

# Agenda



## Newport City Council

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Date: Tuesday, 27 February 2018  
Time: 5.00 pm  
Venue: Council Chamber, Civic Centre, Newport  
To: **All Members of the City Council**

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### **WEBCASTING NOTICE**

*This meeting may be filmed for live or subsequent broadcast via the Council's internet site.*

*At the start of the meeting the Mayor or Person Presiding will confirm if all or part of the meeting is being filmed. The images and sound recording may be also used for training purposes within the Council.*

*Generally the public seating areas are not filmed. However by entering the meeting room and using the public seating area, you are consenting to being filmed and to the possible use of those images and sound recordings for webcasting and/or training purposes.*

*If you have any queries regarding this, please contact the Chief Democratic Services Officer.*

Item	Wards Affected
1. <u>Agenda yn Gymraeg</u> (Pages 5 - 6)	
2. <u>Preliminaries</u> <ul style="list-style-type: none"><li>i. To receive any apologies for absence.</li><li>ii. To receive any declarations of interest.</li><li>iii. To receive any announcements by the Mayor.</li></ul>	
3. <u>Appointments</u> (Pages 7 - 10) To consider any proposed appointments.	
4. <u>Minutes</u> (Pages 11 - 18) To confirm and sign the minutes of the last meeting.	
a <u>Police Issues</u> 30 minutes is allocated for questions to the Gwent Police representative.	
5. <u>Revenue Budget 2018-19 and Medium Term Financial Plan</u> (Pages 19 - 74)	
6. <u>Questions to the Leader of the Council</u> To provide an opportunity for Councillors to ask questions to the	

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Date of Issue: Wednesday, 21 February 2018

Leader of the Council in accordance with the Council's Standing Orders.

**Process:**

No more than 15 minutes will be allocated at the Council meeting for questions to the Leader of the Council.

The question must be addressed through the Mayor or the person presiding at the meeting and not directly to the person being questioned.

7. Questions to the Cabinet Members

To provide an opportunity to pose questions to Cabinet Members in line with Standing Orders.

**Process:**

No more than 10 minutes will be allocated at the Council meeting for questions to each Cabinet Member.

Members must submit their proposed questions in writing in advance in accordance with Standing Orders. If members are unable to ask their question orally within the allocated time, remaining questions will be answered in writing. The question and response will be appended to the minutes.

The question must be addressed through the Mayor or the person presiding at the meeting and not directly to the person being questioned.

Questions will be posed to Cabinet Members in the following order:

- i. Deputy Leader and Cabinet Member for Assets and Member Development
- ii. Cabinet Member for Education and Skills
- iii. Cabinet Member for Social Services
- iv. Cabinet Member for Regeneration and Housing
- v. Cabinet Member for Community and Resources
- vi. Cabinet Member for Streetscene
- vii. Cabinet Member for Licensing and Regulation
- viii. Cabinet Member for Culture and Leisure

**For information:** A digest of recent decision schedules issued by Cabinet, Cabinet Members and Minutes of recent meetings of Committees has been circulated electronically to all Members of the Council.

8. Questions to the Chairs of Committees

To provide an opportunity to pose questions to the Chairs of the Committees in line with Standing Orders.

**Process:**

No more than 10 minutes will be allocated at the Council meeting for questions to each Chair.

Members must submit their proposed questions in writing in advance in accordance with Standing Orders. If members are unable to ask their question orally within the allocated time, remaining questions will be answered in writing. The question and response will be appended to the minutes.

The question must be addressed through the Mayor or the person presiding at the meeting and not directly to the person being questioned.

Questions will be posed to Committee Chairs in the following order:

- i. Scrutiny Committees
  - a. Overview and Scrutiny Management Committee
  - b. Performance Scrutiny Committee – People
  - c. Performance Scrutiny Committee – Place and Corporate
  - d. Performance Scrutiny Committee – Partnerships
- ii. Planning Committee
- iii. Licensing Committee
- iv. Democratic Services Committee

**For information:** A digest of recent decision schedules issued by Cabinet, Cabinet Members and Minutes of recent meetings of Committees has been circulated electronically to all Members of the Council.

9. Standards Committee Minutes (Pages 75 - 78)  
To note the minutes of the latest meeting of the Standards Committee.

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# Agenda



## Cyngor Dinas Casnewydd

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Dyddiad: 30 Ionawr 2018

Amser: 5 y.p.

Lleoliad: Siambrau'r Cyngor - Canolfan Ddinesig

At sylw: **Pob Aelod o'r Cyngor Dinas**

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### **Gwe-ddarllodiadau Cyngor Dinas Casnewydd**

*Mae gwe-ddarllodiadau o gyfarfodydd llawn Cyngor Casnewydd a'r pwyllgor cynllunio yn cael eu hatal dros dro tra bo'r system sain yn cael ei huwchraddio. Disgwylir y bydd y darllodiadau'n ailgychwyn cyn diwedd y flwyddyn.*

### **Eitem**

1. **Agenda Cymraeg**
2. **Rhagarweiniau**
  - i) Ymddiheuriadau am absenoldeb
  - ii) Datganiadau o fuddiant personol
  - iii) Cyhoeddiadau Maer
3. **Cofnodion**
4. **Penodiadau**
5. **Cyllideb Refeniw 2018-19 a Cynllun Ariannol Tymor Canolig**

### **6. Cwestiynau i Arweinydd**

I roi'r cyfle i gynghorwyr ofyn cwestiynau i Gadeirydd y Cabinet yn unol â Rheolau Sefydlog y Cyngor.

**Proses:** Ni chaiff mwy na 15 munud eu cadw yng nghyfarfod y Cyngor ar gyfer cwestiynau llafar i'r Arweinydd

*Rhaid i'r cwestiwn cael sylw drwy'r Maer neu'r sawl sy'n llywyddu yn y cyfarfod ac nid yn uniongyrchol at y person a holir*

### **7. Cwestiynau i Aelodau Cabinet**

I roi'r cyfle i ofyn cwestiynau i Aelodau'r Cabinet yn unol â Rheolau Sefydlog

**Proses:** Ni chaiff mwy na 10 munud eu cadw yng nghyfarfod y Cyngor ar gyfer cwestiynau i bob Aelod Cabinet unigol.

Bydd angen i'r Aelodau cyflwyno eu cwestiynau arfaethedig yn ysgrifenedig yn unol â'r Rheolau Sefydlog. Os nad yw'r aelodau yn gallu gofyn eu cwestiwn ar lafar o fewn yr amser a glustnodwyd, bydd y cwestiynau sy'n weddill yn cael eu hateb yn ysgrifenedig. Bydd y cwestiwn ac ymateb yn cael eu hatodi i'r cofnodion.

Rhaid i'r cwestiwn cael sylw drwy'r Maer neu'r sawl sy'n llywyddu yn y cyfarfod ac nid yn uniongyrchol at y person a holir

Bydd y cwestiynau yn cael eu gofyn i aelodau'r cabinet yn y drefn ganlynol:

- Dirprwy Arweinydd / Aelod Cabinet dros Ddatblygu Asedau ac Aelodau
- Aelod Cabinet dros Addysg a Sgiliau
- Aelod Cabinet dros y Gwasanaethau Cymdeithasol
- Aelod Cabinet dros Adfywio a Thai
- Aelod Cabinet dros y Gymuned ac Adnoddau
- Aelod Cabinet dros Gwasanaethau Stryd
- Aelod Cabinet dros Trwyddedu a Rheoleiddio
- Aelod Cabinet dros Ddiwylliant a Hamdden

**Er Gwybodaeth:** Mae crynodeb o amserlenni penderfyniad diweddar a gyhoeddwyd gan y Cabinet, Aelodau Cabinet a Chofnodion cyfarfodydd diweddar y Pwyllgorau wedi cael ei gylchredeg yn electronig at bob Aelod o'r Cyngor.

## **8. Cwestiynau i Gadeiryddion Pwyllgorau**

Bydd y cwestiynau yn cael eu gofyn i Gadeiryddion Pwyllgorau yn y drefn ganlynol:

### **I. Pwyllgorau Craffu**

- Pwyllgor Rheoli Trosolwg a Chraffu
- Pwyllgor Craffu ar Berfformiad – Pobl
- Pwyllgor Craffu ar Berfformiad – Lleoedd a Materion Corfforaethol
- Pwyllgor Craffu ar Berfformiad – Partneriaethau

### **II. Pwyllgor Cynllunio**

### **III. Pwyllgor Trwyddedu**

### **IV. Pwyllgor Gwasanaethau Democrataidd**



# Report

## Council

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### Part 1

Date: 27 February 2018

**Subject** **Appointments**

**Purpose** To agree the appointment of Council nominees to committees and outside bodies.

**Author** Democratic Services and Communications Manager

**Ward** General

**Summary** In accordance with its terms of reference within the Constitution, Council is responsible for appointing the members of Council Committees, and the Council's representatives on outside bodies. The current vacancies and nominations received are set out in the attached report.

**Proposal** **Council is asked to receive and approve the nominations for representatives, as listed in the report.**

**Action by** Democratic Services and Communications Manager

**Timetable** Immediate

This report was prepared after consultation with:

- Council Business Managers
- Head of Law and Regulation

**Signed**

## Background

In accordance with its terms of reference within the Constitution, Council is responsible for appointing the members of Council Committees, and the Council's representatives on outside bodies. The current vacancies and nominations received are set out below.

Any vacant appointments / nominations received after the publication of this report, will be announced at the Council meeting by the appropriate Business Manager or Group Leader.

### Internal Appointments

Committee	No. of Vacancies / Replacements	Nominations Received
none		

### Appointments to External Organisations

Organisation	No. of Vacancies / Replacements	Nominations Received
none		

### Governing Body Appointments

Governing Body	No. of Vacancies / Re-appointments	Nominations Received
Tredegar Park Primary	1 vacancy	Karen Westerberg

## Proposal

**Council is asked to receive and approve the nominations, as listed in the report.**

### Comments of Chief Financial Officer

There are no financial implications directly arising from this report.

### Comments of Monitoring Officer

The appointment of individuals to serve on outside bodies is a Local Choice function under the Local Authorities (Executive Arrangements) (Functions and Responsibilities) (Wales) Regulations 2007. The Council has determined that responsibility for this function shall rest with Full Council unless delegated by the Council.

## Background Papers

Newport City Council Constitution  
Local Authorities (Executive Arrangements) (Functions and Responsibilities) (Wales) Regulations 2007



Dated: February 2018

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# Minutes



## Council

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Date: 30 January 2018

Time: 5.00 pm

Present: Councillors M Al-Nuaimi, J Cleverly, P Cockeram, M Cornelious, K Critchley, D Davies, C Evans, M Evans, C Ferris, D Fouweather, G Giles, J Guy, R Jeavons, C Jenkins, M Linton, D Mayer, R Mogford, A Morris, J Mudd, M Rahman, J Richards, M Spencer, T Suller, H Thomas, K Thomas, C Townsend, R Truman, T Watkins, M Whitcutt, R White, D Wilcox, D Williams, G Berry, J Clarke, Y Forsey, R Hayat, T Holyoake, P Hourahine, J Hughes, L Lacey, S Marshall, W Routley, H Townsend and J Watkins

Apologies: Councillors D Harvey, M Kellaway, K Whitehead, V Dudley and J Jordan

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### 1. Preliminaries

#### i. To receive any apologies for absence

The Monitoring Officer reported apologies for absence.

#### ii. To receive any declarations of interest

Councillor Whitcutt declared a personal interest in item 11 and withdrew from the meeting for that item.

#### iii. To receive any announcements by the Mayor

##### Former Mayor of Newport, David Atwell

The Mayor informed Council of the sad news of the death of Mr David Atwell, former Councillor for Langstone and the previous Mayor of the City. Condolences were offered to Mrs Atwell and the family, and Members stood in silence as a mark of their respect.

##### Holocaust Memorial

The Mayor thanked all who had supported the Holocaust Memorial Service at St Woolos Cathedral. This event was in its thirteenth year, this year reflecting the theme of 'The Power of Words'. The Mayor commended all involved for putting on another successful event to mark this important day.

##### New Year Honours

On behalf the Council, the Mayor congratulated the following people who had received honours in the New Year's Honours list:

- Professor Simon Gibson OBE, chief executive of the Wesley Clover Corporation, awarded a CBE for services to the economy in Wales

- Sean Dennehey, deputy chief executive of the Intellectual Property Office, awarded a CBE for services to Intellectual Property
- Lifelong Pill resident Edward Watts, the president of Gwent Scouts, awarded an MBE for his contributions to the scouting movement, the Mission to Seafarers, and to community cohesion in south Wales over the last 50 years.

#### Armed Forces Award

Councillor Mark Spencer, the Council Champion for the Armed Forces and Veterans, presented the Mayor with a silver award from the Defence Employer Recognition Scheme, recognising the commitment and support given to members of the armed forces. This award was received by Councillor Spencer on behalf of the Council, at a ceremony at Cardiff City Stadium on 30 November.

## 2. **Appointments**

### **Resolved**

The following appointments were agreed:

#### **Internal Appointments**

<b>Committee</b>	<b>No. of Vacancies / Replacements</b>	<b>Nominations Received</b>
Audit Committee	1 replacement	Cllr David Fouweather to replace Cllr W Routley
Performance Scrutiny Committee – People	1 vacancy	Council to note the nomination of Rebecca Penn as the Church in Wales Registered Representative.
Licensing Committee	1 replacement	Cllr W Routley to replace Cllr J Watkins
Performance Scrutiny Committee – Place and Corporate	1 replacement	Cllr J Watkins to replace Cllr W Routley

#### **Appointments to External Organisations**

<b>Organisation</b>	<b>No. of Vacancies / Replacements</b>	<b>Nominations Received</b>
<i>Newport City Homes</i>	-	<i>To confirm removal of the local authority representatives following the change to Newport City Homes' governance arrangements (as supported by Council on 26 September 2017).</i>

#### **Governing Body Appointments**

<b>Governing Body</b>	<b>No. of Vacancies / Re-appointments</b>	<b>Nominations Received</b>
High Cross Primary School	1 vacancy	Stewart Jones
Maes Ebbw School	1 vacancy	Cllr Tracey Holyoake
Newport High School	2 vacancies	Cllr James Clarke Jenny Judd

### 3. **Minutes**

The minutes of the meeting held on 28 November 2017 were confirmed as a true record.

### 4. **Police Issues**

Superintendent Ian Roberts and colleagues attended to introduce themselves as newly serving officers in the city, and provide a brief update on policing priorities in the city, before inviting questions from Members:

- In response to Councillor Jeavons, Superintendent Roberts confirmed that, if Civil Parking Enforcement proposals were approved today, the police would continue with parking enforcement until those powers were fully transferred to the Council.
- On behalf of the Bettws ward councillors, Councillor Cleverly thanked officers for their response to recent events in Bettws.
- Superintendent Roberts provided the latest position on 101 calls in response to Councillor M Evans question about ongoing problems with the service.
- Councillor Rahman raised concerns about traffic management around Rodney Parade on match days. Officers agreed to take this back for discussion with the match day commanders.
- In response to Cllr Morris' question about adequate resources, Superintendent Roberts gave an update on resource prioritisation as a result of budget reductions.
- In response to Councillor Guy, officers gave an update on sharing intelligence between forces in response to serious crime.
- Officers agreed to look into the parking issues raised by Councillor Truman.
- Councillor Ferris raised concerns about a homeless man being moved to Newport by Police recently. Officers confirmed this was not an agreed practice and would look into the example given.

