

2013/14



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
2013/14**

		Page No:
Revenue Budget 2013/14	Pink	3 – 38
Capital Budget & Programme 2013/14 – 2016/17	Blue	39 – 53
Medium Term Financial Plan 2014/15 – 2016/17	White	54 – 66
Treasury Management Strategy, Prudential Indicators, Investment Strategy and Minimum Revenue Provision Policy Statement 2013/14	Green	67 – 108
Housing Revenue Account Budget 2013/14	White	109 – 114
Housing Revenue Account – Capital Budget & Programme 2013/14 to 2015/16	Blue	115 – 130
Statutory Resolution – Resolutions to be made in accordance with the Regulations in the Setting of the Council Tax 2013/14	Pink	131 – 136

Introduction

This publication contains the detailed Budget Reports for the City and County of Swansea for the 2013/14 financial year as presented to Council on 14th February 2013.



Revenue Budget 2013/14

Report of the Section 151 Officer

Council – 14 February 2013

REVENUE BUDGET 2013/14

Purpose:	This report proposes a Revenue Budget and Council Tax levy for 2013/14
Policy framework:	None
Reason for decision:	To agree a Revenue Budget and Council Tax levy for 2013/14
Consultation:	Cabinet Members & Corporate Management Team
Recommendations:	The following budget proposals be approved: a) A revenue budget for 2013/14 and b) A Budget Requirement and Council Tax levy for 2013/14
Report Author:	M.G.Trubey
Finance Officer:	M.G.Trubey
Legal Officer:	T.Meredith

1. Introduction

1.1 This report details:

- Financial monitoring in 2012/13
- The Local Government Finance Settlement 2013/14
- Budget proposals 2013/14
- Risks and uncertainties
- Reserves and Contingency Fund requirements
- The Budget Requirement and Council Tax 2013/14

1.2 The financial assessment in relation to 2014/15 – 2016/17 is contained in the Medium Term Financial Plan report elsewhere on the agenda.

2. Financial Monitoring 2012/13

2.1 Cabinet considered an updated assessment of forecast spending in 2012/13 on 6th February 2013.

2.2 The 3rd quarter financial monitoring report highlighted a forecast overspend in service budgets of £5,040,000. This is mainly due to a £5,575,000 overspend of

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

The ongoing implications of this overspend have been considered in formulating the attached budget proposals.

3. The Local Government Finance Settlement 2013/14

- 3.1 The Minister for Local Government & Communities announced the Final Settlement on 11th December 2012.
- 3.2 The Settlement provides for a 1.3% general uplift in Revenue Support Grant.

4. Budget Proposals 2013/14

Overview

- 4.1 The incoming Administration completed an initial review of spending and resources in its first 100 days in office. The report to Council on 23rd August 2012 entitled *The First 100 Days and Beyond* set out a range of initiatives and proposals to be progressed in the short to medium term. The attached budget proposals provide for a number of these initiatives and also other priority items. It is important to note that the initial review was only the first step in the completion of a fundamental review of Council spending which the administration intends to complete over the coming year.

Forecast shortfall 2013/14

- 4.2 As in previous years, the starting point for the 2013/14 budget consideration was the Medium Term Financial Plan (MTFP) considered by Council on 20th February 2012. This highlighted a forecast £7.5m shortfall in 2013/14 based on known and estimated cost pressures at that time.

An updated budget forecast was reported to Cabinet on 19th December 2012. The report highlighted a forecast shortfall of £12.6m i.e an additional shortfall of £5.1m compared to the February 2012 forecast. This is mainly due to an additional £5m Social Services requirement over and above the February 2012 MTFP forecast.

- 4.3 The spending forecasts and assumptions contained in the December 2012 Cabinet report have been further reviewed and amended for the reasons set out in paragraphs 4.4 and 4.5 below.
- 4.4 The December 2012 Cabinet report noted that further consideration would be given to the planned special repayment of sums previously borrowed to fund the eGovernment Programme between 2005 and 2008. These sums amount to £9m and in accordance with the previously agreed MTFP would have been subject to special debt repayments in the financial years 2013/14 - 2015/16.

It is now proposed that no special debt repayments be made for the following reasons:

- a) the life expectancy of the systems purchased in 2005 has been and will be extended as a result of upgrades and planned future upgrades.
- b) the poor outlook for public finances means that the scope for making repayments is greatly reduced without compensating service cuts.

c) there is no strict accounting reason or requirement to make the repayments at this time.

4.5 Similarly, the provision for a 2013 pay award has been reviewed. As it is unclear if a national pay award will be agreed, it is now proposed that provision for any potential pay award be made in the assessment of the Contingency Fund requirement in 2013/14. This approach is consistent with the agreed 2012/13 budget.

4.6 A small number of other amendments have been made to the forecast position reported to Cabinet in December. The calculation of the revised forecast shortfall of £7.696m and proposed funding solutions are summarised in table 1 and detailed below.

TABLE 1		
	£m	Para
Shortfall and proposed funding		
Additional spending needs (see table 2)	7.786	4.7
Inflation	1.300	4.8
Schools protection	2.717	4.9
<i>Offset by:</i>		
Increased Revenue Support Grant	-4.371	4.11
Capital Financing Charges	-0.120	4.12
Fire Authority Levy	0.143	4.13
Other	0.241	
Shortfall	7.696	
<i>Funded by:</i>		
Staffing reductions	1.000	4.18(a)
Fees and charges increases	0.465	4.18(b)
Other savings proposals	1.020	4.18(c)
Council Tax increase	3.011	4.18(d)
Use of General Reserves	2.200	4.18(e)
Funding proposals	7.696	

Additional Spending Needs

4.7 The additional spending needs are summarised in table 2. The budget proposals provide for additional spending needs of £7.786m as follows:

(i) **Pension contributions**

The 2010 Actuarial Valuation provided for stepped increases in employer contributions as follows:

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

The above will result in an increased requirement of £400,000 in 2013/14. The position in future years will not be known until the next three yearly

actuarial valuation is complete. The MTFP report elsewhere on the agenda provides for an indicative assessment of likely future costs.

TABLE 2		
<i>Additional spending requirements</i>	£000	Para
Pension contributions	400	4.7 (i)
Care Home fees	650	4.7 (ii)
Adult Services - extra demand	1,350	4.7 (iii)
Adult Services Residential Care - Fire Safety Costs	400	4.7 (iv)
Child & Family Services	2,500	4.7 (v)
Childcare legal staff	100	4.7 (vi)
Litigation staff	66	4.7 (vii)
Waste disposal	500	4.7 (viii)
New Council Tax Reduction Scheme	355	4.7 (ix)
Assistance with Welfare Rights	60	4.7 (x)
Enterprise Officers	70	4.7 (xi)
Swansea Market promotion	50	4.7 (xii)
Tall ships project	8	4.7 (xiii)
Support for youth arts	28	4.7 (xiv)
Blue Plaques	10	4.7 (xv)
Swansea in the Premier League marketing	75	4.7 (xvi)
Road safety (schools)	200	4.7 (xvii)
Playstreets	10	4.7 (xviii)
Transport initiatives	250	4.7 (xix)
Show racism the red card	10	4.7 (xx)
District Heating Scheme	15	4.7 (xxi)
Grow Local Scheme	50	4.7 (xxii)
City of Culture		
Dylan Thomas Centenary Celebrations	500	4.7 (xxiii)
Other events and activities	200	4.7 (xxiii)
District Regeneration Assistance Grant Fund	150	4.7 (xxiv)
Community Energy & Enterprise Scheme	50	4.7 (xxv)
Sustainable Development	38	4.7 (xxvi)
Tidy City	160	4.7 (xxvii)
Residents parking schemes	100	4.7 (xxviii)
Zero tolerance support	30	4.7 (xxix)
LIFE programme	60	4.7 (xxx)
Additional English language support	45	4.7 (xxxi)
Restorative practice additional support	40	4.7 (xxxii)
Team around the family additional support	45	4.7 (xxxiii)
Youth Service	20	4.7 (xxxiv)
Road safety schemes	100	4.7 (xxxv)
Members Environmental Improvement Scheme	216	4.7 (xxxvi)
<i>less</i>	8,911	
Planned budget reductions	-1,125	4.7 (xxxvii)
Additional spending requirements	7,786	

(ii) **Care Home Fees**

The February 2012 report to Council highlighted a potential increase in external residential fees over and above the agreed budget. A fee increase was agreed earlier in the year and the resulting cost of £650,000 will need to be provided in 2013/14.

(iii) **Adult Services – extra demand**

The demand for support has increased significantly over the last year - in particular the demand for residential care which has increased from 678 placements in March 2011 to 809 placements in September 2012. This increase has resulted in a forecast overspend of £1.650m in 2012/13 which needs to be provided in the 2013/14 budget.

Similarly, demand is further expected to increase in 2013/14 – an additional requirement of £450,000. The MTFP report elsewhere on the agenda highlights the need to transform service provision into a more sustainable model moving forward.

The above additional costs will be partly offset by a reduction of £750,000 in several budgets to reflect current spending levels.

The above results in a net additional requirement of £1.350m.

(iv) **Adult Services Residential Care - Fire Safety Costs**

There is a requirement to improve emergency evacuation procedures in residential homes. The additional cost includes equipment and an increase in the number of night staff in each home from two to three each night. The cost is £400,000 in 2013/14.

(v) **Child & Family Services**

The report to Council in February 2012 highlighted a risk that the agreed budget may be insufficient and that any overspend would need to be met from the Contingency Fund. The latest forecast position in 2012/13 provides for an overspend of £3.8m in care costs. Whilst it should be possible to achieve some cost reductions in 2013/14, it will be necessary to make a minimum additional budget provision of £2.5m. Any expenditure over and above this sum will need to be met from the Contingency Fund pending a longer term assessment of the future cost of this service.

It should be noted that this proposed increase is in itself more than the £2m increase needed to meet the Welsh Government's overall Social Care protection requirement in 2013/14.

(vi) **Childcare Legal staff**

As previously agreed, an in house service was implemented in 2012. Whilst the cost of the new service is less than the actual (rather than budgeted) cost of the former arrangement, there is an additional budget requirement of £100,000 in 2013/14.

(vii) **Litigation staff**

Additional staff have been employed to enforce debts owed to the Council. There is an ongoing additional budget requirement of £66,000 in 2013/14.

(viii) **Waste Disposal**

The 2013/14 budget will need to provide for a range of inter-related issues including:

Recycling and associated targets
Landfill site costs
Landfill Tax

The above amounts to a forecast additional cost of £500,000. This expenditure is needed to meet the increased cost of Landfill Tax in 2013/14; to meet WG targets and also to ensure that cost effective medium to long term solutions are put in place. Failure to invest in this service will result in fines and potential loss of grant of greater amounts.

(ix) **New Council Tax Reduction Scheme**

The introduction of a new scheme from 1st April 2013 will require adjustments to existing Council Tax Benefits and Administration Grant budgets. In particular, 2013/14 is the last year that Administration Grant will be paid directly to Councils in its current form. Overall, an adjustment of £355,000 to the current budget baseline. Also see paragraphs 4.15 – 4.17 below.

(x) **Assistance with Welfare Rights**

Consideration will be given to how the Council can provide additional support and advice in the light of the significant Welfare Reforms to be introduced on 1st April 2013. A cost of £60,000 in 2013/14.

(xi) **Enterprise Officers**

This is a joint project with Gower College to provide support for young people developing enterprise and entrepreneurial ideas. A cost of £70,000 in 2013/14.

(xii) **Swansea Market Promotion**

Additional marketing budget. A cost of £50,000 in 2013/14.

(xiii) **Tall Ships Project**

A confidence building initiative for young people. A cost of £8,000 in 2013/14.

(xiv) **Support for youth Arts**

Reinstatement of funding support to the West Glamorgan Youth Theatre / Dance Company. A cost of £28,000 in 2013/14.

(xv) **Blue Plaques**

A scheme to recognise exceptional individuals. A cost of £10,000 in 2013/14.

(xvi) **Swansea in the Premier League Marketing**

Additional marketing budget. A cost of £75,000 in 2013/14.

(xvii) **Road Safety (Schools)**

A scheme to establish 20 mph limits around schools. A cost of £200,000 in 2013/14.

- (xviii) **Playstreets**
A pilot programme to establish two safe play streets. A cost of £10,000 in 2013/14.
- (xix) **Transport Initiatives**
This will entail a review of the network to ensure the provision of services to communities in the most effective way. A cost of £250,000 in 2013/14.
- (xx) **Show Racism the Red Card**
A Council contribution. A cost of £10,000 in 2013/14.
- (xxi) **District Heating Scheme**
A feasibility study to be completed. A cost of £15,000 in 2013/14.
- (xxii) **Grow Local Scheme**
Initiatives to encourage greater use of Council land to support sustainable vegetable growing projects. A cost of £50,000 in 2013/14.
- (xxiii) **City of Culture**
Support for the Dylan Thomas centenary celebrations including a contribution to the pan Wales DT100 project. A cost of £500,000 in 2013/14.
- In order to strengthen Swansea as a City of Culture support will be given to a range of cultural activities. A cost of £200,000 in 2013/14.
- (xxiv) **District Regeneration Assistance Grant Fund**
A fund to deliver regeneration projects with partners. A cost of £150,000 in 2013/14.
- (xxv) **Community Energy & Enterprise Scheme**
The development of community based renewable energy projects. A cost of £50,000 in 2013/14.
- (xxvi) **Sustainable Development**
An additional resource is required to achieve compliance with Welsh Government requirements. A cost of £38,000 in 2013/14.
- (xxvii) **Tidy City**
To improve the cleansing regime combined with enforcement with a focus on dog fouling. A cost of £160,000 in 2013/14.
- (xxviii) **Residents Parking Schemes**
To implement priority schemes in Wards. A cost of £100,000 in 2013/14.
- (xxix) **Zero Tolerance Support**
Core youth service funding provision and provision of sexual orientation support to schools. A cost of £30,000 in 2013/14.
- (xxx) **Lifelong Intergenerational & Further Education (LIFE) programme**
Provision for a further pilot scheme in three schools. A cost of £60,000 in 2013/14

(xxxvi) **Additional English language support**

The employment of additional teaching assistants to meet current demands to teach English. A cost of £45,000 in 2013/14

(xxxvii) **Restorative practice additional support**

The employment of an additional trainer to further support the agreed scheme. A cost of £40,000 in 2013/14

(xxxviii) **Team around the family additional support**

The employment of additional teaching assistants to further support the agreed scheme. A cost of £45,000 in 2013/14

(xxxix) **Youth Service**

Targeted additional support to address current shortfalls. A cost of £20,000 in 2013/14

(xl) **Road Safety Schemes**

To implement priority road safety schemes in Wards. A cost of £100,000 in 2013/14.

(xli) **Members Environmental Improvement Scheme**

A proposed increase in the value and subject to agreement, potential scope of the current scheme. The amended scheme will provide for an increase in the annual budget available to Council members - an increase from £1,000 per Member per year to £3,000 per Member per year.

(xlii) **Planned Budget Reductions**

These comprise the removal of 2012/13 (only) budgets in relation to the Oracle system upgrade (£945,000) and Free Easter Travel (£40,000) and a reduction in the Carbon Tax levy budget (£140,000) to reflect the levy payable in 2013/14.

Inflation

4.8 The 2012/13 budget provided for a £2m corporate provision for inflation. As reported to Cabinet on 28th November 2012, this provision was allocated in 2012/13 on a needs evidenced basis. It is proposed that a similar provision be made in the 2013/14 budget. As the 2012/13 provision was only partly allocated, a sum of £1.3m is needed to provide a £2m corporate provision in 2013/14.

There have been no national pay awards for three years. The position regarding 2013/14 and the outlook for future years is unclear. The attached proposals do not contain provision for a pay award and as such, the cost of any nationally agreed pay award (excluding schools delegated budgets) will need to be financed from the Contingency Fund in 2013/14. Excluding Schools Delegated Budgets, a 1% pay award would result in a cost of £1.7m in 2013/14.

Schools Protection

4.9 Similar to 2012/13, the grant settlement provides for the protection of Schools budgets in 2013/14. The formula for calculating the protection is unchanged from 2012/13 and provides for a minimum increase in schools budgets of £2.717m.

Social Care protection

- 4.10 The grant settlement also provides for the protection of Social Care budgets in 2013/14. As detailed above, the attached proposals provide for a £4.9m increase in Social Care spending in 2013/14 – an amount significantly more than the recommended level of protection of £2m.

Revenue Support Grant (RSG)

- 4.11 RSG will increase by £4.371m in 2013/14.

Capital Financing Charges

- 4.12 There is a reduction of £120,000 to reflect forecast borrowing requirements and interest receipts.

Fire Authority Levy

- 4.13 An increase of £143,000 (1.26%).

Pay & Grading Settlement and the Living Wage

- 4.14 The existing annual Single Status budget provision of £4.6m will be sufficient to meet the cost of the new Pay & Grade Scheme and Living Wage in 2013/14. As such, there is no additional budget requirement in 2013/14.

The reports previously considered by Cabinet have identified future additional costs which will need to be provided in Council budgets going forward. These costs are further detailed in the MTFP report elsewhere on the agenda.

Council Tax Reduction Scheme

- 4.15 The existing Council Tax Benefit Scheme will be replaced by a new scheme from 1st April 2013. In contrast to the existing scheme, the new scheme does not provide for pound for pound reimbursement of Council spending on Council Tax benefits. Any shortfall will fall on this Council to meet.
- 4.16 As highlighted in paragraph 5.1 (j), there is a significant risk that the £17.414m fixed sum included in the RSG settlement will be insufficient to meet the 2013/14 spending requirement.
- 4.17 On 30th January 2013, the Welsh Government announced that a further £1.726m will be paid to this Council to mitigate the impact of the new Scheme on benefit claimants. Whilst this extra grant is very welcome news, the underlying risk highlighted above remains a significant issue in 2013/14. Due to the lateness of the announcement on 30th January 2013, the extra money will be paid in addition to the agreed RSG settlement and as such, is shown as a separate line on the overall budget summary.

