2012/13

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 2012/13

Introduction

This publication contains the detailed Budget Reports for the City and County of Swansea for the 2012/13 financial year as presented to Council on 20th February 2012.

The reports were agreed subject to the following amendment:

Capital Budget & Programme 2012/13 – 2015/16 (page 3 - 16)

Page Number	**Agreed Amendment**
Page 4	An additional recommendation was agreed as follows: "c) Subject to confirmation by the Welsh Government a county wide lighting replacement and renewal scheme will be commenced."

Capital Budget & Programme 2012/13 – 2015/16

Item No. 3

Report of the Section 151 Officer

Extraordinary Council – 20th February 2012

CAPITAL BUDGET & PROGRAMME 2012/13 – 2015/16

Purpose:	This report proposes a revised capital budget for 2011/12 and a capital budget for 2012/13 - 2015/16
Policy framework:	None
Reason for decision:	To agree a revised budget for 2011/12 and a budget for 2012/13 – 2015/16
Consultation:	Cabinet Members & Corporate Management Team
Recommendations:	The following be approved:
	(a) The revised budget for 2011/12 and a budget 2012/13 – 2015/16
	(b) Additional unsupported borrowing in in accordance with the scheme to be agreed with the Welsh Government
Report Author:	M.G.Trubey
Finance Officer:	M.G.Trubey
Legal Officer:	T.Meredith

1. Introduction

1.1 This report details:

- Revised capital expenditure and financing proposals in 2011/12
- Capital expenditure and financing proposals in 2012/13 – 2015/16

1.2 Capital spending and funding proposals in relation to the Housing Revenue Account (HRA) are detailed in a separate report to be considered by Council on 20th February 2012.

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

Appendix A Summary of capital expenditure and financing 2011/12 – 2015/16

Appendix B Material changes to the original 2011/12 programme

Appendix C A detailed breakdown of the capital budget

2. Capital Budget 2011/12 – 2015/16

2011/12

2.1 Spending in the current year will be £49.636m – an increase of £7.584m over the original estimate of £42.052m.

This increase is mainly due to the addition of grant funded schemes after Council approved the capital budget in February 2011.

Material changes to the 2011/12 budget are summarised in appendix B.

2012/13 – 2015/16

2.2 The main points in relation to the capital budget proposals are as follows:

Guildhall Refurbishment

2.3 The approved scheme is progressing as planned and the expenditure profile has been updated. The revised scheme cost is £23m and completion is expected in 2014/15. As previously highlighted, the budget no longer contains any provision to repair the Law Courts. It is anticipated that the Lord Chancellor's Department will agree to meet the £3m cost of completing these works under the current lease but agreement has not yet been reached.

Swansea Bus Station

2.4 The Swansea Bus Station opened on 6th December 2010. Subject to the settlement of the final contract, all costs to date have been financed by European and Welsh Government (WG) Grants. As highlighted in previous reports, there are potential compensation claims to be settled. The current assumption is that SWWITCH will agree to finance these costs if they arise from future Regional Transport Grant awards.

Tir John

2.5 The long term future of the site is under consideration. The current position can be summarised as follows:

a) Capping works to the former Cells 4 to 14 are now underway and should be completed in 2011/12.

b) Measures to extend the operating life of cell 15 are in place. This includes the purchase of a compactor in 2011/12.

c) Without prejudice to any future decision, an application to secure a permit to operate a new cell 16 is in progress.

d) Similarly, without prejudice to any future decision, steps to procure a partner to develop cell 16 are also in progress

The long term future of the site will depend on the outcome of (c) and (d) above.

As such there are two outcomes with attendant potential capital budget requirements as follows:

(i) The complete closure of the site following completion of the landfilling of Cell 15 and disposal of waste elsewhere. This outcome will require expenditure of approximately £5m to close the site in line with the Environment Agency's requirements .

(ii) The development of the site further in terms of the construction of an additional cell(s) in conjunction with a partner. The financial requirement arising from this option is not known at this time and would depend on the terms of any agreed contract with a partner.

Whilst the attached budget provides sufficient funding for (i) above the precise financing requirement of (ii) is not clear at this time.

Quality in Education 2020 (QEd2020)

2.6 As previously agreed, QEd2020 remains one of the Council's top capital budget priorities.

2.7 The WG has previously approved grant applications in relation to Cefn Hengoed and Morriston Comprehensive schools. This funding will allow significant remodelling and improvement works to be completed at these schools. WG grant will fund 80% of the cost of works at Cefn Hengoed and 70% in the case of Morriston. The Council is required to fund the balance of £2m and £6.6m respectively from its own resources.

The WG has recently announced a long term 21st Century Schools Programme which will entail the WG providing a 50% grant contribution towards the Council's long term QEd2020 programme. Schemes amounting to £51m have been submitted by the Council and agreed in principle by the WG. The schemes will be completed over a seven year period starting in 2014/15. As stated above, the schemes will be subject to a 50% WG contribution – a total grant of £25.5m. The remaining £25.5m will need to be met from Council resources. Whilst the Council is committed to funding its contribution, this requirement represents a significant long term funding challenge to the Council – see paragraph 3.2.

Councils are awaiting detailed guidance regarding the precise process and timescale to apply and until this is received, it is not possible to provide a firm indication of the precise timescale pertaining to specific schemes. Initial schemes are likely to amount to approximately £18.1m and include the following major investments:

- Cwmbwrla/Manselton replacement school
- Gowerton Primary replacement school
- YGG Lon Las rebuild / remodeling

2.8 The indicative spending and financing assumptions 2011/12 – 2015/16 in relation to the QEd2020 programme - including anticipated initial 21st Century Schools Programme schemes - are detailed in table 1. Overall, there is a forecast Council funding requirement in this period of £17.651m. Excluding the previously agreed capital maintenance contribution towards the Cefn Hengoed scheme, this amounts to a requirement of £16.151m to be funded from capital receipts unless otherwise agreed. The capital budget report approved by Council in February 2011 provided for a number of disposals at school sites – an estimated capital receipt of £12m. If this target is achieved, there is a residual funding requirement of £4.151m.

Table 1							
QEd2020 - FORECAST COSTS & FINANCING							
	10/11	**11/12**	**12/13**	**13/14**	**14/15**	**15/16**	**TOTAL**
Phase	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Morriston							
Expenditure	94	978	5714	12343	2857		21986
Welsh Government Grant		-750	-4000	-8640	-2000		-15390
Council funding requirement	94	228	1714	3703	857		6596
Cefn Hengoed							
Expenditure	1185	7315	1500				10000
Welsh Government Grant	-1185	-5315	-1500				-8000
Council funding requirement		2000					2000
Future QEd2020 schemes (indicative phasing)							
Expenditure					4904	13206	18110
Welsh Government Grant					-2452	-6603	-9055
Council funding requirement					2452	6603	9055
TOTAL COUNCIL REQUIREMENT	**94**	**2228**	**1714**	**3703**	**3309**	**6603**	**17651**

City Centre Redevelopment

2.9 The Council has accepted grants and contributions to enable several significant schemes to proceed.

Schemes completed
City centre core public realm works phase 1
Waterfront public realm works phase 1, 2 and 3
Lower Oxford street public realm works
Boulevard feasibility and advance works
Oystermouth Road / Westway junction improvements
River bridges design and works

Scheme to be completed
Main Boulevard scheme
Waterfront connections

In addition, following approval by Cabinet, the acquisition of the St.Davids Centre was completed on 22nd December 2011. As noted in the report to Cabinet on 22nd September 2011, the Council's contribution to the acquisition cost was met from the improvement in the 2010/11 outturn.

Disabled Facilities Grants & Improvement Grants

2.10 Budget provision has been held at £5.2m per annum.

Felindre Strategic Business Park

2.11 The Council has accepted grants and contributions of £10m to undertake further major infrastructure development of the Felindre Strategic Business Park.

Capital Maintenance (Property and Infrastructure)

2.12 Property and infrastructure maintenance budgets are held at current levels. Members will be aware that published Asset Management Plans have previously highlighted significant maintenance backlogs. The current assessment is £300m for properties and £131m for highways assets. Annual budget provision remains low relative to these figures.

Accommodation Strategy

2.13 The Council is in the process of implementing a long term Asset Management Plan. The plan includes an accommodation strategy. One objective of the accommodation strategy is to rationalise the number of administrative buildings and attendant costs. A spend to save scheme has been identified which will result in savings of £811,000 per annum from 2015 based on an initial investment of £1.15m. The details of the proposed expenditure and forecast savings will be set out in a future report to Cabinet.

Refurbishment of Castle Square

2.14 Castle Square is a central focus point and event space for the City Centre. In particular, the Square will be the local focal point for the 2012 London Olympic Games. There is an urgent need to improve the public realm of the Square which has not been comprehensively refurbished for some many years. This will include the replacement of street furniture and litter bins; repairs to slabs, steps and coping stones; landscaping works and painting.

New Depot

2.15 Proposals are being developed for a new Depot to replace existing facilities at Pipehouse Wharf. Subject to Cabinet approving a business case, expenditure of £2.5m will be partly financed by the sale of the existing site. If agreed, any additional revenue budget implications will need to be provided in the 2013/14 budget. The forecast cost of £2.5m represents a £0.9m increase compared to the current budget provision.

Glyn Vivian Art Gallery Refurbishment Works

2.16 A revised scheme has been developed in the light of a reduced WG funding offer. This scheme will cost £6.4m and will be financed by WG grant of £5.9m and the Council's own resources of £0.5m

WG initiative – boosting Local Government Borrowing

2.17 The WG Ministers for Finance and Local Government & Communities jointly announced a scheme for investing in infrastructure projects in a letter to the Leader of the Welsh Local Government Association on 5th December 2011.

2.18 The WG has stated that the scheme will enable Councils in Wales to undertake unsupported borrowing to deliver a programme of highways improvements over a three year period. Whilst the capital expenditure will not be recognised as supported borrowing in future annual RSG settlements , the WG has stated that future settlements will reflect the resulting capital financing charges .

2.19 Details of the scheme are being finalised and as such, no specific provision has been made in the attached budget at this time.

2.20 It should be noted that Council has previously agreed that no additional unsupported borrowing will be undertaken other than for temporary purposes. Acceptance of the WG funding offer will result in an exception to this general principle. A report will be considered by Cabinet when more details are known.

Other Grant Funded Schemes

2.21 Other significant schemes started and/or completed in 2011/12 were:

- School Building Improvement Grant schemes annual allocation
- Hafod renewal area grant annual allocation
- Oystermouth Castle restoration
- Swansea Castle feasibility and enabling works
- Watersports Centre of Excellence
- Local Road Safety schemes

Contingency Fund

2.22 As in previous years, a contingency budget has been provided in each future year to meet unforeseen costs, risks and uncertainties.

3. Financing of the Capital Budget 2011/12 – 2015/16

3.1 The attached capital budget proposals will be funded by:

a) WG support – grants and borrowing approvals .

b) Specific grants and contributions provided by other bodies.

c) The Council's own resources -unsupported borrowing and general capital receipts.

d) Education land sales to provide the Council's required contribution in relation to agreed QEd2020 schemes.

Excluding the QEd2020 funding requirement, there is a forecast shortfall in resources of £14.856m over the four year capital budget. This shortfall will need to be resolved by reducing spending plans or increasing resources. Subject to the risks identified in paragraph 4, the current assumption is that resources will be increased. If this is not possible, it will be necessary to further consider options for reducing spending .

Given the fact that borrowing is effectively constrained, the preferred option is to achieve additional capital receipts. As such, the current assumption is that additional capital receipts of £14.856m will be identified and agreed by Cabinet.

3.2 As noted in paragraph 2.7, there is a very significant long term 21st Century Schools funding requirement of £25.5m. This can only be resolved by one or more of the following options:

a) Identifying further Education land sales in addition to the current £12m target

b) Identifying further general capital receipts in addition to the £14.856m target in paragraph 3.1

c) Undertaking further unsupported borrowing . This may entail WG funding support i.e similar to the highways improvement initiative described above. Consideration may also need to be given to how savings arising from school rationalisation could contribute towards any borrowing costs under this option.

3.3 The following points must be noted:

a) WG funding will be subject to a £949,000 (8%) reduction in 2012/13 with a further planned reduction of £1,263,000 (19%) reduction in 2013/14. This means that WG funding in 2013/14 and future years will be £5m (35%) lower than 2010/11. It should be further noted that the reduced level of funding is insufficient in itself to fund the Council's recurring maintenance and disabled facility grant programmes.

b) A number of specific grants have not been announced at this time, in particular:

- Renewal Area Grant
- Local Road Safety Grant
- Safe Route in Communities Grant
- SBIG Annual Allocation
- Early Years and Flying Start Grant

It should be noted that specific Transport Grants are set to fall as follows:

11/12	£60m
12/13	£51m
13/14	£32m
14/15	£32m

This will have implications for the Council future transportation plans.

c) Subject to paragraphs 2.17 – 2.20 there is no planned increase in the level of unsupported borrowing.

d) The forecast of general capital receipts has been updated to reflect likely values and also the likely timescales for achieving disposals. As stated above, it will necessary to identify additional capital receipts of £14.856m to resolve the forecast funding shortfall. Proposals for achieving this challenging target will need to be developed over the coming months.

4. Risks

4.1 There are significant risks which may require a future revision of the 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 capital receipts and Education land sale targets.

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 2012/13 and subsequent years.

Contact officer	: Mike Trubey, Head of Finance
Telephone no	: 636391
Background papers	: None

Appendix A

CAPITAL BUDGET AND FINANCING 2011/12 - 2015/16

	2011/12	2012/13	2013/14	2014/15	2015/16	TOTAL
PORTFOLIO:	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Business Improvement and Efficiency	152					**152**
Finance	510	500	500	500	500	**2,510**
Education	10,153	8,005	12,343	7,761	13,206	**51,468**
Culture, Recreation & Tourism	4,032	4,158	3,011	68		**11,269**
Regeneration and Planning	10,961	9,787	6,776	25		**27,549**
Environment	9,542	6,705	5,852	3,852	5,384	**31,335**
Community Regeneration	88					**88**
Social Services	19					**19**
Housing (General Fund)	7,335	5,200	5,200	5,200	5,200	**28,135**
Corporate Building & Property Services	6,844	9,406	9,235	5,476	4,068	**35,029**
TOTAL EXPENDITURE	**49,636**	**43,761**	**42,917**	**22,882**	**28,358**	**187,554**
FINANCED BY:	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Supported Borrowing	8,142	7,244	5,983	5,983	5,983	**33,335**
Unsupported Borrowing	2,553	6,789	2,663			**12,005**
General Capital Grant	3,660	3,668	3,664	3,664	3,664	**18,320**
Specific Grants	22,755	19,208	18,382	4,523	6,603	**71,471**
External contributions	861	207				**1,068**
General / Earmarked Capital Receipts	10,180	3,332	1,586	200	1,675	**16,973**
Reserves - General Fund	1,257	1,632	263	223		**3,375**
QEd2020 Council funding requirement :						
Morriston and Cefn Hengoed Comprehensives	228	1,681	3,608	1,579		**7,096**
21st Century schools programme:						
Balance of agreed Education land sales				2,452	2,452	**4,904**
Funding to be agreed					4,151	**4,151**
TOTAL FINANCING	**49,636**	**43,761**	**36,149**	**18,624**	**24,528**	**172,698**
FORECAST SHORTFALL			**6,768**	**4,258**	**3,830**	**14,856**

MATERIAL CHANGES TO THE 2011/12 CAPITAL BUDGET

Scheme	Source Of Funding	2011/12 Change £'000
Education		
Bishopston Comprehensive Special Teaching Facility	Existing Budget	334
Remodelling of Arfryn & Brondeg Establishments	Existing Budget	150
Penyrheol Comprehensive Outstanding Retentions Sums	Existing Budget	100
Cefn Hengoed Comprehensive Equipment	Existing Budget	150
Early Years Grant	Grant	209
Flying Start Capital Grant	Grant	195
Housing (General Fund)		
Hafod Renewal Area	Grant	1,050
Housing (Corporate Building Services)		
Capel Road Workshops	Grant	40
Culture, Recreation & Tourism		
Glyn Vivian Refurbishment	Grant	300
Coed Gwilym Building Refurbishment	Grant	36
Cwmdonkin Park Refurbishment	Grant	60
St Helens Watersports Centre of Excellence	Grant	38
Regeneration and Planning		
SA1 Art Riverside Walkway	Contribution	100
Boulevard - River Bridges	Grant	3,053
St David's Purchase and Demolition	Grant	1,800
St David's Purchase and Demolition	Existing Budget	833
Environment		
Regional Transport Programme Schemes	Grant	500
High Street Station Accessibility	Grant	69
Safety Camera Works	Grant	63
Delayed Spending From 2010/11 - All Portfolios	Various	15,010
Delayed Spending Into 2012/13 - All Portfolios	Various	-16,506
TOTAL MATERIAL CHANGES		**7,584**

