

2015/16



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
2015/16**

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Introduction

This publication contains the detailed Budget Reports for the City and County of Swansea for the 2015/16 financial year as presented to Council on 24th February 2015.



Revenue Budget 2015/16

Report of the Section 151 Officer

Council – 24th February 2015

REVENUE BUDGET 2015/16

Purpose:	This report proposes a Revenue Budget and Council Tax levy for 2015/16.
Policy framework:	Sustainable Swansea – Fit for the Future
Reason for decision:	To agree a Revenue Budget and Council Tax levy for 2015/16.
Consultation:	Cabinet Members & Executive Board
Recommendations:	Council is asked to approve a) A Revenue Budget for 2015/16 as detailed in Appendix 'A' and b) A Budget Requirement and Council Tax levy for 2015/16 as detailed in Section 9 of this report.
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1 Introduction and background

1.1 This report details:

- Financial monitoring 2014/15
- The Local Government Finance Settlement 2015/16
- Budget Forecast 2015/16
- Specific Savings Proposals
- Outcome of Budget Consultation
- Staffing Implications
- Reserves and Contingency Fund requirements
- The Budget Requirement and Council Tax 2015/16

- Summary of funding proposals
 - Risks and uncertainties
- 1.2 The financial assessment in relation to 2016/17 – 2018/19 is contained in the ***Medium Term Financial Plan 2016/17 – 2018/19*** report elsewhere on the agenda.
- 1.3 This report builds upon and needs to be read in conjunction with -
- The budget strategy agreed by Council on 22nd October 2013 – ***'Sustainable Swansea, Fit for the Future'*** focusing on the principles and strategies to be adopted as part of the current and future budget process
 - The report to Cabinet on 29th July 2014 – ***'Sustainable Swansea – Fit for the Future : Delivery Programme'*** which agreed the specific objectives of the programme and set out an outline programme for delivery
 - The report approved by Cabinet on 16th December 2014 setting out specific budget proposals for public consultation
 - Decisions taken by Cabinet on 10th February 2015 to recommend to Council some changes to the specific budget proposals and as set out in this report.
- 1.4 The report sets out the outcome of the budget consultation. Cabinet has considered the comments received from residents, community groups, partners, employees, School Budget Forum, Joint phase Head Teachers, Trade Unions and others, in recommending the budget to Council. The report also includes an Equality Impact Assessment statement so the Council can be aware of any key issues.

2. Financial Monitoring 2014/15

- 2.1 Cabinet considered a report on the estimated Revenue Outturn for 2014/15 on 10th February 2015.
- 2.2 That report highlighted a forecast net underspend in Directorate budgets of £0.3m which has to be taken in conjunction with unallocated savings of some £2m in respect of specific *Sustainable Swansea* workstreams. However, the net position contains overspends specific to Education totalling £2.1m elements of which, where appropriate, have been incorporated into the budget proposals for 2015/16 contained within this report.
- 2.3 The monitoring report also detailed variations on budgets which are corporate in nature and not linked to direct service provision.
- 2.4 As stated in the monitoring report, taking into account corporate items relating to inflation provisions and contingency fund, it is projected that the Council will

achieve a balanced revenue outturn in line with the Revenue Budget as set by Council on 18th February 2014.

3. The Local Government Finance Settlement 2015/16

- 3.1 The Minister for Local Government & Government Business announced the Final Settlement on 10th December 2014.
- 3.2 The settlement differed substantially from the indicative support levels detailed in the final settlement figure and medium term financial plan (MTFP) for 2014/15, and hence the assumptions made for financial planning purposes in 2015/16, as follows:-

	<u>£'000</u>
2014/15 Medium Term Financial Plan assumption for Welsh Government Support 2015/16	-3,839
Final Settlement	-10,590

- 3.3 The result is a loss of funding of -£6.751m compared to the Council's Medium Term Financial Planning assumptions as agreed in February 2014.
- 3.4 The final settlement remained largely unchanged from the provisional settlement announced on 8th October 2014 as detailed in the Mid Term Budget Statement reported to Council on 4th November 2014.

4. Budget Forecast 2015/16

Overview

- 4.1 The budget proposals for 2015/16 have been dominated by the requirement to meet the significant reductions in funding highlighted above which, combined with known budget pressures, has resulted in a funding gap of £26.774m as detailed in Table 1 in paragraph 4.3 below.
- 4.2 The options for funding this deficit are a combination of:-
- Savings on current service net expenditure
 - Increases in Council Tax levels
 - Use of the current Corporate Inflation provision
 - Potential reductions in contributions to the Contingency Fund
 - Use of Reserves and Balances

Forecast funding shortfall 2015/16

- 4.3 The revised shortfall in funding identified in 4.1 above can be summarised in Table 1(a) below:-

Table 1(a) – Projected funding shortfall 2015/16

	2015/16
	£'000
Current year overspend - education	1,000
Current year overspend - adult/mental Health	1,000
Current recurring saving - Corp. Services	-300
Pay awards - non schools staff	2,000
Pay and grading increments – gainers	3,000
Intermediate Care Fund additional funding	1,600
Mid & West Wales Fire Authority	249
Re-instatement of General Reserves 2014/15	2,200
Re-instatement 2014/15 Insurance Reserves	716
Shortfall on 2014/15 workstream savings	1,200
Full Year Effect 2014/15 care Home fee uplift	500
Capital charges	914
2014/15 workstream savings subject to allocation	1,127
Council Tax Support Scheme costs	600
RSG transfers in	378
Total for additional pressures	16,184
Aggregate External Finance reduction	10,590
Cumulative target	26,774

- 4.4 The reasons for the increase the overall savings target since Cabinet in December, are detailed in Table 1(b) below:

Table 1(b) – Projected funding shortfall 2015/16

Target per Cabinet Report 16/12	25,700
Increased Mid and West Wales Fire Authority Levy	249
Adjustment re additional funding for Schools	-1,300
Insurance reserve	716
Lower increase in capital charges following updated assessment	-486
Full year effect of 2014/15 care home fees uplift	500
Reduction in AEF following final settlement	-110
Workstream savings being allocated	1,127
RSG transfers in	378
Cumulative target	26,774

- 4.5 The above analysis specifically takes account of the outcome of the current Revenue Budget outturn forecast for 2014/15 and makes some provision for baseline budget adjustments for all services where it is clear that there is an inevitable ongoing revenue effect in 2015/16.

Inflation

- 4.6 The 2014/15 budget provided for a £1.049m corporate provision for inflation. As reported within the 3rd quarter budget monitoring report considered at Cabinet on 10th February 2015, this provision remains unallocated in 2014/15. Any under-utilisation of the 2014/15 provision should be used to mitigate the forecast net overspends detailed in paragraph 2.2 above.

Given current UK inflationary levels and forecasts there is no case to be made for continuing a corporate provision for inflation in 2015/16 and, as such, no provision has been included within the draft budget proposals for 2015/16. Neither is any provision for inflation built into projected Directorate Revenue Budgets for the year. Therefore any costs that arise will have to be funded from within Directorate Budgets.

It is the case, however, that the Council is undertaking a significant change transformation programme, including the transition from a contracted out ICT service to a mixed model of delivery from December 2016. Proposals elsewhere within this report suggest a significant addition to the current transformation fund in the sum of £1.7m to provide for on-going service and ICT transformational costs.

During 2014/15 a national pay award was given in respect of non-teaching staff at an average level of approximately 1% p.a., covering the period 1st April 2014 to 21st March 2016.

Appropriate budget provision has been made within the 2015/16 proposals to cover these costs.

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

Schools Protection

- 4.7 The scale of the overall savings requirement for 2015/16 and beyond means that it will be impossible going forward to exempt Schools' budgets from cuts. The 10th February 2015 Cabinet report and the Medium Term Financial Plan elsewhere on this agenda set out the Council's planning assumptions going forward and the degree to which both Education and Social Services budgets are likely to receive a degree of prioritisation in terms of forecast budget reductions.
- 4.8 Reductions can be viewed in two ways:

- Actual cash reductions in levels of funding provided to Schools
- Real terms reduction in Schools funding, taking into account known spending needs

4.9 The proposed cash reductions and overall impact are shown in Table 2 below

Table 2 –Reductions on Schools delegated budgets

Item	2015/16 £'000
Core base delegated budget	127,636
Ministerial funding guarantee	1,300
Less: excess provided in terms of 5 year funding commitment	-2,400
Top slicing to meet costs of prudential borrowing	-800
Retrospective clawback of additional cost of pupil support in 2014/15	-110
Assumed efficiency savings from increased delegation of funding and responsibilities.	-400
Broadband and licence costs recovered	-466
Cash efficiency target @ 1%	-1,276
Net overall cash reduction	-4,152
Net core delegated base budget 2015/16	123,484

The above cash reduction assumes that Schools will meet the additional costs of teachers pay awards and pension costs for 2015/16 (£2.2m).

The real terms reduction in core delegated budget would therefore be 4.97%.

Social Care protection

4.10 The Welsh Government overall Revenue Settlement for 2015/16 included a notional all-Wales allocation of £10m to fund pressures in Social care, which can be used, where appropriate, for ongoing funding for Intermediate Care Fund (ICF) expenditure following the end of grant funding in 2014/15. Given the inherent uncertainties and scale of transformational challenge facing the authority it is considered appropriate to set aside earmarked reserves of £1.6m to fund the transformational change needed in social care and to make good the inherent shortfall in ICF funding. This is above a proportionate figure

compared to a straight line allocation of the additional £10m across all Welsh Authorities based on expenditure on Adult Social Services.

Capital Financing Charges

- 4.11 There is an increase of £914,000 compared to the 2014/15 approved budget reflecting increased forecast borrowing requirements and net interest charges, including elements relating to the Schools' improvement programme.

As at 1st April 2014, and to date, a significant element of the Capital Financing requirement has been met by the allocation of internal funds (Internal borrowing), this is highly dependent on cash-flows of the Council and it is anticipated that, during 2015/16, there will be a need to externally borrow to replace elements of current internal borrowing. This offers the opportunity to take account of historically low external interest rates which are currently available, although any move towards external borrowing will inevitably increase overall interest charges.

Fire Authority Levy

- 4.12 The increased Fire Authority Levy of £249,000 (2.1%) is confirmed, including changes due to population changes across levied Authorities.

Pay & Grading Settlement and the Living Wage

- 4.13 A single pay and grading structure was introduced across the Authority with effect from 1st April 2014.

The introduction of a single pay and grading scheme is a positive achievement and in future years will add certainty to pay estimates. However, until the Authority has fully implemented the scheme, dealt with all outstanding equal pay claims and exhausted all appeals which may arise from implementation, single status/equal pay remains an ongoing (but substantially reduced) risk in addition to the significant challenges facing the delivery of savings targets during 2015/16. The Council has taken action, working with the Trade Unions, to mitigate this risk and it is anticipated that the vast majority of outstanding equal pay claims will be subject to settlement by 31st March 2015. Whilst the Council had set aside significant sums to meet all known current liabilities, the recent increased offer in respect of equal pay claims, whilst mitigating the risk, has led directly to an increase in unsupported borrowing of £6.7m during 2014/15, together with the use of £2.1m of 2014/15 Capital Receipts which in themselves would have offset the equivalent level of borrowing.

The previous sum of £4.277m set aside annually in respect of pay and grading costs has been apportioned across service budgets to reflect the additional costs of pay and grading as indicated in the Revenue Budget Report dated 18th February 2014 as approved by Council and hence that sum is now included in base Directorate budgets going forward.

In line with previous reports, the budget proposals for 2015/16 allow for increased employee costs of some £3m for 2015/16 in relation to incremental progression for those staff who were assimilated to the bottom of their pay scale on implementation of the pay and grading scheme.

Council Tax Reduction Scheme

- 4.14 The Authority received a baseline adjustment to its Revenue Support Grant allocation of £18.883m for 2014/15 which has been notionally included as part of future grant settlements. The effect of this base grant allocation is that any future increases in Council tax levels will have to be discounted by any potential increases in Council Tax Support costs. Where appropriate the yield will also have to take account of any increase in Council Tax Support Costs arising from increases in the Council Tax applied by the South Wales Police Commissioner.

The effects of funding additional Council tax support have been taken into account when calculating the funding in respect of the overall budget shortfall highlighted in table 1 in section 4.3 of this report.

5. Specific Savings Proposals: Update

- 5.1 In determining its budget proposals, the Authority has embarked on a specific long term strategy – ‘*Sustainable Swansea – Fit for the Future*’ - as a means of setting Council priorities, transforming services and addressing current and future deficits.
- 5.2 Details of that strategy, including the budget principles that the Authority has adopted together with a description of the key elements that underpin the service savings proposals, was presented and approved at a meeting of Council on 22nd October 2013. This strategy was further developed in a report to Cabinet 29th July 2014 “***Sustainable Swansea – Fit for the Future : Delivery Programme***’.
- 5.3 The strategy as adopted underpinned the decision taken at the Council’s Cabinet on 16th December 2014 to recommend specific additional savings proposals totaling £7.497m in 2015/16 for consultation. These savings are in addition to the Service Savings of £6.670m which were planned as part of the MTFP agreed by Council in February 2014.
- 5.4 The overall savings proposals, including Service savings recommended in respect of 2015/16, as per the Cabinet report dated 16th December 2014, totaled some £21.319m as detailed below. These savings include the previously agreed service reductions, changes to the level of schools delegated budgets as detailed in Section 4.9 above and additional *Sustainable Swansea* workstream savings proposals totaling some £3m which will require further action during 2015/16.

Table 3 – Summary of Savings proposals

Savings	Savings £'000
Planned Service Savings	6,670
Sustainable Swansea Additional Proposals	7,497
Sustainable Swansea Delivery Programme	3,000
Schools delegated budget	4,152
Total	21,319

- 5.5 With respect to *Sustainable Swansea* workstream savings, the Council set an ambitious target of £2.6m in terms of additional workstream reductions in 2014/15. Whilst options have been proposed and considered by the Executive Board which would make progress against that target, it is prudent for the purposes of setting the current Revenue Budget that a sum of £3m be included at this stage for savings across a number of workstreams in respect of 2015/16. Work will continue during the remainder of 2014/15 to develop proposals to achieve the original target which, if successful, will assist with future year deficit reduction targets. The Executive Board also intends to identify areas across the workstreams where additional savings may be realised in year; and this will be reported to Cabinet as appropriate. In addition, Cabinet will be asked to consider options for invest to save schemes to support the New Models of Delivery and Prevention workstreams, in particular: community capacity building and innovative work to reduce the cost of current services.
- 5.6 It should be noted that the savings proposals in respect of Social Services include £900,000 in respect of Child and Family Services reflecting actual performance in 2014/15 with an assumption that there will be further reductions in spend based on the roll out of existing policies.
- 5.7 Details around the currently assumed proposals for Council tax levels are shown in section 9 of this report.
- 5.8 Details around use of the Council's Reserves, contingency and inflation provisions are shown in section 8 of this report.

6 Outcome of Budget Consultation Process

- 6.1 Consultation on the budget proposals ran from 17 December 2014 to 21 January 2015. A detailed report on the response received is set out in Appendix E. This includes feedback from consultation with children and

young people. It is pleasing to note that the response to consultation is similar to last year and provides in some areas an increased response.

- 6.2 The School Budget Forum Response to Budget Consultation is set out in Appendix G. The Council is required to take account of the Forum's comments in finalising its budget proposals.
- 6.3 The EIA process has been running since October. The EIA report is attached as Appendix F. At present no EIA issues have been identified; Cabinet will be kept updated on any potential issues that may arise as part of the budget implementation process.
- 6.4 Cabinet and Council will need to consider the response to consultation and the EIA report and demonstrate how we are taking account of the feedback. This is particularly the case, of course, if we are minded to proceed with any proposals where there is a significant majority of those responding opposed to this, being in mind that consultation feedback is just one of the factors that we need to consider when making difficult budget choices.
- 6.5 The main issues raised in consultation responses are as follows:

Disagree

- 77% disagree - Introducing three-weekly refuse collection
- 74% disagree - Cease programme of providing disabled parking spaces
- 71% disagree - Close Penlan Household Waste Recycling Centre
- 69% disagree - Close Tir John Household Waste Recycling Centre
- 69% disagree - Closure of five urban public toilets
- 65% disagree - Youth services reconfiguration (closure of satellite youth centres)
- 64% disagree - Work to transfer running and maintenance of toilets to suitable local groups

Agree

- 93% - Create specialist fostering placements internally within foster Swansea
- 93% - Reduce the number of children in residential/out of county placements
- 93% - reduce spending on advertising, publicity, printing, marketing and PR by 20%
- 92% - Increase in-house fostering placements, removing the need for external provision
- 92% - Stop producing the Swansea Leader and increase digital communications
- 88% - Relocate the Lord Mayor from the Mansion House to the Guildhall

- 6.6 Cabinet has considered the outcome of the consultation and Equality Impact Assessment Statement and has decided to adopt the changes to the draft budget proposals which are reflected in Appendix D.

Table 4 – Cabinet Decisions on the Outcome of Budget Consultation

Savings	Savings £'000
Savings planned at 16 December Cabinet per Table 3 above	21,319
Cabinet decisions on 10 February 2015	-466
Revised Savings Total	20,853

The changes made in respect of the savings submitted for consultation are as follows:

PROPOSAL	£000	RATIONALE
Music Service Removal of remaining Council contribution	75	Following further consideration of the proposals and the views we have received, it is proposed to reduce the saving in 2015/16 from £150k to £75k
West Glamorgan County Youth Theatre	23	Following the views received during consultation we have decided to allow a further year for alternative funding to be found for the Youth theatre As part of a transitional arrangement we will reduce the Council's contribution by only 20% in 2015/16, saving £5k
LGBT Youth Club	20	In the light of the response to consultation we propose to retain funding for the LGBT youth club, but we still intend to discontinue the £10k payment to Stonewall
Satellite Youth Clubs	50	In the light of the response to consultation we have decided not to implement the proposals to remove funding from satellite youth clubs in Clydach, Gendros, Pontarddulais, St Thomas, Rhossili and Morryston
Welsh Joint Education Committee	57	Following further consideration we have decided to reduce the Council's £79k contribution to WJEC by £22k next year, rather than to cut it altogether. We will reduce our contribution by a further £6k for each of the next two years to give a total of £34k by year 3.

Cease operations at Pontarddulais (evening sports facilities)	20	We have decided to defer implementation of this proposal until 2016/16 to allow further time for transfer to the community
Charging for Residents Parking (2014/15 RAG)	95	On balance we have decided to defer this proposal for the time being There will be a full review of the Council's car parking policy, charging and enforcement, which will report in the Spring, when options will be reconsidered
Cease producing the Swansea Leader	60	There was support for this proposal during consultation and we do propose to make this change in the future But we will defer implementation until 2016/17 to enable further work to take place on the alternative communication channels
Car park income	66	Reduction in projected income, pending full review of the Council's car parking policy, charging and enforcement, which will report in the spring, when options will be reconsidered
Total	466	

2016/17 BUDGET PROPOSALS

Waste	Waste is one of the Council's Commissioning Reviews for 2015, due to be completed in November 2015
Public Toilets	Taking account of the views from public consultation and from community councils and others local groups, we propose to undertake a full review of the proposals relating to public toilets and the scope for community transfer and other options The review will be concluded in June 2015

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

- A full account of the consultation responses will be placed on the Council's website
- The detailed consultation responses have been sent to the relevant Head of Service to:
 - Reply to any particular responders as appropriate, for example, community groups, Assembly Members

- Where appropriate, build the comments into the implementation of the proposals, subject to these being agreed by Council

6.8 As previously agreed, engagement on the delivery of the objectives in *Sustainable Swansea, fit for the future* will continue during 2015.

6.9 The Scrutiny Programme Committee and the Service Improvement and Finance Panel have discussed the Budget proposals with the Leader of the Council. A further meeting of the Service Improvement and Finance Panel to discuss the budget took place on 5 February 2015.

7.0 Staffing Implications

7.1 The 16 December 2014 Cabinet report set out the provisional impact on staff of the budget proposals, the action being taken to avoid compulsory redundancies and the Section 188 process.

7.2 The figures contained in the Cabinet report were as follows:

Table 5 – Impact of Savings Proposals on FTEs 2015/16*

Corporate Services	35.90
Place	122.18
People	60.10
FTE Total	218.18

Table 6 - Category of Staff Savings 2015/16*

Vacant Posts (FTE)	ER/VR	Posts at Risk	Reduction in hours	Other
44.5	53	64	49	39**

Notes:

* *No assessment is included for future years at this stage*

** *Includes a potential transfer of 33 staff under TUPE
Figures exclude school based staff*

7.3 Seven meetings have taken place with the Trade Unions since 12 December 2014 with a final one scheduled for 31st January. The Section 188 consultation with the TUs runs until 31st January 2015.

7.4 To date the Trade Unions have received the following documentation;

- Full budget savings proposals, including details of the posts at risk

- Full details of current Agency Workers
- List of vacant posts
- List of current ER/VR applications
- Notes of all meetings
- Action Logs of all meetings

7.5 The Trade Unions have stated that they do not intend to submit a formal response to the Section 188 consultation. They are content that their views have been captured in the meetings held and are being taken forward by Officers. It is, however, worth noting a number of key points raised by the Trade Unions in the meetings as follows:

- Satisfaction with the overall level of information provided by the Council, some specific issues, for example, in social care are being followed up in more detail
- The number of Agency Workers, particularly in waste, should be addressed by a) giving longer term workers a contract of employment and b) replacing workers covering posts with staff at risk
- The Council should improve the ER/VR offer to encourage more volunteers

7.6 Based on current information, **the number of posts at risk has been reduced from 64 to 53** since the 16 December Cabinet report. However, clearly the figures will continue to change as a result of the Council's decision on the budget proposals and other service changes that occur.

7.7 The HR Service, especially the dedicated temporary HR Officer for redeployment, will continue to work with Service Areas, Trade Unions and redeployees to secure them alternative positions and to minimise the number of compulsory redundancies in line with the Council's policies. Support will also be given to seek to redeploy staff between Schools if required.

8 Reserves and Contingency Fund Requirement

Background

8.1 It is a requirement of the Local Government Finance Act 1992 that authorities have regard to the level of reserves when calculating their Budget Requirement. Whilst there is no prescribed statutory minimum level of reserves, account should be taken of the strategic, operational and financial risks facing the Council.

8.2 In assessing the adequacy of reserves account needs to be taken of the following general factors:

- treatment of inflation and interest rates
- level and timing of capital receipts
- treatment of demand led pressures
- Expected performance against challenging budget requirements

- treatment of planned efficiency savings / productivity gains
- financial risks inherent in major capital developments
- 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 future budget overspends, progress in achieving challenging savings targets the completion of the appeals process in respect of the Pay and Grading Scheme, including calculation of back pay for gainers, and the cost of any future redundancy scheme.

Setting the level of reserves is just one of several related decisions in the formulation of the Medium Term Financial Strategy i.e. it is more than a short term decision.

General Reserves

- 8.3 The General Reserve amounted to £13.155m at 1st April 2014.
- 8.4 The Revenue Budget for 2014/15 approved by Council on 18th February 2014 assumed a transfer of £2.2m from General Reserves to support the budget. At the current time it is assumed that transfer will be required and therefore the forecast level of General reserves as at 31st March 2015 is £10.955m.
- 8.5 It is proposed that a sum of £1.2m be transferred from General reserves in support of the 2015/16 budget, which is in line with Medium Term Financial Plan approved by Council on 18th February 2014. Provision to discount this transfer in 2016/17 has been made within the Medium Term Financial Plan 2016/17 to 2018/19 shown as a separate item on this agenda. Subject to any General Fund transfers arising out of the closure of Accounts process for 2014/15, the MTFP does not include any assumptions regarding transfers from General Reserves in future years.