Funding Proposals

- 4.18 The above proposals result in a forecast shortfall of £7.696m in 2013/14. The proposals for resolving this shortfall are as follows:

a) Staffing Reductions

Cabinet agreed an updated Early Retirement / Voluntary Redundancy Scheme on 29th November 2012. Subject to an evaluation of individual applications this scheme is likely to result in a saving of £1m in 2013/14.

Transformation work will be undertaken in the coming months which must result in further savings.

b) Fees and charges increases

Specific proposals for increasing fees and charges in 2013/14 are detailed in appendix E. These represent the main increases proposed by services and exclude lesser increases which will be implemented in line with inflation.

c) Other savings proposals

Specific proposals are detailed in Appendix C.

The total of (a), (b) and (c) is £2.485m and is summarised in Appendix C

d) Council Tax increase

The proposed Council Tax increase of 3.8% will result in net additional income of £3.011m.

e) Use of general reserves

There is a proposed use of General Reserves of £2.2m. This will be achieved by transferring the £4.607m improvement in the 2011/12 outturn from Earmarked to General Reserves and partly using the resulting General Reserve figure to support the 2013/14 budget. A temporary use of reserves of £2.2m is not inconsistent with budgets previously agreed by Council.

Review of Insurance Fund

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

The review has highlighted an Insurance Fund surplus as at 31st March 2012.

Members will recall that, in anticipation of a surplus, £2m of the Insurance Fund was used to support the overall budget in 2012/13.

The attached budget proposals provide for:

- a) A one-off use of the Insurance Fund in 2012/13 of £1m to finance high priority highways maintenance schemes on the basis that there is an historical link between the level of claims and spend on highways maintenance. Cabinet will agree a scheme to spend £1m on high priority schemes following agreement of the budget by Council.
- b) The elimination of the £2m currently supporting the overall Council budget by reducing internal insurance charges to services by an equivalent amount i.e £2m per annum. Whilst this will result in a potential shortfall to the Insurance Fund of £700,000 per annum, this is sustainable for the next three years given the Fund surplus mentioned above.

There are no further proposals to reduce the Fund at this time given the poor outlook for public finances and also the likely cost of future premium increases.

Consultation Process and Savings Proposals

- 4.20 The report to Cabinet on 19th December 2012 invited comments on the forecasts, assessments and broad options for achieving a balanced budget set out in that report.
- 4.21 Cabinet Members and officers also met with the School Budget Forum on 8th January 2013. The formal response of the School Budget Forum to the budget consultation is attached (appendix F).
- 4.22 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 attached budget.

Summary

- 4.23 The above proposals will, subject to the proposed use of General Reserves, result in a balanced budget position in 2013/14. 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 2013/14
- Appendix B Net Directorate Budget Proposals 2013/14
- Appendix C Savings Proposals 2013/14
- Appendix E Fees and charges increases 2013/14 – main items
- Appendix G Directorate Budgets 2013/14

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, the following items :

(a) Implications of the 2012/13 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 2013/14 will not be adequate in some instances.

The most significant risk pertains to Child & Family Services. As noted in paragraph 4.7(v), there is a forecast overspend of £3.8m in the current financial year. Whilst it is the view of officers that the current overspend should only be partly reflected in the 2013/14 budget proposals - an additional sum of £2.5m - there is a risk that the remaining overspend of £1.3m 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 2013/14. 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 2013/14 budget includes savings targets which must be achieved.

(d) Inflation

As was the case in 2012/13, only limited provision has been made for price increases. In particular, explicit budget provision has not been made for a national pay award which may be agreed in 2013.

(e) Outcome Agreement Grant

Whilst the full grant was received in 2012/13, 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 2012 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) Costs arising from statutory inquiries

There are potential costs arising from Village Green statutory inquiries.

(j) Council Tax Reduction Scheme

As highlighted above and in the recent report to Council, the financial implications of the new Scheme are not entirely clear at this time. In particular, the Welsh Government has provided a fixed sum in our grant settlement and any expenditure over and above this sum will fall on this Council to meet. This presents a significant risk as the Council has no control over benefits claims.

(k) Capital Financing Charges

There is a risk that the funding shortfalls highlighted in the Capital Budget report elsewhere on the agenda will result in additional charges over and above the agreed budget provision.

(l) Auto enrolment in the Council's Pension Scheme

The requirement to automatically enroll new employees in the Council's Pension Scheme is effective from 1st April 2013. This requirement means that new employees will be automatically enrolled in the Scheme unless they positively opt out. There is a risk that the process of automatically enrolling staff in the Pension Scheme will result in a relatively higher number of staff joining the Scheme with a corresponding increase in the Council's contribution to the Scheme.

(m) 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) 2014/15 – 2016/17

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

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 2012. This will increase to £10.834m following the addition of the 2011/12 underspend of £4.607m. As stated in paragraph 4.18(e), there is a one-off planned use of the General Reserve in 2013/14 of £2.2m.

Contingency Fund

- 7.4 The 3rd quarter financial monitoring report detailed several forecast uses of the Contingency Fund in 2012/13. At this time, it is anticipated that the £8m budgeted contribution in 2012/13 will be fully expended. The forecast Fund balance as at 31st March 2013 is £4m.

- 7.5 In assessing the value of the Contingency Fund requirement in 2013/14, 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

(d) The poor outlook for Public Finances as set out in the Cabinet report on 19th December and summarised in the MTFP report elsewhere on the agenda.

7.6 Having considered the above issues and requirements, it is my view that, as was the case in 2012/13, a £8m contribution should be made to the Contingency Fund in 2013/14. This will result in a forecast Fund of £12m available to meet the potential issues and requirements highlighted in paragraph 7.5.

Earmarked Reserves

7.7 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

7.8 Whilst the proposed use of Earmarked Reserves in 2013/14 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 2013/14 and future years, I am satisfied that the proposed management of reserves in 2013/14 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.

7.9 Given the considerable risks and uncertainties facing the Council in 2013/14 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 2013/14

8.1 I am also satisfied that the attached budget proposals represent a realistic and achievable financial plan for 2013/14 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 £419.517m will be financed by Revenue Support Grant of £252.831m, National Non-Domestic Rates of £74.941m, Additional Council Tax Support Grant of £1.726m and Council Tax of £90.019m. The Council Tax in respect of the Council's own requirement would be £1,028.56p for a band 'D' property – a 3.8% increase compared to 2012/13.

8.3 Including Community Councils, the total requirement is £420.364m.

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 2013/14.

9. Equality Impact Assessment (EIA)

9.1 Proposals for changing levels of funding in specific areas have been subject to the Council's Equality Impact Assessment 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.

The budget EIA statement and any specific service level equality impact assessments undertaken will be available on the Council's website here:

<http://www.swansea.gov.uk/eia>

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

REVENUE BUDGET SUMMARY 2013/14

<u>DIRECTORATE</u>	BUDGET 2012/13 £000	BUDGET 2013/14 £000
CHIEF EXECUTIVE	2,122	2,124
RESOURCES	24,723	41,305
EDUCATION	157,167	163,167
ENVIRONMENT	28,929	29,446
REGENERATION & HOUSING	26,767	26,948
SOCIAL SERVICES	97,393	104,279
ADDITIONAL COUNCIL TAX SUPPORT	0	1,726
NET DIRECTORATE EXPENDITURE	337,101	368,995
<i>OTHER ITEMS</i>		
CORPORATE PROVISION FOR INFLATION	2,000	2,000
LEVIES		
SWANSEA BAY PORT HEALTH AUTHORITY	89	89
CONTRIBUTIONS		
MID & WEST WALES COMBINED FIRE AUTHORITY	11,360	11,503
<i>CAPITAL FINANCING CHARGES</i>		
PRINCIPAL REPAYMENTS	12,394	12,777
NET INTEREST CHARGES	14,167	14,138
NET REVENUE EXPENDITURE	377,111	409,502
<i>MOVEMENT IN RESERVES</i>		
GENERAL RESERVES	0	-2,200
EARMARKED RESERVES	9,769	11,840
TOTAL BUDGET REQUIREMENT	386,880	419,142
DISCRETIONARY RATE RELIEF	302	375
TOTAL CITY AND COUNTY OF SWANSEA REQUIREMENT	387,182	419,517
COMMUNITY COUNCIL PRECEPTS	854	847
TOTAL REQUIREMENT	388,036	420,364
<i>FINANCING OF TOTAL REQUIREMENT</i>		
REVENUE SUPPORT GRANT	235,656	252,831
ADDITIONAL COUNCIL TAX SUPPORT GRANT	0	1,726
NATIONAL NON-DOMESTIC RATES	64,518	74,941
COUNCIL TAX - CITY AND COUNTY OF SWANSEA	87,008	90,019
COUNCIL TAX - COMMUNITY COUNCILS	854	847
TOTAL FINANCING	388,036	420,364
<i>COUNCIL TAX BASE for the City and County of Swansea</i>	87,806	87,519
<i>COUNCIL TAX AT BAND 'D' (£) for the City and County of Swansea</i>	990.91	1,028.56
GENERAL RESERVES		
AT 1 APRIL	6,227	10,834
AT 31 MARCH	6,227	8,634

REVENUE BUDGET 2013/14

NET DIRECTORATE BUDGET PROPOSALS

	Chief Executive	Resources Directorate	Education Directorate	Environment Directorate	Regeneration & Housing Directorate	Social Services Directorate	Additional Council Tax Support	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Original estimate 2012/13	1,775	25,070	157,167	28,929	26,767	97,393		337,101
Directorate transfers in 2012/13	347	-347						0
Restated original estimate 2012/13	2,122	24,723	157,167	28,929	26,767	97,393		337,101
Transfer to (+) / from (-) reserves 2012/13		3,749		-120	136			3,765
Original estimate 2012/13 excluding reserves	2,122	28,472	157,167	28,809	26,903	97,393		340,866
Transfers		17,447	3,540			1,766		22,753
Baseline adjustments	-3	224	65	35	-297	-8	1,726	1,742
Adjusted service budgets 2012/13	2,119	46,143	160,772	28,844	26,606	99,151	1,726	365,361
Spending Needs	5	-361	3,115	1,702	1,004	5,078		10,543
Savings		-200	-970	-650	-465	-200		-2,485
Original estimate 2013/14 excluding reserves	2,124	45,582	162,917	29,896	27,145	104,029	1,726	373,419
Transfer to (-) / from (+) reserves 2013/14		-4,277	250	-450	-197	250		-4,424
Net Directorate budgets 2013/14	2,124	41,305	163,167	29,446	26,948	104,279	1,726	368,995

APPENDIX C

SAVINGS PROPOSALS 2013/14

	£000	£000
STAFFING REDUCTIONS		1,000
FEES & CHARGES (see appendix E)		465
OTHER PROPOSALS:		
REGENERATION & HOUSING		
REDUCTION IN LEISURE CENTRE SUBSIDY	100	
EDUCATION		
RATIONALISATION OF TAXI & MINIBUS CONTRACTS	200	
ICT RATIONALISATION	70	
CATERING NET COST REDUCTIONS	100	
REDUCED EARLY RETIREMENT / VOLUNTARY REDUNDANCY BUDGET	400	
ENVIRONMENT		
REDUCTION IN FLEET COSTS	100	
REDUCTION IN SICKNESS COSTS	50	1,020
		<u>2,485</u>

REVENUE BUDGET 2013/14**EARMARKED RESERVES**

	Balance 31/03/12 £000	2012/13 £000	Balance 31/03/13 £000	2013/14 £000	Balance 31/03/14 £000
DIRECTORATE RESERVES					
Equalisation reserves	812	0	812	0	812
Development projects / external bodies	1,582	60	1,642	50	1,692
Pay & Grading review	0	4,275	4,275	4,330	8,605
Service reserves	3,952	-612	3,340	-577	2,763
Renewal funds	6,811	-33	6,778	621	7,399
TOTAL DIRECTORATE RESERVES	13,157	3,690	16,847	4,424	21,271
CORPORATE RESERVES					
Contingency Fund	4,816	-778	4,038	8,000	12,038
Other corporate reserves	28,582	-9,537	19,045	-584	18,461
TOTAL CORPORATE RESERVES	33,398	-10,315	23,083	7,416	30,499

SCHOOLS DELEGATED RESERVES

No information available

FEES AND CHARGES INCREASES - MAIN ITEMS

	Increase %	£000
REGENERATION & HOUSING		
LEISURE CENTRES	5%	85
HOUSING RENEWAL AREAS	5%	45
CAR PARKING	5%	35
TOTAL		165

ENVIRONMENT		
TARGETTED CAR PARKING	1%	30
WASTE (MAINLY TRADE WASTE)	5%	100
CEMETERIES AND CREMATORIUM	5%	80
MARINA	5%	50
PEST CONTROL; HIGHWAYS; BUS STATION AND OTHER	5%	40
TOTAL		300

TOTAL FEES & CHARGES PROPOSALS **465**

17th January 2013

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

Dear Councillor Phillips,

School Budget Forum Response to Budget Consultation

As always, the School Budget Forum has sought to support the discussions that 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 continuing 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.

Swansea schools do not do well financially. They suffer a double blow, one of which is a matter of political choice and one of which is not. The Council can do nothing about the fact that the settlement it receives from the Welsh Government is relatively poor, ranking it 17th out of the 22 authorities for 2012. However, due to choices made by the Council, the education budget as a whole ranks even lower at 19th in 2012. Other authorities do better, including the large urban authority of Cardiff.

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

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 to mitigate the effects of large scale redundancies on the Council.

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

The current position

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

The Forum also notes the Council's commitment to deliver fully the national education funding guarantee, as required of it by the Welsh Government. This has generated an upward pressure identified in the report of £2.7 million for 2013-14. However, the Forum notes that the corresponding upward pressure in Social Care is £4.9 million above the additional funding provided for that sector in the original medium-term plan for the period. Whilst accepting the volatility of some aspects of Social Care provision, the Forum does not accept at all that the Social Care needs are completely volatile and that education needs are completely stable. Schools also have to manage considerable volatility within budgets that are strictly capped; the new arrangements for SEN delegation being a clear example. **The Forum does not consider that the business case is sufficiently made within the report to demonstrate why the need for increased additional funding for Social Care of this scale is supported.**

The Forum notes the continued progress of the Education Directorate towards the Welsh Government target for the Council of distributing 85% of its education budget to schools. However, the Forum is gravely concerned at the impact of this upon the non-delegated budget, especially where it threatens to lead to cuts to the wide range of services currently provided from the non-delegated budget. The Forum urges the Council to bear the pressures on the non-delegated budget in mind when setting the quantum of the education budget as a whole.

The Forum notes the Council's support for capital investment in some of its schools. This is potentially very good news for those schools. **The Forum urges the Council to maintain its commitment to supporting the need to generate additional capital receipts to reach its commitment of a local contribution of 50% and that no inroads should be made into school delegated budgets in terms of 'top slicing' to fund additional prudential borrowing.**

The Forum notes the comments in the Cabinet report relating to Single Status and Pay and Grading. **The Forum notes and welcomes the ongoing assurances that have been given by the Project Sponsor that, as school staff are Council employees, the costs of Single Status and Pay and Grading will be met by the Council from the funding set aside for this purpose, as for any other Council employees.**

Looking ahead

The Forum notes that the Minister's current 'funding guarantee' for school delegated budgets will end in the financial year 2014-15. It is extremely concerned at what will follow. Given the very poor position of Swansea schools in funding terms, it is very difficult to see how further savings can easily be achieved. **The Forum urges the Administration to recognise the importance of making proper revenue provision for schools every year as a matter of course**, not merely because it has been required to do so by the Minister, and to continue the good start that it has made in honouring the uplifts for 2012-13 and 2013-14.

In that light, the Forum welcomes very warmly the idea that there should be a fundamental review of base budgets in order to ensure that we have the correct starting points. The Forum feels that lessons can be learned from the One Education Budget Strategy, both in terms of the transparency of the process and also the rigour of the the structured challenge and review undertaken over recent years, which has then been reflected in the Council's Medium Term Financial Plan and delivered. This continues to require difficult spending choices, challenging savings targets and robust management action.

Summary

The Forum does not consider that the business case is sufficiently made within the report to demonstrate why the need for increased additional funding for Social Care of this scale is supported.

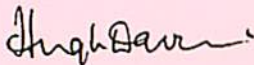
The Forum notes the Council's commitment to deliver fully the national education funding guarantee, as required of it by the Welsh Government.

The Forum notes and welcomes the ongoing assurances that have been given by the Project Sponsor that, as school staff are Council employees, the costs of Single Status and Pay and Grading will be met by the Council from the funding set aside for this purpose, as for any other Council employees.

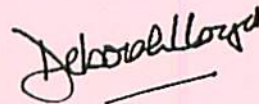
The Forum urges the Council to recognise the importance going forward of making proper revenue provision for schools every year as a matter of course.

The Forum urges the Council to maintain its commitment to supporting the need to generate additional capital receipts to reach its commitment of a local contribution of 50% and that no inroads should be made into school delegated budgets in terms of 'top slicing' to fund additional prudential borrowing.

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 issues raised in this letter.



