated support for future General Fund Capital programmes for both 2014/15 and 2015/16 at a level of £10.129m, largely unchanged from 2013/14. This support is through a mix of General Capital Grant and support for borrowing.

Planning assumptions for both 2016/17 and 2017/18 are based on unchanged levels of support.

In addition, the Welsh Government has committed some £25.655m (50% of overall cost) towards the 21st Century Schools programme over the lifetime of this MTFP.

- 3.8 In providing indicative settlement levels for 2015/16 in terms of Revenue funding, as detailed in the table within paragraph 3.7 above, the Welsh Government made clear that the assumptions made around indicative reductions were heavily dependant on the outcome of at least two National Budget announcements. Given recent publicity around an additional potential cut of around £25bn in National support for the Public Sector as a whole during the lifetime of this MTFP, it is clear that there is significant and ongoing potential for levels of support to fall short of the current planning assumptions.
- 3.9 In terms of resource requirements the MTFP projects further cash reductions in terms of Aggregate External Finance of -1.5% for both 2016/17 and 2017/18.

Service overviews

- 3.10 The key service issues which will impact on 2014/15 and future years are set out below.

Education

- 3.11 The protection afforded to schools in 2011/12, 2012/13 and 2013/14 ameliorated the impact of the Government's spending reductions on delegated school budgets. The Minister has stated that protection will once again apply in 2014/15. However there is no commitment by the Welsh Government to maintain the protection after 2014/15.

Given the poor outlook for public finances, it is extremely difficult to envisage how schools could be protected beyond 2014/15. As such, the outlook going forward remains challenging and difficult for delegated school budgets.

The non-delegated Education budget has not benefited from the protection afforded to delegated school budgets in recent years and the outlook for this budget remains challenging and difficult.

- 3.12 The Council will continue to implement its school improvement and re-organisation programme in 2014/15. The Council has been successful in applying for Welsh Government funding support to further progress the programme. In this context, the Council continues to have a challenging funding target as detailed in the Capital Budget report elsewhere on the agenda.

In addition, the revenue implications of the planned programme for the Council's budget – including delegated school budgets – will need to be considered in future financial plans. As stated in the capital budget report elsewhere on the agenda, given the poor outlook for the Council's finances, it is very likely that, in the absence of significant Capital receipts being generated through the sale of Schools' land and property, schools will need to significantly contribute to any borrowing requirement if the programme is to progress as planned.

- 3.13 The 2014/15 Revenue Budget report to Council elsewhere on this agenda highlights the mechanism by which the Council will evidence Ministerial Funding Guarantees to Schools in respect of delegated budgets.
- 3.14 In addition to the funding issues highlighted above, current policies surrounding the Regionalisation of Education Services will undoubtedly impact on the Council's ability to fund and deliver traditional non-delegated Education Services. The requirement for the Council to top slice elements of the core education budget relating to Schools Improvement Services from 1st April 2014 will, if continued across other core areas of education support, significantly reduce the quantum of the non delegated budget.

Adult Services

- 3.15 An increasingly older population is both a cause for celebration and also creates greater demand for services and also changes the nature of that demand. Options for future service have been identified as part of the Budget Consultation and will need to be progressed in coming years.

Going forward, the ability of Councils to provide comprehensive Adult Services will be heavily impacted by the funding decisions of the UK Government. As such, the promotion of independence, self help and the development of a strong community and third sector is likely to be inevitable.

Child & Family Services

- 3.16 Significant improvements have been made in this service. However, the implications for the Council's overall budget remain extremely challenging. As previously, the aim going forward is to achieve a further improvement in standards whilst simultaneously achieving cost reductions where possible. The latter can only be achieved by a real terms reduction in numbers of Looked After Children, changes in practice and less reliance on high cost interventions.
- 3.17 There has, however, been consistent and sustained progress in terms of addressing specific service overspends in the area of Looked After Children which has led to an overall reduction in expenditure in this area for 2013/14 with an ongoing requirement for savings in 2014/15.
- 3.18 As is the case for Education Services, there have been considerable developments in terms of the development of regional collaborative working for both Adult Social Services and Child and Family Services through the Western Bay Partnership, encompassing the Council, Neath Port Talbot CBC, Bridgend CBC and Abertawe Bro Morgannwg Health Authority.
- 3.19 It is increasingly likely that this collaborative working will involve specific Regional funding requests and allocations from Welsh Government and, inevitably, the development of pooled budget arrangements for some areas of work.

Environment & Waste Management

The Council is progressing its waste management strategy to achieve the Welsh Government's landfill diversion and recycling targets and also to achieve the best financial outcomes for the Council. The 2014/15 budget and future MTFP makes provision for:

- a) the Council's future waste disposal requirements and
- b) expenditures needed to comply with the requirement to achieve specified recycling targets.

In particular, the development of Regional Waste treatment facilities and/or the further development of Local Facilities will play an important part in terms of future service delivery.

Going forward, the Council's ability to provide core Environment Services will be severely impacted by the funding decisions of the UK Government and Welsh Government, particularly in respect of the level of Sustainable Waste Management Grant.

Workforce

- 3.20 The workforce is both the Council's major asset and its major cost. Significant progress has been made on Single Status and a compliant Pay & Grading scheme is planned to be implemented on 1st April 2014. Revised terms and conditions will be implemented at the same time.
- 3.21 The financial implications of resolving all Single Status issues have been reported to Cabinet on several occasions. Whilst there is no additional funding requirement in 2014/15, there is an increased financial requirement in future years which will need to be provided in the MTFP.
- 3.22 On 19th December 2012 Cabinet agreed to implement a minimum Living Wage of £7.45p per hour. This was introduced across the Council with effect from 1st April 2013. Future pay increases will be subject to an annual consideration as is currently the case. In particular there is no commitment to increase the Living Wage in line with the increases calculated by the Rowntree Foundation from time to time.
- 3.23 The Council has an ongoing aim to achieve headcount reductions wherever possible. This has and continues to be achieved by strict vacancy management and also by the implementation of an early/voluntary retirement scheme since 2010. However, it is unlikely that voluntary reductions will be sufficient to achieve future spending reductions going forward. Future year on year headcount reductions – probably by compulsory means – will inevitably result in service reductions, closures and service cessations.

Regeneration & the City Centre

- 3.24 The Council's ability to regenerate the City Centre is constrained by the current economic downturn and the availability of capital and revenue funding to match grants and external funding. However, future spending plans need to provide a minimum level of funding if the much needed redevelopment of the City Centre is to be achieved.

Whilst negotiations in Brussels continue, the next round (post 2014) of EU structural funds for West Wales and the Valleys are likely to be of a similar value to the current round – a value in excess of £1bn. If the Authority is to maximise the potential of this funding opportunity to further the economic and social well-being of its communities, then match funding and funding in kind will be required from this Authority. This would be essential in order to leverage EU funds and deliver projects in line with the Authority's priorities. In addition, the inevitable hiatus between the closure of the current programme and the commencement of the next EU programme presents a risk in terms of grant funded staff retention. The loss of key skills will deteriorate the capability of the Authority to react quickly to funding opportunities to develop projects and initiatives. The emerging City Region is also placing greater emphasis on the importance of EU funds post 2014 and the Authority will be expected to play a full part in their delivery given its City status. Consideration therefore needs to be given to the establishment of an EU match funding provision within the future financial plans.

Going forward, the Council's ability to provide discretionary services such as Culture & Tourism will be severely impacted by the funding decisions of the UK Government and Welsh Government. The Council will increasingly have to use its limited resources to facilitate actions rather than provide direct services.

Welfare Reform

- 3.25 The UK Government's Welfare Reform programme will impact on Council services in 2014/15 and future years. There are likely to be direct implications for the Council's Benefits and Housing services. There are likely to be further significant indirect impacts on a number of other services including Social Services and Education.

Corporate Services

- 3.26 In addition to the workforce challenges highlighted above, the key priorities for corporate services include:

- **Sustainable Swansea:** overseeing the savings programme and supporting service and community change
- **Innovation Programme:** the new Swansea culture, new values, new thinking
- **Performance improvement:** a simpler, easier, better process with stronger links between outcomes and resources and more accessible information on progress for residents
- **Customer Contact:** a radical change in the use of digital channels; using customer insight to improve services
- **Commercial strategy:** a whole Council approach to market development, supplier management, category management, leading to smarter and cheaper purchasing
- **ICT:** setting out the Council's new requirements and how these will be delivered in the future

4. Spending and Resources Forecast

Overview

- 4.1 The Capital Budget report forecasts capital spending and resources in the period covered by the MTFP.
- 4.2 In the context of financial planning over the period of the MTFP the overriding issue is likely to be the need to make significant ongoing savings in Service Expenditure in order to meet both projected reductions in core and specific funding from the Welsh Government together with known and anticipated spending pressures.
- 4.3 The following table represents as a minimum the expected funding requirements for the period of the MTFP:

Projected spending pressures 2015/16 – 2017/18

	Note	<u>2015/16</u> <u>£'000</u>	<u>2016/17</u> <u>£'000</u>	<u>2017/18</u> <u>£'000</u>
Future cost of pay awards	1	3,400	6,800	10,200
Pay and grading scheme	2	3,000	5,700	8,400
Cumulative contract inflation	3	2,000	3,000	4,000
Capital charges	4	2,750	4,250	4,250
Schools pay award	5	2,400	4,800	7,200
Contribution to capital charges	6	-2,000	-2,000	-2,000
Use of General Reserves	7	2,200	1,200	
Total known pressures		13,750	23,750	32,050
AEF movement (327,772)	8	3,545	6,745	6,745
Cumulative budget shortfall		17,295	30,495	38,795

Note:

- 1) Assumed pay increases at 2% p.a. for each year. Value of pay award remains relatively static based on falling staff numbers and costs relating to savings programme largely offset by increases in payroll costs due to single status implementation and cumulative effect of pay awards.
 - 2) Predicted annual cumulative effect of current scheme due to be implemented on 1st April 2014 – no account taken of potential additional costs arising out of appeals process.
 - 3) Assumed minimum cumulative effect of known contract inflation.
 - 4) Presumed overall increase in borrowing due to delays in capital receipts on both general fund and schools programmes.
 - 5) Presumed minimum addition to schools funding to cover base payroll cost increases. Offset by 6) below.
 - 6) Assumed contribution to capital charges for schools improvement programme. Dependent entirely on level of capital receipts. If capital receipts achieved then both this contribution line and capital receipts costs go down – i.e. nil overall effect.
 - 7) Planned use of a further £1.2m for 2015/16 dependent on 2013/14 and 2014/15 outturn position.
 - 8) Based on indicative figure for 2015/16 as supplied by WG plus a further 1.5% reduction in 2016/17 and a static position for 2017/18.
- 4.4 The forecast makes no allowance for potential funding changes to employers National Insurance contracted out pension arrangements which are inexorably linked with the Government's single state pension proposals.
- 4.5 As stated, this forecast contains no provision for increases in net service costs, in particular:-
- a) Projected increases in demand for older peoples services based on demographic pressures in relation to an increasingly elderly population.

- b) Any increases in costs relating to Children’s services, in particular any increase in numbers relating to looked after children. The assumptions within the current MTFP in respect of downward movements in both the number and costs of looked after children are projected to continue.
- c) Any increase in costs arising from decisions on Government taxation – most significantly increases arising from upward increases in landfill tax costs.
- d) Corporate costs in excess of budget provision in respect of single status implementation or other issues relating to employee costs.
- e) Any one off costs arising from complex service delivery across the Council.
- f) Any general inflation provision relating to non contractual issues.
- g) Any increased costs or reductions in income arising from ongoing changes to welfare reform, in particular the potential introduction of Universal Credit during the lifetime of the MTFP.
- h) Any budget changes arising from further regionalisation of Education and Social Services particularly where projected budget transfers may be in excess of current CCS service budgets.
- i) Any increases in Capital financing charges 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.
- j) 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.
- k) Any potential downward movement in service specific grants.

4.6 On a positive note, projected spending increases anticipated in the current MTFP in relation to employers pension contributions have not materialised, with the outcome of the 2013 Pension Fund triennial valuation indicating no additional costs for the first two years of the MTFP.

4.7 In terms of the forecast, the cumulative budget shortfall contains key assumptions around future levels of core Welsh Government Funding which will be subject to change depending specifically on the outcome of Central Government policy.

4.8 In addition the recent publication of the Williams Commission report on the reform of the Public Sector in Wales raises the possibility of Local Government reorganisation involving the Council. However, both the potential to reorganise and the timing of that reorganisation are such that the MTFP as presented continues to forecast a scenario for the Council on an ‘as is’ basis.

5. Strategy to resolve forecast shortfalls

Sustainable Swansea- Savings proposals

5.1 In determining its budget proposals, the Authority has embarked on a specific strategy – ‘*Sustainable Swansea – Fit for the Future*’ - as a means of setting Council priorities, transforming services and addressing current and future deficits. The scale of the financial, demographic and sustainability challenge requires the Council to adopt a radically different approach to previous years. An approach that focuses on:

- *The core future purpose of the Council*
- *The transformation of services and the model of delivery*
- *Greater collaboration with other councils and local organisations, community groups and residents*
- *And, above all, sustainable solutions with prevention at the heart of this*

This ambition is set out in *Sustainable Swansea – fit for the future*.

- 5.2 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 at Cabinet on 15th October and subsequently at a meeting of Council on 22nd October 2013.
- 5.3 The strategy as adopted underpinned the decision taken at the Council's Cabinet on 10th December 2013 to recommend specific savings proposals totaling £12.2m in 2014/15 for consultation and indeed the final savings proposals included in the separate report relating to the 2014/15 Revenue Budget included on this agenda.
- 5.4 In addition to specific savings proposals detailed above, Cabinet has also agreed proposed savings of £5.6m in 2014/15 within the Revenue Budget Report from the further workstreams looking at the potential for management and administration savings, procurement savings, asset management utilisation and income generation.
- 5.5 However, in terms of savings proposals, work on savings to date has also focused on specific proposals relating to 2015/16, 2016/17 and beyond. These savings proposals build on those recommended as part of the Revenue Budget Report and reflect ongoing changes to methods and levels of service delivery.
- 5.6 Details of the projected savings over the period of the MTFP are shown in Appendix 'A' to this report.
- 5.7 In addition, as part of its budget strategy the Council will continue to develop themed strategies across the following areas:-
 - a) Workforce
 - b) Support Services
 - c) Assets
 - d) Third Party Spend
 - e) Income and Trading
 - f) Customer Services
 - g) Recommissioning
 - h) Community Action
 - i) Demand Management
 - j) Early Intervention
 - k) Decommissioning Services
- 5.8 Whilst some savings have been forecast to arise from these workstreams during 2014/15, the nature of some of the work means that savings proposals will continue to be developed during the overall period of the MTFP. Where appropriate, assumptions around those savings levels have been built into the funding proposals shown later in this report. The projected savings arising from the workstreams for the purpose of the MTFP are shown at appendix 'B'. The Council will also have to consider some invest to save proposals to support the change in service delivery and cost reduction

Sustainable Swansea – Next Steps

- 5.9 A possible cut in spend of 20-30% over the next few years cannot take place without a fundamental review of the future purpose and shape of the Council to 2017 and beyond. This is particularly important because:

- The Council has clear aspirations and policy commitments to improve outcomes for residents that will need to be delivered alongside savings
- We will also need to consider the requirement for further investment in prevention in social care to reduce the projected future demand for services
- This requires a debate about innovation, service transformation, and doing things differently
- And we must collaborate with others to achieve this

5.10 Consequently, we need a debate with residents and partners, as well as inside the Council, about how we will achieve a *Sustainable Swansea, fit for the future*. This debate will need to address questions such as:

- *What are the long term priorities for the area*
- *What is our core purpose as a Council*
- *What is the Council best placed to do and what might be done differently by others?*
- *How will we achieve financial, service and community sustainability in the long term?*
- *What is our future relationship with others? (partners, staff, trade unions, schools etc)*

5.11 The debate about a Sustainable Swansea has already started through the Phase 1 and Phase 2 engagement, but we will need to take this a step further following the current Council Budget meeting in order to inform our plans for future years.