The level of General Fund balances estimated at 31st March 2016, assuming achievement of the 2015/16 Revenue Budget, would be £9.755m.

Contingency Fund

- 8.6 The 3rd quarter financial monitoring report detailed several forecast uses of the Contingency Fund in 2014/15. At this time, it is anticipated that the £5.4m budgeted contribution in 2014/15 will be fully expended and/or used to fund the Councils outturn position. Given the overall position as forecast in the 3rd quarter budget monitoring report for 2014/15 considered elsewhere on this agenda, the forecast Fund balance as at 31st March 2015 is nil.
- 8.7 In assessing the value of the Contingency Fund requirement in 2015/16, the following potential requirements are relevant:
- (a) The risks and issues detailed in 11 below.

- (b) The need to provide a potential source of finance for the ongoing ER/VR scheme, together with the need to fund any redundancy costs arising from service re-organisation.
- (c) The poor outlook for Public Finances as set out in the Cabinet report on 16th December and summarised in the MTFP report elsewhere on the agenda.
- (d) Use of the contingency fund is currently the only source of funding available to meet the costs of any ER/VR or redundancy costs arising in year.

8.8 Bearing the above in mind, together with the proposals in respect of funding current year service pressures within the 2015/16 base budget, which continues to maintain reduced levels of risk, it is recommended that the contribution to the Contingency Fund in respect of 2015/16 is maintained at £5.4m.

Earmarked Reserves

8.9 The Council retains earmarked reserves for specific purposes. The reasons for holding these reserves are documented and are subject to ongoing review and scrutiny. The forecast transfers to and from reserves are summarised in appendix C.

Review of Insurance Fund

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

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

8.11 Members will recall that the Budget for 2013/14 approved on 14th February 2013 allowed for:-

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

The current budget proposals allow for the continuation of the £700,000 reduction in insurance premiums, together with a further one-off contribution of £1m towards highways maintenance in 2015/16. There is an implicit link between effective highways maintenance and management of insurance claims and the Prevention workstream within *Sustainable Swansea*.

Transformation Fund

- 8.12 The Revenue Outturn report for 2012/13 agreed by Cabinet on 17th September 2013 recommended that the sum of £2.030m was set aside in order to assist in the transformation of Council services in the light of the current and forecast budget position of the Council. It is intended to earmark the sum of £300,000 of this to the Community Action Transformation Fund to assist in the development of community based service delivery options as part of the Sustainable Swansea programme.

It is clear that in order to achieve the degree of service transformation required during 2015/16 and as outlined in the Medium Term Financial Plan, together with known transformational activity surrounding the new model of delivery for Corporate ICT services, considerable resource may be required to meet the ongoing challenge of service review and transformation.

To that extent it is proposed that the sum of £1.7m be added to the Transformation fund as part of these budget proposals.

Adequacy of Reserves

- 8.13 Whilst the proposed use of Earmarked Reserves in 2015/16 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 2015/16 and future years, I am satisfied that the proposed management of reserves in 2015/16 will result in a forecast level of General Reserves, Earmarked Reserves and Provisions which is adequate, subject to the potential financial implications of the risks described in Section 11 below and the final budget proposals recommended by Cabinet to Council.
- 8.14 Given the considerable risks and uncertainties facing the Council in 2015/16 and future years, it remains my advice as the officer designated with responsibility for the overall finances of the Council that the above represents prudent financial management.

9. Budget Requirement and Council Tax 2015/16

- 9.1 The Council's recommended requirement is set out in Appendix A. The City and County of Swansea Requirement of £408.441m will be financed partly by Revenue Support Grant of £237.542m and National Non-Domestic Rates of £70.092m.

Based on the decisions made at Cabinet on 10th February 2015, a Council tax rise of 4.8% would generate an additional sum of £5.372m, a band 'D' charge of £1,131.82

- 9.2 Including Community Councils, the total requirement, after taking account of proposals in respect of reserve transfers and currently assumed savings, is £409.351m.

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 2015/16.

10. Summary of Funding 2015/16

- 10.1 The proposals in sections 4, 5, 6, 7 and 8 above, together with the assumed 4.8% rise in Council Tax identified in Section 9 above, results in a forecast additional funding of £26.774m in 2015/16 as detailed in Table 7 below:

<u>Table 7 – Budget Proposals 2015/16</u>	£'000
Savings identified per Section 6.6 above	-20,853
Net effect of Council tax base increase and proposed charges	-5,372
Use of General Reserves	-1,200
Reduction in Inflation Provision	-1,049
Transfer to Transformation Fund	1,700
Overall resourcing	-26,774

Summary

- 10.2 I am satisfied that the budget proposals detailed in this report represent a realistic and achievable financial plan for 2015/16 subject to the potential financial implications of the risks described in paragraph 11 below.

11. Assessment of risks and uncertainties

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

(a) Implications of specific 2014/15 overspends

The 3rd quarter financial monitoring report on this agenda highlighted a number of service overspends. The budget proposals within this report largely cater for the ongoing effects of 2014/15 service overspends.

(b) New Unavoidable Spending Requirements

All services will need to meet a range of additional / new pressures in 2015/16. These include the implications of new legislation; demographic changes; completion of the single status appeals process; and other requirements. Whilst reasonable provision has been made for these costs,

there is a risk that some items will result in overspends. In particular it is assumed that whilst the cost of pay protection arising out of single status implementation can be funded centrally, any additional costs that may potentially arise as a result of the appeals process will be met from within specific existing Directorate budgets.

(c) Savings

The 2015/16 budget includes significant and extensive savings targets which must be achieved. It is a requirement of the Council's financial procedure rules that Responsible Officers are required to manage expenditure within approved budgets of the Council and to that extent it is essential, should specific proposed budget savings be delayed or postponed, alternative savings are achieved in year to meet approved Directorate Budgets.

Given the nature and scale of the savings challenge during 2015/16, there will be enhanced monitoring and tracking of progress in achieving budget savings which will be reported to Executive Board, Budget Steering Group and Cabinet.

It is essential in terms of the financial challenges facing the Council beyond 2015/16 that further savings proposals are developed as part of the *Sustainable Swansea* programme and implemented in 2015/16 over and above those proposed within this budget. As noted above, further proposals will be brought to Cabinet during the year, for example, as reviews within the New Model of Delivery Workstream are completed.

(d) Inflation

As was the case in previous years, no provision has been made for price increases within Directorate Budgets or by way of a Corporate provision for inflation.

(e) Outcome Agreement Grant

Whilst the full grant was received in 2014/15, there is an ongoing risk that the Council will not receive the full grant in future years. The process surrounding the criteria and evidence requirements for this grant are changing for 2015/16 and this could add further to the risk in terms of transition to the new arrangements.

(f) Care Home Fees

Budget provision has been made for the 2014 settlement. However, it is likely that fees will need to be further increased over and above the budget provision given that the Council has to undertake an annual review of payments to care home providers which must be robust and evidenced.

(g) Specific Grants

A number of specific grants are yet to be announced. In the event that the level of specific grants awarded for 2015/16 is less than that for 2014/15, it is essential that Directorates take action to manage such reductions within the proposed spending limits – i.e. there is no corporate provision for meeting such shortfalls. There is a clear expectation that expenditure will be cut to match the level of grant. Recent experience suggests that there may be substantial in-year reductions to grant funding streams that will require urgent and concerted action in terms of mitigation.

(h) Equal Pay Back Payments

It is envisaged that the bulk of equal pay claims both in number and value will have been settled by 31st March 2015. However, legislation is such that further claims cannot be precluded although the introduction of the compliant pay and grading structure from 1st April 2014 will significantly lessen risk in this area over time.

(i) Implementation of Single Status

Whilst the Council implemented a compliant pay and grading structure from 1st April 2014, there remains a potential for appeals to be made in line with the agreed process. Where appeals are successful this will add further costs to the paybill. The appeals process will be carefully monitored in order to assess ongoing financial implications.

(j) Council Tax Reduction Scheme

Provision has been made for the estimated costs which are now linked directly to any proposed increases in Council Tax Levels.

(k) Capital Financing Charges

There is a risk that the funding shortfalls highlighted in the Capital Budget report elsewhere on the agenda will result in additional charges over and above the agreed budget provision. The Report on the Capital Programme for 2014/15-2018/19 elsewhere on this agenda highlights specific actions that need to be taken to mitigate against future increases in revenue costs linked to increases in unsupported borrowing and further externalisation of current debt.

- 11.2 Whilst reasonable assumptions have been made in relation to each of the above risks it is impossible to be certain that adequate funding will be available for every item. This re-enforces the need to have adequate reserves and balances available to meet any unexpected costs or shortfalls.
- 11.3 The above risks are both substantial and potentially significant in value. Therefore during 2015/16 specific actions are being put in place which will involve:-

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

12. Equality Impact Assessment (EIA)

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

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

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

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

14. Legal Implications

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

Contact officer : Mike Hawes, Head of Finance and Delivery
Telephone no : 636423

Background papers : None

- Appendix 'A' Revenue Budget summary 2015/16
- Appendix 'B' Net Directorate budget proposals
- Appendix 'C' Earmarked Reserves
- Appendix 'D' Specific savings proposals
- Appendix 'E' Summary of consultation responses
- Appendix 'F' Equality impact assessment
- Appendix 'G' Response of the Schools' Budget Forum
- Appendix 'H' Response of Leader to School Budget Forum
- Appendix 'I' Directorate Budgets

REVENUE BUDGET SUMMARY 2015/16

<u>DIRECTORATE</u>	RESTATED	
	BUDGET 2014/15 £000	BUDGET 2015/16 £000
CORPORATE SERVICES	45,870	44,380
PEOPLE - POVERTY AND PREVENTION	4,754	4,780
PEOPLE - SOCIAL SERVICES	106,252	104,701
PEOPLE - EDUCATION	161,229	156,301
PLACE	54,473	52,691
ADDITIONAL SAVINGS STRANDS - TO BE ALLOCATED	-2,600	-3,000
NET DIRECTORATE EXPENDITURE	369,978	359,853
CORPORATE PROVISION FOR INFLATION	1,049	0
<i>OTHER ITEMS</i>		
LEVIES		
SWANSEA BAY PORT HEALTH AUTHORITY	94	94
CONTRIBUTIONS		
MID & WEST WALES COMBINED FIRE AUTHORITY	11,524	11,773
<i>CAPITAL FINANCING CHARGES</i>		
PRINCIPAL REPAYMENTS	14,033	14,541
NET INTEREST CHARGES	13,651	14,357
NET REVENUE EXPENDITURE	410,329	400,618
<i>MOVEMENT IN RESERVES</i>		
GENERAL RESERVES	-2,200	-1,200
EARMARKED RESERVES	5,155	8,648
TOTAL BUDGET REQUIREMENT	413,284	408,066
DISCRETIONARY RATE RELIEF	375	375
TOTAL CITY AND COUNTY OF SWANSEA REQUIREMENT	413,659	408,441
COMMUNITY COUNCIL PRECEPTS	868	910
TOTAL REQUIREMENT	414,527	409,351
FINANCING OF TOTAL REQUIREMENT		
REVENUE SUPPORT GRANT	241,788	237,542
NATIONAL NON-DOMESTIC RATES	76,436	70,092
COUNCIL TAX - CITY AND COUNTY OF SWANSEA	95,435	100,807
COUNCIL TAX - COMMUNITY COUNCILS	868	910
TOTAL FINANCING	414,527	409,351
COUNCIL TAX BASE for the City and County of Swansea	88,367	89,066
COUNCIL TAX AT BAND 'D' (£) for the City and County of Swansea	1,079.98	1,131.82
GENERAL RESERVES		
AT 1 APRIL	13,155	10,955
AT 31 MARCH	10,955	9,755

REVENUE BUDGET 2015/16

NET DIRECTORATE BUDGET PROPOSALS

	Corporate Services £000	People - Poverty and Prevention £000	People - Social Services £000	People - Education £000	Place £000	To be allocated £000	Total £000
Original estimate 2014/15	46,384	3,492	104,727	160,987	52,711	-2,600	365,701
Directorate Transfers*	-514	1,262	1,525	242	1,762	0	4,277
Original estimates following transfers	45,870	4,754	106,252	161,229	54,473	-2,600	369,978
Transfer to (+) / from (-) reserves 2014/15	4,085	0	-250		781	0	4,616
Original estimate 2014/15 excluding reserves	49,955	4,754	106,002	161,229	55,254	-2,600	374,594
Transfers for specific grants 2014/15	0	0	307	-192	-37	0	78
Baseline adjustments 2014/15*	-4,227	179	896	-374	1,976	273	-1,277
Adjusted service budgets 2014/15	45,728	4,933	107,205	160,663	57,193	-2,327	373,395
Spending Needs	432	10	1,500	2,300	0	2,327	6,569
Pay inflation provision	293	100	544	279	784	0	2,000
Savings:							
Specific consultation proposals	-1,828	-237	-4,524	-6,816	-3,915	0	-17,320
Additional staff savings	-564	-48	-355	-200	-666	0	-1,833
Other workstream savings strands	0	0	0	0	0	-3,000	-3,000
Original estimate 2015/16 excluding reserves	44,061	4,758	104,370	156,226	53,396	-3,000	359,811
Transfer to (-) / from (+) reserves 2014/15	319	22	331	75	-705	0	42
Net Directorate budgets 2015/16	44,380	4,780	104,701	156,301	52,691	-3,000	359,853

*Virements & reallocation to base budgets following Job Evaluation implementation - net increase £3,000k

REVENUE BUDGET 2015/16

EARMARKED RESERVES

	Balance 31/03/14 £000	2014/15 £000	Balance 31/03/15 £000	2015/16 £000	Balance 31/03/16 £000
DIRECTORATE RESERVES					
Equalisation reserves	-2,781	50	-2,731	0	-2,731
Commuted sums	-5,185	218	-4,967	-21	-4,988
Repair & renewal funds	-2,894	-711	-3,605	-696	-4,301
Profit share	-904	-66	-970	-66	-1,036
Service reserves	-4,339	232	-4,107	589	-3,518
TOTAL DIRECTORATE RESERVES	-16,103	-277	-16,380	-194	-16,574
CORPORATE RESERVES					
Contingency Fund	-117	0	-117	-5,400	-5,517
Insurance	-17,592	716	-16,876	0	-16,876
Job Evaluation earmarked	-4,455	-33	-4,488	0	-4,488
Transformation/Efficiency	-3,230	425	-2,805	-3,109	-5,914
TOTAL CORPORATE RESERVES	-25,394	1,108	-24,286	-8,509	-32,795
UNUSABLE/TECHNICAL RESERVES	-1,517	131	-1,386	55	-1,331
SCHOOLS DELEGATED RESERVES*	-7,276	0	-7,276	0	-7,276
TOTAL RESERVES	-50,290	962	-49,328	-8,648	-57,976

* No updated information available - balances held by individual schools

Council - 24 February 2015
SUSTAINABLE SWANSEA - FIT FOR THE FUTURE: BUDGET
PROPOSALS 2015/16-2017/18

Appendix D

Summary Savings

	15-16 £'000
Original RAGs	4,742
New RAGs	7,126
Full year effect of 2014/15 Management and administration savings	1,833
Total	<u>13,701</u>
Corporate	1,828
Education	1,394
Social Services	4,524
Poverty and Prevention Place	237
	3,885
Full year effect of 2014/15 Management and administration savings	1,833
Total	<u>13,701</u>

** Denotes planned review of service on following pages

Appendix D

2015-16
£'000

Corporate Services

Revised savings from 2014-2018 MTFP

Central overheads and management and administrative savings	1,059
Reduce subsidy of providing financial services to Schools	50
Reduce grants to external bodies	50
Total	<u>1,159</u>

New proposals

Central overheads and management and administrative savings	299
Increased income opportunities	90
Reduce spending on communications, advertising, publicity, printing, marketing and PR across the Council by 20%	80
Review of recovery process for non payment of Council Tax	200
Total	<u>669</u>

Grand Total 1,828

Appendix D

People - Education

Note - there is a review of EMLAS to be concluded in light of the specific grant funding changes which include reductions to current academic year funding for the service from Welsh Government and further changes to rationalise the range of grants received.

	2015-16 £'000
<i>Revised savings from 2014-2018 MTFP</i>	
Full year effect of increased school meal charges	25
Home to School Transport	108
Reductions and efficiencies in a range of support of education service functions	174
Reduce demand/need for out of county education provision	50
Total	<u>357</u>
<i>New proposals</i>	
Increase in price of school meals (by 10p to £2.20 from Sept 15)	80
Review of delivery of free breakfast clubs	400
Changes to Music service through restructure, changes in delivery, & review of charges	75
Cessation of remaining funding to support voluntary groups and WJEC	22
Fully implement current Business Support Review as part of wider agile working across Department	120
** Outcomes from Behaviour Review to build capacity within mainstream schools to meet the needs of all pupils at the earliest opportunity.	340
Total	<u>1,037</u>
Grand Total	<u>1,394</u>

People - Social Services***Revised savings from 2014-2018 MTFP***

Mental Health Day Services - increase use of third sector	100
Transport Depot - reduction in vehicles	120
Carers - review provision	50
Social Services Training Section - reduce capacity	16
Containment of assumed budget pressures and further service review	900
Total	1,186

New proposals

Reduce number of Assessments and Reviews	100
Swansea Integration Plan: Network Hubs	150
Reablement :-Development of pathways to help people remain in their own homes	1,275
Development of Reablement across Young Adults	150
Potential for savings on the Domiciliary Care Budget by using Direct Payments to employ Personal Assistants	200
** Reconfigure residential care placements to increase independent living	300
**Redesign Home Care / Day Care for those with Complex Needs	350
Residential Service External Learning Disability	230
Review Charging / Income Generation	50
Residential Service (Ext.) Mental Health	50
Implementing Signs of Safety to improve practice and reduce recourse to LAC- creating Consultant Social Workers (re-investment in service)	-300
Specialist in House through Foster Swansea e.g. Parent & Baby	270
Co Locate SSD Aftercare/ Barnardos and Housing within a Post 16 Service	100
Foster Swansea - Increase in house Fostering placements	100
Sell spare capacity within in-house fostering and residential capacity	30

Residential Placements - To reduce number and recourse to residential/out of county placements	200
Family and Friends to reduce number of funded placements	50
Right sizing care packages, with providers, through Permanence team	33
Total	<u>3,338</u>
Grand Total	<u>4,524</u>

People - Poverty and Prevention***Revised savings from 2014-2018 MTFP***

Remodel residential and outdoor centre provision including an increase in charging and income generation options	75
Continue with the existing reductions in Childcare and Early Years Support and childcare apprenticeships	19
Continue with the existing reductions in the Swansea Change Fund grant pot	50

Total	<u>144</u>
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New proposals

Partnership, Performance and Commissioning Unit - reduced administration support	10
Reduce and continue the Grow Local Grants pot	30
Reconfigure the Community Food and Growing team and look to progress towards establishing a Community Interest Company	13
Review CCTV camera coverage across Swansea - maintaining a core set of cameras in high usage areas	25
Support West Glamorgan Youth Theatre to find alternative sources of funding	5
Seek alternative sources of funding and/or delivery models for targeted LGBT Youth Services support	10

Total	<u>93</u>
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Grand Total	<u>237</u>
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* Note that whilst this is the controllable budget for Poverty & Prevention, the Council spends significantly more on this area through the contribution of a wide range of other services.

The Council's Medium Term Plan is to increase investment in Poverty and Prevention.

Place***Revised savings from 2014-2018 MTFP***

Central overheads and management and administration savings	446
Increased income opportunities	45
** Waste Management - reduced landfill costs through increased recycling	165
Parks - increase income, reduced expenditure on equipment and staffing, reduced verge and open space cutting	242
Central Transport Unit - efficiencies in Fleet management, maintenance and fuel supply.	80
Highways Lighting Maintenance	400
Car Parks. Charge at currently free car parks (not City Centre)	92
** Savings arising from libraries review	175
Stop support to gymnastics centre	16
** Lease/tender seasonal attractions golf course, play facilities Singleton Park, Southend Gardens and Blackpill Lido	65
Reduce subsidy to LC, Bowls stadium	70
** Transfer operation of Penlan and Bishopston leisure centres to a leisure trust	100
Total	<u><u>1,896</u></u>

New proposals

Central overheads and management and administration savings	611
Increased income opportunities	525
** Efficiencies and savings from Waste Services review	65
Replace existing pink bags with reusable hessian sacks	50
Stop providing any black bags to residents	100
Stop providing free dog waste bags	30
Increased highways coring programme (recovery of costs)	5

Reduction of chapter 8/traffic management cutting frequency	17
Reductions in opening times of Botanical Gardens to public and reduced seasonal parks planting activities	73
Alternative funding for District Heating and CREES budget	65
Carry out additional commercial work for pest control	30
Remove Arts Devt as a stand alone function	49
Transfer cultural venues to Trust	0
Reduce City of Culture budget	200
Close Plantasia	100
Transfer XMAS Lights obligation to BID	50
Reduce grant and other support for external bodies	19
Total	<u>1,989</u>
Grand Total	<u>3,885</u>

Appendix 'G'

Response of the Schools Budget Forum to Budget

Proposals

PONTYBRENIN PRIMARY SCHOOL

HEADTEACHER/PRIFATHRO: Mr P S Williams



Glyn Rhosyn

**SWANSEA
SA4 6HX**

Tel/Ffôn: 01792 891151

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20th January 2015

Councillor Rob Stewart
City and County of Swansea
Civic Centre
Oystermouth Road
Swansea
SA1 3SN

Dear Councillor Stewart,

School Budget Forum Response to Budget Consultation

As always, the School Budget Forum has sought to support the discussions that have already been held and which will be held over the coming weeks. **As a statutory consultative body, the Forum expects that the points made will be carefully considered as part of any forthcoming corporate discussion of future revenue and capital budgets.** The School Budget Forum represents a considerable body of statutory provision meeting the needs of a great many pupils, families, schools and communities within Swansea.

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

We 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 forthcoming Council budget decisions.

Swansea schools do not fare well financially. As has been stressed in previous years, they suffer a double blow. The Council can do nothing about the fact that the settlement it receives from the Welsh Government is relatively poor, ranking it around 18th out of the 22 authorities. However, due to choices made by the Council, the education budget as a whole ranks even lower at 19th in 2014, almost £200 per pupil less than the Wales average. Other authorities do better, including the large urban authority of Cardiff.

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

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

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

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

The Delegated Schools Budget

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

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

However, the Forum also notes that the Council is proposing to no longer deliver the national education funding guarantee, as required of it by the Welsh Government. *The Forum would ask whether the Council is aware of any other local authority that intends to go against this guarantee.* The Council's reputation would be significantly impacted if it was the only Council in Wales to take such a decision. Moreover, it would certainly result in a further worsening of the Council's relative funding per pupil – perhaps reaching the unenviable position of the very bottom of the funding table.

In relation to 2015/16 the Forum understands that to meet the Welsh Government's funding commitment would require a cash increase in the delegated schools budget of £1.3m (a 0.6% cash increase plus an adjustment for increasing pupil numbers). Instead the Council is proposing a cash reduction of £4.2m or 3.3% in addition to spending pressures which will increase the real terms cut to at least 5%. In addition schools will face significant reductions in specific grants which will further impact the provision for pupils. Whilst the Pupil Deprivation Grant will increase, this has clear terms and conditions which prescribe how it may be used and it will not be received by all schools.