Hugh Davies
Chair, School Budget Forum



Deborah Lloyd
Vice-Chair, School Budget Forum

DIRECTORATE BUDGETS

2013/14

Revenue Budget 2013/2014

Chief Executive

	ORIGINAL BUDGET 2012/2013 £	ORIGINAL BUDGET 2013/2014 £
Head of Marketing Communications and Overview		
Communications	321,100	321,700
Corporate Management Team Support	441,900	442,300
Corporate Marketing	129,500	129,300
Design and Print	298,900	299,200
Mayoral Service	204,900	204,900
Overview and Scrutiny	286,500	286,800
Web Development	66,700	66,700
Corporate Telephones	372,400	372,600
	2,121,900	2,123,500
Total Chief Executive	2,121,900	2,123,500

Revenue Budget 2013/2014

Resources Directorate

	ORIGINAL BUDGET 2012/2013 £	ORIGINAL BUDGET 2013/2014 £
Head of Finance		
Audit	528,900	529,800
Contact Swansea	490,000	486,600
Finance DMT	-1,685,300	-1,691,800
Treasury and Technical	875,600	875,800
Financial Services	1,538,200	1,522,400
Benefits	1,248,300	19,028,700
Revenues	1,464,000	1,481,800
	4,459,700	22,233,300
Head of Human Resources and OD		
Human Res. Pensions & Employee Services	1,857,700	1,725,000
Health and Safety	1,028,100	1,073,100
Training	285,400	265,100
	3,171,200	3,063,200
Head of Information and Customer Services		
ICT	6,900,800	7,157,600
Research and Information	407,800	393,300
ISIS Development	1,411,100	322,800
	8,719,700	7,873,700
Head of Legal, Democratic Services and Procurement		
Democratic Services and Complaints	704,000	733,000
Elections	708,200	307,600
Members Costs	1,693,900	1,610,200
Procurement	-3,000	-5,800
Legal Services	2,348,900	2,453,700
Coroners	428,300	428,600
	5,880,300	5,527,300
Head of Performance and Strategic Projects		
Strategic Projects	1,011,700	1,127,000
Performance and Strategic Planning	1,230,000	1,230,700
Joint Resilience Unit	85,000	84,500
LRF Secretariat	0	0
	2,326,700	2,442,200

Revenue Budget 2013/2014

Resources Directorate

	ORIGINAL BUDGET 2012/2013 £	ORIGINAL BUDGET 2013/2014 £
Resources Directorate		
Resources Directorate	165,700	165,300
	165,700	165,300
Total Resources Directorate	24,723,300	41,305,000

Revenue Budget 2013/2014

Education Directorate

	ORIGINAL BUDGET 2012/2013 £	ORIGINAL BUDGET 2013/2014 £
Delegated Schools		
School Cost Centres	130,596,000	133,490,000
	130,596,000	133,490,000
Education Effectiveness		
ELIS	5,300	33,000
Ethnic Minority Language Service	248,800	293,800
Families First	49,900	27,700
Management and Admin	207,900	207,900
Miscellaneous Grants	22,600	361,600
Out of Hours Learning	17,200	6,900
Play	109,900	109,900
Residential and Outdoor	248,300	248,300
School Effectiveness	919,700	1,013,000
School Effectiveness Framework	653,400	653,400
School Intervention	303,400	480,100
Support for the Arts	78,400	184,400
Travellers Service	39,700	25,700
Welsh Service	427,100	379,100
Youth Service	878,900	962,800
	4,210,500	4,987,600
Education Inclusion		
Access to Learning Mgt and Admin	254,900	254,900
Behaviour and Learning Support	1,364,300	1,187,700
Community Education	363,800	388,900
Employment Training	726,000	668,900
EOTAS Pathways	818,000	1,018,000
Families First	252,400	252,400
Home Tuition Service	507,700	500,000
Management and Admin	146,700	146,700
One to One Support Primary	720,400	720,400
One to One Support Secondary	360,000	360,000
Psychology Service	713,400	683,400
Pupil Referral Units	1,772,500	1,865,300
Recoupment	690,400	680,000
School and Governor Unit	321,500	311,500
SEN Statementing and Support	2,977,300	3,067,300
Student Finance	267,600	257,600
Welfare Service	572,900	642,900
	12,829,800	13,005,900

Revenue Budget 2013/2014

Education Directorate

	ORIGINAL BUDGET 2012/2013 £	ORIGINAL BUDGET 2013/2014 £
Education Planning and Resources		
Asset Management	115,400	115,400
Cleaning Service	930,500	862,500
Continuing Education	879,100	879,100
DCELLS	-7,543,800	-6,071,600
Empty Properties	15,000	165,000
Free Breakfast	0	1,157,900
Health and Safety	62,900	62,900
ICT Strategy	817,000	701,000
Management and Admin	810,100	1,208,100
School Cost Centres	12,365,600	11,760,600
School Funding and Information	111,000	111,000
School Meals Client	997,700	1,161,700
School Meals Service	-95,100	-295,100
School Planning and Information	65,000	65,000
	9,530,400	11,883,500
ER/VR Savings		
ER/VR Savings	0	-200,000
	0	-200,000
Total Education Directorate	157,166,700	163,167,000

Revenue Budget 2013/2014

Environment Directorate

	ORIGINAL BUDGET 2012/2013 £	ORIGINAL BUDGET 2013/2014 £
Director of Environment		
Environment Directorate	-46,000	86,000
ERVR	0	-200,000
	-46,000	-114,000
Head of Public Protection		
Building Regs	164,900	165,000
Burials and Cremations	-11,300	-90,400
Community Safety	611,400	609,900
Food	553,000	553,800
Licensing	-125,300	-124,900
Pollution	774,500	783,300
Public Health	883,300	880,300
Registrars	60,300	61,100
Trading Standards	759,800	758,300
Directorate & Other Costs	629,000	616,300
	4,299,600	4,212,700
Head of Streetscene		
Highways	7,407,500	6,799,500
Waste Management	14,068,900	14,353,200
	21,476,400	21,152,700
Head of Transportation		
Car Parking & Enforcement	-1,488,200	-1,288,900
Central Transport	-156,600	-258,900
Engineering	639,900	733,500
Swansea Marina	18,800	-50,600
Traffic management	991,000	1,402,900
Transportation	2,568,200	3,050,300
Directorate & Other Costs	625,900	606,300
	3,199,000	4,194,600
Total Environment Directorate	28,929,000	29,446,000

Revenue Budget 2013/2014

Regeneration & Housing Directorate

	ORIGINAL BUDGET 2012/2013 £	ORIGINAL BUDGET 2013/2014 £
Head of Corporate Building and Property Services		
Facilities Management	4,171,500	3,931,500
Strategic Estates Properties	-3,774,600	-3,808,600
Corporate Building Services	-63,600	-50,200
Property Preventative Maintenance	4,337,700	4,408,600
	4,671,000	4,481,300
Director of Regeneration and Housing		
Regeneration and Housing Directorate	188,000	173,000
ER/VR	0	-200,000
	188,000	-27,000
Head of Culture and Tourism		
Archives	290,800	290,500
Arts	2,452,700	3,177,300
Community Buildings	267,900	253,200
Development and Outreach	533,500	594,100
Libraries	2,943,600	2,904,700
Parks	5,650,000	5,656,400
Sport and Recreation	2,364,700	2,103,000
Tourism, Marketing and Events	1,634,800	1,683,900
Directorate and Other Costs	560,000	591,900
	16,698,000	17,255,000
Head of Economic Regeneration and Planning		
Business Support	255,400	255,900
Property Development	607,400	519,700
Strategy Development	592,700	856,400
City Centre Management and Indoor Market	-106,500	-80,400
Major Projects, Design and Conservation	175,000	175,800
Planning Control	912,700	864,200
Planning Policy and Environment	1,032,500	1,035,600
Directorate and Other Costs	177,800	192,800
	3,647,000	3,820,000

Revenue Budget 2013/2014

Regeneration & Housing Directorate

	ORIGINAL BUDGET 2012/2013 £	ORIGINAL BUDGET 2013/2014 £
Head of Housing and Community Regeneration		
Community Regeneration	258,000	259,700
Grants to the Independent Sector	85,500	85,500
Renewals and Adaptations	384,900	314,700
Strategy Advice and Support	688,900	677,300
Other Housing Services	145,700	81,800
	1,563,000	1,419,000
Total Regeneration & Housing Directorate	26,767,000	26,948,300

Revenue Budget 2013/2014

Social Services Directorate

	ORIGINAL BUDGET 2012/2013 £	ORIGINAL BUDGET 2013/2014 £
Head of Child and Family Services		
Assessment and Care Mgt Child and Family	7,804,300	7,498,500
Accommodation Services-External	11,150,400	14,216,100
Accommodation Services-Internal	5,131,300	5,093,100
Residential Care-Internal Provision	746,600	498,600
Adoption Services	1,152,900	1,154,300
Aftercare-External	472,400	472,400
Aftercare-Internal	527,900	527,900
Family Support Services-External	2,001,300	1,939,400
Family Support Services-Internal	1,883,700	1,860,000
Other Children's Services-Internal	294,100	294,200
Preventing Youth Offending	1,076,800	1,074,200
Review and Quality Assurance	508,500	572,600
Mgt and Admin Child and Family	2,166,800	2,306,700
	34,917,000	37,508,000
Head of Adult Services(Older People and Disability)		
Assessment and Care Management Older People	3,283,000	3,275,200
Community Alarms Older People	196,000	226,000
Community Meals External Provision	317,700	290,200
Day Services Older People	1,015,600	1,016,200
Domiciliary Care Older People	12,230,200	11,672,300
Intermediate Care Older People	189,500	127,500
Occupational Therapy Older People	510,400	512,100
Older People & Disability Service Administration	718,300	759,600
Residential Long Term Older People	14,336,400	17,429,500
Residential Short Term Older People	165,800	165,200
Voluntary Agencies Contributions Older People	58,600	58,600
Assessment and Care Management Disability Services	759,000	790,400
Community Alarms Disability Service	5,200	5,200
Day Services Disability Services	635,900	521,000
Domiciliary Care Disability Services	2,374,700	2,374,700
Equipment and Adaptations	564,100	569,600
Suresprung	0	0
Occupational Therapy Disability Services	232,600	232,600
Residential Long Term Disability Services	1,452,900	1,543,500
Voluntary Agencies Contributions Disability Serv.	17,300	17,300
	39,063,200	41,586,700

Revenue Budget 2013/2014

Social Services Directorate

	ORIGINAL BUDGET 2012/2013 £	ORIGINAL BUDGET 2013/2014 £
Head of Adult Services(Mental Health and Learning Disabilities)		
Central Management and Administration	760,700	862,400
Coastal	0	0
Community Mental Health Teams	1,017,700	1,018,400
Community Support Teams	1,106,800	1,108,800
Flexible Support Services Learning Disabilities	246,000	246,400
Learning Disabilities Day Services	3,676,200	3,660,400
Learning Disability Respite Service and Measglas	1,411,700	1,404,600
Llanfair House	332,000	362,400
Mental Handicap Strategy Grant	-1,733,700	0
Mental Health Day Services	581,800	575,400
Protection of Vulnerable Adults	269,900	270,400
Residential Services -Ext Provision Learning Dis.	7,206,700	6,928,100
Residential Services -Ext Provision Mental Health	1,511,400	1,511,400
Special projects Learning Disabilities	116,800	116,800
Substance and Alcohol Abuse	142,100	142,100
Transport Depot	1,538,500	1,638,700
	18,184,600	19,846,300
Directorate Services		
Carers	632,500	632,500
Commissioning Support Unit	2,178,300	2,240,000
Supporting People Services	537,800	788,000
Central Services	1,506,500	1,492,100
Service Strategy and Regulation	137,800	138,200
Social Services Training Section	246,200	247,800
ER/VR Savings	-10,000	-200,000
	5,229,100	5,338,600
Total Social Services Directorate		
	97,393,900	104,279,600



Capital Budget & Programme 2013/14 – 2016/17

Report of the Section 151 Officer

Council – 14 February 2013

CAPITAL BUDGET & PROGRAMME 2013/14 – 2016/17

Purpose:	This report proposes a revised capital budget for 2012/13 and a capital budget for 2013/14 - 2016/17
Policy framework:	None
Reason for decision:	To agree a revised budget for 2012/13 and a budget for 2013/14 – 2016/17
Consultation:	Cabinet Members & Corporate Management Team
Recommendation:	The revised budget for 2012/13 and a budget 2013/14 – 2016/17 as detailed in appendices A, B and E be approved.
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 2012/13
- Capital expenditure and financing proposals in 2013/14 – 2016/17

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 14th February 2013.

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

Appendix A Summary of General Fund Capital Expenditure and Financing 2012/13 – 2016/17

Appendix B Schools Programme Capital Expenditure and Financing 2012/13 – 2016/17

Appendix C Material changes to the original 2012/13 budget

Appendix D Material changes to the Capital Programme agreed in February 2012

Appendix E General Fund Capital Budget 2012/13 – 2016/17

2. Capital Budget 2012/13

- 2.1 Spending in the current year will be £49.2m – an increase of £5.5m compared to the original estimate of £43.7m.

This increase is mainly due to the addition of grant funded schemes after Council approved the capital budget in February 2012.

Material changes to the 2012/13 budget are summarised in appendix C.

3. Capital Programme and Financing 2013/14 to 2016/17

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

Paragraphs 3.2 to 3.10 detail the material changes to the General Fund Programme and Financing.

Paragraphs 3.11 to 3.16 detail the Schools Programme and Financing.

GENERAL FUND PROGRAMME AND FINANCING

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

- 3.3 The Capital Budget report considered by Council on 20th February 2012 highlighted a forecast shortfall in the four year forward programme of £14.9m. This excluded the 21st Century Schools funding requirement which was separately detailed in the report.

- 3.4 The updated General Fund programme is summarised in appendix A. This highlights expenditure of £147.6m ; financing of £139.7m and a forecast shortfall of £7.9m. Appendix D provides a reconciliation between the General Fund programme shortfall reported in February 2012 and the current proposals. The material changes are as follows:

Addition of a further year to the programme

- 3.5 The addition of a further year (i.e 2016/17) in itself causes a £3m increase in the funding shortfall. This is because recurring annual commitments are no longer offset by Welsh Government annual funding i.e

	£m
Welsh Government funding 2016/17	10.0
<i>less 2016/17 spending requirements</i>	
Property and highways maintenance	-7.3
DFGs & Improvement Grants	-5.2
<u>Annual Contingency Budget</u>	<u>-0.5</u>
<u>Additional shortfall 2016/17</u>	<u>3.0</u>

Unavoidable maintenance additional requirements

- 3.6 The programme provides additional finance for urgent maintenance related requirements as follows:

	£m
Penlan Leisure Centre roof	0.250
Langland Bay Sea Wall	0.400

West Cross coastal defence	0.150
Mumbles cutting (south west face)	0.200
Bascule bridge at Morfa	0.550
IT infrastructure renewal	2.970

Regeneration of City Centre

- 3.7 The programme provides support for the delivery of further investment within the City Centre to improve its attractiveness and viability for shoppers, businesses, investors and visitors. The proposed investment is closely linked to the City Centre Strategic Framework which identifies the need for investment in development, enhancement and accessibility related projects.

Other priorities

- 3.8 These comprise the following additional schemes:

	£m
Swansea Market roof	1.064
Cycleway Mumbles Road	0.200
Additional Play areas	0.300
Council Chamber renovation incl e-voting	0.658
ECC and teleconferencing capability	0.110
Strategic WIFI provision	0.100

Additional capital receipts

- 3.9 The proposed financing of the General Fund programme assumes additional capital receipts of £17.0m. This comprises previously agreed proposals of £8.6m and new proposals of £8.4m. The latter will be considered by Cabinet later this month. Going forward, it will be extremely difficult to achieve further capital receipts without significant reductions in the Council's portfolio of assets.

Forecast General Fund shortfall

- 3.10 The above results in a updated forecast shortfall of £7.926m. Whilst this represents a reduction of £6.9m compared to the February 2012 position as detailed in appendix D, it will become increasingly difficult to resolve this shortfall going forward without reducing spending or incurring additional unsupported borrowing. The latter will only be possible if the resulting principal and interest payments can be met from the annual revenue budget.

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

SCHOOLS PROGRAMME AND FINANCING

- 3.11 The Welsh Government announced its support in principle for an agreed programme of school building improvements in early 2012. This programme – termed the 21st Century Schools Programme - will entail the Welsh Government providing a 50% contribution in relation to schemes costing £51m. The Council is expected to provide the remaining 50% contribution.

- 3.12 Considerable work has been undertaken over the last year to progress the first phase of the programme. The schemes included in the first phase of the programme are detailed in appendix B and are as follows:

	£m
Burlais Primary new school	7.500
Gowerton Primary new school	5.000
YGG Lon Las rebuild and remodel	5.000
Glyncollen Primary improvements	0.750
Newton Primary improvements	0.650
Post 16 provision	2.100
Total phase 1	21.000

Notwithstanding the difficulties faced by the Council in financing its 50% contribution towards these schemes, the attached proposals provide for the schemes to be committed in the coming months in order to access funding at the earliest opportunity through the process set out by the Welsh Government.

- 3.13 For completeness, the previously agreed Morryston Comprehensive School scheme and the second phase of the 21st Century Schools Programme are also detailed in appendix B. This is necessary as the funding for the Morryston Scheme and the second phase needs to be considered in the context of the wider schools programme.
- 3.14 Details of the second phase schemes will be set out when the capital programme is updated in February 2014.
- 3.15 The financing of the schools programme and current shortfall is set out in appendix B. As previously highlighted, the position remains extremely difficult and challenging and may be summarised as follows:
- a) The Welsh Government has provided a 70% grant contribution to the Morryston Comprehensive Refurbishment Scheme. As previously reported, this means that the Council must provide a £6.4m contribution – see (c) below.
 - b) The Council is required to fund a 50% contribution to the 21st Century Schools Programme cost i.e £25.7m.
 - c) The implication of (a) and (b) is that the Council is required to fund a contribution of £31.3m over the period to 2019. Unless additional unsupported borrowing is agreed to fund / partly fund this requirement then the only potential source of funding at this time is land sales at school sites as part of the wider review of all Council assets.

The Capital Budget report considered by Council on 28th February 2011 highlighted potential parcels of land surplus to Educational requirements at a number of listed sites. Whilst progress has been made in agreeing several sales, only a small part of the estimated £12m receipt has been received to date. It is clearly important to optimise the capital receipts that can be realised from disposals through appropriate marketing and timing of any sales. It may therefore be appropriate to agree short term additional unsupported borrowing in order to generate a greater capital receipt at a later date when the market has improved. This point will be further considered.

A wider list of potential disposals of land surplus to Educational requirements is currently being prepared for consideration in the coming months.