Use of Reserves

5.12 The Council holds Earmarked Reserves for specific purposes, together with a level of General Reserves which are available to support overall Council expenditure. However, due to the nature, size and complexity of the Councils operations, and in particular the potential for short term volatility in terms of elements of income and expenditure, it is prudent to maintain a level of General Reserves sufficient to meet anticipated and known financial risks.

5.13 In determining the strategy to meet projected budget shortfalls, it is intended to make limited temporary use of general reserves during 2015/16. However, this is entirely dependant on a favourable financial outcome for both the current financial year and in 2014/15.

5.14 During the period of the MTFP it will be necessary to review both the level and proposed use of earmarked reserves and the potential level of General Reserves on a regular basis.

Council Tax levels

5.15 Apart from service transformation and savings and use of reserves the Council maintains an independent source of revenue, Local Council taxes, and within the MTFP there has to be clear consideration of Council Tax levels potentially arising from the overall need to meet the ongoing funding deficit.

5.16 Taking into account the above options, the following table represents the potential funding strategy in respect of the forecast budget shortfall during the life of the MTFP:

Potential Funding 2015/16 to 2017/18

	Note	<u>2015/16</u> <u>£'000</u>	<u>2016/17</u> <u>£'000</u>	<u>2017/18</u> <u>£'000</u>
Specific savings proposals	9	-8,990	-17,143	-18,706
Current Workstream savings	10	-4,500	-6,500	-8,000
Further workstream savings	11	-500	-2,450	-5,200
Council Tax Charge	12	-2,105	-4,402	-6,889
Use of General Reserves	13	-1,200	0	0
Overall resourcing		-17,295	-30,495	-38,795

Note:

- 9) Per specific savings schedules – Appendix 'A'.
- 10) Per workstream savings – Appendix 'B'.
- 11) Per workstream savings – Appendix 'B'.
- 12) Assumes cumulative effect of an annual 3% increase.
- 13) Limited one off use for 2015/16 based on current year and 2014/15 outturn.

6. Status of the MTFP

- 6.1 The MTFP does not constitute a formal budget in respect of the period 2015/16 to 2017/18 and as such the indicative annual assumptions included both within the projected spending pressures detailed in 4.3 above and the potential funding detailed in 5.16 above 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.
- 6.2 Instead, the MTFP is intended to outline in broad terms the specific service and funding issues over the three year period which it covers.
- 6.3 It is essential as a planning and review tool in order to assess and evaluate the status of met expenditure requirements, and, equally importantly as a method of assessing progress in meeting those requirements through the complex and challenging changes to levels and methods of service delivery that are implicit within the savings proposals.
- 6.4 The plan serves to highlight the trend for increasingly difficult times ahead in terms of funding for the Council in general and Local Government in general.
- 6.5 Importantly, it is essential that the MTFP becomes a 'living' document that is subject to regular review and revision in line with what will be a dynamic and fluctuating period for the finances of the Council. As such, it is anticipated that, along with close monitoring of the specific budget proposals and savings targets for 2014/15, further reports to Cabinet regarding the MTFP are envisaged at key points should any significant variation from the broad estimates contained herein be identified.

7. Overall risks

7.1 As stated throughout this report the financial risks facing the Council include:-

- a) Assumptions surrounding the level of future Welsh Government core funding proving to be incorrect.
- b) Significant reductions in specific grant funding.
- c) Inability to deliver core changes to service levels and methods of delivery implicit within the savings proposals.
- d) Changes to methods and funding for service delivery arising from development of Regional Working proposals.
- e) Significant and unforeseen increases in service pressures and projected costs.

8. Legal Implications

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

9. Equalities implications

9.1 Budget proposals are subject to the Council's Equality Impact Assessment (EIA) process. Current proposals for 2014/15 have been screened and where potential for impact has been identified EIA reports have been opened.

9.2 An Equality Impact Assessment (EIA) Statement for the Budget has been produced as an overarching assessment of the impact of the revenue budget including a summary of the provisional outcomes of the process by Directorate.

9.3 EIA reports are also produced for specific proposals and will be updated or completed over a period of time to take account of impact and the outcomes of service specific engagement where required.

Appendix A

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<u>Corporate Services</u>			
Central overheads and management and administrative savings	1,143	1,532	1,590
Reduce subsidy of providing services to Schools	50	50	50
Reduce grants to external bodies	50	85	85
Renegotiate strategic contracts with large suppliers	0	1,136	1,136
Savings from automating payments and reducing invoice processing	0	120	240
Total	1,243	2,923	3,101
	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<u>People - Education</u>			
Mainstream home to school transport - efficiencies	0	50	500
Non staffing service efficiencies	40	50	50
Central overheads and management and administrative savings	104	135	135
Increase meal charges	25	25	25
Savings in non-school Cleaning Services	30	30	30
Provide Ethnic Minority Achievement Service at level of specific grant	294	294	294
Reduce demand/need for out of county education provision	50	100	100
Schools contribution to Capital Investment	1,400	3,265	3,265
ICT support - School's contribution	466	566	566
Employment training reorganisation	0	121	121
Home to School Transport - change eligibility criteria	138	283	918
Total	2,547	4,919	6,004

Appendix A

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<u>Place</u>			
Management and admin savings - reductions in staff numbers	108	185	185
More cost effective use of Council vehicle fleet	80	100	100
Efficiencies through replacing old street lighting with energy efficient LEDs	400	400	400
Transfer more leisure facilities to not for profit trust	165	265	265
Parks costs reduction	242	831	831
Reduce planning control and design costs	50	100	170
Increase fees (for agency work) and reduce costs	18	36	36
Efficiencies in building management and additional income generation	200	400	400
Reduce subsidy to sports facilities	86	102	102
Residents parking - increase residents' parking areas and introduce fees to cover costs (DEFERRED ONE YEAR). Introduction of parking charges in car parks.	187	187	187
Grand theatre - reduce subsidy	45	95	95
Reduce landfill costs through increased recycling	165	295	295
Withdraw school crossing patrols at sites with controlled crossings	22	22	22
Libraries - Reduce book fund, close Pennard Library and changes to specialist services.	175	272	272
Relocate Tourist Information Centre and review marketing activity	133	133	133
Transfer Swansea Mobility hire to not for profit organisation	0	0	100
Total	2,076	3,423	3,593

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>

People - Poverty and Prevention

Reduce residential and outdoor centre provision to focus resources	40	60	60
Reconfigure Childcare and Early Years Support and childcare apprentice training	19	31	31
Total	59	91	91

Appendix A

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<u>People - Social Services</u>			
Regional efficiencies re Adoption services, Youth Offending prevention, Alcohol and Substance Misuse	79	179	179
Change skill mix of staff providing services for older people, community mental health and learning disabilities	80	155	155
Social Services transport efficiencies	150	300	300
Contract changes and more effective commissioning and support for carers and supporting people	275	552	552
Central overheads and management and administrative savings	246	435	435
Talking Books - become self funding	80	100	130
Older Peoples Day Services - seek alternative operating model	600	1,006	1,006
Develop independent living by reinvesting money released from closure of three residential care homes	500	1,000	1,000
Learning Disability Day Services - seek alternative operating model	200	600	600
Increase supported living and reduce residential care for mental health and learning disability	350	550	550
Residential Long Term care for disabled - move to alternative model of provision	100	200	300
Mental Health Day Services - seek alternative operating model	75	150	150
Llanfair House - move to alternative model of provision	200	250	250
Review and remodel respite care for families with children with disabilities	130	310	310
Total	3,065	5,787	5,917

Medium term Financial Plan

Appendix 'B'

Additional Savings proposals

	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Current workstream savings			
Workforce	-1,500	-2,500	-3,000
Assets	-500	-500	-1,000
Third party spend	-1,000	-1,500	-1,500
Income and Charging	-1,500	-2,000	-2,500
	<hr/>	<hr/>	<hr/>
	-4,500	-6,500	-8,000
Future workstream savings*			
	-500	-2,450	-5,200
	<hr/>	<hr/>	<hr/>
	-5,000	-8,950	-13,200

These workstreams will include:-

- a) Recommissioning
- b) Community Action
- c) Demand Management
- d) Early Intervention
- e) Decommissioning



**Treasury Management Strategy, Prudential Indicators,
Investment Strategy and Minimum Revenue Provision
Policy Statement 2014/15**

Report of the Section 151 Officer

Council – 18th February 2014

TREASURY MANAGEMENT STRATEGY, PRUDENTIAL INDICATORS, INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION POLICY STATEMENT 2014/15

Purpose:	To recommend the Treasury Management Strategy Statement, Prudential Indicators, Investment Strategy and Minimum Revenue Provision Policy Statement for 2014/15.
Policy Framework:	None
Reason for Decision:	To allow for the proper management of the Council's borrowing and investments, to comply with statute, and the adopted CIPFA Prudential Code for Capital Finance in Local Authorities and the Revised CIPFA Treasury Management Code of Practice.
Consultation:	Legal Finance and Access to Services.
Recommendations:	That the: (1) Treasury Management Strategy and Prudential Indicators (Sections 2-7) and (2) Investment Strategy (Section 8) and (3) Minimum Revenue Provision (MRP) Statement (Section 9) be approved
Report Author:	Jeffrey Dong
Finance Officer:	Mike Hawes
Legal Officer:	Tracey Meredith
Access to Services Officer:	Sherill Hopkins

1. Introduction

- 1.1 This strategy statement has been prepared in accordance with the revised CIPFA Treasury Management Code of Practice adopted by this Council in 2010. The Council's Treasury Management Strategy will be received and reviewed annually by Council and there will also be a mid year report providing an interim update. The aim of these reporting arrangements is to

ensure that those with ultimate responsibility for the scrutiny of the Treasury Management function appreciate fully the implications of Treasury Management policies and activities, and that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

1.2 Revised CIPFA Prudential Code

CIPFA has issued a revised Prudential Code which primarily covers borrowing and the Prudential Indicators. Three of these indicators have now been moved from being Prudential Indicators to being Treasury Indicators: -

- authorised limit for external debt
- operational boundary for external debt
- actual external debt.

However, all indicators are to be presented together as one suite. In addition, where there is a significant difference between the net and the gross borrowing position, the risks and benefits associated with this strategy should be clearly stated in the annual strategy report.

1.3 The Local Government Act 2003 requires the Council to have regard to the Prudential Code and to set Prudential and Treasury Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

The Council is required to formally consider the Prudential and Treasury Indicators as detailed in section 2 of this report

1.4 The Act also requires the Council to set out its Treasury Strategy for borrowing and to prepare an Annual Investment Strategy as required by Investment Guidance issued subsequent to the Act. This strategy sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. The management of the Council's Treasury Management activities are in line with the CIPFA Treasury Management Revised Code of Practice.

1.5 The recommended strategy for 2014/15 is based upon a view on interest rates, having considered leading market forecasts provided by the Council's treasury advisor, Capita Asset Services. The overall strategy covers:

- Treasury Limits 2014/15-2017/18
- Prudential / Treasury Indicators
- The current portfolio position
- Prospects for interest rates including a summary of the economic background
- The Borrowing Requirement
- The Borrowing Strategy
 - Gross v Net Debt Position
 - Policy on Borrowing in Advance of Need
- Debt Rescheduling
- The Annual Investment Strategy

- Investment Policy
- Interest Rate Outlook
- Creditworthiness Policy
- Country Limits
- Policy on the Use of External Advisors
- Scheme of Delegation
- Pension Fund Cash
- Minimum Revenue Provision (MRP) Policy Statement

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

2. Treasury Limits 2014/15 to 2017/18

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 income of the Council for the foreseeable future.

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

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

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

- The Operational Boundary :
"...is based on expectations of the maximum external debt of the authority according to probable not simply possible events and being consistent with the maximum level of external debt projected by the estimates...."
- The Authorised Limit :
"..the Authorised Limit must therefore be set to establish the outer

boundary of the local authority's borrowing based on a realistic assessment of the risks. The authorised limit is certainly not a limit that an authority will expect to borrow up to on a regular basis. It is crucial that it is not treated as an upper limit for borrowing for capital expenditure alone since it must also encompass borrowing for temporary purposes..."

- Upper limits for borrowing of fixed and variable rate loans
- Upper limit for investments for over 364 days
- Upper and lower limits for the maturity profile of the Council's debt
- Estimates of the incremental impact of capital investment decisions on Council Tax / Housing rents
- Estimates of the ratio of financing costs to net revenue stream
- Estimates of the capital financing requirement

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

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

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

Treasury / Prudential Indicators						
	2012/13	2013/14	2014/15	2015/16	2016/17	207/18
	£'000	£'000	£'000	£'000	£'000	£'000
	Actual	Probable	Estimate	Estimate	Estimate	Estimate
Capital Expenditure						
GF	51,785	57,106	37,046	20,608	14,252	12,980
HRA	25,303	24,524	38,500	40,000	40,000	40,000
TOTAL	77,088	81,630	75,546	60,608	54,252	52,980
Capital Financing Requirement ***						
GF	305,972	314,852	330,430	334,396	332,615	333,879
Credit Arrangements *	2,337	3,264	2,259	1,351	861	565
HRA	68,995	67,934	66,054	69,933	80,234	91,239
Magistrates' Court **	1,696	1,628	1,563	1,500	1,411	1,383
TOTAL	379,000	387,678	400,306	407,180	415,121	427,066

Authorised limit for external debt	£532,464	£527,220	£500,561	£511,501	£511,501	£511,501
Operational boundary for external debt	£416,464	£445,829	£454,260	£466,501	£466,501	£466,501
Upper limit for fixed interest rate exposure	100%/ £532,464	100%/ £527,220	100%/ £500,561	100%/ £511,501	100%/ £511,501	100%/ £511,501
Upper limit for variable rate exposure	40%/ £212,986	40%/ £210,888	40%/ £200,224	40%/ £204,600	40%/ £204,600	40%/ £204,600
Upper limit for total principal sums invested for over 364 days	£51,000	75,000	40,000	40,000	40,000	40,000

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

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

*** Excludes potential additional borrowing if forecast capital budget shortfalls can not be resolved in future years

Maturity structure of fixed rate borrowing during 2013/14-2017/18		
	Upper limit %	Lower limit %
Under 12 months	50	0
12 months and within 24 months	50	0
24 months and within 5 years	50	0
5 years and within 10 years	85	0
10 years and above	95	15

Ratio of Financing Costs to Net Revenue Stream						
	Actual 2012/13 %	Revised 2013/14 %	Estimate 2014/15 %	Estimate 2015/16 %	Estimate 2016/17 %	Estimate 2017/18 %
General Fund	6.63	6.42	6.55	6.86	6.82	6.92
HRA	9.98	8.99	8.07	8.64	9.95	11.33

Estimates of Incremental Impact of Capital Investment Decisions on Council Tax (Band D) and Council Housing Rents						
	Actual 2012/13 £	Revised 2013/14 £	Estimate 2014/15 £	Estimate 2015/16 £	Estimate 2016/17 £	Estimate 2017/18 £
General Fund	70.50	82.20	85.50	91.10	92.30	97.66
HRA	0.00	0.00	0.00	44.72	113.48	184.06

Gross Debt v Capital Financing Requirement

The gross debt position versus the capital financing requirement is detailed below. The profile below assumes progressive external funding of the internalised borrowing and the budgeted use of reserves as profiled in the revenue budget report.

