

Minutes



Cabinet

Date: 13 February 2019

Time: 4.00 pm

Present: Councillors D Wilcox (Chair), P Cockeram, G Giles, D Harvey, R Jeavons, D Mayer, J Mudd and M Whitcutt

In Attendance: W Godfrey (Chief Executive), J Harris (Strategic Director - People), B Owen (Strategic Director (Place)), G Price (Head of Law & Regulation) and M Rushworth (Head of Finance)

Apologies: Councillors R Truman

1 **Declarations of Interest**

There were no declarations of interest

2 **Minutes of the Previous Meeting held on 16 January 2019**

The Minutes of the meeting held on 16th January 2019 were confirmed as a true record.

3 **December Revenue Budget Monitor**

The Leader introduced the report and confirmed this is the third revenue budget monitor for the year with the pattern highlighted in previous reports continuing.

The Leader highlighted the key messages contained in the report:

- The forecast is showing a relatively small underspend of approximately £1.7m – which equates to 0.6% of the £275m net budget.
- Significant overspend in demand-led areas such as special education needs and social care to the sum of approximately £5.3m.
- The Leader stressed the importance of noting that the vast majority of the Council's activities, shown in Appendix 3, are operating close to budget; however, there are a few areas posing real challenges.
The Administration planned for the risks ahead of the budget and contingencies and non-service underspending are being utilised to manage that risk; this has resulted in the overall positive position reported.
- Cabinet recognises that cost pressures have been increasing very rapidly and this is an area of on-going concern.
- The 2019/20 revenue budget report sets out the cost pressures with proposals to invest significantly in these areas; Cabinet further recognises these costs are on-going, which are in support of the most vulnerable residents across the city.

- Some of the mitigating savings identified this year, which are helping to manage the overall budget, are either one-off or could be lower next year.
- The main budget report provides a summary of the position and key areas of under and overspending, the report's Appendices show further levels of detail, including the position on Schools and Council reserves.

The Leader proposed to Cabinet that the position is noted, which is positive overall and thanked her Cabinet colleagues, and officers, for their continued hard work and diligence.

Decision:

Cabinet approved the report and agreed to continue careful review and management of key budgets and risks.

4 Capital Programme Monitoring and Additions December 2018

The Leader introduced the report which focussed on the spending of capital resources, and reflected on progress made in the delivery of the programme. Main points of note:

- Cabinet approved a new 5 year programme in early 2018, and confirmed the sum of £127m for the period of the programme.
- Significant projects of about £25m are now requested to be added with most of that spend in future years but some also beginning in the current financial year.

Key Projects identified:

- £10m for the development of full fibre network across the Gwent area – Newport is the lead authority on this
- £3m for a new Devon Place footbridge which will connect the city centre to that part of the city (the commencement date for the installation of the bridge is dependent on the finish date for the electrification works)
- £1.8m for highways' refurbishment works
- £2.4m on recycling services to help residents increase recycling and improve services
- £1.2m further investment in new and existing children's homes
- £1.7m in a renewable energy scheme, helping to reduce energy use and carbon emission

It was noted these projects are predominantly funded from external grants and savings/new income generated from individual schemes. About £4.4m of spend on new projects will be incurred in this current financial year.

This represents significant investment in Newport's infrastructure and the programme is key to delivering on the corporate plan promises and other commitments set out for the city. The report builds on the commitment to key projects such as community hubs and regeneration schemes.

Cabinet was asked to approve slippage on the current years spend of c£4m into next year and future years which is in addition to previous slippage approved. In total the report showed that nearly £10m of budget has slipped into future years. Mitigating factors have affected the budget and the Leader will be taking forward discussions with the Chief Executive and Head of Finance to address this going forward.

The headroom for further spend in the current capital programme now stands at approximately £17m, which is dependent on some increased borrowing over the programme life with the resulting revenue cost to allow for that. The Leader confirmed this is clearly a challenging position in the context of the demand for capital resources which continues to outstrip funds available.

The framework on how the Council will fund and develop the capital programme is detailed in the report and Cabinet was asked to note the current position.

With regard to capital receipts, it was noted the vast majority of receipts are already committed to the schemes identified and work is being done to generate another £1.7m before the year-end which is a key part of the headroom funding. Cabinet was asked to note the position and the allocation.

Further focus will now be on the delivery and checks and balances of the programme.

The Cabinet Member for Education and Skills commented on the excellent work being taken forward with schools within the 21st Century Schools Band A and Band B Programmes.

The Cabinet Member for Regeneration and Housing commented on the excellent partnership work with Pobl that has resulted in the flagship scheme for the City Centre in Commercial Street.

