

# Minutes



## Cabinet

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Date: 12 December 2018

Time: 4.00 pm

Present: Cllrs Debbie Wilcox (Chair); P Cockeram, D Harvey, J Mudd; R Jeavons, D Mayer, M Whitcutt; R Truman, G Giles

In attendance: Mr W Godfrey; Mr J Harris; Mrs B Owen; Mr G Price; Mr M Rushworth; Mr R Cornwall

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### Part 1

#### 1 Apologies for Absence

There were no apologies.

#### 2 Declarations of Interest

There were no declarations of interest.

#### 3 Minutes

The minutes of the meeting held on 17 October 2018 were confirmed as a true record by the Cabinet.

#### 4 October Revenue Budget Monitor

The Leader confirmed there are still significant spending pressures, which are not diminishing, and the Leadership contest for the Prime Minister can only add to the situation Local Government is facing in these times of austerity. The Council continues to show it is mitigating the pressures and the certificate of compliance issued by the Wales Audit Office confirms we are showing good financial management.

This report shows the latest revenue budget forecasts to the year-end. The position has not changed significantly since this was last reviewed; the Council's revenue budget is forecasting an underspend of approximately £3 million, which, whilst a significant figure, equates to approximately 1% of the Council's budget.

The Leader stressed the importance of noting that this report does not include any impact of the recent additional funding for this current year that Welsh Government announced recently.

There has been robust planning and management of some of the budget risks with contingencies built in to manage those risks. The built-in contingencies, other underspending and one-off income are currently offsetting overspending in four areas of activity. Those activities are in the Council's children & adult social care and education special needs areas and are forecast to overspend by some £5m this year. Put simply, the demand is rising for these services and Newport's demographic for adult social care is far outstripping previous years.

At this point in the financial year, the Council can have increasing confidence in its forecasts and therefore it is proposed to put £2million of the underspend into the Invest to Save reserve to provide capacity for the Council to face the on-going future financial challenges. This will leave a sufficient level of underspend to deal with any further demand and cost issues that may arise between now and the end of the financial year or for investment; this will be closely monitored.

Regarding additional funds from Welsh Government mentioned earlier in the meeting, this will include new specific grants for **this year** for schools and social care, however, Newport awaits confirmation from Welsh Government on its share of the additional funds. The extra funding will help to reduce the current schools' and social care overspending this year and will therefore benefit the schools' reserves position at the year-end, which will be very useful and much needed. The next budget monitor to this Cabinet will incorporate the additional monies.

The Leader stressed that the job of managing budgets is becoming increasingly difficult and whilst the Council clearly have challenging areas, this Council continues to deliver robust management of the overall budget and the risks within it. The Leader thanked her Cabinet colleagues and officers for the work done to date and asked that they continue to be vigilant and robust for the last quarter of this financial year.

Cabinet colleagues reiterated the difficulties being faced in continuing to provide services in times of austerity.

#### **Decision:**

Cabinet agreed to:

- Note the overall budget forecast position including use of all budget contingencies to balance forecast service overspending;
- Agree to instruct all areas of the Council to maintain robust financial management;
- Note the level of undelivered savings within each directorate and the risks associated with this;
- Agree the transfer of £2million into the 'Invest to Save reserve';
- Note the forecast movements in reserves;
- Note the projected and worsening balances of individual schools over the next year.

## **5 Capital Programme Monitoring and Additions September 2018**

The Leader introduced the report and confirmed it gives an overview of the current programme and the 'headroom' for new spend, lists additions into the programme for Cabinet's approval, the position on capital receipts and a summary of key projects, financial forecasts and progress.

The overall 5-year programme has increased by about £2million and the report lists the new projects requiring Cabinet's approval, mainly funded from Section 106 receipts or grants. The largest item is the new 'Community Neighbourhood Hub' in East Newport. This is one of the key corporate plan promises and starts much needed investment in our community assets. This new facility will be joined-up with a new approach to how we provide community based services and how these buildings will operate and work for the communities that use them. It begins an exciting new approach and Cabinet is delighted that this journey is now beginning.

Whilst the total programme has increased, colleagues will remember that Cabinet wanted to review the phasing of projects given forecasted slippage in delivering projects that the previous monitor highlighted. Therefore, the report identifies re-phasing and reductions of £16million of spend from the current year.

However, more work is on-going and needed, as slippage of £5million is identified in the report and very significant progress and spending is needed in the second half of the year to meet the forecast spending on capital projects identified.

However, key projects continue to be progressed. The Schools' Band A projects should be complete this financial year and planning is progressing on key projects within the Band B programme. The key regeneration project of 123-129 Commercial Street is taking shape and progress is being made on key projects with the Heritage Lottery on the Transporter Bridge and Market Arcade.