### 5. **Notice of Motion: Armed Forces Community Questions on the 2021 Census**

The Council considered a motion for which the necessary notice had been provided. The motion was moved by Councillor Wilcox and seconded by Councillor Spencer:

#### **This council notes:**

- 1 The obligations its owes to the Armed Forces community within Newport City Council as enshrined in the Armed Forces Covenant; that the Armed Forces**

**community should not face disadvantage in the provision of services and that special consideration is appropriate in some cases, especially for those who have given the most.**

- 2 The absence of definitive and comprehensive statistics on the size or demographics of the Armed Forces community within Newport City Council. This includes serving Regular and Reserve personnel, veterans, and their families.**
- 3 That the availability of such data would greatly assist the council, local partner agencies, the voluntary sector, and national Government in the planning and provision of services to address the unique needs of the Armed Forces community within Newport City Council.**

**In light of the above, this council moves to support and promote The Royal British Legion's call to include a new topic in the 2021 census that concerns military service and membership of the Armed Forces community. We further call upon the UK Parliament, which will approve the final census questionnaire through legislation in 2019, to ensure that the 2021 census includes questions concerning our Armed Forces community.**

In moving the amendment, the Leader underlined the importance of gathering accurate data on this population, so that the needs of that community can be assessed and better services provided to them.

A number of Councillors spoke in favour of the motion, highlighting the huge sacrifices made by the Armed Forces community in serving and protecting the country, and the importance of supporting those people and their families as we have committed to do through the Armed Forces Covenant.

It was unanimously:

### **Resolved**

To adopt the motion as set out in full above.

## **6. Civil Parking Enforcement**

The Leader of the Council presented the report, asking Council to approve the introduction of civil parking enforcement within the City of Newport. In discussing the report, Members raised the following points:

- The parking issues and enforcement needed in rural areas.
- The opportunities presented by this change, in terms of controlling parking enforcement and resolving long term parking issues in the city.
- The detailed discussions that took place in scrutiny on this issue, which concluded in support of the proposals.
- Concerns over the costs of implementation, and the need to allocate adequate resources to civil parking enforcement.
- That the status quo was not sustainable – something needed to be done to resolve the road safety issues caused by illegal parking.

### **Resolved**

To approve the introduction of civil parking enforcement within the City of Newport together with:

- Appropriate authority to officers to make an application to Welsh Government for transfer of the appropriate powers under the Traffic Management Act 2004.
- With the successful transfer of powers, undertake parking enforcement duties under the new powers of civil parking enforcement within the authority boundary.

## 7. **Council Tax Reduction Scheme**

The Leader of the Council presented the report, asking Council to agree the Council Tax Reduction Scheme for 2018/19.

### **Resolved**

To approve the Council Tax reduction Scheme for 2018/19 in accordance with the Council Tax Reduction Schemes (Prescribed Requirements and Default Schemes) (Wales) (Amendment) Regulations 2014 (“the Prescribed Requirements Regulations”) exercising its local discretions as indicated in the report.

## 8. **Treasury Management**

The Leader of the Council presented the Mid-Year Treasury Management update, informing the Council of treasury activities undertaken for the period to 30 September 2017. The report also provided details of the proposal to change the Minimum Revenue Provision (MRP) policy for supported borrowing and to ‘opt-up’ to professional status in relation to the introduction of the Second Markets in Financial Instruments Directive (MiFID II).

### **Resolved**

To note the treasury management activities for the period to 30 September 2017, which are in line with the agreed 17/18 Treasury Strategies, including the repayment of the Councils own borrowings in relation to the Friar’s Walk Development Loan.

To approve the recommendation that the Council ‘opt-up’ (and therefore maintain current status) to professional status in relation to the introduction of the ‘Second Markets in Financial Instruments Directive (MiFID II), applicable to the UK in January 2018.

To approve the proposed change to the Minimum Revenue Provision (MRP) policy for supported borrowing to the asset life basis, on a straight line basis, noting the Audit Committee’s comments.

## 9. **Council Diary 2018-19**

The Leader of the Council presented the report detailing the draft Council diary for 2018/19.

There had been some amendments made since publication of the report, so an updated version would be circulated to Members after the meeting.

### **Resolved**

To adopt the schedule of meetings as the basis for arrangements for May 2018 to May 2019, recognising that it is subject to change and amendment to meet the needs of the work programmes of each committee or other group.

10. **Deferral of Mayoral Nomination**

*Councillor Whitcutt declared an interest in this report and withdrew from the meeting for the duration of the item.*

The Leader of the Council presented the report, requesting an extended deferral of a mayoral term.

**Resolved**

To agree the deferral of Councillor Mark Whitcutt's mayoral nomination until May 2021.

To refer the process for Mayoral nominations back to Democratic Services Committee for reconsideration.

11. **Nomination of the Mayor 2018-19**

*Councillor Linton declared an interest in this item and did not vote.*

The Leader of the Council moved that the Council nominates Councillor Malcolm Linton to serve as Mayor of the city for the coming year. The Leader of the Opposition seconded the motion and it was unanimously:

**Resolved**

To nominate Councillor Malcolm Linton to serve as Mayor of the city for the coming year.

12. **Questions to the Leader of the Council**

Leader's Announcements

In answer to the first question from the Mayor, the Leader made the following announcements:

- Congratulations were offered to Newport AFC on their FA cup success and the draw against Spurs. The Leader highlighted the work done with the club and Newport Now in turning the city 'black and amber' in the run up to the game, and offered best wishes for the upcoming rematch.
- The recent announcement that the city would be hosting a leg of the World Series of Boxing in 2018, alongside Gateshead and Liverpool.
- The recent success of the City Summit event.
- The ongoing consultations for the city centre masterplan, and the wellbeing plan, in which Members were urged to take part.
- New details of the plans for Chartist Tower, as announced by Garrison Barclay Estates.
- Details of the recent Severn Growth Summit, attended by the Leader, Chief Executive, and Strategic Director – Place.
- The in principle support confirmed by Welsh Government following the Council's bid to the 21<sup>st</sup> century schools programme.

Newport Market



Councillor Matthew Evans asked when the Leader had last met with traders at Newport Market, and whether the Leader was aware of the current petition started by traders at the Market, asking for stall rent reductions and improved facilities.

The Leader outlined the current arrangements in place for regular meetings between the traders, relevant cabinet members, and supporting officers. The Leader highlighted the work being done to regenerate and reinvigorate the Market building, and was disappointed to hear about the petition in light of the regular communication and close working with the trader representatives. The Leader agreed that the matter would be investigated further to respond to the concerns raised by the petition.

#### Newport High School

Councillor Jan Cleverly asked what was being done in response to the recent Estyn inspection of Newport High School, and more generally to broaden representation on governing bodies.

The Leader explained the measures in place to respond to the Estyn inspection report, including putting a senior officer in place to chair the governing body and address the issues raised in the inspection.

In response to Councillor Cleverly's supplementary question highlighting some specific incidents at the school, the Leader agreed to raise these examples with the Chief Education Officer for further investigation.

#### Full Time University Courses

Councillor Carmel Townsend asked whether the Council was in dialogue with the University of South Wales to ask that the number of full time courses offered at the city campus could be increased.

The Leader confirmed that regular discussions were held with the University, but not on this specific subject. The Leader agreed to set up a meeting to discuss this point, to which Councillor Townsend would be invited.

#### Dark Fibre Bid

In response to a question from Councillor Laura Lacey, the Leader confirmed that the bid to develop the dark fibre network would be discussed at the next Cardiff Capital Region Cabinet meeting on 12 February. This network would provide the next generation of high speed data transfer, and if successful would transform digital connectivity across the region.

#### Looked After Children

In response to a question from Councillor Malcolm Linton, the Leader confirmed that numbers of looked after children in the city were increasing in line with national trends. While this was placing additional pressure on local social work teams, colleagues were working across Gwent to bring those numbers down and ensure pressures were managed.

### **13. Questions to the Cabinet Members**

No questions were submitted on this occasion.

### **14. Questions to the Chairs of Committees**

No questions were submitted on this occasion.

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# Report

## Council

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### Part 1

Date: 27 February 2018

Item No:

### Subject **2018/19 Budget and Medium Term Financial Plan**

**Purpose** To agree the council's council tax increase for 2018/19 and resulting total net revenue budget, the council tax resolution, 2018/19 capital budget, the council's treasury management strategy, investment strategy, minimum revenue provision policy and prudential indicators as recommended by Cabinet on 14 February 2018.

**Author** Head of Finance

**Ward** General

**Summary** Following recommendation by Cabinet, the Council needs to make decisions on:

- the level of council tax, resulting total net revenue budget and capital budget;
- the council's treasury management and investment strategies; and
- minimum revenue provision policy and prudential indicators.

Cabinet met on the 14 February and finalised detailed budget recommendations plus the various treasury management strategies and policies outlined above. This paper sets out the overall 2018/19 budget, resulting service cash limits, council tax increase and recommendations for the council's general reserve and contingencies. An increase in council tax of 4.8% (£1,057.14 per annum at Band D) for Newport City Council is recommended.

The Cabinet have built on the medium term financial plan (MTFP) approved last March and approved further savings to meet the increased financial challenges facing the council. The programmes are included within the MTFP (appendix 6).

Based on the key priorities set out in the Corporate Plan, Cabinet has taken a strategic and medium term view and agreed all investment and saving proposals over the life of the current MTFP, together with next five year capital programme.

#### Section:

- 1 Our financial challenge
- 2 The medium term financial plan (MTFP)
- 3 Welsh Government funding settlement and tax base
- 4 2018/19 budget requirement
- 5 General and specific reserves, contingencies and financial risks
- 6 Budget consultation and fairness and equality impact assessments (FEIAs)
- 7 Risk and performance
- 8 2018/19 proposed council tax
- 9 Capital budget
- 10 Treasury management strategy & prudential indicators 2018/19

## **Appendix:**

- Appendix 1 Service area draft budgets
- Appendix 2 Precepts and council tax
- Appendix 3 Council tax resolution
- Appendix 4 Capital programme and budget 18/19 to 2022/23
- Appendix 5 Treasury management strategy and Prudential Indicators
- Appendix 6 Medium term financial plan (MTFP)
- Appendix 7a Financial resilience snapshot
- Appendix 7b Projected earmarked reserves

**Proposal** Council is asked:

### **Revenue budget and Council Tax 18/19 (paragraphs 2-8)**

- 1 To note that an extensive consultation exercise has been completed on the medium term change and efficiency programme, including the 2018/19 budget proposals. Cabinet have taken these into account in recommending final details of the programme and the resulting 2018/19 overall revenue budget to Council;
- 2 To note the Head of Finance's recommendations that minimum general fund balances be maintained at £6.5million, the confirmation of the robustness of the overall budget underlying the proposals, and the adequacy of the general reserves in the context of other earmarked reserves and a general revenue budget contingency of c£1.5million and People services specific budget contingency of £2.2m;
- 3 To consider and approve a council tax increase for Newport City Council of 4.8%, a Band D tax of £1,057.14; and resulting overall revenue budget shown in appendix 1;
- 4 To approve the formal council tax resolution, included in appendix 3 which incorporates The Police and Crime Commissioner for Gwent and Community Council precepts.

### **Capital Programme and 2018/19 budget (paragraph 9)**

- 5 To approve the new five year capital programme and 2018/19 capital budget. Detail contained in appendix 4.

### **Treasury Management and Investment strategies, Minimum Revenue Provision Policies and Prudential Indicators (paragraph 10)**

- 6 To approve treasury management policies in line with the detail contained in appendix 5;
- 7 To approve the annual investment strategy in line with the detail contained in appendix 5;
- 8 To approve the Council's counterparty list (external bodies for council investments) in line with the detail contained in appendix 5;
- 9 To approve the prudential indicators in line with the detail contained in appendix 5;
- 10 To approve the minimum revenue provision policy in line with the detail contained in appendix 5;

## **Medium Term Financial Plan and Capital programme (paragraphs 2 – 4 and 9)**

- 11 To note the MTFP and the challenging financial climate over the medium term;
- 12 To note Cabinets approval of the implementation of the full four year change and efficiency programme, including all budget investments and saving options, as summarised within the medium term financial plan (appendix 6) and the new capital programme (appendix 4). Noting they are subject to on-going review and updating.

**Action by** Head of Finance – 2018/19 council tax billing and detailed budgets to be prepared in line with recommendation.

**Timetable** Immediate

This report was prepared after consultation with:

- Chief Executive
- Strategic Directors
- Head of Law and Regulation
- Head of People & Business Change

**Signed**

# 1 Our financial challenge

1.1 The Council provides over 800 services, for over 147,800 people, living in over 65,000 households. Newport's population is growing, with the largest growth for children under five, and people aged over 65. The Council also provides employment for over 6,000 people.

1.2 Financial pressures and demands on services are increasing due to:

- Ageing population
- Increases in demand led services
- Care for the elderly and children
- Schools funding
- National Minimum Wage
- Inflationary costs

1.3 Over the last five years, the council has made savings of £41m. To achieve this, it has:

- reduced the number of staff employed by around one quarter
- sold land, buildings and property no longer needed
- set up a property services joint venture
- set up a charitable trust for leisure services
- reviewed services to become more efficient
- developed shared services such as IT
- helped people to live independently

However, ongoing public sector austerity measures, coupled with continuing financial pressures and demands mean that even more savings must still be found, as shown in the MTFP.

## Setting the budget

1.4 There are two main elements to the council's financial planning:

- strategic planning: the medium term financial plan (MTFP)
- within that, the annual council budget.

1.5 The Council is required by law to set a balanced budget every year. At the same time, the medium term financial plan (MTFP) is reviewed and updated to help plan savings and investments across the next four years. For a number of years, the Council has faced continued financial pressures together with reducing funding allocations, so has had to find savings to meet the funding gap between the income received through grants and council tax collection, and expenditure on the wide variety of services provided.

1.6 To meet this gap, in putting together the budget proposals each year, reviews are made of:

- i) budget commitments (both investments and savings) agreed in the MTFP last year
- ii) new areas in need of investment and growth
- iii) new proposals for savings and efficiencies
- iv) new proposals on fees and charges

1.7 The Council is required to approve an overall budget and resulting council tax level for 2018/19. The proposed budget is included within appendix 1 and Cabinet are responsible for the detailed spending plans associated with this budget. The revenue budget is based on detailed proposals reported to Cabinet on 14 February 2018 and shared with Members via the councils Scrutiny Committees in January 2018. The detailed proposals can be found appended to the Cabinet agenda [Budget investments](#) (weblink) and [Budget savings](#) (weblink).

## **A 'joined up approach'**

- 1.8 As in prior years, and in line with best practice for the budget setting process, Council is asked to consider the key budget issues collectively and:
- approve the 2018/19 revenue budget and resulting council tax to the Council;
  - approve the five year capital programme and 2018/19 capital budget;
  - approve the council's treasury management and investment policies, plus its prudential indicators.
- 1.9 Council should note that Cabinet continues to take a strategic and medium term view and approve the implementation of the council's four year change and efficiency programme, including all budget investments and saving options as summarised within the MTFP and the capital programme. Noting that these plans are subject to ongoing review and updating.
- 1.10 A key part in considering and agreeing the annual budget and MTFP is a consideration of key financial resilience issues and how the budget deals with its improvement plans and risks. These were considered in detail by Cabinet on 14 February and are outlined below in this report for Council.

## **2 The Medium Term Financial Plan**

- 2.1 The Council approved a new Corporate Plan which sets out a clear set of aspirations and plans for the future back in their November 2017 meeting. This is the first budget setting period within this strategic plan. There is work ongoing to develop our new change programme and ensure that the necessary investment (revenue and capital) is available to achieve the priorities set out in the Corporate Plan.
- 2.2 As highlighted within the Corporate Plan, our mission is 'Improving People's Lives'. To deliver this the council must be modern and forward looking and aligned with the aspirations of the Well-being of Future Generations Act.
- 2.3 Under the Council's mission to Improve People's Lives', there are 20 commitments for change relating to the following four areas;
- Resilient communities
  - A thriving City
  - Aspirational people
  - A modernised council

These will represent a significant budget challenge on the MTFP.