Decision:

Cabinet agreed:

- To approve the changes to the Capital Programme and note the monitoring position as set out in the report, including the use of capital receipts;
- To prioritise capital expenditure to maintain spend within the current affordability envelope.

5 **2019/20 Budget and Medium Term Financial Projections**

The Leader introduced the report which provided information on the revenue budget for the next financial year and the Council Tax recommendation.

The Leader thanked her Cabinet colleagues and Officers for their hard work on the preparation for the budget, work which has been on-going since the autumn 2018.

The Leader also confirmed the administration means to build on its successes to date within a most challenging period.

The draft budget was agreed at the 2018 December Cabinet when it consulted on a 6.95% Council Tax rise and about £6.5m of savings. At that time the increased funding from Welsh Government was not confirmed (the Revenue Support Grant funds 77% of the Council's budget) and further cost pressures would also need to be considered.

A period of consultation has now taken place on the proposals which included key issues raised in scrutiny, fairness commission, school forum, the trades unions and with the public.

There has been a 21% increase in public feedback. In addition to the public on-line survey, a survey on the Council Tax rise was carried out via the city's bus wi-fi network; this survey achieved nearly 4,000 responses on that single issue. The information gathered from the surveys are included in the Appendices to the report.

Some key points coming out of the consultation:

- All understood and were sympathetic to the real challenges in Local Government funding and cost pressures;

- On the proposals on which the Council consulted, differing views were offered in the feedback, but there was more support for the proposals in all but one area, as reflected by the higher percentage of answers supporting the proposals.
- On the issue of the draft Council Tax increase, the online survey received more answers saying it was too high; the on-line bus survey received reflected more people agreeing the increase was about right or not enough.
- School funding remains a challenge which was reflected in the feedback received from individual schools and teaching groups;
- On individual proposals, the savings proposed in the education service, in particular 'education welfare officers' was raised consistently in different forums.

The Leader took the opportunity to thank the public for their response to the consultation.

Changes that have been identified since the 2018 December Cabinet are:

£3.2M additional funding received from a better final revenue grant increase of nearly £600k;
 Approximately £2M on specific grants;
 Increase in the tax base of just over £600K
 A further investment of nearly £1.9m on top of that identified in December is also included in next year's budget in order to provide support for the most vulnerable residents.

The Leader confirmed that following the consultation Cabinet now proposed that:

The Council Tax increase will be reduced by 1% - from 6.95% to 5.95% - this 1% cut will be paid for from £500K of surplus;

The balance of the surplus will be used to retain 3 of the 4 Education Welfare Officer posts and the full time Educational Psychologist post will also be retained.

The increase to Residents' Parking Permit Fees will be deferred until July when the Council will commence its civil parking enforcement service

The Leader confirmed she had written to the Leaders of the Gwent Local Authorities to offer an extension to the withdrawal period for the regional SENCOM service, subject to an independent review of the service and costs. The one year extension will be funded from the current year's revenue underspend and will be confirmed and implemented once all Councils have replied.

The Leader emphasised some of the key messages within the budget:

- The budget confirms the Council's excellent track record of good financial management, investing in the key budget risk areas whilst protecting as much as possible the Council's financial resilience.
- The administration continues to be ambitious in what it wants to deliver for the city: regeneration, better service delivery, protecting the most vulnerable in society, all being delivered under extremely difficult circumstances.
- Continuing to invest, over and above annual inflation cost increases, in those areas which are needed to protect the most vulnerable residents.
- Council Tax funds around 25% of the net budget therefore it is necessary to also make savings and changes to the services being delivered.
- Following on from the public consultation the most pressing issues highlighted have been taken on board.
- Council Tax. The Leader announced that the Cabinet has listened and the rate for 2019/20 has been reduced.
- Council Tax in Newport still remains relatively low compared to the rest of Wales. The proposed increase amounts to:

- £0.94 increase per week for Band B properties;
 - £1.08 increase per week for Band C properties;
 - £1.21 increase per week for Band D properties.
- The £10.5m in savings needed for 2019/20 is being funded through nearly £7m of savings and nearly £3.5m in Council Tax income to ensure the burden is not solely on Council Tax;
- £3.9m significant investment into social care
- £1.7m into special education provision
- £3.6M increased funding into schools;
- Revenue Settlement Grant increased by only £600K
- This Council will continue to spend much lower than its standard spending assessment – about £8m lower which is due to the lower Council Tax, but will still maintain its performance, continue to make real improvements in services and move forward on its key ambitions.

The Leader confirmed it is the administration's responsibility to decide on the detailed spending plans which will now go to full Council for approval.