Cabinet colleagues praised the work being done to:

- create the Community Neighbourhood Hub located in Ringland, which would afford access to information by all sections of the community;
- welcomed the news on the Transporter Bridge;
- welcomed the building of Gwent is Coed, which is the only Welsh Medium School to be built in the whole of Wales over the last three years.
- The Leader also paid tribute to the late Carl Sargent for his input into the Commercial Street Project.

The report also updated Cabinet on the current position regarding capital receipts. To date £148k of capital receipts have been received this year, it is anticipated there will be approximately £1.9m of capital receipts received by the end of 2018/19.

#### **Decision:**

Cabinet agreed to:

- approve the additions to the Capital Programme requested in the report and approve slippage from 2018/19 budget into 2019/20.
- note the available remaining headroom over the life of the capital programme and the need to prioritise capital expenditure within this envelope to ensure the programme remains affordable.
- note the capital expenditure forecast position as at September 2018.
- note the balance of and approve the allocation of in-year capital receipts.

## **6 2019/20 Budget and Medium Term Financial Projections (MTFP)**

Before proceeding with the content of the report the Leader asked the Head of Finance to confirm some amendments to Appendix 5, 7 and 10 of the report.

The Head of Finance confirmed:

Amendments have been made to:

- Appendix 5 – the Business Case relating to the Education Psychologist posts.
- Appendix 7 - Fees and charges for consultation
- Appendix 10 – Projected earmarked reserves

The Leader registered her concern at changes being made at this late stage and insisted that in future sense checks are done in advance of the Cabinet agenda being published. The Chief Executive agreed this would be done.

The Leader introduced the report which is the main finance report requiring Cabinet's attention. She confirmed the figures in the report do not take into account the news received from Welsh Government recently; the additional funding will be built into the report in February 2019 by which time it is hoped the final settlement and grant notifications will have been received from Welsh Government.

Whilst work has been ongoing for a few months on the budget proposals, this report starts the formal public reporting on the budget and consultation on the proposals shown – which will go on until the end of January 2019.

The Leader stressed the importance for all to understand the challenging context this Council, like all others, are setting budgets within. It is the reason we, like all others, have to propose significant levels of budget savings and increases in Council Tax.

The Council is facing about £12million of cost pressures for next year alone; however, funding for this is not increasing. The Revenue Support Grant funds approximately 77% of the budget but as the report shows, the indicative settlement for this grant confirmed an increase of only about £300,000 for next year. Clearly, there will be a shortfall and in order to achieve a balanced budget, as councils are required by law to do, Council Tax will have to increase and further savings will need to be made.

The Council's savings proposals are in three categories. Those that the Cabinet will need to confirm and are formally consulting on – shown in Appendix 2 and those being taken by Cabinet Members or Heads of Service shown in Appendix 3. These are for the more minor policy changes, efficiencies or low impact changes and these will be implemented after the usual decision making processes are complete.

Council Tax is a key issue as it only funds about 23% of the council's net budget. Therefore, when faced with a revenue support grant settlement which forms the remaining 77% of funding, and is not increasing, council tax has to go up disproportionately to provide any meaningful mitigation.

It was noted that Newport's Council Tax is very low compared to others; it is the second lowest Council Tax in Wales and one of the lowest in the UK. Newport's Council Tax is £184 less than the Welsh average and this represents about £10million less income to the Council. The proposed Council Tax increase would mean a weekly increase of £1.41 for a Band D property; most Newport residents will pay less than that as most of the homes are in lower bands. Whilst the percentage increase looks high, in monetary terms the increase is more modest than the percentage might suggest. Cabinet is acutely aware that this is an increase nonetheless but these proposals include nearly £7million of savings and only about £3million of increased Council Tax income and it is felt this is a fair balance in the tough circumstances being faced by the Council.

The Council has brought about positive key investments within this budget. Schools will receive a 3% increase in funding; further investment in the social care and special education needs budgets so that we **all** support the most vulnerable in our communities; investing to deliver on the corporate plan promises, for example, another household waste recycling site and neighbourhood hubs.

The Leader of this Council, and Leader of the WLGA, with peers in all other Welsh Councils, worked very hard since the announcement of the Welsh Government draft budget to secure a better deal for Local Government and the essential local and preventative services it provides. The Welsh Government listened and they have recently announced a package of new funding streams (£141M extra for this year) for Local Government, some for this current year but also more for the 2019/20 budget. For 2019/20, this will come through as both additional revenue support grant and specific grants for education and social care services. More will be known about Newport's share of this in the final settlement, due on the 19<sup>th</sup> of this month.

The formal budget consultation will run until the end of January and the Leader encouraged residents and groups to engage with the process in order to provide feedback on the proposals.