Appendix C

CAPITAL PROGRAMME 2011/12- 2015/16

	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	TOTAL £'000
BUSINESS IMPROVEMENT AND EFFICIENCY						
New library/Civic Centre Scheme retentions	109					**109**
ISIS Payroll Development Scheme	43					**43**
TOTAL	**152**					**152**
FINANCE						
Corporate Contingency Fund	510	500	500	500	500	**2,510**
TOTAL	**510**	**500**	**500**	**500**	**500**	**2,510**
EDUCATION						
Education small schemes	139					**139**
Primary Schools Schemes	800	400				**1,200**
Cefn Hengoed Refurbishment	7,315	1,500				**8,815**
Morriston Comprehensive Refurbishment	978	5,714	12,343	2,857		**21,892**
21st Century Schools programme (indicative phasing)				4,904	13,206	**18,110**
Special Education Schemes	724	391				**1,115**
School Building Improvement Grant/Transitional Schemes	197					**197**
TOTAL	**10,153**	**8,005**	**12,343**	**7,761**	**13,206**	**51,468**
CULTURE, RECREATION & TOURISM						
Glyn Vivian Refurbishment	475	2,900	2,700			**6,075**
Restoration of the Olga	74					**74**
Library Service Schemes	25					**25**
Liberty Stadium (retentions)	100	260				**360**
Swansea Leisure Centre (retentions)	167	300				**467**
Sports Centres Schemes	36					**36**
Oystermouth Castle Restoration	1,490					**1,490**
Clyne Valley Country Park	138	12	26			**176**
Cwmdonkin Park Refurbishment	60	686	285	68		**1,099**
Parks/Playing Field Schemes	57					**57**
Foreshore Schemes	1,410					**1,410**
TOTAL	**4,032**	**4,158**	**3,011**	**68**		**11,269**

CAPITAL PROGRAMME 2011/12- 2015/16

	2011/12	2012/13	2013/14	2014/15	2015/16	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
REGENERATION AND PLANNING						
St Davids purchase and demolition	2,633	700				**3,333**
Waterfront Walkway - Public Realm Enhancements	797	6	8			**811**
Boulevard Preliminary Works	99					**99**
Boulevard - Leisure Centre to Strand Phase	546	2,252	6,557			**9,355**
Lower Oxford Street Public Realm Enhancements	1,695					**1,695**
Boulevard - River Bridges	3,273	160				**3,433**
Oystermouth Road/Westway Junction Improvements	294					**294**
City Centre Redevelopment Schemes	262					**262**
Vetch Field Stadium Demolition	200					**200**
General Redevelopment Schemes	257					**257**
Swansea Vale Joint Venture Schemes	39					**39**
Felindre Joint Venture Development	592	6,669	211	25		**7,497**
Environmental Services Schemes	76					**76**
Market Refurbishment	198					**198**
TOTAL	**10,961**	**9,787**	**6,776**	**25**		**27,549**
ENVIRONMENT						
Regional Transport Programme Schemes	205					**205**
Swansea Bus Station	400	931				**1,331**
Highways / Other Infrastructure capital maintenance	2,071	3,280	3,280	3,280	3,280	**15,191**
Members Highways Improvements allocation	67	72	72	72	72	**355**
Slip Bridge Refurbishment		139				**139**
Trewyddfa Road Slip	375					**375**
Retaining Wall Clifton Terrace	499					**499**
Other Bridges & Retaining Wall Schemes	751	617				**1,368**
Street Lighting Schemes	307	66				**373**
Road Safety/Traffic Schemes	525					**525**
Other Highway Schemes	427					**427**
Bus Facility Schemes	176					**176**
Car Park Improvements	66					**66**

CAPITAL PROGRAMME 2011/12- 2015/16

	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	TOTAL £'000
Cemeteries/Crematorium	235					**235**
Pollution Control	10					**10**
Tir John	1,500	500	2,500	500	2,032	**7,032**
Foreshore & Marina Schemes	308					**308**
Refurbishment of Castle Square		200				**200**
New Depot	1,620	900				**2,520**
TOTAL	**9,542**	**6,705**	**5,852**	**3,852**	**5,384**	**31,335**
COMMUNITY REGENERATION						
Community Regeneration/Buildings General schemes	88					**88**
TOTAL	**88**					**88**
SOCIAL SERVICES						
Children and Family /Adult Services Schemes	19					**19**
TOTAL	**19**					**19**
HOUSING (GENERAL FUND)						
Disabled Facilities Grants/Improvement Grants	6,037	5,200	5,200	5,200	5,200	**26,837**
Hafod Renewal Area Schemes	1,298					**1,298**
TOTAL	**7,335**	**5,200**	**5,200**	**5,200**	**5,200**	**28,135**
CORPORATE BUILDING & PROPERTY SERVICES						
Building Capital Maintenance Schemes	5,648	4,021	4,000	4,000	4,000	**21,669**
Accommodation Strategy (invest to save scheme)		729	220	201		**1,150**
Guildhall Refurbishment - Phase 2 Part 1/Phase 3 Part 2	248					**248**
Guildhall Refurbishment - Phase 4 (Civic)	323	4,341	1,431	92		**6,187**
Guildhall Refurbishment - Phase 5 (Brangwyn)		225	3,494	1,093	68	**4,880**
Accommodation move costs	511					**511**
Guildhall Relocation Staff Management Costs	114	90	90	90		**384**
TOTAL	**6,844**	**9,406**	**9,235**	**5,476**	**4,068**	**35,029**

Revenue Budget 2012/13

Item No. 4

Report of the Section 151 Officer

Extraordinary Council – 20th February 2012

REVENUE BUDGET 2012/13

Purpose:	This report proposes a Revenue Budget and Council Tax levy for 2012/13
Policy framework:	None
Reason for decision:	To agree a Revenue Budget and Council Tax levy for 2012/13
Consultation:	Cabinet Members & Corporate Management Team
Recommendations:	The following budget proposals be approved: a) A revenue budget for 2012/13 and b) A Budget Requirement and Council Tax levy for 2012/13
Report Author:	M.G.Trubey
Finance Officer:	M.G.Trubey
Legal Officer:	T.Meredith

1. Introduction

1.1 This report details:

- Financial monitoring in 2011/12
- The Local Government Finance Settlement 2012/13
- Budget proposals 2012/13
- Risks and uncertainties
- Reserves and Contingency Fund requirements
- The Budget Requirement and Council Tax 2012/13

1.2 The financial assessment in relation to 2013/14 – 2015/16 is contained in the Medium Term Financial Plan report elsewhere on the agenda.

2. Financial Monitoring 2011/12

2.1 Cabinet considered an updated assessment of forecast spending in 2011/12 on 9th February 2012.

2.2 The 3rd quarter financial monitoring report highlighted a forecast overspend of service budgets of £4.320m. This is mainly due to a £4.487m overspend of the Social Services budget.

The overspend will be financed by the one-off use of Contingency Fund and several offsetting savings.

3. The Local Government Finance Settlement 2012/13

3.1 The Minister for Social Justice & Local Government announced the Final Settlement on 7th December 2011.

3.2 The Settlement provides for a 0.6% (£1.875m) increase in Revenue Support Grant.

4. Budget Proposals 2012/13

Overview

4.1 The 2012/13 budget process commenced immediately following the agreement of the 2011/12 budget.

4.2 The Medium Term Financial Plan (MTFP) considered by Council on 28th February 2011 highlighted a forecast £6.1m shortfall in 2012/13. An updated budget forecast was set out in a report to Cabinet on 15th December 2011. The report highlighted a forecast shortfall of £7.2m in 2012/13 i.e. a deterioration of £1.1m compared to the position forecast in February 2011.

4.3 The December 2011 Cabinet report noted that the forecast shortfall of £7.2m did not explicitly provide for a number of known and potential additional spending needs in particular:

(a) Child & Family Services
(b) Agreed 2011/12 savings deleted by Cabinet and confirmed by Council
(c) Further potential additional spending needs

These items have been further considered and are reflected in the updated forecast shortfall of £10.689m. As described below, the increase in the forecast shortfall is mainly due to the need to increase the Child & Family Services budget by £2m.

4.4 The calculation of the forecast shortfall and proposed funding solutions are summarised in table 1 and detailed below.

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Additional Spending Needs

4.5 The additional spending needs are summarised in table 2.The budget proposals provide for additional spending needs of £8.492m as follows:

(a) Child & Family Services

The approved 2011/12 budget provided for a £3m increase in the Child & Family Services budget in the light of the significant overspend in 2010/11. However, it became clear at an early stage in the financial year that the extra £3m would be insufficient to fund the revised forecast position in 2011/12.

The current projection for 2011/12 is an overspend of £4.8m. This overspend has occurred notwithstanding the fact that the overall number of Looked After Children has reduced and continues to reduce.

The MTFP financial forecast considered by Council in February 2011 provided for a forecast £1.5m reduction in spending in 2012/13. Clearly this is no longer achievable given the position in the current year and the outlook for 2012/13.

Whilst it is anticipated that the current overspend will be reduced by implementing a number of initiatives to manage costs within the agreed budget, it is necessary to increase the budget by £2m in 2012/13. If it is not possible to manage costs within the available budget, any overspend will need to be met by use of the Contingency Fund.

The comments of the Corporate Director (Social Services) on the short and medium term budget requirement in relation to Child & Family Services are detailed in the Medium Term Financial Plan report elsewhere on the agenda.

It should be noted that the Council is required to evidence compliance with the Ministerial expectations regarding protection of Social Care budgets. The addition of £2m to the Child & Family Services budget will achieve this compliance.

Members will be aware that the Child & Family Services budget is subject to ongoing scrutiny review by the Performance & Finance and Child & Family Services Scrutiny Boards.

(b) Pension Fund contributions
The MTFP forecast considered by Council in February 2011 provided for an increase in contributions in 2012/13 of £1.695m. The confirmed increase is £1.855m.

(c) Waste disposal
Cabinet considered future arrangements at the Tir John landfill site on 24th October 2011. The agreed report recommended a number of actions including measures to extend the operating life of Cell 15. The additional one-off cost in 2012/13 is £540,000. This additional cost will result in a budget saving in 2013/14.

In addition, it is necessary to invest in a range of measures to achieve the WG recycling targets in 2012/13 and future years . This, together with other unavoidable costs, amounts to an additional £335,000 requirement.

(d) ISIS version upgrade
The February MTFP report noted that supplier support for the current ISIS version will cease in 2013. Since then, plans to implement an upgrade have been progressed. On 30th June 2011, Cabinet agreed a proposal to implement a version upgrade – a budget requirement of £1.045m in 2012/13. This represents a significant reduction compared to the original estimate for this work.

(e) Carbon Tax Levy
The financial implications of the UK Government's Carbon Reduction Commitment Scheme were highlighted as a potential risk in the Revenue Budget report considered by Council in February 2011. Since this time, it has become clear that a Carbon Tax Levy will be payable in 2011/12 based on energy usage in 2010/11. Whilst the 2011/12 cost of £505,000 will be financed from the Contingency Fund, budget provision will need to be made in 2012/13 and future years. The precise amount payable in 2012/13 is not known at this time but is unlikely to be less than the 2011/12 requirement.

(f) Care Home fees
The February budget report highlighted a risk that Care Home fees would need to be increased over and above budget provision. Following discussions with representatives of the Care Home sector, an agreement was reached to increase

fees in 2011/12. Whilst the 2011/12 cost of £894,000 will be financed from the Contingency Fund, budget provision will need to be made for this cost in 2012/13.

TABLE 1		
Shortfall and proposed funding	£m	Paragraph
Additional spending needs (see table 2)	8.492	4.5
Inflation	1.274	4.6
Schools protection	2.428	4.7
Deleted savings	0.550	4.8
Savings not achieved	0.250	4.9
One-off ICT saving 2011/12	0.375	4.10
Offset by:		
Increased Revenue Support Grant	-1.875	4.11
Capital Financing Charges	-0.366	4.12
Additional Council Tax properties	-0.439	4.16
Shortfall	10.689	
Funded by:		
Reduced Contingency Fund budget	-2.000	4.13
One-off reduction in Insurance Reserve	-2.000	4.14
Savings proposals	-6.689	4.15
Proposed funding	-10.689	

TABLE 2		
Additional spending needs	£m	Paragraph
Child & Family Services	2.000	4.5 (a)
Pension Fund contributions	1.855	4.5 (b)
Waste disposal	0.875	4.5 (c)
ISIS version upgrade	1.045	4.5 (d)
Carbon Tax levy	0.505	4.5 (e)
Care Home fees	0.894	4.5 (f)
Refuse / recycling additional staff costs	0.400	4.5 (g)
City Centre strategic review	0.200	4.5 (h)
City Centre action plan	0.200	4.5 (i)
Local Development Plan	0.100	4.5 (j)
Free Easter travel for the under 16s	0.040	4.5 (k)
Marketing Swansea in the Premier League	0.075	4.5 (l)
Child poverty initiative	0.100	4.5 (m)
Free school meals	0.300	4.5 (n)
Other items	-0.097	
Total	8.492	

(g) Refuse / Recycling additional staff costs
Increased unavoidable costs have arisen as a result of new legislation changes. – an additional cost of £400,000.

(h) City Centre Strategic Review
The 3rd quarter financial monitoring report highlighted the Cabinet's decision to purchase the St.Davids's Centre in conjunction with the WG. Prior to

redevelopment of the site, there is a short term annual funding requirement of £200,000. This provides for the costs of City Centre Strategic Review consultancy support and also the payment of a share of income receipts to the WG.

(i) City Centre Action Plan
The plan agreed by Cabinet on 22nd September 2011 highlighted a recurring funding requirement. This has been reassessed to be £200,000.

(j) Local Development Plan (LDP)
The LDP process will result in an additional staffing requirement of £100,000.

(k) Free Easter travel for the under 16s
Following the successful operation of a free travel scheme for under 16s in December 2011, Cabinet Members wish to implement a similar scheme in Easter 2012. A budget requirement of £40,000.

(l) Marketing Swansea in the Premier League
Following the successful Swansea marketing campaign in 2011/12 it is proposed that a further campaign be undertaken in 2012/13. A budget requirement of £75,000.

(m) Child poverty initiative
The budget approved by Council in February 2011 provided for an initiative to target improvements in literacy standards. It is proposed that further early intervention work be progressed in targeted areas of greatest need.

(n) Free school meals
There has been a significant increase take up of free school meals in recent years. This resulted in an overspend of £327,000 in 2010/11 and a projected overspend of £300,000 in 2011/12. A budget increase of £300,000 is required.

Inflation

4.6 In his autumn statement, the Chancellor stated that pay restraint will continue for a further two years with public sector pay awards set "..at an average of one percent for each of the two years after the current pay freeze comes to an end..".

Whilst there have been no national pay awards in 2010/11 and 2011/12, the position regarding 2012/13 and the outlook for future years is unclear. As such, the attached proposals do not contain provision for a pay award. The cost of any nationally agreed pay award (excluding schools delegated budgets) will need to financed from the Contingency Fund in 2012/13. Excluding Schools Delegated Budgets, a 1% pay award would result in a cost of £1.8m in 2012/13.

Whilst general inflation has been running at 4% - 5% in the current financial year, the impact on Council budgets has been variable. The budget agreed by Council in February 2011 provided for a corporate inflation provision of £2m to be allocated on an evidenced basis. In the main, services have been able to manage price increases within their agreed budgets. However there are a small number of increases amounting to £1.274m which have been met from the corporate inflation provision.

It is proposed that the same approach be adopted in 2012/13 i.e a corporate inflation provision of £2m be allocated on an evidenced basis. Bearing in mind that the 2011/12 budget was not fully expended, a reduced sum of £1.274m is needed to provide a £2m corporate inflation provision in 2012/13.

Schools Protection

4.7 In announcing the 2012/13 Local Government Finance Settlement, the Minister stated that Protection for Social Care and School budgets will continue in 2012/13 – a minimum 1.58% increase in protected Social Care and Schools budgets in 2012/13. The general description of the protection and the arrangements for monitoring individual Council decisions are unchanged from the 2011/12 settlement announcement.

The attached budget proposals exceed the Minister's protection requirements in 2012/13.

Schools budgets will increase by 2% (£2.428m). In addition it is not proposed to make a falling rolls adjustment or exclude the newly delegated SEN budget from the protection calculation. Overall, the protection requirement will be exceeded by £674,000.

In addition, it should be noted that the final 2012-13 Welsh Government (WG) budget includes provision for a Pupil Deprivation Grant which will provide top up funding for eligible pupils – an estimated sum of £450 for each eligible pupil. Eligibility is to be assessed on the basis of pupils entitled to free school meals. Whilst specific allocations are yet to be announced, this grant could be worth approximately £2.8m to Swansea schools.

Deleted savings

4.8 Council confirmed its agreement to the Cabinet's proposal to not progress the following savings in 2011/12 on 24th November 2011:

Reduce street lighting in residential areas	£250,000
Review operation of Civic Amenities Sites	£100,000
Charges for car parks which are currently free	£100,000
Reduction in Trade Union Facilities Agreement	£100,000

Whilst these savings have not been progressed in 2011/12 they remain part of the budget baseline / starting point for the 2012/13 budget .

It is proposed that these savings be removed from the budget in 2012/13 i.e a budget cost of £550,000. The future treatment of these potential savings will be further considered in the next budget round.

Saving not achieved

4.9 The approved 2011/12 budget provided for a potential saving in the ICT contract price. Following officer discussions with Capgemini, Cabinet agreed on 30th June 2011 to not implement changes to the current ICT contract. As such, the potential saving of £250,000 can not be achieved at this time.

One-off ICT saving 2011/12

4.10 This relates to a one year only saving in 2011/12.

Revenue Support Grant (RSG)

4.11 RSG will increase by £1.875m in 2012/13.

Capital Financing Charges

4.12 The above increases will be partly offset by reduced capital financing charges. This is due to reduced net interest payments. The assumptions about interest rates in 2012/13 are detailed in the Treasury Management report elsewhere on the agenda.

Reduced Contingency Fund budget

4.13 The 2012/13 budget provides for a contribution to the Fund of £8m. The risks and issues which have been considered in assessing the level of the Contingency Fund contribution in 2012/13 are set out on in paragraphs 7.4 – 7.7

One-off reduction in Insurance Reserve

4.14 Monies need to be set aside to provide for future claims which are unknown or only partly known at this time. Such claims can be very significant and can relate to past periods going back many years. Whilst a cautious approach needs to adopted in providing for such claims, it is necessary from time to time to re-evaluate potential risks and adjust the Council's provisions and reserves accordingly.