Comparison of average gross debt and capital financing requirement	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
	actual	probable	estimate	estimate	estimate	estimate
	£'000	£'000	£'000	£'000	£'000	£'000
Average debt (gross)	331,309	324,945	321,345	345,268	367,269	391,291
Capital Financing Requirement	376,663	384,414	398,047	405,829	414,260	426,501
Net Position	45,354	59,469	76,702	60,561	46,991	35,210

3 . The current portfolio position

3.1 The Council's probable debt portfolio position at 31/3/14 comprises:

	Principal outstanding 31 March 2014 £'000	Average rate of Interest %
Public Works Loan Board (fixed)	220,305	6.16
Money Market	98,000	4.10
Temporary	2,046	1.40
TOTAL	320,351	5.51

3.2 The Council's forecast investment portfolio at 31 March 2014 is as follows:

Managed investments	Investments 31 March 2014	2013/14 Estimated Investment Return	2014/15 Estimated Investment Return
	£'000	%	%
Externally Managed	22,529	0.24	0.5
Internally Managed	121,391	0.53	0.5

4. Prospects for Interest Rates

- 4.1 The Council's Treasury advisers (Capita Asset Services) provided the following interest rate forecast for both short term (bank rate) and long term (PWLB) interest rates as at 17th January 2014. There is a downside risk to these forecasts if economic growth proves to be weaker and slower than currently forecast.

Annual Average %	Bank Rate	PWLB Borrowing Rates	
		25 year	50 year
March 2014	0.50	4.40	4.40
June 2014	0.50	4.50	4.50
Sep 2014	0.50	4.50	4.50
Dec 2014	0.50	4.60	4.60
Mar 2015	0.50	4.60	4.70
June 2015	0.50	4.70	4.80
Sep 2015	0.50	4.80	4.90
Dec 2015	0.50	4.90	5.00
Mar 2016	0.75	5.00	5.10

4.2 Economic Background

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

5. The Borrowing Requirement

- 5.1 The Council will have the following net capital borrowing / repayment requirements for 2013/14 to 2017/18 :

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Borrowing and repayment requirements	Actual	Probable	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000	£'000
To finance new capital expenditure by supported borrowing	7,224	6,227	6,297	6,297	6,297	6,297
To finance new capital expenditure supported by Local Authority Government Borrowing Initiative (highways)	1,859	5,060	3,450	-	-	-
To finance new capital expenditure by unsupported borrowing	9,920	15,088	18,707	-	10,258	5,509
To replace loans maturing/repaid prematurely	6,151	6,283	7,323	3,189	286	9,002
Less						
Repayments (MRP)	13,859	14,298	14,834	14,777	14,579	15,033
Set aside capital receipts	716	743	300	300	300	300
NET BORROWING /(REPAYMENT) REQUIREMENT	10,579	17,617	20,643	(5,591)	1,962	5,475
Principal repayment element of finance lease payments	876	1,020	928	569	296	299

- 5.2 The above table details the net borrowing requirement for each financial year. In accordance with the Prudential Code, borrowing must be undertaken in line with a funding plan informed by the projected capital financing requirement. Borrowing may be financed from one or more of Public Works Loan Board loans; Money Market loans or internal loans. The precise choice will depend on market conditions from time to time.
- 5.3 At time of writing, borrowing rates are materially higher than investment rates and it is projected that the remaining borrowing requirement for 2013/14 will be met from internal loans i.e it will be internalised. However, we will continue to appraise market conditions and opportunities to externalise debt when borrowing rates offer long term value during 2014/15 onwards as cashflow requirements dictate.
- Short term savings (by avoiding new long term external borrowing) will be weighed against the potential additional long term extra costs (by delaying unavoidable new external borrowing until later when PWLB long term rates are forecast to be marginally higher).

6. Borrowing Strategy

- 6.1 Long term borrowing rates are expected to be significantly higher than rates available for investment deposits. It is likely that this position will pertain in the short to medium term.
- In addition, the continuing weak economic conditions - exacerbated by the Eurozone crisis - has highlighted the need for caution in managing credit counterparty risk. Clearly there is a risk of a bank / institution defaulting on the payment of interest due or repayment of amounts invested.
- 6.2 Taking the above points together, it is not proposed to undertake any new long term external borrowing for the remainder of 2013/14. The main strategy - with a view to minimising interest costs and the risk of default by counterparties - is therefore to internalise borrowing in the remainder of 2013/14. It will be required to consider externalising the borrowing requirement in 2014/15 as the changing interest rates and cashflow dictate
- We will continue to monitor PWLB rates i.e if rates offer long term value in the context of market rates and the current debt portfolio, then borrowing will be undertaken.
- 6.4 Policy on borrowing in advance of need
The Council has only a limited power to borrow in advance of need.
- In determining whether borrowing will be undertaken in advance of need the Council will;

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

7 **Debt Rescheduling**

7.1 The introduction of different PWLB rates on 1 November 2007 for new borrowing (as opposed to early repayment of debt) and the setting of a spread between the two rates (of about 0.4%-0.5% for the longest period loans narrowing down to 0.25%-0.30% for the shortest loans), has meant that PWLB to PWLB debt restructuring is now much less attractive than before that date.

7.2 Due to short term borrowing rates being expected to be considerably 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

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

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

7.4 Notwithstanding the above, it is not envisaged that there will any debt rescheduling opportunities in the remainder of 2013/14 or 2014/15 in the PWLB portfolio, however there may be opportunities to review the Authority's market debt. All rescheduling decisions will be reported to the Cabinet Member for Finance in the quarter following action.

8. **The Annual Investment Strategy**

8.1 Investment policy

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

- (a) to ensure the security of capital.
- (b) to ensure the liquidity of investments.
- (c) to maximise interest returns 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 Investment instruments identified for use in the financial year are listed in Appendix C under the 'Specified' and 'Non-Specified' Investments categories. Operational investment limits with individual institutions will be as set through the Council's Operational Treasury Management Practices.

8.1.3 Amendments to the arrangements, limits and criteria detailed in Appendix C may be made by the Head of Financial Services and advised to the Cabinet Member for Finance 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 17th January 2014.

8.1.4 The Council retains the services of two external fund managers who manage a portion of the Council's investments. They are Investec Asset Management - who currently have no Council assets under management - and Invesco Investment Management. The fund managers will comply with the Annual Investment Strategy. The fund managers investment criteria are outlined in Appendix C

8.1.5 It is anticipated that the Council will continue to hold externally and internally managed funds during 2014/15 ensuring a suitable spread of investment risks. The performance of the investments for both external funds and internal funds will be reported. The Council has fixed benchmarks against which investment performance will be measured, i.e. the three month (cash fund managers) and 7 day LIBID rate (internally managed).

8.1.6 Interest Rate Outlook:

Bank Rate is forecast by the Council's advisors to remain unchanged at 0.5% before starting to rise in quarter 2 of 2016. Bank Rate forecasts as at 31st March are:

- 2013/ 2014 0.50%
- 2014/ 2015 0.50%
- 2015/ 2016 0.50%
- 2016/ 2017 1.25%

There are upside risks to these forecasts (i.e. start of increases in Bank Rate starts sooner) if economic growth remains strong and unemployment falls faster than expected. However should the pace of growth fall back, there could be downside risk, particularly if BoE inflation forecasts for the rate of fall of unemployment were to prove to be too optimistic.

8.1.7 For its cash flow generated balances, the Council will seek to utilise its business reserve accounts and short-dated deposits (1-3 months) in order to benefit from the compounding of interest. However longer dated deposits will

be made with appropriate counterparties if opportunities arise.

8.1.8 During and following the end of the financial year, the Council will report on its investment activity as part of its Mid Term Treasury Management Report and its Annual Treasury Management Report.

8.2 Creditworthiness Policy

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

Appendix D details Fitch's short and long term ratings.

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 daily 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 Sector 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. Going forward, extreme caution will be required when considering future opportunities to make overseas investments. There are no plans to make overseas investments at this time.

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

8.4 Policy on the use of external advisers

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

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

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

8.5 Scheme of Delegation

The role and responsibilities of the Council, Scrutiny Board, Cabinet Member for Finance and the s151 officer are as follows:

(i) Council

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

(ii) Scrutiny Board

- to scrutinise and provide overview on:
 - Annual Treasury Management Strategy Statement Report & Budget Reports
 - Mid Year Treasury Management Report
 - Annual Treasury Management Report

(iii) Cabinet Member for Finance

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

(iv) Section 151 Officer

- to recommend clauses, Treasury Management policy/practices for approval
- to review the same regularly and monitor compliance
- to submit regular Treasury Management policy reports
- to submit budgets and budget variations

- to receive and review management information reports
- to review the performance of the Treasury Management function
- to ensure the adequacy of Treasury Management resources and skills, and the effective division of responsibilities within the Treasury Management function
- to ensure the adequacy of internal audit, and liaise with external audit
- to recommend the appointment of external service providers

8.6 Pension Fund Cash

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

9. Minimum Revenue Provision Policy Statement

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

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

The previous requirement to make a 2% MRP charge for the Housing Revenue Account share of the Capital Financing Requirement (CFR) is unchanged by this instrument.

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

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

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

The options are detailed at Appendix F.

9.5 The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2008/09 and will calculate the MRP for 2014/15 in accordance

with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act.

- 9.6 The major proportion of the MRP chargeable will relate to the more historic debt liability that will continue to be charged at the rate of 4%, in accordance with option 1 or 2 of the guidance.

Certain expenditure reflected within the debt liability at 31st March 2014 will under delegated powers be subject to MRP under option 3 or 4 which will be charged over a period commensurate with the estimated useful life applicable to the nature of expenditure.

Estimated life periods will be determined under delegated powers. The Section 151 Officer reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

Going forward, it is proposed that all debt arising from capital expenditure supported by the WG will be charged MRP in accordance with option 1 or 2 and all other capital expenditure and other 'capitalised' expenditure will be repaid under option 3 or 4 as deemed most appropriate.

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.

11. Equality Impact Implications

- 11.1 There are no equality impact implications arising from this report

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

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

Appendices:

Appendix A – Glossary of Terms

Appendix B – Treasury Advisors' View On The Economic Background

Appendix C – Investment Criteria for Specified & Non Specified Investments

Appendix D – Credit Rating Agency Definitions

Appendix E – Approved Countries for Investment

Appendix F Minimum Revenue Provision Guidance

Appendix G – Approved Internal Counterparty Lending List

TREASURY MANAGEMENT – GLOSSARY OF TERMS

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

	been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need.
CIPFA	The Chartered Institute of Public Finance and Accountancy. One of the leading professional accountancy bodies in the UK and the only one which specialises in the public services.
Counterparty	The organisations responsible for repaying the Council's investment upon maturity and for making interest payments.
Credit Rating	<p>This is a scoring system that lenders issue people with to determine how credit worthy they are.</p> <p>The Credit Rating components are as follows:</p> <ol style="list-style-type: none"> 1. The AAA ratings through to C/D are long-term rating definitions and generally cover maturities of up to five years, with the emphasis on the ongoing stability of the institution's prospective financial condition. AAA are the most highly rates, C/D are the lowest. This Council does not invest with institutions lower than AA- for investments over 364 days 2. F1/A1/P1 are short-term rating definitions used by Moody's, S&P and Fitch Ratings for banks and building societies based on their individual opinion on an institution's capacity to repay punctually its short-term debt obligations (which do not exceed one year). This Council does not invest with institutions lower than F1/A1/P1 for investments under 364 days.
Debt	For the purposes of the Code, debt refers to the sum of borrowing (see above) and other long-term liabilities (see below). It should be noted that the term borrowing used with the Act includes both borrowing as defined for the balance sheet and other long terms liabilities defined as credit arrangements through legislation.
Discounts	Where the prevailing interest rate is higher than the fixed rate of a long-term loan, which is being repaid early, the lender can refund the borrower a discount. This is calculated on the difference between the two interest rates over the remaining years of the loan, discounted back to present value. The lender is able to offer the discount, as their investment will now earn more than when the original loan was taken out.

Financing Costs	<p>The financing costs are an estimate of the aggregate of the following:-</p> <ul style="list-style-type: none"> • Interest payable with respect to borrowing • Interest payable under other long-term liabilities • Gains and losses on the repurchase or early settlement of borrowing credited or charged to the amount to be met from government grants and local taxpayers (premiums and discounts) • Interest earned and investment income • Amounts required in respect of the minimum revenue provision plus any additional voluntary contributions plus any other amounts for depreciation/impairment that are charged to the amount to be met from government grants and local taxpayers
Financial Reporting Standards (FRSs)	<p>These are standards set by governing bodies on how the financial statements should look and be presented.</p>
Investments	<p>Investments are the aggregate of:-</p> <ul style="list-style-type: none"> • Long term investments • Short term investments (within current assets) • Cash and bank balances including overdrawn balances <p>From this should be subtracted any investments that are held clearly and explicitly in the course of the provision of, and for the purposes of, operational services.</p>
IMF	<p>International Monetary Fund</p>
LOBO (Lender's Option/ Borrower's Option)	<p>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.</p>
London Inter-Bank Bid Rate (LIBID)	<p>The interest rate at which major banks in London are willing to borrow (bid for) funds from each other.</p>
Managed Funds	<p><u>In-House Fund Management</u> Surplus cash arising from unused capital receipts and working cashflows can be managed either by external fund managers or by the Council's staff in-house. The in-house funds are invested in fixed deposits through the money markets for periods up to one year.</p>

	<p><u>Externally Management Funds</u> Fund managers appointed by the Council invest surplus cash arising from unused capital receipts in liquid instruments such as bank certificates of deposit and government stocks. The fund managers' specialist knowledge should ensure a higher rate of earnings on the managed funds than would be otherwise obtained.</p>
Maturity	The date when an investment is repaid or the period covered by a fixed term investment.
Minimum Revenue Provision (MRP)	The amount required by statute to be principal repayment each year.
Monetary Policy Committee (MPC)	This is a body set up by the Government in 1997 to set the repo rate (commonly referred to as being base rate). Their primary target (as set by the Government) is to keep inflation within plus or minus 1% of a central target of 2% in two year time from the date of the monthly meeting of the Committee. Their secondary target is to support the Government in maintaining high and stable levels of growth and employment.
Money Market	<p>Consists of financial institutions and deals in money and credit.</p> <p>The term applied to the institutions willing to trade in financial instruments. It is not a physical creation, but an electronic/telephone one.</p>
Net Borrowing	For the purposes of the Code, net borrowing refers to borrowing (see above) net of investments (see above).
Net Revenue Stream	Estimates for net revenue stream for current and future years are the local authority's estimates of the amounts to be met from government grants and local taxpayers.
Operational Boundary	This is based on expectations of the maximum external debt of the authority according to probable not simply possible – events and being consistent with the maximum level of external debt projected by the estimates. It is not a limit and actual borrowing could vary around this boundary for short periods.
Other Long Term Liabilities	The definition of other long term liabilities is the sum of the amounts in the Council's accounts that are classified as liabilities that are for periods in excess of 12months, other than borrowing (see definition above).