The Leader thanked her Cabinet Member colleagues for their support through this process and having the ambition to do the best that can be done for the citizens of Newport.

Cabinet colleagues thanked the Leader for her commitment to ensuring that Welsh Government have given an extra £141M of funding to local authorities.

Councillor Jeavons drew attention to Page 63 of the report re: financial challenge, which confirms the number of services provided by the Council and demonstrates Newport's speed of growth.

Cabinet recorded their thanks to all employees who continue to provide these services.

Cabinet agreed a special budget edition of Newport Matters would be welcome and this will be discussed with officers.

The Chief Executive also expressed his thanks to colleagues for their hard work during the budget process.

#### **Decision:**

#### **Cabinet agreed the following draft proposals for public consultation:**

- i) Budget savings proposals in Appendix 2 (summary table) and Appendix 5 (detailed business cases – subject to a few amendments as noted at the meeting)
- ii) Proposed fees and charges in Appendix 7 (subject to the amendments raised during the meeting)
- iii) The position regarding the proposed school funding for 2019/20 in paragraphs 5.1– 5.4

#### **Cabinet noted:**

- i) The position on developing a balanced budget for 2019/20, acknowledging that the position will be subject to ongoing review and updates
- ii) The medium term financial projections, assumptions contained within and that projections contain investments required to implement the Corporate Plan promises
- iii) That the Cabinet Member and Head of Service decisions in Appendix 3 will be implemented with immediate effect, after following the usual Council decision making processes
- iv) That Fairness and Equality Impact Assessments have been completed for all proposals requiring one

## **7 Report on Treasury Management for the period 30 September 2018**

The Leader introduced this report and confirmed it was the usual report on the mid-year update on Treasury Activities. It confirmed the agreed strategy is being followed and the indicators that control treasury activities are being met. There were no significant new borrowings and repayments made in this period.

The Council's Audit Committee had already reviewed the report and there were no issues raised by them.

The Leader commended the report and for it to be sent to full Council.

## **Decision:**

Cabinet agreed to note the report on treasury management activities for the period to 30 September 2018 and provide comments to Council.

## **8 Corporate Risk Register Update**

The Leader introduced the report and confirmed:

- The medium term budget has increased in risk (increased from a risk of 16 – 20) – most of the other risks are staying the same.
- Brexit was discussed at the last Audit Committee meeting and their comments are included in the report
- A Brexit Action Plan is being prepared
- Advice is there is no need to increase any of the risks, just to make sure that mitigations are in place.

The Council's Risk Management Strategy and Risk Register enables the Council to effectively identify, manage and monitor risks to ensure that the Council realises its Plan and ensures service delivery is provided to its communities and citizens.

The Risk Register was submitted to the Council's Audit Committee in November 2018 and the Committee comments are included in the report, including those on Brexit.

The next quarter report will include a re-evaluation of all risks including the risks and mitigations relating to Brexit and a new risk relating to the city centre security and safety.

## **Decision**

Cabinet agreed the contents of the Corporate Risk Register and noted the recommendations raised by the Council's Audit Committee by the Quarter 3 update.

## **9 Wales Audit Office Second Certificate of Compliance**

The Leader confirmed this is the second certificate of compliance issued to the Council.

As part of the programme of regulatory activity in accordance with the Local Government Measure 2009, the Auditor General is required to issue two Certificates of Compliance to demonstrate the Council is discharging its duties under the Measure. In September 2018, the first certificate was presented to Cabinet where it was reported that the Auditor General for Wales certified that:

"...the Council has discharged its duties under section 15(6) to (9) of the Measure and has acted in accordance with Welsh Government guidance sufficiently to discharge its duties."

As part of the Local Government Measure 2009, the Council is also required to publish an assessment of its performance in 2017/18 by the 31st October 2018. Newport City Council discharged this duty through the publication on its website of the Annual Review of the Wellbeing Objectives and Improvement Plan 2017/18.

As a result of this action completed by the Council, the Wales Audit Office published its second Certificate of Compliance with the Auditor General for Wales certifying that:

"...As a result of my audit, I believe that the Council has discharged its duties under ..... the Measure and has acted in accordance with Welsh Government guidance sufficiently to discharge its duties."

## **Decision**

Cabinet noted the positive outcome of the Certificate of Compliance in relation to the Council's 2017/18 performance.

## **10 Work Programme**

The Leader of the council presented the latest update to the work programme.

### **Decision:**

Cabinet agreed the updated work programme.

## **11 PSB Summary Document**

The Leader confirmed this document would provide a monthly summary update of business undertaken by the PSB and is for Cabinet's information/awareness.

## **12 Date of Next Meeting**

The next meeting will take place on Wednesday 16 January 2019, at 4.00 pm in Committee Room 1, Civic Centre, Newport