The last actuarial review of the Insurance Fund was completed in 2010 i.e the Fund position as at 31st March 2010. The next planned review will take place in April 2012 i.e the Fund position as at 31st March 2012.

Early indications are that a reduction in the Fund value will be possible in 2012/13 and future years. This is due to the Council's very good record in defending claims and also reduced assessments of future risks.

Whilst it is not possible to accurately predict the conclusion of the formal review process, it is anticipated that a one-off reduction of £2m is achievable in 2012/13.

Savings proposals

4.15 The proposed savings of £6.689m are detailed in appendix C. The savings fall under three broad headings as follows:

Staffing reductions

As in previous years, Directors have reviewed their staffing structures and identified opportunities for reducing posts. Cabinet agreed an updated Early Retirement / Voluntary Redundancy Scheme on 17th November 2011 and this will greatly assist in the achievement of the budget targets detailed in appendix C.

Service efficiencies and reductions

These are 'good housekeeping' measures and minor cost reductions which can be implemented without detriment to service delivery

Specific proposals

These are a mixture of new proposals and a continuation of savings agreed in the 2011/12 budget.

Council Tax

4.16 An increase in property numbers will result in additional income of £439,000. There is no proposed increase in the Council Tax levy in 2012/13.

Consultation process and savings proposals

4.17 The report to Cabinet on 15th December 2011 invited comments on the forecasts, assessments and broad options for achieving a balanced budget set out in the report. The report also highlighted the budget survey questionnaire available for completion by 13th January 2012.

4.18 Cabinet Members and officers also met with the School Budget Forum. The response of the School Budget Forum to the budget consultation is attached (appendix F).

4.19 The above mentioned comments and responses have been carefully considered by Officers and Cabinet Members. In particular, Cabinet Members have taken account of these comments in proposing the savings detailed in appendix C.

Fees and Charges

4.20 The budget proposals provide for increases in fees and charges in line with inflation. Proposals for new charges and also increases significantly in excess of inflation are detailed in appendix E.

Summary

4.21 The above proposals will result in a balanced budget in 2012/13. However, the risks and uncertainties detailed in paragraph 5 must be taken into account in considering the overall budget assessment.

The budget proposals are detailed and summarised as follows:

Appendix A	Revenue Budget Summary 2012/13
Appendix B	Portfolio Budget Summary 2012/13
Appendix C	Service Savings Proposals 2012/13
Appendix G	Detailed Budget Proposals 2012/13

5. Risks and Uncertainties

5.1 As in previous years, there are a number of potential costs which are not explicitly included in the budget proposals. In particular:

(a) Implications of the 2011/12 Overspend

The 3rd quarter financial monitoring report highlighted a number of service overspends. Whilst reasonable provision has been made for the ongoing implications of these overspends there is a risk that budget provision in 2012/13 will not be adequate.

The most significant risk pertains to Child & Family Services. As noted in paragraph 4.5(a), there is a forecast overspend of £4.8m in the current financial year. Whilst it is the view of officers that the current overspend should only be partly reflected in the 2012/13 budget proposals - an additional sum of £2m - there is a risk that the remaining overspend of £2.8m may partly or wholly arise or in a worse case scenario, be exceeded.

(b) New Unavoidable Spending Requirements

All services will need to meet a range of additional / new pressures in 2012/13. These include the implications of new legislation; demographic changes; the recession and other requirements. Whilst reasonable provision has been made for these costs, there is a risk that some items will result in overspends.

(c) Savings

The 2012/13 budget includes a number of challenging savings targets which must be achieved.

(d) Inflation

As was the case in 2011/12, only limited provision has been made for price increases.

As noted in paragraph 4.6, any nationally agreed pay award will need to be met from the Contingency Fund.

(e) Outcome Agreement Grant
Whilst the full grant was received in 2011/12, there is an ongoing risk that the Council will not receive the full grant as was the case in 2010/11

(f) Care Home fees
Budget provision has been made for the 2011 settlement. However there is a risk that fees will need to be further increased over and above the budget provision.

(g) Specific Grants
A number of specific grants are yet to be announced.

(h) Equal Pay Back Payments
There is a risk that future settlements could exceed the amount currently set aside for outstanding claims.

(i) Pay & Grading Review
Similarly, there is a risk that the budget provision will be insufficient to fund the cost of an agreed scheme following implementation.

(j) Fforestfach Fire incident
There is a risk that existing disposal arrangements will be reviewed and additional costs incurred.

(k) Costs arising from statutory inquiries
There are potential costs arising from Village Green statutory inquiries

(l) Potential VAT Refunds
The above risks may be offset by a successful outcome of VAT claims which the Council is pursuing.

5.2 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.

6. The Medium Term Financial Plan (MTFP) 2013/14 – 2015/16

6.1 Many of the issues identified in this report have implications for future years. The separate report on the MTFP includes an assessment of likely shortfalls in future years and proposals for achieving savings.

7. Reserves & Contingency Fund requirement

Background

7.1 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.

7.2 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 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

7.3 The General Reserve amounted to £6.227m at 1st April 2011. There is no planned use of the General Reserve in 2011/12 or 2012/13.

Contingency Fund

7.4 The 3rd quarter financial monitoring report detailed several forecast uses of the Contingency Fund in 2011/12. At this time, it is anticipated that the £10m budgeted contribution in 2011/12 will be fully expended. As such, the forecast Fund balance as at 31st March 2012 is £4.8m.

7.5 In assessing the value of the Contingency Fund requirement in 2012/13, the following potential requirements are relevant:

(a) The risks and issues detailed in paragraph 5.1.

(b) The need to provide a potential source of finance for invest to save initiatives including any future ER/VR scheme.

(c) The general factors listed in paragraph 7.2

7.6 Paragraph 4.5(a) proposes a £2m addition to the Child & Family Services budget in 2012/13. Whilst this sum does not fully address the current overspend it does reduce the risk of a significant recurring unbudgeted overspend and as such, it is possible to reduce the Contingency Fund annual contribution on a pound for pound basis i.e a £2m reduction in the annual contribution.

7.7 Having considered the above issues and requirements, it is my view that a £8m contribution should be made to the Contingency Fund in 2012/13. This will result in a forecast Fund of £12.8m available to meet the potential issues and requirements detailed above.

Earmarked Reserves

7.8 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 D.

Adequacy of Reserves

7.9 Whilst the proposed use of Earmarked Reserves in 2012/13 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 2012/13 and future years, I am satisfied that the proposed management of reserves in 2012/13 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 paragraph 5 above.

7.10 Given the considerable risks and uncertainties facing the Council in 2012/13 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.

8. Budget Requirement and Council Tax 2012/13

8.1 I am also satisfied that the attached budget proposals represent a realistic and achievable financial plan for 2012/13 subject to the potential financial implications of the risks described in paragraph 5 above.

8.2 The Council's recommended requirement is set out in appendix A. Net expenditure of £387.182m will be financed by Revenue Support Grant £235.656m, National Non-Domestic Rates £64.518m and Council Tax £87.008m. The Council Tax in respect of the Council's own requirement would be £990.91p for a band 'D' property – no increase compared to 2011/12.

8.3 Including Community Councils, the total requirement is £388.036m.

8.4 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 2012/13.

9. Equality Impact Assessment (EIA)

9.1 Proposals for changing levels of funding in specific areas have been subject to a screening process and EIA report when required. 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.

Further details about the budget EIA and specific service level assessments will be available on the Council's website.

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.

Contact officer	: Mike Trubey, Head of Finance
Telephone no	: 636391
Background papers	: None

APPENDIX A

REVENUE BUDGET SUMMARY 2012/13

PORTFOLIO	BUDGET 2011/12 £000	BUDGET 2012/13 £000
COMMUNITY LEADERSHIP & DEMOCRACY	4,052	4,490
CULTURE, RECREATION & TOURISM	16,962	16,520
EDUCATION	153,891	155,862
ECONOMIC REGENERATION & PLANNING	3,598	3,647
ENVIRONMENT	26,633	28,352
FINANCE	5,489	5,505
HOUSING	5,424	5,579
COMMUNITY REGENERATION	2,722	2,506
SOCIAL SERVICES	96,136	98,206
BUSINESS IMPROVEMENT & EFFICIENCY	14,944	16,434
NET PORTFOLIO EXPENDITURE	**329,851**	**337,101**
OTHER ITEMS		
CORPORATE PROVISION FOR INFLATION	2,000	2,000
LEVIES		
SWANSEA BAY PORT HEALTH AUTHORITY	98	89
CONTRIBUTIONS		
MID & WEST WALES COMBINED FIRE AUTHORITY	11,382	11,360
CAPITAL FINANCING CHARGES		
PRINCIPAL REPAYMENTS	12,397	12,394
NET INTEREST CHARGES	14,530	14,167
NET REVENUE EXPENDITURE	**370,258**	**377,111**
MOVEMENT IN RESERVES		
GENERAL RESERVES	0	0
EARMARKED RESERVES	14,317	9,769
TOTAL BUDGET REQUIREMENT	**384,575**	**386,880**
DISCRETIONARY RATE RELIEF	293	302
TOTAL CITY AND COUNTY OF SWANSEA REQUIREMENT	**384,868**	**387,182**
COMMUNITY COUNCIL PRECEPTS	821	854
TOTAL REQUIREMENT	**385,689**	**388,036**
FINANCING OF TOTAL REQUIREMENT		
REVENUE SUPPORT GRANT	242,743	235,656
NATIONAL NON-DOMESTIC RATES	55,556	64,518
COUNCIL TAX - CITY AND COUNTY OF SWANSEA	86,569	87,008
COUNCIL TAX - COMMUNITY COUNCILS	821	854
TOTAL FINANCING	**385,689**	**388,036**
COUNCIL TAX BASE for the City and County of Swansea	87,363	87,806
COUNCIL TAX AT BAND 'D' (£) for the City and County of Swansea	990.91	990.91

GENERAL RESERVES		
AT 1 APRIL	6,227	6,227
AT 31 MARCH	6,227	6,227

APPENDIX B

REVENUE BUDGET 2012/13

NET PORTFOLIO BUDGET PROPOSALS

	Community Leadership & Democracy	Culture, Recreation & Tourism	Education	Economic Regeneration & Planning	Environment	Finance	Housing	Community Regeneration	Social Services	Business Improvement & Efficiency	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Original estimate 2011/12	**4,052**	**16,962**	**153,891**	**3,598**	**26,633**	**5,489**	**5,424**	**2,722**	**96,136**	**14,944**	**329,851**
Portfolio transfers in 2011/12	42				6	-70		-6		28	**0**
Transfer to (+) / from (-) reserves 2011/12	25	161	-15	30	-37	4579				-671	**4,072**
Original estimate 2011/12 excluding reserves	**4,119**	**17,123**	**153,876**	**3,628**	**26,602**	**9,998**	**5,424**	**2,716**	**96,136**	**14,301**	**333,923**
Baseline adjustments					2	-60			57		**-1**
Adjusted service budgets 2011/12	**4,119**	**17,123**	**153,876**	**3,628**	**26,604**	**9,938**	**5,424**	**2,716**	**96,193**	**14,301**	**333,922**
Spending Needs	32	260	3,094	397	2,261	706	207	44	3,434	1,924	**12,359**
Savings	-112	-734	-1,439	-352	-1,116	-578	-147	-249	-1,489	-473	**-6,689**
Inflation		32	331	30	483	49	14	-5	68	272	**1,274**
Original estimate 2012/13 excluding reserves	**4,039**	**16,681**	**155,862**	**3,703**	**28,232**	**10,115**	**5,498**	**2,506**	**98,206**	**16,024**	**340,866**
Transfer to (-) / from (+) reserves 2012/13	451	-161		-56	120	-4,610	81			410	**-3,765**
Net portfolio budgets 2012/13	**4,490**	**16,520**	**155,862**	**3,647**	**28,352**	**5,505**	**5,579**	**2,506**	**98,206**	**16,434**	**337,101**

SERVICE SAVINGS PROPOSALS

	£000
CHIEF EXECUTIVE & RESOURCES	
REDUCED STAFFING COSTS	687
INSURANCE STAFF TO BE FINANCED FROM INSURANCE FUND	120
REMOVE ISIS BACKUP ARRANGEMENTS AT GUILDHALL SITE	180
OTHER SERVICE EFFICIENCIES AND COST REDUCTIONS	91
TOTAL	**1,078**
REGENERATION & HOUSING	
REDUCED STAFFING COSTS	387
REDUCE LEISURE CENTRE SUBSIDY	100
RELOCATION OF BUSINESS CENTRE	57
REDUCE SUBSIDY TO WALES NATIONAL POOL	35
MARKETING, MUSEUMS, DEVELOPMENT & OUTREACH STAFF REDUCTIONS	145
GROUNDS MAINTENANCE EFFICIENCY SAVINGS	200
RECREATION GROUND & SINGLETON PARK - INCREASED CAR PARK CHARGES	50
INCREASED LEISURE INCOME	25
INCREASED PROPERTY RENTS	48
OTHER SERVICE EFFICIENCIES AND COST REDUCTIONS	276
TOTAL	**1,323**
EDUCATION	
REDUCED STAFFING COSTS	500
RATIONALISATION OF TAXI & MINIBUS CONTRACTS	200
REDUCTION IN CLEANING HOURS IN NON-PUBLIC BUILDINGS	49
WELSH TRANSLATION SERVICE REDUCED COSTS	43
EMLAS REDUCTION TO MATCH WELSH GOVERNMENT GRANT	48
RATIONALISATION OF ICT PROVISION	77
PHASED REDUCTION IN MUSIC SERVICE FUNDING	193
COMBINATION OF EMPLOYMENT TRAINING & LIFELONG LEARNING SERVICES	154
PHASED MANAGED SAVINGS IN SEN BUDGETS	104
PHASED REVIEW OF YOUTH SERVICES MANAGEMENT STRUCTURES	82
TRANSITION OF SERVICES TO STATUTORY MINIMUM	200
OTHER SERVICE EFFICIENCIES AND COST REDUCTIONS	14
TOTAL	**1,664**
ENVIRONMENT	
REDUCED STAFFING COSTS	366
SENIOR MANAGEMENT REVIEW - REDUCTION OF HEAD OF SERVICE POST	50
RATIONALISATION OF CCTV SERVICE WITH PROPOSED POLICE SUPPORT	19
INCOME FROM INCREASED FEES & CHARGES	80
RATIONALISATION OF PENLLERGAER SHUTTLE BUS SERVICE	40
REMOVE ADDITIONAL MEMBERS ENVIRONMENTAL IMPROVEMENT BUDGET	100
REDUCED REFUSE COLLECTION STAFFING COSTS	80
REDUCTION IN SUPPLIES & SERVICES BUDGETS	100
REDUCTION IN MARINA MAINTENANCE	30
INCREASED CRIMINAL PARKING ENFORCEMENT INCOME	50

APPENDIX C

SERVICE SAVINGS PROPOSALS

	£000
REDUCTION IN FLEET COSTS	100
OTHER SERVICE EFFICIENCIES AND COST REDUCTIONS	120
TOTAL	**1,135**

SOCIAL SERVICES

REDUCED STAFFING COSTS	687
INCREASED BUDGET TO MATCH CURRENT INCOME LEVELS	200
REMODEL THE RESPITE SERVICE FOR YOUNGER ADULTS (FULL YEAR EFFECT)	150
RECONFIGURATION OF RESIDENTIAL PLACEMENT SERVICES	162
COMPLIANCE WITH DIRECT PAYMENTS LEGISLATION	190
OTHER SERVICE EFFICIENCIES AND COST REDUCTIONS	100
TOTAL	**1,489**

TOTAL SERVICE SAVINGS PROPOSALS	**6,689**

REVENUE BUDGET 2012/13

EARMARKED RESERVES

	Balance 01/04/11 £000	2011/12 £000	Balance 31/03/12 £000	2012/13 £000	Balance 31/03/13 £000
PORTFOLIO RESERVES					
Equalisation reserves	812	0	812	0	812
Development projects / external bodies	1,184	210	1,394	40	1,434
Pay & Grading review	10,615	4,275	14,890	4,330	19,220
Service reserves	3,993	-946	3,047	-656	2,391
Renewal funds	7,552	-615	6,937	51	6,988
TOTAL PORTFOLIO RESERVES	**24,156**	**2,924**	**27,080**	**3,765**	**30,845**
CORPORATE RESERVES					
Contingency Fund	4,748	68	4,816	8,000	12,816
Other corporate reserves	20,588	-3,347	17,241	-1,996	15,245
TOTAL CORPORATE RESERVES	**25,336**	**-3,279**	**22,057**	**6,004**	**28,061**
SCHOOLS DELEGATED RESERVES	**3,628**	**No information available**			

PROPOSED INCREASES IN FEES & CHARGES 2012/13

DETAILS	PROPOSED CHARGE / INCREASE
REGENERATION & HOUSING DIRECTORATE	
Singleton Park and Recreation Ground car parking charges	Increase from £2 per day to £2.50 per day
ENVIRONMENT DIRECTORATE	
Street café licences	25% increase in charges
Non-public health pests ; commercial calls; stray dogs	Increases in charges ranging from 5.6% - 11.8%
Horses, cows, sheep and goats	Increases in charges ranging from 19% - 38%

24th January 2012

Councillor C Holley
City and County of Swansea
County Hall
Oystermouth Road
Swansea
SA1 3SN

Dear Councillor Holley,

School Budget Forum Response to Budget Consultation

In view of the short timescale for responses to the Budget 2012/13 presented to Cabinet on the 15th December 2011, this input to the current corporate budget process has been drafted and agreed by representatives of the School Budget Forum. **It reflects the wide ranging discussions held in the weeks prior to Christmas with Headteachers and their representatives, as well as the issues raised at the meeting of the School Budget Forum on January 9th 2012, and was formally endorsed at that meeting.**

As always, the School Budget Forum has sought to support the discussions that will be held over the coming weeks. **As a statutory consultation 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 challenging financial context facing the Council as well as the prospects for 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.