- 2.4 The Council's future plans and change programme will need to ensure a strategic approach is taken on the future direction of Council services. This means that it will need to meet the medium term financial sustainability challenge, meet key priorities set out in the Corporate Plan and our duties under the Well-Being of Future Generations Act in terms of sustainability and well-being objectives. The new Corporate Plan is rightly ambitious and whilst this presents significant financial challenges within the current climate of austerity, the Authority has made a commitment to address key priorities over the plan's lifespan.
- 2.5 The latest MTFP is shown in appendix 6 and is the articulation of the financial challenges and the current organisational change programmes and savings over the next four years. It includes those service changes/ savings which have already been approved for these years from the February 2017 Cabinet meeting as well as new proposals. Whilst the Council is required to set a balanced budget for 2018/19, this is to the backdrop of sustaining over £40m of savings over the last five years and future uncertainties such as the impact of future pay awards and Welsh

Government (WG) financial settlements. It should be noted that this 'plan' will inevitably develop and change as assumptions are updated or confirmed for future years.

### 3 Welsh Government Funding Settlement and Tax Base

- 3.1 The Council received its [final RSG settlement from Welsh Government](#) (weblink) on 20 December 2017 and overall this confirmed that the council would receive £212,790k for 2018/19. This, together with a 1.47% increase in the tax base for 2018/19 meant that the budget position improved by c£1.4m in cash terms. With the proposed 4.8% increase in council tax this represents an overall net budget for 2018/19 of £274,596k which is funded from £212,790k WG revenue support grant and £61,806k council tax income.
- 3.2 Council should note the inherent uncertainty and risk associated with future funding assumptions and that Welsh Local Government Association (WLGA) and others continue to push for medium term settlements or indicative future funding. Whilst not ideal or helpful, it does not necessarily prohibit medium term planning.
- 3.3 Although councils have until the 11 March each year to set council tax, in practical terms, to delay beyond this meeting date would cause delays to billing and collection of council tax. This would have a significant adverse impact on the council's cashflow.

### 4 2018/19 Budget Requirement

- 4.1 Cabinet considered the pressures and savings included within the February Cabinet report. Funding levels for service areas, based on the final proposals, are shown in appendix 1 with the detailed budget investments / pressures and savings shown in the [February Cabinet report](#) (weblink). These funding levels include a number of investment decisions that were taken at the February Cabinet meeting, details of which are set out below:

• Additional investment in schools	£420k
• Reduce council tax from 5% increase to 4.8%	£94k
• Remove Gwent missing children's service saving (CFS181903)	£20k
• Fund integrated property unit contract pressure	£85k
• Reduce the Oakland's respite saving from 2 days to 1 day(CFS181901)	£94k

- 4.2 Proposals for 2018/19 include c£14m of budget investments / pressures over and above the costs of inflation. The most significant areas of additional expenditure are linked to:

- £3,985k specific grants transferred into RSG – mainly social care related
- £2,200k People services risk contingency
- £1,135k pension deficit
- £1,100k permanent transfer of funds into schools
- £1,313k new schools, including a new social, emotional and behavioural difficulty school
- £800k out of authority residential placements
- £777k non-teaching staff increments
- £671k new responsibilities as set out in RSG – homelessness prevention and increasing capital limits for residential care
- £420k additional funding to schools

- 4.3 Significant specific grants are received from WG each year and at this time we still await the finer details of funding levels for 2018/19. It is highly probable that we will see decreases in some of these grants. It is proposed, in line with the council's current working policy, that service areas deal with these matters with Cabinet Members in terms of identifying issues as they become aware of them and developing necessary solutions to resolve them. This may involve reducing / stopping services that WG specific grants no longer fund.



- 4.4 There has been over £30m of service area investments between 2013/14 and 2017/18 over and above inflation. This has been incorporated into budget planning and investment allocated to services to ensure that the best possible services are provided to the people of Newport. The necessary investment continues within an increasingly challenging funding environment.
- 4.5 Following the consultation process, Cabinet made the decision to allocate an additional £420k of funding to schools. This is in addition to the £1,100k one-off funding received in 2017/18 that has been made permanent in 2018/19. This would contribute to cost pressures such as inflationary pay awards/ pay increments etc. Furthermore, the existing budget will not be expected to absorb the cost of new schools as new funding is also included for this. In summary, the current schools budget will increase by almost 3% in 2018/19.
- 4.6 There are, however, uncertainties in respect of education specific grants. Although specific grant reductions are anticipated, outlined in the Cabinet report, we continue to await the finer details.
- 4.7 Following this meeting, individual school's funding will be confirmed and governing bodies will need to finalise their budgets by early May.

## **5 General and Specific Reserves, Contingencies and Financial Risks**

- 5.1 The proposed budget incorporates a number of assumptions in terms of levels of income and expenditure in future years. There are, therefore, inevitably a number of financial risks inherent in the proposed budget. This was described in detail to Cabinet for consideration when finalising budget proposals but in summary:

Key, inherent risks include;

- Current year overspending
- Delivery of savings
- Inflationary pressures on the budget
- Financial risks and issues requiring one –off resources

- 5.2 A robust view is being taken on managing budget risks and protecting the financial health of the council. In that respect, the council's financial resilience is a key consideration and appendix 7 shows the current 'snapshot' of key data and information, alongside the current and projected position on the council's reserves.
- 5.3 The financial resilience 'snapshot' shows that the council is mitigating potential risks through a number of avenues, there are sufficient levels of general reserves (discussed further below) and there are a number of earmarked reserves which are set aside to mitigate against specific risks such as the insurance reserve. There are also earmarked reserves set aside to fund expected future increases in costs for projects and reserves set aside for the funding associated with these projects, the most significant example being the Private Finance Initiative (PFI) reserves. These contribute to a strong balance sheet position that is shown in the 'snapshot'. Cabinet also approved a further specific revenue budget contingency for Peoples' services for 2018/19 to mitigate anticipated on-going budget overspending here – Children's / Adult's services plus Special Education. This will provide short term financial risk mitigation whilst plans are developed to stabilise those areas and then used for investing in the agreed solutions, in due course.
- 5.4 Whilst a 'rule of thumb' analysis of general reserves suggests a c£8.5m requirement; in the context of the above and the financial risks inherent in the proposed budget, it is recommended that the minimum level of general reserves remain at its current level of £6.5m, supported by the base general budget contingency of £1.5m and a People services contingency of £2.2m.
- 5.5 The base general budget contingency, specific People services budget contingency, alongside the level of recommended general and earmarked reserves reflect the overall potential financial risk associated with delivering the budget in 2018/19. With general reserves, these provide

sufficient capacity to cover financial risks. In light of this approach, the Head of Finance, as part of his S151 responsibilities, is content that the 2018/19 overall budget as proposed is robust.

## **6 Budget consultation and Fairness and Equality Impact Assessments (FEIAs)**

6.1 The budget proposals agreed by Cabinet in December have been widely consulted on through a range of stakeholder groups and formats which are as follows (reports, conclusions and responses can be found in the February Cabinet report):

- With Trade Unions via the Employee Partnership Forum on 11 January 2018;
- With all Scrutiny Committees in their January 2018 meetings where Members discussed the detailed change and efficiency programmes plus the MTFP;
- With the Schools' Forum on 16 January 2018;
- With the public from 21 December 2017 to 31 January 2018;
- Newport Fairness Commission has also reviewed the proposals in terms of their parameters of fairness.

In summary, there was a general acknowledgement of the financial pressures facing the Council.

### **Equalities Impact Assessments (EIA)**

6.2 In delivering its services, the Council has been mindful of its duties to discharge its statutory obligations for Equal Pay, Disability Discrimination Act (DDA) and other equalities legislation including The Race Relations (Amendment) Act 2000 and the Equality Act 2006.

6.3 The council carries out an impact assessment to identify equalities issues across the breadth of the budget as part of the MTFP and annual budget setting process to inform spending decisions. As part of the budget process, equalities implications are considered for all budget proposals and an EIA is carried out by the relevant service manager, supported by the council's policy team.

## **7 Risk and Performance**

7.1 As part of setting the councils budget, key consideration is given to the risks the council faces and the improvement objectives that the council has put in place. The council maintains a corporate risk register and an Improvement Plan.

7.2 The council maintains a corporate risk register which is regularly reviewed by the Corporate Management Team and Cabinet, as well as the Audit Committee from a procedural/ risk management framework viewpoint. The council's budget strategy and MTFP framework needs to reflect risks and incorporate appropriate financial mitigation, where required. The corporate risk register and associated mitigation can be found within the February Cabinet report and demonstrated that key financial risks are mitigated within the 2018/19 budget, medium term financial plan and reserves / contingencies.

7.3 The impact of these challenges are reviewed as part of the financial monitoring process and through the corporate risk register both of which are reported regularly to the Cabinet, Senior Leadership Team and the council's Audit Committee.

## **8 2018/19 Proposed Council Tax**

8.1 Newport continues to have the second lowest council tax in Wales, amongst the lowest in the UK and significantly spends lower than its regional spending assessment (SSA) compared with

other Local Authorities. Whilst changes in council tax levels are usually noted in percentage terms, the cash increase this delivers in Newport will be smaller against other Local Authorities as our starting point is lower in the first place.

- 8.2 Based on the recommended 4.8% council tax and changes to the draft budget outlined in 4.1 above, the table below illustrates the net budget and funding which Cabinet considered at its meeting on 14 February 2018.

The table below shows the net budget and funding with a 4.8% increase in council tax. In setting council tax, the Council needs to be aware of the requirement to set a balanced budget.	<b>4.8% Increase</b>
<b>Council Tax at Band D at 4.8%</b>	£1,057.14
<b><u>Budget requirement</u></b>	<b>£000</b>
Base Budget 2017/18	266,372
Inflation & Re-pricing adjustments	3,523
Transfer from Reserves	(1,200)
<b>BASE BUDGET 2018/19 (before investments/savings)</b>	<b>268,695</b>
Budget investments – (£14,043k shown in list of pressures plus increase of £736k required in council tax benefit based on 4.8% council tax increase)	14,779
Budget savings	(8,878)
<b>DRAFT BASE BUDGET 2018/19</b>	<b>274,596</b>
<b><u>Funding available</u></b>	
Final WG Settlement	212,790
Current council tax at new tax base	58,975
Increased council tax @ 4.8%	2,831
<b>Total</b>	<b>274,596</b>
<b>Balance</b>	<b>-</b>

- 8.3 The final budgets, as detailed in appendix 1, incorporate the above recommendations. In finalising the budgets from the draft, which was consulted upon, Cabinet were aware of the key messages/ concerns/ support coming out of the consultation.
- 8.4 The Cabinet was also mindful of the need to balance the interests of service users with tax payers given the current economic climate and in addition, noted that the council tax, even with the increase recommended, would still be the second lowest in Wales, below other Welsh cities and well below the average for Wales.

### **Community / Police precepts and Council Tax calculation**

- 8.5 The council tax calculation includes proposed precept figures from The Police and Crime Commissioner for Gwent and precept figures from Community Councils within the City as well as the City council's own budget. These are shown in appendix 2. The resulting council tax resolution is set out in appendix 3. These are based on the budget proposals agreed by Cabinet on 14 February 2018.

## 9 Capital Budget

9.1 The council's capital resources come from four main sources:

- (i) Supported borrowing allocation from Welsh Government;
- (ii) Unsupported or "Prudential" borrowing;
- (iii) Capital receipts from the sale of Council owned assets;
- (iv) WG General Capital Grant / other external grants and contributions.

9.2 In reality, there is little difference between (i) and (ii) as they are both 'borrowing' and the council is required to identify a revenue budget to fund the financing costs that result from this type of capital expenditure (i.e. capital principle repayment – MRP, and interest charges).

9.3 2017/2018 marks the final year of the current four year programme. A new five year capital programme covering the period 2018/19 – 2022/23 has been produced and set out in appendix 4.

9.4 The current capital programme which finishes this year is forecasting to have spent £132,292m over the four years. Through Newport City funding, grant funding and S106 monies, as well as capital receipts, the programme has enabled a number of important projects to be developed and completed within the city which have aimed to improve the lives of the residents living and working in Newport, including:

- School investment through the Band 'A' programme - new Welsh Medium School, replacing demountables, new ASD facility and expansion of Maes Ebbw special school.
- City Centre regeneration – Friars' Walk, VVP programme, Newport market / arcade,

### Funding Envelope and Affordability

9.5 Given the on-going financial constraints on the council's funding, the HoF has recommended that the capital programme is developed within an 'affordability envelope' re: borrowing costs. In setting that envelope - an additional £250k has been added to the revenue MRP budget for each of the years 2019/20 and 2020/21 within the MTFP. This will provide additional capacity to the capital expenditure spend that could be afforded within the budgets available to fund new borrowing and the programme was then developed within that total affordability envelope. It will need to be re-assessed periodically if the financial position changes.

9.6 Given the inevitable constraint this brings about and being mindful of the demand for capital expenditure, the Cabinet considered the following framework to maximise expenditure but keep within the available revenue budget to fund new borrowing:

- a. Funding from sources other than borrowing needs to be maximised, by securing grant funding whenever possible and, maximising capital receipts
- b. Regeneration schemes would be funded from ring-fencing the capital works reserve only and Joint Venture funds. Other kinds of support through making of loans etc. would then be considered to support schemes, where it was needed and appropriate e.g. Mill Street offices development.
- c. Any change and efficiency schemes or schemes which save money requiring capital expenditure would be funded by netting off the capital funding costs from the savings achieved
- d. Schemes and projects which generate new sources of income would need to fund any capital expenditure associated with those schemes.

This framework ensures that the capital programme can be maximised but those schemes which cannot fund any resulting borrowing costs e.g. schools programme can themselves be afforded and maximised within the headroom available.

- 9.7 The programme has been compiled with regard for the latest demands on the capital programme which include;
- Current known slippage against the 2017/18 capital programme
  - Ongoing capital funded maintenance schemes
  - Cyclical Fleet / equipment replacement schemes
  - Schemes linked to the Corporate Plan
  - One off Schemes resulting from Service area requirements / pressures
  - 21<sup>st</sup> Century Schools – completion of Band A in 2018/19 and Band B from 2019/20

### **New Key Schemes**

9.8 The new programme includes significant investment of £127m in a number of areas, this will enable the council to achieve a number of its objectives from the Corporate Plan. This includes investment in improving schools assets, assisting regeneration and economic development, increase waste capacity, and delivering civil parking enforcement. Further schemes will be added to the capital programme to support the Corporate Plan objectives as they are developed, within the affordability envelope.

9.9 The key schemes which have been included within the next year's programme (shown in appendix 4) are as follows:

- 21<sup>st</sup> Century Schools Band B – Following agreement by WG in full at £70m over five years starting in the second year of the programme, 2019/2020. This is a challenge as the council will have to match WG funding by 50%.
- Annual Sums of £4.5m which are used to fund Asset Maintenance, Highways maintenance, GWICES, Telecare, Disabled Facilities Grants, IT replacement and Fleet.
- Peterstone Sewerage – £235k to provide and adopt a packet pumping station for the former council houses at St Peter's Crescent.
- Landfill - £2.155m has been included within the Capital programme for the development of Cell 4 of Docks Way Landfill site. As recycling increases, it is also resulting in a new end of process waste (process fines) being produced in higher amounts which is only suitable for landfill.
- Up to £12m development loan for Mill Street Sorting Office.
- Contribution to the Regional City Deal - £4,293k

9.10 As well as the known schemes above, included within the programme are additional estimates for the following schemes. This are subject to further approval of Heritage Lottery Fund (HLF) bids which are currently at the first stages;

- Market Arcade – To develop a large proposal to Heritage Lottery Fund to support the renovation of the Market Arcade, including its two entrances.
- Transporter Bridge – To carry out renovation works on the Transport bridge which will be funded partly by HLF at 90% and the rest be matched funded by the council.