Decision:

Cabinet agreed to:

- i) Note the formal consultation meetings on the budget as outlined in section 3 and the feedback received, shown in appendices 1 to 4;
- ii) Note the equalities impact assessment summary on the budget proposals, shown in appendix 10;
- iii) The implementation of the full four-year change/savings programme, including all budget investments and savings options (appendices 6 - 7), as summarised within the medium term financial projections (appendix 8), noting they are subject to on-going review and updating;
- iv) The 2019/20 fees and charges of the council shown in appendix 12.

With regard to the overall revenue budget and resulting council tax 2019/20, Cabinet agreed to:

- i) 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 revenue budget contingency of c£1.5million;
- ii) The current level of Council Tax for Newport City Council and the monetary value of various percentage increases and how this compares to levels of council tax at other councils as shown in table 7;
- iii) Review changes to the draft budget proposals shown in appendix 9, and which are included in the list of budget investments and savings in appendices 6 and 7;
- iv) Recommend an overall net budget for the City Council and resulting Council Tax to the Council, noting that a formal resolution including the Police and Crime Commissioner for Gwent and Community Councils' precepts will be presented to Council on the 26 February;
- v) Approve expenditure and use of the Invest to Save reserve in line with the summary shown in appendix 11b, noting they are based on detailed business cases reviewed by Cabinet at its December 2018 meeting.

All of the above proposals were agreed by Cabinet. Cabinet agreed further changes in the meeting as follows:

- i) To reduce Council Tax increase recommendation to Council to 5.95%.

- ii) To amend the central education proposal and reduce this by £155k to allow central education to retain 3 of the 4 EWO's and the full time Educational Psychologist which would have otherwise been cut.
- iii) Delay the implementation of the residents' parking permit increased fees proposal until the implementation of the Council's civil parking enforcement service in July 2019.
- iv) Subject to agreement with other Gwent Councils, the education SENCOM proposal and saving would be delayed by one year because of an extension to the withdrawal period the Council had offered, subject to an independent review of the service and costs and to utilise reserves, generated from this current year's underspending, to fund this over that period.

Cabinet recommended the budget is put to Council for consideration and decision at the next meeting on 26 February 2019:

6 2019/20 Capital Strategy and Treasury Management Strategy

The Leader introduced the report which detailed the capital programme and treasury management, i.e., how the Council deals with its borrowing and investment activities. In previous years, this information was incorporated within the revenue budget report to provide a holistic budget report. However, there is now a requirement on all Councils to have a capital strategy which has resulted in the need for a separate report.

The Leader confirmed the Treasury Management Strategy and Capital Strategy are required to be approved by full Council.

The treasury strategy of the Council is closely aligned to the Council's capital programme and spend; the report states that the revenue budget consequences arising from the borrowing requirements detailed in the report are included in the revenue budget and medium term financial projections as set out in the previous report to Cabinet.

The Leader confirmed the report and the strategies contained therein have been reviewed by the Audit Committee and the Committee's comments are noted in the report.

As mentioned at the start of the report, the Capital Strategy is a new requirement for all Councils, the content of the report is prescribed by regulation. The strategy deals with: (i) the Council's capital programme, (ii) the governance of that, (iii) commercialisation issues, an increasing feature across Local Government, (iv) the links between the Capital and Treasury Management strategies of the Council; the capital strategy required to take a long term view. (The Strategy is at Appendix 2 of the report).

The Cabinet report focuses on the capital programme element of the strategy both for the current programme and prospects for costs and funding beyond.

The current programme to 2022/23 amounts to £176m which represents very significant investment by the Council in the city and its infrastructure. New schemes identified within the report:

- New community hubs for delivering services
- Better recycling facilities
- New schools and expanded schools
- Better and more local facilities for looked after children
- More highways' maintenance
- Better broadband across the region

The report also confirmed the £17m headroom for further schemes. There is a revenue cost increase to support this level of investment and this is built into the medium term financial projections in the revenue budget.

Beyond the period 2022/23, the report identified a challenging environment as costs to fund the programme increase into the future, this is before adding in more capital spend. This will need careful planning when developing the next programme.

The Council's approach to commercialisation and generating income is being developed separately which will be reflected in the strategy in due course. The strategy also identifies where demand for capital resources arise, which will require further development in how to bridge the gap between demand and available resources and bring forward solutions to address that. Further work and development will need to be completed going forward, but the Leader was pleased to report that the Council had complied with the requirement to have the Strategy in place.