- d) At this time, it is assumed that the above funding requirement will be met by agreeing excess land sales. Failure to achieve this will require:
- a revision of the agreed programme and / or
 - subject to identifying a funding source to meet the resulting principal and interest payments, the agreement of further unsupported borrowing. Given the poor outlook for the Council's finances, it is very likely that, under such circumstances, schools will need to significantly contribute to any borrowing requirement if the programme is to progress as planned.
- e) The Welsh Government has indicated that it may wish to meet part of its 50% contribution by providing annual support for Council unsupported borrowing rather than grants. However, there is no agreed scheme at this time and it assumed that grant (rather than borrowing) support will be provided. If agreed, such additional unsupported borrowing would be over and above any which the Council may agree to fund its contribution.

3.16 Notwithstanding the uncertainties regarding the funding of the overall Schools Programme, it is proposed that the phase 1 schemes detailed above and attached be committed over the coming year . It should also be noted that these schemes are high priority due to the significant risks of building failure.

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

4. Risks

- 4.1 There are significant risks which may require a future revision of the attached four year capital budget. In particular:
- additional capital costs arising from future waste disposal arrangements
 - urgent capital maintenance requirements
 - unforeseen costs e.g. failure of retaining walls
 - failing to achieve the General Fund capital receipts target and in relation to the Schools Programme, school land sale targets.
 - capital financing charges arising from additional unsupported borrowing which can not be met from revenue budgets.
- 4.2 There is a further significant risk that external grants will greatly diminish as cuts are applied by grant providers – in particular the Welsh Government and European Grants.
- 4.3 Whilst there is an annual Contingency Budget provided to deal with unexpected spending requirements this would be insufficient if a number of the risks detailed above were to arise.

5. Legal implications

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

6. Prudential Code

- 6.1 Under the Local Government Act 2003 and subsequent regulations, a local authority is required to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities when setting its budget and must determine and keep under review how much it can afford to borrow.
- 6.2 A further report on the agenda will detail what is required under the requirement of the Code and set out in detail Prudential Borrowing Indicators for 2013/14 and subsequent years.

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

SUMMARY OF GENERAL FUND CAPITAL BUDGET AND FINANCING 2012/13 - 2016/17

	2012/13	2013/14	2014/15	2015/16	2016/17	Total
	£'000	£'000	£'000	£'000	£'000	£'000
EXPENDITURE						
Resources	1,088	2,208	1,400	1,600	500	6,796
Education	4,282	644				4,926
Environment	12,095	11,324	7,690	3,280	4,552	38,941
Regeneration and Housing	26,999	35,933	14,616	10,238	9,200	96,986
Social Services	13					13
TOTAL EXPENDITURE	44,477	50,109	23,706	15,118	14,252	147,662
FINANCED BY:						
Borrowing						
Supported Borrowing	7,244	6,227	6,227	6,227	6,227	32,152
Unsupported Borrowing	9,988	8,917	3,450			22,355
Grants and Contributions:						
Welsh Government General Grant	3,668	3,801	3,801	3,801	3,801	18,872
Welsh Government specific grants	9,442	5,330				14,772
European grants	3,677	9,447	3,892	970		17,986
Other Grants	1,163	222	26			1,411
Contributions	146	255				401
Capital Receipts:	5,636	3,745	4,022	7,008	7,500	27,911
Revenue and Reserve Contributions	3,140	513	223			3,876
TOTAL FINANCING	44,104	38,457	21,641	18,006	17,528	139,736
FORECAST SHORTFALL	373	11,652	2,065	-2,888	-3,276	7,926

SCHOOLS PROGRAMME CAPITAL EXPENDITURE & FINANCING 2012/13 - 2016/17

	2012/13	2013/14	2014/15	2015/16	2016/17	Total
	£'000	£'000	£'000	£'000	£'000	£'000
EXPENDITURE						
Morrison Comprehensive Refurbishment	4,330	13,843	2,857			21,030
21st Century Schools Programme						
Phase 1						
Burlais Primary new school	247	344	6,220	583	106	7,500
Gowerton Primary new school	170	240	4,515	75		5,000
YGG Lon Las rebuild and remodel		265	2,679	2,056		5,000
Glyncollen Primary improvements			750			750
Newton Primary improvements			650			650
Post 16 provision			100	1,500	500	2,100
Phase 2			600	2,840	26,870	30,310
TOTAL EXPENDITURE	4,747	14,692	18,371	7,054	27,476	72,340
FINANCED BY:						
Welsh Government Grant						
Morrison Comprehensive Refurbishment	4,000	8,640	2,000			14,640
21st Century Programme Schemes			8,390	3,527	13,738	25,655
Contributions	417	352				769
TOTAL FINANCING	4,417	8,992	10,390	3,527	13,738	41,064
FORECAST SHORTFALL	330	5,700	7,981	3,527	13,738	31,276

MATERIAL CHANGES TO THE 2012/13 CAPITAL BUDGET

Scheme	Source Of Funding	2012/13 Change £'000
Resources		
ICT Infrastructure	New scheme	130
Education		
Design Work New Schools Burlais and Gowerton	Grant	417
Flying Start schemes	Grant	501
Environment		
Regional Transport Programme Schemes	Grant	1,038
Safe Routes in Communities - Penlan	Grant	373
Highways Prudential Borrowing Initiative	New scheme	3,450
Clydach Cycle Network Phase 2	Grant	237
Clydach Cycle Network Phase 3	Grant	302
Marina Barrage and Meter Replacement	Existing Budget	170
Housing (General Fund)		
Hafod Renewal Area	Grant	902
Ty Gwyn Gypsy Site Refurbishment	Grant	168
Corporate Building Services		
Purchase of Welfare Units	Existing Budget	138
Heol Y Gors Office Refurbishment	Existing Budget	275
Culture, Recreation & Tourism		
Tennis Centre Court Resurfacing	Grant	83
Retaining Wall Lon Coed Bran	Existing Budget	100
Regeneration and Planning		
Boulevard - River Bridges Design	Grant	200
St David's/Oldway Purchase and Demolition	Grant	360
St David's/Oldway Purchase and Demolition	Existing Budget	100
Waterfront Connections	Grant	594
Swansea Castle Regeneration Plan Phase 2	Grant	135
Delayed Spending From 2011/12 - all services	Various	10,648
Delayed Spending Into 2013/14 - all services	Various	-15,431
Other Minor Changes	Various	573
Total Material Changes		5,463

MATERIAL CHANGES TO CAPITAL PROGRAMME AGREED IN FEBRUARY 2012

	£m	£m
Forecast shortfall - per Council 2012 February 2012		14.856
Addition of a further year (2016/17) to programme		<u>3.023</u>
		17.879
<i>Unavoidable maintenance additional requirements</i>		
Penlan Leisure Centre roof (see note below)	0.250	
Langland Bay sea wall	0.400	
West Cross coastal defence	0.150	
Mumbles cutting	0.200	
Bascule bridge	0.550	
IT infrastructure	<u>2.970</u>	4.520
<i>Regeneration of City Centre schemes</i>		
Oldway car park	0.275	
Regeneration projects to be agreed	<u>1.000</u>	1.275
<i>Other priorities</i>		
Swansea Market roof	1.064	
Cycleway Mumbles Road	0.200	
Additional play areas	0.300	
Council Chamber renovation including E voting	0.658	
ECC and teleconferencing capability	0.110	
Strategic WIFI provision - Civic Centre & libraries	<u>0.100</u>	2.432
		26.106
<i>less</i>		
2010/11 Revenue budget underspend (previously agreed)		-1.150
Additional forecast capital receipts		-17.030
Amended forecast shortfall		<u>7.926</u>

*Note:**Partly funded from existing budget*

GENERAL FUND CAPITAL BUDGET 2012/13 - 2016/17

	2012/13	2013/14	2014/15	2015/16	2016/17	Total
	£'000	£'000	£'000	£'000	£'000	£'000
RESOURCES						
IT Infrastructure	130	840	900	1,100		2,970
Council Chamber renovation including E voting		658				658
ECC and teleconferencing capability		110				110
Strategic WIFI provision - Civic Centre & libraries		100				100
Corporate Contingency Fund	930	500	500	500	500	2,930
Scheme retentions	28					28
TOTAL RESOURCES	1,088	2,208	1,400	1,600	500	6,796
EDUCATION (excluding 21st Century Schools programme)						
Education General / Minor Schemes	207					207
Primary Schools Schemes	1,030	644				1,674
Secondary Schools Schemes	321					321
Cefn Hengoed Refurbishment	1,936					1,936
Special Education Schemes	788					788
TOTAL EDUCATION	4,282	644				4,926
ENVIRONMENT						
Regional Transport Programme	787					787
Swansea Bus Station	384					384
Highways Unsupported Borrowing Scheme	3,350	3,450	3,450			10,250
Highways / Infrastructure capital maintenance	2,696	3,280	3,280	3,280	3,280	15,816
Cycleway Mumbles Road		200				200
Members Highways Improvements allocation	63					63
Slip Bridge (balance of agreed budget)		139				139
Other Bridges & Retaining Walls	763	501				1,264
Bascule Bridge		550				550

GENERAL FUND CAPITAL BUDGET 2012/13 - 2016/17

	2012/13	2013/14	2014/15	2015/16	2016/17	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Street Lighting	307	50				357
Road Safety / Traffic Schemes	363	17				380
Langland Bay Sea Wall		400				400
West Cross coastal defence		150				150
Mumbles Cutting		200				200
Highways Drainage	315					315
Bus Facility Schemes	96					96
Car Park Improvements	6					6
Cemeteries/Crematorium	344					344
Pollution Control	10					10
Litter bins	50					50
Tir John Capping and Improvement Works	1,568					1,568
Tir John Closure and Remedial Works	220	2,330	960		1,272	4,782
Foreshore & Marina	587					587
Other Highway Schemes	186	57				243
TOTAL ENVIRONMENT	12,095	11,324	7,690	3,280	4,552	38,941
REGENERATION AND HOUSING						
CULTURE AND RECREATION						
Glyn Vivian Refurbishment	932	4,434				5,366
Library Service	34					34
Scheme retentions	401					401
Sports Centres	119					119
Penlan Leisure Centre Roof		500				500
Oystermouth Castle Restoration	252					252
Clyne Valley Country Park	147	26				173
Cwmdonkin Park Refurbishment	718	285	68			1,071

GENERAL FUND CAPITAL BUDGET 2012/13 - 2016/17

	2012/13	2013/14	2014/15	2015/16	2016/17	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Parks / Playing Fields	201					201
Additional Play Areas		300				300
Foreshore	1,012					1,012
Community Centres	76					76
ECONOMIC AND STRATEGIC DEVELOPMENT						
Waterfront Public Realm Enhancements	86	8				94
Boulevard Preliminary Works	50					50
Boulevard Design	1,600	3,490	2,852	900		8,842
Lower Oxford Street Public Realm Enhancements	199	223				422
Boulevard Design - River Bridges	300	514				814
Oystermouth Road/Westway Jnt Improvements	100					100
Waterfront Connections	400	444				844
St David's Centre car park/Oldway Demolition	1,171					1,171
Oldway Car Park		275				275
Redevelopment Schemes	462	385				847
Regeneration Projects to be agreed		1,000				1,000
Swansea Vale	47					47
Felindre Development	1,046	5,026	1,020	70		7,162
Environmental Services	92					92
Swansea Market Refurbishment	59					59
Swansea Market Roof		1,064				1,064
HOUSING (GENERAL FUND)						
Disabled Facilities Grants/Improvement Grants	4,959	6,324	5,200	5,200	5,200	26,883
Hafod Renewal Area	1,050					1,050
Ty Gwyn Gypsy Site Improvements	168					168
CORPORATE BUILDING SERVICES						
Building Capital Maintenance	4,902	4,000	4,000	4,000	4,000	20,902

GENERAL FUND CAPITAL BUDGET 2012/13 - 2016/17

	2012/13	2013/14	2014/15	2015/16	2016/17	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Guildhall Refurbishment - Phase 3 (retention)	88					88
Guildhall Refurbishment - Phase 4 (Civic)	4,402	1,431	92			5,925
Guildhall Refurbishment - Phase 5 (Brangwyn)	238	3,494	1,093	68		4,893
Guildhall Relocation Management Costs	141	90	90			321
Accommodation Strategy - Relocation Works	305					305
Upgrade Server Hardware	729	220	201			1,150
Purchase of Welfare Units	138					138
Pipehouse Wharf Depot Replacement	100	2,400				2,500
Heol Y Gors Office Reurbishment	275					275
TOTAL REGENERATION & HOUSING	26,999	35,933	14,616	10,238	9,200	96,986
SOCIAL SERVICES						
Scheme retentions	13					13
TOTAL SOCIAL SERVICES	13					13



Medium Term Financial Plan 2014/15 – 2016/17

Report of the Section 151 Officer

Council – 14 February 2013

MEDIUM TERM FINANCIAL PLAN 2014/15 – 2016/17

Purpose:	This report proposes a Medium Term Financial Plan 2014/15 - 2016/17
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 2014/15 – 2016/17 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
- Risks and uncertainties
- The strategy to resolve future MTFP shortfalls

2. Overview of Financial Planning

2.1 Service and financial planning is undertaken against a backdrop 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 a strategy to resolve forecast 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 20th February 2012 included a service and financial overview. This has been updated as follows.

Economic outlook and prospects for Public Finances

- 3.2 The UK Government's decision to cut public spending over several years is being implemented as planned. Given the uncertain outlook for public finances, the Welsh Local Government Association (WLGA) commissioned the Institute of Fiscal Studies (IFS) to report on the impact of cuts to date and comment on possible funding scenarios going forward.
- 3.3 The main points of the IFS report were detailed in the budget report to Cabinet on 19th December 2012. The main points were:
- Most of the planned reduction in public spending is yet to come
 - Whilst Welsh Councils have been given indicative settlement figures for 2014/15, there is a risk that the deteriorating financial outlook will result in a downward revision of the figures previously announced
 - Prospects for 2015/16 and 2016/17 are poor. The IFS report highlighted several potential scenarios and in particular the following two scenarios:
 - a) Scenario 1 - the UK Government successfully implements £10 billion in cuts in welfare spending and limits the real terms reduction in the Welsh Government budget to 3.2% in 2015/16 and a further 3.2% in 2016/17.
 - b) Scenario 2 - the UK Government fails to implement welfare cuts as a result of a deteriorating economy and associated social factors. In this scenario it is possible that Council funding could be reduced by 18% or more over a relatively short period of time.

- 3.4. The prospects for 2014/15 and future years will not be known until the UK Government completes its next Comprehensive Spending Review in the autumn of 2013. For the purpose of this report, it is assumed that the scenario described in paragraph 3.3(a) will apply i.e. a real terms reduction of 3.2% in Revenue Support Grant (RSG) in 2015/16 and again in 2016/17.

Clearly, there is a significant risk that a far greater reduction will be enforced by the UK Government and scenario 2 may apply. Whilst it is impossible to contemplate a potential £60m reduction at this time, the following service overviews highlight several possible impacts of significant spending reductions.

Service overviews

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

Education

- 3.6 The protection afforded to schools in 2011/12 and 2012/13 ameliorated the impact of the Government's spending reductions on delegated school budgets. The Minister

has stated that protection will once again apply in 2013/14 and 2014/15. However there is no commitment by the Welsh Government to maintain the protection after 2014/15.

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

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

- 3.7 The Council will continue to implement its school re-organisation programme in 2013/14. The Council will apply for Welsh Government funding support to further progress the programme as opportunities arise. In this context, the Council continues to have a challenging funding target as detailed in the Capital Budget report elsewhere on the agenda.

In addition, the revenue implications of the planned programme for the Council's budget – including delegated school budgets – will need to be considered in future financial plans. As stated in the capital budget report elsewhere on the agenda, given the poor outlook for the Council's finances, it is very likely that, under such circumstances, schools will need to significantly contribute to any borrowing requirement if the programme is to progress as planned.

- 3.8 The 2014/15 Revenue Budget report to Council in February 2014 will detail proposals for increasing the amount of the overall budget delegated to schools in accordance with the Welsh Government's requirements. Swansea is on track to deliver the 85% requirement by 2014/15 due to the considerable work already undertaken over the past 18 months.

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.

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

Child & Family Services

- 3.10 Significant improvements have been made in this service. However, the implications for the Council's overall budget remain extremely challenging. As previously, the aim going forward is to achieve a further improvement in standards whilst simultaneously achieving cost reductions where possible. The latter can only be achieved by a real terms reduction in numbers of Looked After Children, changes in practice and less reliance on high cost interventions.

Environment & Waste Management

- 3.11 The Council is progressing its waste management strategy to achieve the Welsh Government's landfill and recycling targets and also to achieve the best financial

outcomes for the Council. The 2013/14 budget and future MTFP will need to make provision for:

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

Going forward, the Council's ability to provide core Environment Services will be severely impacted by the funding decisions of the UK Government and Welsh Government.

Workforce

- 3.12 The workforce is both the Council's major asset and its major cost. Significant progress has been made on Single Status and a compliant Pay & Grading scheme is planned to be implemented on 1st April 2013. Revised terms and conditions will be implemented at the same time.
- 3.13 The financial implications of resolving all Single Status issues have been reported to Cabinet on several occasions. Whilst there is no additional funding requirement in 2013/14, there is an increased financial requirement in future years which will need to be provided in the MTFP.
- 3.14 Cabinet meeting on 19th December 2012 agreed to implement a minimum Living Wage of £7.45p per hour. Future pay increases will be subject to an annual consideration as is currently the case. In particular there is no commitment to increase the Living Wage in line with the increases calculated by the Rowntree Foundation from time to time. The financial implications of implementing a Living Wage are detailed later in the report.
- 3.15 The Council has an ongoing aim to achieve headcount reductions wherever possible. This has and continues to be achieved by strict vacancy management and also by the implementation of an early/voluntary retirement scheme in 2010, 2011 and again in 2012. However, it is unlikely that voluntary reductions will be sufficient to achieve future spending reductions going forward. Future year on year headcount reductions – probably by compulsory means – will inevitably result in service reductions, closures and service cessations.