## **10 Treasury Management Strategy & Prudential Indicators 2018/19**

10.1 The council is involved in two types of treasury activity:

- Borrowing long-term for capital purposes and short term for temporary cash flow;
- Investment of surplus cash

Within this, the overarching strategy is

- Limit the need to actually borrow cash by using the positive cash-flow and cash backed reserves the council has to fund capital expenditure funded from long-term borrowing, wherever possible, known as 'internal borrowing';
  - Borrow and invest in the short-term to manage the shorter term cash-flow requirements of the council.
- 10.2 The borrowing and investment activities are controlled primarily via the council's Treasury Management Strategy and various measures and limits set via its Prudential Indicators to regulate/control the implementation of that strategy. These were reviewed and discussed at the Authority's Audit Committee on the 25 January 2018.
- 10.3 CIPFA requires local authorities to determine their Treasury Management Strategy Statement (TMSS) and Prudential Indicators (PIs) on an annual basis. This requires approval by full Council following a recommendation from the Cabinet. The TMSS also includes the Annual Investment Strategy (AIS) that is a requirement of the WG's Investment Guidance.
- 10.4 Our detailed Treasury strategies for 2018/19 are included in appendix 5. In addition, planned strategies to 2021/22 are also included, in line with the Council's four year medium term plan. Key points of interest are summarised below.
- 10.5 The strategy and indicators are based on the 2017 Prudential Scheme. This was updated very recently and the new scheme was published January 2018. The biggest change is the need to include a 'capital strategy', with changes beyond that limited to smaller issues and updates to Prudential Indicators. Given the late publication, the updated Code is not required to be fully implemented until 2019/20.

### **Treasury Management Strategy**

- 10.6 The council's overall Treasury Management Strategy takes into account the current outstanding borrowing that it has due to capital expenditure incurred in the past and links this into the future expectations for the council around future capital expenditure to be incurred and future cash flows. As noted, the plan aims to limit new long term borrowing, wherever possible by using internal cash resources.
- 10.7 This Treasury Management Strategy highlights that the council has an inherent need to borrow and therefore the borrowing strategy discussed below is a vital part of the overall Treasury Management Strategy.
- 10.8 Due to the revenue implications of undertaking capital expenditure and the need to charge a Minimum Revenue Provision (MRP) for capital expenditure funded by borrowing, the strategy of the council is, where possible, to limit increases in the capital expenditure financing costs in the MTFP. 2017/18 is the final year of our current capital programme and the next five year programme will be approved alongside this strategy at February's Council. The PI's for these are shown in the appendix to this report.
- 10.9 In summary the council is expected to limit the amount of new long-term borrowing over the short-term to a minimum, but in conjunction with advice from our Treasury Advisors, there will become a point where current borrowing will need to be re-financed, and a decision will need to be taken as to the appropriate timing of that borrowing.
- 10.10 The detailed Treasury Management Strategy is shown in appendix 5.

### **Borrowing Strategy**

- 10.11 The council has significant long term borrowing requirements but in recent years, the strategy has been able to fund its capital expenditure from reducing investments rather than undertaking more expensive new borrowing i.e. using 'surplus cash', known as 'internal borrowing'. This is because the rates achievable on the council's investments are lower than the rates that would be payable

on long-term borrowing and therefore this strategy is more cost effective. This borrowing strategy is recommended to remain over the foreseeable future in the current low interest rate environment.

- 10.12 In terms of the revenue budget, the council must ensure it sets aside sums to repay capital expenditure funded from borrowing (irrespective of whether the borrowing itself is undertaken externally or through dis-investing). This is done via the MRP. In addition, a budget is also needed to fund actual interest payable on loans taken out, which are based on predictions of actual external borrowing. Both are discrete budget lines in the council's overall revenue budget.
- 10.13 2017/18 is the final year of the current four year programme, and work has commenced on providing figures for the future programme from 2018/19 to 2022/23 which has been finalised alongside the budget report. Appendix 4 shows the estimated capital expenditure for the council over the medium term and is based on keeping capital expenditure funded by borrowing within the capital financing revenue budgets that are included within the MTFP. This means that there would not be additional pressure on the MRP budget from the capital expenditure funded by borrowing. An estimate has also been included for the capital expenditure that can be funded by reserves, capital receipts, grants etc. which will not impact on the level of the CFR or the MRP charge.
- 10.14 A paper on the future capital programme has been taken to Senior Management and a framework for future capital expenditure has been agreed for Cabinet's review and approval, which seeks to limit capital expenditure funded by borrowing to the current funding envelope we have for capital financing within the MTFP. This will mean that no pressure will be put on new borrowing in the future, other than that shown in the table below, which shows the inherent need to borrow for replacing maturing loans and pressure on 'cash balances' from reducing earmarked reserves, hence reducing the ability to be internally borrowed.
- 10.15 Local Authorities measure their underlying need for long-term borrowing through their 'Capital Financing Requirement' (CFR). This takes into account the amount of capital expenditure that needs to be funded through borrowing, (as opposed to external funding - from cash grants, capital receipts or S106 contributions for example) irrespective of whether the borrowing itself is undertaken externally or through dis-investing.
- 10.16 The table below shows the estimated Capital Financing Requirement / New Net Borrowing Requirement position for Newport City Council for 2018/19 to 2020/21:  
(all figures are cumulative)

#### Newport City Council – CFR

	31.3.17 Actual £m	31.3.18 Estimate £m	31.3.19 Forecast £m	31.3.20 Forecast £m	31.3.21 Forecast £m
General Fund CFR	279.1	281.8	292.0	294.2	295.2
Less: Other debt liabilities *	(47.2)	(45.1)	(43.1)	(42.3)	(41.3)
<b>Borrowing CFR</b>	<b>231.9</b>	<b>236.7</b>	<b>248.9</b>	<b>251.9</b>	<b>253.9</b>
Less: External borrowing **	(211.7)	(146.1)	(144.7)	(103.2)	(100.9)
<b>Internal borrowing</b>	<b>20.2</b>	<b>90.6</b>	<b>104.2</b>	<b>148.7</b>	<b>153.0</b>
Less: Usable reserves	(107.2)	(86.3)	(76.9)	(73.2)	(70.6)
Less: Working capital	84.7	4.6	4.6	4.6	4.6
<b>Investments (or New borrowing)</b>	<b>2.3</b>	<b>(8.8)</b>	<b>(31.9)</b>	<b>(80.1)</b>	<b>(87.0)</b>

\* finance leases, PFI liabilities and transferred debt that form part of the Authority's total debt

\*\* shows only loans to which the Authority is committed and excludes optional refinancing

- 10.17 As the table shows, the inherent 'need to borrow' over this period is predicted to be £87 million. The CFR is expected to remain relatively steady over the next four years, as the capital strategy is to fund capital expenditure within the budgets of the current MRP, therefore keeping the CFR stable. The increase in the CFR is due to an anticipated capital loan to a company in relation to redevelopment in which the council will undertake borrowing to finance; this is similar to the treasury arrangements for the loan to Queensberry. The terms of loan will require full repayment of the loan four years following the anniversary of the first payment; this will reduce the CFR back to c£283m in 2021/22.
- 10.18 Given **current** borrowing levels a further c£20m long term borrowing is likely to be required during 2018/19. This is due to the expected capital loan and the level of earmarked reserves decreasing. However, the authority will be required to be flexible to borrow up to the Authorised Limit.
- 10.19 The authority will adopt a flexible approach to any borrowing necessary in consultation with its treasury management advisers, Arlingclose Ltd. The following issues will be considered prior to undertaking any external borrowing:
- Affordability
  - Maturity profile of existing debt
  - Interest rate and refinancing risk
  - Borrowing source

### **Investment Strategy**

- 10.20 The authority holds minimal invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the authority's investment balance has ranged between £0.6m and £96 million, the large balance being when the Council received the receipt from the sale of Friars Walk. In 2018/19, the level of investment is likely to decrease over time to align with the borrowing strategy of keeping new long-term borrowing to a minimum. However, due to the implementation of the second Markets in Financial Instruments Directive (MiFIDII), as highlighted in the Treasury Management half year report, the Authority will be required to maintain a minimum investment balance of £10 million. Whilst this puts a limit to the extent the council can be internally borrowed, it is a relatively small balance in the wider scheme of the council's cash-flows and borrowing and the strategy of being 'internally borrowed still stands.
- 10.21 **Objectives:** Both the CIPFA Code and the WG Guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses.
- 10.22 Given the increasing risk and continued low returns from short-term unsecured bank investments, the Authority aims to diversify into more secure and/or higher yielding classes during 2018/19.
- 10.23 **Approved Counterparties:** Whilst investment funds remain available and based on the treasury management advice from Arlingclose; the Authority may invest its surplus funds with any of the counterparty types in the table below, subject to the cash limits (per counterparty) and the time limits shown will invest in the following areas:



## Approved Investment Counterparties and Limits

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Govt	Not applicable	Not applicable	£ Unlimited 50 years	Not applicable	Not applicable
AAA	£5m 2 years	£10m 2 years	£10m 2 years	£5m 2 years	£5m 2 years
AA+	£5m 2 years	£10m 2 years	£10m 2 years	£5m 2 years	£5m 2 years
AA	£5m 2 years	£10m 2 years	£10m 2 years	£5m 2 years	£5m 2 years
AA-	£5m 2 years	£10m 2 years	£10m 2 years	£5m 2 years	£5m 2 years
A+	£5m 2 years	£10m 2 years	£5m 2 years	£5m 2 years	£5m 2 years
A	£5m 13 months	£10m 2 years	£5m 2 years	£5m 2 years	£5m 2 years
A-	£5m 6 months	£10m 13 months	£5m 2 years	£5m 13 months	£5m 2 years
BBB+	£2.5m 100 days	£5m 6 months	£2.5m 2 years	£2.5m 6 months	£2.5m 2 years
BBB	£2.5m overnight	£5.0m 100 days	Not applicable	Not applicable	Not applicable
None	£1m 6 months	Not applicable	£10m 25 years	Not applicable	Not applicable
Pooled funds	Not applicable				

10.24 Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. Whilst the credit ratings score drives the approved listing, the day-to-day operational counterparties are generally limited to named counterparty listing as documented in appendix 5. However, where it is prudent to do so the Authority may also use other approved investments based on the approved credit ratings as documented in the table above.

10.25 A more detailed explanation of the different approved counterparty types are included in appendix 5 but for the sake of clarity, the Council's investment strategy will, as per the WG's Investment Guidance, give priority to security and liquidity and will aim to achieve a yield commensurate with these principles.

### Minimum Revenue Provision (MRP) Policy

10.26 The MRP Policy is detailed in appendix 5. As per the Treasury Management half-year report brought to Council on 30 January 2018, it was agreed that the MRP charge for supported borrowing will be changed from 2017/18. This is in line with guidance and the policy attached.

## Prudential Indicators

- 10.27 The council must establish certain 'checks' required by CIPFA to ensure that its Treasury Management Strategy is operating effectively. These are known as Prudential Indicators, and they will be reported to the Council on a six monthly basis.
- 10.28 Examples of our key indicators are noted below; again more detail is supplied at appendix 5.

### Net Borrowing/Capital Financing Requirement

The Council's net borrowing should not exceed its Capital Financing Requirements as outlined earlier. This ensures that borrowing is only used to finance capital over the long term. The Council does not note any difficulty in meeting this requirement.

### Financing Costs to Net Revenue Stream

This ratio shows how much of the Council's total revenue budget is used for capital financing costs, as a percentage. The ratio for 2018/19 is 7.6%.

## Timetable

The timetable for approval of the 2018/19 budget is as follows:

Cabinet agrees budget proposals as a basis for consultation	20 December 2017
Consultation period	21 December 2017 to 31 January 2018
Cabinet considers feedback from consultation and agrees final budget proposals for recommendation to Council	14 February 2018
Council approves the 2018/19 budget and council tax level	27 February 2018

## Risks

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
Budget savings not delivered	H	L	(i) robust budget monitoring (ii) service planning (iii) retention of reserves and budget contingency	Head of Finance Heads of Service
Budget savings not delivered on time leading to	H	M	(i) robust budget monitoring (ii) retention of reserves and budget contingency	Directors / Heads of Service Head of

in year overspending				Finance
Unforeseen Pressures	H	L	(i) retention of reserves and budget contingency (ii) robust budget review	Head of Finance Directors / Heads of Service

\* Taking account of proposed mitigation measures

### Links to Council Policies and Priorities

In drawing up budget proposals, due regard has been given to key council policies and priorities and Cabinet, in setting the detailed budget and spending plans, considered these in detail in their February meeting. Details are included in the February 2018 budget paper which confirm that the new Corporate Plan objectives are funded appropriately to meet the targets proposed.

### Options Available and considered

The Council must approve a recommended council tax and 2018/19 resulting overall revenue budget and capital budget, plus the council's treasury and investment strategies and prudential indicators.

### Preferred Option and Why

Council has various options open to them on the level of council tax and therefore the overall total revenue budget for the Council.

### Comments of Chief Financial Officer

The detailed financial implications stemming from this report are contained within the body of the report, including the statement from the HoF on the robustness of the budget.

The Council is required to set council tax by 11 March but in reality, it will need to be done at this meeting as to delay further will mean bills cannot be produced in time to give the required notice before the first instalments of council tax are due. Therefore, it is important that the Council decides on the level of council tax at this meeting.

The MTFP shown in appendix 6 points to a significant on-going financial challenge and is an issue facing all Local Authorities across the UK. This Council has been successful in balancing its annual budgets whilst also investing in key priority areas over the last five years but this is becoming increasingly difficult to do as most / significant efficiency savings and tactical savings available have been implemented over this time. Increasingly, a different approach will now be needed in going forward which takes a more strategic and medium term approach to ensure the Council can set a balanced budget over the medium term, matched to strategic changes in services.

### Comments of Monitoring Officer

The Revenue Budget Report has been prepared in accordance with the requirements of the Local Government Act 2003 and the Local Government Finance Act 1992. In accordance with Section 25 of the 2003 Act, the Cabinet must have regard to the advice of the Head of Finance, as the Council's Chief Finance Officer, regarding the robustness of the budget estimates and the adequacy of the financial reserves. This advice must be taken into account when considering the proposals in the Report and in making recommendations to Council regarding the budget and the Council tax rate. In accordance with the Functions and Responsibility Regulations, agreeing the overall budget and setting the Council Tax rate under the 1992 Act is a matter for full Council. Therefore, the recommendations of the Cabinet will be subject to ratification and approval by full Council, insofar as they relate to the overall budget and Council tax proposals for 2018/19.

However, the implementation of the individual savings proposals within the MTFP are executive matters for the Cabinet, provided that they are in accordance with the general budget framework set by the

Council before the beginning of each financial year. Therefore, Cabinet is able to approve the 4 year programme as set out in the MTFP, subject to future budget decisions.

## **Comments of Head of People and Business Change**

The 2018/19 Budget and Medium Term Financial plan report gives Cabinet the opportunity to consider the implications and opportunities in the deployment of resource across a range of functions and services over the next four years. This is set against the backdrop of on-going financial pressure which has created a challenging environment. Staff have been impacted by changes to date in a number of ways and the Council now employs significantly fewer staff than it did five years ago. Inevitably there will be further staffing impacts as a result of financial settlement for 2018/19 and the extent of this will be finalised following the decision making process. All staff potentially impacted upon by this have been offered the opportunity to be consulted with and the relevant Trade Unions have made representations, contained within this report.

