Report

Cabinet

Part 1

Date: 20 February 2017

Item No:

Subject 2017/18 Budget & Medium Term Financial Plan

Purpose Cabinet is asked to consider the work completed on the change and efficiency programme to date, the consultation feedback received on the programme and taking a strategic and medium term view, agree:

- **The implementation of the full 4 year budget investments and saving options contained within the Medium Term Financial Plan;**
- **The final year of the Council's current 4 year Capital Programme along with indicative future programme;**
- **Fees & Charges for 2017/18.**

Noting that, these will be subject to on-going review/ updating.

Cabinet also needs to agree a number of key 2017/18 budget matters, for recommendation to full Council on the 2nd March. These are:

- **the Council's total revenue budget and resulting Council Tax for 2017/18;**
- **the Council's Treasury Management Strategy;**
- **the Council's Prudential Indicators for 2017/18, Investment Strategy, its Minimum Revenue Provision (MRP) policy and the Council Reserves Policy**;

Noting that, the Treasury Management & Investment strategies, MRP policies and Prudential Indicators have been reviewed by the Council's Audit Committee as required by the 'Prudential Code' for Local Authorities.

Author Head of Finance

Ward General

Summary

Over the last few years, the Council has made significant improvement in how it plans its resources over the medium term, ensuring alignment with its vision for the City, through the 'Prospectus For Change 2013-2017' which underpinned it's Medium Term Financial Plan (MTFP) with plans to change the way services are delivered to the residents of Newport within available resources. This was updated with a new overarching planning document 'Newport 2020' which Cabinet approved in February 2016 and which described how services would change to meet the on-going financial challenges and service needs of residents. A new corporate plan will be developed and agreed in early 2017/18 and this may require adjustments to these existing plans but all will need to be developed in the context of on-going financial challenge on funding to ensure the Council delivers on key priorities whilst ensuring financial sustainability of services over the medium to long term.

In line with Cabinet recommendation in February 2016, the existing approved 4 year programme continues to be implemented, having undergone a review to re-confirm deliverability. New change and efficiency proposals have been developed to meet the increased challenge of 2017/18 and added to existing programme proposals.

As in previous years, Cabinet is recommended to take a strategic and medium term approach and approve all the new investment and saving proposals over the life of this current plan.

Whilst the MTFP is a four year plan, the Council is required to approve an overall budget and resulting Council Tax level annually. Within the context of the MTFP and the Capital Programme, Cabinet is asked to make final recommendations to the Council on:

- the 2017/18 Council Tax and total revenue budget, resulting from the budget proposals for 2017/18;
- Treasury Management & Investment Strategies, Minimum Revenue Provision (MRP) policy and Prudential Indicators for 2017/18.

Proposal

Cabinet is requested:

<u>Medium Term Financial Plan and Capital programme (paragraphs 4 – 14 and 56 - 68)</u>

1. To note the formal consultation meetings on the budget as outlined in paragraph 15-18 and the feedback received, shown in Appendices 1 to 4a
2. To note the equalities impact assessment summary on the budget proposals, shown in Appendix 12
3. To agree the implementation of the full 4 year change and efficiency programme, including all budget investments and saving options (Appendices 6 - 7), as summarised within the Medium Term Financial Plan (Appendix 10),and the remaining 1 year Capital Programme alongside noting the estimated programme envelope for the following 4

years. (Appendix 8). Noting they are subject to on-going review and updating
4. To agree the 2017/18 fees & charges of the Council shown in Appendix 14.

Overall revenue budget and resulting Council Tax 17/18 (paragraphs 19-52)

1. 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 estimates underlying the proposals, and the adequacy of the General Reserves in the context of other earmarked reserves and a revenue budget contingency of £1.5million
2. To note the current level of Council Tax for Newport City Council and the monetary value of various percentage increase and how this compares to levels of Council Tax at other Councils as shown in paragraph 52
3. To review changes to the draft budget proposals shown in paragraph 25, and which are included in the list of budget investments and savings in Appendices 6 & 7
4. To recommend an overall net budget for the City Council and resulting Council Tax to the Council, noting that a formal resolution including the Gwent Police and Community Councils' precepts will be presented to Council on the 2nd March
5. Approve expenditure and use of the Invest to Save reserve in line with summary shown in Appendix 13d, noting they are based on detailed business cases reviewed by Cabinet in their December 2016 meeting.