Regeneration & the City Centre

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

Whilst negotiations in Brussels continue, the next round (post 2014) of EU structural funds for West Wales and the Valleys are likely to be of a similar value to the current round – a value in excess of £1bn. If the Authority is to maximise the potential of this funding opportunity to further the economic and social well-being of its communities, then match funding and funding in kind will be required from this Authority. This would be essential in order to leverage EU funds and deliver projects in line with the Authority's priorities. In addition, the inevitable hiatus between the closure of the current programme and the commencement of the next EU programme presents a

risk in terms of grant funded staff retention. The loss of key skills will deteriorate the capability of the Authority to react quickly to funding opportunities to develop projects and initiatives. The emerging City Region is also placing greater emphasis on the importance of EU funds post 2014 and the Authority will be expected to play a full part in their delivery given its City status. Consideration therefore needs to be given to the establishment of an EU match funding provision within the future financial plans.

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

Welfare Reform

- 3.17 The UK Government's Welfare Reform programme will impact on Council services in 2013/14 and future years. There are likely to be direct implications for the Council's Benefits and Housing services. There are likely to be further significant indirect impacts on a number of other services including Social Services and Education.

Other initiatives and proposals

- 3.18 The Leader set out a range of proposed initiatives and actions in a report to Council on 23rd August 2012. Many of these will be contained within existing budgets. The draft budget proposals provide for the financial implications of a limited number of new initiatives and actions. Others will be subject to further discussion and potential inclusion in future budgets subject to the availability of finance.

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. The attached appendix reflects updated cost assessments together with financial forecasts for 2014/15, 2015/16 and 2016/17.

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

	£m
2014/15	5.0
2015/16	22.0
2016/17	34.6

The forecast is summarised in the appendix and detailed below.

Inflation

- 4.3 The attached spending and resources forecasts are expressed at current pay and price levels. However, there is a risk that further shortfalls will arise if inflationary increases in resources are less than the impact of inflation on Council budgets.

Single Status Implementation and the Living Wage

- 4.4 The above will result in an eventual additional cost of £8m over and above current budget provision. This comprises:

	£m
New Pay & Grading Scheme	6.9
Living Wage	<u>1.1</u>
	<u>8.0</u>

However, this cost will not be fully incurred until 2017/18. The additional cost to be met in each future year is as follows:

	£m
2013/14	nil
2014/15	1.8
2015/16	2.7
2016/17	2.3
2017/18	<u>1.2</u>
	<u>8.0</u>

Whilst the above forecast is based on a validated financial model of likely costs, there is a risk that actual costs will exceed the above values. In particular, there is a risk that appeals and reviews of individual pay and grading allocations will result in additional costs.

Similarly, there is only limited financial provision available to settle outstanding Equal Pay back claims. As previously highlighted, it is possible that the cost of claims could exceed available resources.

Implementation of the Living Wage will result in an eventual annual cost of £1.1m. However, there is an interaction between the financial implications of the new Pay & Grading Scheme and implementation of the Living Wage. In particular, the above cost profile reflects a short term increase in costs in 2014/15 and 2015/16 which will reduce in future years.

Pension Contributions

- 4.5 Employer contribution rates for the period 2014/15 – 2016/17 will be set by the Pension Fund Actuary when the 2013 review is completed. Early indications are that the Council's employer's contribution rate will need to increase between 1% and 1.5% in total over a three year period – a potential cost of £1.2m to £1.8m.

The MTFP does not provide for any increase in Pension Scheme membership which may arise from the implementation of Auto Enrolment. Whilst potential additional costs could arise from 2013/14 onwards, full implementation of the provisions of Auto Enrolment will not occur until 2017. The MTFP does not currently provide for increased costs but this assumption will need to be reviewed when the MTFP is updated in 2014.

Adult Services

- 4.6 There has been a significant increase in the number of supported placements as follows:

March 2011	678
March 2012	752

These are forecast to increase as follows:

March 2013	820
March 2014	836
March 2015	859
March 2016	878
March 2017	897
March 2020	979
March 2025	1,150
March 2030	1,307

Officers are currently preparing a strategy for supporting the forecast increased requirement. This will entail the implementation of innovative solutions. In particular, there will need to be a greater emphasis on supporting persons in the community by utilising a range of strategies including increasing the level of home support. Whilst it is difficult to precisely estimate the saving which could be achieved by remodeled services at this time, the estimates in the MTFP are indicative of the reduced costs which could be achieved. Clearly there is a risk that these reductions will not be achieved.

Child & Family Services

- 4.7 The number of Looked After Children (LAC) has increased from 554 in April 2012 to 577 in November 2012. Whilst the strategy for reducing numbers is based on a five year plan, this is clearly a disappointing outcome.

Going forward, officers remain confident that the strategy to increase local foster placements and Special Guardianship Orders will result in cost savings in future years.

- 4.8 Whilst it is difficult to precisely estimate the reductions which could be achieved going forward, the MTFP provides for forecast numbers and cost reductions in future years as follows:

	£m	No. LAC (end of year)
March 2013	-	577
March 2014	0.8	523
March 2015	0.5	488
March 2016	0.7	453
March 2017	0.7	419

The above represents a significant projected reduction in current numbers of LAC and a position more comparable with Welsh and English averages.

Clearly there is a risk that the above reductions will not be achieved.

Waste Disposal

- 4.9 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.

In addition, a long term decision needs to be made regarding the Council's future arrangements for landfill disposal together with associated issues relating to the Tir John Landfill site.

The MTFP provides for the estimated financial implications of the above.

Welfare Reform

4.10 The UK Government's Welfare Reform programme will result in several implications and financial implications for Council services in particular:

- a) A potential shortfall in funding in relation to the new Council Tax Reduction Scheme
- b) A potential reduction in the benefits administration grant currently provided by the UK Government
- c) Increased costs and reduced income in relation to the Housing budget.
- d) Potential increases in Education and Social Services costs.

In relation to (c), there will be a decrease in council house rental income and an increase in homelessness spending as a result of benefit caps, under-occupation and Universal Credit. The projected loss of rental income due to under-occupation is £1.5m, and a further £6m - £7m projected loss as a result of Universal Credit. It is likely that evictions will increase as a result of arrears and this will also result in an increase in void rental income losses. Temporary accommodation costs are also likely to increase.

The first three quarters of 2012/13 have seen more homelessness decisions recorded than in the whole of 2011/12, and the end of year figure is likely to be an increase of almost 30% on last years figures.

Current projections are that homelessness could rise by a further 20%.

At this time, the precise impact of the above risks is not known and as such, not provided in the attached forecast.

Protection of Social Care and Schools budgets

4.11 In announcing the 2013/14 Local Government Finance Settlement, the Minister stated that Protection for Social Care and School budgets will continue in 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 previous settlement announcements.

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

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

The attached forecast assumes that the protection requirement will apply to Schools in 2014/15 but not in future years.

Capital Financing Charges (CFCs)

- 4.13 As stated in the Revenue Budget report elsewhere on the agenda, there are no planned additional repayments of the monies borrowed to fund the former eGovernment Programme. As such, the MTFP no longer makes provision for future additional repayments. For the avoidance of doubt, the outstanding debt of £9m will be repaid in line with specified accounting requirements and interest and principal repayments will continue to be reflected in CFCs as is currently the case. The existing budget already provides for the long term repayment of this debt and there are no additional implications to reflect in the MTFP.
- 4.14 The capital budget report elsewhere on the agenda highlights forecast shortfalls in relation to both the General Fund and Schools capital programmes. As stated in the capital budget report, failure to reduce spending or identify funding solutions will result in additional unsupported borrowing. The attached forecast does not provide for additional borrowing at this time. However, if agreed in future years, this will result in additional capital financing charges of £4m per annum.
- 4.15 The Council is in the process of implementing an extremely challenging programme of asset disposals amounting to some £30m over the next four years. This is more than double the amount achieved over the preceding four years (which also included the significant capital receipt for the ASDA site in Gorseinon). Failure to achieve this target will result in further additional unsupported borrowing in the absence of spending reductions and / or other solutions.
- 4.16 Similarly, whilst recent programmes and initiatives have made significant inroads into addressing infrastructure and property maintenance backlogs, there are significant requirements ahead which will need to be addressed if unplanned closures and failures are to be avoided. Any unavoidable spending over and above that provided in current budget plans will result in further additional unsupported borrowing in the absence of spending reductions and / or other solutions

Revenue Support Grant (RSG)

- 4.17 The Welsh Government's current spending plans provide for a small increase in Council funding in 2014/15 – an indicative increase for this Council of 1.2% (£4.049m). However as stated earlier in this report, there is a real risk that current plans for spending in 2014/15 will be revised downwards following completion of the Government's Autumn 2013 Comprehensive Spending Review.
- 4.18 As stated in paragraph 3.4, there is a potential real terms reduction in RSG of 3.2% in 2015/16 and a further 3.2% in 2016/17 i.e a potential decrease of £10.6m in 2015/16 and a further reduction of £10.6m in 2017/18. Whilst it is not known if reductions in these sums will apply in future years, it is assumed for the purpose of the MTFP that this will be the case.

Use of General Reserves

- 4.19 The approved 2013/14 Revenue Budget is partly funded by a one-off use of General Reserves of £2.2m. In the absence of usable reserves in future years, the MTFP will need to provide for this resource.

Other assumptions

- 4.20 Whilst no specific provision has been made in the attached MTFP for the following items, the assumptions are as follows:

- a) *Welsh Government Grants.* It is assumed that grants will continue at current levels at this time. However, given the poor outlook for the Welsh Government budget, there is a significant risk that this may not be the case.
- b) *Fees and charges.* Many annual increases are specified by the Welsh Government and other bodies. Price elasticity of demand also effectively limits the extent of annual increases over and above inflation. Whilst consideration will be given to implementing reasonable increases in future years, the ability and willingness of service users to fund increases in excess of inflation are significant factors.
- c) *Council Tax.* As the MTFP forecast is expressed at current pay and price levels, the forecast does not provide for future increases at this time. Decisions regarding future increases are subject to an annual consideration which is informed by a large number of factors.
- d) *Levies.* It is assumed that increases and if applicable decreases, will be in line with future RSG settlements.

Contingency Fund

- 4.21 It is assumed that a Contingency Fund budget will be provided in future years.
- 4.22 The level of any Contingency Fund budget in future years will depend on an updated assessment of risks and the overall financial position of the Council. As such, there is no assumption in this forecast to either increase or decrease the 2013/14 budget of £8m. This of course may not be the case.

5. Risks and Uncertainties

- 5.1 The projected shortfalls detailed in the attached forecast are based on the assumptions stated in this report. Whilst significant risks pertaining to specific items are highlighted above, there are other potential risks which are not known at this time.
- 5.2 The biggest uncertainty relates to future RSG settlements and the precise value of any assumed reduction in RSG. As previously stated, the IFS report highlighted a potential reduction of 18% in grant over a relatively short period. Whilst, it is not appropriate to plan on this scenario at this time, such a reduction would result in a loss of grant of nearly £60m and would present a financial planning scenario nothing like the challenges of the past. Whilst it is not possible or feasible to speculate on service implications at this time, the following points are extremely relevant:
 - a) Education and Social Services account for 66% of the Council's budget. Even if these services were reduced by 5%, other services would need to be cut by nearly £50m.
 - b) A cut of nearly £50m in other services is equivalent to a 40% average reduction on remaining budgets i.e an amount in excess of the combined value of Environment and Regeneration budgets.
 - c) The implication of (b) is that significant cuts in Education and Social Services would be required notwithstanding previous protection afforded to these services.

6. Strategy to resolve forecast shortfalls

6.1 Notwithstanding the uncertain outlook for Welsh Government grant support, work to resolve the attached potential shortfalls and potential financial scenarios will commence immediately following agreement of the 2013/14 budget.

6.2 This work will take the form of a fundamental budget review and will include:

- a) A review of the attached forecast spending increases and a consideration of options to mitigate the increases if possible and
- b) A fundamental review of existing budgets and in particular, a reprioritisation of available resources and
- c) A programme to achieve improved business efficiency and transformation and
- d) A consideration of opportunities to work in partnership with other organisations where it is beneficial to do so.

6.3 The review will inevitably result in a reprioritisation of Council budgets; spending reductions and possible cessation of some services.

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.

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Background Papers : None.

Appendices : Medium Term Financial Plan - Forecast Shortfalls
2014/15 - 2016/17

MEDIUM TERM FINANCIAL PLAN - FORECAST SHORTFALLS 2014/15 - 2016/17

	2014/15	2015/16	2016/17
	£m	£m	£m
PAY AWARD - 2013	1.7	1.7	1.7
SINGLE STATUS IMPLEMENTATION & LIVING WAGE			
Pay & Grading Scheme	-0.1	3.0	5.7
Living Wage	1.9	1.5	1.1
SERVICE REQUIREMENTS			
Pension contributions	1.2	1.5	1.8
Adult Services			
Increased demand	0.4	0.8	1.1
Remodelled services	0.4	-0.2	-0.7
Child & Family Services	-0.5	-1.2	-1.9
Waste disposal	0.1	0.4	0.7
SCHOOLS PROTECTION	1.7	1.7	1.7
USE OF GENERAL RESERVES 2013/14	2.2	2.2	2.2
	9.0	11.4	13.4
less:			
REVENUE SUPPORT GRANT	-4.0	10.6	21.2
TOTAL FORECAST SHORTFALL	5.0	22.0	34.6



**Treasury Management Strategy, Prudential Indicators,
Investment Strategy and Minimum Revenue Provision
Policy Statement 2013/14**

Report of the Section 151 Officer

Council – 14 February 2013

**TREASURY MANAGEMENT STRATEGY, PRUDENTIAL INDICATORS,
INVESTMENT STRATEGY
AND MINIMUM REVENUE PROVISION POLICY STATEMENT 2013/14**

Purpose:	To recommend the Treasury Management Strategy Statement, Prudential Indicators, Investment Strategy and Minimum Revenue Provision Policy Statement for 2013/14.
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 Revised CIPFA Prudential Code

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

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

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

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

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

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

1.5 The recommended strategy for 2013/14 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 2013/14-2016/17
- 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 2013/14 to 2016/17

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						
	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
	£'000	£'000	£'000	£'000	£'000	£'000
	Actual	Probable	Estimate	Estimate	Estimate	Estimate
Capital Expenditure						
GF	44,560	49,224	64,801	42,077	22,172	41,728
HRA	18,585	27,259	30,000	31,000	29,500	28,000
TOTAL	63,145	76,483	94,801	73,077	51,672	69,728
Capital Financing Requirement ***						
GF	300,313	302,199	305,264	304,655	302,029	297,786
Credit Arrangements *	2,470	2,646	1,865	1,197	627	395
HRA	71,134	69,923	67,724	67,824	66,068	64,346
Magistrates' Court **	1,766	1,696	1,628	1,563	1,500	1,440
TOTAL	375,683	376,464	376,481	375,239	370,224	363,967
Authorised limit for external debt	533,651	532,464	488,481	480,239	469,224	456,967
Operational boundary for external debt	418,651	416,464	416,481	415,239	410,224	403,967
Upper limit for fixed interest rate exposure	533,651/ 100%	532,464/ 100%	488,481/ 100%	480,239/ 100%	469,224/ 100%	456,967/ 100%
Upper limit for variable rate exposure	213,460/ 40%	212,986/ 40%	195,392/ 40%	192,096/ 40%	187,690/ 40%	182,787/ 40%
Upper limit for total principal sums invested for over 364 days	75,000	51,000	40,000	38,250	36,750	35,250

* 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 which is recharged is included for completeness

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

Maturity structure of fixed rate borrowing during 2012/13-2016/17		
	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 2011/12 %	Revised 2012/13 %	Estimate 2013/14 %	Estimate 2014/15 %	Estimate 2015/16 %	Estimate 2016/17 %
General Fund	6.63	6.79	6.33	6.29	6.33	6.26
HRA	10.73	10.36	9.25	8.75	8.42	8.12

Estimates of Incremental Impact of Capital Investment Decisions on Council Tax (Band D) and Council Housing Rents						
	Actual 2011/12 £	Revised 2012/13 £	Estimate 2013/14 £	Estimate 2014/15 £	Estimate 2015/16 £	Estimate 2016/17 £
General Fund	70.96	71.64	75.78	77.73	78.17	72.81
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 31/3/13 comprises:

	Principal outstanding 31 March 2013 £'000	Average rate of Interest %
Public Works Loan Board (fixed)	226,558	6.15
Money Market	98,000	4.10
Temporary	1,978	1.67
TOTAL	326,536	5.51

3.2 The Council's forecast investment portfolio at 31 March 2013 is as follows:

Managed investments	Investments 31 March 2012	2012/13 Estimated Investment Return	2013/14 Estimated Investment Return
	£'000	%	%
Externally Managed	22,351	0.75	0.70
Internally Managed	95,153	0.77	0.55

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 18th January 2013. There is a downside risk to these forecasts if economic growth proves to be weaker and slower than currently forecast.

Annual Average %	Bank Rate	PWLB Borrowing Rates	
		25 year	50 year
Dec 2012	0.50	3.70	3.90
March 2013	0.50	3.80	4.00
June 2013	0.50	3.80	4.00
Sep 2013	0.50	3.80	4.00
Dec 2013	0.50	3.80	4.00
Mar 2014	0.50	3.90	4.10
June 2014	0.50	3.90	4.10
Sep 2014	0.50	4.00	4.20
Dec 2014	0.50	4.10	4.30
Mar 2015	0.75	4.30	4.50

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 2012/13 to 2016/17 :

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Borrowing and repayment requirements	Actual	Probable	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000	£'000
To finance new capital expenditure by supported borrowing	8,142	7,244	6,227	6,227	6,227	6,227
To finance new capital expenditure by unsupported borrowing	-	9,988	8,917	3,450	0	0
To replace loans maturing/repaid prematurely	6,084	6,151	6,283	7,323	3,189	286
Less						
Repayments	(13,971)	(13,961)	(14,217)	(14,540)	(14,595)	(14,250)
Set aside capital receipts	(590)	(1,000)	(600)	(400)	(400)	(400)
NET BORROWING /(REPAYMENT) REQUIREMENT	(335)	8,422	6,610	2,060	(5,579)	(8,137)

5.2 The above table details the net borrowing requirement for each financial year. In accordance with the Prudential Code, borrowing must be undertaken in line with a funding plan informed by the projected capital financing requirement. Borrowing may be financed from one or more of Public Works Loan Board loans; Money Market loans or internal loans. The precise choice will depend on market conditions from time to time.