We have appreciated the positive response in Council Budgets 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 as well as mitigating the effects of large scale redundancies on the Council.

The Forum also appreciates:

- **The Council's commitment to deliver fully the national education funding guarantee**

- **The assurances given by Cllrs Rice and Day that all money released by the closure of Daniel James school will be put directly into delegated school budgets**

- **The assurance that any future savings made as a result of school re-organisations yet to happen will also be fully transferred to delegated school budgets**

The Forum notes that, whilst there is no requirement that councils should spend at the level of their Education Indicator Based Assessments determined by the Assembly (IBA), this is likely to remain a national funding comparator. Over recent years, Swansea has consistently spent above its Education IBA, although the percentage has declined each year. Whilst the Forum accepts that Swansea is also funded at a lower level in terms of Education IBA per pupil than the average across Wales (17th out of 22 Authorities in Wales in terms of Education IBA per pupil):

- **In the current year (2011/12) Swansea is spending at 97.7% of its Education IBA compared with an average of 99.5% across Wales as a whole**

- **Swansea's Education IBA was increased by 1.2% for 2012/13** compared to an increase across Wales as a whole of 0.9%. Consequently, any significant cut in non delegated education spending will worsen this comparison

- In Swansea, **the gross schools budgeted expenditure for 2011/12 is £5,163 (highest £6,439, average £5,462), placing Swansea 21st out of 22 (20th in 2010/11).**

- Funding within Swansea schools is significantly lower than that of all of our SWAMWAC partners, thus putting the city's schools at considerable disadvantage when regionalisation gathers pace

Notwithstanding the above, the Forum welcomes the assurance given by Cllr Rice that it is a priority for the Council to improve Swansea's relative position in all of the above indicators. The Forum also notes and welcomes the public acceptance by elected members that overspends in Social Services were a key factor in reducing the 'baseline' for education funding two years ago and that it has so far proved impossible to make up the lost ground. The Forum requests formally that it is kept fully informed of the monitoring that is now in place within the Social Services directorate.

The underlying pressures facing schools are also apparent from the extent to which schools as a whole continue to draw from one-off funding from balances. As at the 31st March 2011 the level of reserves amounted to 2.9% of the delegated schools budget compared with an average of 3.8% across Wales and an Audit Commission guideline of 5%. Reserves in the secondary sector are particularly low. Reserves held by Swansea schools amount to £108 per pupil, compared with an average for Wales of £163 per pupil and there are just 4 Authorities lower than Swansea.

The Forum desires to continue to work with the Council, especially in allowing resources to support front line services rather than redundancy costs. The continuing Staff Management strategy is an example of this.

The Forum is supportive of the principle of additional delegation of funding and responsibilities to schools **where it can be demonstrated that this will add value in some way to the quality or value for money obtained. There must also be total transparency and clarity regarding the funding and responsibilities being transferred to schools, particularly in relation to the newly delegated SEN funding.** However, the Forum is concerned that the local government commitment to increase the delegation rate will, at least to a significant degree, be delivered as a result of further significant cuts in non delegated education services for pupils and schools rather than from any genuine additional funding for delegated school budgets. Even the funding guarantee, which is very welcome, will simply offset in part the additional spending pressures facing schools in the coming year in terms of pension fund contribution increases and energy costs etc. This was probably not the intention of the Minister.

The recently announced pupil deprivation grant is welcome but the Forum has concerns regarding how this funding will be established and used, particularly since there is no certainty that it will continue beyond a single year.

The Forum also supports the Council regarding the need to review the provision of school places, including school closures, as part of a longer term strategy to address the serious structural and suitability needs relating to school premises and facilities. The recent in principle support for the Authority's outline strategic programme is welcomed and the Forum supports the need to meet the required 50% local contribution through the realisation of additional capital receipts. This is preferable to additional prudential borrowing financed by savings in the delegated schools budget released from through school rationalisation, particularly in view of the Authority's already low level of funding per pupil by comparison with other Authorities within Wales.

The Forum also remains concerned at the financial assessment and broad options for achieving a balanced budget set out in the Cabinet Report of December 15th 2011 and would particularly emphasise the following points:

- **Whilst the earlier consultation is welcomed, the Forum would stress the need for greater transparency regarding the decisions of the Council and it does not consider that the report provides a sufficient level of detail to be considered an adequate basis for genuine consultation.** Indeed, it is unclear what stakeholders are actually being consulted on. Consequently, whilst the Director has provided further details through discussion at the Joint Finance Group, the Forum would expect a further opportunity to comment on the fuller detailed package of proposals for the non delegated education budget as soon as possible, **particularly regarding the wide range of services that are currently provided from non delegated education budgets but which nevertheless remain front line services for specific pupil needs.**
- The Forum accepts that the Council will make local choices regarding those services which will be reduced or indeed ceased altogether, mindful of its statutory and regulatory responsibilities. However, the Forum is extremely concerned that the proposed scale of cuts in non delegated Education provision will, effectively, transfer additional responsibilities to schools, without transferring the current budget provision, nor access to the same level of professional advice and support. **If the Council is to avoid challenge by stakeholders, and indeed the Minister, there must be absolute transparency to ensure that any additional responsibilities placed on schools (and the current funding allocated to them) are fully reflected in the education funding guarantee.**
- The Forum would seek clarification of the impact of the proposed Council Budget in terms of the cash change in funding for Education services within Swansea by comparison with the Welsh Government Settlement which provides for a 1.2% increase in Education IBA and 0.6% increase in Revenue Support Grant to the Council as a whole.
- The Forum asks how the proposed financial plan carries forward the Council's commitment to deliver on increase in Education funding per pupil within Swansea.
- The Forum asks for clarification of cuts by directorate as a proportion of the current directorate budgets, as this is not clear from the papers
- The Forum would ask whether the Council is prepared to accept the extremely serious implications of the proposed financial plan in relation to Education services for children within Swansea
- The Forum does not consider that the business case is sufficiently made within the report to demonstrate why the need for additional funding for Waste Disposal, the ISIS upgrade, and Social Services is supported.

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 to respond to the serious matters in this letter.

Yours sincerely,

Hugh Davies
Chair of School Budget Forum

Jonathan Atter
Vice-Chair of School Budget Forum

PORTFOLIO BUDGETS

2012/13

Community Leadership & Democracy

	ORIGINAL BUDGET 2011/2012 £	ORIGINAL BUDGET 2012/2013 £
Head of Marketing Communications and Overview		
Communications	362,500	321,100
Corporate Management Team Support	419,000	441,900
Corporate Marketing	163,600	129,500
Mayoral Service	214,800	220,900
Overview and Scrutiny	283,200	286,500
	1,443,100	**1,399,900**
Head of Legal, Democratic Services and Procurement		
Democratic Services and Complaints	721,800	704,000
Elections	293,000	708,200
Members Costs	1,594,400	1,677,900
	2,609,200	**3,090,100**
Total Community Leadership & Democracy	**4,052,300**	**4,490,000**

Culture, Recreation and Tourism

	ORIGINAL BUDGET 2011/2012 £	ORIGINAL BUDGET 2012/2013 £
Director of Regeneration and Housing		
Regeneration and Housing Directorate	206,000	188,000
	206,000	**188,000**
Head of Culture and Tourism		
Archives	296,500	290,800
Arts	2,407,500	2,362,600
Development and Outreach	460,400	435,400
Libraries	3,000,000	2,943,600
Parks	5,807,300	5,682,800
Sport and Recreation	2,608,300	2,422,000
Tourism, Marketing and Events	1,529,300	1,600,400
Directorate and Other Costs	646,700	594,400
	16,756,000	**16,332,000**
Total Culture, Recreation and Tourism	**16,962,000**	**16,520,000**

Revenue Budget 2012/2013

Education

	ORIGINAL BUDGET 2011/2012 £	ORIGINAL BUDGET 2012/2013 £
Delegated Schools		
School Cost Centres	121,710,000	130,596,000
	121,710,000	**130,596,000**
Head of Education Effectiveness		
ELIS	8,800	5,300
Ethnic Minority Language Service	337,900	248,800
Management and Admin	205,200	207,900
Miscellaneous Grants	22,600	22,600
Music Service	193,300	0
School Effectiveness	1,047,900	919,700
School Effectiveness Framework	652,000	653,400
School Intervention	303,400	303,400
Support for the Arts	78,300	78,400
Travellers Service	42,300	39,700
Welsh Service	507,700	427,100
	3,399,400	**2,906,300**
Head of Education Inclusion		
Access to Learning Mgt and Admin	253,000	254,900
Behaviour and Learning Support	1,440,200	1,364,300
Community Education	407,600	363,800
Employment Training	822,500	726,000
EOTAS Pathways	819,400	818,000
Families First	250,000	252,400
Home Tuition Service	529,000	507,700
Management and Admin	145,000	146,700
One to One Support Primary	4,892,600	720,400
One to One Support Secondary	2,395,200	360,000
Psychology Service	731,400	713,400
Pupil Referral Units	1,769,300	1,772,500
Recoupment	690,400	690,400
School and Governor Unit	288,500	321,500
SEN Statementing and Support	2,951,200	2,977,300
Student Finance	264,500	267,600
Welfare Service	585,300	572,900
	19,235,100	**12,829,800**

Education

	ORIGINAL BUDGET 2011/2012 £	ORIGINAL BUDGET 2012/2013 £
Head of Education Planning and Resources		
Asset Management	113,800	115,400
Cleaning Service	975,400	930,500
Continuing Education	781,200	879,100
DfES	-7,196,600	-7,543,800
Empty Properties	600	15,000
Health and Safety	62,900	62,900
ICT Strategy	885,800	817,000
Management and Admin	932,600	810,100
School Cost Centres	12,221,700	12,365,600
School Funding and Information	129,400	111,000
School Meals Client	697,700	997,700
School Meals Service	-122,000	-95,100
School Planning and Information	64,300	65,000
	9,546,800	**9,530,400**
Total Education	**153,891,300**	**155,862,500**

Economic Regeneration & Planning

	ORIGINAL BUDGET 2011/2012 £	ORIGINAL BUDGET 2012/2013 £
Head of Economic Regeneration and Planning		
Business Support	353,300	255,400
City Centre Management and Indoor Market	-220,200	-106,500
Major Projects, Design & Conservation	171,500	175,000
Planning Control	1,006,400	912,700
Planning Policy & Environment	914,000	1,032,500
Property Development	485,400	607,400
Strategy Development	677,300	592,700
Directorate & Other Costs	210,300	177,800
	3,598,000	**3,647,000**
Total Economic Regeneration & Planning	**3,598,000**	**3,647,000**

Environment

	ORIGINAL BUDGET 2011/2012 £	ORIGINAL BUDGET 2012/2013 £
Director of Environment		
Environment Directorate	159,900	54,000
	159,900	**54,000**
Head of Public Protection		
Building Regs	158,400	144,900
Burials and Cremations	214,300	-11,300
Food	554,800	572,000
Licensing	-121,100	-125,300
Pollution	768,700	774,500
Public Health	839,100	924,300
Registrars	94,500	60,300
Trading Standards	779,400	788,800
Directorate & Other Costs	616,900	601,000
	3,905,000	**3,729,200**
Head of Streetscene		
Highways	6,938,800	7,427,500
Waste Management	12,615,900	14,068,900
	19,554,700	**21,496,400**
Head of Transportation		
Car Parking & Enforcement	-1,695,900	-1,554,200
Central Transport	-160,300	-156,600
Engineering	601,100	619,900
Swansea Marina	26,300	18,800
Traffic management	999,900	991,000
Transportation	2,599,300	2,568,200
Directorate & Other Costs	642,500	584,900
	3,012,900	**3,072,000**
Total Environment	**26,632,500**	**28,351,600**

Revenue Budget 2012/2013

Finance

	ORIGINAL BUDGET 2011/2012 £	ORIGINAL BUDGET 2012/2013 £
Head of Marketing Communications and Overview		
Design and Print	324,000	298,900
	324,000	**298,900**
Head of Corporate Building and Property Services		
Facilities Management	3,640,800	4,171,500
Strategic Estates Properties	-3,739,400	-3,774,600
	-98,600	**396,900**
Resources Directorate		
Resources Directorate	163,800	165,700
	163,800	**165,700**
Head of Finance		
Audit	540,200	528,900
Corporate Costs and Revenues	-745,600	-800,100
Finance DMT	-886,400	-885,200
Treasury and Technical	1,034,600	875,600
Accountancy	1,645,600	1,538,200
Revenues & Benefits	2,612,700	2,712,300
	4,201,100	**3,969,700**
Head of Legal, Democratic Services and Procurement		
Procurement	221,400	-3,000
	221,400	**-3,000**
Head of Performance and Strategic Projects		
Swansea Change Fund	676,800	676,800
	676,800	**676,800**
Total Finance	**5,488,500**	**5,505,000**

Revenue Budget 2012/2013

Housing

	ORIGINAL BUDGET 2011/2012 £	ORIGINAL BUDGET 2012/2013 £
Head of Corporate Building and Property Services		
Corporate Building Services	-170,200	-63,600
Property Preventative Maintenance	4,349,800	4,337,700
	4,179,600	**4,274,100**
Head of Housing and Community Regeneration		
Grants to the Independent Sector	85,500	85,500
Renewals and Adaptations	410,600	368,300
Strategy Advice and Support	671,000	688,900
Other Housing Services	77,900	162,300
	1,245,000	**1,305,000**
Total Housing	**5,424,600**	**5,579,100**

Revenue Budget 2012/2013

Community Regeneration

	ORIGINAL BUDGET 2011/2012 £	ORIGINAL BUDGET 2012/2013 £
Head of Education Effectiveness		
Families First	100,500	49,900
Out of Hours Learning	16,500	17,200
Play	109,500	109,900
Residential and Outdoor	245,400	248,300
Youth Service	1,041,500	878,900
	1,513,400	**1,304,200**
Head of Public Protection		
Community Safety	596,500	577,400
	596,500	**577,400**
Head of Culture and Tourism		
Community Buildings	276,000	267,900
Development and Outreach	97,000	98,100
	373,000	**366,000**
Head of Housing and Community Regeneration		
Community Regeneration	239,000	258,000
	239,000	**258,000**
Total Community Regeneration	**2,721,900**	**2,505,600**

Revenue Budget 2012/2013

Social Services

	ORIGINAL BUDGET 2011/2012 £	ORIGINAL BUDGET 2012/2013 £
Head of Child and Family Services		
Assessment and Care Mgt Child and Family	7,666,600	7,804,300
Accomodation Services-External	10,295,800	11,150,400
Accomodation Services-Internal	4,570,300	5,131,300
Residential Care-Internal Provision	1,197,800	746,600
Adoption Services	830,700	1,152,900
Aftercare-External	472,200	472,400
Aftercare-Internal	527,900	527,900
Family Support Services-External	1,994,300	2,001,300
Family Support Services-Internal	1,484,500	1,883,700
Other Children's Services-Internal	1,104,900	1,107,100
Preventing Youth Offending	1,059,900	1,076,800
Review and Quality Assurance	418,900	508,500
Management and Administration	2,350,200	2,166,800
	33,974,000	**35,730,000**
Head of Adult Services(Older People and Disability)		
Assessment and Care Management Older People	3,346,600	3,283,000
Community Alarms Older People	229,900	196,000
Community Meals External Provision	317,400	317,700
Day Services Older People	996,000	1,015,600
Domicillary Care Older People	12,354,000	12,230,200
Intermediate Care Older People	188,900	189,500
Occupational Therapy Older People	494,200	510,400
Older People & Disability Service Administration	1,060,600	1,023,300
Residential Long Term Older People	13,618,900	14,336,400
Residential Short Term Older People	193,500	165,800
Voluntary Agencies Contributions Older People	58,600	58,600
Assessment and Care Management Disability Services	774,500	759,000
Community Alarms Disability Service	5,200	5,200
Day Services Disability Services	627,800	635,900
Domicillary Care Disability Services	2,373,700	2,374,700
Equipment and Adaptations	563,000	564,100
Suresprung	0	0
Occupational Therapy Disability Services	232,600	232,600
Residential Long Term Disability Services	1,432,100	1,452,900
Voluntary Agencies Contributions Disability Serv.	18,600	17,300
	38,886,100	**39,368,200**

Revenue Budget 2012/2013

Social Services

	ORIGINAL BUDGET 2011/2012 £	ORIGINAL BUDGET 2012/2013 £
Head of Adult Services(Mental Health and Learning Disabilities)		
Central Management and Administration	823,300	760,700
Coastal	0	0
Community Mental Health Teams	1,012,200	1,017,700
Community Support Teams	1,103,900	1,106,800
Flexible Support Services Learning Disabilities	243,200	246,000
Learning Disability Day Services	3,911,100	3,917,400
Learning Disability Respite Service and Maesglas	1,511,100	1,411,700
Llanfair House	355,600	332,000
Mental Handicap Strategy	-1,733,700	-1,733,700
Mental Health Day Services	577,800	581,800
Protection of Vulnerable Adults	230,300	269,900
Residential Services-Ext Provision Learning Dis.	6,981,200	6,965,500
Residential Services-Ext Provision Mental Health	1,501,200	1,511,400
Special projects Learning Disabilities	116,800	116,800
Substance and Alcohol Abuse	142,100	142,100
Transport Depot	1,518,300	1,538,500
	18,294,400	**18,184,600**
Directorate Services		
Carers	632,200	632,500
Commissioning Support Unit	2,247,900	2,178,300
Supporting People Services	531,400	537,800
Central Services	1,202,000	1,191,500
Service Strategy and Regulation	134,600	137,800
Social Services Training Section	233,000	246,200
	4,981,100	**4,924,100**
Total Social Services	**96,135,600**	**98,206,900**