As part of the annual process in place a range of opportunities have been made available for the public to express their views and again these are included in the report for the consideration of Cabinet. Views have been gathered through face-to-face sessions, Ward meetings, via email, letter and petition and via the on-line consultation pages.

The Local Authority is required to ensure it considers the impact of decisions made today on future generations. This has been done through the expanded use of the Equality Impact Assessment process. It should be noted that this is becoming ever more difficult to do in the wake of on-going reductions in funding.

## **Comments of Cabinet Member**

The Cabinet Member for Finance and the Chair of Cabinet confirm that they have approved this report.

## **Local issues**

The budget proposals as shown affect the City as a whole although some specific proposals may affect certain localities more than others.

## **Scrutiny Committees**

All detailed proposals were reviewed by all Scrutiny Committees in their January 2018 meetings, as part of the wider budget proposals consultation undertaken and considered by Cabinet.

## **Equalities Impact Assessment and the Equalities Act 2010**

In finalising its budget proposals, Cabinet took account of the equalities impact assessments carried out, which was reported to them in their meeting on 14 February 2018.

## **Children and Families (Wales) Measure**

Wide consultation on the budget has been undertaken, as outlined in paragraph 6 of the report.

## **Wellbeing of Future Generations (Wales) Act 2015**

The Wellbeing of Future Generations Act 2015, which came into force in April 2016 provides a framework for embedding sustainable development principles within the activities of Council and has implications for the long-term planning of finances and service provision. The business cases used to develop savings proposals include specific linkage with Future Generation Act requirements of the “five ways of working”. These pose the following questions.

**Integration** – How does this proposal contribute towards the objectives of the key strategic documents of the Council i.e. Newport 2020, Corporate Plan, Single Integrated plan, Improvement plan etc.

**Long Term** – How does this proposal ensure that the short term and long term requirements are balanced in line with our key strategic plans. I.e. Newport 2020, Corporate Plan, Single Integrated Plan, Improvement Plan.

**Prevention** – How does this proposal prevent future problems occurring or getting worse in trying to meet our objectives.

**Collaboration** - How does this proposal demonstrate that we are working in collaboration either across the organisation or between organisations.

**Involvement** – How does this proposal involve key stakeholders in the development and implementation of this proposal.

Similar revisions have been made to report templates and the Fairness and Equality Impact Assessment format.

The Well-being of Future Generations Act has involvement as one of the five ways of working under the sustainable development principle. Involvement in the development of this budget has included a four week period of public consultation and consultation with Trade Unions via the Employee Partnership Forum, with all Overview and Scrutiny Committees, with the Schools' Forum, with the Council's Fairness Commission and with representatives from the business and voluntary sector.

## **Crime and Disorder Act 1998**

N/A

## **Consultation**

Wide consultation on the budget has been undertaken, as outlined in paragraph 6 of the report.

## **Background Papers**

Budget report presented to Cabinet on February 14 2018.

Dated:

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## APPENDIX 1 – SERVICE AREA DRAFT BUDGETS

Summary Revenue Budget		
2018/19	2017/18 Current Budget	2018/19 Base Budget
	£'000	£'000
<b>PEOPLE</b>		
Children & Young People	21,068	22,400
Adult & Community Services	41,070	44,529
Education	14,878	14,561
Schools	90,297	93,262
	<b>167,313</b>	<b>174,752</b>
<b>PLACE</b>		
Regeneration, Investment & Housing	9,194	10,028
Streetscene & City Services	17,847	20,806
	<b>27,041</b>	<b>30,834</b>
<b>CHIEF EXECUTIVE</b>		
Directorate	557	599
Finance	2,719	3,087
People & Business Change	6,321	6,989
Law & Regeneration	6,524	6,904
	<b>16,121</b>	<b>17,579</b>
<b>CAPITAL FINANCING COSTS &amp; INTEREST</b>		
Capital Financing Costs MRP	9,677	7,489
Interest Payable	9,085	9,085
Interest Receivable	(37)	(37)
PFI	8,315	8,543
	<b>27,040</b>	<b>25,080</b>
<b>SUB TOTAL - SERVICE/CAPITAL FINANCING</b>	<b>237,515</b>	<b>248,245</b>
<b>CONTINGENCY PROVISIONS</b>		
General Contingency	1,473	1,473
Centralised Insurance Fund	570	570
Non Departmental Costs	5	5
Other Income & Expenditure	4,911	3,168
	<b>6,959</b>	<b>5,216</b>
<b>LEVIES / OTHER</b>		
Discontinued Operations - pensions	1,576	1,592
Discontinued Operations - Ex Gratia Payments	2	2
Levies - Drainage Board, Fire service etc	8,207	8,330
CTAX Benefit Rebates	12,073	12,599
	<b>21,858</b>	<b>22,523</b>
<b>TRANSFERS TO/FROM RESERVES</b>		
Base budget - Planned Transfers to/(from) Reserves	40	(1,388)
	<b>40</b>	<b>(1,388)</b>
<b>TOTAL</b>	<b>266,372</b>	<b>274,596</b>
<b>Funded by</b>		
WG funding (RSG & NNDR)	(208,250)	(212,790)
Council Tax	(58,122)	(61,806)
<b>TOTAL</b>	<b>-</b>	<b>-</b>

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## APPENDIX 2 – PRECEPTS AND COUNCIL TAX

The funding required from council tax for the recommended draft 2018/19 budget is an increase of 4.80%. The tables below show all the figures involved in that calculation.

### **The Tax Base**

This is the number of properties that attract council tax for the year, expressed as if they were all in Band D. In practice, Band A properties only pay 66% of the Band D council tax whilst a Band I property pays 233% of the Band D council tax. For 2018/19, the tax base is 58,465.51 (2017/18 – 57,619.96).

### **Calculation of the Council Tax – Newport City Council**

The calculation of the council tax follows the process shown below

	<b>£000</b>
Net budget requirement	274,596
Less WG funding	212,790
Equals that which needs funding from council tax	61,806
	<b>£</b>
Divided by tax base (58,465.51) gives a council tax at Band D	1,057.14

### **Calculation of the Council Tax – The Police and Crime Commissioner for Gwent and Community Councils**

The final council tax also incorporates other demands (precepts) that the Council collects on behalf of other bodies. These bodies are The Police and Crime Commissioner for Gwent (PCC for Gwent) and the Community Councils within the City's boundary. Of these, The Police and Crime Commissioner for Gwent is the largest and for 2018/19, has set a proposed precept of £13,963,903.00.

Authority	Budget requirement / Precept from Council Tax (£'000)	Tax Base	Council Tax at Band D		% Change
			2018/19	2017/18	
Newport City	61,806	58,465.51	£1,057.14	£1,008.72	4.80%
PCC for Gwent	13,964	58,465.51	£238.84	£228.84	4.37%

The table below lists the precepts and Band D council tax for the Community Councils within Newport City boundary, for which the Council collects council tax

Community Council	Council Tax Base	2018/19 Precept (£)	Council Tax at Band D		% Change
			2018/19	2017/18	
Bishton	767	9,485.56	12.36	12.00	3.0%
Coedkernew	986	2,957.97	3.00	3.00	-
Goldcliff	192	3,078.40	16.00	16.00	-
Graig	2,880	57,605.40	20.00	19.41	3.0%
Langstone	1,934	40,232.61	20.80	20.80	-
Llanvaches	246	4,912.00	20.00	25.00	-20.0%
Llanwern	665	7,498.72	11.28	12.61	-10.5%
Marshfield	1,535	27,637.20	18.00	18.00	-
Michaelstone - Y - Fedw	171	3,699.85	21.70	21.70	-
Nash	142	1,784.56	12.57	9.20	36.6%
Penhow	459	14,718.17	32.10	25.73	24.8%
Redwick	114	2,747.96	24.16	24.16	-
Rogerstone	5,008	96,112.92	19.19	18.69	2.7%
Wentlooge	365	4,463.68	12.24	12.04	1.7%

The council tax payable by households is the total of the Newport City Council, The Police and Crime Commissioner for Gwent and, where relevant, the Community Council taxes payable in the above tables. As already noted, the actual council tax payable by households will vary from the figures above as they represent those at the Band D only. The tables included in section 5 of the council tax resolution at [appendix 3](#) show the actual council tax for each Band.

## APPENDIX 3 – COUNCIL TAX RESOLUTION

### RESOLUTION TO SET COUNCIL TAX LEVELS

1. That the revenue estimates for 2018/2019, as recommended by the Cabinet on 14 February 2018 be approved.
2. That it be noted that the Council at its meeting on 20 February 2007 delegated the setting of the tax base to the Head of Finance and that on 10 November 2017, the Head of Finance acting in accordance with that delegation calculated the following amounts for the year 2018/2019 in accordance with regulations made under Section 33(5) of the Local Government Finance Act 1992:-

(a) Council Tax Base

58,465.51 being the amount calculated by the Council, in accordance with regulation 3 of the Local Authorities (calculation of council tax base) Regulations 1992, as its council tax base for the year;

(b) Council Tax base for parts of the Council's Area

Area	Tax base
Bishton	767
Coedkernew	986
Goldcliff	192
Graig	2,880
Langstone	1,934
Llanvaches	246
Llanwern	665
Marshfield	1,535
Michaelstone	171
Nash	142
Penhow	459
Redwick	114
Rogerstone	5,008
Wentlooge	365

3. That the following amounts be now calculated by the Council for the year 2018/2019 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992:-
  - (a) £412,160,155.74 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2)(a) to (e) of the Act (**Gross Expenditure**).
  - (b) £137,287,116.74 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(3)(a) to (c) of the Act (**Gross Income**).
  - (c) £274,873,039.00 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 (**Budget + Community Council precepts**).

- (d) £212,790,074.00 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, revenue support grant or additional grant (**RSG + NNDR**).
- (e) £1,061.87 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 (**Average Band 'D' Tax for NCC including Community Councils**).
- (f) £276,935.00 being the aggregate amount of all special items referred to in Section 34(1) of the Act and detailed below (**Community Council precepts**).

Area	Special Item £
Bishton	9,485.56
Coedkernew	2,957.97
Goldcliff	3,078.40
Graig	57,605.40
Langstone	40,232.61
Llanvaches	4,912.00
Llanwern	7,498.72
Marshfield	27,637.20
Michaelstone	3,699.85
Nash	1,784.56
Penhow	14,718.17
Redwick	2,747.96
Rogerstone	96,112.92
Wentlooge	4,463.68
	<b>276,935.00</b>

- (g) £1,057.14 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 item relates (**NCC Band 'D' Council Tax**).

(h) Council Tax level for parts of the Council's Area

Area	Basic Council Tax £
Bishton	1,069.50
Coedkernew	1,060.14
Goldcliff	1,073.14
Graig	1,077.14
Langstone	1,077.94
Llanvaches	1,077.14
Llanwern	1,068.42
Marshfield	1,075.14
Michaelstone	1,078.84
Nash	1,069.71
Penhow	1,089.24
Redwick	1,081.30
Rogerstone	1,076.33
Wentlooge	1,069.38

Being the amounts given by adding to the amount at 3(g) above, the amounts of the special item or items in 3(f) divided by the amount at 2(b) for the specified area of the council. These amounts are 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.

NCC + Community Councils	Valuation Bands								
	A	B	C	D	E	F	G	H	I
	£.p	£.p	£.p	£.p	£.p	£.p	£.p	£.p	£.p
Bishton	713.00	831.83	950.67	1,069.50	1,307.17	1,544.83	1,782.50	2,139.00	2,495.50
Coedkernew	706.76	824.55	942.35	1,060.14	1,295.73	1,531.31	1,766.90	2,120.28	2,473.66
Goldcliff	715.43	834.66	953.90	1,073.14	1,311.62	1,550.09	1,788.57	2,146.28	2,503.99
Graig	718.09	837.78	957.46	1,077.14	1,316.50	1,555.87	1,795.23	2,154.28	2,513.33
Langstone	718.63	838.40	958.17	1,077.94	1,317.48	1,557.02	1,796.57	2,155.88	2,515.19
Llanvaches	718.09	837.78	957.46	1,077.14	1,316.50	1,555.87	1,795.23	2,154.28	2,513.33
Llanwern	712.28	830.99	949.71	1,068.42	1,305.85	1,543.27	1,780.70	2,136.84	2,492.98
Marshfield	716.76	836.22	955.68	1,075.14	1,314.06	1,552.98	1,791.90	2,150.28	2,508.66
Michaelstone	719.23	839.10	958.97	1,078.84	1,318.58	1,558.32	1,798.07	2,157.68	2,517.29
Nash	713.14	832.00	950.85	1,069.71	1,307.42	1,545.14	1,782.85	2,139.42	2,495.99
Penhow	726.16	847.19	968.21	1,089.24	1,331.29	1,573.35	1,815.40	2,178.48	2,541.56
Redwick	720.87	841.01	961.16	1,081.30	1,321.59	1,561.88	1,802.17	2,162.60	2,523.03
Rogerstone	717.55	837.15	956.74	1,076.33	1,315.51	1,554.70	1,793.88	2,152.66	2,511.44
Wentlooge	712.92	831.74	950.56	1,069.38	1,307.02	1,544.66	1,782.30	2,138.76	2,495.22
All Other Parts of the City	704.76	822.22	939.68	1,057.14	1,292.06	1,526.98	1,761.90	2,114.28	2,466.66

Being the amounts given by multiplying the amounts at 3(g) and 3(h) above by the number which, in the proportion 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 the 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 categories of dwellings listed in different valuation bands.

4. That it be noted for the year 2018/2019, that The Police and Crime Commissioner for Gwent has stated the following proposed amount in precept issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:-

The Police and Crime Commissioner for Gwent	Valuation Bands								
	A	B	C	D	E	F	G	H	I
	£.p	£.p	£.p	£.p	£.p	£.p	£.p	£.p	£.p
All Parts of the City	159.23	185.76	212.30	238.84	291.92	344.99	398.07	477.68	557.29

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 2018/2019 for each of the categories of dwelling shown below:-

Total Council Tax Demand	Valuation Bands								
	A	B	C	D	E	F	G	H	I
	£.p	£.p	£.p	£.p	£.p	£.p	£.p	£.p	£.p
Bishton	872.23	1,017.59	1,162.97	1,308.34	1,599.09	1,889.82	2,180.57	2,616.68	3,052.79
Coedkernew	865.99	1,010.31	1,154.65	1,298.98	1,587.65	1,876.30	2,164.97	2,597.96	3,030.95
Goldcliff	874.66	1,020.42	1,166.20	1,311.98	1,603.54	1,895.08	2,186.64	2,623.96	3,061.28
Graig	877.32	1,023.54	1,169.76	1,315.98	1,608.42	1,900.86	2,193.30	2,631.96	3,070.62
Langstone	877.86	1,024.16	1,170.47	1,316.78	1,609.40	1,902.01	2,194.64	2,633.56	3,072.48
Llanvaches	877.32	1,023.54	1,169.76	1,315.98	1,608.42	1,900.86	2,193.30	2,631.96	3,070.62
Llanwern	871.51	1,016.75	1,162.01	1,307.26	1,597.77	1,888.26	2,178.77	2,614.52	3,050.27
Marshfield	875.99	1,021.98	1,167.98	1,313.98	1,605.98	1,897.97	2,189.97	2,627.96	3,065.95
Michaelstone	878.46	1,024.86	1,171.27	1,317.68	1,610.50	1,903.31	2,196.14	2,635.36	3,074.58
Nash	872.37	1,017.76	1,163.15	1,308.55	1,599.34	1,890.13	2,180.92	2,617.10	3,053.28
Penhow	885.39	1,032.95	1,180.51	1,328.08	1,623.21	1,918.34	2,213.47	2,656.16	3,098.85
Redwick	880.10	1,026.77	1,173.46	1,320.14	1,613.51	1,906.87	2,200.24	2,640.28	3,080.32
Rogerstone	876.78	1,022.91	1,169.04	1,315.17	1,607.43	1,899.69	2,191.95	2,630.34	3,068.73
Wentlooge	872.15	1,017.50	1,162.86	1,308.22	1,598.94	1,889.65	2,180.37	2,616.44	3,052.51
All Other Parts of the City	863.99	1,007.98	1,151.98	1,295.98	1,583.98	1,871.97	2,159.97	2,591.96	3,023.95