5.3 At time of writing, borrowing rates are materially higher than investment rates and it is projected that the remaining borrowing requirement for 2012/13 and the projected borrowing requirement for 2013/14 will be met from internal loans i.e it will be internalised. However, we will continue to appraise market conditions and opportunities to externalise debt when borrowing rates offer long term value.

Short term savings (by avoiding new long term external borrowing in 2013/14) 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 weak economic conditions - exacerbated by the Eurozone crisis - has highlighted the need for caution in managing credit counterparty risk. Clearly there is a risk of a bank / institution defaulting on the payment of interest due or

repayment of amounts invested.

- 6.2 Taking the above points together, it is not proposed to undertake any new long term external borrowing for the 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 2012/13 and 2013/14.

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. The profile below assumes no externalisation of borrowing in the short/medium term and the budgeted use of reserves as profiled in the revenue budget report.

Comparison of average gross debt and average net debt at year end	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
	actual	probable	estimate	estimate	estimate	estimate
	£'000	£'000	£'000	£'000	£'000	£'000
Average debt (gross)	337,240	326,536	324,789	321,289	319,789	319,500
Average cash balances	99,873	101,781	72,000	65,000	59,000	53,000
Net debt	237,367	224,755	252,789	256,289	260,789	266,500

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 the remainder of 2012/13 or 2013/14 in the PWLB portfolio, however there may be opportunities to review the Authority's market debt. All rescheduling decisions will be reported to the Cabinet Member for Finance in the quarter following action.

8. The Annual Investment Strategy

8.1 Investment policy

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

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

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

8.1.2 Investment instruments identified for use in the financial year are listed in Appendix C under the 'Specified' and 'Non-Specified' Investments categories. Operational investment limits with individual institutions will be as set through the Council's Operational Treasury Management Practices.

8.1.3 Amendments to the arrangements, limits and criteria detailed in Appendix C may be made by the Head of Finance and advised to the Cabinet Member for Finance in the quarter following action.

Appendix G is the list of UK financial institutions (counterparties) which satisfy the Council's minimum credit criteria as at 18th January 2013.

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 2013/14 ensuring a suitable spread of investment risks. The performance of the investments for both external funds and internal funds will be reported. The Council has fixed benchmarks against which investment performance will be measured, i.e. the three month (cash fund managers) and 7 day LIBID rate (internally managed).

8.1.6 Interest Rate Outlook:

Bank Rate is forecast by the Council's advisors to remain unchanged at 0.5% before starting to rise in quarter 1 of 2015. Bank Rate forecasts as at 31st March are:

- 2012/ 2013 0.50%
- 2013/ 2014 0.50%
- 2014/ 2015 0.75%
- 2015/ 2016 1.75%

There are downside risks to these forecasts (i.e. start of increases in Bank Rate is delayed even further) if 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, particularly if BoE inflation forecasts for two years ahead exceed the BoE's 2% target rate.

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

opportunities arise.

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

8.2 Creditworthiness Policy

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

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

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

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

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

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

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

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

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

8.3 Country Limits

The Authority has not made any new overseas deposits for several

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

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

8.4 Policy on the use of external advisers

The Council uses the services of an external Treasury Management adviser namely - 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

- 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 will comply with the requirements of SI 2009 No 393 and will comply with the prevailing City & County of Swansea Treasury Management Policies, Practices and Strategies.

9. Minimum Revenue Provision Policy Statement

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

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

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

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

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

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

▪ Option 4 – Depreciation Method

The options are detailed at Appendix F.

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

TREASURY MANAGEMENT – GLOSSARY OF TERMS

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

Capital Financing Charges (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	<p>This is a scoring system that lenders issue people with to determine how credit worthy they are.</p> <p>The Credit Rating components are as follows:</p> <ol style="list-style-type: none"> 1. The AAA ratings through to C/D are long-term rating definitions and generally cover maturities of up to five years, with the emphasis on the ongoing stability of the institution's prospective financial condition. AAA are the most highly rates, C/D are the lowest. This Council does not invest with institutions lower than AA- for investments over 364 days 2. F1/A1/P1 are short-term rating definitions used by Moody's, S&P and Fitch Ratings for banks and building societies based on their individual opinion on an institution's capacity to repay punctually its short-term debt obligations (which do not exceed one year). This Council does not invest with institutions lower than F1/A1/P1 for investments under 364 days.
Debt	For the purposes of the Code, debt refers to the sum of borrowing (see above) and other long-term liabilities (see below). It should be noted that the term borrowing used with the

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

	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	<p><u>In-House Fund Management</u> Surplus cash arising from unused capital receipts and working cashflows can be managed either by external fund managers or by the Council's staff in-house. The in-house funds are invested in fixed deposits through the money markets for periods up to one year.</p> <p><u>Externally Management Funds</u> Fund managers appointed by the Council invest surplus cash arising from unused capital receipts in liquid instruments such as bank certificates of deposit and government stocks. The fund managers' specialist knowledge should ensure a higher rate of earnings on the managed funds than would be otherwise obtained.</p>
Maturity	The date when an investment is repaid or the period covered by a fixed term investment.
Minimum Revenue Provision (MRP)	The amount required by statute to be principal repayment each year.
Monetary Policy Committee (MPC)	This is a body set up by the Government in 1997 to set the repo rate (commonly referred to as being base rate). Their primary target (as set by the Government) is to keep inflation within plus or minus 1% of a central target of 2% in two year time from the date of the monthly meeting of the Committee. Their secondary target is to support the Government in maintaining high and stable levels of growth

	and employment.
Money Market	<p>Consists of financial institutions and deals in money and credit.</p> <p>The term applied to the institutions willing to trade in financial instruments. It is not a physical creation, but an electronic/telephone one.</p>
Net Borrowing	For the purposes of the Code, net borrowing refers to borrowing (see above) net of investments (see above).
Net Revenue Stream	Estimates for net revenue stream for current and future years are the local authority's estimates of the amounts to be met from government grants and local taxpayers.
Operational Boundary	This is based on expectations of the maximum external debt of the authority according to probable not simply possible – events and being consistent with the maximum level of external debt projected by the estimates. It is not a limit and actual borrowing could vary around this boundary for short periods.
Other Long Term Liabilities	The definition of other long term liabilities is the sum of the amounts in the Council's accounts that are classified as liabilities that are for periods in excess of 12months, other than borrowing (see definition above).
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

	<p>expected base rate (which is done on all deposits), a lender can minimise exposure, and choose a range to match his risk appetite.</p>
Risk	<p><u>Counterparty Credit Risk</u> The risk that a counterparty defaults on its obligations.</p> <p><u>Inflation Risk</u> The risk that growth in the Authority's investment income does not keep pace with the effects of inflation on its expenditure.</p> <p><u>Interest Rate Risk</u> The risk that changes in rates of interest creates an unexpected or unbudgeted burden on the Council's finances.</p> <p><u>Liquidity Risk</u> The risk that cash will not be available when it is needed.</p> <p><u>Operational Risk</u> The risk of loss through fraud, error, corruption, system failure or other eventualities in Treasury Management dealings, and failure to maintain effective contingency management arrangements.</p> <p><u>Refinancing Risk</u> The risk that the Authority is unable to replace its maturing funding arrangements on appropriate terms.</p>
Set Aside Capital Receipts	<p>A proportion of money received by the Council for the sale of fixed assets must be set aside to repay debt.</p>
Snowball	<p>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)</p>

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: $7.75\% + 6.25\% - \text{Libor}$

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	<p>Treasury Management has the same definition as in CIPFA's code of Practice of Treasury Management in the Public Services.</p> <p>"The management of the organisation's cash flows its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."</p>
Yield Curve	The line resulting from portraying interest rate graphically for a series of periods, e.g. 7days, 1month, 3, 6, 9, and 12months. When longer-term interest rates are higher than short-term rates the yield curve slopes upwards and is described as positive. When the opposite prevails the yield curve is referred to as inverse.

TREASURY ADVISORS' VIEW ON THE ECONOMIC BACKGROUND1.1 Introduction

The Eurozone debt crisis has continued to cast a pall over the world economy and has depressed growth in most countries. This has impacted the UK economy which is unlikely to grow significantly in 2012 and is creating a major headwind for recovery in 2013. Quarter 2 of 2012 was the third quarter of contraction in the economy; this recession is the worst and slowest recovery of any of the five recessions since 1930. A return to growth @ 1% in quarter 3 is unlikely to prove anything more than a washing out of the dip in the previous quarter before a return to weak, or even negative, growth in quarter 4.

The Eurozone sovereign debt crisis has abated somewhat following the ECB's pledge to buy unlimited amounts of bonds of countries which ask for a bailout. The immediate target for this statement was Spain which continues to prevaricate on making such a request and so surrendering its national sovereignty to IMF supervision. However, the situation in Greece is heading towards a crunch point as the Eurozone imminently faces up to having to relax the time frame for Greece reducing its total debt level below 120% of GDP and providing yet more financial support to enable it to do that. Many commentators still view a Greek exit from the Euro as inevitable as total debt now looks likely to reach 190% of GDP i.e. unsustainably high. The question remains as to how much damage a Greek exit would do and whether contagion would spread to cause Portugal and Ireland to also leave the Euro, though the longer a Greek exit is delayed, the less are likely to be the repercussions beyond Greece on other countries and on EU banks.

Sentiment in financial markets has improved considerably since this ECB action and recent Eurozone renewed commitment to support Greece and to keep the Eurozone intact. However, the foundations to this "solution" to the Eurozone debt crisis are still weak and events could easily conspire to put this into reverse.

The US economy has only been able to manage weak growth in 2012 despite huge efforts by the Federal Reserve to stimulate the economy by liberal amounts of quantitative easing (QE) combined with a commitment to a continuation of ultra low interest rates into 2015. Unemployment levels have been slowly reducing but against a background of a fall in the numbers of those available for work. The fiscal cliff facing the President at the start of 2013 has been a major dampener discouraging business from spending on investment and increasing employment more significantly in case there is a sharp contraction in the economy in the pipeline. However, the housing market does look as if it has, at long last, reached the bottom and house prices are now on the up.

Hopes for a broad based recovery have, therefore, focused on the emerging markets. However, there are increasing concerns over flashing warning signs in various parts of the Chinese economy that indicate it may be heading for a hard landing rather than a gradual slow down.

1.2 UK Economy

The Government's austerity measures, aimed at getting the public sector deficit into order over the next four years, now look as if they will fail to achieve their objectives within the original planned timeframe. Achieving this target is dependent on the UK economy growing at a reasonable pace but recession in the Eurozone, our biggest trading partner, has depressed growth whilst tax receipts have not kept pace with additional welfare benefit payments. It will be important for the Government to retain investor confidence in UK gilts so there is little room for it to change course other than to move back the timeframe.

Currently, the UK is enjoying a major financial benefit from some of the lowest sovereign borrowing costs in the world as the UK is seen as a safe haven from Eurozone debt. There is, though, little evidence that consumer confidence levels are recovering nor that the manufacturing sector is picking up. On the positive side, growth in the services sector has rebounded in Q3 and banks have made huge progress since 2008 in shrinking their balance sheets to more manageable levels and also in reducing their dependency on wholesale funding. However, availability of credit remains tight in the economy and the Funding for Lending scheme, which started in August 2012, has not yet had the time to make a significant impact. Finally, the housing market remains tepid and the outlook is for house prices to be little changed for a prolonged period.

Economic Growth. Economic growth has basically flat lined since the election of 2010 and, worryingly, the economic forecasts for 2012 and beyond were revised substantially lower in the Bank of England Inflation quarterly report for August 2012 and were then further lowered in the November Report. Quantitative Easing (QE) was increased again by £50bn in July 2012 to a total of £375bn. Many forecasters are expecting the MPC to vote for a further round of QE to stimulate economic activity regardless of any near-term optimism. The announcement in November 2012 that £35bn will be transferred from the Bank of England's Asset Purchase Facility to the Treasury (representing coupon payments to the Bank by the Treasury on gilts held by the Bank) is also effectively a further addition of QE.

Unemployment. The Government's austerity strategy has resulted in a substantial reduction in employment in the public sector. Despite this, total employment has increased to the highest level for four years as over one million jobs have been created in the private sector in the last two years.

Inflation and Bank Rate. Inflation has fallen sharply during 2012 from

a peak of 5.2% in September 2011 to 2.2% in September 2012. However, inflation increased back to 2.7% in October though it is expected to fall back to reach the 2% target level within the two year horizon.

AAA rating. The UK continues to enjoy an AAA sovereign rating. However, the credit rating agencies will be carefully monitoring the rate of growth in the economy as a disappointing performance in that area could lead to a major derailment of the plans to contain the growth in the total amount of Government debt over the next few years. Moody's has stated that it will review the UK's AAA rating at the start of 2013.

1.3 Treasury Advisor's Forward View

Economic forecasting remains difficult with so many external influences weighing on the UK. There does, however, appear to be consensus among analysts that the economy remains relatively fragile and whilst there is still a broad range of views as to potential performance, expectations have all been downgraded during 2012. Key areas of uncertainty include:

- the potential for the Eurozone to withdraw support for Greece at some point if the costs of such support escalate were to become prohibitive, so causing a worsening of the Eurozone debt crisis and heightened risk of the breakdown of the bloc or even of the currency itself;
- inter government agreement on how to deal with the overall Eurozone debt crisis could fragment; 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 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 are unlikely to be achieved;
- the risk of the UK's main trading partners, in particular the EU and US, falling into recession ;
- stimulus packages failing to stimulate growth;
- elections due in Germany in 2013;
- potential for protectionism i.e. an escalation of the currency war / trade dispute between the US and China.

- the potential for action to curtail the Iranian nuclear programme
- the situation in Syria deteriorating and impacting other countries in the Middle East

The focus of so many consumers, corporates and banks on reducing their borrowings, rather than spending, will continue to act as a major headwind to a return to robust growth in western economies.

Given the weak outlook for economic growth, Sector sees the prospects for any changes in Bank Rate before 2015 as very limited. There is potential for the start of Bank Rate increases to be even further delayed if growth disappoints.

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. The interest rate forecast in this report represents a balance of downside and upside risks. The downside risks have already been commented on. However, there are specific identifiable upside risks as follows to PWLB rates and gilt yields, and especially to longer term rates and yields: -

- UK inflation being significantly higher than in the wider EU and US causing an increase in the inflation premium in gilt yields
- Reversal of QE; this could initially be allowing gilts held by the Bank to mature without reinvesting in new purchases, followed later by outright sale of gilts currently held
- Reversal of Sterling's safe haven status on an improvement in financial stresses in the Eurozone
- Investors reverse de-risking by moving money from government bonds into shares in anticipation of a return to worldwide economic growth
- The possibility of a UK credit rating downgrade (Moody's has stated that it will review the UK's AAA rating at the start of 2013).

APPENDIX C

1. Investment Criteria for Specified and Non Specified Investments

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

1.1.1 Specified Investments:

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

Instrument	Minimum Credit Criteria	Use	Max investment
Debt Management Agency Deposit Facility	--	In-house	£100M
Term deposits – UK government	--	In-house	£100M
Term deposits – other LAs	--	In-house	£20M with each counterparty
Term deposits – banks and building societies	Short-term F1,P1,A1, Long-term AA- or UK nationalised banks	In-house and fund managers	£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	£20M 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	£20M with each counterparty
Deposits with banks and building societies covered by UK government guarantee	Short-term F1,P1,A1 Long-term AA-	Fund managers/ in-house	See 2 and 3 below	See 2 and 3 below/£20m 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

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

	<p>of an obligor;</p> <ul style="list-style-type: none"> • 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.
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Fitch International Short-Term Credit Ratings

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

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

Approved Countries for Investment

AAA

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

AA+

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

AA

- Abu Dhabi
- Qatar
- UAE

AA-

- Belgium
- Japan
- Saudi Arabia

MINIMUM REVENUE PROVISION**1. Government Guidance**

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

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

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

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

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

Option 1: Regulatory Method

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

Option 2: Capital Financing Requirement Method

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

Option 3: Asset Life Method.

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

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

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

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

There are two methods of calculating charges under option 3:

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

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

$A - B \text{ divided by } C$

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 18th January 2013)

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



Housing Revenue Account (HRA)– Budget 2013/14

Report of the Section 151 Officer and the Corporate Director (Regeneration and Housing)

Council – 14 February 2013

HOUSING REVENUE ACCOUNT (HRA) BUDGET 2013/14

Purpose:	This report proposes a Revenue Budget for 2013/14 and a rent increase for properties within the HRA.
Policy Framework:	None.
Reason for Decision:	To agree a revenue budget as indicated and a rent increase for 2013/14.
Consultation:	Cabinet Members, Finance, & Legal
Recommendations:	The following budget proposals be approved: a) Rents be increased in line with the Welsh Government guideline as detailed in section 4. b) Fees, charges and allowances are approved as outlined in section 4. c) The revenue budget proposals as detailed in section 4.
Report Author:	K. Lawrence
Finance Officer:	K. Lawrence
Legal Officer	T.Meredith

1. Introduction

1.1 The setting of the revenue budget 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;
- delivering service efficiencies;
- increases to guideline rents advised by the Welsh Government (WG);
- the effect on tenants of rent increases;

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

2. Projected Revenue Outturn 2012/13

2.1 Cabinet considered an updated assessment of forecast spending in 2012/13 on 6th February 2013. This forecast an underspend of £1.65m which will be used to fund capital schemes delayed from 2011/12. This effectively increases the resources available to fund the future capital programme and has been taken account of in setting the budget.

3. Housing Revenue Account Subsidy

3.1 The production of the annual HRA budget is heavily impacted by the control that the WG has over the resources available. The control is exercised through the use of the Housing Subsidy system. The abolition of this system is currently the subject of discussions between the WG and the Treasury, but at this time the proposals are based on the continuation of the current system.

3.2 The calculation of the amount of negative housing subsidy payable by local authorities is made by the WG. The calculation is based on a notional HRA which includes an assumed level of rent known as the guideline rent. The draft increase in the guideline rent for Swansea assumed by the WG in respect of 2013/14 is £3.03.