<p>Premature Repayment of Loans (debt restructuring/rescheduling)</p>	<p>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.</p>
<p>Premia</p>	<p>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.</p>
<p>Prudential Code</p>	<p>The Prudential Code is the largely self regulatory framework outlined by CIPFA for managing/monitoring capital investment in local government.</p>
<p>Public Works Loan Board (PWLB)</p>	<p>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.</p>
<p>Risk</p>	<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</p>

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

TREASURY ADVISORS' VIEW ON THE ECONOMIC BACKGROUND

1.2 **UK Economy**

Economic growth. Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth strongly rebounded in 2013 - quarter 1 (+0.3%), 2 (+0.7%) and 3 (+0.8%), to surpass all expectations as all three main sectors, services, manufacturing and construction contributed to this strong upturn. The Bank of England has, therefore, upgraded growth forecasts in the August and November quarterly Inflation Reports for 2013 from 1.2% to 1.6% and for 2014 from 1.7% to 2.8%, (2015 unchanged at 2.3%). The November Report stated that: -

In the United Kingdom, recovery has finally taken hold. The economy is growing robustly as lifting uncertainty and thawing credit conditions start to unlock pent-up demand. But significant headwinds — both at home and abroad — remain, and there is a long way to go before the aftermath of the financial crisis has cleared and economic conditions normalise. That underpins the MPC's intention to maintain the exceptionally stimulative stance of monetary policy until there has been a substantial reduction in the degree of economic slack. The pace at which that slack is eroded, and the durability of the recovery, will depend on the extent to which productivity picks up alongside demand. Productivity growth has risen in recent quarters, although unemployment has fallen by slightly more than expected on the back of strong output growth.

Forward surveys are currently very positive in indicating that growth prospects are also strong for 2014, not only in the UK economy as a whole, but in all three main sectors, services, manufacturing and construction. This is very encouraging as there does need to be a significant rebalancing of the economy away from consumer spending to construction, manufacturing, business investment and exporting in order for this start to recovery to become more firmly established. One drag on the economy is that wage inflation continues to remain significantly below CPI inflation so disposable income and living standards are under pressure, although income tax cuts have ameliorated this to some extent. This therefore means that labour productivity must improve significantly for this situation to be corrected by the warranting of increases in pay rates.

Forward guidance. The Bank of England issued forward guidance in August which stated that the Bank will not start to consider raising interest rates until the jobless rate (Labour Force Survey / ILO i.e. not the claimant count measure) has fallen to 7% or below. This would require the creation of about 750,000 jobs and was forecast to take three years in August, but revised to possibly quarter 4 2014 in November. The UK unemployment rate has already fallen to 7.4% on the three month rate to October 2013 (although the rate in October alone was actually 7.0%). The Bank's guidance is subject to three provisos, mainly around inflation; breaching

any of them would sever the link between interest rates and unemployment levels. This actually makes forecasting Bank Rate much more complex given the lack of available reliable forecasts by economists over a three year plus horizon. The recession since 2007 was notable for how unemployment did NOT rise to the levels that would normally be expected in a major recession and the August Inflation Report noted that productivity had sunk to 2005 levels. There has, therefore, been a significant level of retention of labour, which will mean that there is potential for a significant amount of GDP growth to be accommodated without a major reduction in unemployment. However, it has been particularly encouraging that the strong economic growth in 2013 has also been accompanied by a rapid increase in employment and forward hiring indicators are also currently very positive. It is therefore increasingly likely that early in 2014, the MPC will need to amend its forward guidance by reducing its 7.0% threshold rate and/or by adding further wording similar to the Fed's move in December (see below).

Credit conditions. While Bank Rate has remained unchanged at 0.5% and quantitative easing has remained unchanged at £375bn in 2013, the Funding for Lending Scheme (FLS) was extended to encourage banks to expand lending to small and medium size enterprises. The second phase of Help to Buy aimed at supporting the purchase of second hand properties, will also start in earnest in January 2014. These measures have been so successful in boosting the supply of credit for mortgages, and so of increasing house purchases, (though levels are still far below the pre-crisis level), that the Bank of England announced at the end of November that the FLS for mortgages would end in February 2014. While there have been concerns that these schemes are creating a bubble in the housing market, house price increases outside of London and the south-east have been much weaker. However, bank lending to small and medium enterprises continues to remain weak and inhibited by banks still repairing their balance sheets and anticipating tightening of regulatory requirements.

Inflation. Inflation has fallen from a peak of 3.1% in June 2013 to 2.1% in November. It is expected to remain near to the 2% target level over the MPC's two year time horizon.

AAA rating. The UK has lost its AAA rating from Fitch and Moody's but that caused little market reaction.

THE GLOBAL ECONOMY

The Eurozone (EZ). The sovereign debt crisis has eased considerably during 2013 which has been a year of comparative calm after the hiatus of the Cyprus bailout in the spring. In December, Ireland escaped from its three year EZ bailout programme as it had dynamically addressed the need to substantially cut the growth in government debt, reduce internal price and wage levels and promote economic growth. The EZ finally escaped from seven quarters of recession in quarter 2 of 2013 but growth is likely to remain weak and so will dampen UK growth. The ECB's pledge to buy unlimited amounts of bonds of countries which ask for a bail out has provided heavily indebted countries with a strong defence against market forces. This has bought them time to make

progress with their economies to return to growth or to reduce the degree of recession. However, debt to GDP ratios (2012 figures) of Greece 176%, Italy 131%, Portugal 124%, Ireland 123% and Cyprus 110%, remain a cause of concern, especially as many of these countries are experiencing continuing rates of increase in debt in excess of their rate of economic growth i.e. these debt ratios are continuing to deteriorate. Any sharp downturn in economic growth would make these countries particularly vulnerable to a new bout of sovereign debt crisis. It should also be noted that Italy has the third biggest debt mountain in the world behind Japan and the US. Greece remains particularly vulnerable and continues to struggle to meet EZ targets for fiscal correction. Whilst a Greek exit from the Euro is now improbable in the short term, as Greece has made considerable progress in reducing its annual government deficit and a return towards some economic growth, some commentators still view an eventual exit as being likely. There are also concerns that austerity measures in Cyprus could also end up in forcing an exit. The question remains as to how much damage an exit by one country would do and whether contagion would spread to other countries. However, the longer a Greek exit is delayed, the less are likely to be the repercussions beyond Greece on other countries and on EU banks.

Sentiment in financial markets has improved considerably during 2013 as a result of firm Eurozone commitment to support struggling countries and to keep the Eurozone intact. However, the foundations to this current "solution" to the Eurozone debt crisis are still weak and events could easily conspire to put this into reverse. There are particular concerns as to whether democratically elected governments will lose the support of electorates suffering under EZ imposed austerity programmes, especially in countries like Greece and Spain which have unemployment rates of over 26% and unemployment among younger people of over 50%. The Italian political situation is also fraught with difficulties in maintaining a viable coalition which will implement an EZ imposed austerity programme and undertake overdue reforms to government and the economy. There are also concerns over the lack of political will in France to address issues of poor international competitiveness.

USA. The economy has managed to return to robust growth in Q2 2013 of 2.5% y/y and 4.1% y/y in Q3, in spite of the fiscal cliff induced sharp cuts in federal expenditure that kicked in on 1 March, and increases in taxation. The Federal Reserve therefore decided in December to reduce its \$85bn per month asset purchases programme of quantitative easing by \$10bn. It also amended its forward guidance on its pledge not to increase the central rate until unemployment falls to 6.5% by adding that there would be no increases in the central rate until 'well past the time that the unemployment rate declines below 6.5%, especially if projected inflation continues to run below the 2% longer run goal'. Consumer, investor and business confidence levels have all improved markedly in 2013. The housing market has turned a corner and house sales and increases in house prices have returned to healthy levels. Many house owners have, therefore, been helped to escape from negative equity and banks have also largely repaired their damaged balance sheets so that they can resume healthy levels of lending. All this portends well for a reasonable growth rate looking forward.

China. There are concerns that Chinese growth could be on an overall marginal downward annual trend. There are also concerns that the new Chinese leadership have only started to address an unbalanced economy which is heavily dependent on new investment expenditure, and for a potential bubble in the property sector to burst, as it did in Japan in the 1990s, with its consequent impact on the financial health of the banking sector. There are also concerns around the potential size, and dubious creditworthiness, of some bank lending to local government organisations and major corporates. This primarily occurred during the government promoted expansion of credit, which was aimed at protecting the overall rate of growth in the economy after the Lehmans crisis.

Japan. The initial euphoria generated by “Abenomics”, the huge QE operation instituted by the Japanese government to buy Japanese debt, has tempered as the follow through of measures to reform the financial system and the introduction of other economic reforms, appears to have stalled. However, at long last, Japan has seen a return to reasonable growth and positive inflation during 2013 which augurs well for the hopes that Japan can escape from the bog of stagnation and deflation and so help to support world growth. The fiscal challenges though are huge; the gross debt to GDP ratio is about 245% in 2013 while the government is currently running an annual fiscal deficit of around 50% of total government expenditure. Within two years, the central bank will end up purchasing about Y190 trillion (£1,200 billion) of government debt. In addition, the population is ageing due to a low birth rate and, on current trends, will fall from 128m to 100m by 2050.

CAPITA ASSET SERVICES FORWARD VIEW

Economic forecasting remains difficult with so many external influences weighing on the UK. Major volatility in bond yields is likely to endure as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, and safer bonds.

There could well be volatility in gilt yields over the next year as financial markets anticipate further tapering of asset purchases by the Fed. The timing and degree of tapering could have a significant effect on both Treasury and gilt yields. Equally, while the political deadlock and infighting between Democrats and Republicans over the budget has almost been resolved the raising of the debt limit, has only been kicked down the road. A final resolution of these issues could have a significant effect on gilt yields during 2014.

The longer run trend is for gilt yields and PwLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Increasing investor confidence in economic recovery is also likely to compound this effect as a continuation of recovery will further encourage investors to switch back from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently evenly

weighted. However, only time will tell just how long this period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

The interest rate forecasts in this report are based on an initial assumption that there will not be a major resurgence of the EZ debt crisis, or a break-up of the EZ, but rather that there will be a managed, albeit painful and tortuous, resolution of the debt crisis where EZ institutions and governments eventually do what is necessary - but only when all else has been tried and failed. Under this assumed scenario, growth within the EZ will be tepid for the next couple of years and some EZ countries experiencing low or negative growth, will, over that time period, see a significant increase in total government debt to GDP ratios. There is a significant danger that these ratios could rise to the point where markets lose confidence in the financial viability of one, or more, countries. However, it is impossible to forecast whether any individual country will lose such confidence, or when, and so precipitate a resurgence of the EZ debt crisis. While the ECB has adequate resources to manage a debt crisis in a small EZ country, if one, or more, of the large countries were to experience a major crisis of market confidence, this would present a serious challenge to the ECB and to EZ politicians.

Downside risks currently include:

- UK strong economic growth is currently very dependent on consumer spending and recovery in the housing market. This is unlikely to endure much beyond 2014 as most consumers are maxed out on borrowing and wage inflation is less than CPI inflation, so disposable income is being eroded
- A weak rebalancing of UK growth to exporting and business investment causing a major weakening of overall economic growth beyond 2014
- Weak growth or recession in the UK's main trading partners - the EU and US, depressing economic recovery in the UK
- Prolonged political disagreement over the raising of the US debt ceiling
- A return to weak economic growth in the US, UK and China causing major disappointment in investor and market expectations
- A resurgence of the Eurozone sovereign debt crisis caused by ongoing deterioration in government debt to GDP ratios to the point where financial markets lose confidence in the financial viability of one or more countries and in the ability of the ECB and Eurozone governments to deal with the potential size of the crisis
- The potential for a significant increase in negative reactions of populaces in Eurozone countries against austerity programmes, especially in countries with very high unemployment rates e.g. Greece and Spain, which face huge challenges in engineering economic growth to correct their budget deficits on a sustainable basis
- The Italian political situation is frail and unstable; this will cause major

difficulties in implementing austerity measures and a programme of overdue reforms. Italy has the third highest government debt mountain in the world

- Problems in other Eurozone heavily indebted countries (e.g. Cyprus and Portugal) which could also generate safe haven flows into UK gilts, especially if it looks likely that one, or more countries, will need to leave the Eurozone
- A lack of political will in France, (the second largest economy in the EZ), to dynamically address fundamental issues of low growth, poor international uncompetitiveness and the need for overdue reforms of the economy
- Monetary policy action failing to stimulate sustainable growth in western economies, especially the Eurozone and Japan
- Geopolitical risks e.g. Syria, Iran, North Korea, which could trigger safe haven flows back into bonds

The potential for upside risks to UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- A sharp upturn in investor confidence that sustainable robust world economic growth is firmly expected, causing a surge in the flow of funds out of bonds into equities
- A reversal of Sterling's safe-haven status on a sustainable improvement in financial stresses in the Eurozone
- UK inflation being significantly higher than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields
- In the longer term – an earlier than currently expected reversal of QE in the UK; this could initially be implemented by allowing gilts held by the Bank to mature without reinvesting in new purchases, followed later by outright sale of gilts currently held

APPENDIX C

1. 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	£20M with each counterparty
Term deposits – banks and building societies	Short-term F1,P1,A1, Long-term AA- or UK nationalised banks	In-house and fund managers	£20M with each counterparty/ See 2 and 3 below
Term deposits – Banks nationalised by highly credit rated sovereign countries	Short-term F1,P1,A1, Long-term AA-	In-house and fund managers	£25M with each counterparty/ See 2 and 3 below
Government guarantee on all deposits by high credit rated sovereign countries	AA-	In-house and fund managers	£20M with each counterparty/ See 2 and 3 below
UK Government supported banking sector	AA-	In-house and fund managers	£20M with each counterparty/ See 2 and 3 below