The Cabinet report deals with Treasury Management and sets out the various prudential indicators that the Council is required to set and adhere to. It confirms that the Council will continue to internally borrow, but that internal borrowing will reduce as the limit of being internally borrowed has been reached; the spending of reserves, which enables the Council to be internally borrowed, will need to be replaced with real borrowing. This will inevitably lead to further cost pressures in the future and this is explained in more detail in the report. Whilst the end of internal borrowing is a significant change in the Council's position – the overall Treasury Management strategy is consistent with the current and previous years' approach.

The Leader confirmed the Council is due to re-finance its £40m Bond in April and this provides a saving opportunity as it will lead to a lower rate of borrowing. The Head of Finance will work with the Council's treasury advisers regarding further borrowing.

With regard to investment, the Council will carry on investing surplus cash, mindful of security, liquidity and returns. The parameters of the Council's investment are set out in the report.

The report and the Capital and Treasury Management Strategies, in particular the borrowing limits, require the approval of full Council and the Leader asked her Cabinet colleagues to join her in recommending the report is now endorsed for passing to full Council.

Decision:

Cabinet agreed:

- i) To approve the updated current five-year capital programme ending 2022/23, and the current level of headroom available for future capital expenditure, noting the associated increased revenue costs within the current Medium Term Financial Projections for funding the cost of borrowing (MTFP) (Appendix 1 of the report);
- ii) To recommend to Council the first Capital Strategy for approval including Prudential Indicators and recommended borrowing limits coming from the capital programme; (Appendix 2 of the report);
- iii) To recommend to Council the Treasury Management Strategy and Treasury Management Indicators, the Investment Strategy and the Minimum Revenue Provision (MRP) for 2019/20. (Appendix 3 of the report).

The Leader introduced the report that confirmed that Welsh Government have established a Code of Practice to support the development of more ethical supply chains to deliver contracts for the Welsh public sector and third sector organisations in receipt of public funds. The key message is that this Council is working towards the framework.

Evidence illustrates that unethical employment practices are taking place in supply chains throughout Wales and beyond.

The Code is designed to ensure that workers in public sector supply chains are employed ethically and in compliance with both the letter and spirit of UK, EU, and international laws, covering issues such as Modern Slavery and human rights abuses, Blacklisting, False self-employment, unfair use of umbrella schemes and zero hours' contracts and Paying the Living Wage.

Local Authorities in Wales are expected by Welsh Government to sign up to and adopt the policy, and embed the twelve principles of the Code of Practice into the Council in a meaningful and proportionate manner. The first stage in signing up to the Code is the production of an Action Plan. The draft action plan has been presented to both SLT and CMT and is now brought forward to Cabinet for formal adoption.

Within the twelve principles the Council are already meeting some of the objectives such as having a written whistle blowing policy for unethical or illegal working practices, having a mechanism for people outside the Council to raise suspicions of bad practices as well as other things like paying suppliers within 30 days and having written guidance for managers regarding use of employment contracts and self-employment.

Other principles will need to be developed and worked towards, some will be implemented quite quickly, for example new qualification questions for tenderers to complete when bidding for work as well as new conditions of contract. Other principles will take longer to embed within the Council such as training programmes for managers on Modern Slavery as well as working with identified suppliers to risk assess their supply chains.

The key message in the report is to show Newport City Council's commitment to this important policy and demonstrate the positive approach to helping eradicate modern slavery and other unlawful and unethical employment practices throughout Newport, Wales and the wider world.

Officers were thanked for their approach and expertise in pushing this work forward.

Decision:

Cabinet agreed:

- i) To approve signing up to the Code of Practice
- ii) To approve the implementation plan shown in Appendix 1, to be overseen by the Deputy Leader in his role as 'champion' for ethical procurement/practices

8 Corporate Safeguarding 2017/19

The Leader introduced the report and confirmed it is the first combined corporate safeguarding report to Cabinet. It is a comprehensive document and its purpose is to provide assurance within the Council that all the elements of safeguarding are being scrutinised. The key message of the report is to give assurance of the process and to confirm the Council is carrying out due diligence.

The Leader asked Cabinet to note the comment contained in Estyn's Annual Report which stated: *'The Local Authority has clear policies and appropriate procedures for safeguarding that meet requirements.'*

The Cabinet Member for Social Services commended the work being undertaken with all partners within the Safeguarding Hub.

9 Newport Indoor Market

The Leader introduced the report and acknowledged that Cabinet were aware that over many years Newport Indoor Market has become more affected by contraction of the High Street. It was noted that markets country-wide have struggled to continue to provide an offer relevant to consumers without significant investment and diversification of the offer, the trading environment and visitor experience.