**APPENDIX 4 – CAPITAL PROGRAMME AND BUDGET 2018/19 to 2022/23**

	CAPITAL BUDGET					
	2018/19 £000's	2019/20 £000's	2020/21 £000's	2021/22 £000's	2022/23 £000's	TOTAL £000's
21C Schools - School Reorganisation - Lodge Hill New Build	5,163	0	0	0	0	<b>5,163</b>
21C Schools - Capacity Building - Replacement of Demountables	751	0	0	0	0	<b>751</b>
21C Schools - Special Sector Maes Ebbw	2,900	0	0	0	0	<b>2,900</b>
Jubilee Park - FF&E	30	0	0	0	0	<b>30</b>
Glan Llyn - FF&E	565	0	0	0	0	<b>565</b>
School Asset Improvements	600	0	0	0	0	<b>600</b>
Gypsy/Traveller Site Development	2,123	0	0	0	0	<b>2,123</b>
Indoor Market Facility Improvements	45	0	0	0	0	<b>45</b>
Medieval Ship - Purchase of Freeze Dryer	0	0	0	12	0	<b>12</b>
Central Library Structural Safety Works	663	0	0	0	0	<b>663</b>
Decommissioning of Public Toilets	20	0	0	0	0	<b>20</b>
21C Schools - BAND B	0	14,000	14,000	14,000	14,000	<b>56,000</b>
Renovation Grants	1,620	1,300	1,300	1,300	1,300	<b>6,820</b>
Asset Management	1,500	1,500	1,500	1,500	1,500	<b>7,500</b>
Appliances/Equipment for Disabled	165	165	165	165	165	<b>825</b>
Telecare Service Equipment	45	30	30	30	30	<b>165</b>
IT Replacement Schemes	150	150	150	150	150	<b>750</b>
Fleet Replacement Programme	855	855	855	855	855	<b>4,275</b>
Maintenance, Footways and Street Lighting	500	500	500	500	500	<b>2,500</b>
Road Refurbishment Grant Scheme	1,038	0	0	0	0	<b>1,038</b>

MFD Lease	0	170	0	0	0	170
Cardiff City Region Deal - NCC Share	1,738	496	496	782	782	4,294
Landfill Cell 4 Development	1,281	854	0	0	0	2,135
Market Arcade Townscape Heritage Phase 2 - Delivery Stage	551	551	0	0	0	1,102
Mill Street Development Loan	12,000	0	0	0	0	12,000
Transporter Bridge Townscape Heritage	0	4,313	4,313	4,312	0	12,938
Civil Parking Enforcement	1,336	0	0	0	0	1,336
Peterstone Pumping Station	166	0	0	0	0	166
<b>TOTAL VALUE OF SCHEMES</b>	<b>35,806</b>	<b>24,884</b>	<b>23,309</b>	<b>23,606</b>	<b>19,282</b>	<b>126,886</b>
<b>Funded By:</b>						
General Capital Grant	2,469	2,469	2,469	2,000	2,000	11,407
Supported Borrowing	4,058	4,058	4,058	4,000	3,800	19,974
Unsupported/ Prudential Borrowing	19,541	6,880	5,886	6,711	6,482	45,500
Capital Receipts - remaining 21CS Band A commitment	3,066	0	0	0	0	3,066
External Grants - remaining commitment	5,153	0	0	0	0	5,153
External Grants - future forecast (21CS Band B)		11,111	10,786	10,786	7,000	39,682
Reserve Contributions	1,433	0	0	0	0	1,433
S106 & Other Contributions	86	196	110	110	0	502
Finance Lease	0	170	0	0	0	170
<b>TOTAL FUNDING</b>	<b>35,806</b>	<b>24,884</b>	<b>23,309</b>	<b>23,606</b>	<b>19,282</b>	<b>126,886</b>



## APPENDIX 5 TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS

### Prudential Code Indicators, Minimum Revenue Policy, Treasury Management and Investment Strategy Statements 2018/19

#### Introduction

In June 2009 the Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. CIPFA consulted on changes to the Code in 2017, but has yet to publish the full detail required for the revised Code in time for this Strategy.

In addition, the Welsh Government (WG) issued revised *Guidance on Local Authority Investments* in March 2010 that requires the Authority to approve an investment strategy before the start of each financial year.

This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the WG Guidance.

The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

**Revised strategy:** In accordance with the WG Guidance, the Authority will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, in the Authority's capital programme or in the level of its investment balance.

#### External Context

**Economic background:** The major external influence on the Authority's treasury management strategy for 2018/19 will be the UK's progress in negotiating its exit from the European Union and agreeing future trading arrangements. The domestic economy has remained relatively robust since the surprise outcome of the 2016 referendum, but there are indications that uncertainty over the future is now weighing on growth. Transitional arrangements may prevent a cliff-edge, but will also extend the period of uncertainty for several years. Economic growth is therefore forecast to remain sluggish throughout 2018/19.

Consumer price inflation reached 3.0% in September 2017 as the post-referendum devaluation of sterling continued to feed through to imports. Unemployment continued to fall and the Bank of England's Monetary Policy Committee judged that the extent of spare capacity in the economy seemed limited and the pace at which the economy can grow without generating inflationary pressure had fallen over recent years. With its inflation-control mandate in mind, the Bank of England's Monetary Policy Committee raised official interest rates to 0.5% in November 2017.

In contrast, the US economy is performing well and the Federal Reserve is raising interest rates in regular steps to remove some of the emergency monetary stimulus it has provided for the past decade. The European Central Bank is yet to raise rates, but has started to taper its quantitative easing programme, signalling some confidence in the Eurozone economy.

**Credit outlook:** High profile bank failures in Italy and Portugal have reinforced concerns over the health of the European banking sector. Sluggish economies and fines for pre-crisis behaviour continue to weigh on bank profits, and any future economic slowdown will exacerbate concerns in this regard.

Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. In addition, the largest UK banks will ringfence their retail banking functions into separate legal entities during 2018. There remains some uncertainty over how these changes will impact upon the credit strength of the residual legal entities.

The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Authority; returns from cash deposits however remain very low.

**Interest rate forecast:** The Authority's treasury adviser Arlingclose's central case is for UK Bank Rate to remain at 0.50% during 2018/19, following the rise from the historic low of 0.25%. The Monetary Policy Committee re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.

Future expectations for higher short term interest rates are subdued and on-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions. The risks to Arlingclose's forecast are broadly balanced on both sides. The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

A more detailed economic and interest rate forecast provided by Arlingclose is attached at **Appendix A**.

For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 0.4%, and that new long-term loans will be borrowed at an average rate of 3.5%.

### **Local Context**

On 31st December 2017, the Authority held £156m of borrowing and £34m of investments. This is set out in further detail at **Appendix B**. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance sheet summary and forecast

	<b>31.3.17 Actual</b>	<b>31.3.18 Estimate</b>	<b>31.3.19 Forecast</b>	<b>31.3.20 Forecast</b>	<b>31.3.21 Forecast</b>

	£m	£m	£m	£m	£m
General Fund CFR	279.1	281.8	292.0	294.2	295.2
Less: Other debt liabilities *	(47.2)	(45.1)	(43.1)	(42.3)	(41.3)
<b>Borrowing CFR</b>	<b>231.9</b>	<b>236.7</b>	<b>248.9</b>	<b>251.9</b>	<b>253.9</b>
Less: External borrowing **	(211.7)	(146.1)	(144.7)	(103.2)	(100.9)
<b>Internal borrowing</b>	<b>20.2</b>	<b>90.6</b>	<b>104.2</b>	<b>148.7</b>	<b>153.0</b>
Less: Usable reserves	(107.2)	(86.3)	(76.9)	(73.2)	(70.6)
Less: Working capital	84.7	4.6	4.6	4.6	4.6
<b>Investments (or New borrowing)</b>	<b>2.3</b>	<b>(8.8)</b>	<b>(31.9)</b>	<b>(80.1)</b>	<b>(87.0)</b>

\* finance leases, PFI liabilities and transferred debt that form part of the Authority's total debt

\*\* shows only loans to which the Authority is committed and excludes optional refinancing

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

The Authority has an increasing CFR due to the capital programme, but intends to maintain minimal investments and will therefore be required to borrow up to £87m over the forecast period. This will contain new borrowing for re-financing of maturing loans, of which there is a significant value in 2019/20 due to the stock issue.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Authority expects to comply with this recommendation during 2018/19.

### **Borrowing Strategy**

The Authority currently holds £156million of loans, a decrease of £53 million on the previous year, as part of its strategy for funding previous years' capital programmes, and the maturity of loans relating to the Queensberry Ltd borrowing. The balance sheet forecast in table 1 shows that the Authority will need to borrow further in 2018/19, this will mainly be to cover the expected capital loan and the reduction in earmarked reserves. The Authority may however borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £263 million.

**Objectives:** The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

**Strategy:** Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost

effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2018/19 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

Alternatively, the Authority may arrange forward starting loans during 2018/19, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Authority may borrow short-term loans to cover unplanned cash flow shortages.

**Sources of borrowing:** The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- capital market bond investors
- special purpose companies created to enable local authority bond issues

**Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- operating and finance leases
- hire purchase
- Private Finance Initiative
- sale and leaseback

The Authority has previously raised the majority of its long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as local authority loans and bank loans, that may be available at more favourable rates.

**LOBOs:** The Authority holds £30m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. £30m of these LOBOS have options during 2018/19, and although the Authority understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Authority will

take the option to repay LOBO loans at no cost if it has the opportunity to do so. Total borrowing via LOBO loans will be limited to £30m.

**Short-term and variable rate loans:** These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators below.

**Debt rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

### **Investment Strategy**

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held, this is due to the receipt from the sale of Friars Walk. In the past 12 months, the Authority's investment balance has ranged between £0 and £35 million, however, the level of investments is expected to reduce over the forthcoming year as funding is required and there is a move back towards holding minimal investments.

**Objectives:** Both the CIPFA Code and the WG Guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

**Negative interest rates:** If the UK enters into a recession in 2018/19, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

**Strategy:** The majority of the Authority's surplus cash is currently invested in local authorities or short-term unsecured bank deposits. It is expected that the authority will look to diversify its investments into other approved counterparties where it is felt there is the correct balance between security and yield.

**Approved counterparties:** The Authority may invest its surplus funds with any of the counterparty types in table 2 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 2: Approved investment counterparties and limits

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Govt	Not applicable	Not applicable	£ Unlimited 50 years	Not applicable	Not applicable
AAA	£5m 2 years	£10m 2 years	£10m 2 years	£5m 2 years	£5m 2 years
AA+	£5m 2 years	£10m 2 years	£10m 2 years	£5m 2 years	£5m 2 years
AA	£5m 2 years	£10m 2 years	£10m 2 years	£5m 2 years	£5m 2 years
AA-	£5m 2 years	£10m 2 years	£10m 2 years	£5m 2 years	£5m 2 years
A+	£5m 2 years	£10m 2 years	£5m 2 years	£5m 2 years	£5m 2 years
A	£5m 13 months	£10m 2 years	£5m 2 years	£5m 2 years	£5m 2 years
A-	£5m 6 months	£10m 13 months	£5m 2 years	£5m 13 months	£5m 2 years
BBB+	£2.5m 100 days	£5m 6 months	£2.5m 2 years	£2.5m 6 months	£2.5m 2 years
BBB	£2.5m overnight	£5.0m 100 days	Not applicable	Not applicable	Not applicable
None	£1m 6 months	Not applicable	£10m 25 years	Not applicable	Not applicable
Pooled funds	Not applicable				

This table must be read in conjunction with the notes below

**Credit rating:** Investment limits are set by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

**Banks unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

**Banks secured:** Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and

means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

**Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

**Corporates:** Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made either following an external credit assessment or to a maximum of £5,000,000 per company as part of a diversified pool in order to spread the risk widely.

**Registered providers:** Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing, formerly known as housing associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain the likelihood of receiving government support if needed.

**Pooled funds:** Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

**Operational bank accounts:** The Authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £5,000,000] per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

**Risk assessment and credit ratings:** Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “rating watch negative” or “credit watch negative”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

**Other information on the security of investments:** The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority’s cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

**Specified investments:** The WG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
  - the UK Government,
  - a UK local authority, parish council or community council, or
  - a body or investment scheme of “high credit quality”.

The Authority defines “high credit quality” organisations and securities as those having a credit rating of [A-] or higher that are domiciled in the UK or a foreign country with a



sovereign rating of [AA+] or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of [A-] or higher.

**Non-specified investments:** Any investment not meeting the definition of a specified investment is classed as non-specified. The Authority does not intend to make any investments denominated in foreign currencies. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, Money Market Funds and other pooled funds that are defined as capital expenditure, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in table 3 below.

Table 3: Non-specified investment limits

	<b>Cash limit</b>
Total long-term investments	£50m
Total invested in other pooled funds	£5m
Total investments without credit ratings or rated below [A-] (except the UK Government and UK local authorities)	£20m
Total non-specified investments	£50m

**Investment limits:** The Authority’s revenue reserves available to cover investment losses are forecast to be £6.5 million on 31st March 2018. The maximum that will be lent to any one organisation (other than the UK Government) will be £5million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers’ nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Investment limits

	<b>Cash limit</b>
Any single organisation, except the UK Central Government	£10m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£10m per group
Registered providers	£5m in total
Unsecured investments with building societies	£5m in total
Loans to unrated corporates	£5m in total

**Liquidity management:** The Authority uses purpose-built cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on

unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium term financial plan and cash flow forecast.

### **Non-Treasury Investments**

Although not classed as treasury management activities and therefore not covered by the CIPFA Code or the WG Guidance, the Authority may also purchase property for investment purposes and may also make loans and investments for service purposes, for example as loans to local businesses and landlords, or as equity investments and loans to the Authority's subsidiaries.

Such loans and investments will be subject to the Authority's normal approval processes for revenue and capital expenditure and need not comply with this treasury management strategy.

The Authority's existing non-treasury investments are listed in Appendix B.

### **Treasury Management Indicators**

The Authority measures and manages its exposures to treasury management risks using the following indicators.

**Interest rate exposures:** This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of interest payable will be:

	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
Upper limit on fixed interest rate exposure	100%	100%	100%
Upper limit on variable interest rate exposure	50%	50%	50%

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

**Maturity structure of borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	<b>Upper</b>	<b>Lower</b>
Under 12 months	70%	0%
12 months and within 24 months	60%	0%
24 months and within 5 years	60%	0%
5 years and within 10 years	50%	0%
10 years and within 20 years	30%	0%
20 years and within 30 years	20%	0%
30 years and within 40 years	20%	0%
40 years and within 50 years	20%	0%

50 years and above	20%	0%
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Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

**Principal sums invested for periods longer than 364 days:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

	2018/19	2019/20	2020/21
Limit on principal invested beyond year end	£40m	£10m	£10m

### **Other Items**

There are a number of additional items that the Authority is obliged by CIPFA or WG to include in its Treasury Management Strategy.

**Policy on the use of financial derivatives:** In the absence of any explicit legal power to do so, the Authority will not use standalone financial derivatives (such as swaps, forwards, futures and options). Derivatives embedded into loans and investments, including pooled funds and forward starting transactions, may be used, and the risks that they present will be managed in line with the overall treasury risk management strategy.

**Investment training:** The needs of the Authority's treasury management staff for training in investment management are assessed every three months as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, the Association of Corporate Treasurers and other appropriate organisations.