1.1.2 Non-Specified Investments:

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

Instrument	Min Credit/Colour Criteria	Use	Maximum Period	Maximum Investment
Term deposits – UK government (with maturities in excess of 1 year)		In-house	5 years	£30M
Term deposits – other Local Authorities (with maturities in excess of 1 year)		In-house	5 years	£20M with each counterparty
Deposits with banks and building societies covered by UK government guarantee	Short-term F1,P1,A1 Long-term AA-	Fund managers/ in-house	See 2 and 3 below	See 2 and 3 below/£25m with each counterparty
Certificates of deposits issued by banks and building societies covered by UK government guarantee	Short-term F1,P1,A1 Long-term AA-	Fund managers/in house	See 2 and 3 below	See 2 and 3 below/£20m with each counterparty
UK Government Gilts	-	Fund Managers/in house	See 2 and 3 below/5 years	See 2 and 3 below /£20M
Treasury Bills	-	Fund Managers/in house	See 2 and 3 below/5 years	See 2 and 3 below /£20M
Term deposits – banks and building societies (with maturities in excess of 1 year)	Short-term F1,P1,A1 Long-term AA-, or UK nationalised banks	In-house	5 years	£20M with each counterparty
Certificates of deposits issued by banks and building societies	Short-term F1,P1,A1 Long-term AA-,	fund managers/in -house	10 years	See 2 and 3 below/£20M with each counterparty
UK Government Gilts with maturities in excess of 1 year	AAA	Fund Managers/in house	10 years	See 2 and 3 below/£20M with each counterparty
Bonds issued by multilateral development banks	AAA	In-house on a 'buy-and-hold' basis. Also for use by fund managers	5 years 10 years	£20M with each counterparty and See 2 and 3 below
Bonds issued by a financial institution which is guaranteed by the UK government	-	In-house on a 'buy-and-hold' basis.	5 years	£20M with each counterparty

		Also for use by fund managers	10 years	See 2 and 3 below
Sovereign bond issues (i.e. other than the UK govt)	AAA	In- house Fund Managers	5 years 10 years	£20M with each counterparty See 2 and 3 below
Corporate Bonds : [under SI 1010 (W.107)]	Long-term AA-	In- house Fund Managers	5 years 10years	£20M with each counterparty See 2 and 3 below
Gilt Funds and Bond Funds	Long-term AA-	In- house Fund Managers	5 years 10years	£15M See 2 and 3 below
Money Market Funds	AAA	In- house Fund Managers	n/a n/a	£20M See 2 and 3 below
Property funds	-	Fund managers	n/a	£20M See 2 and 3 below
Floating Rate Notes	Long-term AA-	Fund managers	10 years	See 2 and 3 below
Treasury Bills	N/A	Fund Managers	10 years	See 2 and 3 below
Local authority mortgage guarantee scheme	Short-term F1,P1,A1 Long-term AA-,	In-house	10 years	£20m with each counterparty
Fixed term deposits with variable rate and variable maturities				
1. Callable deposits	Short-term F1,P1,A1 Long-term AA-,	In-house and fund managers	5/10 years	£20m with each counterparty /see 2 and 3 below
2. Range trade accrual (see glossary)	Short-term F1,P1,A1 Long-term AA-,	In-house and fund managers	5/10 years	£20m with each counterparty /see 2 and 3 below
3. Snowballs (see glossary)	Short-term F1,P1,A1 Long-term AA-,	In-house and fund managers	5/10 years	£20m with each counterparty /see 2 and 3 below

1.2 The Council's external fund managers will comply with the Annual Investment Strategy. The agreements between the Council and the

fund managers additionally stipulate guidelines and duration and other limits in order to contain and control risk.

- 1.3 The Council uses a combination of Fitch, Standard & Poor and Moody's (credit rating agency) ratings to derive its criteria. All credit ratings will be monitored daily. The Council is alerted to changes in ratings through its use of its adviser's 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.

2. **Investment Criteria - Invesco**

- 2.1 The Fund will normally be invested in short term fixed interest rate deposits and certificates of deposit carrying interest rates of up to one year or debt instruments guaranteed by the UK government and also AAA rated money market funds. At any given time, a maximum of 50% of the portfolio by market value may be invested in negotiable securities carrying rates of interest for periods of over one year from the date of investment.
- 2.2 The maximum exposure to any one counter party is not to exceed 10% of the fund value or £2,000,000 whichever is the lower with the exception of money market funds where the whole balance may be invested therein. Variances to be agreed by the Head of Financial Services.
- 2.3 The average duration of the investments for the fund shall not exceed 3 years, with the maximum maturity of any individual investment shall not exceed 10 years.
- 2.4 The fund will only lend to counterparties on the Invesco Standard lending list. The minimum criterion for the same is:
 - Short term rating of A1, F1, P1 from the credit ratings agencies Moody's Fitch and Standard and Poor.
 - Long term rating of AA- from Standard and Poor or equivalent from Moody's or Fitch.
 - Invesco reserve the right to amend the standard lending list if internal research generated supports such a move.

N.B if there is a variation in ratings between agencies for a particular counterparty the lowest rating will be applied.

3. **Investment Criteria – Investec**

Note – Investec currently have no Council assets under management.

- 3.1 The managed fund will normally be invested in investments or deposits carrying rates of interest fixed for up to one year from the date of purchase. However, at any given time, a maximum of 50% of the nominal value of the managed fund may be invested in securities carrying interest rates fixed for periods between one and ten years and within this 50%, 20% of the nominal value of the managed fund may be invested in securities carrying interest rates fixed for periods of longer than ten years.
- 3.2 The average duration of the investments for the fund shall not exceed 3 years, with the maximum maturity of any individual investment shall not exceed 10 years.
- 3.3 The maximum exposure to any one counterparty is not to exceed 10% of the fund value or £2,000,000 whichever is the lower. Variances to be agreed by the Head of Financial Services
- 3.4 The fund will only lend to counterparties on the Investec standard lending list. The minimum criterion for the same is:
- Short term rating of F1 as specified by the Fitch credit ratings agency or equivalent
 - Long term rating of AA- or better as specified by Fitch credit ratings agency or equivalent

APPENDIX D

Fitch International Long-Term Credit Ratings

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

Investment Grade	Definition
AAA	Highest credit quality. 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.
AA	Very high credit quality. 'AA' ratings denote expectations of very low credit risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A	High credit quality. 'A' ratings denote expectations of low credit risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.
BBB	Good credit quality. 'BBB' ratings indicate that there are currently expectations of low credit risk. The capacity for payment of financial commitments is considered adequate but adverse changes in circumstances and economic conditions are more likely to impair this capacity. This is the lowest investment grade category.
Speculative Grade	Definition
BB	Speculative. 'BB' ratings indicate that there is a possibility of credit risk developing, particularly as the result of adverse economic change over time; however, business or financial alternatives may be available to allow financial commitments to be met. Securities rated in this category are not investment grade.
B	Highly speculative. <ul style="list-style-type: none"> • For issuers and performing obligations, 'B' ratings indicate that significant credit risk is present, but a limited margin of safety remains. Financial commitments are currently being met;

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

Fitch International Short-Term Credit Ratings

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

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

Approved Countries for Investment

AAA

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

AA+

- Hong Kong
- U.S.A.
- U.K.
- Netherlands

AA

- Abu Dhabi (UAE)
- Qatar
- France

AA-

- Belgium
- Saudi Arabia

MINIMUM REVENUE PROVISION

1. Government Guidance

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

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

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

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

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

Option 1: Regulatory Method

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

Option 2: Capital Financing Requirement Method

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

Option 3: Asset Life Method.

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

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

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

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

There are two methods of calculating charges under option 3:

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

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

$A - B$ divided by C

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

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

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

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

Asset life - the MRP guidance makes it clear that the estimated life of an asset should be determined in the year MRP commences and should not subsequently be revised.

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

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

Option 4: Depreciation Method

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

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

2. Date of implementation

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

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

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

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

APPENDIX G

Active Internal Credit UK Counterparty List (as at 17th January 2014)

Institution	Country	Bank/BS	Fitch Ratings		
			S Term	Support	L Term
Bank of New York Mellon	UK	Bank	F1+	1	AA-
Bank of Scotland	UK	Bank	F1	1	A
Barclays	UK	Bank	F1	1	A
Credit Suisse International	UK	Bank	F1	1	A
Goldman Sachs International Bank	UK	Bank	F1		A
HSBC	UK	Bank	F1+	1	AA-
Lloyds TSB	UK	Bank	F1	1	A
MBNA Europe	UK	Bank	F1	1	A-
National Westminster	UK	Bank	F1	1	A
Nationwide	UK	BS	F1	1	A
Royal Bank of Scotland	UK	Bank	F1	1	A
Santander	UK	Bank	F1	1	A
Standard Chartered Bank	UK	Bank	F1+	1	AA-
Sumitomo Mitsui Banking Corporation	UK	Bank	F1	1	A-
UBS Ltd	UK	Bank	F1	1	A
Debt Management Office	UK				
Local Authorities	UK				



**Housing Revenue Account (HRA) – Revenue Budget
2014/15**

Report of the Section 151 Officer and the Corporate Director Place

Council – 18th February 2014

HOUSING REVENUE ACCOUNT (HRA) REVENUE BUDGET 2014/15

Purpose:	This report proposes a Revenue Budget for 2014/15 and a rent increase for properties within the HRA.
Policy Framework:	None.
Reason for Decision:	To agree a revenue budget as indicated and a rent increase for 2014/15.
Consultation:	Cabinet Members, Finance, & Legal
Recommendations:	The following budget proposals be approved: a) Rents be increased in line with the Welsh Government guideline as detailed in section 4. b) Fees, charges and allowances are approved as outlined in section 4. c) The revenue budget proposals as detailed in section 4.
Report Author:	K. Lawrence
Finance Officer:	K. Lawrence
Legal Officer	T. Meredith
Access to Services Officer	Phil Couch

1. Introduction

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

- the requirement to achieve the Welsh Housing Quality Standard (WHQS);
- the effects and restrictions of the housing subsidy system;
- future income and expenditure trends;
- delivering service efficiencies;
- increases to guideline rents advised by the Welsh Government (WG);
- the effect on tenants of rent increases;

1.2 The proposals in this report are based on the objective of maximising the resources available for investment in the housing stock to make progress in achieving the WHQS.

2. Projected Revenue Outturn 2013/14

- 3.1 An updated assessment of forecast spending in 2013/14 is subject to a separate report on this agenda. This forecasts an underspend of £3m due to savings and slippage on the capital programme of £3.3m, plus an underspend of £400,000 on the bad debt provision due to a less than expected increase in rent arrears, less projected revenue overspends mainly on repairs and maintenance. These issues have been taken into account in the proposals for future years budgets.

3. Housing Revenue Account Subsidy

- 3.1 The production of the annual HRA budget is heavily impacted by the control that the WG has over the resources available. The control is exercised through the use of the Housing Subsidy system. The abolition of this system is expected to take place in April 2015, but at this time the proposals are based on the continuation of the current system.
- 3.2 The calculation of the amount of negative housing subsidy payable by local authorities is made by the WG. The calculation is based on a notional HRA which includes an assumed level of rent known as the guideline rent. The draft increase in the guideline rent for Swansea assumed by the WG in respect of 2014/15 is £2.61 – this is based on the WG recently amended policy of basing rent increases on CPI plus 1.5% (changed from RPI plus 2% until convergence).
- 3.3 The subsidy formula also includes a notional management and maintenance allowance. The draft increase in this allowance for 2014/15 is 6%.
- 3.4 The net effect of these two assumptions is an estimated reduction of £100,000 in Swansea's negative subsidy payment to the WG next year, and it enables the Council to set a rent increase of up to 3.68% and retain all of the resulting increased rent income (£1.75m).

4. Revenue Budget Proposals 2014/15

4.1 Overview

The main changes to the current year are an increase in rent and other income of £1.75m mainly arising from the proposed rent increase, and an increase of £1.1m in the revenue maintenance budget. This results in a projected surplus on the HRA next year of £15.25m. This will contribute towards an increase in the capital programme which is planned to increase from an original programme in the current year of £30m to £38.5m next year. The main changes from the 2013/14 budget are shown in the following table:-

Item	£000
Additional income including a 3.68% rent increase	-1,750
Reduced negative subsidy budget	-100
Increased maintenance costs on void properties	550
Increased day to day maintenance	550
Efficiency savings	-250
Reduction in capital financing charges	-150
1% pay award	100
Single status salary increase	150
Contribution from reserves	-250
Other cost reductions	-50
Increased investment to meet WHQS	1,200

4.2 *Rent Income*

To ensure that the authority and tenants maximise the benefit from the subsidy system, and that the maximum resources are available to invest in meeting the WHQS, it is recommended that the WG guideline rent increase be adopted. This means an average rent increase of £2.61 per week (3.68%) – this compares with the average guideline increase for Wales of 4.2% specified by the WG. This will result in additional rent and associated income next year of £1.75m.

4.3 *Inflation*

Provision has been included in the budget for a 1% annual pay increase from April. Other budgets, in particular repairs and maintenance and utility costs have been based on the latest prices.

4.4 *Capital Financing Charges*

There is a projected reduction in capital financing charges of £150,000 mainly due to a lower interest charge due to lower debt outstanding.

4.5 *Fees, Charges and Allowances*

General fees, charges and allowances are normally increased either in line with the Authority's own inflation assumption, or in line with the agreed rent increase. If the recommendations relating to the rent increase are approved then these rent related items will increase by 3.68% and other charges by 2.5%.

4.6 *Contributions to the Capital Programme*

The additional income enables a real increase of £1.2m to be made in the contribution from the revenue account to the capital programme. The estimated contribution for next year is £15.5m.

4.7 *Efficiency Savings*

The long term Business Plan assumes 1% efficiency savings on management and maintenance costs each year. In addition to staff reductions achieved each year through the ER/VR process, a review is being carried out to identify both short term and long term improvements.

4.8 *Revenue Maintenance Costs*

There is an increased provision for maintenance work on responsive repairs of £550,000 and on void properties of £550,000. In terms of response repairs, this is an increase in the allowance for anticipated demand. Projected demand over the longer term will be assessed and will be taken into account as part of the development of longer term efficiency savings referred to in paragraph 4.7. In terms of the increase in budget for voids, the number of end of tenancies was higher than anticipated in 2013/14, a trend that is likely to continue in 2014/15.

4.9 *Single Status*

The estimated cost of HRA staff gaining through job evaluation is £150,000. This cost will reduce over the next two years by £100,000 as protection ceases.

5. **Risks and Uncertainties**

- 5.1 The main risks and uncertainties for next year are a potential pay rise, the level of inflation, and risks around productivity, system changes and charging methods pending the potential removal of bonus schemes, but steps will be taken to manage this risk.

6. Reserves

- 6.1 The HRA balance at the start of this year was £14m and at the end of the current year it is estimated to be £13.5m. A reasonable contingency level is considered to be £4m. It is therefore proposed that £9m is used next year to finance capital expenditure, and £250,000 for revenue expenditure. The reserves position is detailed in Table B.

7. Equality Impact Assessments

- 7.1 Proposals for changing levels of funding in specific areas have been subject to a screening process. Service managers have considered the implications of proposed budgetary decisions and believe that the proposed budget protects the most vulnerable and will not disproportionately impact on protected groups.

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.