The picture for later years is bleaker still with proposed further real terms cuts each year at a similar level – 15% over the 3 year period, as proposed for Children and Families. Whilst the Forum appreciates that this is less than the 50% cuts proposed for most other areas of the Council budget, this does not take account of the extent to which other Council services appear to be seeking to 'passport' cuts to schools through significant increases in the cost of service level agreements, nor the far greater scope to deliver savings in these areas (which include discretionary areas of provision) through increases in fees and charges.

Significant work has been undertaken over the summer to model and evaluate the likely implications of cuts of around 4.5% per annum in delegated school budgets. It is only possible to provide a very broad summary in this letter of some of the most significant impacts which include:

For example – with a school of 387 pupils a budget cut of £310K by year 3. This would result in the following:

- a reduction of teachers that would likely result in the end of rising three nursery provision.
- Approximately 7 teachers taken out of the staffing of which there are 19 at present or the equivalent of 20 teaching assistants.
- One teacher with a minimum of 36 pupils in each class.
- An impossibility of meeting foundation phase class sizes of 30, which are statutory.

For a typical secondary school: -a budget cut of £544k by year 3

- A reduction of almost 12 teachers
- A reduction in the breadth of curriculum provision

It will be extremely challenging for schools to continue to set a balanced budget each year, whilst continuing to meet their growing range of statutory duties, and further cuts to provision would be necessary which would undermine nursery provision, the local anti-poverty strategy, and wider learning opportunities of pupils. There will be an inevitable impact on other Council services, particularly where schools provide significant support (for example safeguarding) or find themselves unable to continue to support corporate services through service level agreements.

The Forum notes that the Council proposes a cash increase of 5% in the area of Poverty and Prevention and would stress the fact that these represent 'cherry picked' elements of provision, some discretionary, whereas they do not include major areas of statutory provision which fundamentally underpin the delivery of any anti-poverty strategy.

The Forum has continued to work constructively with the Education department in delivering the radical transformation strategy set out in Appendix B of the Budget Proposals report, however, the proposed scale of budget cuts is coming at the same time as there will be further budget instability as a result of the proposed radical review of the schools funding formula.

The Forum would ask if the Council is aware of any other local authority in Wales that is facing such choices and implications of budget decisions and would urge the Council to consider additional funding to facilitate the major cultural and service changes required which will deliver major future benefits once these are progressively embedded across all year groups.

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

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

The Forum would again seek clarification of the proposed 'top slicing' of delegated school budgets to meet the additional costs of prudential borrowing'. It assumes that this is simply a broad planning assumption at this stage since it would clearly be inappropriate to 'top slice' the delegated budget in excess of the actual prudential borrowing costs incurred by the Council to support the continued delivery of the QEd capital investment priorities. It would also clearly be inappropriate to 'top slice' school budgets to meet borrowing costs in relation to any wider Council capital programme funding shortfall. Consequently, we would seek confirmation that any actual future 'top slicing' of the delegated budget would accurately reflect the borrowing costs incurred to support the schools programme after all other funding streams have been accounted for (particularly capital receipts and Section 106 developers contributions).

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

Non Delegated Education Budgets

The Forum has supported a fundamental review of base budgets during 2013 and 2014 in order to ensure that we have the correct starting points. The Forum still feels that lessons could be learned from the One Education Budget Strategy, both in terms of the transparency of the process and also the rigour of the structured challenge and review undertaken over recent years, which has then been reflected in the Council's Medium Term Financial Plan, and delivered. This continues to require difficult spending choices, challenging savings targets and robust management action, moving towards a largely statutory and regulatory 'core' minimum provision within the department.

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

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

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

Behaviour Review Outcomes

- The Forum fully supports changes to the way in which support for pupils is provided to facilitate more flexible earlier intervention, as local as possible. However, it would stress that this is an extremely challenging transformational strategy requiring major cultural change within all schools and *would urge the Council to consider additional funding to facilitate the major cultural and service changes required* - which will deliver major future benefits once these are progressively embedded across all year groups.

Revised Home to School Transport Schemes

- The Forum appreciates the need to review any remaining areas of discretionary provision. Such a review of existing Council policy would of course once again require a full statutory consultation process. The current public consultation cannot pre-empt such a process, and the current Cabinet Report does not provide sufficient clarity regarding the changes that might be considered. These clearly relate to a further consideration of the introduction of charges to students for post 16 transport, as the only remaining discretionary area of policy.

Review of delivery of Free Breakfast Clubs

- The Forum recognised the need to work with officers to ensure the fullest possible use of the available funding in order to seek to deliver the significant efficiency savings target in the current year. However, the scale of the proposed further cuts in funding will certainly result in the cessation of service in most, if not all schools. Schools would not be able to maintain the provision with such a cut in funding without charging for the child care provision that parents also benefit from. The very modest remaining funding could be allocated to schools on the basis of Free School Meals entitlement to seek to maintain support for the most disadvantaged pupils but it might not be sufficient.

Increase meal charges

- The Forum recognises that whilst prices were increased in September 2014, they had previously been held constant for a number of years in spite of increasing food costs. As such it can understand the need to consider a further price increase. This appears to be a reasonably balanced proposal, in line with indications from other authorities.

Changes to Music Service through restructure, changes in delivery and charges

- The Forum recognises the need to review the service and as far as possible remove the remaining Council funding support, whilst also recognising the valuable learning opportunities that are provided to pupils. It is hoped that any increase in charges will not reduce access for the most disadvantaged pupils.

Cessation of contribution to WJEC

- The Forum recognises the need to challenge any remaining areas of discretionary spending and it is difficult to continue to support educational resources and support provided through WJEC when areas of direct Swansea support for schools are being severely cut. Nevertheless, the Council may be isolated in this action and Swansea pupils would no longer be able to be part of the national youth theatre and orchestra. It also further reduces the educational resources that will be available to support schools.

Review of Ethnic Minority Achievement Service

- The Forum recognises the need to review all areas of current 'subsidy' to such areas of support, and this area in particular in view of the likely loss of Welsh Government funding. However, the Forum would wish to see further detailed discussion prior to implementation in order to ensure that the loss of front line support for pupils is as far as possible minimised.

Business Support Review

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

From the Cabinet Report, it is unclear whether there are some remaining discretionary areas of current wider Council provision which are being 'protected' on the basis of their absence from the cuts lists. Given the clearly endorsed principle of

'increased control of discretionary spend', there needs to be greater clarity and transparency to ensure the consistent level of review of all areas of discretionary spending across the Council. The Forum would be concerned if areas of clear discretionary spending, however laudable, were to be protected whilst core areas of statutory provision were being cut.

In Summary

The Forum notes the Council's continuing relative prioritisation of the delegated schools budget but is concerned that it is proposed to no longer deliver the national education funding guarantee, as required of it by the Welsh Government. The Forum urges the Administration to recognise the importance of making proper revenue provision for schools every year as a matter of course, and the very serious consequences for pupils of cuts on this scale to the delegated schools budget.

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

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

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

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

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

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

Philip Williams
Chair, School Budget Forum



Capital Budget & Programme 2015/16 – 2018/19

Report of the Section 151 Officer

Council – 24th February 2015

CAPITAL BUDGET & PROGRAMME 2015/16 – 2018/19

Purpose:	This report proposes a revised capital budget for 2014/15 and a capital budget for 2015/16 - 2018/19
Policy framework:	None
Reason for decision:	To agree a revised budget for 2014/15 and a budget for 2015/16 – 2018/19
Consultation:	Cabinet Members & Executive Board
Recommendation:	The revised capital budget for 2014/15 and a capital budget for 2015/16 – 2018/19 as detailed in appendices A, B C, D, E and F is approved.
Report Author:	M.Hawes
Finance Officer:	M.Hawes
Legal Officer:	Patrick Arran
Access to Services Officer:	Euros Owen

1. Introduction

1.1 This report details:

- Revised capital expenditure and financing proposals in 2014/15
- Capital expenditure and financing proposals in 2015/16 – 2018/19

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

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

Appendix A Summary of General Fund Capital Expenditure and Financing 2014/15 – 2018/19

Appendix B Schools Programme Capital Expenditure and Financing 2014/15 – 2018/19

Appendix C Material changes to the original 2014/15 budget

Appendix D Material changes to the Capital Programme agreed in February 2014

Appendix E General Fund Capital Budget 2014/15 – 2018/19

- 1.4 The key message arising from this report is that the overall programme deficit, encompassing both the General Fund Programme and Schools programme, amounts to some £57.038m over the lifetime of the programme.

Given the anticipated Revenue Budget contained within the Medium Term Financial Plan, it would not be prudent to assume any increase in borrowing to meet this shortfall, which should be met by:-

- Increased Capital receipts
- reduction in the planned Capital programme.

2. Capital Budget 2014/15

- 2.1 Spending in the current year will be £89.202m – an increase of £34.359m compared to the original estimate of £54.843m.

This increase is due to the following:

- the addition of grant funded schemes after Council approved the capital budget in February 2014.
- Revised forecast for Equal Pay claims resulting in an additional cost of £9m, to be funded by borrowing allowed by a capitalisation directive of £6.7 million and the balance of £2.3 million to be funded by capital receipts.
- The net balance of schemes carried over from 2013/14 into 2014/15 and schemes carried over from 2014/15 into 2015/16.

Material changes to the 2014/15 budget are summarised in Appendix C.

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

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

Paragraphs 3.2 to 3.7 detail the material changes to the General Fund Programme and Financing.

Paragraphs 3.8 to 3.12 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 18th February 2014 highlighted a forecast shortfall in the four year forward programme of £31.276m for the 21st Century Schools programme and £28.977m for the rest of the General Fund capital programme. The report contained the following in respect of both the general fund and Schools programme shortfalls:- *'If required, it will be necessary to finance the forecast shortfall in 2014/15 by temporary unsupported borrowing pending the identification of a funding solution in relation to the four year programme'*.
- 3.4 The updated General Fund programme is summarised in Appendix A. This highlights expenditure of £146.699m; financing of £120.545m and a forecast shortfall of **£26.154m**. Appendix D provides a reconciliation between the General Fund

programme shortfall reported in February 2014 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. 2018/19) causes a £2.946m 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 2018/19	10.224
<i>less 2018/19 spending requirements</i>	
Property and highways maintenance	-7.375
DFGs & Improvement Grants	-5.200
Annual Contingency Budget	-0.595
<u>Additional shortfall 2018/19</u>	<u>2.946</u>

It should be noted that the core capital budget identified above is itself in excess of the support available from Welsh Government (£10.224m). Given the annual repayment of principal as detailed in 3.8 below expenditure at this level would not increase overall levels of borrowing.

Forecast General Fund shortfall

- 3.6 The updated forecast shortfall of £26.154m represents a decrease of £2.823m compared to the February 2014 position as detailed in appendix D. In order to address the shortfall Council will need to consider the following options:-

- Identify and progress significant additional Capital receipts over and above those already identified.
- Reduce the expenditure contained within the Capital Programme primarily a reduction in proposed allocations as set out in 3.5
- Incur additional unsupported borrowing. This is a last resort given the known pressures on future revenue budgets within the Council and should only be considered on a temporary basis until such time as Capital Receipts are realised.

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

- 3.7 It should be noted that, whilst annually the Council repays on average £14.25m in respect of Capital Debt, the potential increase in temporary borrowing levels, together with the requirement to externalise elements of debt currently funded internally, means that Capital Charges are likely to increase.

SCHOOLS PROGRAMME AND FINANCING

- 3.8 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.

3.9 Phase 1 schemes are progressing well and Phase 2 schemes are being developed. The schemes included in both phases of the programme are detailed in Appendix B and are summarised below:

	£m	£m
Phase 1 schemes	Original	Revised
Burlais Primary new school	7.500	8.250
Gowerton Primary new school	5.000	6.805
YGG Lon Las rebuild and remodel	5.000	8.033
Glyncollen Primary improvements	0.750	0.750
Newton Primary improvements	0.650	0.650
Post 16 provision	2.100	1.100
Total Phase 1 schemes	21.000	25.588

	£m	£m
Phase 2 schemes	Original	Revised
Pentrehafod remodelling		11.100
Gorseinon Primary new school		6.320
Pentre Graig Primary improvements		2.000
St Joseph's Primary improvements		1.010
YGG Gwyr improvements		1.000
Secondary Review		4.192
Special Schools Review		0.100
Total Phase 2 schemes		25.722

3.10 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.

3.11 The financing of the schools programme and current shortfall of £30.884m 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 £6.6m 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) CCS has identified contributions of £1.4 million which will be used to fund the Schools programme.
- d) The implication of (a) (b) and (c) is that the Council is required to fund a contribution of £30.9m over the period to 2019. The assumption underpinning the financing of the Council's contribution to the programme has been that sufficient capital receipts

would be obtained through disposal of land surplus to Schools requirements to meet the additional funding requirement and, indeed, all Business plans submitted to and agreed by Welsh Government assume CCS funding via Capital Receipts.

- e) The Capital Budget report considered by Council on 28th February 2011 highlighted potential parcels of land surplus to Educational requirements at a number of listed sites. Whilst progress has been made in agreeing several sales, only a small part of the then estimated £12m receipt has been received to date. To date this amounts to £990k with most of the receipts expected to be realised over the next three years. A full list of the sites is set out in Appendix F.
- It is clearly important to optimise the capital receipts that can be realised from disposals through appropriate marketing and timing of any sales. It may therefore be appropriate to agree short term additional unsupported borrowing in order to generate a greater capital receipt at a later date when the market has improved. However, progress to date against projected targets is poor.

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

- f) At this time, as stated above, it is assumed that the above funding requirement will be met by agreeing excess land sales. Failure to achieve this will require:
- a revision of the agreed programme and / or
 - Subject to identifying a funding source to meet the resulting principal and interest payments, the agreement of further unsupported borrowing. Given the poor outlook for the Council's finances, it is inevitable that, under such circumstances, schools will have to fund the cost of unsupported borrowing if the programme is to progress as planned.
 - Re-allocation of other Capital receipts bearing in mind the need to meet the General Fund shortfall from the same source.
- g) The Welsh Government has confirmed that it will meet part of its 50% contribution by providing annual support for Council unsupported borrowing rather than grants. The proposed funding is detailed in Appendix B.

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

It is the case, however, that there is no commitment as yet to phase 2 of the programme.

If required, it will be necessary to finance the forecast schools programme shortfall in 2015/16 by temporary unsupported borrowing pending the identification of a funding solution in relation to the overall schools programme.

Equal Pay Capitalisation

- 3.13 As reported in the Revenue Budget 2015/16 reported separately on this agenda, a single pay and grading structure was introduced across the Authority with effect from 1st April 2014. The introduction of a single pay and grading scheme is welcome and in future years will add certainty to pay estimates. However, until the Authority has fully

implemented the scheme, dealt with all outstanding equal pay claims and exhausted all appeals which may arise from implementation, single status/equal pay remains an ongoing risk outside of the significant challenges facing the delivery of savings targets during 2015/16. It is anticipated that the vast majority of outstanding equal pay claims will be subject to settlement by 31st March 2015. Whilst the Council had set aside significant sums to meet all known current liabilities, the final settlement in respect of equal pay claims has led directly to an increase in capitalised unsupported borrowing of £6.7m during 2014/15, together with the use of £2.3m of Capital Receipts.

4. Risks

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

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

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

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

5. Legal Implications

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

6. Prudential Code

6.1 Under the Local Government Act 2003 and subsequent regulations, a local authority is required to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities when setting its budget and must determine and keep under review how much it can afford to borrow.

6.2 A further report on the agenda will detail what is required under the requirement of the Code and set out in detail Prudential Borrowing Indicators for 2014/15 and subsequent years.

7. Equalities Implications

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

SUMMARY OF GENERAL FUND CAPITAL BUDGET AND FINANCING 2014/15 - 2018/19

	2014/15	2015/16	2016/17	2017/18	2018/19	Total
	£'000	£'000	£'000	£'000	£'000	£'000
DIRECTORATE						
Resources	11,197	2,388	595	595	595	15,370
People	3,056	280				3,336
Place	60,474	26,061	12,965	13,176	15,317	127,993
TOTAL EXPENDITURE	74,727	28,729	13,560	13,771	15,912	146,699
FINANCED BY:						
Borrowing:						
Supported Borrowing	6,297	6,356	6,356	6,356	6,356	31,721
Supported Borrowing - Highways	5,861					5,861
Grants and Contributions:						
Welsh Government General Grant	3,832	3,868	3,868	3,868	3,868	19,304
Welsh Government specific grants	14,422	2,807	289			17,518
European grants	13,813	970				14,783
Other Grants	2,259	305				2,564
Contributions	1,368					1,368
Capital Receipts:	1,900	8,100	2,356	2,500		14,856
Revenue and Reserve Contributions:	4,914	4,914			2,742	12,570
TOTAL FINANCING	54,666	27,320	12,869	12,724	12,966	120,545
FORECAST SHORTFALL	20,061	1,409	691	1,047	2,946	26,154

SCHOOLS PROGRAMME CAPITAL EXPENDITURE & FINANCING 2012/13 - 2018/19

	to 2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
EXPENDITURE								
Morrison Comprehensive Refurbishment	5,445	11,916	4,200	425				21,986
21st Century Schools Programme								
Phase 1								
Burlais Primary new school	17	453	6,089	1,632	59			8,250
Gowerton Primary new school	16	445	2,614	3,630	100			6,805
YGG Lon Las rebuild and remodel		66	400	3,866	3,550	151		8,033
Glyncollen and Newton Primary improvements		393	1,007					1,400
Post 16 provision				100	500	500		1,100
Phase 2								
Pentrehafod remodelling			50	2,450	6,000	2,400	200	11,100
Gorseinon Primary new school			30	1,870	4,320	100		6,320
Pentre Graig Primary improvements			75	1,000	925			2,000
St Joseph's Primary improvements				10	1,000			1,010
YGG Gwyr improvements			10	90	900			1,000
Secondary Review					480	2,137	1,575	4,192
Special Schools Review				100				100
TOTAL EXPENDITURE	5,478	13,273	14,475	15,173	17,834	5,288	1,775	73,296
FINANCED BY:								
Welsh Government Grant								
Morrison Comprehensive Refurbishment	5,198	10,192						15,390
21st Century Programme Schemes - grant		764	3,989	3,940	7,022	2,694	788	19,197
22nd Century Programme Schemes - PB			2,260	2,906	1,292			6,458
Contributions	33	592	742					1,367
TOTAL FINANCING	5,231	11,548	6,991	6,846	8,314	2,694	788	42,412
FORECAST SHORTFALL	247	1,725	7,484	8,327	9,520	2,594	987	30,884

MATERIAL CHANGES TO THE 2014/15 CAPITAL BUDGET

Scheme	Source Of Funding	2014/15 Change £'000
<u>Director of Resources</u>		
ICT Infrasture - Central Storage	Revenue	140
Equal Pay	Capital receipts and borrowing	9,000
<u>Director of People</u>		
Education Planning & Resources		
Capital Flying Start Grant 14/15	Grant	620
Penllergaer Primary Classroom Extension	Contribution	295
Challenge Cymru	Grant	23
Poverty		
Mayhill Family/Medical Centre	Grant	400
Adult Services		
Intermediate Care Fund 14/15	Grant	970
<u>Director of Place</u>		
Highways & Transportation		
Local Transport Fund	Grant	1,826
Road Safety Schemes	Grant	522
Safe Routes in Communities - Townhill/Mayhill	Grant	555
Carriageway Resurfacing	Revenue	1,000
Housing General Fund		
Sandfields Renewal	Grant	730
National Home Improvement Loans	Grant	380
Waste Management		
Provision of Capping and Development Tir John	Revenue	350
Culture, Sport, Leisure & Tourism		
Glyn Vivian Art Gallery Refurbishment	Grant	987
Dylan Thomas Exhibition Refurbishment	Grant/Revenue	788
Clyne Country Park	Grant	38
Economic Regeneration & Planning		
Waterfront City Project	Grant	2,898
Felindre Business Park Infrastructure	Grant	545
Hafod Copperworks Ph 2	Revenue	50
Swansea Market Roof	Grant	1,600
Vibrant & Viable Places loan	Grant	3,000
Corporate Building		
Guildhall Ph 5 (Brangwyn Hall)	Contribution	223
Scotts Pit	Grant	31
Match Funding for Schools	Contribution	78
Delayed Spending From 2013/14 - All Portfolios	Various	17,105
Delayed Spending Into 2015/16 - All Portfolios	Various	-8,082
Other Minor Changes	Various	-1,713
TOTAL MATERIAL CHANGES		34,359

**MATERIAL CHANGES TO GENERAL FUND CAPITAL
PROGRAMME AGREED IN FEBRUARY 2014**

	£m	£m
Forecast shortfall - per Council February 2014		28.977
Remove 2013-14 shortfall		-15.107
Additions to capital programme (2014-15 to 2017-18)		45.901
(App C shows 2014-15 changes, the balance relates to future year changes)		
Addition of a further year (2018/19) to programme	<u>2.946</u>	<u>62.717</u>
Less additional funding (supported borrowing, grants, contributions and reserves)		-36.563
Amended forecast shortfall		<u>26.154</u>

Appendix E

GENERAL FUND CAPITAL BUDGET 2014/15 - 2018/19

	2014/15	2015/16	2016/17	2017/18	2018/19	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
DIRECTOR OF RESOURCES						
Delivery & Information						
IT Infrastructure	440	900				1,340
WiFi Provision	35					35
ECC/Teleconferencing	105					105
LiDW Broadband Scheme	322					322
Telephony system replacement	500					500
CAP Gemini costs	350					350
Disaster recovery	99					99
Civic Centre works	113					113
Council Chamber renovation		511				511
Financial Services						
Corporate Contingency	233	977	595	595	595	2,995
Equal Pay	9,000					9,000
TOTAL FOR DIRECTOR OF RESOURCES	11,197	2,388	595	595	595	15,370
DIRECTOR OF PEOPLE						
Education(excluding 21st Century schools programme)						
Primary schools schemes	1,147	65				1,212

Appendix E

GENERAL FUND CAPITAL BUDGET 2014/15 - 2018/19

Secondary schools schemes	330	46	376
Special school schemes	28	113	141
Youth Activities schemes	20		20
Social Services Adult Services			
Mayhill Family / Medical Centre	543		543
Intermediate Care Fund (Adult Services)	982		982
Community Regeneration Minor schemes	6	56	62
TOTAL FOR DIRECTOR OF PEOPLE	3,056	280	3,336

DIRECTOR OF PLACE

Highways & Transportation

Morfa Distributor Road (LTF)	1680	289	500	2469	
SRIC 13/14 - Mayhill/Townhill	555			555	
Highways and Lighting Unsupported Borrowing scheme:	4694			4694	
Highways/Infrastructure Capital Maintenance	4453	3366	3476	3375	18146
Slip Bridge Refurbishment (No current scheme)	1	138		139	
Bascule Bridge	50	500		550	
Other Bridges & retaining Walls	2003	15		2018	
Road Safety/Traffic Schemes	1254			1254	
Bus facility schemes	158			158	
Car Park improvements	27			27	
Coast protection	422			422	
Foreshore and Marina	233			233	
Other Highways schemes	527			527	