Revenue Budget 2012/2013

Business Efficiency and Improvement

	ORIGINAL BUDGET 2011/2012 £	ORIGINAL BUDGET 2012/2013 £
Head of Human Resources and OD		
Human Res. Pensions & Employee Services	2,014,000	1,857,700
Health and Safety	953,300	1,028,100
Training	293,400	285,400
	3,260,700	3,171,200
Head of Information and Customer Services		
ICT	6,048,500	6,928,800
Contact Swansea	1,276,900	1,268,000
Research and Information	532,100	407,800
ISIS Development	479,500	1,411,100
	8,337,000	10,015,700
Head of Legal, Democratic Services and Procurement		
Legal Services	1,531,800	1,535,900
Coroners	427,100	428,300
	1,958,900	1,964,200
Head of Performance and Strategic Projects		
Strategic Projects	651,300	644,700
Performance and Strategic Planning	546,000	553,200
Joint Resilience Unit	189,700	85,000
LRF Secretariat	0	0
	1,387,000	1,282,900
Total Business Efficiency and Improvement	14,943,600	16,434,000

Medium Term Financial Plan 2013/13 – 2015/16

Item No. 5

Report of the Section 151 Officer

Extraordinary Council – 20th February 2012

MEDIUM TERM FINANCIAL PLAN 2013/14 – 2015/16

Purpose:	This report proposes a Medium Term Financial Plan 2013/14 - 2015/16
Policy framework:	None
Reason for decision:	To agree a financial framework for future service planning
Consultation:	Cabinet Members & Corporate Management Team
Recommendation:	The Medium Term Financial Plan 2013/14 – 2015/16 be approved as a basis for future service and financial planning.
Report Author:	M.G.Trubey
Finance Officer:	M.G.Trubey
Legal Officer:	T.Meredith

1. Introduction

1.1 This report details:

- An overview of financial planning
- A service and financial overview
- A spending and resources forecast
- Potential savings options
- Risks and uncertainties

2. Overview of Financial planning

2.1 Service and financial planning is undertaken against a backcloth of limited 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
- Identifies potential savings options to resolve future shortfalls

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

3. Service and Financial Overview

Background

3.1 The Medium Term Financial Plan (MTFP) report considered by Council on 28th February 2011 included a financial and service overview. The attached MTFP reflects updated cost assessments together with financial forecasts for 2013/14, 2014/15 and 2015/16.

Economic outlook

3.2 The UK Government's decision to cut public spending over several years is being implemented as planned. The 2012/13 funding settlement and indicative future settlements announced by the Welsh Government (WG) reflect the settlements which it has/will receive from the UK Government. The announcements also reflect the WG's own decisions to prioritise spending within its overall budget.

3.3 The prospects for the economy in 2012/13 are uncertain at best. During the first quarter of 2011/12, the economy grew by only 0.1%. Inflation remains at a relatively high level with the 5.2% Consumer Retail Price (CPI) index increase recorded in September 2011 being the highest CPI increase since September 2008. Conversely, interest rates remain very low.

3.4 The Chancellor highlighted the following points in his Autumn Statement on 29th November 2011 :

Economic Growth

- The 2011 forecast has been revised down to 0.9%
- The 2012 forecast has been revised down to 0.7%
- In 2013, 2014 and 2015, forecast growth will be 2.1%, 2.7% and 3% respectively
- Real earnings are unlikely to move back ahead of inflation until the second quarter of 2013 (previously forecast for the third quarter of 2012)

Government Borrowing

- The borrowing forecast has been revised to £127bn in 2011-2, falling to £120bn, £100bn, £79bn and £53bn in the following years
- An extra £112bn in borrowing over four years
- Debt to GDP ratio to peak at 78% in 2014-5, falling afterwards

The Chancellor also stated that pay restraint will continue for a further two years with public sector pay awards set "..at an average of one percent for each of the two years after the current pay freeze comes to an end..".

3.5 The public sector also faces a greater level of job cuts than previously predicted. In the Office for Budget Responsibility's (OBR) Economic and Fiscal Outlook, the OBR revised its forecast for job cuts in the public sector upwards to 710,000 for the period from January 2011 to the first quarter of 2017.

3.6 The above issues have the potential to directly or indirectly impact on the Council's finances and budget plans.

Service overviews

3.7 The key service issues which will impact on 2013/14 and future years are as follows.

Education

3.8 The protection afforded to schools in 2011/12 and 2012/13 ameliorated the impact of the Government's spending reductions on school budgets. Whilst the Council exceeded the terms of the WG's protection in 2011/12 and again in 2012/13, schools continue to face tough budget decisions as a result of the Government's spending reductions. The outlook going forward remains challenging for schools and also the non-delegated Education budget.

The Council will continue to implement its school re-organisation programme in 2012/13. The Council will apply for WG grants to further progress the programme as opportunities arise. In this context, the Council continues to have a challenging capital receipts target as detailed in the Capital Budget report elsewhere on the agenda.

Future Council budgets will need to provide for an increased level of delegation in accordance with the commitment made by Local Government and now expected by the WG.

Adult Services

3.9 An increasingly aged population creates greater demand for services and also changes the nature of that demand. Options for future service delivery will need to be further considered. These may require changes that involve de-commissioning and re-commissioning services.

Child & Family Services

3.10 Significant improvements have been made in this service. However, the implications for the Council's overall budget remain challenging. The aim going forward is to achieve a further improvement in standards whilst simultaneously achieving cost reductions in line with the agreed Financial Recovery Plan.

Waste Management

3.11 The Council is progressing its waste management strategy to achieve the WG's targets and also to achieve the best financial outcome for the Council. The 2012/13 budget and MTFP will need to made provision for:

- the Council's future landfill requirements and
- expenditure needed to comply with the requirement to achieve specified recycling targets

Workforce

3.12 The workforce is both the Council's major asset and its major cost. Significant progress has been made on Single Status with a view to implementing a compliant Pay & Grading scheme in 2012. It is proposed to implement revised terms and conditions at the same time. The financial implications of resolving all Single Status issues are very significant.

The MTFP proposals are based on an assumption that costs in the short to medium term will not exceed current budgets and sums set aside for Single Status implementation.

The Council has an ongoing programme 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 in 2010 and again in 2011.

City Centre development

3.13 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. The acquisition of the St.David's Centre in conjunction with the WG will facilitate future development.

Priorities and plans

3.14 Each year the Council adopts a Corporate Improvement Plan. The Plan states the Council's vision, and details its values. The vision is summarised "by 2020 Swansea will aim to be a distinctive European City" and the values are, teamwork, innovation, openness, respect, enthusiasm and caring.

3.15 Whilst it is inevitable and appropriate that improvement objectives will need to be reviewed in the light of resources, the current objectives are to :

- Improve services for children and young people and in particular to maximise well being; raise standards of attainment and achievement; ensure services are safe and services provide excellent education opportunities

- Improve and protect our environment and make communities feel safer so that the City and County of Swansea is a great place to live

- Improve Swansea's economic performance so that the City and County of Swansea supports a prosperous economy

- Improve Health and Social Care Services for all so that the City and County of Swansea supports and promotes good health

3.16 In the light of the imminent 2011/12 financial settlement, Council approved a 'Statement of Budget Principles and Priorities' at its October 2010 meeting.

3.17 The agreed principles were:

- consultation where appropriate
- continue statutory services but review delivery methods
- increase workforce flexibility
- minimise overheads
- leaner management
- 'One Council' approach
- priority based decisions
- prioritise frontline services
- no untouchables
- promote regional and joint working

3.18 The priorities, which are not excluded from the drive for efficiency, were stated as:

- protection of the most vulnerable people

- direct pupil services
- defined street scene services

Projects and Programmes

3.19 A number of key projects and programmes exist in order to deliver the challenging agenda going forward. Whilst the detail of these projects and programmes can be obtained elsewhere, they can however be summarised as follows:

QEd2020
- raise standards of achievement and attainment for all children and young people
- improve the quality of the learning environment
- make the best use of human, physical and financial resources

Waste Management Strategy
- regional procurement of residual waste
- waste minimisation / recycling
- regional procurement of food waste treatment

Workforce Programme
- HR systems development
- a new pay and grading scheme
- pay modernisation
- headcount reduction
- workforce planning

Child and Family Improvement Plan
- service improvement
- financial recovery plan

Leisure Trusts
- future models of service provision.

Other Efficiency and Cost Improvement Activity
- procurement strategy
- recruitment freeze
- spending restrictions
- voluntary redundancy
- partnership, collaboration and joint working
- shared services
- regional working
- systems development

3.20 Achieving financial sustainability will require not only the delivery of specific budget proposals but also the successful management of projects and programmes and the delivery of the improvement programme.

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 This report forecasts revenue spending and resources in the period covered by the MTFP.

Based on the assumptions detailed below, the forecast shortfall in each year is as follows:

	£m
2013/14	7.500
2014/15	14.150
2015/16	15.350

The forecast is summarised in appendix 1 and detailed below.

Resources

4.3 Annual spending is financed by WG grants, Council Tax levies and a range of fees and charges. All three sources of finance are effectively constrained as follows:

Welsh Government Grants

Revenue Support Grant (RSG) and Specific Grants are constrained within the overall WG budget as determined by the UK Government.

Council Tax

The ability of Council Taxpayers to meet significant increases effectively constrains annual increases.

Fees and charges

Many annual increases are specified by the WG and other bodies. Price elasticity of demand also effectively limits the extent of annual increases over and above inflation.

4.4 RSG will finance 77.5% of net spending in 2012/13. The WG has indicated that only small increases will apply in future years as follows:

2013/14	+1.4%
2014/15	+0.7%

The WG has not provided an indicative settlement figure for 2015/16. However, it is assumed for the purpose of the MTFP forecast that a 1.5% increase will apply in 2015/16. This of course, may not be the case.

4.5 Each 1% increase in Council Tax yields £870,000. As such, future increases in the Council Tax alone will be insufficient to resolve the forecast shortfalls in future years. No assumptions have been made about future Council Tax increases for the purpose of the MTFP forecast.

Inflation

4.6 Consumer Price Inflation is currently running at 4.2% per annum. It is likely that annual increases in excess of 2% will apply for the foreseeable future. Whilst the impact of inflation on Council spending has been variable over the last year, price inflation continues to be a real issue in most areas of Council spending.

4.7 The Chancellor announced a relaxation in the government's pay restraint policy in his Autumn Statement in November 2011. For the purpose of financial planning, it is assumed that a 1% pay award will be agreed in 2013/14 with future awards reflecting inflation thereafter.

4.8 As a working assumption , the inflation figures in appendix 1 assume the following:

	Pay	Prices / income inflation
2013/14	+1%	+3%
2014/15	+3%	+3%
2015/16	+3%	+3%

4.9 The financial implications of the above assumptions are detailed below and are reflected in appendix 1. Given the critical importance of the assumption made about inflation, the implications of higher and lower assumptions are as follows:

Cost of inflation

	2013/14	2014/15	2015/16
	£000	£000	£000
1%	1,100	3,200	5,340
2%	2,200	6,400	10,700
3%	3,200	9,500	16,000
4%	4,300	12,700	21,400
5%	5,400	15,900	26,700

Note: all figures are relative to the 2012/13 budget

Pension Contributions

4.10 Employer contribution rates for the period 2011/12 – 2013/14 were agreed in the 2010 Actuarial valuation as follows:

	Employers Contribution rate %
2011/12	20.5
2012/13	22.1
2013/14	22.4

Contribution rates in 2014/15 and the two subsequent years will be agreed in the 2013 Actuarial valuation. The main factors which will affect future employer contribution rates are:

- potential structural changes to the Local Government Pension Scheme
- the balance of future contributions between employees and employers
- the UK economy and world markets including performance of the stock market

The MTFP does not provide for a further employer contribution increase at this time although it is far from clear if this will be the case.

Waste Disposal

4.11 The cost of residual waste disposal and the regime of financial penalties is a major issue for the Council. Whilst increased recycling and efficiency initiatives will reduce future costs, there will be increased costs arising from higher Landfill Tax levies to be applied in future years. There are also issues to be addressed in relation to the Tir John landfill site as detailed in the Capital Budget report elsewhere on the agenda. The figures detailed in appendix 1 represent the best estimate of a number of interrelated costs and savings. This assessment assumes that there will be no reduction in WG waste grants.

eGovernment Programme

4.12 The MTFP report to Council on 22nd February 2010 highlighted that monies borrowed to fund the eGovernment Programme will be fully repaid in accordance with paragraph 5.1.3 of the contract award report approved by Cabinet on 1st December 2005. To achieve full repayment by the end of the contract with Capgemini the following special repayments are required:

2013/14 £4.0m
2014/15 £4.3m
2015/16 £1.1m

This will achieve a full repayment of all sums borrowed to finance the eGovernment programme at the end of the contract with Capgemini.

Demographic changes

4.13 There will be an increased budget requirement as demand for services and costs increase. Whilst these costs can not be precisely estimated it is prudent to provide an indicative additional requirement of £500,000 per annum.

Levies

4.14 The only significant levy relates to the Mid and West Wales Fire Authority. It is assumed that future increases will be limited to the annual change in RSG.

Protection of Social Care and Schools budgets

4.15 In announcing the 2012/13 Local Government Finance Settlement, the Minister stated that Protection for Social Care and School budgets will continue in 2012/13, 2013/14 and 2014/15 (schools only) . The general description of the protection and the arrangements for monitoring individual Council decisions are unchanged from the 2011/12 settlement announcement.

4.16 The protection provides for a minimum increase in protected Social Care and Schools budgets as follows:

	%	
2012/13	+1.58	
2013/14	+2.08	
2014/15	+1.27	(schools only)

The attached forecast assumes that the protection requirement in relation to Social Care will be achieved as a result of cost increases detailed elsewhere in this MTFP forecast.

The assumption in respect of school protection is detailed in the following paragraph.

Schools Protection

4.17 The implications of the Welsh Government's Education Funding Guarantee has been highlighted in previous budget reports.

The financial implication of the funding guarantee in each future year is as follows:

	£m
2013/14	+ 2.7
2014/15	+1.7

For the purpose of this forecast, it is assumed that an increase equivalent to the assumed RSG uplift of 1.5% will apply in 2015/16. This of course may not be the case.

Child & Family Services

4.18 The strategies to reduce the Looked After Children (LAC) population have been relatively successful with a decrease of 60 LAC during the current financial year. The Council will continue with its strategy to maintain children at home where it is safe to do so; seek to revoke Care Orders where children have returned to their parents / families care; continue to develop and increase its foster care service; reduce its dependency and reliance on Independent Fostering Agency Placements and maintain its drive to secure Adoption Orders and placements where this is in the best interests of the child. In addition the Council, together with its partners, through the Children and Young People's Partnership, will continue to develop Prevention and Early Intervention strategies to support families and children in need.

4.19 It is anticipated that the Council will reduce the number of external placements based on recent trends, together with the strategies referred to above. It is difficult, and would not be appropriate to predict with any certainty what number of placements will be required during the next financial year. This will depend and be dictated by the needs of children who may need to be protected. If the number of placements required reduced by 20 at an average cost of £50,000 per placement per year, this would reduce costs by £1m. It is reasonable to assume, at this time, that LAC and placement numbers will decrease in 2012/13.

4.20 Whilst it is anticipated that the current overspend will be reduced by implementing the strategies detailed above, it is unlikely that the budget requirement for this service will greatly reduce in the short to medium term. As such, there are no assumptions regarding future cost increases or decreases contained in the MTFP forecast at this time.

Contingency Fund

4.21 The level of any contribution in 2013/14 and future years will depend on an updated assessment of risks and the overall funding position of the Council. As such, there is no assumption in this forecast to either increase or decrease the 2012/13 contribution of £8m. This of course may not be the case.

Sensitivity Analysis

4.22 The shortfalls highlighted in appendix 1 reflect a range of assumptions as detailed above. Changes to key assumptions – in particular assumptions about Council Tax, inflation and Welsh Government support – will significantly change the forecasts detailed in appendix 1.

A forecast of this nature can not possibly take account of all possible scenarios as illustrated by the following three examples:

Example 1
A 1% overspend in Council service budgets would amount to £3.3m
A 1% increase in interest earned on Council investments would earn £0.5m
A 1% overspend in Child & Family Services would amount to £0.3m

5. Potential Savings Options

5.1 Potential service savings options and targets are detailed in appendix 2

These comprise specific options and also for each service, a provisional service change savings target.

Indicative service change targets exclude school budgets and take account of:

(a) specific savings options as detailed in appendix 2 and
(b) current service budget shares

It must be stressed that the total indicative savings requirement in each service area is entirely based on its current budget share. Lower of higher targets in each service area will be determined over the coming year.

The achievement of the indicative Social Service figures will be impacted by the need to evidence protection of the overall Social Services budget in 2013/14.

5.2 Achievement of change savings targets will be a significant challenge in all service areas given the challenging targets already achieved by services in previous budget rounds. The aim will be to achieve further efficiency improvements by rationalising management structures and completing a structured programme of business transformation reviews.