Appendix	Table A: Summarised HRA 2013/14 to 2014/15 Table B: Movement in Balances 2013/14 to 2016/17
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Background Papers: None

Contact Officers: Kim Lawrence, Group Accountant, Tel 637431
David Evans, Housing Business Manager, Tel 635795

Table A: Summarised HRA 2013/14 to 2014/15

Classification	Budget 2013/14	Budget 2014/15
	£'000	£'000
<u>Expenditure</u>		
Management and Maintenance (see note)	25,763	28,310
Capital Charges	4,815	4,665
Revenue Funding for capital schemes	19,300	24,500
Negative subsidy	5,675	5,575
Total Expenditure	55,553	63,050
<u>Income</u>		
Rents and other income	52,053	53,800
Use of balances	3,500	9,250
Total Income	55,553	63,050

Note

£1.5m of the increase in management and maintenance is a technical adjustment arising from a change in the charging mechanism due to the proposed implementation of single status. This will be offset by a reduction of £1.5m in the capital programme.

Table B: Movement in Balances 2013/14 to 2016/17

Description	£000's
Balance at 1 st April 2013	13,958
Budgeted use 2013/14	-500
Forecast balance 31st March 2014	13,458
Budgeted use 2014/15	-9,250
Forecast balance 31st March 2015	4,208



**Housing Revenue Account - Capital Budget & Programme
2014/15 – 2017/18**

Report of the Section 151 Officer & the Director of Place

Council – 18th February 2014

HOUSING REVENUE ACCOUNT - CAPITAL BUDGET & PROGRAMME 2014/15 – 2017/18

Purpose	This report proposes a capital budget for 2014/15 – 2017/18
Policy Framework:	None
Reason for Decision:	To agree a revised budget for 2013/14 and a budget for 2014/15 – 2017/18
Consultation:	Legal, Finance & Access to Services
Recommendation(s):	It is recommended that: 1) The transfers between schemes and the revised budgets for schemes in 2013/14 be approved. 2) The budget proposals for 2014/15 - 2017/18 be approved. 3) That, where individual schemes in Appendix B are programmed over 2, 3 or 4 years, then these are committed and approved and that their financial implications for funding over subsequent years are approved. 4) Authorisation is granted to officers to submit planning applications in relation to capital repair schemes on Council owned land where planning permission is considered necessary.
Report Author:	Steve Matthews
Finance Officer:	Steve Matthews
Legal Officer:	T Meredith
Access to Services Officer	Phil Couch

1.0 Introduction

1.1 This report details:

- Revised Housing Revenue Account (HRA) capital expenditure and financing proposals in 2013/14
- HRA Capital expenditure and financing proposals in 2014/15 – 2017/18

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

- Appendix A: Summary of capital expenditure and financing 2013/14 - 2017/18
- Appendix B: A detailed breakdown of the capital budget for 2013/14 – 2017/18
- Appendix C: Scheme descriptions

2.0 Capital Budget 2013/14 – 2017/18

- 2.1 The total programme for this current year is £31.96m i.e. an original budget of £30m plus slippage from 2012/13 of £1.96m. Slippage from this current year into 2014/15 is principally to fund the refurbishment of six highrise blocks of flats in the Town Centre, Penlan and Sketty areas. Total spending in this current year projected to remain at £24.524m. Notwithstanding the high rise projects, the majority of all other projects are complete in 2013/14, although a small element of under spend may exist due to a range of reasons including retentions retained for the defects liability period and some under spends on completed projects. Any projects not currently complete will be completed within the early part of the 2014/2015 financial year. Notwithstanding these, the anticipated spend against profile for 13/14 (excluding high rise) will be in excess of 95% of the overall budget and if where under spend has occurred officers have mitigated these by bringing other priority work forward to compensate. Transfers and changes to the 2013/14 budget are reflected and detailed in Appendix B.
- 2.2 To make use of savings in this current year's programme, the following schemes will be advanced:
- British Iron and Steel Federation (BISF) Houses Gendros (£208k). The contract will be extended to bring forward 10 dwellings with the rest being completed in 2014/15.
 - Boiler Replacement (£600k). Additional properties will be added to this year's programme.

3.0 High Rise Refurbishment Programme

- 3.1 Included in the long term programme of improving the stock up to the WHQS is the refurbishment of the high rise blocks with initial focus on the following six:
- 2 blocks at Mathew Street, Dyfatty
 - 3 blocks at Clyne Court, Sketty Park
 - 1 block at Jeffreys Court, Penlan
- 3.2 The original proposals were first put forward prior to the development of a financial plan to secure the improvement of the stock up to WHQS by 2020. At that time, and in keeping with the aim for the entire stock, the proposals were to ensure the long term structural stability of the blocks and where possible, increase their thermal efficiency. The approved budget reflected this aim.
- 3.3 A two stage method has been used to procure the works, a process which is commonly adopted in such large complex schemes. This allows for the appointment of expert contractors at stage one and then to work collaboratively with them on more detailed technical appraisals, final specifications and cost plans during the pre construction phase.

3.4 The multi storey blocks are complex structures and as part of this pre construction work, up to 24 different types of surveys were undertaken to fully identify the true scope of repairs and the likely costs. These assessments have ranged from invasive structural investigations on the integrity of the blocks, to bat and ecological surveys. As a result, extra structural works have been identified over and above those contained within the original brief.

3.5 In addition and in keeping with the revised aim to meet the WHQS by 2020, the scope of the work has been extended to include:

- renewal of the kitchens and bathrooms;
- renewal of above ground drainage;
- electrical rewiring of the blocks;
- renewal of the mechanical ventilation;
- external design features;
- reconfiguration of some flats from 3 bedroom to 2 bedroom;
- additional accommodation to the ground floors in the Mathew Street blocks;
- upgrades to the CCTV facilities;
- enclosure of the external access balconies;
- improvements to the entrances;
- laundry facilities at Clyne Court;
- Improvements and added facilities in the immediate environment of the blocks.

3.6 The combination of all the above items will secure the long term structural stability of the blocks and ensure that all the flats meet the requirements of the Welsh Housing Quality Standard. It should also be noted that many of the items are not necessarily additional to the overall WHQS proposals and funding will have been allowed for in the long term Business Plan. The opportunity has therefore been taken to bring forward items for completion at the same time as other significant works, rather than later in the programme.

3.7 As a result and in order to proceed, the approved budget will need to be revised as follows:

	2013/14 (£000)	2014/15 (£000)	2015/16 (£000)	2016/17 (£000)	Total (£000)
Current approved budget for all 3 locations	5,385	8,786	2,600	0	16,771
Revised budget requirement for all 3 locations	1,149	13,327	14,041	5,386	33,903
Balance	4,236	- 4,541	- 11,441	- 5,386	-17,132

3.8 These adjustments have been reflected in the overall programme set out in Appendix B.

3.9 Whilst an option appraisal has been undertaken in relation to the proposed refurbishment of the high rise blocks which demonstrated that this is the most cost effective and feasible option to meet the Welsh Housing Quality Standard and represents value for money, given the scale of the proposed

investment the appraisal will be updated prior to the implementation of this scheme.

4.0 2014/15 – 2017/18

- 4.1 The proposed four year capital programme and the priorities of the various schemes have been developed in line with the HRA Business Plan and reflect the results of a stock condition survey. In addition, the programme contributes towards the Council's strategic aim of improving homes up to the Welsh Housing Quality Standard (WHQS).
- 4.2 Schemes detailed in Appendix C contribute towards the key components of the Welsh Housing Quality Standard as follows:

In a Good State of Repair

Dwellings must be structurally stable; free from damp and disrepair with key building components being in good condition – roofs, walls, windows, doors and chimneys.

Safe and Secure

Dwellings should be free from risks that could cause serious harm and should be secure in key areas of the home. Heating and electrical systems to be up to date and safe; doors and windows to provide good levels of security; risk of falls from height to be prevented; fire safety measures to be in good condition and well designed.

Adequately Heated, Fuel Efficient and Well Insulated

Dwellings must be capable of being heated adequately by ensuring heating systems are fuel efficient and properties well insulated.

Contain Up to Date Kitchens and Bathrooms

Kitchen and bathroom facilities are to be relatively modern and in good condition; sufficient to meet the needs of the household and well laid out to prevent accidents.

Located in Attractive and Safe Environments

Homes should be located in environments that residents can relate to and in which they are proud to live. Improvements will be required to ensure areas within the curtilage of properties are safe and communal areas and the wider shared environment is safe and attractive.

Suit the Specific Requirements of the Household

The requirement is that homes meet the necessary requirements for their occupants in terms of room sizes, ensuring necessary facilities such as kitchens and bathrooms are sufficient and where required, adaptations are undertaken for persons with disabilities.

5.0 Target Areas

- 5.1 The programme also reflects the Council's policy on target areas with £37m of the proposed programme earmarked over the four year reporting period for the following schemes:
- In the Castle Ward, it is proposed that a programme to refurbish the highrise blocks which will include kitchen and bathroom renewal is

undertaken to Matthew Street and Croft Street. This work will cover 4 highrise blocks and cost approximately £19 million.

- In the Townhill Ward, it is proposed that enveloping works are continued in the Mayhill area. These works will encompass 380 homes at a total cost of approximately £6.2 million.
- In the Penderry Ward, it is proposed that enveloping works are undertaken in the Penlan area. These works will encompass 328 homes at a total cost of approximately £5.3 million.

5.2 In addition, elements of schemes in the wider programme will occur in target areas. Overall, 24% of the proposed programme expenditure will be used to support schemes in target areas.

6.0 Financing of HRA Capital Budget 2014/15 - 2017/18

6.1 The attached capital budget proposals will be funded by Major Repair Allowance (MRA) grant, revenue contributions, borrowing and capital receipts. Details are set out in Appendix A.

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 MRA grant, future rent increases (which are determined by WG) and the potential effect of Welfare Reform on levels of income.

8.0 Equality and Engagement Implications

8.1 Tenants and leaseholders have been engaged as part of the Council's Tenant Participation Strategy. There are no equality implications associated with the recommendations of this report, since this deals with the financial aspects of agreeing a budget for the scheme. Individual projects will take account of specific equality issues.

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 WG and revenue contributions from the Housing Revenue Account. There are no financial implications for the Council General Fund.

10.2 Implicit in the report is additional borrowing of £37m to fund the specific programme up until 2017/18 which has the potential to rise to some £85m by 2020.

10.3 The maximum proposed level of borrowing of £85m will result in additional estimated annual principal and interest charges of approximately £6m (reducing over time). This is affordable on the assumptions that:-

- rents continue to rise by 1.5% more than CPI inflation up to 2020;
- the effects of the abolition of housing subsidy are as expected;
- principal repayments remain at the statutory 2%;
- MRA grant continues to be paid at the current level of £9m per year;

10.4 Based on the above assumptions the annual surplus on the HRA after the achievement of WHQS in 2020 is estimated to average £10m even after funding the additional debt charges and contributing £14m per year to the capital programme (the estimated amount in addition to the MRA required to maintain the stock post 2020), and assuming no real increases in rents after 2020.

10.5 The estimated HRA position post 2020 would therefore appear to have substantial room to accommodate adverse effects of welfare reform and increases in interest rates.

10.6 The amount to be borrowed each year will need to be appraised each year to ensure it is consistent with the capital expenditure in each year and is affordable in each year. The actual borrowing profile will be in line with long term best value and best treasury management practice and may well be in advance of or succeed actual spending requirements as cash flows dictate.

Background Papers

None

Appendices

Appendix A: Summary of Capital Expenditure and Financing 2013/14 to 2017/18

Appendix B: A detailed breakdown of the capital budget for 2013/14 - 2017/18

Appendix C: Scheme descriptions

Contact Officer: Steve Matthews

☎ 01792 636478

File Reference – Housing Capital Programme 2014/15

Summary of HRA Capital Budget and Programme 2013/14 to 2017/18						
	2013/14	2014/15	2015/16	2016/17	2017/18	Total
Good State of Repair						
Wind and weatherproofing	5,958	6,104	5,100	4,570	3,400	25,132
System built houses and highrise Blocks	4,457	16,679	16,491	10,076	7,900	55,603
Roofing	704	1,409	624	1,864	1,050	5,651
Windows, doors and general repairs	3,638	950	915	1,240	870	7,613
Safe and Secure						
Fire Safety	1,040	855	1,000	950	450	4,295
Electrical Rewiring	1,268	1,668	1,300	1,150	1,050	6,436
Adequately Heated, Fuel Efficient & Well Insulated						
Heating Systems	2,498	2,745	2,250	2,250	2,250	11,993
Energy Efficiency and Grant Support	492	360	250	250	250	1,602
Contain Up to Date Kitchens and Bathrooms						
Kitchens and Bathrooms	1,039	3,566	7,900	10,450	12,400	35,355
Located in Attractive and Safe Environments						
Environment - Within the Curtilage	130	664	750	2,300	4,780	8,624
Estate Based Environment	50	250	420	1,900	2,600	5,220
Meeting Requirements of the Household						
Adaptations	3,250	3,250	3,000	3,000	3,000	15,500
Total	24,524	38,500	40,000	40,000	40,000	183,024

Financed By:	2013/14	2014/15	2015/16	2016/17	2017/18	Total
Welsh Government Grant – Major Repairs Allowance	9,200	9,000	9,000	9,000	9,000	45,200
Contribution from the Housing Revenue Account	15,324	15,500	18,000	18,000	18,000	84,824
Use of Housing Revenue Reserves	0	9,000	0	0	0	9,000
Borrowing	0	0	11,000	13,000	13,000	37,000
Capital Receipts	0	5,000	0	0	0	5,000
Contributions	0	0	2,000	0	0	2,000
Total	24,524	38,500	40,000	40,000	40,000	183,024

HRA CAPITAL PROGRAMME	2013/14 to 2017/18					Appendix B	
	2013/14 Original	2013/14 Revised £'000	2014/15 Original £'000	2015/16 Original £'000	2016/17 Original £'000	2017/18 Original £'000	TOTAL £'000
SCHEME/PROJECT							
Current Schemes							
Wind & Weatherproofing, Maes Glas Flats	42	43					43
Wind & Weatherproofing, 10/11 Stembridge Phase 2	11	12					12
Wind & Weatherproofing, 11/12 West Cross/Gower	1	1					1
Wind & Weatherproofing, 11/12 Heol Gwyrosydd	292	270					270
Wind & Weatherproofing, 11/12 Mayhill Phase 8	63	55					55
Wind & Weatherproofing, 12/13 West Cross	22	23					23
Wind & Weatherproofing, 12/13 Colbourne Tce	71	49					49
Wind & Weatherproofing, 12/13 New Street Flats	995	699	106				805
Wind & Weatherproofing, 13/14 Gelli Gardens	500	376	10				386
Wind & Weatherproofing, 13/14 Bonymaen	554	520	13				533
Wind & Weatherproofing, 13/14 Weig Gdns	450	501	12				513
Wind & Weatherproofing, 11/12 Winch Wen	78	131	29				160
Wind & Weatherproofing, 13/14 Winch Wen	1,252	767	684				1,451
Wind & Weatherproofing, 13/14 West Cross	350	160	137				297
British Iron & Steel Federation (BISFs) Houses, Penlan Phase 4	192	236					236
British Iron & Steel Federation (BISFs) Houses, Penlan Phase 5	874	846	26				872
British Iron & Steel Federation (BISFs) Houses, Gendros	206	210	24				234
Pre-cast Reinforced Concrete (PRCs) Properties, Gowerton	115	77	5				82
Pre-cast Reinforced Concrete (PRCs) Properties, Orlit Houses							
Design/Surveys	282	277	11				288