3.3 The subsidy formula also includes a notional management and maintenance allowance. The draft increase in this allowance for 2013/14 is 6.6%.

3.4 The net effect of these two assumptions is to leave Swansea's negative subsidy payment to the WG the same as this year, and to enable the Council to set a rent increase of up to 4.3% and retain all of the resulting increased rent income.

4. Revenue Budget Proposals 2013/14

Overview

4.1 The main changes to the current year are an increase in rent and other income mainly arising from the proposed rent increase of £2m, an increase of £1m in the budgeted Corporate Building Property Services (CBPS) surplus, and other net savings of £300,000. This results in a projected surplus on the HRA next year of £15.8m. This will contribute towards an increase in the capital programme which is planned to increase from an original programme in the current year of £25m to £30m next year. The main changes from the 2012/13 budget are shown in the following table:-

Item	£000
Additional income including a 4.3% rent increase	-2,000
Increased CBPS surplus	-1,000
Reduced negative subsidy budget	-100
Increased maintenance costs on void properties	850
Savings on day to day maintenance	-700
Saving on one-off survey costs	-200
Efficiency savings	-260
Reduction in insurance charges	-250
Reduction in capital financing charges	-150
Increase in bad debt provision	510
Additional provision for community safety	190
Reorganisation of void garden clearance	-140
Termination of WG's future jobs fund budget	-50
Increased investment to meet WHQS	3,300

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 £3.03 per week (4.3%) – this compares with the average guideline increase for Wales of 4.6% specified by the WG. This will result in additional rent income next year of £1.9m. However, the welfare reforms to be introduced next year are likely to increase the level of rent arrears so it is proposed that the bad debt provision is increased by £510,000.
- 4.3 *Inflation*
In line with the General Fund proposals, a lump sum provision was made in the current year's budget to cover potential inflationary items. As this has not been used this year it is considered sufficient for next year to cover a potential 1% pay rise and any specific inflationary increases.
- 4.4 *Capital Financing Charges*
There is a projected reduction in capital financing charges of £150,000 mainly due to a lower interest charge due to lower debt outstanding.
- 4.5 *Fees, Charges and Allowances*
General fees, charges and allowances are normally increased either in line with the Authority's own inflation assumption, or in line with the agreed rent increase. If the recommendations relating to the rent increase are approved then these rent related items will increase by 4.3%, and other charges by inflation.
- 4.6 *Contributions to the Capital Programme*
The additional income and other net savings enable an increase of £3.3m to be made in the contribution from the revenue account to the capital programme. The estimated contribution for next year is £15.8m.
- 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 £260,000 can be made, mainly through changes to staffing structures, and reductions in supplies and services budgets.
- 4.8 *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 £1m next year. However, the risks identified in Section 5 below need to be noted. There is also an increased provision for maintenance work on void properties of £850,000. This is more than offset by savings on other maintenance work and the one-off property survey carried out this year.
- 4.9 *Insurance*
As a result of a review of the insurance Fund it is proposed that the charge to the HRA is reduced by £250,000.
- 4.10 *Community Safety*
An increased budget of £190,000 is required for the community safety service (NSU) to meet current demands as a result of increased day to day running costs

and reduced income. This will be funded by the reorganisation of the void garden clearance scheme and the termination of the WG's future jobs fund scheme.

5. Risks and Uncertainties

- 5.1 The main uncertainty for next year is the possibility of the HRA subsidy system being abolished, although at this stage it appears unlikely that this could be implemented before 2014. Other risks and uncertainties for next year are welfare reform as referred to in section 4.2, a potential pay rise, 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 £16m and at the end of the current year it is estimated to be £12.5m. A reasonable contingency level is considered to be £4m. It is therefore proposed that £8m is used over the next 3 years to finance capital expenditure. The reserves position is detailed in Table B.

7. Equality Impact Assessments

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

8 Legal Implications

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

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

Background Papers: None.

Appendix: Table A: Summarised HRA 2012/13 to 2013/14.
Table B: Movement in Balances 2012/13 to 2015/16.

Table A: Summarised HRA 2012/13 to 2013/14

Classification	Budget 2012/13	Budget 2013/14
	£'000	£'000
Expenditure		
Management and Maintenance	26,729	25,763
Capital Charges	4,965	4,815
Revenue Funding for capital schemes	16,000	19,300
Negative subsidy	5,775	5,675
Total Expenditure	53,469	55,553
Income		
Rents and other income	49,969	52,053
Use of balances	3,500	3,500
Total Income	53,469	55,553

Table B: Movement in Balances 2012/13 to 2015/16

Description	2012/13 £000's
Balance at 1 st April 2012	16,058
Budgeted use 2012/13	-3,500
Forecast balance 31st March 2013	12,558
Budgeted use 2013/14	-3,500
Forecast balance 31st March 2014	9,058
Budgeted use 2014/15	-3,500
Forecast balance 31st March 2015	5,558
Budgeted use 2015/16	-1,000
Forecast balance 31st March 2016	4,558



**Housing Revenue Account - Capital Budget & Programme
2013/14 – 2016/17**

Report of the Section 151 Officer & Corporate Director (Regeneration & Housing)

Council – 14 February 2013

HOUSING REVENUE ACCOUNT - CAPITAL BUDGET & PROGRAMME 2013/14 – 2015/16

Purpose:	This report proposes a capital budget for 2013/14 - 2015/16
Policy framework:	None
Reason for decision:	To agree a revised budget for 2012/13 and a budget for 2013/14 – 2015/16
Consultation:	Cabinet Members & Corporate Management Team
Recommendations:	(a) The transfers between schemes and the revised budgets for schemes in 2012/13 be approved. (b) The budget proposals for 2013/14 - 2015/16 be approved. (c) That, where individual schemes in Appendix C are programmed over 2 or 3 years, then these commitments be approved by Council together with their financial implications for funding.
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Legal Officer:	T. Meredith

1. Introduction

1.1 This report details:

- Revised Housing Revenue Account (HRA) capital expenditure and financing proposals in 2012/13
- HRA capital expenditure and financing proposals in 2013/14 - 2015/16

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

- Appendix A: Summary of capital expenditure and financing 2012/13 - 2015/16
- Appendix B: Original & Revised 2012/13 capital budget
- Appendix C: A detailed breakdown of the capital budget for 2013/14 - 2015/16
- Appendix D: Scheme descriptions

2. Capital Budget 2012/13 – 2015/16

2.1 2012/13

2.1.1 The total programme for this current year is £27.259m i.e. an original budget of £25m plus slippage from 2011/12 of £2.259m. Slippage from this current year into 2013/14 has been offset by increased spending on schemes in 2012/13 with total spending in this current year projected to remain at £27.259m. Transfers and changes to the 2012/13 budget are detailed in appendix B.

2.1.2 Some of the material changes in 2012/13 are as follows:

- Wind and Weatherproofing (WWP) Heol Gwyrosydd (£145k). Tender returned was below budget provision.
- Wind and Weatherproofing (WWP) Jeffreys Court (£1.285m) - now included in high rise programme and hence deferred until 13/14.
- Wind and Weatherproofing (WWP) New Street Flats (£400k). Two year programme starting in 2012/13. Larger spend will occur in 2013/14 to accommodate procurement and leaseholder liaison.
- Wimpey No Fines Blaenymaes (£95k). Tender returned was below budget provision.
- Hawksley Bungalows, Gendros (£100k). New design solution to non traditional properties which will mean that this scheme will not start until 13/14.
- Energy Efficiency (£555k). Procurement and legal issues with the utility company resulted in delays in contract going out. Full spend anticipated in 2013/14.

2.1.3 To make use of savings in this current year's programme and provision for schemes that will now commence in 2013/14, the following schemes will be completed in 2012/13 to ensure there is maximum spend of the original budget allocation:-

- British Iron and Steel Federation (BISF) Houses Penlan (£258k). Extend contract to bring forward 10 dwellings with the rest being completed in 2013/14.
- British Iron and Steel Federation (BISF) Houses Gendros (£441k). Extend contract to bring forward 11 dwellings.
- Door & Weatherboard Renewal (£272k). Work programme accelerated.
- Wind and Weatherproofing (WWP) Maes Glas flats (£151k). Environmental scheme to complete WHQS external work (including drying areas) at the site.
- Wind and Weatherproofing (WWP) Winch Wen (£398k). Extend contract to bring forward 15 properties, the remainder will be completed in 2013/14.
- Wimpey No Fines (£553k). Budget brought forward from 2013/14.
- Chimney Repairs (£112k). Budget increased to deal with extra specification issues.
- Fire Doors Individual High Rise Blocks (£118k). Scope of works increased.
- Boiler Replacement (£500k). Additional properties added to this year's programme.

2.2 2013/14 – 2015/16

2.2.1 The proposed capital programme has been developed in line with the HRA Business Plan. In addition, the programme contributes towards the Council's strategic aim of improving homes up to the Welsh Housing Quality Standard .

2.2.2 Schemes detailed in Appendix C contribute towards the key components of the Welsh Housing Quality Standard as follows:

In a Good State of Repair

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

Safe and Secure

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

Adequately Heated, Fuel Efficient and Well Insulated

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

Contain Up to Date Kitchens and Bathrooms

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

Located in Attractive and Safe Environments

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

Suit the Specific Requirements of the Household

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

2.3 Target Areas

2.3.1 The programme also reflects the Council's approach on target areas with £12m of the proposed programme earmarked for the following schemes:

- In the Castle Ward, it is proposed that a programme of kitchen and bathroom renewal is introduced in the Matthew Street blocks of flats to complement the overall refurbishment of these blocks. This work will cover 117 properties and cost approximately £1 million within total scheme costs (marked A) of £6.150m.
- In the Townhill Ward, it is proposed that enveloping works are undertaken in the Mayhill area. These works will encompass 320 properties at a total cost of approximately £5.4 million. Marked B.

- In the Penderry Ward, it is proposed that enveloping works are undertaken in the Penlan area. These works will encompass 356 properties at a total cost of approximately £5.6 million. Marked C.

2.3.2 Overall, 28% of the proposed programme expenditure will be used to support schemes in target areas.

3. Financing of HRA Capital Budget 2012/13 - 2015/16

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

3.2 Expenditure is ring fenced to the HRA so there are no financial implications for the General Fund.

4. Risks

4.1 The risks to the 3 year programme are similar to those set out in the HRA Revenue report. In particular, the level of MRA grant, future rent increases (which are determined by WG) and the potential effect of Welfare Reform on levels of income.

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.

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Background papers : None

SUMMARY OF HRA CAPITAL BUDGET AND PROGRAMME 2012/13 - 2015/16					Appendix A
	2012/13	2013/14	2014/15	2015/16	Total
HRA	£'000	£'000	£'000	£'000	£'000
PRC Properties	2,434	2,383	1,000	970	6,787
Window & Door Replacement	3,669	2,200	1,300	700	7,869
Wind and Weatherproofing	6,061	13,117	13,586	10,200	42,964
Refurbishment	1,809	1,488	1,850	1,550	6,697
Regeneration	3,308	1,082	130	950	5,470
Security Measures	1,688	1,220	1,100	800	4,808
Lifts	7				7
Energy Efficiency	3,583	2,870	2,834	2,850	12,137
Landscaping	643	850	1,100	1,430	4,023
Adaptations	3,967	4,680	8,000	10,000	26,647
Miscellaneous Schemes	90	110	100	50	350
TOTAL	27,259	30,000	31,000	29,500	117,759
FINANCED BY:	2012/13	2013/14	2014/15	2015/16	Total
	£'000	£'000	£'000	£'000	£'000
Welsh Government Grant – Major Repair Allowance	9,000	9,000	9,000	9,000	36,000
Contribution from the Housing Revenue Account	14,759	15,800	16,800	17,800	65,159
Use of Housing Revenue Reserve	3,500	3,500	3,500	1,000	11,500
Capital receipts		1,700	1,700	1,700	5,100
TOTAL	27,259	30,000	31,000	29,500	117,759

HRA CAPITAL BUDGET AND PROGRAMME 2012/13			Appendix B
	Target	Original	Revised
Programme Area and Scheme	Areas	2012/13	2012/13
		£'000	£'000
PRC PROPERTIES			
BISF Houses - Penlan Phase 4	T	1,000	1,258
PRC Llangyfelach 11/12		10	13
BISF Houses Gendros		497	938
BISF Houses - Penlan Phase 5	T		1
PRC Gowerton		250	209
PRC Orlit Houses Design/Surveys		15	15
WINDOW/DOOR REPLACEMENT PROGRAMME			
Door Renewal Programme 11/12		123	197
Door & Weatherboard Renewal 12/13		3,200	0
Door Replacement 12/13-Clase (R12)			30
Door Replacement 12/13-F'hall (R56)			182
Door Replacement 12/13-F'hall/M'batton (R92)			22
Door Replacement 12/13-Gorseinon (R109)			125
Door Replacement 12/13-llys Gwalia (R109)			115
Door Replacement 12/13-Maes Yr Efail (R109)			125
Door Replacement 12/13-Landore (R9)			137
Door Replacement 12/13-Penlan (R4)	T		30
Door Replacement 12/13-Pontlliw (R117)			5
Door Replacement 12/13-Portmead (R30)	T		41
Door Replacement 12/13-Winch Wen (R35)			194
Weatherboards 12/13-Waunarlwydd (R7)			282
Weatherboards 12/13-Penlan (R24)	T		292
Weatherboards 12/13-Fforestfach (R34)	T		77
Weatherboards 12/13-Waun Wen (R69)	T		60
Weatherboards 12/13-Gelli Garden (R70)			72
Weatherboards 12/13-Sketty Park (R71)			97
Weatherboards 12/13-Gower (R77)			60
Weatherboards 12/13-Three Crosses (R80)			193
Weatherboards 12/13-Three Crosses (R93)			84
Weatherboards 12/13-Ty Dewi Sant (R98)			340
Weatherboards 12/13-Felindre (R108)			23
Weatherboards 12/13-Garnswllt (R109)			42
Weatherboards 12/13-Llys y Coed (R113)			265
Weatherboards 12/13-Loughor (R113)			100
Door Replacement 12/13-Clase (R44/5)			66
Door Replacement 12/13-Craigcefn Parc (R107)			45
Door Replacement 12/13-Cwmrhydyceirw (R28)			108
Door Replacement 12/13-Fforesthall/Blaenymaes	T		60
Door Replacement 12/13-Gowerton (R110)			108
Door replacement 12/13 – Waun Wen			12

	Target	Original	Revised
Programme Area and Scheme	Areas	2012/13	2012/13
		£'000	£'000
Door Replacement 12/13-Llanllienwen (R88)			50
Door Replacement 12/13-Sketty Park (R21)			30
WIND & WEATHERPROOFING			
Wind & Weatherproofing Maes Glas Overcladding		453	604
Wind & Weatherproofing 10/11-Stembridge Ph 2	T	78	152
Wind & Weatherproofing 10/11-Jeffreys Court		1,515	230
Wind & Weatherproofing 11/12-WX/Gower		130	128
Wind & Weatherproofing 11/12-Heol Gwyrosydd	T	1,200	1,055
Wind & Weatherproofing 11/12-Winch Wen		896	1,294
Wind & Weatherproofing 11/12-Gorseinon		53	59
Wind & Weatherproofing 11/12-Mayhill Ph 8	T	800	766
Wind & Weatherproofing 11/12-Conway Rd Ph 2	T	84	93
Wind & Weatherproofing 12/13-West Cross		606	558
Wind & Weatherproofing 12/13-Colbourne Tce		100	117
Wind & Weatherproofing 12/13 New Street Flats	T	600	200
Wind & Weatherproofing 12/13-Gower		45	45
Wind & Weatherproofing 12/13-Clyne Court		300	230
Re-Roofing 10/11 - Bonymaen		5	5
Re-Roofing 11/12-Bonymaen Ph 2		10	7
Re-Roofing 12/13		536	518
REFURBISHMENT PROG (91576)			
Rewiring 11/12-Gorseinon Ph 1		44	55
Rewiring 11/12-Gorseinon Ph 2		30	49
Rewiring 11/12-Sketty/West Cross		51	42
Rewiring Townhill/Gorseinon		105	90
Rewiring 11/12-M'ston/Penlan/B'maes		106	75
Rewiring 12/13-Contingency		20	
Rewiring Various Locations		1,423	
Rewiring 12/13-Penlan Ph 1	T		293
Rewiring 12/13-Communal Blocks		150	215
Rewiring 12/13-Penlan Ph 2	T		243
Rewiring 12/13-Penlan Ph 1	T		238
Rewiring 12/13-Penlan Ph 1	T		262
Rewiring County Wide			93
Rewiring Townhill/Gorseinon			119
Lighting Imps at sheltered Complexes		15	35
REGENERATION (91577)			
Wimpey No Fines Blaenymaes Ph 1 & 2	T	311	337
Wimpey No Fines 12/13 - Blaenymaes	T	687	592
Wimpey No Fines 11/12 - Trallwn		512	754

	Target	Original	Revised
Programme Area and Scheme	Areas	2012/13	2012/13
		£'000	£'000
Wimpey No Fines 12/13 - Trallwn		750	1061
Wimpey No Fines Clase Ph 2 11/12		133	142
Hawksley Bungalows Gendros		300	200
Chimney Repairs 12/13		100	212
Trusteel Type Houses Penllergaer		10	10
SECURITY MEASURES (91578)			
Voice Entry 10/11		22	17
Fire Doors Communal High Rise Blocks		6	
Fire Doors Individual High Rise Blocks		93	211
Fire Safety to Sheltered Complexes		50	40
Fire Safety General 11/12		282	228
Smoke/Carbon Monoxide Detectors		150	130
Fire Protection Wales Houses Clydach		15	15
Fire Protection Kitchen & Stair Separation		50	50
Fire Doors & Windows High Rise Blocks		500	535
Fire Safety General 12/13		300	405
Fire Safety Sheltered Complexes 12/13		200	57
LIFT PROGRAMME (91579)			
Lift Replacement Programme 10/11		7	7
ENERGY EFFICIENCY (91580)			
Energy Efficiency & Energy Supp Grant		655	100
Contribution to Loft Insulation		503	503
Heating Upgrades 12/13		80	80
Boiler Replacement 12/13		2,400	2,900
LANDSCAPING/ENHANCEMENT (91581)			
Structural Repairs 11/12		75	
Structural Repairs 12/13		500	329
Drainage Repairs/Improvements 12/13		94	94
Structural Repairs-Riverbank @ Garnswllt			220
ADAPTATIONS (91582)			
Adaptations 11/12-External		265	265
Adaptations 12/13-External			1,300
Adaptations 12/13-CBS		3,508	2,252
Internal Layout 12/13		150	150
MISCELLANEOUS SCHEMES (91583)			
Meter Boxes - County Wide 12/13		51	40
Initial Design - County Wide 12/13		50	50
TOTAL HRA		27,259	27,259
Target Area Schemes		4,760	5,925