Waste Management

Appendix E

GENERAL FUND CAPITAL BUDGET 2014/15 - 2018/19

Tir John works	221	3,187	2,742	6150
Purchase existing generating station		1,100		1100
12/13-Replace Litter Bins		40		40
Provision of Food Waste Hall	80	120		200
Sorting Station and Bag Splitter	448			448
Culture,Sport,Leisure&Tourism				
Art Gallery - Refurbishment	3,647	2,886		6,533
Dylan Thomas Exhibition Refurbishment	788			788
Library Service	72			72
Sport Centres	176			176
Cwmdonkin Park Refurbishment	46			46
Parks equipment	44			44
Mobile Street Sports Facility	111			111
Other Culture, Sport, Leisure & Tourism schemes	175			175
Economic Regeneration&Planning				
BEP Grants	4,508			4508
Boulevard LC to Strand	5,544	900		6444
Lower Oxford St Public Realm Imps	125			125
Waterfront Connections	150			150
Northern Quarter High St Public Realm	703			703
Clarence Terrace former Bus Depot	400			400
Wayfinder works	120			120
Cycling Network Works	151			151
Glynn Vivian Public Realm works	45			45
City Centre Major Redevelopment study	92			92
St Davids/Oldway Demo & St Davids car park	160			160
Sx Castle works	127			127
Oldway Car Park	75			75

Appendix E

GENERAL FUND CAPITAL BUDGET 2014/15 - 2018/19

Regeneration Match Funding		1,281					1281
Revelopment schemes	140	100					240
Hafod/Morfa Copper Works Regeneration Ph1	113						113
Mountain Colliery clawback	169						169
Felindre Development	1,565	70					1635
Environmental Services	1						1
Refurb Swansea Market	49						49
Swansea Market Roof	2,573						2573
Swansea Vale infrastructure/studies	856						856
Vibrant & Viable Places loan	3,000						3000
Housing & Public Protection							
Housing							
DFG's -1996 Act	5,281	5,200	5,200	5,200	5,200		26081
Sandfields Renewal Area	827						827
Emergency Repair Fund	309						309
Property Appreciation Loans	1,033	50					1083
Grant For Noms	196						196
Comfort Safety & Security Grants (CSS)	37						37
Mini Adaptation Grants (MAG)	130						130
Houses into Homes Loans	968						968
National Home Improvement Loans	380	380					760
Public Protection							
Air Quality Management Action Plan	1						1
Corporate Building							
Guildhall Refurb. Phase 3 part 2	24						24
Guildhall Refurb. Phase 4	63						63
Guildhall Refurb. Phase 5 (Brangwyn)	2,294	168					2,462
Guildhall Relocation Management costs	256						256
Accommodation Strategy	302						302

Appendix E

GENERAL FUND CAPITAL BUDGET 2014/15 - 2018/19

Upgrade Server Hardware	352					352
Heol Y Gors Office Refurbishment	116	190				306
Pipehouse Wharf Replacement	182	2,250				2,432
Capital Maintenance allocated	5,192	120				5,312
Capital Maintenance unallocated		4,000	4,000	4,000	4,000	16,000
TOTAL FOR DIRECTOR OF PLACE	60,474	26,061	12,965	13,176	15,317	127,993

Appendix F

Education surplus buildings or land

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



Medium Term Financial Plan 2016/17 – 2018/19

Report of the Section 151 Officer

Council 24th February 2015

Medium Term Financial Planning 2016/17 to 2018/19

Purpose:	This Report sets out the rationale and purpose of the Medium Term Financial Plan and details the major funding assumptions for the period and proposes a strategy to maintain a balanced budget.
Policy Framework:	Sustainable Swansea – Fit for the Future
Reason for decision:	To agree a strategic framework for future service planning.
Consultation:	Legal Services, Access to Services, Cabinet Members and Executive Board
Recommendations:	It is recommended that:- The Medium Term Financial Plan 2016/17 to 2018/19 be approved as the basis for future service and financial planning.
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Section 1 – Introduction and Background

1. Introduction and Background

1.1 Service and financial planning continues to be undertaken against a backcloth of reducing overall financial resources and increasing service pressures and demand.

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

- Covers 3 future years.
- Forecasts future known additional spending requirements, likely resources and potential funding shortfalls
- Links to the Council's adopted strategy '**Sustainable Swansea – Fit for the Future**' as a means of addressing future budget shortfalls.
- Links to the Council's revised Corporate Plan, "Delivering for Swansea" and the delivery of our top 5 priorities.

Future detailed Service planning will need to be undertaken within the financial assessments and forecasts contained within the Medium term Financial Plan.

1.2 It is important to understand that the MTFP does not constitute a formal budget in respect of the period 2016/17 to 2018/19 and as such the indicative annual assumptions included both within the projected spending pressures detailed in Section 2 of this report and the potential funding detailed in Section 5 will be subject to a full review and decision making process as part of each of the annual Revenue Budget and Council Tax setting decisions.

1.3 Instead, the MTFP is intended to outline, in broad terms, the specific service and funding issues over the three year period and how the Council will, within its financial constraints, fund its priorities and achieve major service change and savings.

1.4 It is essential as a planning and review tool in order to assess on an ongoing basis assumptions around service pressures and progress against delivery of savings.

1.5 The plan serves to highlight the trend for increasingly difficult times ahead in terms of funding for this Council and Local Government in general, as well as the service pressures that the Council faces from rising demands and increases in demography..

- 1.6 Importantly, it is essential that the MTFP becomes a 'living' document that is subject to regular review and revisions more information becomes available and risks are updated.. As such, it is anticipated that, along with close monitoring of the specific budget proposals and savings targets for 2015/16, further reports to Cabinet regarding the MTFP will be made as necessary. In particular, the Mid Term Budget Statement in the Autumn of 2015 will provide a key update on the financial outlook and delivery of savings.
- 1.7 The MTFP is one of many documents that are produced in terms of financial planning and control. These include:-
- The annual Revenue and Capital Budgets of the Authority
 - The annual HRA Capital and Revenue Budgets
 - The Formal quarterly budget monitoring reports that are presented to Cabinet
 - The Mid-term Budget Statement intended to be produced each year as an aid to strategic review on progress.
 - The Revenue and Capital outturn Statements taken to Cabinet following year end.
 - The annual Statement of Accounts produced and approved by Council on an annual basis.
- 1.8 The MTFP is intended to form a logical flow from an assessment of forecast resources over the medium term through each step of a structured planning process for future years and as such it specifically details:-
- Section 2 - Overview of financial planning environment 2016/17 to 2018/19
 - Section 3 - Detailed spending and resources forecast 2016/17 to 2018/19
 - Section 4 - Strategy to address future savings requirements
 - Section 5 – A summary of the medium term Financial Plan and Sustainable Swansea strategy.
 - Section 6 - Medium Term Financial planning for Schools
 - Section 7 - Risks and issues surrounding the MTFP
 - Section 8 - An assessment of reserves
 - Section 9 – Legal and Equalities implications
- 1.9 This report should be read in the context of the Council's overarching budget strategy – ***Sustainable Swansea – Fit for the Future*** – as

agreed by Council on 22nd October 2013 and subsequently updated, together with the 2014/15 Mid term budget statement approved by Council on 4th November 2014.

Section 2 – Overview of financial planning environment 2016/17 to 2018/19

- 2.1 The Medium Term Financial Plan (MTFP) report considered by Council on 18th February 2014 included a service and financial overview. This was updated in terms of the Mid-Term budget statement taken to Council in November 2014 and is updated further below.

Economic outlook and prospects for Public Finances

- 2.2 The announcement of both the provisional and final Revenue and Capital Settlements for 2015/16 and beyond has led to a significant acceleration in regard to potential cuts to core revenue funding. In particular the recent settlement announcement for 2015/16, together with statements made by Welsh Government Ministers, suggests an ongoing and sustained reduction in both core funding levels and specific grant awards to Local Authorities throughout the planning period..
- 2.3 The UK Government's decision to cut public spending over several years is being implemented, and indeed commentary following the last Autumn Statement issued by the Chancellor suggests that the balancing of the UK's annual core funding deficit will require further prolonged and significant cuts in public expenditure.
- 2.4 Whilst Welsh Local Government has seen relative protection from cuts in Government grant since 2010, it is now clear that the Council faces a potential overall funding gap of at least £80m over the life of the MTFP (2016/17 to 2018/19) due to both reductions in Welsh Government Finance and Service pressures – and it may be more. Whilst elements of that deficit in respect of 2015/16 are dealt with in the detailed Revenue Budget proposals for 2015/16 elsewhere on this agenda, within Section 3 of this report Members will see the detailed assumptions regarding the resources forecast for the period 2016/17 to 2018/19 which quantifies significant further resource reductions throughout the period of the MTFP.
- 2.5 In addition to known core funding reductions, the Council also has a wide range of service and demographic pressures which will inevitably impact on demand for services. This has the potential to increase further in the light of the impact of potential changes at National Level in respect of cessation of Employers contracted out rates for National Insurance planned for 1st April 2016, coupled with any other measures which affect employers Pension and NI contribution rates.
- 2.6 Given the current Economic Climate both in the UK and the Eurozone it is likely that reductions in core funding will be exacerbated by further reductions in specific grant funding both for Revenue and Capital purposes. Some commentators, such as the Institute for Fiscal Studies, are predicting cuts in

public spending up until 2022, reducing the overall level of spending in the UK to immediate post Second World War levels.

- 2.7 A further complicating factor over the period of the MTFP are proposals to devolve tax varying powers from Westminster to the Welsh Government. Whilst this notionally impacts primarily on individual taxation, potential devolution of Business Rates (NDR) has the potential to impact directly on Local Authority budgets and risk.
- 2.8 In terms of core revenue funding, the Revenue and Capital settlement issued by the Welsh Government on 10th December 2014 did not give indicative settlement levels beyond 2015/16 as would normally have been the case in previous years. This leaves Authorities having to make their own assumptions regarding levels of Aggregate External Funding during the period of the Medium Term Financial Plan, based on an assessment of UK and Wales financial planning and announcements.
- 2.9 For the purposes of the planning assumptions within this Council further cash reductions of 4.5% have been assumed for all three years covered by the MTFP as shown in the following table:-

Year	£'000	Cash reduction £'000	% reduction on previous year
2015/16	307,634	-10,590	-3.4%
2016/17	293,790	-13,844	-4.5%
2017/18	280,570	-13,220	-4.5%
2018/19	267,944	-12,626	-4.5%

Note that 2015/16 is shown in the table above as future reductions are based on the known 3.4% reduction for that year.

- 2.10 During the timescale of the MTFP there are a significant number of events which could impact on some of the major assumptions we have made:-

These include:-

- The outcome of the General Election to be held in May 2015
- The outcome of Welsh Assembly elections to be held in May 2016

- The outcome of any proposals regarding Local Government reorganisation in Wales
- Wider events that could impact on the Global economic position including Eurozone elections.

Support for Capital Programmes

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

Planning assumptions for both 2016/17, 2017/18 and 2018/19 are based on unchanged levels of support.

- 2.11 In addition, the Welsh Government has committed some £25.655m (50% of overall cost) towards the 21st Century Schools programme over the lifetime of this MTFP. The Council is required to meet its 50% share of the costs through the Capital Programme.
- 2.12 More significantly, the Capital programme detailed elsewhere on this agenda assumes a significant level of capital receipts in terms of future funding requirements. The position remains that should such receipts not materialise the Council will have no option but to consider reductions in spend, seek alternative sources of funding or, as a last resort, consider additional borrowing which will have a further adverse effect on revenue finances.
- 2.13 Over the past six years the Council has funded its entire borrowing requirement via the use of internal funds, which is entirely consistent with good Treasury Management policy given historic low interest rates on investments. The effect of that is internal borrowing as at 31st March 2014 totalled nearly £60m. Ongoing borrowing requirements and the depletion of Reserves and Provisions (including significant sums relating to equal pay settlements) means that some externalisation of this debt is now inevitable. It is clear that the Council has an opportunity to progress this at a time when external borrowing rates are at an all-time low and this strategy of externalising a proportion of debt will be undertaken in 2015/16 and beyond as opportunities arise.
- 2.14 It should be noted however, that even with borrowing rates as low as they are, externalising of borrowing is still likely to have a negative impact on revenue finances going forward

Section 3 – Detailed Spending and Resources forecast 2016/17 to 2018/19

- 3.1 The Capital Budget report forecasts capital spending and resources in the period covered by the MTFP.
- 3.2 In terms of the Revenue Budget, and in the context of financial planning over the period of the MTFP, the overriding issue is likely to be the need to make significant ongoing savings in Service Expenditure in order to meet both projected reductions in core and specific funding from the Welsh Government together with known and anticipated spending pressures.
- 3.3 The following table represents the expected funding requirements (based on current policies and decisions) for the period of the MTFP:

Projected spending pressures/funding deficiency 2016/17 – 2018/19

		<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>
	Note	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Future cost of pay awards	1	1,700	3,400	6,800
Pay and grading scheme	2	2,700	5,400	8,100
Cumulative contract inflation	3	1,000	2,000	3,000
Capital charges	4	1,750	3,250	5,000
Schools pay award	5	1,200	2,400	4,800
Teacher's pension costs	6	700	700	700
National Insurance rebate	7	8,000	8,000	8,000
Use of General Reserves	8	1,200		
Demographic and Service pressures	9	3,000	6,000	9,000

Total known pressures		21,250	31,150	45,400
Aggregate External Finance movement		13,844	27,064	39,690
Cumulative budget shortfall		35,094	58,214	85,090

Note:

- 1) Assumed pay increases at 1% p.a. for 2016/17 and 2017/18, rising to 2% for 2018/19. Value of pay award remains relatively static based on falling staff numbers and costs relating to savings programme largely offset by increases in payroll costs due to single status implementation and cumulative effect of pay awards.
- 2) Predicted annual cumulative effect of current scheme due to be implemented on 1st April 2014 – no account taken of potential additional costs arising out of appeals process
- 3) Assumed minimum cumulative effect of known contract inflation
- 4) Presumed overall increase in borrowing due to delays in capital receipts on both general fund and schools programmes.
- 5) Presumed minimum addition to schools funding to cover base payroll cost increases. Includes calculation for pay awards in line with 1) above
- 6) Residual full year effect of employers funding increase re Teachers pension contributions following actuarial revaluation.
- 7) This is entirely dependent on a current Government policy commitment to introduce a universal state pension with effect from 1st April 2016 assumed to be funded from withdrawal of the current rebated Employer National Insurance costs for those employers with contracted out pension schemes.
- 8) Planned use of a further £1.2m for 2015/16 dependent on 2013/14 and 2014/15 outturn position.
- 9) Based on ballpark assumptions around a number of pressures including deprivation of liberty assessments and assumed pressures within both adult and children's services, together with a number of potential pressures within the areas of waste management and other services.

3.4 As stated, this forecast contains no provision for increases in net service costs, in particular:-

- a) Any increase in costs arising from decisions on Government taxation – other than potential costs relating to the scrapping of contracted out National Insurance rates - most significantly increases arising from upward increases in landfill tax costs
- b) Corporate costs in excess of budget provision in respect of single status implementation or other issues relating to employee costs.

- c) Any one off costs arising from changes to service delivery across the Council, including transformational change.
- d) Any general inflation provision relating to non-contractual issues.
- e) Any increased costs or reductions in income arising from ongoing changes to welfare reform, in particular the potential introduction of Universal Credit during the lifetime of the MTFP.
- f) Any budget changes arising from further regionalisation of Education and Social Services particularly where projected budget transfers may be in excess of current CCS service budgets.
- g) Any increases in Capital financing charges beyond those allowed for which is dependent on the Council achieving a level of capital receipts as detailed within the Capital budget submitted for approval elsewhere on this agenda.
- h) Future funding decisions in respect of protection for Social Services or Delegated Schools' budgets which may be specified by the Welsh Government in future budget settlements
- i) Any potential downward movement in service specific grants, some of which we have experienced at short notice during the last year.

3.5 In addition the forecast does not allow for any potential increase in non-schools' employer superannuation rates for 2018/19 which will be based on a triennial valuation as at 31st March 2017.

3.6 In addition the recent publication of the Williams Commission report on the reform of the Public Sector in Wales raises the possibility of Local Government reorganisation involving the Council. However, both the potential to reorganise and the timing of that reorganisation are such that the MTFP as presented continues to forecast a scenario for the Council on an 'as is' basis. Clearly we will need to revise the MTFP if and when any definitive statement is made on this subject by Welsh Government.

Section 4 – Strategy to address future savings requirements: Sustainable Swansea – fit for the future

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

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

This ambition is set out in *Sustainable Swansea – fit for the future*, our long term plan for change, underpinned by our Innovation Programme.

4.2 The Strategy was agreed by Cabinet and reported to Council in October 2013. The Delivery Programme was approved by Cabinet on 29 July 2014 (see link [here](#)). It is important that we continue to use the narrative in all our communication and that we apply the budget principles across all our thinking. The budget principles are reflected in the proposals set out in this report.

4.3 Since the July 2014 meeting of Cabinet we have:

- Started work on the delivery of the Savings Programme Workstreams
- Started the next phase of engagement on *Sustainable Swansea – “Continuing the Conversation”* following agreement of a report to Cabinet on 16th December 2014
- Developed a range of additional proposals to meet a significant proportion of the Council's £25.7m shortfall in 2015/16, which result in further savings during the period of the MTFP which is relevant to this report, as reported to Cabinet on 16 December 2014.

Our Service Priorities for 2015/16 and the MTFP period

4.4 Although the Council is currently focused on a plan to save an additional £86m over the period of the MTFP, it is vital that we continue to retain Member and management focus on the significant proportion of our budget that will remain. Our gross budget is approximately £737m (excluding Housing Services (HRA)) and we spend around £1.5m a day on services to residents.

4.5 The Council has clear and strong long term ambitions for Swansea and the proposals for savings must be seen in the context of the following:

- The Council's top 5 priorities and future plans for services (as they appear as a separate item on this agenda) (a revised Corporate Plan will be agreed by Council in February 2015)
- The core objectives of *Sustainable Swansea* – which embrace all that we do
- The application of the budget principles – which guide our decision making

4.6 The Council's overall aim is to protect frontline delivery of services as far as possible. However, whilst many things are important, not everything can be a priority. It is important, therefore - particularly in the current climate of significantly reduced resources - that we set out clearly our expectations on all services and relative priorities for funding in the context of the significant reductions that we face.

4.7 This requirement is illustrated sharply by the "gearing" effect of savings on services. In other words, if our current savings requirement of £86m over three years was applied, for example, just to Corporate Services (excluding Council Tax Reduction Scheme) and Place Services, the budgets for areas would be cut by around 90%. Consequently, other areas such as Schools and Social Care also need to face some level of reduction over the next 3 years, given the relative size of their budgets.

4.8 A statement of budget priorities and policy statements that flow from this is set out in **Appendix A**. This statement follows an assessment of services in relation to the following criteria:

- **Invest:** those Services where the Council will increase current levels of investment
- **Maintain:** those services where the Council will broadly maintain current level of spend in the medium term
- **Reduce:** those services where the Council will reduce the current level of spend over the medium term

Regardless of relative funding levels, there is also an absolute requirement that **all services** must transform and strive for maximum efficiency.

4.9 Based on the statement of priorities and having regard to the "gearing effect" when considering savings, the indicative 3 year saving/investment targets for each major block of services (including 2015/16), as reported to Cabinet on 16th December 2014, is set out in the Table below. This table is important at this stage only as it gives an indication of prioritisation of services.

Service	Current Budget £m	Percentage Reduction/Increase over 3 Years	Amount Realised £m
Schools & Education	159.5	-15	-23.9
Social Care – Child & Families	39.1	-15	-5.9
Social Care- Adults	65.6	-20	-13.1
Poverty & Prevention*	3.5	+5	+0.2
Place	54.0	-50	-26.5
Corporate Services	25.1	-50	-12.5
Total	346.8m		-81.7m

** Note that whilst this is the controllable budget for Poverty & Prevention, the Council spends **significantly more** on this area through the contribution of a wide range of other services*

- 4.10 This statement will form the basis of our future Medium Term Financial Plan, as well as individual service plans. It should be noted that the savings targets detailed above are for the period 2015/16 to 2017/18 and will need to be extended to 2018/19 as planning assumptions for that year become more predictable
- 4.11 A statement of General Principles to be adopted for all Services together with a summary of specific service priorities is given at appendix 'A' to this report.

Section 5 – A summary of the Medium Term Financial Plan and Sustainable Swansea strategy

5.1 The summary anticipated savings requirement over the period of the Medium Term Financial Plan is shown below and is extracted from the table shown at section 3.4 of this report.

		<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>
	Note	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<i>Cumulative budget shortfall</i>		35,094	58,214	85,090

5.2 The assumptions surrounding the compilation of these figures are given in detail within the table at 3 above and, in particular, are heavily dependent on the assumption of an ongoing 4.5% reduction in AEF for each of the three years covered by the MTFP

Clearly there is the risk of significant volatility in future years arising from:-

- The cumulative effect of any variation in these assumptions in early years
- The uncertainty around assumptions surrounding the latter years of the forecast.

5.3 Notwithstanding that position, in addressing the ongoing budget deficit, the Council has a number of actions that it can take in terms of achieving a balanced budget.

These include:-

- Realisation of future years' budget savings arising out of previously agreed savings and 2015/16 consultation proposals
- Additional Directorate/Service Area targeted savings as detailed in Section 4.9 of this report
- Potential rises in Council Tax levels.

5.4 Bringing these items together, and assuming a balanced position for 2015/16, the following indicative position is envisaged:-

		<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>
	Note	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<i>Cumulative budget shortfall</i>		35,094	58,214	85,090
<i>Directorate savings proposals/agreed</i>		-12,772	-20,554	-20,554
<i>Additional Directorate Savings required (including Schools delegated budgets)</i>		-22,322	-37,660	-64,536

The Directorate savings indicated above are largely in line with the Report to Cabinet taken on 16th December 2014 'Sustainable Swansea – Fit for the Future – Budget proposals 2015/16 to 2017/18' And will be subject to budget consultation and review as part of the strategic budget setting in respect of each future financial year.

- 5.5 By combining the indicative priorities regarding Directorate and Service Savings highlighted in the table at 4.9 above, with the savings requirements as shown above, it is possible to give an indicative savings target across Directorates for each year of the MTFP as shown below.

Medium Term Financial Plan						
Indicative Departmental Savings targets						
		2015/16	2016/17	2017/18	Target	2018/19
					to 2017/18	
		£'000	£'000	£'000	£'000	£'000
Schools & Education						
	2015/16 and agreed 16/17, 17/18	7,178	1,216	575	23,900	
	FURTHER SAVINGS REQUIRED		8,201	5,300		7,862
Social Services						
	2015/16 and agreed 16/17, 17/18	4,879	4,184	4,145	19,000	
	FURTHER SAVINGS REQUIRED		3,789	1,123		6,250
Poverty & Prevention						
		378	0	0	-200	
Place						
	2015/16 and agreed 16/17, 17/18	4,732	4,196	1,852	26,500	
	FURTHER SAVINGS REQUIRED		7,891	6,349		8,717
Corporate Services						
	2015/16 and agreed 16/17, 17/18	2,452	3,176	1,210	12,500	
	FURTHER SAVINGS REQUIRED		2,441	2,566		4,047
Total		19,619	35,094	23,120	81,700	26,876
Cumulative savings over mtfp period						
			35,094	58,214		85,090
Cumulative MTFP gap						
			35,094	58,214		85,090

In terms of the above table it should be noted that the Education additional savings requirement for all years of the MTFP includes potential reductions in delegated budgets.