SCHEME/PROJECT	2013/14 Original	2013/14 Revised £'000	2014/15 Original £'000	2015/16 Original £'000	2016/17 Original £'000	2017/18 Original £'000	TOTAL £'000
Pre-cast Reinforced Concrete (PRCs) Houses, Llangyfelach	17	8					8
Wimpey No Fines (WNFs) Properties, Blaenymaes	4	5					5
Wimpey No Fines (WNFs) Properties, Trallwn 11/12	25	25					25
Wimpey No Fines (WNFs) Properties, Trallwn 12/13	213	89	26				115
Wimpey No Fines (WNFs) Properties, Clase Phase 2	2	0					0
Wimpey No Fines (WNFs) Properties, Blaenymaes	10	10					10
Hawksley Bungalows, Gendros	371	444	11				455
Pitched Roof Renewal 12/13, Programme,	84	69	13				82
Pitched Roof Renewal, Pantycelyn Rd	250	183	6				189
Pitched Roof Renewal, Hawthorne Ave	334	312	77				389
Pitched Roof Renewal, Garage Site Dyfatty		0					0
Weatherboards 12/13, Waunarlwydd	5	11					11
Weatherboards 12/13, Penlan	7	7					7
Weatherboards 12/13, Waun Wen		-2					-2
Weatherboards 12/13, Gelli Gdns	3	6					6
Weatherboards 12/13, Sketty Park	50	62					62
Weatherboards 12/13, Gower	30	28					28
Weatherboards 12/13, Three Crosses	12	12					12
Weatherboards 12/13, Ty Dewi Sant	5	6					6
Weatherboards 12/13, Felindre	1	1					1
Weatherboards 12/13, Garnswllt	1	1					1
Weatherboards 12/13, Loughor	4	4					4
Weatherboards 12/13, Llys y Coed	12	12					12
Weatherboards 13/14	1,120	1,899					1,899

SCHEME/PROJECT	2013/14 Original	2013/14 Revised £'000	2014/15 Original £'000	2015/16 Original £'000	2016/17 Original £'000	2017/18 Original £'000	TOTAL £'000
Door Replacement 12/13, Fforesthall	6	6					6
Door Replacement 12/13, Llys Gwalia		-2					-2
Door Replacement 12/13, Maes Yr Efail, Gorseinon		-1					-1
Door Replacement 12/13, Landore	1	1					1
Door Replacement 12/13, Penlan	2	2					2
Door Replacement 12/13, Portmead	23	22					22
Door Replacement 12/13, Winch Wen	2	2					2
Door Replacement 12/13, Clase	2	2					2
Door Replacement 12/13, Fforesthall and Blaenymaes	1	1					1
Door Replacement 12/13, Gowerton	9	8					8
Door Renewal Programme 13/14	1,200	931					931
Structural Repairs, Riverbank Garnswllt	28	28					28
Structural Repairs 13/14	556	531					531
Lift replacement programme	6						
Electrical Rewiring 11/12, Eastside/Townhill	5	5					5
Electrical Rewiring 11/12, Gorseinon Phase 1	5	5	7				12
Electrical Rewiring 11/12, Gorseinon Phase 2	6	6					6
Electrical Rewiring 11/12, Sketty/West Cross	5	5					5
Electrical Rewiring 11/12, Morryston Penlan Blaenymaes	4	4					4
Electrical Rewiring 12/13, Clydach	60	51	2				53
Electrical Rewiring 12/13, Penlan Phase 1	92	118					118

SCHEME/PROJECT	2013/14 Original	2013/14 Revised £'000	2014/15 Original £'000	2015/16 Original £'000	2016/17 Original £'000	2017/18 Original £'000	TOTAL £'000
Electrical Rewiring 12/13, Penlan Phase 2	70	10	5				15
Electrical Rewiring 12/13, Ravenhill/Penlan	48	59	2				61
Electrical Rewiring 12/13, Townhill	90	45	5				50
Electrical Rewiring 12/13, Townhill & Penlan	101	45	5				50
Electrical Rewiring 12/13, Townhill/Gorseinon	122	0					0
Electrical Rewiring 12/13, Sheltered Complex	16	6					6
Electrical Rewiring 13/14, Blaenymaes	408	238	128				366
Electrical Rewiring 13/14, Townhill & Penlan	389	245	114				359
Electrical Rewiring 13/14, Penlan	260	171	50				221
Fire Safety General 12/13	6	6					6
Fire Doors & Windows High Rise Blocks	6	1					1
Fire Safety Sheltered Complexes 12/13	35	35					35
Internal Improvements & Community House Conversion 13/14	150	150					150
Contribution to Loft Insulation	303	100					100
Internal Layout Improvements	1,000	859	166				1,025
Garden Safety	100	100					100
Planned Adaptations Sheltered Complexes 13/14	30	30					30

SCHEME/PROJECT	2013/14 Original	2013/14 Revised £'000	2014/15 Original £'000	2015/16 Original £'000	2016/17 Original £'000	2017/18 Original £'000	TOTAL £'000
Good State of Repair							
Wind & Weatherproofing, 13/14 Mayhill Scheme 1	547	520	1,000	1,000	1,000	550	4,070
Wind & Weatherproofing, 13/14 Mayhill Scheme 2	497	499	1,000	1,000	700		3,199
Wind & Weatherproofing, 13/14 Penlan Scheme 1	697	566	1,000	1,000	900		3,466
Wind & Weatherproofing, 13/14 Penlan Scheme 2	747	697	1,000	1,000	400		3,097
Wind & Weatherproofing Waun Wen		0	600	400			1,000
Wind & Weatherproofing Llanllienwen		0	500	700	900		2,100
Wind & Weatherproofing Various		0			670	2,850	3,520
Resiform Properties, Craig Cefn Parc		0			240		240
British Iron & Steel Federation (BISFs) Houses, Gendros	1,111	1,081	1,329	1,300			3,710
British Iron & Steel Federation (BISFs) Houses, West Cross		0				1,100	1,100
British Iron & Steel Federation (BISFs) Houses, Waunarlwydd		0	1,200				1,200
Wimpey No Fines (WNFs) Properties, Caemawr		0	640	750	950	500	2,840
Trusteel Houses, Penllergaer		0	80	400			480
Easiform Properties, Winch Wen		0				800	800
Easiform Properties, Birchgrove		0				500	500
Highrise Flats, Jeffreys Court	3,462	672					672
Highrise Flats, Matthew Street	2,073	0	6,266	4,170	264		10,700
Highrise Flats, Clyne Court		477	7,061	9,871	5,122		22,531
Highrise Flats, Croft Street		0			3,500	5,000	8,500
Chimney Repairs 12/13	290	209	85	94	150	300	838
Pitched Roof Renewal, Various		0			364	500	864
Pitched Roof Renewal, Penplas Rd Area Blaenymaes		0			450		450

SCHEME/PROJECT	2013/14 Original	2013/14 Revised £'000	2014/15 Original £'000	2015/16 Original £'000	2016/17 Original £'000	2017/18 Original £'000	TOTAL £'000
Pitched Roof Renewal, Cae Conna Rd Area Blaenymaes		0	320				320
Pitched Roof Renewal, Llangennith		0	11				11
Pitched Roof Renewal, Talfan Road Area, Bonymaen		0	60				60
Pitched Roof Renewal, Clase		0	300	400	500		1,200
Pitched Roof Renewal, Sketty		0		130			130
Flat Roof Renewal, Various		0			200	250	450
Flat Roof Renewal, Chris Thomas House, Waun Wen		0	50				50
Flat Roof Renewal, Griffith John Street, Dyfatty		0	500				500
Flat Roof Renewal, Rheidol Court, Clase		0			200		200
Window Renewal Various		0			300	370	670
Balcony Repairs Various		0	50	100	150	150	450
Door Renewal Various		0	600	500	500		1,600
Structural Repairs Various		10	250	265	240	300	1,065
Drainage Repairs/Imps 13/14	78	50	50	50	50	50	250
Safe and Secure							
Fire Safety							
Fire Safety General	260	179	200	100	50	50	579
Fire Safety, Smoke Alarms & Carbon Monoxide Detectors	100	100	150	300	400	400	1,350
Fire Safety Sprinkler System Sheltered Complexes	220	215	205	350	350		1,120
Fire Protection - Kitchen & Stair Separation 21a Houses	246	177	150	150	150		627
Fire Safety Separation Between Flats 13/14	316	327	150	100			577
Electrical Rewiring, Contingency	50	0	50	50	50	50	200
Electrical Rewiring	200	0	800	900	1,100	1,000	3,800
Electrical Rewiring, Communal Blocks	212	255	500	350			1,105

SCHEME/PROJECT	2013/14 Original	2013/14 Revised £'000	2014/15 Original £'000	2015/16 Original £'000	2016/17 Original £'000	2017/18 Original £'000	TOTAL £'000
Adequately Heated							
Boiler Replacement	2,398	2,398	2,400	2,200	2,200	2,200	11,398
Heating Upgrades	100	100	345	50	50	50	595
Energy Efficiency & Energy Support Grant	674	392	360	250	250	250	1,502
Kitchens and Bathrooms							
Kitchens & Bathrooms Renewal			3,000	7,500	10,000	12,000	32,500
Kitchens & Bathrooms Renewal Contingency			400	400	450	400	1,650
Safe and Attractive Environment							
Environment within the Curtilage							
Fencing, Walls, Hardstandings			184	350	850	2,000	3,384
Fencing, Walls, Hardstandings contingency			100	100	200	200	600
Paths, Steps, Health and Safety Rating System Repairs			150	50	850	2,080	3,130
Drying Facilities				50	100	200	350
Voice Entry Systems	1	0	150	150	250	250	800
Meter Boxes, County Wide	70	30	80	50	50	50	260
Environment - Estate Based							
General Estate Based Work			150	320	1,700	2,400	4,570
Resurfacing Communal Areas	50	50	100	100	100	100	450
Car parking					100	100	200
Meeting the Needs of the Household							
Adaptations 13/14, CB&PS	2,500	2,500	2,500	2,250	2,250	2,250	11,750
Adaptations 13/14, External	1,000	750	750	750	750	750	3,750
Total	31,956	24,524	38,500	40,000	40,000	40,000	183,024

HRA 4 Year Capital Programme

Scheme Description

Good State of Repair

Wind and Weatherproofing

Wind and Weatherproofing - will repair and upgrade the external fabric of Council owned homes to maintain structural integrity, improve weather protection and thermal efficiency. Work typically includes wall tie renewal, application of insulated render, alteration or improvements to roofs and rainwater goods and new front and back doors. In some instances, improvements to fire safety may be undertaken also. These contracts will operate over the period of this four year programme. Schemes may be subject to planning permission requirements and officers will submit planning applications as necessary.

Resiform Properties

Resiform properties are of a timber frame and fibre glass panel type construction and were, built in the 1970s. The repair scheme will secure the long term structural integrity of the properties, improve weather protection and increase the thermal efficiency of the dwellings. Renewable energy systems will be explored and may form part for the project subject to costs.

British Iron & Steel Federation (BISFs) Houses

BISF houses are of a steel frame construction built in the 1950s. The scheme is designed to repair and maintain the structural integrity and to improve thermal efficiency and weather protection. The specification of work includes roof renewal, insulated render system and door renewal, boiler replacement and electrical rewiring. These contracts will typically run for the length of this reporting period.

Wimpey No Fines Houses

Wimpey No Fines are properties built with solid concrete walls and the repair scheme will address structural cracking where present. The application of insulated render will improve thermal efficiency and weather protection. Roof repairs and door renewal are also included. Contracts will operate over length of this reporting period.

Trusteel Houses, Penllergaer

Trusteel houses are of a steel frame construction but are different in design and specification to the British Iron and Steel houses in Gendros. This scheme will involve the testing and condition assessment of Trusteel houses to inform the refurbishment scheme design. The design and refurbishment scheme will be an ongoing scheme over the 4 year reporting period.

Easiform Properties

Easiform properties are typically a poured concrete construction built in the 1950s and 60s. The scheme will secure the long term structural integrity of the properties, improve the weather protection and particularly improve the thermal efficiency of the properties. The scope of work will include roof repairs, wall repairs and insulation, improvement to balconies where present and minor upgrades to fire safety where required.

Refurbishment of Highrise Flats

The Council's highrise blocks were all built in the early 1960s and now require repairs to ensure their continued use over the long term. The schemes will protect the structures of the blocks, improve their weather resistance, thermal efficiency and their fire safety. The flats will also receive internal improvements, such as upgrades to security systems and the immediate environment.

Externally, the work will include a new roof, balcony rails, repairs to balcony slabs, insulated cladding across the walls, new double glazed windows, upgrades to fire protection, revised CCTV systems where required, improved access paths and entrances and improvements to the immediate HRA owned environment.

For individual flats, the schemes will provide new kitchens and bathrooms including associated work and improved kitchen layout. Electrical rewiring will be renewed where required, improvements to heating systems, integrated television reception systems, new door entry systems and upgrades to fire safety will also be included. Redundant storage areas will be converted to provide new additional units of accommodation.

The local environment will receive upgrades to CCTV systems, renewal of the communal electrical wiring and lighting, improvements to fire safety measures, improvements to the decoration, new flooring in communal areas where agreed with residents, upgrades to paths and immediate areas of hard and soft landscaping. Additional resident parking will be provided where required.

The projects are expected to take over three years to complete and will run across the full time scale of this reporting period.

Chimney Repairs

Where chimneys are in poor condition, work will involve repairing, rebuilding or taking away the chimney if it is no longer required. The work will prevent damp and minimise repairs for the response repair service and will be an ongoing scheme over the four year reporting period.

Pitched Roof Renewal

Pitched roof renewal includes repairing the roof structure and chimneys 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

Flat roof renewal includes repairing the roof structure and replacing the roof covering to ensure long term weather protection. Contracts are expected to run over the period of this four year programme.

Window Renewal

Windows which are at the end of their useful life or require upgrading for fire safety purposes will be renewed with appropriate and thermally efficient units.

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 repairs to the balcony slabs and floor surface.

Door Renewal - Various locations

Doors will be renewed with Composite type units or fire doors with secure locks and hinges. The door will improve weather protection, security, thermal efficiency and fire safety. This scheme is expected to run over the period of this four year programme.

Structural Repairs

Structural Repairs will treat retaining wall failure or disrepair, subsidence cases, and other structural elements that are considered to be in need of repair or renewal.

Drainage and drainage protection

Where existing drainage is in disrepair or in need of upgrading or there is a need to address changes in demand, the scheme will look to improve selected sites and may include amongst other items: new systems, alternative or new layouts, expansion of current systems.