6. Risks and Uncertainties

6.1 The projected shortfalls detailed in appendix 1 are based on a number of assumptions. As noted above, small changes in the key assumptions will make big differences to the forecast of shortfalls in future years.

6.2 The Revenue and Capital budget reports list a significant number of risks and uncertainties in 2012/13 and future years. There is a risk that the forecasts detailed in appendix 1 do not include sufficient provision for unavoidable spending increases in a number of areas.

7. Legal Implications

7.1 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 Trubey, Head of Finance
Telephone no	: 636391
Background papers	: None

Appendix 1

MEDIUM TERM FINANCIAL PLAN - FORECAST SHORTFALLS 2013/14 - 2015/16

	2013/14 £000	2014/15 £000	2015/16 £000
INCREASED SPENDING REQUIREMENT			
INFLATION	3,200	9,500	16,000
NET ADDITIONAL REQUIREMENTS			
Pension contributions	350	350	350
Waste disposal	1,000	1,000	1,000
eGovernment programme - special repayments	4,000	4,300	1,100
Demographic changes	500	1,000	1,500
SCHOOLS PROTECTION	2,700	4,400	6,400
	11,750	20,550	26,350
less:			
INCREASED REVENUE SUPPORT GRANT	-4,250	-6,400	-11,000
TOTAL FORECAST SHORTFALL	**7,500**	**14,150**	**15,350**

Appendix 2

MEDIUM TERM FINANCIAL PLAN - SAVINGS OPTIONS 2013/14 - 2015/16

	2013/14 £000	2014/15 £000	2015/16 £000
SERVICE SAVINGS OPTIONS			
EDUCATION			
Transition of non-delegated Education services to statutory minimum levels	200	200	200
Rationalisation of taxi & minibus contracts	200	400	400
Phased managed savings in SEN budgets	317	317	317
Combination of Employment Training & Lifelong Learning Services	157	157	157
Reduction in cleaning hours in non-public buildings	50	50	50
Welsh Translation Service reduced costs	27	31	30
EMLAS reduction to match Welsh Government grant	75	75	75
Rationalisation of ICT provision	70	70	70
	1,096	1,300	1,299
Change saving target	-208	385	470
Sub total Education	**888**	**1,685**	**1,769**
ENVIRONMENT			
Change saving target	970	1,841	1,932
Sub total Environment	**970**	**1,841**	**1,932**
REGENERATION & HOUSING			
Transfer facilities to a trust	100	100	100
Reduce LC subsidy	100	100	100
	200	200	200
Change saving target	695	1,498	1,582
Sub total Regeneration & Housing	**895**	**1,698**	**1,782**
CHIEF EXECUTIVE & RESOURCES			
Change saving target	870	1,651	1,733
Sub total Chief Executive & Resources	**870**	**1,651**	**1,733**

MEDIUM TERM FINANCIAL PLAN - SAVINGS OPTIONS 2013/14 - 2015/16

	2013/14 £000	2014/15 £000	2015/16 £000
SOCIAL SERVICES			
Remodelling of Adult Services	500	1,000	1,000
	500	1,000	1,000
Change saving target	2,782	5,229	5,537
Sub total Social Services	**3,282**	**6,229**	**6,537**
CROSS CUTTING TARGETS			
Fleet savings	100	200	300
Amalgamation of Toy Library Service	45	45	45
Reduce accommodation costs - Penllergaer (see note)			203
Third Sector funding review	100	100	100
Single business support	200	500	700
Depot and related review	100	150	200
Consolidate marketing and communications into a single unit	50	50	50
Sub total cross cutting	**595**	**1,045**	**1,598**
SERVICE SAVINGS OPTIONS	**7,500**	**14,150**	**15,350**

Note: Full year saving of £811,000 from 2016/17

Treasury Management Strategy, Prudential Indicators, Investment Strategy and Minimum Revenue Provision Policy Statement 2012/13

Item No. 6

Report of the Section 151 Officer

Extraordinary Council – 20th February 2012

TREASURY MANAGEMENT STRATEGY, PRUDENTIAL INDICATORS, INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION POLICY STATEMENT 2012/13

Purpose:	To recommend the Treasury Management Strategy Statement, Prudential Indicators, Investment Strategy and Minimum Revenue Provision Policy Statement for 2012/13.
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 and Finance.
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 Trubey
Legal Officer:	Tracey Meredith

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 <u>Revised CIPFA Prudential Code</u>
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 2012/13 is based upon a view on interest rates, having considered leading market forecasts provided by the Council's treasury advisor, Sector. The overall strategy covers:

- Treasury Limits 2012/13-2015/16
- 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 2012/13 to 2015/16

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						
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
	£'000	£'000	£'000	£'000	£'000	£'000
	Actual	Probable	Estimate	Estimate	Estimate	Estimate
Capital Expenditure						
GF	43,273	49,636	43,761	42,917	22,882	28,358
HRA	12,147	20,843	25,000	27,500	27,500	27,500
TOTAL	55,420	70,479	68,761	70,417	50,382	55,858
Capital Financing Requirement						
GF	311,722	302,866	304,637	297,159	286,874	279,312
Credit Arrangements *	1,515	2,631	1,793	1,137	599	159
HRA	73,325	71,424	69,695	68,001	66,341	64,715
Magistrates' Court **	1,802	1,730	1,661	1,595	1,531	1,470
TOTAL	388,364	378,651	377,786	367,892	355,345	345,656
Authorised limit for external debt	528,520	533,651	525,786	506,892	483,345	460,656
Operational boundary for external debt	421,520	418,651	417,786	407,892	395,345	385,656
Upper limit for fixed interest rate exposure	100% 528,520	100% 533,651	100% 525,786	100% 506,892	100% 483,345	100% 460,656
Upper limit for variable rate exposure	40% 211,408	40% 213,460	40% 210,314	40% 202,757	40% 193,338	40% 184,262
Upper limit for total principal sums invested for over 364 days	75,000	75,000	75,000	75,000	75,000	75,000

* 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 on a revenue basis and do not form part of the borrowing requirement.

** Legacy Magistrates' Court debt included for completeness

Maturity structure of fixed rate borrowing during 2011/12-2015/16		
	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 2010/11 %	**Revised 2011/12 %**	**Estimate 2012/13 %**	**Estimate 2013/14 %**	**Estimate 2014/15 %**	**Estimate 2015/16 %**
General Fund	6.84	6.87	6.86	7.64	7.57	6.76
HRA	11.68	10.49	9.93	9.47	9.09	8.80

Estimates of Incremental Impact of Capital Investment Decisions on Council Tax (Band D) and Council Housing Rents						
	Actual 2010/11 £	**Revised 2011/12 £**	**Estimate 2012/13 £**	**Estimate 2013/14 £**	**Estimate 2014/15 £**	**Estimate 2015/16 £**
General Fund	74.50	70.96	68.08	112.28	117.47	86.31
HRA	0.00	0.00	0.00	0.00	0.00	0.00

3 . The current portfolio position

3.1 The Council's probable debt portfolio position at 31/3/12 comprises:

	Principal outstanding 31 March 2012 £'000	**Average rate of Interest %**
Public Works Loan Board (fixed)	232,763	6.13
Money Market	98,000	4.10
Trusts and charities/internal/temporary	1,756	1.21
TOTAL	**332,519**	**5.52**

3.2 The Council's forecast investment portfolio at 31 March 2012 is as follows:

Managed investments	Investments 31 March 2012	2011/12 Estimated Investment Return	2012/13 Estimated Investment Return
	£'000	%	%
Externally Managed	22,276	0.70	0.75
Internally Managed	113,362	1.02	0.70

4. Prospects for Interest Rates

4.1 The Council's Treasury advisers (Sector) provided the following interest rate forecast for both short term (bank rate) and long term (PWLB) interest rates as at 13th January 2012. There is a downside risk to these forecasts if economic growth proves to be weaker and slower than currently forecast.

Annual Average %	Bank Rate	Money Rates		PWLB Borrowing Rates		
		3 month	1 year	5 year	25 year	50 year
March 2012	0.50	0.70	1.50	2.30	4.20	4.30
June 2012	0.50	0.70	1.50	2.30	4.20	4.30
Sept 2012	0.50	0.70	1.50	2.30	4.30	4.40
Dec 2012	0.50	0.70	1.60	2.40	4.30	4.40
March 2013	0.50	0.75	1.70	2.50	4.40	4.50
June 2013	0.50	0.80	1.80	2.60	4.50	4.60
Sept 2013	0.75	0.90	1.90	2.70	4.60	4.70
Dec 2013	1.00	1.20	2.20	2.80	4.70	4.80
March 2014	1.25	1.40	2.40	2.90	4.80	4.90
June 2014	1.50	1.60	2.60	3.10	4.90	5.00

4.2 Economic Background

Attached at Appendix B is an economic background assessment provided by our Treasury advisers. 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 2011/12 to 2015/16 :

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Borrowing and repayment requirements	**Actual**	**Probable**	**Estimate**	**Estimate**	**Estimate**	**Estimate**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
To finance new capital expenditure by supported borrowing	11,003	8,142	7,244	5,983	5,983	5,983
To finance new capital expenditure by unsupported borrowing	-	2,553	6,789	2,663	-	-
To replace loans maturing/repaid prematurely	5,978	6,084	6,151	6,283	7,323	3,189
Less						
Repayments	(13,892)	(13,971)	(13,897)	(17,399)	(17,671)	(14,920)
Set aside capital receipts	(575)	(750)	(750)	(750)	(750)	(750)
NET BORROWING REQUIREMENT	2,514	2,058	5,537	(3,220)	(5,115)	(6,498)

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 then investment rates and it is projected that the remaining borrowing requirement for 2011/12 and the projected borrowing requirement for 2012/13 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.

Short term savings (by avoiding new long term external borrowing in 2012/13) will be weighed against the potential additional long term extra costs (by delaying unavoidable new external borrowing until later years when PWLB long term rates are forecast to be 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 financial banking crisis - 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 foreseeable future The main strategy - with a view to minimising interest costs and the risk of default by counterparties - is therefore to internalise borrowing in 2011/12 and 2012/13.

However, 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.

6.3 Gross v Net Debt Position

The net debt position is detailed below. Cash balances arise from the Council's reserves and provisions; daily cash flow and monies managed on behalf of other accounts – in particular the Pension Fund. .

Comparison of average gross debt and average net debt at year end	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
	actual	probable	estimate	estimate	estimate	estimate
	£'000	£'000	£'000	£'000	£'000	£'000
Average debt (gross)	343,072	336,892	330,872	324,589	317,266	314,077
Average cash balances	116,718	115,000	108,000	99,000	88,000	75,000
Net debt	226,354	221,892	222,872	225,589	229,266	239,077

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 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 2012/13. All rescheduling decisions will be reported to the Cabinet Member for Finance in the quarterly report 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 Finance and advised to the Cabinet Member for Finance in the quarterly report following action.

Appendix G is the list of UK financial institutions (counterparties) which satisfy the Council's minimum credit criteria as at 13th January 2012.

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 2012/13 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 <u>Interest Rate Outlook</u>:
Bank Rate is forecast by the Council's advisors to remain unchanged at 0.5% A rise is forecast in quarter 3 of 2013. Bank Rate forecasts as at 31st March are:

- 2011/ 2012 0.50%
- 2012/ 2013 0.50%
- 2013/ 2014 1.25%
- 2014/ 2015 2.50%

There are downside risks to these forecasts – in particular that increases in Bank Rate are delayed even further and economic growth remains weaker for longer than expected. However, should the pace of growth pick up more sharply than expected there could be upside risks .

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 At the middle and 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 - Sector 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) Cabinet Member for Finance/ Performance and Finance Overview & Scrutiny board

- to receive and review regular monitoring reports

- to receive and review the Treasury Management policy and procedures

(iii) 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 directly with this local authority will comply with the requirements of SI 2009 No 393.

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 2012/13 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 2007 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.

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

APPENDIX A

TREASURY MANAGEMENT – GLOSSARY OF TERMS

Annualised Rate of Return	Represents the average return which would have been achieved each year.
Authorised Limit ***(can also be considered as the affordable borrowing limit)***	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:- • 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 (see financing costs also)	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	This is a scoring system that lenders issue people with to determine how credit worthy they are. The Credit Rating components are as follows: 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	The financing costs are an estimate of the aggregate of the following:- • 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)	These are standards set by governing bodies on how the financial statements should look and be presented.
Investments	Investments are the aggregate of:- • Long term investments • Short term investments (within current assets) • Cash and bank balances including overdrawn balances 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.
IMF	International Monetary Fund
LOBO (Lender's Option/ Borrower's Option	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.
London Inter-Bank Bid Rate (LIBID)	The interest rate at which major banks in London are willing to borrow (bid for) funds from each other.
Managed Funds	<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. <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.
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	Consists of financial institutions and deals in money and credit. The term applied to the institutions willing to trade in financial instruments. It is not a physical creation, but an electronic/telephone one.
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).
Premature Repayment of Loans (debt restructuring/rescheduling)	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.
Premia	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.
Prudential Code	The Prudential Code is the largely self regulatory framework outlined by CIPFA for managing/monitoring capital investment in local government.
Public Works Loan Board (PWLB)	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.
Range Trade Accrual	A Callable Range Accrual is so called because it is callable or cancellable by the bank after the initial period, as above. However, where it differs, is that interest accrues only as long as Libor (London Interbank Offer Rate, or another independently derived and published benchmark rate) stays within a pre-agreed range. The lender can choose the range, the non-call period, the Libor they wish to use, the call periods and the potential return they wish to receive.. The bank has the right to cancel this trade after the first 3 months, and every 3 months thereafter. With a range trade, the lender is backing his judgement on interest rate movements and in exchange for that can achieve a significantly enhanced return. This is done as part of portfolio management. The risk of rates going above Libor on a small part of the portfolio (and therefore none, or little payment on a range accrual) will be offset by the fact that the rest of the portfolio will be returning more than expected. The key risk to a callable range accrual is obviously that the contractual Libor rate goes outside the specified range. It is possible to mitigate this risk by analysing the historical behaviour of any specified Libor relative to base rate. By taking a view on

	expected base rate (which is done on all deposits), a lender can minimise exposure, and choose a range to match his risk appetite.
Risk	<u>Counterparty Credit Risk</u> The risk that a counterparty defaults on its obligations. <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. <u>Interest Rate Risk</u> The risk that changes in rates of interest creates an unexpected or unbudgeted burden on the Council's finances. <u>Liquidity Risk</u> The risk that cash will not be available when it is needed. <u>Operational Risk</u> The risk of loss through fraud, error, corruption, system failure or other eventualities in Treasury Management dealings, and failure to maintain effective contingency management arrangements. <u>Refinancing Risk</u> The risk that the Authority is unable to replace its maturing funding arrangements on appropriate terms.
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.
Snowball	A Snowball deposit takes a 'bearish' view on rates, i.e. that rates are going to fall faster (or rise slower) than the market expects. If this view proves correct, the interest coupon will increase or '*snowball*'. The snowball can be a useful tool for protecting a portfolio against falling cash yields. The coupon for the first period is set at a fixed level on the trade date. Subsequent coupons then increase (or decrease)

	depending on how rates have actually moved over time, in comparison to a 'strike' level, which is also determined on the trade date. The lender can choose the initial coupon, strike levels, and as for the Callable Range Accrual; the non-call period, the rate you wish to use and the call periods (snowballs may be issued as either callable or non-callable). Note that the coupon amount is determined at each payment date, rather than accruing on a daily basis. To illustrate how this works, consider the following (hypothetical) example: Libor is currently at 6% and the market expects rates to remain there *but* you believe rates will fall to 5.50%. You invest in the following snowball deposit paying you an initial Coupon of 7% for 3 months. Subsequent coupons are calculated as follows every quarter: Previous Coupon + 6.25% - Libor (where 6.25% is your chosen strike level) So let's consider what happens for the next coupon if Libor does fall to 5.50%. It would be: 7% + 6.25% - 5.50% = 7.75% On the other hand, if Libor instead rises to 6.50% the coupon would be: 7% + 6.25% - 6.50% = 6.75% So the coupon rises if Libor falls below your strike level or falls if Libor rises above the strike. To complete the picture and to move on to the third coupon, the calculation, taking the first of the above alternatives, would be: 7.75% + 6.25% - Libor If Libor fixes below 6.25%, the coupon continues to rise, or snowball. The key risk to a snowball is that the specified Libor rate goes against the interest view of the lender. If this scenario continues through many call periods, the rate may snowball in reverse, or melt away. There would be an opportunity to reschedule the loan, but this would probably be at a punitive rate if rates were expected to go with the borrowers. As with range trade accruals, the risk of rates going above Libor on a small part of the portfolio (and therefore reduced payment on a snowball), will be offset by the fact that the rest of the portfolio will be

	returning more than expected.
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	Treasury Management has the same definition as in CIPFA's code of Practice of Treasury Management in the Public Services. "The management of the organisation's cash flows its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
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.

APPENDIX B

TREASURY ADVISORS' VIEW ON THE ECONOMIC BACKGROUND

1.1 Introduction

The outlook for the global economy remains clouded with uncertainty with the UK economy struggling to generate sustained recovery that offers solid optimistim for the outlook for 2012, or possibly even into 2013. Consumer and business confidence levels are low and with little to boost sentiment, it is not easy to see potential for a significant increase in the growth rate in the short term.

At the centre of much of the uncertainty is the ongoing **Eurozone sovereign debt crisis** which has intensified, rather than dissipated throughout 2011. The main problem has been **Greece**, where, even with an Eurozone/IMF/ECB bailout package and the imposition of austerity measures aimed at deficit reduction, the lack of progress and the ongoing deficiency in addressing the underlying lack of competitiveness of the Greek economy, has seen an escalation of their problems. These look certain to result in a default of some kind but it currently remains unresolved if this will be either "orderly" or "disorderly". Most commentators currently view that it is now inevitable that Greece will have to exit the Eurozone in 2012.