It should also be noted that the table assumes NO rise in Council Tax levels during the period of the MTFP.

5.6 THE TABLE SERVES TO HIGHLIGHT THE SCALE OF THE FINANCIAL ISSUES FACING THE COUNCIL OVER THE PERIOD OF THE MTFP AND THE SIGNIFICANT ADDITIONAL SAVINGS THAT WILL HAVE TO BE MADE FROM 2016/17 ONWARDS

5.7 In terms of addressing the additional savings requirements, the Council will, as previously agreed, deliver the bulk of these through the Sustainable Swansea programme.

Details of the workstreams, including progress to date, are shown at appendix 'B' to this report.

- 5.8 It is essential that substantial and specific targets are agreed for the Workstreams and Delivery Strands in order to give scale, ownership and a measurability and confidence that we can deliver the level of change and savings required.
- 5.9 The projected targets shown below are NOT additional to the Directorate targets shown in the table at 5.5 above, but are intended to provide an indicative framework against which the additional savings shown within that table can be delivered

Indicative potential workstream targets						
		2016/17	2017/18	2018/19		
<u>Strand</u>		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>		
Efficiency		5	10	15		
New Models of Delivery		10	20	30		
Prevention		2	6	8		
Stopping services		3	6	9		
		20	42	62		

Note: see Appendix 'B' for more information on the workstreams

5.10 Further work will take place on the development of a revised Sustainable Swansea Delivery Programme to replace the one agreed by Cabinet on 29 July 2014. This will need to include (amongst other things):

- Efficiency
 - Programming of savings from the review of third party spend and additional income
 - Additional management and support services savings

New Models of Delivery

- Savings resulting from the completion of the Commissioning Reviews
- Transforming customer contact

Prevention

- Modelling of the cost reduction in services from demand management and early intervention

Stopping Services

- Feedback from residents about services which can be stopped or delivered through community action

Section 6 – Medium Term Financial Planning for Schools

- 6.1 The purpose of this section is to highlight the estimated effect of specific spending pressures and potential specific grant reductions on Schools' budgets in the light of funding assumptions detailed elsewhere within this report.
- 6.2 More specifically the Detailed Budget report to Council in respect of the 2105/16 Revenue Budget outlines the specific budget proposals for that year.
- 6.3 It is important to note that, given the size of the potential budget deficit facing the Council over the period of the MTFP, it is envisaged that Schools will continue to be required to contribute to ongoing savings targets during this period.
- 6.4 The table shown in Section 4.9 of this report details the proposed indicative Directorate Savings targets for the period 2015/16 to 2017/18 in respect of the Revenue Budget.
- 6.5 Those projected savings targets offer relative priority to Education and Schools budgets.
- 6.6 It would be prudent to assume, however, that reductions in real term budgets of around 5% p.a. will be required to meet the Council's budget needs going forward. The assumption is that an overall cash reduction of some 5% will be applied to Schools on an annual basis subject to spending pressures identified in Section 3.3 of this report being funded.
- 6.7 It is essential therefore that we engage with Schools on a strategic review of provision as simply cutting 5% per annum will not work.

Section 7 – Risks and issues implicit within the MTFP

- 7.1 As stated throughout this report the financial risks facing the Council include:-
- Assumptions around the Reductions in core funding from Welsh Government being incorrect, particularly if understated
 - Ongoing reductions in specific grants which require equivalent reductions in expenditure, often at short notice, which are both uncertain and unpredictable in terms of timing.
 - Delay or non-delivery of key savings strands which are essential to meet the projected service reductions identified in this report
 - Significant further changes to Central Government fiscal policy with regard to the Public Sector.
- 7.2 The table at 3.3 of this report outlining the potential budget shortfalls over the period of the MTFP contains a significant number of assumptions around future cost pressures, particularly with respect to pay awards, which may have a significant cumulative effect if not settled at the levels indicated. This has the potential to change significantly the projected deficit towards the end of the planning period.
- 7.3 The assumptions contained within the plan specifically assume:-
- The Council will deliver a balanced revenue outturn in respect of the current and future financial years and, to that extent, no deficits are identified that would require additional funding in future years
 - The Capital programme is constrained to the extent that the maximum additional debt charges that are incurred (which should be considered temporary until capital receipts are achieved) do not exceed the sums included in the MTFP.
 - The Council continues to achieve its ambitious savings targets.
- 7.4 It is assumed that there will be no substantive change to the structure of service delivery, including additional regionalisation of services and, in particular, there will be no impact on later years in respect of Local Government reorganisation.

Section 8 – Use of Reserves

- 8.1 The purpose of this section is to highlight the current planned use of General Reserves to support the 2014/15 Revenue Budget and to outline the relationships between known risks and earmarked reserves and its effect on planning assumptions.8.2 An analysis of the current position is given in sections 8.4 to 8.9 below.
- 8.3 Conclusions and recommendations in respect reserves usage is given in section 9.6 below.
- 8.4 The current 2014/15 Revenue Budget is underpinned by a proposed use of £2.2m from general reserves.
- 8.5 In terms of planning assumptions the assumption is that this creates a spending pressure for 2015/16 as there is no assumption of ongoing availability of General Reserves for that year or beyond.
- 8.6 Whilst the Council maintains a number of specific reserves they are not factored into planning assumptions based on the following:
- They are either ring-fenced under statute or scheme of delegation (e.g. Schools' delegated reserves)
 - They are earmarked to meet known liabilities
- 8.7 In addition various sections highlighted throughout this report refer to significant ongoing risk around current activities – particularly single status and outstanding equal pay claims.
- 8.8 It remains the position that until these significant risks are fully mitigated then any additional planned use of earmarked reserves to support general revenue budget deficits would be inappropriate.
- 8.9 At this point in time, in line with previous years, any consideration regarding use of reserves should relate to General Reserves only and previous planning assumptions remain extant.

Section 9 – Legal and Equalities implications

9.1 Legal Implications

There are no legal implications arising from this report.

9.2 Equalities Implications

9.2.1 The budget reductions implicit in the 2014/15 approved budget were subject to an appropriate Equality Impact Assessment which was considered as part of the overall budget process.

9.2.2 Where additional budget savings requirements are identified as part of the 2015/16 and Medium Term Financial Plan budget processes they will again be subject to an appropriate Equality impact assessment (including relevant consultation and engagement) as part of the budget considerations for those financial years..

Appendix 'A' Statement of Budget Principles and Service Budget priorities

Appendix 'B' Sustainable Swansea work-streams and progress to date

Mike Hawes

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Statement of Budget Principles and Service Budget priorities**GENERAL PRINCIPLES FOR ALL SERVICES**

4.11 There are a number of principles that apply to all the Council's services, regardless of the assessment of relative priorities. These are set out below.

Budget Principles

4.12 The Council has adopted a number of Budget Principles which underpin *Sustainable Swansea*:

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

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

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

Service Transformation and Efficiency

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

Transformation	<p>All service must transform through a fundamental review of purpose, however services are commissioned, to:</p> <ul style="list-style-type: none"> • deliver better outcomes • develop a sustainable delivery model, fit for the future
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	<ul style="list-style-type: none"> • reduce costs and secure value for money
Efficiency	<p>All services must continue to strive for efficiency, in particular:</p> <ul style="list-style-type: none"> • reduce management and other overheads • maximise opportunities for increasing income from charges, trading and external sources • reduce the cost of purchasing supplies and services • work with others to achieve better outcomes • look for opportunities for residents or community groups to take or share responsibility for services

STATEMENT OF BUDGET PRIORITIES: PEOPLE’S SERVICES

4.14 Schools and Education

Education is working towards a “one education budget” strategy across delegated and non-delegated budgets

Significant savings cannot be made without reductions in the Schools Delegated Budget over the next three years, including by transferring to schools functions that are currently funded centrally but are better managed locally. We are fully aware of the promises that the Minister has given regarding schools funding, and we are meeting our obligation on this in a number of ways, as outlined below.

Moreover, further severe cuts in the remaining non delegated education budgets will have a direct impact on areas of pupil specific support and further reduce the support that can be provided to schools from the department.

A further move towards a fundamentally different relationship between schools and the local authority is required. The future model for Education provision includes:

- Radically changing the way support for pupils is provided – more flexible earlier intervention and support, as local as possible
- A consistent approach to support the needs of all pupils through a continuum of support
- Integrating and aligning services with Social Services and other agencies such as Health
- Working more closely with communities, recognising the role of schools at the heart of their communities, seeking to minimise transport costs and, wherever feasible, co-locate other services on school sites to aid sustainability (where revenue and capital funding streams are at least sufficient to cover the costs involved).

We will deliver this through:

- Coherent revenue and capital strategies
- Optimising the level of delegation of funding and responsibilities to schools to allow the greatest flexibility in the use of the available resources
- Supporting earlier intervention and support for pupils:
 - Reducing the need for formal statements
 - Providing increasingly targeted specialist support, reflecting the findings of the recent independent behaviour review
 - Building capacity in mainstream educational provision
 - Empowering & facilitating more collaborative school to school support
- Delivery of significant financial savings through a continuing coherent 'one education budget' strategy:
 - Retaining an absolute core level of statutory and regulatory provision at the centre
 - Ensuring a full cost recovery of costs of any support provided to schools above this level and providing the minimum level of Council funding required to fully access the remaining available specific grants
 - Ceasing financial contributions to support the few remaining areas of discretionary educational provision

4.14 Social Services- Child & Families

No policy changes are proposed in Child and Family Services.

We will maintain the current Safe LAC Reduction Strategy to reduce the number of looked after children and achieve the planned savings of around £6m.

4.15 Social Services – Adult Social Care

A new approach has been proposed for Social Services based on the application of *Sustainable Swansea* principles and Workstreams and the national legislative requirements to the future model of social services. This is required to deliver savings of £13m over 3 years.

Our policy must be to:

- Promote greater independent living for longer, and reduce demand for long term care by investment in prevention and reablement
- Develop the Swansea model of Local Area Coordination to increase community-based support and change the current model of day and residential services
- Ensure our services are as efficient as possible by reviewing alternative models for delivering social care such as social enterprise, increased use of the voluntary sector, increase volunteering and community self help

- Drive forward the reshaping and integration of services with health and other key partners to achieve whole system change, including local commissioning and delivery
- Communicate the new vision, the long term benefits and our plan for safe and better care to residents, carers and partners

4.17 Poverty & Prevention

We have agreed a comprehensive Poverty Strategy, no changes are proposed to this.

Our policy must be to:

- Implement the strategy and provide additional investment **or** redirect existing spend in community based preventative programmes where evidence shows this works
- Ensure all Council services (as well as partners) contribute to combatting poverty by directing activity towards these objectives
- Invest in prevention through the Prevention Fund and development of a Council-wide Prevention Strategy

4.18 STATEMENT OF BUDGET PRIORITIES: PLACE SERVICES

Place based services will see a 50% reduction over the next 3 years, around £26m.

To deliver such a challenge our policy must be to:

- Accept that reductions of this scale will inevitably have a significant negative impact upon visible streetscene and environmental services
- Re-commission all services and in many cases focus on enabling other providers and the community to deliver our objectives in areas such as culture and parks
- Establish commercial and trading models where ever we can to offset the loss of Council funding eg: building services
- Introduce a radical approach to demand management and self-regulation in areas such as waste, enforcement
- Seek to maintain current levels of investment in roads focusing on preventive action to reduce future costs
- Meet national housing quality standards, with a particular emphasis on target areas
- Prioritise the Regeneration of the City Centre and the economy

STATEMENT OF BUDGET PRIORITIES: CORPORATE SERVICES

Corporate Services will see a 50% reduction over the next 3 years, around £12.5m.

To deliver such a challenge our policy must be to:

- Change the current model of delivery to increase self-service and reduce demand for transactional services
- Focus only on the critical functions of the corporate centre such as governance, financial control, core HR advice and commercial capability and stop doing other things
- Look for opportunities for shared services with other public sector organisations in the area and/or outsource
- Radically change our approach to customer contact and engagement, to shift to digital channels and reduce costs
- Consolidate and reduce the cost of all common support functions across the Council, such as financial processes, ICT, business support
- Maintain overall investment in ICT, on a business case basis, to support the transformation agenda, including on-line self-service, agile and mobile working and direct service innovation such as telecare

Sustainable Swansea work-streams and progress to date

Efficiency Workstream (Sponsor Dean Taylor)		
Savings Strand	Lead	Current Position/Achievements to Dates
Continuous Improvement	Alison Lewis	<ul style="list-style-type: none"> • Systems Thinking training has commenced across the Council • First phase projects agreed for: Social Services Intake Team, Special Education Needs, Waste Management, Customer Contact and HR processes
Workforce	Steve Rees	<ul style="list-style-type: none"> • Additional management savings identified for next 3 years • Options to Reduce the Pay Bill evaluated and being considered • Revised Employee Performance Management Policy rolled out • Revised Workforce Planning process being piloted in Education
Support Services	Steve Rees	<ul style="list-style-type: none"> • Transforming Business Administration – opportunities for reducing posts, revised structures, processes & technological improvements identified and being implemented for all Services • Other Support Services currently being scoped e.g. Policy and Performance
Assets	Geoff Bacon	<ul style="list-style-type: none"> • Accommodation Strategy- proposals to increase office accommodation densities, increase agile working and release assets are being implemented and achieving savings ahead of target. Marketing of Penllergaer Civic Centre has commenced for its release in Summer 2015. • Service Assets - Annual NNDR savings in excess of £300,000 pa achieved to date with rebates in excess of £500,000 received. Savings from asset closures being captured. • Area Reviews - Programme of area reviews

		<p>ongoing and on target. Ward Members being contacted with wider consultation with Community/Town Councils early in New year. Specific opportunities identified and undergoing feasibility. Linking into service asset review.</p> <ul style="list-style-type: none"> • Depot Review - Opportunities for reduced depot portfolio currently under investigation.
Third Party Spend	Pat Arran	<ul style="list-style-type: none"> • Action Plan agreed and embedded • Category Managers appointed, Category Hubs set up and operational • Central contracts register being populated • More accurate spend data generated and analysed • Range of cashable and non cashable savings realised, with a value of circa £1.7m • Social Services spend to be addressed as Phase 2
Income & Trading	Pat Arran	<ul style="list-style-type: none"> • New commercial team in place • Over 1500 charging opportunities identified and being explored • Advertising and Sponsorship protocol and approach developed • Income leads network established and operational • Significant income opportunities identified (<i>see elsewhere in this report</i>)

New Models of Delivery Workstream (Sponsor Phil Roberts)		
Savings Strand	Lead	Current Position/Achievements to Dates
Customer Contact	Lee Wenham	<ul style="list-style-type: none"> • New public website launched in September 2014. Further work is taking place to prioritise services to enable more online forms and payments to improve customer service and increase efficiencies. • Automated telephony system introduced in Benefits, Council Tax and Business Rates has significantly reduced the number of calls handled by staff and reduced waiting times. A 6

		<p>month review will be held in December 2014 and will consider which other services would benefit from the automated system.</p> <ul style="list-style-type: none"> • Analysis of Contact Centre configuration and customer journey being carried out to improve customer experience, reduce demand and reduce waiting times. The new-look contact centre could include self-serve e-zone, Wi-Fi and electronic queuing system. Recommendations are expected in January 2015. • The e-payments contract has been extended until Sept 2015 which will enable more services and payments to go online, reducing back-office workload, improving customer access and reducing face to face and telephone contact. • Initial mapping of the main customer contact areas completed to help identify potential linkages and to develop a consolidated service under a single management. • The £300k savings target will not be met. External health check of customer contact strategy completed and an action plan is being developed to address key issues.
Commissioning	Martin Nicholls	<ul style="list-style-type: none"> • Commissioning Process map agreed • Strategy for Cultural Services underway • A programme of reviews has been developed. Year 1 (2015) includes: <ul style="list-style-type: none"> ○ Libraries ○ Waste Management ○ Leisure ○ HR/Finance/Legal/other support services ○ Catering and Cleaning ○ Employment Training ○ Residential and Outdoor Centres ○ Domiciliary Care, Day Care, Residential Care. • Libraries review underway • Project delivery resource allocated • Integrated Fleet Management to be scoped
Collaboration	Chris Howell	<ul style="list-style-type: none"> • Work is progressing on the development of a toolkit for Collaboration to build the capacity of managers for effective collaborative arrangements in the future which links to work being developed by the Council's HR and Organisational development team

Community Action	Tracey McNulty	<ul style="list-style-type: none"> • Heads of Service populating specific ideas, examples of opportunities for Community action by end of November • Community Action ideas/opportunities to be collated scoped and prioritised by 11th Jan 2015 • Review of leisure opportunities for Mumbles underway with Mumbles Community Council • Agreement to lease Underhill Park reached • Terms agreed for the indoor Bowls Club • Consultation with existing leisure/arts providers underway
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Prevention Workstream (Sponsor Chris Sivers)		
Savings Strand	Lead	Current Position/Achievements to Dates
Manage Demand	Sarah Caulkin	<ul style="list-style-type: none"> • Closer working with the Demand Management strand and Continuous Improvement strand agreed and in progress • Awareness training design sessions with Project Leads arranged • Pilot group to be identified for Awareness Training rollout. • Toolkit to be developed to help Managers with Demand management.
Early Intervention	Sarah Crawley	<ul style="list-style-type: none"> • Child and Family Support Project Team have completed a draft model for remodelling C&F Services to focus on prevention. • Desk top review of services supporting young people completed. • Agreement reached on investment in a range of preventative projects under the Prevention Budget. Communications and implementation plans are in place and have commenced. • Focus group meeting has been arranged to scope the Domestic Abuse project.

		<ul style="list-style-type: none"> Local Area Co-ordination Implementation Manager appointed. Meeting with third sector on progressing wellbeing mapping. Planning is in place for a series of activities or sessions with children, young people and families, as part of the consultation taking place which considers the <i>Sustainable Swansea: Fit for the Future</i> Programme. Initial mapping of the Out of County placements has been completed. The project is seeking options for greater efficiency.
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Stopping Services Workstream (Sponsor Dean Taylor)		
Savings Strand	Lead	Current Position/Achievements to Dates
Council Priorities	Dean Taylor	<ul style="list-style-type: none"> Revised Corporate Plan has been produced for Council approval in February 2015 Budget Activity Reviews have been undertaken; a number of proposals to stop or reduce services are contained in this report “Continuing the Conversation” engagement about the future priorities of the Council and what residents can do for themselves has commenced
Future Council	Dean Taylor	<ul style="list-style-type: none"> A programme of staff engagement has taken place on the future look and feel of the Council Proposals for changing the way we work will be brought forward as part of the Innovation Programme



**Treasury Management Strategy, Prudential Indicators,
Investment Strategy and Minimum Revenue Provision
Policy Statement 2015/16**

Report of the Section 151 Officer

Council – 24th February 2015

TREASURY MANAGEMENT STRATEGY, PRUDENTIAL INDICATORS, INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION POLICY STATEMENT 2015/16

Purpose:	To recommend the Treasury Management Strategy Statement, Prudential Indicators, Investment Strategy and Minimum Revenue Provision Policy Statement for 2015/16.
Policy Framework:	None
Reason for Decision:	To allow for the proper management of the Council's borrowing and investments, to comply with statute, and the adopted CIPFA Prudential Code for Capital Finance in Local Authorities and the Revised CIPFA Treasury Management Code of Practice
Consultation:	Legal, Finance & Delivery and Access to Services.
Recommendations:	That Council approves:- (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)
Report Author:	Jeffrey Dong
Finance Officer:	Mike Hawes
Legal Officer:	Tracey Meredith
Access to Services Officer:	Sherill Hopkins

1. Introduction

- 1.1 This strategy statement has been prepared in accordance with the revised CIPFA Treasury Management Code of Practice adopted by this Council in 2010. The Council's Treasury Management Strategy will be received and reviewed annually by Council and there will also

be a mid year report providing an interim update. The aim of these reporting arrangements is to ensure that those with ultimate responsibility for the scrutiny of the Treasury Management function appreciate fully the implications of Treasury Management policies and activities, and that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

1.2 Revised CIPFA Prudential Code

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

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

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

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

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

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

1.5 The recommended strategy for 2015/16 is based upon a view on interest rates, having considered leading market forecasts provided by the Council's treasury advisor, Capita Asset Services. The overall strategy covers:

- Treasury Limits 2015/16-2018/19
- 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 2015/16 to 2018/19

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						
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000	£'000	£'000
	Actual	Probable	Estimate	Estimate	Estimate	Estimate
Capital Expenditure						
GF	59,047	89,202	43,902	31,394	19,059	17,687
HRA	24,981	26,907	136,293	44,000	41,500	42,000
TOTAL	84,028	116,109	180,195	75,394	60,559	59,687
Capital Financing Requirement ***						
GF	314,815	335,153	339,718	336,108	331,205	326,245
Credit Arrangements *	2,600	2,895	1,436	1,225	809	445
HRA	66,378	64,450	160,561	169,750	178,755	188,179
Magistrates' Court **	1,595	1,531	1,470	1,411	1,354	1,300
TOTAL	385,388	404,029	503,185	508,494	512,123	516,169
Authorised limit for external debt	£527,220	£597,269	£601,314	£605,724	£605,724	£605,724
Operational boundary for external debt	£445,829	£547,269	£551,314	£555,724	£555,724	£555,724
Upper limit for fixed interest rate exposure	100%/ £527,220	100%/ £597,269	100%/ £601,314	100%/ £605,724	100%/ £605,724	100%/ £605,724
Upper limit for variable rate exposure	40%/ £210,888	40%/ £238,908	40%/ £240,526	40%/ £242,290	40%/ £242,290	40%/ £242,290
Upper limit for total principal sums invested for over 364 days	£75,000	75,000	40,000	40,000	40,000	40,000

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

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

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

Maturity structure of fixed rate borrowing during 2014/15-2018/19		
	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 2013/14 %	Revised 2014/15 %	Estimate 2015/16 %	Estimate 2016/17 %	Estimate 2017/18 %	Estimate 2018/19 %
General Fund	7.24	6.58	7.00	7.26	7.47	7.67
HRA	9.04	7.96	13.39	16.98	17.57	18.20

Estimates of Incremental Impact of Capital Investment Decisions on Council Tax (Band D) and Council Housing Rents						
	Actual 2013/14 £	Revised 2014/15 £	Estimate 2015/16 £	Estimate 2016/17 £	Estimate 2017/18 £	Estimate 2018/19 £
General Fund*	70.50	87.23	98.02	105.87	104.81	103.23
HRA*	0.00	0.00	43.94	111.43	181.35	250.92

*It should be noted that in formulating the two above indicators it is necessary to hypothecate funding (in this case council tax and housing rents) to specific areas of capital expenditure, however in reality the complete spectrum of funding resource is utilised in funding capital expenditure as appropriate.