**Investment advisers:** The Authority has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues.

**Investment of money borrowed in advance of need:** The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long-term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Authority's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit of £263 million. The maximum period between borrowing and expenditure is expected to be two years, although the Authority is not required to link particular loans with particular items of expenditure.

### **Financial Implications**

The budget for investment income in 2018/19 is £0.04 million. The budget for debt interest paid in 2018/19 is £9.1 million, based on an average debt portfolio of £150 million at an average interest rate of 4.5%. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

### **Other Options Considered**

The WG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Financial Officer believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

<b>Alternative</b>	<b>Impact on income and expenditure</b>	<b>Impact on risk management</b>
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

## **Appendix A – Arlingclose Economic & Interest Rate Forecast November 2017**

### **Underlying assumptions:**

- In a 7-2 vote, the MPC increased Bank Rate in line with market expectations to 0.5%. Dovish accompanying rhetoric prompted investors to lower the expected future path for interest rates. The minutes re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.
- Further potential movement in Bank Rate is reliant on economic data and the likely outcome of the EU negotiations. Policymakers have downwardly assessed the supply capacity of the UK economy, suggesting inflationary growth is more likely. However, the MPC will be wary of raising rates much further amid low business and household confidence.
- The UK economy faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. While recent economic data has improved, it has done so from a low base: UK Q3 2017 GDP growth was 0.4%, after a 0.3% expansion in Q2.
- Household consumption growth, the driver of recent UK GDP growth, has softened following a contraction in real wages, despite both saving rates and consumer credit volumes indicating that some households continue to spend in the absence of wage growth. Policymakers have expressed concern about the continued expansion of consumer credit; any action taken will further dampen household spending.
- Some data has held up better than expected, with unemployment continuing to decline and house prices remaining relatively resilient. However, both of these factors can also be seen in a negative light, displaying the structural lack of investment in the UK economy post financial crisis. Weaker long term growth may prompt deterioration in the UK's fiscal position.
- The depreciation in sterling may assist the economy to rebalance away from spending. Export volumes will increase, helped by a stronger Eurozone economic expansion.
- Near-term global growth prospects have continued to improve and broaden, and expectations of inflation are subdued. Central banks are moving to reduce the level of monetary stimulus.
- Geo-political risks remains elevated and helps to anchor safe-haven flows into the UK government bond (gilt) market.

### **Forecast:**

- The MPC has increased Bank Rate, largely to meet expectations they themselves created. Future expectations for higher short term interest rates are subdued. On-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions.
- Our central case for Bank Rate is 0.5% over the medium term. The risks to the forecast are broadly balanced on both sides.

- The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Average
<b>Official Bank Rate</b>														
Upside risk	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.19
<b>Arlingclose Central Case</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>
Downside risk	0.00	0.00	0.00	0.00	0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.15
<b>3-month LIBID rate</b>														
Upside risk	0.10	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.22
<b>Arlingclose Central Case</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>
Downside risk	-0.10	-0.10	-0.15	-0.15	-0.15	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.20
<b>1-yr LIBID rate</b>														
Upside risk	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.27
<b>Arlingclose Central Case</b>	<b>0.70</b>	<b>0.70</b>	<b>0.70</b>	<b>0.70</b>	<b>0.80</b>	<b>0.80</b>	<b>0.80</b>	<b>0.80</b>	<b>0.80</b>	<b>0.80</b>	<b>0.80</b>	<b>0.80</b>	<b>0.80</b>	<b>0.77</b>
Downside risk	-0.15	-0.20	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.15	-0.15	-0.26
<b>5-yr gilt yield</b>														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
<b>Arlingclose Central Case</b>	<b>0.75</b>	<b>0.75</b>	<b>0.80</b>	<b>0.80</b>	<b>0.80</b>	<b>0.85</b>	<b>0.90</b>	<b>0.90</b>	<b>0.95</b>	<b>0.95</b>	<b>1.00</b>	<b>1.05</b>	<b>1.10</b>	<b>0.89</b>
Downside risk	-0.20	-0.20	-0.25	-0.25	-0.25	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.33
<b>10-yr gilt yield</b>														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
<b>Arlingclose Central Case</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.30</b>	<b>1.30</b>	<b>1.35</b>	<b>1.40</b>	<b>1.45</b>	<b>1.50</b>	<b>1.55</b>	<b>1.55</b>	<b>1.36</b>
Downside risk	-0.20	-0.25	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.33
<b>20-yr gilt yield</b>														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
<b>Arlingclose Central Case</b>	<b>1.85</b>	<b>1.85</b>	<b>1.85</b>	<b>1.85</b>	<b>1.85</b>	<b>1.90</b>	<b>1.90</b>	<b>1.95</b>	<b>1.95</b>	<b>2.00</b>	<b>2.05</b>	<b>2.05</b>	<b>2.05</b>	<b>1.93</b>
Downside risk	-0.20	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.38
<b>50-yr gilt yield</b>														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
<b>Arlingclose Central Case</b>	<b>1.70</b>	<b>1.70</b>	<b>1.70</b>	<b>1.70</b>	<b>1.70</b>	<b>1.75</b>	<b>1.80</b>	<b>1.85</b>	<b>1.90</b>	<b>1.95</b>	<b>1.95</b>	<b>1.95</b>	<b>1.95</b>	<b>1.82</b>
Downside risk	-0.30	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.39

## Appendix B – Existing Investment & Debt Portfolio Position

	<b>31 December 2017 Actual Portfolio £'000</b>	<b>31 December 2017 Average Rate %</b>
<b>External borrowing:</b>		
Public Works Loan Board	70,488	4.47
Local authorities	10,500	0.41
LOBO loans from banks	30,000	4.33
Other loans	5,000	3.77
Stock Issue	40,000	8.88
<b>Total external borrowing</b>	<b>155,988</b>	<b>5.30</b>
<b>Other long-term liabilities:</b>		
Private Finance Initiative	47,300	
Finance Leases	87	
<b>Total other long-term liabilities</b>	<b>47,387</b>	
<b>Total gross external debt</b>	<b>203,375</b>	
<b>Treasury investments:</b>		
Banks & building societies (unsecured)	2,480	0.30
Government (incl. local authorities)	32,000	0.40
<b>Total treasury investments</b>	<b>34,480</b>	<b>0.40</b>
<b>Net debt</b>	<b>168,895</b>	

<b>Non-treasury investments:</b>		
Investment property	10,396	
Shares in subsidiaries	251	
<b>Total non-treasury investments</b>	<b>10,647</b>	
<b>Total investments</b>	<b>45,127</b>	

## Appendix C – Operational Investment Counterparties List

### COUNTERPARTY LIMITS FOR BANKING – UK INSTITUTIONS

Counterparty - Banking UK Institutions	Unsecured Investments		Secured Investments	
	Maximum Counterparty Limit and Group Limit (if applicable)	Maximum Lending Period	Maximum Counterparty Limit and Group Limit (if applicable)	Maximum Lending Period
Bank of Scotland	£5,000,000	13 Months	£10,000,000	2 years
Barclays Bank Plc.	£5,000,000	100 Days	£10,000,000	2 years
Close Brothers Ltd	£5,000,000	6 Months	£10,000,000	2 years
Goldman Sachs International Bank	£5,000,000	100 Days	£10,000,000	2 years
HSBC Bank Plc.	£5,000,000	13 Months	£10,000,000	2 years
Lloyds Bank Plc.	£5,000,000	13 Months	£10,000,000	2 years
National Westminster Bank Plc.	£2,500,000	35 Days	£10,000,000	2 years
Nationwide Building Society	£5,000,000	6 Months	£10,000,000	2 years
Royal Bank of Scotland	£2,500,000	35 Days	£10,000,000	2 years
Santander UK Plc. (Banco Santander Group)	£5,000,000	6 Months	£10,000,000	2 years
Standard Chartered Bank	Suspended		£10,000,000	2 years



## Appendix 9(2) - Prudential Indicators 2018/19

The Local Government Act 2003 requires the Authority to have regard to the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

**Estimates of Capital Expenditure:** The Authority's planned capital expenditure and financing may be summarised as follows. Further detail will be provided in the capital programme report for the budget strategy.

Capital Expenditure and Financing	2017/18 Revised	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
	£m	£m	£m	£m
<b>Total Capital Expenditure</b>	<b>39.6</b>	<b>35.8</b>	<b>24.9</b>	<b>23.3</b>
Capital Receipts	7.7	3.1	0.0	0.0
Government Grants	14.7	7.6	13.6	13.3
Reserves	1.3	1.4	0.0	0.0
Revenue	1.9	0.1	0.2	0.1
Borrowing	13.8	23.6	10.9	9.9
Leasing and PFI	0.2	0.0	0.2	0.0
<b>Total Financing</b>	<b>39.6</b>	<b>35.8</b>	<b>24.9</b>	<b>23.3</b>

**Estimates of Capital Financing Requirement:** The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose.

Capital Financing Requirement	31.03.18 Revised	31.03.19 Estimate	31.03.20 Estimate	31.03.21 Estimate
	£m	£m	£m	£m
General Fund CFR	281.8	298.0	300.8	302.0

The CFR is forecast to rise by £21m over the next three years as capital expenditure financed by debt is outweighed by resources put aside for debt repayment in those years, however this is mainly due to the expected capital loan of £12m, which will be repaid in 2022/23 this will reduce the CFR to close to current levels.

**Gross Debt and the Capital Financing Requirement:** In order to ensure that over the medium term debt will only be for a capital purpose, the Authority should ensure that debt

does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

<b>Debt</b>	<b>31.03.18 Revised £m</b>	<b>31.03.19 Estimate £m</b>	<b>31.03.20 Estimate £m</b>	<b>31.03.21 Estimate £m</b>
Borrowing	156.0	176.9	185.9	190.9
Finance leases	0.1	0.1	0.0	0.0
PFI liabilities	45.1	43.1	42.3	41.3
<b>Total Debt</b>	<b>201.1</b>	<b>220.0</b>	<b>228.3</b>	<b>232.3</b>

Total debt is expected to remain below the CFR during the forecast period.

**Operational Boundary for External Debt:** The operational boundary is based on the Authority's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Authority's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Authority's debt.

<b>Operational Boundary</b>	<b>2017/18 Revised £m</b>	<b>2018/19 Estimate £m</b>	<b>2019/20 Estimate £m</b>	<b>2020/21 Estimate £m</b>
Borrowing	288	197	206	211
Other long-term liabilities	46	46	44	43
<b>Total Debt</b>	<b>334</b>	<b>243</b>	<b>250</b>	<b>254</b>

**Authorised Limit for External Debt:** The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

<b>Authorised Limit</b>	<b>2017/18 Limit £m</b>	<b>2018/19 Limit £m</b>	<b>2019/20 Limit £m</b>	<b>2020/21 Limit £m</b>
Borrowing	308	217	226	231
Other long-term liabilities	46	46	44	43
<b>Total Debt</b>	<b>354</b>	<b>263</b>	<b>270</b>	<b>274</b>

**Ratio of Financing Costs to Net Revenue Stream:** This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>2017/18 Revised</b>	<b>2018/19 Estimate</b>	<b>2019/20 Estimate</b>	<b>2020/21 Estimate</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
General Fund	7.6%	7.6%	7.0%	7.1%

**Incremental Impact of Capital Investment Decisions:** This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the capital programme proposed.

<b>Incremental Impact of Capital Investment Decisions</b>	<b>2018/19 Estimate</b>	<b>2019/20 Estimate</b>	<b>2020/21 Estimate</b>
	<b>£</b>	<b>£</b>	<b>£</b>
General Fund - increase in annual band D Council Tax	<b>2.33</b>	<b>-2.97</b>	<b>3.92</b>

**Adoption of the CIPFA Treasury Management Code:** The Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* in June 2009. It fully complies with the Codes recommendations.

## Appendix D – Annual Minimum Revenue Provision Statement 2018/19

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Welsh Government's *Guidance on Minimum Revenue Provision* (the WG Guidance) most recently issued in 2010.

The broad aim of the WG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The WG Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance.

For supported capital expenditure incurred after 31<sup>st</sup> March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments. For unsupported capital expenditure incurred after 31<sup>st</sup> March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in on an annuity basis with an annual interest rate equal to the average relevant PWLB rate for the year of expenditure, starting in the year after the asset becomes operational.

For capital expenditure loans to third parties that are repaid over a short time period or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead.

Capital expenditure incurred during 2018/19 will not be subject to a MRP charge until 2019/20.

Based on the Authority's latest estimate of its Capital Financing Requirement on 31<sup>st</sup> March 2017, the budget for MRP has been set as follows:

	31.03.2018 Estimated CFR £m	2018/19 Estimated MRP £m
Supported capital expenditure	164	4
Unsupported capital expenditure	73	3
Finance leases and Private Finance Initiative	45	2
<b>Total General Fund</b>	<b>282</b>	<b>9</b>

## APPENDIX 6 – MEDIUM TERM FINANCIAL PLAN (MTFP)

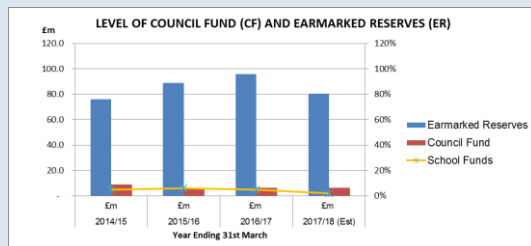
	2018/19	2019/20	2020/21	2021/22	TOTAL
<b>Pressures</b>					
Inflation	3,523	5,387	3,599	3,695	<b>16,204</b>
Other	14,043	6,560	5,701	3,819	<b>30,123</b>
<b>Total Pressures</b>	<b>17,566</b>	<b>11,947</b>	<b>9,301</b>	<b>7,514</b>	<b>46,327</b>
<b>Transfer to/ (from) Reserves</b>	<b>- 1,200</b>	<b>300</b>	<b>600</b>	<b>300</b>	<b>-</b>
(INCREASE)/DECREASE IN REVENUE SUPPORT GRANT(Final settlement 2.18%, assumed -1.0% in 19/20 and thereafter)	- 4,540	2,062	2,041	2,022	<b>1,584</b>
Increase in tax base - C.Tax @ 17/18 rate	- 853	-	-	-	<b>853</b>
C. Tax @ 4.8% in 2018/19 and 4% thereafter	- 2,831	- 2,379	- 2,399	- 2,419	<b>10,028</b>
Less consequential increase in benefits	736	476	480	484	<b>2,175</b>
<b>GAP</b>	<b>8,878</b>	<b>12,405</b>	<b>10,022</b>	<b>7,901</b>	<b>39,206</b>
Savings	8,878	2,182	46	-	11,106
Balance - @ -1.0% WG reduction 2019/20 onwards	-	<b>10,223</b>	<b>9,976</b>	<b>7,901</b>	<b>28,100</b>

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# APPENDIX 7a – FINANCIAL RESILIENCE SNAPSHOT

The following tables, charts and figures give an indication of the financial resilience of the Council as per the Statement of Accounts

## Level of Council Fund (CF) and Earmarked Reserves (ER)



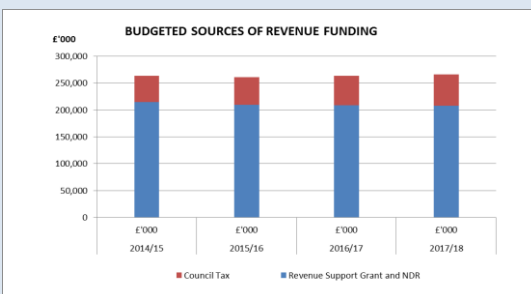
## Level of Reserves

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18 (Est)
	Em	Em	Em	Em	Em	Em
Earmarked Reserves	64.5	71.2	76.1	88.3	95.0	88.4
Council Fund	5.0	5.0	8.9	8.5	6.5	8.5
School Funds	4.4	4.2	4.8	5.9	4.8	1.8