There is also growing concern about the situation in **Italy** and the risk that contagion has not been contained. Italy is the third biggest debtor country in the world but its prospects are limited given the poor rate of economic growth over the last decade and likely difficulties in implementing the required level of fundamental reforms in the economy. The Eurozone now has a well established track record of always doing too little too late to deal with this crisis; this augurs poorly for future prospects, especially given the rising level of electoral opposition in northern EU countries to bailing out profligate southern countries.

The US economy has encouraged with some positive news around the start of 2012 but any improvement in the weak rate of growth is likely to only generate slow progress in reducing the high level of unemployment which is acting as such a dampener on the economy. With Presidential elections due in November 2012, the current administration has been hamstrung by political gridlock with the two houses split between the main parties. In quarter 3 the Federal Reserve started "Operation Twist" in an effort to re-ignite the rate of growth in the economy. However, high levels of consumer indebtedness, a moribund housing market together with stubbornly high unemployment, will continue to weigh heavily on consumer confidence and so on the abiltity to generate a healthy and consistent rate of economic growth.

Hopes for broad based recovery have, therefore, focussed on the **emerging markets** but these areas have been struggling with inflationary pressures in their previously fast growth economies.

China, though, has maintained its growth pattern, despite a major thrust to tighten monetary policy during 2011 to cool inflationary pressures which are now subsiding. However, some forward looking indicators are causing concern that there may not be a soft landing ahead, which would then be a further dampener on world economic growth.

1.2 UK Economy

The Government's austerity measures, aimed at getting the public sector deficit into order over the next four years, have yet to fully impact on the economy. However, coming at a time when economic growth has been weak and concerns at the risk of a technical recession (two quarters of negative growth) in 2012, it looks likely that the private sector will not make up for the negative impact of these austerity measures given the lack of an export led recovery due to the downturn in our major trading partner – the EU. The housing market, a gauge of consumer confidence, remains weak and the outlook is for house prices to be little changed for a prolonged period.

Economic Growth. GDP growth has, basically, flatlined since the election of 2010 and, worryingly, the economic forcecasts for 2012 and beyond have been revised lower on a near quarterly basis. With concerns of a potential return to recession, the Bank of England embarked on a second round of Quantitive Easing to stimulate economic activity. It appears very likely that there will be another expansion of quantitative easing in quarter 1 2012 in order to stimulate economic growth.

Unemployment. With the impact of the Government's austerity strategy resulting in steadily increasing unemployment during 2011, there are limited prospects for any improvement in 2012 given the prospects for weak growth.

Inflation and Bank Rate. For the last two years, the MPC's contention has been that high inflation was the outcome of temporary external factors and other one offs (e.g. changes in VAT); that view remains in place with CPI inflation starting quarter 1 of 2012 at 4.8%, having peaked at 5.2% in September 2011. They remain of the view that the rate will fall back to, or below, the 2% target level within the two year horizon.

AAA rating. The ratings agencies have recently reaffirmed the UK's AAA sovereign rating and have expressed satisfaction with Government policy for deficit reduction. They have, though, warned that this could be reviewed if the policy were to change, or was seen to be failing to achieve its desired outcome. This credit position has ensured that the UK government is able to fund itself at historically low levels and, with the safe haven status from Eurozone debt also drawing in external investment, the pressure on rates has been down, and looks set to remain so for some time.

1.3 Treasury Advisor's Forward View

Economic forecasting remains troublesome with so many extermal influences weighing on the UK. There does, however, appear to be consensus among analysts that the economy remains weak and whilst there is still a broad range of views as to potential performance, they have all been downgraded throughout 2011. Key areas of uncertainty include:

- a worsening of the Eurozone debt crisis and heightened risk of the breakdown of the bloc or even of the currency itself;
- the impact of the Eurozone crisis on financial markets and the banking sector;
- the impact of the Government's austerity plan on confidence and growth and the need to rebalance the economy from services to exporting manufactured goods;
- the under-performance of the UK economy which could undermine the Government's policies that have been based upon levels of growth that increasingly seem likely to be not achieved;
- a continuation of high levels of inflation ;
- the economic performance of the UK's trading partners, in particular the EU and US, with some analysts suggesting that recession could return to both;
- stimulus packages failing to stimulate growth;
- elections due in the US, Germany and France in 2012 or 2013;
- potential for protectionism i.e. an escalation of the currency war / trade dispute between the US and China.

The overall balance of risks remains weighted to the downside. Lack of economic growth, both domestically and overseas, will impact on confidence putting upward pressure on unemployment. It will also further knock levels of demand which will bring the threat of recession back into focus.

Sector believes that 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 the high volume of debt issuance in other major western countries.

Given the weak outlook for economic growth, Sector sees the prospects for any interest rate changes before mid-2013 as very limited. There is potential for the start of Bank Rate increases to be even further delayed if growth disappoints.

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 **<u>Specified Investments</u>:**

(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	£100M
Term deposits – UK government	--	In-house	£100M
Term deposits – other LAs	--	In-house	£15M 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	£15M 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	£15M 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	£15M with each counterparty/ See 2 and 3 below
UK Government supported banking sector	AA-	In-house and fund managers	£15M 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 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	£15M 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/£15m 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/£15m with each counterparty
UK Government Gilts	-	Fund Managers/in house	See 2 and 3 below/5 years	See 2 and 3 below /£15M
Treasury Bills	-	Fund Managers/in house	See 2 and 3 below/5 years	See 2 and 3 below /£15M
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	£15M 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/£15M 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/£15M 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	£15M 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. Also for use	5 years 10 years	£15M with each counterparty See 2 and 3

		by fund managers		below
Sovereign bond issues (i.e. other than the UK govt)	AAA	In- house Fund Managers	5 years 10 years	£15M 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	£15M 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	£15M See 2 and 3 below
Property funds	-	Fund managers	n/a	£15M 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	£15m 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	£15m 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	£15m 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	£15m 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 for cashflow balances the use of 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. Variances to be agreed by the Head of Finance.

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 Finance.

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. • For issuers and performing obligations, 'B' ratings indicate that significant credit risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favourable business and economic environment. • 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	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. • 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	For issuers and performing obligations, default of some kind appears probable. • For individual obligations, may indicate distressed or defaulted obligations with a Recovery Rating of 'RR4' (average) or 'RR5' (below average).
C	• 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	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.
D	Indicates an entity or sovereign that has defaulted on all of its financial obligations. Default generally is defined as one of the following: • 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.

APPENDIX E

Approved Countries for Investment

AAA

- Australia
- Canada
- Denmark
- Finland
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland
- U.K.

AA+

- Hong Kong
- U.S.A.
- France

AA

- Belgium
- UAE

AA-

- Japan
- Qatar
- Saudi Arabia

APPENDIX F

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 by 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 31st January 2012)

Institution	**Country**	**Entity**
Bank of New York Mellon	UK	Bank
Bank of Scotland	UK	Bank
Barclays	UK	Bank
Credit Suisse International	UK	Bank
HFC Bank Ltd	UK	Bank
HSBC	UK	Bank
Lloyds TSB	UK	Bank
MBNA Europe	UK	Bank
National Westminster	UK	Bank
Nationwide	UK	BS
Royal Bank of Scotland	UK	Bank
Santander (ex Abbey and A&L)	UK	Bank
Standard Chartered Bank	UK	Bank
Sumitomo Mitsui Banking Corporation	UK	Bank
UBS Ltd	UK	Bank
Debt Management Office	UK	Government
Local Authorities	UK	Government

Housing Revenue Account – Revenue Budget 2012/13 and Capital Budget 2012/13 to 2014/15

Item No. 7

Report of the Section 151 Officer and the Director of Regeneration and Housing

Extraordinary Council – 20th February 2012

HOUSING REVENUE ACCOUNT – REVENUE BUDGET 2012/13 AND CAPITAL BUDGET 2012/13 TO 2014/15

Purpose:	This report proposes a Revenue Budget 2012/13, a Capital Budget 2012/13 to 2014/15 and a rent increase for properties within the Housing Revenue Account.
Policy Framework:	None.
Reason for Decision:	To agree a revenue and capital budget as indicated and a rent increase for 2012/13 and to comply with Financial Procedure Rule 7 (FPR7).
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 and capital programme proposals as detailed in sections 4 and 7, and the Appendix. (d) That where individual schemes are identified within Programmes in Table D then these schemes are approved. (e) That where individual schemes in Table D are programmed over 2 or 3 years then these are committed and approved and that their financial implications for funding over subsequent years are approved.
Report Author:	K. Lawrence
Finance Officer:	K. Lawrence
Legal Officer	T.Meredith

1. Introduction

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

- the requirement to achieve/work towards achieving the Welsh Housing Quality Standards (WHQS);
- the effects and restrictions of the housing subsidy system;
- future income and expenditure trends on the Housing Revenue Account (HRA);
- delivering service efficiencies;
- increases to guideline rents advised by the Welsh Government (WG);
- the effect on tenants of rent increases;
- the ability to deliver significant increases in the programme of capital work;

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 2011/12

2.1 Cabinet considered an updated assessment of forecast spending in 2011/12 on 9th February 2012.

2.2 The HRA capital and revenue maintenance budgets in 2011/12 total £35m. The latest projections indicate very minor slippage on the capital programme, but an underspend on the revenue budget of up to £2m. This is due to:-

- an increase in the repatriated surplus from Corporate Building and Property Services (CBPS) to £1.8m, due to a substantial increase in their programme of work and to efficiencies;
- an underspend on the work required to void properties due to a reduction in the number of voids;
- some slippage on the Repairs Prior to Painting programme due to issues with the procurement of some contracts;
- a relatively minor underspend in the demand led day to day responsive repairs budget;
- some minor underspends in other maintenance budgets.

This projected underspend has been taken into account in proposals for next year's programmes.

3. Housing Revenue Account Subsidy

3.1 The production of the annual Housing Revenue Account budget is heavily impacted by the control that the Welsh Government (WG) has over the resources available to the HRA. The control is exercised through the use of the Housing Subsidy system and through the allocation of the Major Repairs Allowance (MRA) on capital investment.

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 Housing Revenue Account (HRA) which includes an assumed level of rent known as the guideline rent. The increase in the guideline rent for Swansea assumed by the WG in respect of 2012/13 is £3.04.

3.3 The subsidy formula also includes a notional management and maintenance allowance. The increase in this allowance for 2012/13 is 8%.

3.4 The net effect of these two assumptions is to reduce Swansea's negative subsidy payment to the WG next year by £400,000.

4. Revenue Budget Proposals 2012/13

Overview

4.1 The main changes to the current year are an increase in rent income arising from the proposed rent increase, and a decrease in the amount of subsidy payable to the WG. This, together with some other changes, enables an increase in capital investment of £3.2m next year. The main changes from the 2011/12 budget are shown in the following table:-

Item	**£000**
Additional rent income based on a 4.5% increase	-2,000
Reduced negative subsidy payment to WG	-400
Additional income from other charges	-300
Reduced revenue maintenance costs	-600
Efficiency savings	-370
Decrease in the use of balances	350
Increased pension fund contributions	120
Increased investment to meet WHQS	3,200

Rent Income

4.2 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 £3.04 per week (4.5%) – this compares with the average guideline increase for Wales of 5.1% specified by the WG. This will result in additional rent income next year of £2m.

4.3 *Inflation*

In line with the General Fund proposals, a lump sum provision of £200,000 was made in the current year's budget to cover potential inflationary items. As only £70,000 of this has been used, the balance is considered sufficient for next year. This does not include provision for a pay award, which if necessary would be funded from reserves.

4.4 *Capital Financing Charges*

There is a projected reduction in capital financing charges mainly due to a lower interest charge due to lower debt outstanding, but this will be offset by a corresponding increase in the notional element for debt charges within the subsidy formula.

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 4.5%, and other net charges by 3%, apart from the Sheltered Support charge which will not be increased and the Sheltered Communal Heating charge which will be reduced by an average of 9.4%. The additional income is estimated at £300,000 next year.

4.6 *Contributions to the Capital Programme*
The additional income, reduced subsidy payment and other net savings, enables additional contributions to be made from the revenue account to enhance the capital programme (estimated at £3.2m). There is also a re-classification of some revenue spending as capital expenditure (£1.8m).

4.7 *Efficiency Savings*
Both the Housing and CBPS departments continue to implement efficiency improvements, and the initial proposals for next year indicate that savings of £370,000 can be made, mainly through changes to staffing structures, and reductions in supplies and services budgets.

4.8 *Pension Fund contributions*
An increase in pension fund contributions of £120,000 is required.

4.9 *Revenue Maintenance Costs*
There is an estimated increase in the surplus repatriated from CBPS mainly as a result of the significant increase in the capital programme. Based on performance in the current year this is estimated at an extra £600,000 next year. However, the risks identified in Section 5 below need to be noted.

5. Risks and Uncertainties

5.1 The main risks and uncertainties for next year are the level of inflation, and the effect on HRA staff costs of the pay and grading review. There are also 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 £15.5m and at the end of the current year it is estimated to be £13.6m. A reasonable contingency level is considered to be £4m. It is therefore proposed that £9.5m is used over the next 3 years to finance capital expenditure. The reserves position is detailed in Table B.

7. Capital Budget 2011/12 – 2014/15

2011/12

7.1 Spending in the current year is estimated to be £20.8m, compared with the original budget of £20m. A comparison of the original budget with the forecast expenditure is in Table C in the appendices. Although expenditure is forecast to be similar in total to the original budget a number of schemes slipped from 2010/11 in to 2011/12, but conversely a number of schemes have slipped in to 2012/13.

2012/13 – 2014/15

7.2 The proposed programme for next year is £25m, rising to £27.5m in the following two years (it may be possible to increase this further if recent trends of rent increases and subsidy reductions continue). Next year's programme represents an increase of £5m from this year's programme of £20m due to an increased contribution from the revenue account of £3.2m, and a reclassification of expenditure from revenue of £1.8m.

7.3 The proposed programme will be funded by MRA, contributions from the revenue account and existing capital receipts. Indications are that the current level of MRA will be maintained.

	2012/13 £'000s	2013/14 £'000s	2014/15 £'000s
MRA	9,000	9,000	9,000
Capital Receipts	0	2,500	2,500
Revenue Funding	12,500	13,000	13,000
Balances	3,500	3,000	3,000
Total	**25,000**	**27,500**	**27,500**

7.4 The proposed investment schemes are designed and intended to contribute towards elements of the WG's WHQS, the target standard for all social housing in Wales. The current policy agreed by Cabinet is to target resources at sustaining the structural integrity of the dwellings and where possible, to improve their thermal efficiency.

7.5 Table D contains a list and description of the proposed schemes for the three year period and the proposed allocation. Some schemes take more than one financial year and approval is sought for the funding for each of the relevant years for such schemes.

Risks and Uncertainties

7.6 The risks to the three year programme are the level of MRA and future rent increases and subsidy regulations which are determined by the WG. The risk to the proposed three year programme is considered minor.

8. Equality Impact Assessments

8.1 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.