Gross Debt v Capital Financing Requirement

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

Comparison of average gross debt and capital financing requirement	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	actual	probable	estimate	estimate	estimate	estimate
	£'000	£'000	£'000	£'000	£'000	£'000
Average debt (gross)	325,110	315,407	418,643	436,903	455,198	473,527
Capital Financing Requirement	382,788	401,134	501,749	507,269	511,314	515,724
Net Position	57,678	85,727	83,106	70,366	56,116	42,197

3 . The current portfolio position

3.1 The Council's probable debt portfolio position at 31/3/15 comprises:

	Principal outstanding 31 March 2015 £'000	Average rate of Interest %
Public Works Loan Board (fixed)	212,981	6.10
Money Market	98,000	4.10
Temporary	1,992	0.60
TOTAL	312,973	5.45

3.2 The Council's forecast investment portfolio at 31 March 2015 is as follows:

Managed investments	Investments 31 March 2015	2014/15 Estimated Investment Return	2015/16 Estimated Investment Return
	£'000	%	%
Internally Managed	105,686	0.59	0.60

4. Prospects for Interest Rates

4.1 The Council's Treasury advisers (Capita Asset Services) provided the following interest rate forecast for both short term (bank rate) and long term (PWLB) interest rates as at 16th January 2015. 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 % (including certainty rate adjustment)		
		5 year	25 year	50 year
Mar 2015	0.50	2.20	3.40	3.40
Jun 2015	0.50	2.20	3.50	3.50
Sep 2015	0.50	2.30	3.70	3.70
Dec 2015	0.75	2.50	3.80	3.80
Mar 2016	0.75	2.60	4.00	4.00
Jun 2016	1.00	2.80	4.20	4.20
Sep 2016	1.00	2.90	4.30	4.30
Dec 2016	1.25	3.00	4.40	4.40
Mar 2017	1.25	3.20	4.50	4.50
Jun 2017	1.50	3.30	4.60	4.60
Sep 2017	1.75	3.40	4.70	4.70
Dec 2017	1.75	3.50	4.70	4.70
Mar 2018	2.00	3.60	4.80	4.80

4.2 Economic Background

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

5. The Borrowing Requirement

5.1 The Council will have the following net capital borrowing / repayment requirements for 2014/15 to 2018/19 :

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Borrowing and repayment requirements	Actual	Probable	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000	£'000
To finance new capital expenditure by supported borrowing	6,227	6,356	6,356	6,356	6,356	6,356
To finance new capital expenditure supported by Local Authority Government Borrowing Initiative (highways)	2,648	5,861		-	-	-
To finance new capital expenditure by unsupported borrowing	8,269	23,523	12,415	4,339	3,047	2,946
To finance HRA capital expenditure/HRA Subsidy Reform 2015/16			98,000	13,000	13,000	13,000
To replace loans maturing/repaid prematurely	6,283	7,323	3,189	286	9,002	1
Less						
Repayments (MRP)	14,122	14,706	15,556	17,575	17,757	17,891
Set aside capital receipts	1,237	600	600	600	600	600
NET BORROWING /(REPAYMENT) REQUIREMENT	8,068	27,757	103,804	5,806	13,048	3,812
Principal repayment element of finance lease payments	876	915	559	288	235	240

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 2014/15 will be met from internal loans i.e it will be internalised. However, we will continue to appraise market conditions and opportunities to start to externalise debt to fund the capital programme when borrowing rates offer long term value during 2015/16 and as cashflow requirements dictate with a

view to begin averaging in the total borrowing requirement in 2015/16 and the succeeding years.

Short term savings (by avoiding new long term external borrowing) will be weighed against the potential additional long term extra costs (by delaying unavoidable new external borrowing until later when PWLB long term rates are forecast to be marginally higher).

5.4 Housing Revenue Account (HRA) Subsidy Reforms - Self Financing Settlement

As outlined in the report approved by Council on 2nd Dec 2014 entitled “*Reform of the Housing Revenue Account Subsidy System*”, the Authority has entered into a Voluntary Agreement with Welsh Government to exit the current HRA subsidy system, resulting in more flexibility for the Authority in meeting affordable housing needs in the locale. In order to exit the current HRA subsidy system, a cash settlement amount must be paid over to HM Treasury equal to a sum determined by formulae agreed in the Voluntary Agreement which will result in a likely settlement figure in the range of between £70m and £100m for this Authority. The overriding principle of the HRA Reform is that all local housing authorities will be financially better off in revenue terms after the reforms.

The requirement for the HRA reform settlement to be made to the Welsh Government on 1 April 2015 will require a separate borrowing strategy dictated by the terms outlined in the Voluntary Agreement. The Council will need to have the cash settlement amount of between £70m and £100m available by the 2 April 2015, so separate borrowing solely for this purpose is anticipated. The exact structure of loans to be drawn is currently being considered by officers in consultation with Welsh Government and HM Treasury to ensure it meets the requirements of the HRA business plan and the overall requirements of the Council.

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 continue over the short to medium term.

In addition, the continuing uncertain economic conditions has maintained the need for caution in managing credit counterparty risk. There is still a risk of a bank / institution defaulting on the payment of interest due or repayment of amounts invested.

- 6.2 Taking the above points together, it is not proposed to undertake any new long term external borrowing for the remainder of 2014/15. The main strategy - with a view to minimising interest costs and the risk of default by counterparties - is therefore to continue to internalise the majority of the borrowing requirement for 2015/16 with a view to begin externalising some of the borrowing requirement on an averaged basis in 2015/16 as the changing interest rates and more importantly, cashflows dictate.

Notwithstanding the general strategy above, the Authority is required to

undertake the borrowing identified in 5.4 above as part of the HRA Self Financing Voluntary Agreement at pre determined rates as part of the HRA reforms in April 2015.

We will continue to monitor PWLB rates i.e if rates offer long term value in the context of market rates and the current debt portfolio, then further tranches of the identified borrowing requirement will be undertaken

6.4 Policy on borrowing in advance of need

The Council has only a limited power to borrow in advance of need.

In determining whether borrowing will be undertaken in advance of need the Council will;

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

7 **Debt Rescheduling**

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

7.2 Due to short term borrowing rates being expected to be considerably cheaper than longer term rates, there may be opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of their short term nature and the likely cost of refinancing short term loans, once they mature, compared to the current rates of longer term debt in the existing debt portfolio

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

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

- 7.4 Notwithstanding the above, it is not envisaged that there will any debt rescheduling opportunities in the remainder of 2014/15 or 2015/16 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 & Strategy & Strategy 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 (yield) commensurate with (a) and (b)

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

- 8.1.2 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 & Delivery and advised to the Cabinet Member for Finance & Strategy in the quarter following action.

Appendix G is the list of UK financial institutions (counterparties) which satisfy the Council's minimum credit criteria as at 16th January 2015.

- 8.1.4 The Council has retained the services of two external fund managers.. 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. it is projected that the investments held by Invesco, approximately £22m will be fully realised by year end 2014/15.
- 8.1.5 It is anticipated that the Council will continue to hold internally managed

funds during 2015/16 ensuring a suitable spread of investment risks. The performance of the investments will be reported. The Council has fixed benchmarks against which investment performance will be measured, i.e. 7 day LIBID rate (internally managed).

8.1.6 Interest Rate Outlook:

Bank Rate is forecast by the Council's advisors to remain unchanged at 0.5% before starting to rise in quarter 2 of 2015. Bank Rate forecasts as at 31st March are:

- 2015/16 0.75%
- 2016/17 1.25%
- 2017/18 2.00%

There are downside risks to these forecasts (i.e. start of increases in Bank Rate occurs later) if economic growth weakens. However, should the pace of growth quicken, there could be an upside risk.

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

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

8.2 Creditworthiness Policy

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

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

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

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

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

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

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

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

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

8.3 Country Limits

The Authority has not made any new overseas deposits for several years. Going forward, extreme caution will be required when considering future opportunities to make overseas investments. There are no plans to make overseas investments at this time.

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

8.4 Policy on the use of external advisers

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

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

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

8.5 Scheme of Delegation

The role and responsibilities of the Council, Cabinet Member for Finance & Strategy 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 & Strategy
 - to receive and review regular briefings/reports
 - to receive and review the Treasury Management policy and procedures

- (iii) Section 151 Officer
 - to recommend clauses, Treasury Management policy/practices for approval
 - to review the same regularly and monitor compliance
 - to submit regular Treasury Management policy reports
 - to submit budgets and budget variations
 - to receive and review management information reports
 - to review the performance of the Treasury Management function
 - to ensure the adequacy of Treasury Management resources and skills, and the effective division of responsibilities within the Treasury Management function
 - to ensure the adequacy of internal audit, and liaise with external audit
 - to recommend the appointment of external service providers.

8.6 Pension Fund Cash

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

9. Minimum Revenue Provision Policy Statement

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

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

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

- 9.3 Along with the above duty, the Welsh Assembly Government issued guidance in March 2008 which requires that a Statement on the Council's Policy for its annual MRP should be submitted to the full Council for review before the start of the financial year to which the provision will relate. The Council is legally obliged to 'have regard' to the guidance.
- 9.4 The Welsh Assembly Government guidance outlined four broad options to adopt for the calculation of MRP. They are:
- Option 1- Regulatory Method
 - Option 2 - Capital Financing Requirement Method
 - Option 3 - Asset Life Method
 - Option 4 – Depreciation Method

The options are detailed at Appendix F.

- 9.5 The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2008/09 and will calculate the MRP for 2014/15 in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act.
- 9.6 The major proportion of the MRP chargeable will relate to the more historic debt liability that will continue to be charged at the rate of 4%, in accordance with option 1 or 2 of the guidance.

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

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

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

10 Legal Implications

- 10.1 The Authority is under a duty to make arrangements for the proper administration of its financial affairs. Failure to do so will be a breach of that duty. The statutory provisions and guidance imposing such a duty on the Authority are as set out in the main body of the Report.

11. Equality Impact Implications

11.1 There are no equality impact implications arising from this report

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

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

Appendices:

Appendix A – Glossary of Terms

Appendix B – Treasury Advisors' View On The Economic Background

Appendix C – Investment Criteria for Specified & Non Specified Investments

Appendix D – Credit Rating Agency Definitions

Appendix E – Approved Countries for Investment

Appendix F Minimum Revenue Provision Guidance

Appendix G – Approved Internal Counterparty Lending List

TREASURY MANAGEMENT – GLOSSARY OF TERMS

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

Capital Financing Charges (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.
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></p>

	The risk that the Authority is unable to replace its maturing funding arrangements on appropriate terms.
Set Aside Capital Receipts	A proportion of money received by the Council for the sale of fixed assets must be set aside to repay debt.
SORP	Statement of Recommended Practice, published by CIPFA (Local Authority Accounting Body). This sets out guidelines regarding the Council's financial matters.
Specified/Non Specified investments	Specified investments are sterling denominated investments for less than 364 days as identified in Appendix A in line with statutory investment regulations. Non-specified investments are all other investments identified in Appendix A in line with statutory investment regulations.
Supranational Bonds	These are bonds issued by institutions such as the European Investment Bank and World Bank. As with Government bonds (Gilts) they are regarded as the safest bond investments with a high credit rating.
Temporary Borrowing and Investment	Loans which are capable of being repaid within one year. The term of the loans will be negotiated from overnight to 364 days.
Treasury Management	Treasury Management has the same definition as in CIPFA's code of Practice of Treasury Management in the Public Services. "The management of the organisation's cash flows its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
Yield Curve	The line resulting from portraying interest rate graphically for a series of periods, e.g. 7days, 1month, 3, 6, 9, and 12months. When longer-term interest rates are higher than short-term rates the yield curve slopes upwards and is described as positive. When the opposite

	prevails the yield curve is referred to as inverse.
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TREASURY ADVISORS' VIEW ON THE ECONOMIC BACKGROUND

UK Economy

UK. After strong UK GDP growth in 2013 at an annual rate of 2.7%, and then in 2014 0.7% in Q1, 0.9% in Q2 2014 (annual rate 3.2% in Q2), Q3 has seen growth fall back to 0.7% in the quarter and to an annual rate of 2.6%. It therefore appears that growth has eased since the surge in the first half of 2014 leading to a downward revision of forecasts for 2015 and 2016, albeit that growth will still remain strong by UK standards. For this recovery to become more balanced and sustainable in the longer term, the recovery needs to move away from dependence on consumer expenditure and the housing market to exporting, and particularly of manufactured goods, both of which need to substantially improve on their recent lacklustre performance. This overall strong growth has resulted in unemployment falling much faster than expected. The MPC is now focusing on how quickly slack in the economy is being used up. It is also particularly concerned that the squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back significantly above the level of inflation in order to ensure that the recovery will be sustainable. There also needs to be a major improvement in labour productivity, which has languished at dismal levels since 2008, to support increases in pay rates. Unemployment is expected to keep on its downward trend and this is likely to eventually feed through into a return to significant increases in wage growth at some point during the next three years. However, just how much those future increases in pay rates will counteract the depressive effect of increases in Bank Rate on consumer confidence, the rate of growth in consumer expenditure and the buoyancy of the housing market, are areas that will need to be kept under regular review.

Also encouraging has been the sharp fall in inflation (CPI), reaching 1.0% in November 2014, the lowest rate since September 2002. Forward indications are that inflation is likely to remain around or under 1% for the best part of a year. The return to strong growth has helped lower forecasts for the increase in Government debt over the last year but monthly public sector deficit figures during 2014 have disappointed until November. The autumn statement, therefore, had to revise the speed with which the deficit is forecast to be eliminated.

Eurozone (EZ). The Eurozone is facing an increasing threat from weak or negative growth and from deflation. In November 2014, the inflation rate fell further, to reach a low of 0.3%. However, this is an average for all EZ countries and includes some countries with negative rates of inflation. Accordingly, the ECB took some rather limited action in June and September 2014 to loosen monetary policy in order to promote growth. It now appears likely that the ECB will

embark on full quantitative easing (purchase of EZ country sovereign debt) in early 2015.

Concern in financial markets for the Eurozone subsided considerably after the prolonged crisis during 2011-2013. However, sovereign debt difficulties have not gone away and major issues could return in respect of any countries that do not dynamically address fundamental issues of low growth, international un-competitiveness and the need for overdue reforms of the economy, (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise for some countries. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed. The ECB's pledge in 2012 to buy unlimited amounts of bonds of countries which ask for a bailout has provided heavily indebted countries with a strong defence against market forces. This has bought them time to make progress with their economies to return to growth or to reduce the degree of recession. However, debt to GDP ratios (2013 figures) of Greece 180%, Italy 133%, Portugal 129%, Ireland 124% and Cyprus 112%, remain a cause of concern, especially as some of these countries are experiencing continuing rates of increase in debt in excess of their rate of economic growth i.e. these debt ratios are likely to continue to deteriorate. Any sharp downturn in economic growth would make these countries particularly vulnerable to a new bout of sovereign debt crisis. It should also be noted that Italy has the third biggest debt mountain in the world behind Japan and the US.

Greece: the general election due to take place on 25 January 2015 is likely to bring a political party to power which is anti EU and anti austerity. However, if this eventually results in Greece leaving the Euro, it is unlikely that this will directly destabilise the Eurozone as the EU has put in place adequate firewalls to contain the immediate fallout to just Greece. However, the indirect effects of the likely strengthening of anti EU and anti austerity political parties throughout the EU is much more difficult to quantify. There are particular concerns as to whether democratically elected governments will lose the support of electorates suffering under EZ imposed austerity programmes, especially in countries which have high unemployment rates. There are also major concerns as to whether the governments of France and Italy will effectively implement austerity programmes and undertake overdue reforms to improve national competitiveness. These countries already have political parties with major electoral support for anti EU and anti austerity policies. Any loss of market confidence in either of the two largest Eurozone economies after Germany would present a huge challenge to the resources of the ECB to defend their debt.

USA. The U.S. Federal Reserve ended its monthly asset purchases in October 2014. GDP growth rates (annualised) for Q2 and Q3 of 4.6% and 5.0% have been stunning and hold great promise for strong growth going forward. It is therefore confidently forecast that the first increase in the Fed. rate will occur by the middle of 2015.

China. Government action in 2014 to stimulate the economy appeared to be putting the target of 7.5% growth within achievable reach but recent data has indicated a marginally lower outturn for 2014, which would be the lowest rate of growth for many years. There are also concerns that the Chinese leadership has only started to address an unbalanced economy which is heavily over dependent on new investment expenditure, and for a potential bubble in the property sector to burst, as it did in Japan in the 1990s, with its consequent impact on the financial health of the banking sector. There are also concerns around the potential size, and dubious creditworthiness, of some bank lending to local government organisations and major corporates. This primarily occurred during the government promoted expansion of credit, which was aimed at protecting the overall rate of growth in the economy after the Lehmans crisis.

Japan. Japan is causing considerable concern as the increase in sales tax in April 2014 has suppressed consumer expenditure and growth to the extent that it has slipped back into recession in Q2 and Q3. The Japanese government already has the highest debt to GDP ratio in the world.

CAPITA ASSET SERVICES FORWARD VIEW

Economic forecasting remains difficult with so many external influences weighing on the UK. Our Bank Rate forecasts, (and also MPC decisions), will be liable to further amendment depending on how economic data transpires over 2015. Forecasts for average earnings beyond the three year time horizon will be heavily dependent on economic and political developments. Major volatility in bond yields is likely to endure as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, or the safe haven of bonds.

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

The overall balance of risks to economic recovery in the UK is currently evenly balanced. Only time will tell just how long this current period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

The interest rate forecasts in this report are based on an initial assumption that there will not be a major resurgence of the EZ debt crisis. There is an increased risk that Greece could end up leaving the Euro but if this happens, the EZ now has sufficient fire walls in place that a Greek exit would have little immediate direct impact on

the rest of the EZ and the Euro. It is therefore expected that there will be an overall managed, albeit painful and tortuous, resolution of any EZ debt crisis that may occur where EZ institutions and governments eventually do what is necessary - but only when all else has been tried and failed. Under this assumed scenario, growth within the EZ will be weak at best for the next couple of years with some EZ countries experiencing low or negative growth, which will, over that time period, see an increase in total government debt to GDP ratios. There is a significant danger that these ratios could rise to the point where markets lose confidence in the financial viability of one, or more, countries, especially if growth disappoints and / or efforts to reduce government deficits fail to deliver the necessary reductions. However, it is impossible to forecast whether any individual country will lose such confidence, or when, and so precipitate a sharp resurgence of the EZ debt crisis. While the ECB has adequate resources to manage a debt crisis in a small EZ country, if one, or more, of the larger countries were to experience a major crisis of market confidence, this would present a serious challenge to the ECB and to EZ politicians.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven flows.
- UK strong economic growth is weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU, US and China.
- A resurgence of the Eurozone sovereign debt crisis.
- Recapitalisation of European banks requiring more government financial support.
- Monetary policy action failing to stimulate sustainable growth and to combat the threat of deflation in western economies, especially the Eurozone and Japan.

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

- An adverse reaction by financial markets to the result of the UK general election in May 2015 and the economic and debt management policies adopted by the new government
- ECB either failing to carry through on recent statements that it will soon start quantitative easing (purchase of government debt) or severely disappointing financial markets with embarking on only a token programme of minimal purchases

which are unlikely to have much impact, if any, on stimulating growth in the EZ.

- The commencement by the US Federal Reserve of increases in the central rate in 2015 causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities, leading to a sudden flight from bonds to equities.
- A surge in investor confidence that a return to robust world economic growth is imminent, causing a flow of funds out of bonds into equities.
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

APPENDIX C

1. Investment Criteria for Specified and Non Specified Investments

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

1.1.1 Specified Investments:

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

Instrument	Minimum Credit Criteria	Use	Max investment
Debt Management Agency Deposit Facility	--	In-house	£120M
Term deposits – UK government	--	In-house	£120M
Term deposits – other LAs	--	In-house	£20M with each counterparty
Term deposits – banks and building societies	Short-term F1,P1,A1, Long-term AA- or UK nationalised banks	In-house and fund managers	£20M with each counterparty/ See 2 and 3 below
Term deposits – Banks nationalised by highly credit rated sovereign countries	Short-term F1,P1,A1, Long-term AA-	In-house and fund managers	£25M with each counterparty/ See 2 and 3 below
Government guarantee on all deposits by high credit rated sovereign countries	AA-	In-house and fund managers	£20M with each counterparty/ See 2 and 3 below
UK Government supported banking sector	AA-	In-house and fund managers	£20M with each counterparty/ See 2 and 3 below

1.1.2 **Non-Specified Investments:**

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

Instrument	Min Credit/Colour Criteria	Use	Maximum Period	Maximum Investment
Term deposits – UK government (with maturities in excess of 1 year)		In-house	5 years	£30M
Term deposits – other Local Authorities (with maturities in excess of 1 year)		In-house	5 years	£20M with each counterparty
Deposits with banks and building societies covered by UK government guarantee	Short-term F1,P1,A1 Long-term AA-	Fund managers/in-house	See 2 and 3 below	See 2 and 3 below/£25m with each counterparty
Certificates of deposits issued by banks and building societies covered by UK government guarantee	Short-term F1,P1,A1 Long-term AA-	Fund managers/in house	See 2 and 3 below	See 2 and 3 below/£20m with each counterparty
UK Government Gilts	-	Fund Managers/in house	See 2 and 3 below/5 years	See 2 and 3 below /£20M
Treasury Bills	-	Fund Managers/in house	See 2 and 3 below/5 years	See 2 and 3 below /£20M
Term deposits – banks and building societies (with maturities in excess of 1 year)	Short-term F1,P1,A1 Long-term AA-, or UK nationalised banks	In-house	5 years	£20M with each counterparty
Certificates of deposits issued by banks and building societies	Short-term F1,P1,A1 Long-term AA-,	fund managers/in-house	10 years	See 2 and 3 below/£20M with each counterparty
UK Government Gilts with maturities in excess of 1 year	AAA	Fund Managers/in house	10 years	See 2 and 3 below/£20M with each counterparty
Bonds issued by multilateral development banks	AAA	In-house on a 'buy-and-hold' basis. Also for use by fund managers	5 years 10 years	£20M with each counterparty and See 2 and 3 below
Bonds issued by a financial institution which is guaranteed by the UK government	-	In-house on a 'buy-and-hold' basis. Also for use	5 years 10 years	£20M 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	£20M with each counterparty See 2 and 3 below
Corporate Bonds : [under SI 1010 (W.107)]	Long-term AA-	In- house Fund Managers	5 years 10years	£20M with each counterparty See 2 and 3 below
Gilt Funds and Bond Funds	Long-term AA-	In- house Fund Managers	5 years 10years	£15M See 2 and 3 below
Money Market Funds	AAA	In- house Fund Managers	n/a n/a	£20M See 2 and 3 below
Property funds	-	Fund managers	n/a	£20M See 2 and 3 below
Floating Rate Notes	Long-term AA-	Fund managers	10 years	See 2 and 3 below
Treasury Bills	N/A	Fund Managers	10 years	See 2 and 3 below
Local authority mortgage guarantee scheme	Short-term F1,P1,A1 Long-term AA-,	In-house	10 years	£20m with each counterparty
Fixed term deposits with variable rate and variable maturities				
1. Callable deposits	Short-term F1,P1,A1 Long-term AA-,	In-house and fund managers	5/10 years	£20m with each counterparty /see 2 and 3 below
2. Range trade accrual (see glossary)	Short-term F1,P1,A1 Long-term AA-,	In-house and fund managers	5/10 years	£20m with each counterparty /see 2 and 3 below
3. Snowballs (see glossary)	Short-term F1,P1,A1 Long-term AA-,	In-house and fund managers	5/10 years	£20m with each counterparty /see 2 and 3 below

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

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

- 1.3 The Council uses a combination of Fitch, Standard & Poor and Moody's (credit rating agency) ratings to derive its criteria. All credit ratings will be monitored daily. The Council is alerted to changes in ratings through its use of its adviser's creditworthiness service. If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

2. **Investment Criteria - Invesco**

- 2.1 The Fund will normally be invested in short term fixed interest rate deposits and certificates of deposit carrying interest rates of up to one year or debt instruments guaranteed by the UK government and also AAA rated money market funds. At any given time, a maximum of 50% of the portfolio by market value may be invested in negotiable securities carrying rates of interest for periods of over one year from the date of investment.
- 2.2 The maximum exposure to any one counter party is not to exceed 10% of the fund value or £2,000,000 whichever is the lower with the exception of money market funds where the whole balance may be invested therein. Variances to be agreed by the Head of Finance & Delivery & Delivery
- 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.