## Budgeted Sources of Funding

Total Revenue Funding	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000
Revenue Support Grant and NDR	214,826	209,264	209,142	208,250
Council Tax	49,104	52,117	54,796	68,122

## Budgeted Revenue Funding Split



## Financial Performance and Ratios

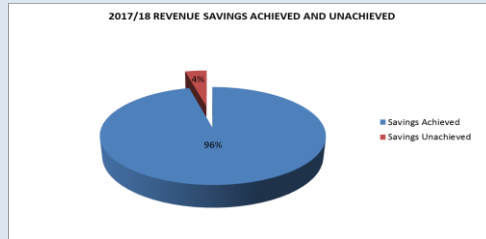
Ratio	Calculation	2012/13	2013/14	2014/2015	2015/2016	2016/2017
		£'000	£'000	£'000	£'000	£'000
Net Worth (Assets - Liabilities)	(A-asset-Liabilities)	53,668	96,061	46,887	61,095	20,785
Net Worth (exc Pension Liab.)	(A-asset-Liabilities)	286,220	280,675	298,027	340,816	346,620
Working Capital Ratio	(Curr. Assets / Curr. Liabilities)	0.68	0.79	0.89	1.82	1.17
Gearing Ratio	(Borrowing / Total Reserves)	44.1%	51.2%	45.6%	44.0%	49.9%

The figures below shows the 17/18 forecast position for both revenue and capital

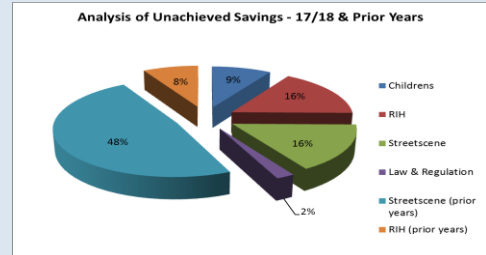
## 2017/18 Revenue Forecast Position (December)

Directorate	Current Budget	December Forecast	Variance	Variance
	£'000	£'000	£'000	%
Children & Young People	21,068	22,971	1,903	9
Adult & Community Services	41,070	41,110	40	0
Education	14,878	15,588	710	5
Schools	90,297	93,297	3,000	3
Regeneration, Investment & Housing	9,194	9,298	104	1
Streetscene & City Services	17,847	17,899	52	0
Corporate Services	16,121	15,840	(281)	(2)
<b>Total Directorates</b>	<b>210,475</b>	<b>216,003</b>	<b>5,528</b>	<b>3</b>
Capital Financing	27,040	27,201	161	1
Contingency/Provisions	6,959	7,434	475	7
Levies / other	21,858	20,400	(1,458)	(7)
Reserves / Transfer	40	(2,960)	(2,999)	(7)
<b>Total Budget</b>	<b>266,372</b>	<b>268,078</b>	<b>1,706</b>	
Additional funding - CT surplus	-	(814)	(814)	
<b>Projected Over/ (Under) spend</b>			<b>892</b>	

## Revenue Savings Achieved and Unachieved (December FIP)



## Analysis of Unachieved Savings



## 2017/18 Capital Forecast Position

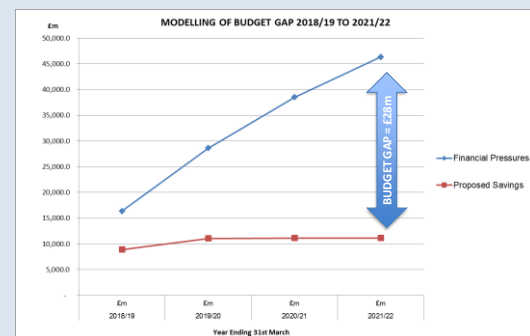
Directorate	Final Budget	Final Outturn	Variance Slippage	Variance (Under) Overspend
	£'000	£'000	£'000	£'000
Education	27,222	22,368	(4,856)	53
Regeneration, Investment & Housing	10,865	7,828	(3,112)	75
People & Business Change	2,777	512	-	(2,265)
Law & Regulation	6	6	-	-
Adult & Community Services	828	818	(10)	7
Children & Young People Services	26	26	-	-
Streetscene & City Services	4,997	4,654	(341)	(2)
<b>Total Budget</b>	<b>46,919</b>	<b>36,812</b>	<b>(7,974)</b>	<b>(2,133)</b>

The tables below show the Medium Term Financial Plan (MTFP) and the risks facing the Council.

## MTFP Scenario (To be approved by February Cabinet)

	2018/19	2019/20	2020/21	2021/22	Total
	£'000	£'000	£'000	£'000	£'000
Financial Pressures	17,566	11,947	9,301	7,514	46,327
Transfer to/ (from) reserves	(1,200)	300	600	300	0
Funding Reductions	(4,540)	2,062	2,041	2,022	1,584
Budget Requirement Reduction	11,826	14,309	11,942	9,836	47,913
Increase in Clax/ tax base	(2,948)	(1,903)	(1,919)	(1,935)	(8,705)
Savings	(8,876)	(2,182)	(46)	0	(11,106)
<b>Budget Gap</b>	<b>0</b>	<b>10,223</b>	<b>9,976</b>	<b>7,901</b>	<b>28,100</b>

## Modelling of Budget Gap 2018/19 to 2021/22



## Capital Expenditure & Capital Financing Requirement (CFR)

Capital Expenditure	2017/18	2018/19	2019/20	2020/21
	Actual	Estimate	Estimate	Estimate
	Em	Em	Em	Em
Total capital expenditure	49.6	20.2	N/A	N/A
<b>Capital Financing Requirement</b>				
Financing requirement	-	8.8	31.9	80.1
CFR	281.8	292.0	294.2	296.2

## Affordability Indicators -

**Ratio of Financing Costs to Net Revenue Stream** - highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs.

	2018/19	2019/20	2020/21
	Estimate	Estimate	Estimate
	%	%	%
<b>Ratio of Financing Costs to Net Revenue Stream</b>	7.6	7.0	7.1
<b>Incremental impact of Capital Investment Decisions</b>	£	£	£
Increase in Band D Council Tax - Incremental Impact of Capital Investment Decisions	2.33	2.97	3.92

\* Assumes 4% cumulative increase in Council Tax although no decision has been taken to this effect.

## APPENDIX 7b - PROJECTED EARMARKED RESERVES

Reserve	Balance at 31-Mar-17	Balance at 31-Mar-18	Balance at 31-Mar-19	Balance at 31-Mar-20	Balance at 31-Mar-21
	£'000	£'000	£'000	£'000	£'000
Council Fund:	(6,500)	(6,500)	(6,500)	(6,500)	(6,500)
Balances held by schools for future use	(4,831)	(1,831)	(1,831)	(1,831)	(1,831)
<b>Earmarked Reserves:</b>					
Music Service	(167)	(127)	(127)	(127)	(127)
Capital Expenditure	(5,817)	(3,513)	(2,013)	(513)	-
Insurance Reserve	(1,706)	(1,706)	(1,706)	(1,706)	(1,706)
MMI Insurance Reserve	(602)	(302)	-	-	-
Health & Safety	(16)	(16)	(16)	(16)	(16)
Education Achievement Service	(92)	(92)	-	-	-
Schools Redundancies	(708)	-	-	-	-
Friars Walk	(9,985)	(6,235)	(5,735)	(5,235)	(4,735)
European Funding I2A & CFW	(79)	(199)	(199)	(199)	(199)
Metro Bus	(9)	-	-	-	-
<b>SUB TOTAL - RISK RESERVES</b>	<b>(19,181)</b>	<b>(12,190)</b>	<b>(9,796)</b>	<b>(7,796)</b>	<b>(6,783)</b>
Pay Reserve	(1,418)	(1,651)	(1,651)	(1,651)	(1,651)
Invest to Save (excludes any school based redundancies)	(11,050)	(9,908)	(7,980)	(7,744)	(7,594)
Super Connected Cities	(670)	(543)	(423)	(303)	(183)
Landfill (fines reserve)	(345)	(345)	(150)	-	-
Christmas Lights	(15)	-	-	-	-
Usable Capital Receipts	(11,742)	(4,086)	(1,420)	(920)	(420)
NEW - MTFP reserve	-	(2,400)	1,200	900	300
<b>SUB TOTAL - ENABLING RESERVES</b>	<b>(25,240)</b>	<b>(18,933)</b>	<b>(10,424)</b>	<b>(9,718)</b>	<b>(9,548)</b>
STEP School Computers	(473)	(373)	(273)	(173)	(73)
Municipal Elections	(154)	(27)	(57)	(87)	(117)
Local Development Plan	(572)	(581)	(480)	(307)	(207)
Glan Usk PFI	(1,499)	(1,499)	(1,489)	(1,469)	(1,439)
Southern Distributor Road PFI	(44,515)	(44,303)	(43,963)	(43,485)	(42,935)
<b>SUB TOTAL - SMOOTHING RESERVES</b>	<b>(47,213)</b>	<b>(46,784)</b>	<b>(46,263)</b>	<b>(45,522)</b>	<b>(44,772)</b>



<b>Reserve</b>	<b>Balance at 31-Mar-17</b>	<b>Balance at 31-Mar-18</b>	<b>Balance at 31-Mar-19</b>	<b>Balance at 31-Mar-20</b>	<b>Balance at 31-Mar-21</b>
	£'000	£'000	£'000	£'000	£'000
Works of art	(21)	(21)	(21)	(21)	(21)
School Works	(545)	(357)	(357)	(357)	(357)
Theatre & Arts Centre	(232)	(232)	(232)	(232)	(232)
Cymorth Income	(33)	-	-	-	-
Pupil Referral Unit	(60)	(60)	-	-	-
Gypsy and Traveller Site	(7)	(7)	(7)	(7)	(7)
Homelessness Prevention	(38)	(38)	-	-	-
Environmental Health - Improve Air Quality	(49)	-	-	-	-
Refurbishment of a Children / Older People Homes	(102)	(18)	-	-	-
Apprenticeship Scheme	(80)	(74)	(31)	(31)	(31)
City Economic Development	(90)	(45)	-	-	-
Welsh Language Standards	(240)	(180)	(120)	(60)	-
YS Dilapidation Costs Information Shop	(51)	(41)	-	-	-
School Reserve Other	(1,100)	(457)	-	-	-
Port Health	(3)	(6)	(6)	(6)	(6)
CRM	(21)	-	-	-	-
WCCIS	(54)	-	-	-	-
Investment Reserve	(1,500)	(996)	-	-	-
2018 Events	-	(100)	-	-	-
<b>SUB TOTAL - OTHER RESERVES</b>	<b>(4,226)</b>	<b>(2,631)</b>	<b>(774)</b>	<b>(714)</b>	<b>(654)</b>
<b>RESERVES TOTAL</b>	<b>(107,190)</b>	<b>(88,868)</b>	<b>(75,586)</b>	<b>(72,079)</b>	<b>(70,086)</b>

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# Minutes



## Standards Committee

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Date: 25 January 2018

Time: 5.30 pm

Present: P Westwood (Chair), Davies, Britton, A Mitchell and Watkins

In Attendance: G Price (Head of Law & Regulation), J Owen (Chief Legal Officer), A Jenkins (Democratic Services Officer)

Apologies: Councillors D Fouweather and P Hourahine

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1 **Apologies for Absence**

2 **Declarations of Interest**

None received.

3 **Minutes of the Previous Meeting: 26 October 2017**

The minutes of the meeting of 26 October 2017 were submitted.

**Agreed:**

That the Minutes of the meeting were agreed.

4 **Matters Arising**

Item 2: Chair advised members that the minutes were available on the website.

Item 7: The Chief Legal Officer would be attending a joint legal officers meeting in the near future and the subject of networking with other councils would be discussed. Any information relating to Standards Committee networking would be fed back at the next meeting.

In the meantime, committee members were reminded that they could attend Standards Committees held by other councils if they so wished.

The Head of Law & Regulation referred to the recent code of conduct training, carried out on 18 January. It was noted that seven of the 10 remaining councillors attended.

After brief discussion it was agreed that 47 out of 50 members was considered a good attendance. Information such as the PowerPoint presentation and the Ombudsman for Wales video could be circulated electronically for information to those members that had not attended, however no further action regarding training would be pursued.

The Chair suggested that the Leader and respective Business Managers be informed of the high number of councillors that attended code of conduct training, which was good news.

T Britton suggested that in the letter it should be noted that the remaining three did not attend.

**Agreed:**

- That the Committee Members would receive feedback from the Chief Legal Officer regarding networking.
- That a letter on behalf of the Standards Committee be sent to the Leader and respective Business Managers regarding the successful attendance of Code of Conduct training.

**5 Chair's Announcements**

No announcements made by the Chair.

**6 Complaints**

The Head of Law & Regulation had received no complaints.

**7 Protocol on Member/Officer Relations**

Committee members were asked to consider whether there was a continuing need for the Protocol to supplement the regulatory codes and if so, whether the current document was in need of revision. Any revised Protocol would be recommended to full Council for adoption as part of the written Constitution.

The attached protocol (Appendix 1) was out of date and needed revision, an alternative protocol (Appendix 2) was therefore considered by the Committee.

The question was also put to the Committee, was there a need for a protocol.

The Chair suggested that in light of the sexual harassment issues, a protocol should be in place providing more content on the subject.

A Mitchel agreed that there was a need for a protocol and asked was Appendix 2 the suggested approach, from Welsh Government. Appendix 2 was from a monitoring officer's group and part of a modular constitution. There was no prescriptive format, the Committee could decide to update the original protocol, the suggested version or combine both protocols.

The Chair asked whether other councils had a staff/member protocol in place, and whilst some councils had not adopted the protocol, it was considered good practice to include the protocol in the constitution.

K Watkins suggested it would be a useful tool for new members to help them understand the working officer/member relationship and promote mutual respect.

T Britton asked how the protocol would be endorsed. It would be formally adopted by full Council via the recommendation of the Standards Committee and published to the Newport City Council website under the constitution.

The Head of Law & Regulation suggested that the Committee members look at the document in detail and provide their feedback to A Jenkins.

**Agreed:**

That appendices 1&2 be sent emailed to all Committee members with responses by 29 March 2018 in order for all comments to be compiled in a final document which would be brought back to the committee for recommendation.

## 8 **Letter to Community Councils - Review of Ethical Standards**

The draft letter was considered by the Committee and the Chair invited comments from the members.

J Davies, the community council representative was happy with the content on the letter and hoped that all community councillors would sign up to the review.

The Chair asked J Davies did community councillors feel that the questionnaire be welcomed, or considered onerous. J Davies advised that whilst he could only speak on behalf of his council, they were eager to sign up to any courses and were fully aware of the code of conduct, ethical standards and other general requirements.

The main purpose for the Committee was to ensure that the community councillors were complying to the requirements set out in the letter.

The Chair proposed that the format of the letter be changed and the Head of Law & Regulation advised that it would be sent out as a box ticking format

J Davies suggested that the letter advised community councillors on what was mandatory or statutory training and what training was suitable for clerks. The Head of Law & Regulation advised that the relevant training could be highlighted however, the council could not promote or advocate any training by One Voice Wales. In addition, the Council could also offer to provide training.

### **Agreed:**

That the letter be sent out to all clerks, with a deadline set for 31 March 2018 to be discussed at the next meeting in April.

## 9 **Any Other Business**

This item would be a rolling Agendas item.

## 10 **Date of Next Meeting: 19 April 2018**

The next meeting would take place on 19 April 2018 at 5.30pm in Committee Room 1.

T Britton suggested changing the 25 October date to 1 November 2018.

The meeting terminated at Time Not Specified

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