Safe and Secure

Fire Safety General – Various Locations

A range of fire safety measures will be undertaken to homes across the City & County of Swansea. Work will be varied but likely to include the provision of up-to-date fire safety signs, upgrading fire stopping materials, minor changes to layout, improvements to fire warning systems.

Smoke Alarms and Carbon Monoxide Detectors Renewal

Hard wired smoke alarms and carbon monoxide detectors in homes are renewed to ensure uninterrupted service. The project will be ongoing and will run over the period of this four year programme.

Fire Safety - Sprinkler Systems to Sheltered Complexes

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

Fire Protection: Kitchen and Stair Separation - Various

Work will be to construct separating walls and doors in homes where currently the stairs descend directly into the kitchen area. The outcome will improve fire safety.

Fire Separation between Flats - Various

The scheme will upgrade the fire and sound separation between ground and first floor flats where the separation is currently made up of timber joists. The outcome will improve fire safety and sound insulation between the flats.

Electrical Rewiring Contingency – Various Locations

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

Electrical Rewiring – Various Locations

Homes with electrical installations that are approximately 30 years will be rewired as part of a planned scheme. The project will be a long term contract and will run over the period of this four year programme.

Electrical Rewiring Communal Blocks and Emergency Lighting – Communal Areas

Blocks of flats with communal areas will be rewired where the existing installations are approximately 30 years old or where an electrical inspection has identified that this is required. The scope of the work will include the provision new emergency lighting. This contract will operate over the period of this four year programme.

Adequately Heated

Boiler Replacement – Various Locations

Gas boilers will be renewed as part of a long term programme aimed at improving the efficiency and reliability of heating systems. This contract is ongoing and will run over the period of this four year programme.

Heating Upgrades – Various Locations

The scheme is designed to provide fuel switching to council homes e.g. coal to gas, storage heaters to gas etc. as well as provide minor improvements to heating systems including time clocks and room thermostats. This contract will operate over the period of this four year programme.

Energy Efficiency Measures and Energy Grant Support – Various

There are a range of energy efficiency measures and supporting grants available. This investment is to meet the costs directly and/or support grants for measures that contribute towards improving thermal efficiency in council homes. Work may include Solar Photovoltaics, Solar Hot water, insulation measures or other emerging energy saving technology / application to homes and which can provide a benefit to council tenants. The work will be ongoing and is expected to run over the period of this four year programme.

Kitchen and Bathroom Renewal

Kitchen and Bathroom Renewal

The investment will be to improve the internal living facilities, making these more safe and useable. Work will include alterations to electrical wiring, renewing food preparation surfaces, storage and cooking areas, minor kitchen layout alterations, flooring, decorative finishes including tiling and renewal of sanitary facilities.

Kitchen and Bathroom Renewal Contingency

The investment will be to improve the internal living facilities to those homes scheduled for new kitchen and bathrooms but which have become empty and require significant level of repair in order to make ready for letting. Work will include alterations to electrical wiring, renewing food preparation surfaces, storage and cooking areas, minor kitchen layout alterations, flooring, decorative finishes including tiling and renewal of sanitary facilities.

Located in Safe/Attractive Environments

Environment - Within the Curtilage

Fencing, Boundary Walls, Hard Standings

The scheme will install fencing and protection work within the curtilage of homes. The work will include repairs or renewal to walls and fencing to boundaries and locations within the garden where there is a risk of falls from height as well as the installation of hand rails. Where required repairs will be undertaken to Council owned hard standings. The aim is to improve home safety and security.

Fencing, Boundary Walls, Hard Standings Contingency

The scheme will install fencing and handrails to those homes scheduled for this work but which have become empty and require significant level of repair in order to make ready for letting. The work will include repairs or renewal to walls and fencing to boundaries and

locations within the garden where there is a risk of falls from height as well as the installation hand rails. The aim is to improve home safety and security.

Paths, Steps and Housing Health and Safety Rating System - Various

The scheme will repair or renew paths and steps within the curtilage of homes to ensure safe circulation in and around the property.

Drying Facilities

The WHQS requires the provision of adequate drying facilities. The scheme will repair existing and improve drying areas to ensure there is a suitable facility.

Voice Entry Systems

Voice entry systems provide a secure point of entry for flats with communal entrances. The investment is to renew existing systems as well as providing new systems for selected blocks of flats based on stock condition survey results.

Meter Boxes – Various Locations

Meter boxes will be renewed to ensure adequate protection and ensure homes are safe. This contract is ongoing and will operate over the period of this four year programme.

Environment – Estate Based

Environment – General

The scheme is to improve areas belonging to the Housing Service which are outside the curtilage of individuals' homes. The schemes will be based on consultation exercises with stakeholders as well as repairs necessary for the Housing Service to discharge its duties as the asset holder.

Resurfacing Communal Areas and Walkways

The scheme is to repair and renew sections of communal areas in Housing Service ownership where currently there is a risk of accidents and injury to tenants and the general public. The outcome will improve general health and safety.

Car Parking

Under this scheme, repairs will be undertaken to car parking areas in Housing ownership to ensure their safe and continued use.

Meeting Requirements of the Household

Adaptations

This funding is for alterations and improvements to council homes for tenants with medical conditions or disabilities. This contract is ongoing and will operate over the period of this four year programme.



Statutory Resolution – Resolutions to be made in accordance with the Regulations in the Setting of the Council Tax 2014/15

Report of the Section 151 Officer

Council 18th February 2014

STATUTORY RESOLUTION – RESOLUTIONS TO BE MADE IN ACCORDANCE WITH THE REGULATIONS IN THE SETTING OF THE COUNCIL TAX 2014/2015

- (1) THAT the Council notes and adopts the statutory resolutions set out below.
- (2) THAT it be noted that at its meeting on 19th November 2013 the Council calculated the following amounts for the year 2014/2015 in accordance with Regulations made under Section 33(5) of the Local Government Finance Act 1992 (as amended) -
- a) 88,367 being the amount calculated by the Council, in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) (Wales) Regulations 1995, as amended, as its Council Tax base for the year.
- b) Parts of the Council's Area –

Bishopston	1,920
Clydach	2,554
Gorseinon	3,080
Gowerton	1,940
Grovesend	398
Ilston	313
Killay	2,086
Llangennith, Llanmadoc & Cheriton	488
Llangyfelach	946
Llanrhidian Higher	1,567
Llanrhidian Lower	316
Llwchwr	3,178
Mawr	737
Mumbles	9,546
Penllergaer	1,291
Pennard	1,437
Penrice	431
Pontarddulais	2,279
Pontlliw & Tircoed	1,035
Port Eynon	402
Reynoldston	282
Rhossilli	195
Three Crosses	711
Upper Killay	573

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 2014/2015 in accordance with Section 32 to 36 of the Local Government Finance Act 1992 -
- (a) £681,055,243 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) £266,902,731 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) £414,152,512 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) £317,849,496 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) £1,089.81 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) £867,812 being the aggregate amount of all special items referred to in Section 34(1) of the Act.
 - (g) £1,079.98 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	1,097.69
Clydach	1,116.64
Gorseinon	1,106.77
Gowerton	1,097.34
Grovesend & Waungron	1,092.54
Ilston	1,089.43
Killay	1,089.09
Llangennith, Llanmadoc & Cheriton	1,094.84
Llangyfelach	1,100.06
Llanrhidian Higher	1,124.33
Llanrhidian Lower	1,086.31
Llwchwr	1,104.82
Mawr	1,143.75
Mumbles	1,091.64
Penllergaer	1,099.34
Pennard	1,109.21
Penrice	1,103.18
Pontarddulais	1,116.40
Pontlliw & Tircoed	1,113.00
Port Eynon	1,093.66
Reynoldston	1,118.99
Rhossili	1,096.90
Three Crosses	1,122.22
Upper Killay	1,111.39

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	731.80	853.75	975.72	1,097.69	1,341.63	1,585.55	1,829.49	2,195.38	2,561.27
Clydach	744.43	868.49	992.57	1,116.64	1,364.79	1,612.92	1,861.07	2,233.28	2,605.49
Gorseinon	737.85	860.82	983.79	1,106.77	1,352.72	1,598.67	1,844.62	2,213.54	2,582.46
Gowerton	731.56	853.48	975.41	1,097.34	1,341.20	1,585.05	1,828.90	2,194.68	2,560.46
Grovesend & Waungron	728.36	849.75	971.14	1,092.54	1,335.33	1,578.11	1,820.90	2,185.08	2,549.26
Ilston	726.29	847.33	968.38	1,089.43	1,331.53	1,573.62	1,815.72	2,178.86	2,542.00
Killay	726.06	847.07	968.08	1,089.09	1,331.11	1,573.13	1,815.15	2,178.18	2,541.21
Llangennith, Llanmadoc & Cheriton	729.90	851.54	973.19	1,094.84	1,338.14	1,581.43	1,824.74	2,189.68	2,554.62
Llangyfelach	733.38	855.60	977.83	1,100.06	1,344.52	1,588.97	1,833.44	2,200.12	2,566.80
Llanrhidian Higher	749.56	874.47	999.40	1,124.33	1,374.19	1,624.03	1,873.89	2,248.66	2,623.43
Llanrhidian Lower	724.21	844.90	965.61	1,086.31	1,327.72	1,569.11	1,810.52	2,172.62	2,534.72
Llwchwr	736.55	859.30	982.06	1,104.82	1,350.34	1,595.85	1,841.37	2,209.64	2,577.91
Mawr	762.50	889.58	1,016.66	1,143.75	1,397.92	1,652.08	1,906.25	2,287.50	2,668.75
Mumbles	727.76	849.05	970.34	1,091.64	1,334.23	1,576.81	1,819.40	2,183.28	2,547.16
Penllergaer	732.90	855.04	977.19	1,099.34	1,343.64	1,587.93	1,832.24	2,198.68	2,565.12
Pennard	739.48	862.71	985.96	1,109.21	1,355.71	1,602.19	1,848.69	2,218.42	2,588.15
Penrice	735.46	858.02	980.60	1,103.18	1,348.34	1,593.48	1,838.64	2,206.36	2,574.08
Pontarddulais	744.27	868.31	992.35	1,116.40	1,364.49	1,612.58	1,860.67	2,232.80	2,604.93
Pontlliw & Tircoed	742.00	865.66	989.33	1,113.00	1,360.34	1,607.67	1,855.00	2,226.00	2,597.00
Port Eynon	729.11	850.62	972.14	1,093.66	1,336.70	1,579.73	1,822.77	2,187.32	2,551.87
Reynoldston	746.00	870.32	994.66	1,118.99	1,367.66	1,616.32	1,864.99	2,237.98	2,610.97
Rhossili	731.27	853.14	975.02	1,096.90	1,340.66	1,584.41	1,828.17	2,193.80	2,559.43
Three Crosses	748.15	872.83	997.53	1,122.22	1,371.61	1,620.98	1,870.37	2,244.44	2,618.51
Upper Killay	740.93	864.41	987.90	1,111.39	1,358.37	1,605.34	1,852.32	2,222.78	2,593.24
All other parts of the Council area	719.99	839.98	959.98	1,079.98	1,319.98	1,559.97	1,799.97	2,159.96	2,519.95

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 2014/2015 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	126.89	148.04	169.19	190.34	232.64	274.94	317.23	380.68	444.13

- (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 2014/15 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>	858.69	1,001.79	1,144.91	1,288.03	1,574.27	1,860.49	2,146.72	2,576.06	3,005.40
<i>Clydach</i>	871.32	1,016.53	1,161.76	1,306.98	1,597.43	1,887.86	2,178.30	2,613.96	3,049.62
<i>Gorseinon</i>	864.74	1,008.86	1,152.98	1,297.11	1,585.36	1,873.61	2,161.85	2,594.22	3,026.59
<i>Gowerton</i>	858.45	1,001.52	1,144.60	1,287.68	1,573.84	1,859.99	2,146.13	2,575.36	3,004.59
<i>Grovesend & Waugron</i>	855.25	997.79	1,140.33	1,282.88	1,567.97	1,853.05	2,138.13	2,565.76	2,993.39
<i>Ilston</i>	853.18	995.37	1,137.57	1,279.77	1,564.17	1,848.56	2,132.95	2,559.54	2,986.13
<i>Killay</i>	852.95	995.11	1,137.27	1,279.43	1,563.75	1,848.07	2,132.38	2,558.86	2,985.34
<i>Llangennith, Llanmadoc & Cheriton</i>	856.79	999.58	1,142.38	1,285.18	1,570.78	1,856.37	2,141.97	2,570.36	2,998.75
<i>Llangyfelach</i>	860.27	1,003.64	1,147.02	1,290.40	1,577.16	1,863.91	2,150.67	2,580.80	3,010.93
<i>Llanrhidian Higher</i>	876.45	1,022.51	1,168.59	1,314.67	1,606.83	1,898.97	2,191.12	2,629.34	3,067.56
<i>Llanrhidian Lower</i>	851.10	992.94	1,134.80	1,276.65	1,560.36	1,844.05	2,127.75	2,553.30	2,978.85
<i>Llwchwr</i>	863.44	1,007.34	1,151.25	1,295.16	1,582.98	1,870.79	2,158.60	2,590.32	3,022.04
<i>Mawr</i>	889.39	1,037.62	1,185.85	1,334.09	1,630.56	1,927.02	2,223.48	2,668.18	3,112.88
<i>Mumbles</i>	854.65	997.09	1,139.53	1,281.98	1,566.87	1,851.75	2,136.63	2,563.96	2,991.29
<i>Penllergaer</i>	859.79	1,003.08	1,146.38	1,289.68	1,576.28	1,862.87	2,149.47	2,579.36	3,009.25
<i>Pennard</i>	866.37	1,010.75	1,155.15	1,299.55	1,588.35	1,877.13	2,165.92	2,599.10	3,032.28
<i>Penrice</i>	862.35	1,006.06	1,149.79	1,293.52	1,580.98	1,868.42	2,155.87	2,587.04	3,018.21
<i>Pontarddulais</i>	871.16	1,016.35	1,161.54	1,306.74	1,597.13	1,887.52	2,177.90	2,613.48	3,049.06
<i>Pontlliw & Tircoed</i>	868.89	1,013.70	1,158.52	1,303.34	1,592.98	1,882.61	2,172.23	2,606.68	3,041.13
<i>Port Eynon</i>	856.00	998.66	1,141.33	1,284.00	1,569.34	1,854.67	2,140.00	2,568.00	2,996.00
<i>Reynoldston</i>	872.89	1,018.36	1,163.85	1,309.33	1,600.30	1,891.26	2,182.22	2,618.66	3,055.10
<i>Rhossili</i>	858.16	1,001.18	1,144.21	1,287.24	1,573.30	1,859.35	2,145.40	2,574.48	3,003.56
<i>Three Crosses</i>	875.04	1,020.87	1,166.72	1,312.56	1,604.25	1,895.92	2,187.60	2,625.12	3,062.64
<i>Upper Killay</i>	867.82	1,012.45	1,157.09	1,301.73	1,591.01	1,880.28	2,169.55	2,603.46	3,037.37
All other parts of the Council area	846.88	988.02	1,129.17	1,270.32	1,552.62	1,834.91	2,117.20	2,540.64	2,964.08