In order to try and halt the decline of the most prominent and recognisable building in the city, the Council previously invested in improving the commercial environment within Newport's Indoor Market, with a £1m refurbishment of the entrance and forum completed alongside extensive public realm enhancements to the adjacent High Street in 2012/13.

Further investment was made in 2016, where a £500,000 Vibrant and Viable Places project was jointly delivered by Newport City Council and Newport City Homes

However, despite those investments, the market continues to experience significant challenges. The building does not trade to its full potential with vacancy rates becoming a persistent issue and rental income declining.

In late spring 2018, the Council received interest from a developer – Loft Co, a South-Wales property development company, with prior experience in the re-imagining and re-use of heritage properties. The company's portfolio to date includes redevelopment of the Tramshed in Cardiff, Pumhouse in Barry and Jennings building in Porthcawl.

Loft Co have worked with the council to develop the concept of a complete refurbishment of the building, whilst diversifying its future use. The development offer will include the following key proposals:

- Continued provision of a high-quality traditional indoor market
- A food court, sitting alongside the market stall provision
- Provision of incubation, start-up and collaborative business space on the mezzanine floor, with the aim of attracting knowledge-intensive businesses, specifically digital and technology companies
- Provision of new, mixed-tenure of one and two-bedroom residential units
- Creation of serviced apartments

This scheme will act as a key economic anchor for the City Centre and Northern Gateway and carries on the great tradition of Newport Market being a key asset for the community of Newport.

The Leader stressed the importance that, whilst Cabinet will make a decision today to proceed with the proposed development and to support the scheme financially, further changes may be required to the project due to the requirements of planning and listed building consent. Therefore, it was still necessary to grant delegated authority to the officers to agree any changes and finalise and complete the necessary legal and financial documentation, provided that there was no change to the nature and viability of the scheme.

The Leader thanked the Head of Law and Regulation and the Head of Finance for their work to date in taking this scheme forward.

Decision:

Cabinet agreed:

- i) To note progress made on the scheme to date and the satisfactory outcome of the legal and financial due diligence work;
- ii) To confirm their agreement to the grant of the proposed development lease and loan funding on the terms set out in the Report;
- iii) To authorise the Head of Law & Regulation and Head of Finance to finalise and complete the necessary legal and financial documentation

10 City Centre Masterplan

The Leader introduced the report and confirmed that regeneration in Newport is an ongoing journey and a long term commitment. Newport needs to be able to adapt and respond to changing economic and cultural demands and maximise on development opportunities which are presented. In order to ensure that there is a suitable framework for guiding and encouraging the right development in the right places, it was considered necessary to review and refresh the City Centre Masterplan.

The vision for the city centre is clear. We seek *“a revitalised and vibrant heart for the city with a strong and independent identity that is rooted in Newport’s history and is forward-looking, continuing the momentum set by recent successes”*.

With that vision in mind, the draft Masterplan was officially launched at the City Summit in 2018 and residents, businesses and partners, including the Public Service Board, Newport Economic Network and Newport BID, were invited to express their views on the draft plan and the identified priorities for regenerating the City Centre.

Over the last 12 months, several projects identified in the Masterplan have moved forward rapidly and it is now timely to press ahead with the adoption of the Masterplan and confirm commitment to the vision and objectives contained within it. This will provide focus on more detailed strategies for each of three areas identified within the Masterplan and enable the realisation of the regeneration goals for the City Centre.

The Cabinet Member for Regeneration and Housing commended the work undertaken by the Council and its partners and referred to the Centre for Cities 2019 report which quoted that Newport has the fourth best business start-up rate within the group of cities researched. The Council plans priority projects, priority buildings, some buildings are challenging but are buildings that matter significantly to the people of Newport. The Council also supports independent businesses, and the Masterplan aligns with the seven wellbeing objectives in line with legislation. It also demonstrates new ways of working to secure a vibrant city centre for the future and the Council will continue to work with partners to achieve this.

The Leader confirmed she had attended the launch of the Key Cities Report ‘Cities in Action’ which had taken place in Westminster; Newport is featured significantly within the report.

Decision:

Cabinet agreed to formally adopt the vision, objectives and priority projects of the City Centre Masterplan 2019-29 as the Council’s strategic framework for City Centre Regeneration.

11 Work Programme

The Leader presented the Cabinet Work Programme.

Decision:

To agree the proposed programme.

12 Date of Next Meeting - 13 March 2019, 4 pm, Committee Room 1, Civic Centre

The next meeting will take place on Wednesday 13 March 2019, at 4.00 pm in Committee Room 1, at the Civic Centre, Newport