HRA CAPITAL BUDGET AND PROGRAMME 2013/14 - 2015/16

Appendix C

HRA Programme Areas and Schemes	Target Areas	Schemes Named in Report	2013/14	2014/15	2015/16	Total
			£'000	£'000	£'000	£'000
Wind & Weatherproofing Maes Glas Flats			41			41
Wind & Weatherproofing Stembridge Ph 2 10/11	T		21			21
Wind & Weatherproofing Jeffreys Court 10/11	T		1,285	136		1,421
Wind & Weatherproofing Winch Wen 11/12			22			22
Wind & Weatherproofing Heol Gwrosydd	T		250			250
Wind & Weatherproofing New Street Flats 12/13	T		850			850
Wind & Weatherproofing Bonymaen			700			700
Wind & Weatherproofing Winch Wen			1,200	600		1,800
Wind & Weatherproofing Highrise at Matthew, Dyfatty	T	A	2,000	3,950	200	6,150
Wind & Weatherproofing Highrise at Croft St, Dyfatty	T			100	3,000	3,100
Wind & Weatherproofing Highrise at Clyne Court, Sketty			2,100	4,700	2,400	9,200
Wind & Weatherproofing Mayhill Scheme 1	T	B	700	1,000	1,000	2,700
Wind & Weatherproofing Mayhill Scheme 2	T	B	700	1,000	1,000	2,700
Wind & Weatherproofing Penlan Scheme 1	T	C	700	1,000	1,100	2,800
Wind & Weatherproofing Penlan Scheme 2	T	C	700	1,000	1,100	2,800
Wind & Weatherproofing Gelli Gardens			500			500
Wind & Weatherproofing West Cross			350			350
Wind & Weatherproofing Waun Wen	T				400	400
Wind & Weatherproofing Weig Gardens			450			450
British Iron & Steel Federation (BISF's) Houses Penlan Phase 4	T		32			32
British Iron & Steel Federation (BISF's) Houses Penlan Phase 5	T		1,050			1,050
British Iron & Steel Federation (BISF's) Houses Gendros			1,300	1,000	970	3,270
Repairs to Pre-cast Reinforced Concrete 'Orlit' Houses			280			280
Repairs to Wimpey No Fines (WNF's) Houses Trallwn 11/12			26			26

HRA Programme Areas and Schemes	Target Areas	Schemes Named in Report	2013/14	2014/15	2015/16	Total
			£'000	£'000	£'000	£'000
Repairs to Wimpey No Fines (WNF's) Houses Trallwn 12/13			876			876
Repairs to Wimpey No Fines (WNF's) Houses Caemawr					450	450
Repairs to 'Hawksley' Type Bungalows Gendros			130			130
Repairs to 'Trusteel' Houses Penllergaer				80	400	480
Chimney Repairs			80	50	100	230
Roofing Programme 12/13			14			14
Roofing Pantycelyn Rd Townhill 13/14	T		250			250
Roofing Hawthorne Ave, Gorseinon 13/14			270			270
Roofing Caernarfon Way, Winch Wen 13/14				200		200
Roofing Garage Site, Dyfatty 13/14	T		50			50
Door & Weatherboard Renewal 13/14			2,200	1,200	700	4,100
Structural Repairs			545	450	500	1,495
Drainage Repairs and Improvements 12/13			50	50	50	150
Safe and Secure						
Rewiring 11/12 - Gorseinon Ph 1			5			5
Rewiring 11/12 - Gorseinon Ph 2			6			6
Rewiring 11/12 - Sketty/West Cross			5			5
Rewiring 11/12 - Eastside/Townhill	T		5			5
Rewiring 11/12 - Morryston/Penlan/Blaenymaes	T		4			4
Rewiring 12/13 - Penlan Ph 1	T		7			7
Rewiring 12/13 - Penlan Ph 2	T		7			7
Rewiring 12/13 - Penlan Ph 1	T		6			6
Rewiring 12/13 - Penlan Ph 1	T		8			8
Rewiring County Wide			2			2
Rewiring Townhill/Gorseinon			3			3
Rewiring Various Locations			1,200	1,500	1,500	4,200

HRA Programme Areas and Schemes	Target Areas	Schemes Named in Report	2013/14	2014/15	2015/16	Total
			£'000	£'000	£'000	£'000
Rewiring Contingency			50	50	50	150
Rewiring Communal Blocks			200	300		500
Smoke Alarms Carbon Monoxide Detectors			100	250	150	500
Fire Protection Kitchen and Stair Separation			250	250	100	600
Fire Safety General			250	200	100	550
Fire Safety Sprinkler Systems in Sheltered Complexes	T		220	250	350	820
Fire Safety Separation Between Flats			250	150	100	500
Adequately Heated						
Boiler Replacement			2,100	2,200	2,200	6,500
Energy Efficiency Measures and Grant Support			600	570	600	1,770
Heating Upgrades			100	64	50	214
Up to Date Kitchen and Bathrooms						
Internal Layout - Kitchen and Bathroom Renewal			1,000	4,500	6,500	12,000
Located in Safe and Attractive Environments						
Garden Safety			100	350	350	800
Environment - General 14/15				150	280	430
Resurfacing Communal Areas (Health and Safety)			50	100	250	400
Meter Boxes - County Wide			70	100	50	220
Meet the Specific Requirements of the Household						
Adaptations			3,500	3,500	3,500	10,500
Internal Improvement / Community House Conversion			150			150
Planned Adaptations to Sheltered Complex Houses	T		30			30
TOTAL HRA			30,000	31,000	29,500	90,500
Target Area schemes			8,871	8,436	8,150	25,457

HRA 3 Year Programme Capital Programme 2013 - 2015/16

Scheme Description**Good State of Repair****Wind and Weatherproofing**

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 (BISF's) 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) 'Orlit' Houses

Constructed with concrete 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.

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.

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. Contracts are 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.

Safe and Secure

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 Contingency – Various Locations

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

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.

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: 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 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.

Fire Safety - Sprinkler Systems to Sheltered Complexes

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

Fire Separation between Flats - Various

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

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.

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 emerging energy saving technology / application to homes and which can provide a benefit to council tenants. The work will be ongoing and is expected to run over the period of this 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.

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.

Located in Safe/Attractive Environments

Garden Safety - Various

The scheme will install fencing and protection work within the curtilage of homes where there is a risk of falls from height, hand rails and general repairs to steps. The aim is to improve home safety.

Environment – General

The scheme is to improve areas belonging to the Housing Service which are outside the curtilage of individual's homes. The schemes will be developed following consultation exercises.

Resurfacing Communal Areas for Health and Safety

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

Meter Boxes – Various Locations

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

Internal Improvement / Community House Conversion

The scheme is to update and modernise the internal arrangement of an old property constructed circa 1919 and will include alterations to the internal living space, new heating, electrical wiring, kitchen and bathroom. Also, houses previously converted into a community house will be returned back to housing accommodation. The scheme will undertake building work to separate the buildings, new electrical wiring, heating and internal facilities such as kitchens and bathrooms, internal doors and decoration where required.

Planned Adaptations to Sheltered Complex Houses

The scheme is to adapt former sheltered warden houses for use as housing accommodation that is suitable for persons with low level mobility problems.



Statutory Resolution – Resolutions to be made in accordance with the Regulations in the Setting of the Council Tax 2013/14

Report of the Section 151 Officer

Council 14 February 2013

STATUTORY RESOLUTION – RESOLUTIONS TO BE MADE IN ACCORDANCE WITH THE REGULATIONS IN THE SETTING OF THE COUNCIL TAX 2013/2014

- (1) THAT the Council notes and adopts the statutory resolutions set out below.
- (2) THAT it be noted that at its meeting on 22nd November 2012 the Council calculated the following amounts for the year 2013/2014 in accordance with Regulations made under Section 33(5) of the Local Government Finance Act 1992 (as amended) -
- a) 87,519 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	1,913
Clydach	2,530
Gorseinon	3,033
Gowerton	1,934
Grovesend	399
Ilston	311
Killay	2,073
Llangennith, Llanmadoc & Cheriton	484
Llangyfelach	929
Llanrhidian Higher	1,561
Llanrhidian Lower	309
Llwchwr	3,136
Mawr	737
Mumbles	9,450
Penllergaer	1,241
Pennard	1,440
Penrice	421
Pontarddulais	2,280
Pontlliw	1,034
Port Eynon	396
Reynoldston	284
Rhossilli	192
Three Crosses	711
Upper Killay	564

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 2013/2014 in accordance with Section 32 to 36 of the Local Government Finance Act 1992 -

- (a) £ 670,892,179 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) £250,893,881 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) £419,998,298 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) £329,122,800 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) £1,038.35 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) £856,995 being the aggregate amount of all special items referred to in Section 34(1) of the Act.
- (g) £1,028.56 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	1,045.81
Clydach	1,064.84
Gorseinon	1,055.35
Gowerton	1,046.02
Grovesend & Waungron	1,041.09
Ilston	1,038.01
Killay	1,038.21
Llangennith, Llanmadoc & Cheriton	1,043.54
Llangyfelach	1,047.94
Llanrhidian Higher	1,070.80
Llanrhidian Lower	1,028.56
Llwchwr	1,053.23
Mawr	1,080.12
Mumbles	1,040.91
Penllergaer	1,054.35
Pennard	1,057.03
Penrice	1,052.31
Pontarddulais	1,065.40
Pontlliw	1,060.75
Port Eynon	1,042.45
Reynoldston	1,060.25
Rhossili	1,045.02
Three Crosses	1,070.80
Upper Killay	1,060.47

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

(I) Parts of the Council's Area -

	Band A £	Band B £	Band C £	Band D £	Band E £	Band F £	Band G £	Band H £	Band I £
Bishopston	697.21	813.41	929.61	1,045.81	1,278.21	1,510.62	1,743.02	2,091.62	2,440.22
Clydach	709.90	828.21	946.53	1,064.84	1,301.48	1,538.11	1,774.74	2,129.69	2,484.63
Gorseinon	703.57	820.83	938.09	1,055.35	1,289.87	1,524.39	1,758.92	2,110.70	2,462.48
Gowerton	697.35	813.57	929.80	1,046.02	1,278.47	1,510.92	1,743.37	2,092.05	2,440.72
Grovesend & Waungron	694.06	809.74	925.42	1,041.09	1,272.45	1,503.80	1,735.16	2,082.18	2,429.21
Ilston	692.01	807.34	922.68	1,038.01	1,268.68	1,499.35	1,730.02	2,076.02	2,422.02
Killay	692.14	807.49	922.86	1,038.21	1,268.92	1,499.64	1,730.35	2,076.42	2,422.48
Llangennith, Llanmadoc & Cheriton	695.70	811.64	927.59	1,043.54	1,275.44	1,507.34	1,739.24	2,087.08	2,434.92
Llangyfelach	698.63	815.06	931.50	1,047.94	1,280.81	1,513.69	1,746.56	2,095.87	2,445.18
Llanrhidian Higher	713.87	832.84	951.83	1,070.80	1,308.76	1,546.71	1,784.67	2,141.60	2,498.53
Llanrhidian Lower	685.71	799.99	914.28	1,028.56	1,257.13	1,485.70	1,714.27	2,057.12	2,399.97
Llwchwr	702.16	819.18	936.21	1,053.23	1,287.28	1,521.34	1,755.39	2,106.46	2,457.54
Mawr	720.08	840.09	960.11	1,080.12	1,320.15	1,560.18	1,800.20	2,160.24	2,520.28
Mumbles	693.94	809.59	925.25	1,040.91	1,272.22	1,503.53	1,734.85	2,081.81	2,428.78
Penllergaer	702.90	820.05	937.20	1,054.35	1,288.65	1,522.95	1,757.25	2,108.69	2,460.14
Pennard	704.69	822.14	939.59	1,057.03	1,291.93	1,526.83	1,761.72	2,114.06	2,466.41
Penrice	701.55	818.46	935.39	1,052.31	1,286.16	1,520.01	1,753.86	2,104.63	2,455.39
Pontarddulais	710.27	828.64	947.03	1,065.40	1,302.16	1,538.92	1,775.67	2,130.80	2,485.93
Pontlliw	707.17	825.02	942.89	1,060.75	1,296.47	1,532.19	1,767.91	2,121.49	2,475.07
Port Eynon	694.97	810.79	926.63	1,042.45	1,274.11	1,505.76	1,737.42	2,084.90	2,432.38
Reynoldston	706.84	824.64	942.45	1,060.25	1,295.86	1,531.47	1,767.09	2,120.49	2,473.91
Rhossili	696.68	812.79	928.91	1,045.02	1,277.25	1,509.47	1,741.70	2,090.04	2,438.37
Three Crosses	713.87	832.84	951.83	1,070.80	1,308.76	1,546.71	1,784.67	2,141.60	2,498.53
Upper Killay	706.99	824.81	942.65	1,060.47	1,296.14	1,531.80	1,767.46	2,120.95	2,474.44
All other parts of the Council area	685.71	799.99	914.28	1,028.56	1,257.13	1,485.70	1,714.27	2,057.12	2,399.97

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 2013/2014 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	120.85	141.00	161.14	181.28	221.56	261.85	302.13	362.56	422.99

- (5) THAT having calculated the aggregate in each case of the amounts at (3)(l) and (4) above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2013/2014 for each of the categories of dwelling shown below -

	Band A £	Band B £	Band C £	Band D £	Band E £	Band F £	Band G £	Band H £	Band I £
<i>Bishopston</i>	818.06	954.41	1,090.75	1,227.09	1,499.77	1,772.47	2,045.15	2,454.18	2,863.21
<i>Clydach</i>	830.75	969.21	1,107.67	1,246.12	1,523.04	1,799.96	2,076.87	2,492.25	2,907.62
<i>Gorseinon</i>	824.42	961.83	1,099.23	1,236.63	1,511.43	1,786.24	2,061.05	2,473.26	2,885.47
<i>Gowerton</i>	818.20	954.57	1,090.94	1,227.30	1,500.03	1,772.77	2,045.50	2,454.61	2,863.71
<i>Grovesend</i>	814.91	950.74	1,086.56	1,222.37	1,494.01	1,765.65	2,037.29	2,444.74	2,852.20
<i>Ilston</i>	812.86	948.34	1,083.82	1,219.29	1,490.24	1,761.20	2,032.15	2,438.58	2,845.01
<i>Killay</i>	812.99	948.49	1,084.00	1,219.49	1,490.48	1,761.49	2,032.48	2,438.98	2,845.47
<i>Llangennith, Llanmadoc & Cheriton</i>	816.55	952.64	1,088.73	1,224.82	1,497.00	1,769.19	2,041.37	2,449.64	2,857.91
<i>Llangyfelach</i>	819.48	956.06	1,092.64	1,229.22	1,502.37	1,775.54	2,048.69	2,458.43	2,868.17
<i>Llanrhidian Higher</i>	834.72	973.84	1,112.97	1,252.08	1,530.32	1,808.56	2,086.80	2,504.16	2,921.52
<i>Llanrhidian Lower</i>	806.56	940.99	1,075.42	1,209.84	1,478.69	1,747.55	2,016.40	2,419.68	2,822.96
<i>Llwchwr</i>	823.01	960.18	1,097.35	1,234.51	1,508.84	1,783.19	2,057.52	2,469.02	2,880.53
<i>Mawr</i>	840.93	981.09	1,121.25	1,261.40	1,541.71	1,822.03	2,102.33	2,522.80	2,943.27
<i>Mumbles</i>	814.79	950.59	1,086.39	1,222.19	1,493.78	1,765.38	2,036.98	2,444.37	2,851.77
<i>Penllergaer</i>	823.75	961.05	1,098.34	1,235.63	1,510.21	1,784.80	2,059.38	2,471.25	2,883.13
<i>Pennard</i>	825.54	963.14	1,100.73	1,238.31	1,513.49	1,788.68	2,063.85	2,476.62	2,889.40
<i>Penrice</i>	822.40	959.46	1,096.53	1,233.59	1,507.72	1,781.86	2,055.99	2,467.19	2,878.38
<i>Pontarddulais</i>	831.12	969.64	1,108.17	1,246.68	1,523.72	1,800.77	2,077.80	2,493.36	2,908.92
<i>Pontlliw</i>	828.02	966.02	1,104.03	1,242.03	1,518.03	1,794.04	2,070.04	2,484.05	2,898.06
<i>Port Eynon</i>	815.82	951.79	1,087.77	1,223.73	1,495.67	1,767.61	2,039.55	2,447.46	2,855.37
<i>Reynoldston</i>	827.69	965.64	1,103.59	1,241.53	1,517.42	1,793.32	2,069.22	2,483.05	2,896.90
<i>Rhossili</i>	817.53	953.79	1,090.05	1,226.30	1,498.81	1,771.32	2,043.83	2,452.60	2,861.36
<i>Three Crosses</i>	834.72	973.84	1,112.97	1,252.08	1,530.32	1,808.56	2,086.80	2,504.16	2,921.52
<i>Upper Killay</i>	827.84	965.81	1,103.79	1,241.75	1,517.70	1,793.65	2,069.59	2,483.51	2,897.43
All other parts of the Council area	806.56	940.99	1,075.42	1,209.84	1,478.69	1,747.55	2,016.40	2,419.68	2,822.96