APPENDIX D

Fitch International Long-Term Credit Ratings

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

Investment Grade	Definition
AAA	Highest credit quality. 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.
AA	Very high credit quality. 'AA' ratings denote expectations of very low credit risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A	High credit quality. 'A' ratings denote expectations of low credit risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.
BBB	Good credit quality. 'BBB' ratings indicate that there are currently expectations of low credit risk. The capacity for payment of financial commitments is considered adequate but adverse changes in circumstances and economic conditions are more likely to impair this capacity. This is the lowest investment grade category.
Speculative Grade	Definition
BB	Speculative. 'BB' ratings indicate that there is a possibility of credit risk developing, particularly as the result of adverse economic change over time; however, business or financial alternatives may be available to allow financial commitments to be met. Securities rated in this category are not investment grade.

B	<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

	of an obligor; • The distressed or other coercive exchange of an obligation, where creditors were offered securities with diminished structural or economic terms compared with the existing obligation.
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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
- Germany
- Luxembourg
- Norway
- Singapore
- Sweden
- Switzerland

AA+

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

AA

- Abu Dhabi (UAE)
- France
- Qatar

AA-

- Belgium
- Saudi Arabia

MINIMUM REVENUE PROVISION**1. Government Guidance**

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

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

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

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

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

Option 1: Regulatory Method

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

Option 2: Capital Financing Requirement Method

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

Option 3: Asset Life Method.

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

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

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

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

There are two methods of calculating charges under option 3:

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

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

$A - B$ divided by C

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

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

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

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

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

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

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

Option 4: Depreciation Method

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

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

2. Date of implementation

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

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

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

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

APPENDIX G

Active Internal Credit UK Counterparty List (as at 16 January 2015)

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
Citibank International plc	UK	Bank	F1	1	A
Coventry Building Society	UK	BS	F1	5	A
Credit Suisse International	UK	Bank	F1	1	A
Goldman Sachs International Bank	UK	Bank	F1		A
HSBC	UK	Bank	F1+	1	AA-
Leeds Building Society	UK	BS	F1	5	A-
Lloyds TSB	UK	Bank	F1	1	A
MBNA Europe	UK	Bank	F1	1	A-
Merrill Lynch International	UK	Bank	F1	1	A
National Westminster	UK	Bank	F1	1	A
Nationwide	UK	BS	F1	1	A
Royal Bank of Scotland	UK	Bank	F1	1	A
Santander	UK	Bank	F1	1	A
Standard Chartered Bank	UK	Bank	F1+	1	AA-
Sumitomo Mitsui Banking Corporation	UK	Bank	F1	1	A-
UBS Ltd	UK	Bank	F1	1	A
Debt Management Office	UK				
Local Authorities	UK				



**Housing Revenue Account (HRA) – Revenue Budget
2015/16**

Item No.
Report of the Section 151 Officer and the Corporate Director Place

Council – 24th February 2015

HOUSING REVENUE ACCOUNT (HRA) REVENUE BUDGET 2015/16

Purpose:	This report proposes a Revenue Budget for 2015/16 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 2015/16.
Consultation:	Cabinet Members, Finance, & Legal
Recommendations:	The following budget proposals be approved: a) Rents be increased in line with the Welsh Government new rent setting policy 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:	P. Cridland
Finance Officer:	P. Cridland
Legal Officer	T.Meredith
Access to Services Officer	Phil Crouch

1. Introduction

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

- the requirement to achieve the Welsh Housing Quality Standard (WHQS);
- the elimination of the Housing Subsidy system by Welsh Government;
- future income and expenditure trends;
- increases in rent as a result of the new Welsh Government (WG) rent setting policy;
- 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 2014/15

- 2.1 An updated assessment of spending in 2014/15 forecasts an underspend of £7.8m comprising a reduction in level of revenue funding for capital schemes (£7.4m) due to slippage on the capital programme of £12m (largely within the High Rise refurbishment programme), plus a reduction in the level of bad debt provision required (£0.4m) due to a less than expected increase in rent arrears. These issues have been taken into account in the proposals for future years budgets.

3. Housing Revenue Account Subsidy (HRAS) and HRAS settlement

- 3.1 As reported to Council at its meeting on the 2nd December 2014, the Housing Revenue Account Subsidy (HRAS) system is due to be dismantled from April 2015 and replaced with a system of self-financing. As reported, the negotiated terms between the Welsh Government and the Treasury for exiting the system is for the current negative subsidy payments to be replaced by a one off settlement debt.
- 3.2 The settlement figure will not be fully quantified until closer to the transaction date and will depend on interest rates prevailing at the time. The interest and charges on the debt needs to be less than the current negative subsidy return for each Council's HRA to be 'better off' and the current projection for this Council is that this will be the case.
- 3.3 At the time of this report, discussions were ongoing between the Welsh Government and the UK Treasury on the final terms of the settlement and the actual resulting capital financing charges may vary from those included within this budget. The settlement figure currently included in the proposed budget is £87m.

4. Revenue Budget Proposals 2015/16

4.1 Overview

There is a projected surplus on the HRA next year of £19.9m. This surplus, together with the planned use of reserves, will contribute towards an increase in the capital programme which is planned to increase from an original programme in the current year of £38.5m to £49.3m next year.

The main changes from 2014/15 are as a result from the change from the Housing Subsidy system to the new self funding regime, and as a result, of the forecast net reduction in costs for 2015/16 from the elimination of the current Housing Subsidy of £5.57m, together with increased capital charges as a result of the Housing Subsidy system settlement and additional borrowing to support achievement of the Welsh Housing Quality Standard of £3.6m.

The main changes to the funding/income are an increase in rent and other income of £2.5m mainly arising from the proposed rent increase, together with a reduction in the planned use of reserves of some £5m in relation to funding the proposed capital programme for 2015/16. The main changes from the 2014/15 budget are shown in the following table:-

Item	£000
Elimination of Housing Subsidy cost	-5,575
Increase in capital financing charges	3,600
Efficiency savings target 2014/15 allocated .	500
Reduction in day to day maintenance as a result of efficiencies	-500
Reduction in revenue contribution to capital programme	-400
1.2% pay award and impact of Single status	170
Additional income including a 5.44% rent increase	-2,540
Reduction in contribution from reserves	5,060

4.2 Rent Income

4.2.1 The Welsh Government (WG) is introducing a new policy for setting rents for Local Authority housing from April 2015. The policy has already been applied to Registered Social Landlords (RSL's). The new policy replaces the regime of rent guidelines which were issued each year by the WG as part of the Housing Revenue Account Subsidy (HRAS system) which is scheduled to be dismantled from April 2015. Under the new policy:

- The Welsh Government will set a national target average rent.
- Welsh Ministers will determine the annual increase in the national target average.
- A range of local indices will be used to establish a table of percentages to the national average which will set the target average rent for each social landlord.
- The target rents for each landlord will be further adjusted by a quality factor according to the energy efficiency of the stock.
- Landlords have discretion to set actual rents as long as the average rent is within 5% (+ or -) of the target average.
- Transitional arrangements are included to ensure that any increase in rent for an individual tenant (after the national increase has been applied) is no more than £2 per week

4.2.2 The national target rent is based on the average charged by all Welsh Registered Social Landlords for general needs housing, and the national increase will be based on the Consumer Prices Index (CPI) in the preceding September of each financial year plus 1.5%.

4.2.3 The target average rent per week for Swansea provided by the WG (after applying the national increase but before any transitional limits) is set out in the following table. The WG figures are based on a 52 week period. However, the Council has traditionally charged rents over 50 weeks allowing two weeks during the year when rent is not collected. The equivalent 50 week average is also provided.

	Lower Band (i.e. mid point – 5%)	Mid Point	Higher Band (i.e. mid point + 5%)
WG weekly figures (based on 52 weeks)	£76.09	£80.10	£84.10
50 week equivalent	£79.13	£83.30	£87.47

- 4.2.4 There is discretion to set the average rent at any point between the lower and higher limits and in terms of the proposals for actual rents, consideration has been given to the need to fund existing commitments to improve the stock up to the WHQS by 2020 and to funding the provision of additional affordable housing to help meet the chronic shortage in supply. As such, a policy of maximising rental income and progression to the upper level is recommended.
- 4.2.5 In making this recommendation, the following has been taken into account:
- Council rents in Swansea are relatively low compared to many other Welsh Councils;
 - The target average for the Council set by the WG is lower than most other Welsh Councils;
 - The Housing Benefit system will continue to provide support to those tenants who need it to meet some or all of their rent payments;
 - There is a chronic shortage of affordable housing in Swansea;
 - There is protection for individual tenants in terms of a transitional capping arrangement.
- 4.2.6 The transitional arrangements limit the amount that can be actually charged and as a consequence, will limit the rate of progress for actual rents to reach the upper level. If the full £2 per week limit was used each year from 2015/16, it is likely to take until 2019/20 before the upper level is actually reached after which time, only the national increases would be applied.
- 4.2.7 The recommendation to use the full transitional limit until such time as the upper limit has been reached means an average rent in 2015/16 of £76.92 (over a 52 week period). This equates to a 5.44% increase on the average rent for 2014/15. As current rents are below the lower band, a minimum increase of 4.62% would need to be applied for rent levels to be within the parameters of the new policy.
- 4.2.8 In terms of implementation, converting the £2 transitional limit over a 50 week period would mean an actual limit of £2.08 per week. In addition, the proposal is to maintain the current differentials between the rent for different property sizes.
- 4.2.9 The policy excludes charges for services provided to a proportion of tenants which should be levied separately and any that are funded as part of the general rent should be separated or 'depooled'. An assessment in 2014 of services which could be charged separately concluded that current practices should continue. Equally, services currently subject to a separate service charge (mainly the charge for warden services in sheltered accommodation) should also continue.
- 4.2.10 A tenant consultation process involving a meeting of the Tenant's Consultative Panel and a dedicated article in the latest edition of 'Open House' has been completed. The outcome of this was that tenants are generally supportive of the proposals to progress towards the upper band.

4.3 *Inflation*

Provision has been included in the budget for a 1.2% annual pay increase from April, completing the 2.25% award from 1st January 2015. Other budgets, in particular repairs and maintenance and utility costs have been based on the latest prices.

- 4.4 *Capital Financing Charges*
Additional Capital financing charges will arise in 2015/16 (interest element only in the first year) as a result of the HRAS settlement borrowing.
- 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 5.44% and other charges by 1.2%.
- 4.6 *Contributions to the Capital Programme*
The additional income and net reduction as a result of the elimination of the subsidy system enables a contribution of £19.9m to the capital programme. A further £4.18m from reserves will also be utilised in supporting the capital programme.
- 4.7 *Efficiency Savings*
Efficiency savings as they are identified are then reflected in other the appropriate budgets .
- 4.8 *Revenue Maintenance Costs*
There is a slightly decreased provision for maintenance work on repairs that reflects ongoing efficiency and cost reductions of £0.5m
- 4.9 *Single Status*
The cost of single status is included within the budgets for 2015/16 and in conjunction with the pay award is estimated to cost around £0.17m
- 5. Risks and Uncertainties**
- 5.1 The main risks and uncertainties for next year are the final financial impact of the Housing Subsidy buyout risks around delivery of the capital programme, but steps will be taken to manage this latter risk.
- 6. Reserves**
- 6.1 The HRA balance at the start of this year was £13.9m and at the end of the current year it is estimated to be £12.5m. It is proposed that £4.19m is used next year 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.

Appendix	Table A: Summarised HRA 2014/15 to 2015/16 Table B: Movement in Balances 2014/15 to 2015/16
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Background Papers: None
Contact Officers: Paul Cridland, Group Accountant, Tel 636956
David Evans, Housing Business Manager, Tel 635795

Table A: Summarised HRA 2014/15 to 2015/16

Classification	Budget 2014/15	Budget 2015/16
	£'000	£'000
<u>Expenditure</u>		
Management and Maintenance	28,310	28,163
Capital Charges	4,665	8,277
Revenue Funding for capital schemes	24,500	24,093
Negative subsidy	5,575	0
Total Expenditure	63,050	60,533
<u>Income</u>		
Rents and other income	53,800	56,343
Use of balances	9,250	4,190
Total Income	63,050	60,533

Table B: Movement in Balances 2014/15 to 2015/16

Description	£000's
Actual balance at 1 st April 2014	13,968
Budgeted use 2014/15	-9,250
Budgeted balance 31st March 2015	4,718
Forecast use 2014/15	-1,450
Forecast balance 31st March 2015	12,518
Budgeted use 2015/16	-4,190
Forecast balance 31st March 2016	8,328



**Housing Revenue Account - Capital Budget & Programme
2015/16 – 2018/19**

Report of the Section 151 Officer & the Director of Place

Council – 24th February 2015

HOUSING REVENUE ACCOUNT - CAPITAL BUDGET & PROGRAMME 2015/16 – 2018/19

Purpose	This report proposes a capital budget for 2015/16 – 2018/19
Policy Framework:	None
Reason for Decision:	To agree a revised budget for 2014/15 and a budget for 2015/16 – 2018/19
Consultation:	Legal, Finance & Access to Services
Recommendation(s):	It is recommended that:
1)	The transfers between schemes and the revised budgets for schemes in 2014/15 are approved.
2)	The budget proposals for 2015/16 – 2018/19 be approved.
3)	That, where individual schemes in Appendix B are programmed over 2, 3 or 4 years, then these are committed and approved and that their financial implications for funding over subsequent years are approved.
4)	Authorisation is granted to officers to submit planning applications in relation to capital repair schemes on Council owned land where planning permission is considered necessary.
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1.0 Introduction

1.1 This report details:

- Revised Housing Revenue Account (HRA) capital expenditure and financing proposals in 2014/15
- HRA Capital expenditure and financing proposals in 2015/16 – 2018/19

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

- Appendix A: Summary of capital expenditure and financing 2014/15 - 2018/19
- Appendix B: Detailed breakdown of the capital budget for 2014/15 – 2018/19
- Appendix C: Scheme descriptions

2.0 Capital Budget 2014/15 – 2018/19

2.1 The total programme for this current year is £26.907m i.e. an original budget of £38.5m less slippage into 2015/16 of £12.293m plus additional works of £0.7m . Slippage from this current year into 2015/16 is principally to fund the refurbishment of six highrise blocks of flats in the Town Centre, Penlan and Sketty areas. Total spending in this current year is projected to remain at £26.907m. Notwithstanding the high rise projects, the majority of all other projects are complete in 2014/15, although a small element of under spend may exist due to a range of reasons including retentions retained for the defects liability period and some under spends on completed projects. Any projects not currently complete will be completed within the early part of the 2015/2016 financial year. The anticipated spend against profile for 14/15 (excluding high rise) will be in the region of 95% of the overall budget and where under spend has occurred officers have mitigated these by bringing other priority work forward to compensate. Transfers and changes to the 2014/15 budget are reflected and detailed in appendix B.

3.0 2015/16 – 2018/19

3.1 The proposed four year capital programme and the priorities of the various schemes have been developed in line with the HRA Business Plan and reflect the results of a stock condition survey. In addition, the programme contributes towards the Council's strategic aim of improving homes up to the Welsh Housing Quality Standard (WHQS).

3.2 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.

4.0 Reform of the Housing Revenue Account Subsidy

- 4.1 As outlined in the report approved by Council on 2nd Dec 2014 entitled "Reform of the Housing Revenue Account Subsidy System", the Authority has entered into a Voluntary Agreement to exit the current HRA subsidy system, resulting in more flexibility for the Authority in meeting affordable housing needs in the locale. In order to exit the current HRA subsidy system, a cash settlement amount must be paid over to HM Treasury equal to a sum determined by formulae agreed in the Voluntary Agreement between the 11 local housing authorities and the Welsh Government which will result in a likely settlement figure in the range of between £70m and £100m (latest affirmed figure from WG is £87m). The overriding principle of the HRA Reform is that all local housing authorities will be financially better off in revenue terms after the reforms.

5.0 Financing of HRA Capital Budget 2014/15 - 2018/19

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

6.0 Risks

- 6.1 The risks to the 4 year programme are similar to those set out in the HRA Revenue report. In particular, the level of MRA grant, future rent increases (which are determined by WG) and the potential effect of Welfare Reform on levels of income.

7.0 Equality and Engagement Implications

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

8.0 Legal Implications

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

9.0 Financial Implications

9.1 Expenditure is ring fenced to the HRA and will be fully funded by MRA grant from WG and revenue contributions from the Housing revenue Account. There are no financial implications for the Council General Fund.

9.2 Additional borrowing of £50 million will be required to fund the programme up to 2018/19, with a further £87 million required for the HRA settlement.

9.3 The financial implications of the HRA Subsidy Reform settlement amount have been financially appraised throughout the consultation process with Welsh Government and affirmed in redrafting the HRA business plan with the HRA being able to support the interest and capital repayments in relation to the required settlement amount. The overriding principle of the HRA Reforms is that all local housing authorities will be financially better off in revenue terms after the reforms.

Background Papers

None

Appendices

Appendix A: Transfers and changes to the original 2014/15 programme

Appendix B: A detailed breakdown of the capital budget for 2014/15 - 2018/19

Appendix C: Scheme descriptions

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File Reference – HRA Capital Budget Report 2015

Summary of HRA Capital Budget and Programme 2014/15 to 2018/19						
	2014/15	2015/16	2016/17	2017/18	2018/19	Total
	£'000	£'000	£'000	£'000	£'000	£'000
HRA Subsidy Reform		87,000				87,000
Good State of Repair						
Wind and weatherproofing	4,806	6,403	6,300	3,950	1,680	23,139
System built houses and highrise Blocks	5,593	23,574	10,605	6,700	11,750	58,222
Roofing	1,052	2,393	2,180	2,250	1,300	9,175
Windows, doors and general repairs	1,953	930	1,350	1,070	300	5,603
Safe and Secure						
Fire Safety	874	1,171	1,000	800	250	4,095
Electrical Rewiring	1,410	705	1,200	650	620	4,585
Adequately Heated, Fuel Efficient & Well Insulated						
Heating Systems	2,549	2,100	2,400	2,000	1,900	10,949
Energy Efficiency and Grant Support	608	325	450	450	450	2,283
Contain Up to Date Kitchens and Bathrooms						
Kitchens and Bathrooms	4,255	8,012	12,600	13,000	12,650	50,517
Located in Attractive and Safe Environments						
Environment - Within the Curtilage	488	710	2,165	5,380	5,450	14,193
Estate Based Environment	130	220	1,000	2,500	2,900	6,750
Meeting Requirements of the Household						
Adaptations	3,189	2,750	2,750	2,750	2,750	14,189
Total	26,907	136,293	44,000	41,500	42,000	290,700
Financed By:	2014/15	2015/16	2016/17	2017/18	2018/19	Total
Welsh Government Grant – Major Repairs Allowance	9,100	9,000	9,000	9,000	9,000	45,100
Contribution from the Housing Revenue Account	17,807	19,903	21,800	19,300	19,800	98,610
Use of Housing Revenue Reserves	0	4,190	0	0	0	4,190
Borrowing	0	98,000	13,000	13,000	13,000	137,000
Capital Receipts	0	5,000	0	0	0	5,000
Other grants	0	200	200	200	200	800
Total	26,907	136,293	44,000	41,500	42,000	290,700

HRA CAPITAL PROGRAMME	2014/15 to 2018/19				Appendix B		
	2014/15 Original £'000	2014/15 Revised £'000	2015/16 Original £'000	2016/17 Original £'000	2017/18 Original £'000	2018/19 Original £'000	TOTAL £'000
SCHEME/PROJECT							
Current Schemes							
Wind & Weatherproofing Maes Glas 09/10	7	7					7
Wind & Weatherproofing Stembridge Phase 2 10/11	1	0					0
Wind & Weatherproofing Winch Wen 11/12	30	31					31
Wind & Weatherproofing Heol Gwrosydd 12/13	0	1					1
Wind & Weatherproofing Colbourne Terrace 12/13	5	5					5
Wind & Weatherproofing New Street Flats 12/13	100	87	21				108
Wind & Weatherproofing Blaenymaes 13/14	14	7					7
Wind & Weatherproofing Gelli Gardens 13/14	29	0					0
Wind & Weatherproofing West Cross 13/14	249	348	11				359
Wind & Weatherproofing Winch Wen 13/14	160	139	31				170
Wind & Weatherproofing Weig Gardens 13/14	15	29					29
Wimpey No Fines Trallwn 12/13	21	21					21
Wimpey No Fines Trallwn 11/12	25	24					24
British Iron & Steel Federation Houses Gendros	27	29					29
British Iron & Steel Federation Houses Gendros 2013/14	177	157	29				186
British Iron & Steel Federation Houses Penlan Phase 4	28	29					29
British Iron & Steel Federation Houses Penlan Phase 5	44	13	32				45
British Iron & Steel Federation Houses Waunarlwydd 14/15	1,113	941	53				994
Hawksley Bungalows Gendros 12/13	12	12					12

SCHEME/PROJECT	2014/15 Original £'000	2014/15 Revised £'000	2015/16 Original £'000	2016/17 Original £'000	2017/18 Original £'000	2018/19 Original £'000	TOTAL £'000
Pre-cast Reinforced Concrete Properties Gowerton	5	5					5
Pre-cast Reinforced Concrete Properties Orlit Houses	86	81	8				89
Pitched Roof Renewal Hawthorne Avenue 13/14	75	157	7				164
Pitched Roof Renewal Pantycelyn Road 13/14	6	62					62
Pitched Roof Renewal Programme 12/13	13	10					10
Pitched Roof Renewal Cae Conna/Blaenymaes	284	257	7				264
Pitched Roof Renewal Llangennith	12	12					12
Pitched Roof Renewal Talfan Rd Bonymaen	60	1					1
Flat Roof Renewal Griffith John Street	500	59					59
Door Renewal Programme 2013/14	145	1,317					1,317
Door Renewal Programme Bonymaen/Trallwn 14/15	18	12					12
Door Renewal Programme Clydach/Morrison 14/15	35	50					50
Door Renewal Programme Gendros 14/15	62	64					64
Door Renewal Programme Mayhill/Townhill 14/15	20	20					20
Door Renewal Programme Portmead/Blaenymaes 14/15	20	20					20
Door Renewal Programme Sketty/Gorseinon/Pontardulais 14/15	53	106					106
Door Renewal Programme Town Centre/St Thomas 14/15	51	54					54
Door Renewal Programme West Cross 14/15	7	3					3
Structural Repairs 2013/14	27	82					82
Drainage Repairs/Improvements 2013/14	0	4					4
Fire Doors Individual High rise Blocks	-2	13					13
Fire Protection Kitchen & Stair Separation	1	4					4