9 Legal Implications

9.1 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 2011/12 to 2012/13
	Table B: Movement in Balances 2011/12 to 2012/13
	Table C: Projected HRA Capital Outturn 2011/12
	Table D: Capital Programme 2012/13 – 2014/15

Background Papers: **None**

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

Table A: Summarised HRA 2011/12 to 2012/13

Classification	Budget 2011/12	Budget 2012/13
	£'000	£'000
Expenditure		
Management and Maintenance	29,379	26,729
Capital Charges	5,100	4,965
Revenue Funding for capital schemes	11,000	16,000
Negative subsidy	6,040	5,775
Total Expenditure	**51,519**	**53,469**
Income		
Rents and other income	47,669	49,969
Use of balances	3,850	3,500
Total Income	**51,519**	**53,469**

Table B: Movement in Balances 2011/12 to 2012/13

Description	2011/12 £000's	2012/13 £000's
Balance at 1st April	15,438	13,588
Budgeted use	-3,850	-3,500
Forecast underspend	2,000	
Forecast balance 31st March	**13,588**	**10,088**

Table C: Projected HRA Capital Outturn 2011/12
Detail of schemes

Programme	2011/12 Projected Spend £'000s	Slippage to 2012/13 £'000s
Repairs/Improvements PRC Property Schemes	1,257	700
Window Replacement Schemes	2,027	
Wind & Weatherproofing Schemes	4,657	2,827
Refurbishment Programme	1,038	121
Regeneration Schemes	1,670	727
Security Measures	1,470	151
Lift Refurbishment Programme	390	
Energy Efficiency Schemes	4,200	
Landscaping/Area Enhancement Schemes	324	
Adaptations Programme	3,740	5
Other Schemes	70	
Total	**20,843**	**4,531**

Table D: Capital Programme 2012/13 – 2014/15
Detail of schemes

Schemes	2012/13	2013/14	2014/15
	£000's	£000's	£000's
Good State of Repair			
Wind and Weatherproofing (WWP) Mayhill	650	0	0
Wind and Weatherproofing (WWP) Maes Glas Flats	560	0	0
Wind and Weatherproofing (WWP) West Cross	700	0	0
Wind and Weatherproofing (WWP) Bonymaen	0	550	350
Wind and Weatherproofing (WWP) Heol Gwyrosydd	500	800	0
Wind and Weatherproofing (WWP) Winch Wen	0	1,200	600
Wind and Weatherproofing (WWP) Colbourne Terrace	100	0	0
Wind and Weatherproofing (WWP) New Street Flats	600	450	0
Wind and Weatherproofing (WWP) Penlan	0	700	850
Wind and Weatherproofing (WWP) Lone road, Clydach	15	0	0
Wind and Weatherproofing (WWP) Gower	45	0	0
Wind and Weatherproofing (WWP) Highrise at Croft Street, Dyfatty	0	0	500
Wind and Weatherproofing (WWP) Highrise at Matthew Street, Dyfatty	50	2,000	2,750
Wind and Weatherproofing (WWP) Highrise at Jeffreys Court, Penlan	0	0	0
Wind and Weatherproofing (WWP) Highrise at Clyne Court, Sketty	50	3,200	4,950
General Wind and Weatherproofing (WWP)	0	800	900
Repairs to British Iron & Steel Federation (BISFs) Houses Penlan	1,000	600	0
Repairs to British Iron & Steel Federation (BISFs) Houses Gendros	500	1,000	1,000
Repairs to Pre-cast Reinforced Concrete 'Cornish' Houses	250	0	0
Surveys, Design Development and Repairs of Pre-cast Reinforced Concrete 'Orlit' Houses	15	370	0
Repairs to Wimpey No Fines Houses – Blaenymaes	850	0	0
Repairs to Wimpey No Fines Houses - Trallwn	750	850	0
Repairs to Wimpey No Fines Houses - Gendros	0	500	800
Repairs to Wimpey No Fines Houses – General	0	0	300
Repairs to 'Hawksley' Type Bungalows - Gendros	300	0	0
Surveys, Design Development and Repairs of 'Trusteel' type houses - Penllergaer	10	80	400
Chimney Repairs – various locations	100	250	250
Re-Roofing - Various	430	450	300
Door and Weatherboard Renewal - Various Locations	3,200	3,500	3,500
Structural Repairs	500	500	400
Drainage Repairs and Improvements	94	50	50
Kitchen and Bathroom Renewal			
Internal Improvement	150	500	700
Safe and Secure			
Smoke Alarms and Carbon Monoxide Detectors	150	300	300
Fire Protection to Wates Houses - Clydach	15	0	0
Fire Protection: Kitchen and Stair Separation - Various	50	250	0
Fire Doors and Windows – High Rise Blocks City Wide	500	0	0
Fire Safety General - Various Locations	300	300	300
Fire Safety Sheltered Complexes - Various Locations	200	0	0
Rewiring Contingency – various locations	20	50	50
Rewiring - Various Locations	1,000	1,350	1,350
Rewiring Communal Blocks	150	200	200
Lighting Improvements at Sheltered Complexes – Various Locations	15	0	0
Adequately Heated			
Boiler Replacement – Various Locations	2,400	2,500	2,500
Heating Upgrades – Various Locations	80	100	100
Energy Efficiency Measures and Energy Grant Support – Various	630	500	500

Schemes	2012/13	2013/14	2014/15
	£000's	£000's	£000's
Located in Attractive/Safe Environments			
Meter Boxes – Various Locations	40	100	100
Meeting Requirements of the Household			
Adaptations	3,500	3,500	3,500
Schemes brought forward from 2011/12 (As per Table C)	4,531		
Total	**25,000**	**27,500**	**27,500**

HRA 3 Year Programme Capital Programme

Scheme Description

Good State of Repair

Wind and Weatherproofing (Overview)
Wind and Weatherproofing - to repair and upgrade the external fabric of 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. These contracts will operate over the period of this three year programme.

Wind and Weatherproofing to Highrise blocks
The Council's highrise blocks were built at a similar time - around the early 1960s and now require repairs to ensure their continued use over the long term. The schemes will protect the structures, improve the weather resistance and thermal efficiency and improve the fire safety. The work will include a new roof, balcony rails, repairs to balcony slabs, insulated cladding across the walls, new double glazed windows and upgrades to fire protection. The project is expected to take 3+ years to complete and will run across the full time scale of this reporting period.

Repairs to British Iron & Steel Federation (BISFs) Houses
BISF houses are of a steel frame construction built in the 1950s. The scheme is to repair and maintain structural integrity, improve thermal efficiency and weather protection. The specification of work includes roof renewal, insulated render system and door renewal boiler replacement and electrical rewire. These contracts will typically run over the 3 year capital reporting period.

Repairs to Pre-cast Reinforced Concrete (PRC) 'Cornish) Houses
Constructed with concrete frame and panels the repair scheme is designed to protect the structural integrity of the dwellings, improve thermal efficiency and improve the weather protection. The repair scheme includes concrete repair where necessary, application of insulated render, roof repairs and door renewal.

Survey, Design Development and Repairs of Pre-cast Reinforced Concrete (PRC) 'Orlit' Houses
The investment will be to carry out concrete testing and assessment of PRC 'Orlit' houses to inform the refurbishment scheme design. The refurbishment scheme will be scheduled for 2013.

Repairs to Wimpey No Fines Houses (Overview)
Wimpey No Fines are properties built with solid concrete walls and the repair scheme addresses structural cracking where present, the application of insulated render to improve thermal efficiency and weather protection, roof repairs and door renewal. These contracts will operate over the period of this three year programme.

Hawksley Bungalows, Penlan
Hawksley bungalows were built in the immediate post war period and are currently let to older persons. The main structure is timber and clad with aluminium; the scheme will be designed to repair the structure, renew the roof and wall cladding and improve thermal insulation.

Survey, Design Development and Repairs of Trusteel Houses, Penllergaer
Trusteel houses are of a steel frame construction but are different in terms of design and specification to the British Iron and Steel houses in Penlan and Gendros. This project will be to carry out 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 3 year reporting period.

Chimney Repairs, Various Locations
Where chimneys are in poor condition work will be to repair, rebuild or take away if no longer required. The work will prevent damp and minimise repairs for the response repair service and will be an ongoing scheme over the 3 year reporting period.

Re-Roofing
Re-Roofing includes repairing the roof structure and replacing the roof covering to ensure long term weather protection. This contract is expected to run over the period of this three year programme.

Door and Weatherboard Renewal - Various locations
Doors will be renewed with uPVC/Composite type units with secure locks and hinges. The door will improve weather protection, security and thermal efficiency. Those homes where required, will receive fire doors. Weatherboards renewal will replace existing items such as fascia, soffits and rains water goods with uPVC items. This scheme is expected to run over the period of this three 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 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.

Kitchen and Bathroom Renewal

Internal Improvements
The investment will be to improve the internal living facilities, making these more safe and useable. Work will include alterations to electric socket locations, renewing food preparation surfaces, storing and cooking areas, minor kitchen layout alterations and renewal of sanitary facilities.

Safe and Secure

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 three year programme.

Fire Protection to Wates Houses – Clydach
The scheme will upgrade the fire protection between the basement coal store and the ground floor living area in homes in Clydach.

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 Doors and Windows – High Rise Blocks City Wide
This work will fit fire doors to all individual flats; the doors will be renewed with 60 minute fire doors to increase fire protection and fire safety for each home. Windows that open onto communal walkways or escape passages will be renewed with improved fire rated units and combined with the doors provide protection for residents.

Fire Safety General – Various Locations
A range of fire safety measures will be undertaken to flats across the City & County of Swansea. Work will be varied but may include the provision of up-to-date fire safety signs, upgrading fire stopping materials and minor changes to layout.

Rewiring Contingency – Various Locations
Properties will be rewired where an electrical inspection has identified that this is required.

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 three year programme.

Rewiring Communal Blocks
Blocks of flats will have communal areas rewired where the existing installations are approximately 30 years old or where an electrical inspection has identified that this is required. This contract will operate over the period of this three year programme.

Lighting Improvements at Sheltered Complexes – Various Locations
The scheme will be to improve electrical light fittings in the bathrooms of sheltered complexes making them easier for residents to change light bulbs.

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 three 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 three 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 any measures that improve thermal efficiency in council homes. Work may include Solar Photovoltaics, Solar Hot water, insulation measures or other 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 three year programme.

Located in Attractive/Safe Environments

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 three year programme.

Meeting Requirements of the Household

Adaptations
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 three year programme.

Statutory Resolution – Resolutions to be made in accordance with the Regulations in the Setting of the Council Tax 2012/13

Item No. 8

Report of the Section 151 Officer

Extraordinary Council - 20 February 2012

**STATUTORY RESOLUTION –
RESOLUTIONS TO BE MADE IN ACCORDANCE WITH THE REGULATIONS IN THE SETTING OF THE COUNCIL TAX 2012/2013**

(1) **THAT** the Council notes and adopts the statutory resolutions set out below.

(2) **THAT** it be noted that at its meeting on 24th November 2011 the Council calculated the following amounts for the year 2012/2013 in accordance with Regulations made under Section 33(5) of the Local Government Finance Act 1992 -

a) 87,806 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	1,935
Clydach	2,489
Gorseinon	2,957
Gowerton	1,948
Grovesend	400
Ilston	315
Killay	2,081
Llangennith, Llanmadoc & Cheriton	486
Llangyfelach	942
Llanrhidian Higher *	1,559
Llanrhidian Lower	302
Llwchwr	3,192
Mawr	719
Mumbles	9,518
Penllergaer	1,181
Pennard	1,459
Penrice	426
Pontarddulais	2,243
Pontlliw	981
Port Eynon	397
Reynoldston	279
Rhossilli	188
Three Crosses *	712
Upper Killay	567

* Amended to take account of the Swansea Communities Order – SI 2011 2932

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 2012/2013 in accordance with Section 32 to 36 of the Local Government Finance Act 1992 -

(a)	£ 651,454,243	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)	£263,720,543	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)	£387,733,700	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)	£299,871,501	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)	£1,000.64	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)	£854,356	being the aggregate amount of all special items referred to in Section 34(1) of the Act.
(g)	£990.91	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	1,007.45
Clydach	1,027.07
Gorseinon	1,017.69
Gowerton	1,008.69
Grovesend & Waungron	1,003.41
Ilston	1,000.36
Killay	1,001.72
Llangennith, Llanmadoc & Cheriton	1,006.34
Llangyfelach	1,010.02
Llanrhidian Higher	1,033.15
Llanrhidian Lower	1,002.50
Llwchwr	1,014.40
Mawr	1,041.03
Mumbles	1,003.25
Penllergaer	1,019.70
Pennard	1,018.33
Penrice	1,014.38
Pontarddulais	1,027.47
Pontlliw	1,024.83
Port Eynon	1,004.76
Reynoldston	1,023.17
Rhossili	1,006.21
Three Crosses	1,033.15
Upper Killay	1,022.66

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.

(l) 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	671.64	783.57	895.51	1,007.45	1,231.32	1,455.21	1,679.08	2,014.90	2,350.71
Clydach	684.73	798.83	912.95	1,027.07	1,255.30	1,483.55	1,711.79	2,054.14	2,396.49
Gorseinon	678.47	791.54	904.62	1,017.69	1,243.84	1,470.00	1,696.16	2,035.39	2,374.61
Gowerton	672.47	784.54	896.62	1,008.69	1,232.84	1,457.00	1,681.16	2,017.39	2,353.61
Grovesend & Waungron	668.94	780.43	891.92	1,003.41	1,226.38	1,449.37	1,672.35	2,006.82	2,341.28
Ilston	666.92	778.06	889.22	1,000.36	1,222.67	1,444.98	1,667.28	2,000.74	2,334.19
Killay	667.82	779.12	890.43	1,001.72	1,224.33	1,446.94	1,669.55	2,003.46	2,337.36
Llangennith, Llanmadoc & Cheriton	670.90	782.71	894.53	1,006.34	1,229.97	1,453.61	1,677.24	2,012.69	2,348.13
Llangyfelach	673.35	785.57	897.80	1,010.02	1,234.47	1,458.93	1,683.38	2,020.05	2,356.72
Llanrhidian Higher	688.77	803.56	918.36	1,033.15	1,262.74	1,492.34	1,721.93	2,066.31	2,410.69
Llanrhidian Lower	668.34	779.72	891.11	1,002.50	1,225.27	1,448.06	1,670.84	2,005.00	2,339.16
Llwchwr	676.28	788.98	901.70	1,014.40	1,239.83	1,465.26	1,690.68	2,028.82	2,366.95
Mawr	694.02	809.69	925.36	1,041.03	1,272.36	1,503.71	1,735.05	2,082.06	2,429.06
Mumbles	668.84	780.31	891.79	1,003.25	1,226.20	1,449.15	1,672.10	2,006.52	2,340.93
Penllergaer	679.80	793.10	906.40	1,019.70	1,246.29	1,472.90	1,699.50	2,039.40	2,379.29
Pennard	678.89	792.03	905.19	1,018.33	1,244.62	1,470.93	1,697.22	2,036.67	2,376.10
Penrice	676.26	788.96	901.67	1,014.38	1,239.79	1,465.22	1,690.64	2,028.76	2,366.88
Pontarddulais	684.99	799.15	913.31	1,027.47	1,255.80	1,484.13	1,712.46	2,054.95	2,397.44
Pontlliw	683.22	797.09	910.96	1,024.83	1,252.56	1,480.31	1,708.05	2,049.66	2,391.26
Port Eynon	669.84	781.48	893.12	1,004.76	1,228.03	1,451.32	1,674.60	2,009.52	2,344.43
Reynoldston	682.12	795.80	909.49	1,023.17	1,250.54	1,477.92	1,705.29	2,046.35	2,387.40
Rhossili	670.82	782.61	894.41	1,006.21	1,229.82	1,453.43	1,677.03	2,012.44	2,347.84
Three Crosses	688.77	803.56	918.36	1,033.15	1,262.74	1,492.34	1,721.93	2,066.31	2,410.69
Upper Killay	681.78	795.40	909.03	1,022.66	1,249.91	1,477.18	1,704.44	2,045.32	2,386.20
All other parts of the Council area	660.61	770.71	880.81	990.91	1,211.11	1,431.31	1,651.52	1,981.82	2,312.12

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 2012/2013 the South Wales Police Authority 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 £
South Wales Police Authority	112.94	131.77	150.59	169.42	207.07	244.71	282.36	338.83	395.31

(5) **THAT** having calculated the aggregate in each case of the amounts at (3)(I) and (4) above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2012/2013 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 £
Bishopston	784.58	915.34	1,046.10	1,176.87	1,438.39	1,699.92	1,961.44	2,353.73	2,746.02
Clydach	797.67	930.60	1,063.54	1,196.49	1,462.37	1,728.26	1,994.15	2,392.97	2,791.80
Gorseinon	791.41	923.31	1,055.21	1,187.11	1,450.91	1,714.71	1,978.52	2,374.22	2,769.92
Gowerton	785.41	916.31	1,047.21	1,178.11	1,439.91	1,701.71	1,963.52	2,356.22	2,748.92
Grovesend	781.88	912.20	1,042.51	1,172.83	1,433.45	1,694.08	1,954.71	2,345.65	2,736.59
Ilston	779.86	909.83	1,039.81	1,169.78	1,429.74	1,689.69	1,949.64	2,339.57	2,729.50
Killay	780.76	910.89	1,041.02	1,171.14	1,431.40	1,691.65	1,951.91	2,342.29	2,732.67
Llangennith, Llanmadoc & Cheriton	783.84	914.48	1,045.12	1,175.76	1,437.04	1,698.32	1,959.60	2,351.52	2,743.44
Llangyfelach	786.29	917.34	1,048.39	1,179.44	1,441.54	1,703.64	1,965.74	2,358.88	2,752.03
Llanrhidian Higher	801.71	935.33	1,068.95	1,202.57	1,469.81	1,737.05	2,004.29	2,405.14	2,806.00
Llanrhidian Lower	781.28	911.49	1,041.70	1,171.92	1,432.34	1,692.77	1,953.20	2,343.83	2,734.47
Llwchwr	789.22	920.75	1,052.29	1,183.82	1,446.90	1,709.97	1,973.04	2,367.65	2,762.26
Mawr	806.96	941.46	1,075.95	1,210.45	1,479.43	1,748.42	2,017.41	2,420.89	2,824.37
Mumbles	781.78	912.08	1,042.38	1,172.67	1,433.27	1,693.86	1,954.46	2,345.35	2,736.24
Penllergaer	792.74	924.87	1,056.99	1,189.12	1,453.36	1,717.61	1,981.86	2,378.23	2,774.60
Pennard	791.83	923.80	1,055.78	1,187.75	1,451.69	1,715.64	1,979.58	2,375.50	2,771.41
Penrice	789.20	920.73	1,052.26	1,183.80	1,446.86	1,709.93	1,973.00	2,367.59	2,762.19
Pontarddulais	797.93	930.92	1,063.90	1,196.89	1,462.87	1,728.84	1,994.82	2,393.78	2,792.75
Pontlliw	796.16	928.86	1,061.55	1,194.25	1,459.63	1,725.02	1,990.41	2,388.49	2,786.57
Port Eynon	782.78	913.25	1,043.71	1,174.18	1,435.10	1,696.03	1,956.96	2,348.35	2,739.74
Reynoldston	795.06	927.57	1,060.08	1,192.59	1,457.61	1,722.63	1,987.65	2,385.18	2,782.71
Rhossili	783.76	914.38	1,045.00	1,175.63	1,436.89	1,698.14	1,959.39	2,351.27	2,743.15
Three Crosses	801.71	935.33	1,068.95	1,202.57	1,469.81	1,737.05	2,004.29	2,405.14	2,806.00
Upper Killay	794.72	927.17	1,059.62	1,192.08	1,456.98	1,721.89	1,986.80	2,384.15	2,781.51
All other parts of the Council area	773.55	902.48	1,031.40	1,160.33	1,418.18	1,676.02	1,933.88	2,320.65	2,707.43