SCHEME/PROJECT	2014/15 Original £'000	2014/15 Revised £'000	2015/16 Original £'000	2016/17 Original £'000	2017/18 Original £'000	2018/19 Original £'000	TOTAL £'000
Fire Safety General 12/13	3	6					6
Fire Safety Separation Between Flats	0	10					10
Electrical Rewire Eastside/Townhill 11/12	0	4					4
Electrical Rewire Communal Blocks 12/13	1	1					1
Electrical Rewire Clydach 12/13	0	1					1
Electrical Rewire Ravenhill/Penlan 12/13	1	1					1
Electrical Rewire Penlan Phase 1 12/13	0	7					7
Electrical Rewire Penlan Phase 2 12/13	4	5					5
Electrical Rewire Townhill 12/13	5	5					5
Electrical Rewire Townhill/Penlan 12/13	2	5					5
Electrical Rewire Blaenymaes 166 Dwellings 13/14	118	182					182
Electrical Rewire Penlan 103 Dwellings 13/14	37	37					37
Electrical Rewire Townhill/Penlan 166 Dwellings 13/14	123	122					122
Electrical Rewire Eastside Contract 1 14/15	140	121	3				124
Electrical Rewire Eastside Contract 2 14/15	165	114	3				117
Electrical Rewire Penlan Contract 3 14/15	155	137	3				140
Electrical Rewire Penlan Contract 4 14/15	120	109	3				112
Electrical Rewire Townhill Contract 5 14/15	125	105	3				108
Boiler Replacement 13/14	80	0					0
Heating Upgrades 12/13	0	4					4
Meter Boxes Various Sites 12/13	80	10					10
Garden Safety 2013/14	100	69					69

SCHEME/PROJECT	2014/15 Original £'000	2014/15 Revised £'000	2015/16 Original £'000	2016/17 Original £'000	2017/18 Original £'000	2018/19 Original £'000	TOTAL £'000
Internal Improvements - Community House Conversion	0	37					37
Internal Layout Improvements	169	365					365
Sheltered complexes	30	30					30
Paths, Steps, Health & Safety Rating System	150	113	37				150
Resurfacing Communal Areas/Walkways	100	40					40
Fencing/Walls/Hard Standings	184	106					106
Fencing/Walls/Hard Standings Contingency	100	27					27
Adaptations 11/12	3	7					7

SCHEME/PROJECT	2014/15 Original	2014/15 Revised £'000	2015/16 Original £'000	2016/17 Original £'000	2017/18 Original £'000	2018/19 Original £'000	TOTAL £'000
Good State of Repair							
Wind & Weatherproofing, Mayhill Scheme 1	903	871	1,000	900	650		3,421
Wind & Weatherproofing, Mayhill Scheme 2	842	844	1,000	800			2,644
Wind & Weatherproofing, Penlan Scheme 1	944	752	1,000	900			2,652
Wind & Weatherproofing, Penlan Scheme 2	731	948	1,000	500			2,448
Wind & Weatherproofing, Waun Wen	600	510	490				1,000
Wind & Weatherproofing, Llanllienwen Area	500	150	1,850	900			2,900
Wind & Weatherproofing, McRitchie Place				900	600		1,500
Wind & Weatherproofing, West Cross				900	900	900	2,700
Wind & Weatherproofing, Loughor				500	500		1,000
Wind & Weatherproofing, Various					1,300	780	2,080
Resiform and Traditional Built Properties, Craig Cefn Parc					300		300
British Iron & Steel Federation (BISFs) Houses Gendros	1,177	994	1,503				2,497
British Iron & Steel Federation (BISFs) Houses West Cross			0		1,300	1,300	2,600
Wimpey No Fines (WNFs) Properties, Caemawr	428	585	882	850	700		3,017
Trusteel Houses, Penllergaer	80	3	450				453
Easiform Properties, Winch Wen					800	1,000	1,800
Easiform & Traditional Properties, Sketty					600		600
Easiform & Wimpey No Fines Properties, Clase						900	900
Easiform Properties, Birchgrove						750	750
Highrise Flats, Croft Street					3,000	7,800	10,800
Highrise Flats, Matthew Street	6,355	1,051	7,154	2,800			11,005
Highrise Flats, Clyne & Jeffreys Court	7,361	1,648	13,463	6,955			22,066
Chimney Repairs	6	90	153	150	300	300	993

SCHEME/PROJECT	2014/15 Original	2014/15 Revised £'000	2015/16 Original £'000	2016/17 Original £'000	2017/18 Original £'000	2018/19 Original £'000	TOTAL £'000
Good State of Repair cont.							
Pitched Roof Renewal, Blaenymaes			450	800	800		2,050
Pitched Roof Renewal, Clase (Ewenny Place Area)	273	404	421	500			1,325
Pitched Roof Renewal, Sketty				130			130
Pitched Roof Renewal, Clay Roofs Townhill				200			200
Pitched Roof Renewal, Clase			120				120
Pitched Roof Renewal, Penlan Flats			500				500
Pitched Roof Renewal, Penlan				400			400
Pitched Roof Renewal, Gendros			500				500
Pitched Roof Renewal, William Street Area, Pontardulais			35				35
Flat Roof Renewal, Various					250	200	450
Flat Roof Renewal, Chris Thomas House	50	0	200				200
Flat Roof & Window Renewal Rheidol Court					900		900
Window Renewal, Various			30		370		400
Damp Repairs, Various				50			50
Balcony Repairs, Various	50	0	100	250	150		500
Door Renewal, Various	334	0	500	500			1,000
Structural Repairs, Various	250	217	250	500	500	250	1,717
Drainage & drainage protection	50	4	50	50	50	50	204
Safe and Secure							
Fire Safety General	300	300	342	250	50	50	992
Smoke Alarms & Carbon Monoxide Detectors	179	150	200	200	400	100	1,050
Sprinkler Systems	306	121	429	350	350	100	1,350

SCHEME/PROJECT	2014/15 Original	2014/15 Revised £'000	2015/16 Original £'000	2016/17 Original £'000	2017/18 Original £'000	2018/19 Original £'000	TOTAL £'000
Safe and Secure cont.							
Fire Separation Between Kitchens & Stairs	127	112	50	50			212
Fire Separation Between Flats	137	158	150	150			458
Electrical Rewiring Contingency	50	8	50	50	50	20	178
Electrical Rewiring	95	0	400	1,000	600	600	2,600
Electrical Rewiring & Emergency Lighting Communal Blocks	500	446	240	150			836
Adequately Heated							
Boiler Replacement	2,400	2,400	2,000	2,200	1,800	1,700	10,100
Boiler Replacement - Contingency			50	150	150	150	500
Loft Insulation	49	0	75	200	200	200	675
Heating Upgrades	145	145	50	50	50	50	345
Energy Efficiency & Grant Support	645	608	250	250	250	250	1,608
Kitchens and Bathrooms							
Kitchen & Bathroom Renewal	3,500	4,149	7,412	11,500	12,000	12,000	47,061
Kitchen & Bathroom - Boiler Renewal			50	50	50	50	200
Kitchen & Bathroom - Electrical Rewiring			500	800	700	400	2,400
Kitchen & Bathroom Contingency	400	106	50	250	250	200	856
Safe and Attractive Environment							
External Facilities Scheme			520	1,715	4,830	5,150	12,215
External Facilities Contingency			50	100	200	200	550
Voice Entry Systems	150	123	103	350	350	100	1,026
General	150	130	220	1,000	2,500	2,900	6,750

SCHEME/PROJECT	2014/15 Original	2014/15 Revised £'000	2015/16 Original £'000	2016/17 Original £'000	2017/18 Original £'000	2018/19 Original £'000	TOTAL £'000
Meeting the Needs of the Household							
Adaptations 14/15 - Internal	2,000	2,000	2,000	2,000	2,000	2,000	10,000
Adaptations 14/15 - External	750	750	750	750	750	750	3,750
Total	38,347	26,907	49,293	44,000	£41,500	£42,000	203,700

HRA 4 Year Capital Programme

Scheme Description

Good State of Repair

Wind and Weatherproofing

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

Resiform Properties

Resiform properties are of a timber frame and fiberglass panel type construction and were built in the 1970s. The repair scheme will secure the long term structural integrity of the properties, improve weather protection and increase the thermal efficiency of the dwellings. Subject to costs and the availability of energy saving grants, the scheme may include renewable energy systems as part for the project. This scheme may operate over a single financial period may be subject to planning permission requirements and officers will submit planning applications as necessary.

British Iron & Steel Federation (BISFs) Houses

BISF houses are of a steel frame construction built in the 1950s. The scheme is designed to repair and maintain the structural integrity and to improve thermal efficiency and weather protection. The specification of work includes roof renewal, insulated render system and door renewal, boiler replacement and electrical rewiring. It also includes kitchens and bathrooms. Schemes may be subject to planning permission requirements and officers will submit planning applications as necessary.

Wimpey No Fines Houses

Wimpey No Fines are properties built with solid concrete walls and the repair scheme will address structural cracking where present. The application of insulated render will improve thermal efficiency and weather protection. Roof repairs and door renewal are also included. Schemes may be subject to planning permission requirements and officers will submit planning applications as necessary.

Trusteel Houses, Penllergaer

Trusteel houses are of a steel frame construction, the scheme will repair the frame and upgrade the external wall covering to increase weather protection and thermal insulation. The refurbishment scheme will be an ongoing scheme over the 4 year reporting period and may be subject to planning permission requirements and officers will submit planning applications as necessary.

Easiform Properties

Easiform properties are typically a poured concrete construction built in the 1950s and 60s. The scheme will secure the long term structural integrity of the properties, improve the weather protection and particularly improve the thermal efficiency of the properties.

The scope of work will include roof repairs, wall repairs and insulation, improvement to balconies where present and minor upgrades to fire safety where required. Schemes may be subject to planning permission requirements and officers will submit planning applications as necessary.

Refurbishment of Highrise Flats

The Council's high rise blocks were all built in the early 1960s and now require repairs to ensure their continued use over the long term. The schemes will protect the structures of the blocks; improve their weather resistance, thermal efficiency and their fire safety. The flats will also receive improvements to internal facilities for individual homes as well as communal areas.

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

Externally, the work will include a new roof, balcony rails, repairs to balcony slabs, insulated cladding across the walls, new double glazed windows, upgrades to fire protection, revised CCTV systems where required, improved entrances renewal of the communal electrical wiring and lighting, improvements to fire safety measures, improvements to the decoration, new flooring in communal areas where agreed with residents

The local environment will receive upgrades to CCTV systems, upgrades to paths and immediate areas of hard and soft landscaping, and improvements to the immediate HRA owned environment. Additional resident parking will be provided where required and achievable.

The projects are expected to take over three years to complete and will run across the full time scale of this reporting period. Schemes will be subject to planning permission requirements and officers will submit planning applications as necessary.

Chimney Repairs

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

Pitched Roof Renewal and Flat Roof Renewal

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

Window Renewal

Replacement of windows which are at the end of their useful life or require upgrading, the new units will improve thermal efficiency and security.

Damp

This fund will allow us to address any difficult damp issues in properties where this is over and above scope of the responsive repair service.

Balcony Repairs

Balconies will be repaired and improved to ensure they remain in good condition and safe to use. Repairs will include new balcony rails, repairs to the balcony slabs and floor surface.

Door Renewal - Various locations

Doors will be renewed with Composite type units or fire doors with secure locks and hinges. The door will improve weather protection, security, thermal efficiency and fire safety. This scheme is expected to run across two financial years.

Structural Repairs

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

Drainage and drainage protection

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

Safe and Secure

Fire Safety General – Various Locations

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

Smoke Alarms and Carbon Monoxide Detectors Renewal

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

Fire Safety - Sprinkler Systems to Sheltered Complexes

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

Fire Protection: Kitchen and Stair Separation - Various

The scheme will involve altering and improving the internal layout in homes to ensure there is safe separation between the staircases and the kitchen area. The outcome will improve fire safety.

Fire Separation between Flats - Various

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

Electrical Rewiring Contingency – Various Locations

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

Electrical Rewiring – Various Locations

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

Electrical Rewiring Communal Blocks and Emergency Lighting – Communal Areas

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

Adequately Heated

Boiler Replacement – Various Locations

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

Heating Upgrades – Various Locations

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

Loft Insulation

The scheme will improve loft insulation levels in council homes with the aim of improving thermal efficiency of homes across Swansea. This contract will operate over the period of this four year programme.

Energy Efficiency Measures and Energy Grant Support – Various

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

Kitchen and Bathroom Renewal

Kitchen and Bathroom Renewal

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

Kitchen and Bathroom Rewires and Boilers

The investment is to renew central heating boilers and domestic wiring as part of the kitchen and bathroom programme. Contracts will operate over the period of this four year programme.

Kitchen and Bathroom Renewal Contingency

The investment will be renew kitchens and bathrooms to empty homes where required in order to make ready for letting.

Located in Safe/Attractive Environments

Environment - Within the Curtilage

External Facilities

The scheme will undertake repairs and improvements to the external facilities within the curtilage of homes to ensure they are safe and reasonably practicable areas. Garden and storage areas can vary considerably from property to property and therefore the work will be tailored to the needs of individual homes, but will broadly include the repair or renewal of meter box covers, fencing and boundary walls, walls within the curtilage, paths, steps, handrails, external viable storage facilities or clearance where necessary. Also, where considered necessary the provision of drying facilities.

External Facilities Contingency

The budget is treat the external facilities to those homes scheduled for this work but which have become empty and require significant level of repair in order to make ready for letting. The aim is to improve home safety and security.

Environment – Estate Based

Environment – General

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

Meeting Requirements of the Household

Adaptations

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



Statutory Resolution – Resolutions to be made in accordance with the Regulations in the Setting of the Council Tax 2015/16

Report of the Section 151 Officer

Council 24th February 2015

STATUTORY RESOLUTION – RESOLUTIONS TO BE MADE IN ACCORDANCE WITH THE REGULATIONS IN THE SETTING OF THE COUNCIL TAX 2015/2016

- (1) **THAT** the Council notes and adopts the statutory resolutions set out below.
- (2) **THAT** it be noted that at its meeting on 2nd December 2014 the Council calculated the following amounts for the year 2015/2016 in accordance with Regulations made under Section 33(5) of the Local Government Finance Act 1992 (as amended) -
- a) 89,066 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	1,947
Clydach	2,566
Gorseinon	3,097
Gowerton	1,962
Grovesend	398
Ilston	315
Killay	2,075
Llangennith, Llanmadoc & Cheriton	492
Llangyfelach	952
Llanrhidian Higher	1,594
Llanrhidian Lower	326
Llwchwr	3,294
Mawr	739
Mumbles	9,596
Penllergaer	1,358
Pennard	1,442
Penrice	432
Pontarddulais	2,268
Pontlliw & Tircoed	1,043
Port Eynon	418
Reynoldston	281
Rhossilli	195
Three Crosses	718
Upper Killay	570

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 2015/2016 in accordance with Section 32 to 36 of the Local Government Finance Act 1992 -
- (a) £679,591,321 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) £270,614,763 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) £408,976,558 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) £307,259,450 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) £1,142.04 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) £910,458 being the aggregate amount of all special items referred to in Section 34(1) of the Act.
 - (g) £1,131.82 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	1,150.31
Clydach	1,168.68
Gorseinon	1,158.52
Gowerton	1,149.18
Grovesend & Waungron	1,144.38
Ilston	1,141.27
Killay	1,140.98
Llangennith, Llanmadoc & Cheriton	1,146.56
Llangyfelach	1,151.78
Llanrhidian Higher	1,178.35
Llanrhidian Lower	1,144.09
Llwchwr	1,156.32
Mawr	1,195.42
Mumbles	1,146.75
Penllergaer	1,146.55
Pennard	1,163.72
Penrice	1,154.97
Pontarddulais	1,168.42
Pontlliw & Tircoed	1,165.08
Port Eynon	1,144.98
Reynoldston	1,167.41
Rhossili	1,148.74
Three Crosses	1,174.06
Upper Killay	1,163.40

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	766.88	894.68	1,022.50	1,150.31	1,405.94	1,661.56	1,917.19	2,300.62	2,684.05
Clydach	779.12	908.97	1,038.82	1,168.68	1,428.39	1,688.09	1,947.80	2,337.36	2,726.92
Gorseinon	772.35	901.07	1,029.79	1,158.52	1,415.97	1,673.42	1,930.87	2,317.04	2,703.21
Gowerton	766.12	893.80	1,021.49	1,149.18	1,404.56	1,659.93	1,915.30	2,298.36	2,681.42
Grovesend & Waungron	762.92	890.07	1,017.22	1,144.38	1,398.69	1,652.99	1,907.30	2,288.76	2,670.22
Ilston	760.85	887.65	1,014.46	1,141.27	1,394.89	1,648.50	1,902.12	2,282.54	2,662.96
Killay	760.66	887.42	1,014.20	1,140.98	1,394.54	1,648.08	1,901.64	2,281.96	2,662.28
Llangennith, Llanmadoc & Cheriton	764.38	891.76	1,019.16	1,146.56	1,401.36	1,656.14	1,910.94	2,293.12	2,675.30
Llangyfelach	767.86	895.82	1,023.80	1,151.78	1,407.74	1,663.68	1,919.64	2,303.56	2,687.48
Llanrhidian Higher	785.57	916.49	1,047.42	1,178.35	1,440.21	1,702.06	1,963.92	2,356.70	2,749.48
Llanrhidian Lower	762.73	889.84	1,016.97	1,144.09	1,398.34	1,652.57	1,906.82	2,288.18	2,669.54
Llwchwr	770.88	899.36	1,027.84	1,156.32	1,413.28	1,670.24	1,927.20	2,312.64	2,698.08
Mawr	796.95	929.77	1,062.59	1,195.42	1,461.07	1,726.72	1,992.37	2,390.84	2,789.31
Mumbles	764.50	891.91	1,019.33	1,146.75	1,401.59	1,656.42	1,911.25	2,293.50	2,675.75
Penllergaer	764.37	891.76	1,019.15	1,146.55	1,401.34	1,656.13	1,910.92	2,293.10	2,675.28
Pennard	775.82	905.11	1,034.42	1,163.72	1,422.33	1,680.93	1,939.54	2,327.44	2,715.34
Penrice	769.98	898.31	1,026.64	1,154.97	1,411.63	1,668.29	1,924.95	2,309.94	2,694.93
Pontarddulais	778.95	908.77	1,038.59	1,168.42	1,428.07	1,687.72	1,947.37	2,336.84	2,726.31
Pontlliw & Tircoed	776.72	906.17	1,035.62	1,165.08	1,423.99	1,682.89	1,941.80	2,330.16	2,718.52
Port Eynon	763.32	890.54	1,017.76	1,144.98	1,399.42	1,653.86	1,908.30	2,289.96	2,671.62
Reynoldston	778.28	907.98	1,037.70	1,167.41	1,426.84	1,686.26	1,945.69	2,334.82	2,723.95
Rhossili	765.83	893.46	1,021.10	1,148.74	1,404.02	1,659.29	1,914.57	2,297.48	2,680.39
Three Crosses	782.71	913.15	1,043.61	1,174.06	1,434.97	1,695.86	1,956.77	2,348.12	2,739.47
Upper Killay	775.60	904.86	1,034.13	1,163.40	1,421.94	1,680.47	1,939.00	2,326.80	2,714.60
All other parts of the Council area	754.55	880.30	1,006.06	1,131.82	1,383.34	1,634.85	1,886.37	2,263.64	2,640.91

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 2015/2016 the Police and Crime Commissioner for South Wales have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwelling shown below -

	Band A £	Band B £	Band C £	Band D £	Band E £	Band F £	Band G £	Band H £	Band I £
The Police and Crime Commissioner for South Wales	133.24	155.44	177.65	199.86	244.27	288.68	333.10	399.71	466.33

- (5) **THAT** having calculated the aggregate in each case of the amounts at (3)(i) and (4) above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2015/16 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>	900.12	1,050.12	1,200.15	1,350.17	1,650.21	1,950.24	2,250.29	2,700.33	3,150.38
<i>Clydach</i>	912.36	1,064.41	1,216.47	1,368.54	1,672.66	1,976.77	2,280.90	2,737.07	3,193.25
<i>Gorseinon</i>	905.59	1,056.51	1,207.44	1,358.38	1,660.24	1,962.10	2,263.97	2,716.75	3,169.54
<i>Gowerton</i>	899.36	1,049.24	1,199.14	1,349.04	1,648.83	1,948.61	2,248.40	2,698.07	3,147.75
<i>Grovesend & Waugron</i>	896.16	1,045.51	1,194.87	1,344.24	1,642.96	1,941.67	2,240.40	2,688.47	3,136.55
<i>Ilston</i>	894.09	1,043.09	1,192.11	1,341.13	1,639.16	1,937.18	2,235.22	2,682.25	3,129.29
<i>Killay</i>	893.90	1,042.86	1,191.85	1,340.84	1,638.81	1,936.76	2,234.74	2,681.67	3,128.61
<i>Llangennith, Llanmadoc & Cheriton</i>	897.62	1,047.20	1,196.81	1,346.42	1,645.63	1,944.82	2,244.04	2,692.83	3,141.63
<i>Llangyfelach</i>	901.10	1,051.26	1,201.45	1,351.64	1,652.01	1,952.36	2,252.74	2,703.27	3,153.81
<i>Llanrhidian Higher</i>	918.81	1,071.93	1,225.07	1,378.21	1,684.48	1,990.74	2,297.02	2,756.41	3,215.81
<i>Llanrhidian Lower</i>	895.97	1,045.28	1,194.62	1,343.95	1,642.61	1,941.25	2,239.92	2,687.89	3,135.87
<i>Llwchwr</i>	904.12	1,054.80	1,205.49	1,356.18	1,657.55	1,958.92	2,260.30	2,712.35	3,164.41
<i>Mawr</i>	930.19	1,085.21	1,240.24	1,395.28	1,705.34	2,015.40	2,325.47	2,790.55	3,255.64
<i>Mumbles</i>	897.74	1,047.35	1,196.98	1,346.61	1,645.86	1,945.10	2,244.35	2,693.21	3,142.08
<i>Penllergaer</i>	897.61	1,047.20	1,196.80	1,346.41	1,645.61	1,944.81	2,244.02	2,692.81	3,141.61
<i>Pennard</i>	909.06	1,060.55	1,212.07	1,363.58	1,666.60	1,969.61	2,272.64	2,727.15	3,181.67
<i>Penrice</i>	903.22	1,053.75	1,204.29	1,354.83	1,655.90	1,956.97	2,258.05	2,709.65	3,161.26
<i>Pontarddulais</i>	912.19	1,064.21	1,216.24	1,368.28	1,672.34	1,976.40	2,280.47	2,736.55	3,192.64
<i>Pontlliw & Tircoed</i>	909.96	1,061.61	1,213.27	1,364.94	1,668.26	1,971.57	2,274.90	2,729.87	3,184.85
<i>Port Eynon</i>	896.56	1,045.98	1,195.41	1,344.84	1,643.69	1,942.54	2,241.40	2,689.67	3,137.95
<i>Reynoldston</i>	911.52	1,063.42	1,215.35	1,367.27	1,671.11	1,974.94	2,278.79	2,734.53	3,190.28
<i>Rhossili</i>	899.07	1,048.90	1,198.75	1,348.60	1,648.29	1,947.97	2,247.67	2,697.19	3,146.72
<i>Three Crosses</i>	915.95	1,068.59	1,221.26	1,373.92	1,679.24	1,984.54	2,289.87	2,747.83	3,205.80
<i>Upper Killay</i>	908.84	1,060.30	1,211.78	1,363.26	1,666.21	1,969.15	2,272.10	2,726.51	3,180.93
All other parts of the Council area	887.79	1,035.74	1,183.71	1,331.68	1,627.61	1,923.53	2,219.47	2,663.35	3,107.24