Capital budget & schemes 2017/18 and estimated affordability of future Capital Programme (paragraphs 56-68)

1. To agree the capital expenditure budget for 2017/18 as shown in Appendix 8, being the final year of the current medium term capital programme noting that slippage on current schemes, whilst shown based on current forecasts, will need to be confirmed in June 2017
2. To note an estimated future capital programme that could be afforded within existing resources, noting Corporate priorities and programmes
3. To note the additional budget allocations for schemes within the 21st Century Schools programme, as approved by Cabinet in September 2016 and confirmed by Welsh Government in February 2017, thereby completing the funding package for Band A.

Treasury Management and Annual Investment Strategies, Minimum Revenue Provision Policies and Prudential Indicators (paragraphs 69 100)

1. To recommend the Treasury Management Policies to Council (Appendix 9)
2. To recommend the Annual Investment Strategy to Council (Appendix 9)
3. To recommend the Council's Counterparty list (external bodies for Council investments) to Council (Appendix 9)
4. To recommend the Prudential Indicators to Council (Appendix 9)

5. To recommend the Minimum Revenue Provision (MRP) policy to Council, and note the changes to the method of calculation of MRP for unsupported borrowing (Appendix 9).

Action by Head of Finance – prepare budget papers for full Council in line with recommendations from this Cabinet.

Timetable Immediate

This report was prepared after consultation with:

- Corporate Directors
- Heads of Law and Standards and People and Business Change

Signed

Background

A ‘joined up approach’

1. As in prior years, and in line with best practice for the budget setting process, we are asking Cabinet to consider the key budget issues together and:

   - recommend a 2017/18 overall revenue budget and resulting Council Tax to the Council;
   - recommend the Council’s treasury management and investment policies, plus its Prudential Indicators to the Council;
   - recommend the Councils reserves policy to Council.

2. In addition, we are asking Cabinet to continue to take a strategic and medium term view and agree the implementation of the Council’s full 4 year change and efficiency programme, including all budget investments and saving options, as summarised within the Medium Term Financial Plan (MTFP) and the remaining years of the approved Capital Programme. It should be noted that these are subject to on-going review and updating.

3. A key part in considering and agreeing the annual and MTFP is a consideration of key financial resilience issues and how the budget deals with its Improvement Plans and Risks. These are considered in the report below for Cabinet’s review.

THE MEDIUM TERM FINANCIAL PLAN

4. The Council developed and implemented its ‘Prospectus for Change 2013-17’ in 2013. It underpinned the Councils MTFP at that time and the Council’s Corporate Plan ‘Standing up for Newport’. The document outlined a range of improvement initiatives which the Council would implement over a 4 year period, which was supported by detailed business plans, and included the detailed change and other saving proposals to meet the predicted financial challenges known at that time.

5. The worsening financial challenges and revenue grant financial settlements from Welsh Government (WG) necessitated Cabinet to further develop its existing medium term organisational changes and plans so that once again, the Council had an organisational plan that delivers key services which are financially sustainable. In that respect, a document titled ‘Newport 2020’ was approved by Cabinet in February 2016 which, in general terms, maps out the general direction of travel for service areas over the medium term.

6. Whilst this is currently the approved overarching framework for delivering future change programmes within the Council, the development of a new Corporate Plan in 2017/18 may change detailed plans as necessary. The Corporate Plan and supporting detailed plans will need to developed in the context of on-going financial challenge on funding to ensure the Council delivers on key priorities whilst ensuring financial sustainability of services in the medium to long term.

7. The MTFP presented at Appendix 10 is the articulation of the financial challenges and the current organisational change programmes and savings over the next 4 years. It includes those service changes/ savings which have already been approved for these years from the February 2016 Cabinet meeting and new proposals. As a 4 year plan, it should be noted that this document will inevitably develop and change as assumptions are updated or confirmed for future years.

8. The Councils financial strategy continues to maintain key services to the public, develop improvements in how services are delivered and fund key priorities including City centre regeneration.

9. As noted above, business change/ improvement and efficiency projects have been developed over the medium term, and major projects within the change programme include:

- Exploring alternative service delivery for the IT service;
- Promoting greater independence in the Learning Difficulties client group;
- New commissioning and procurement strategies within social care from third sector providers.

These are in addition to the major projects already approved and currently in progress, such as:

- Re-configuration of the Museum and Library services;
- Disposing of waste through the new waste treatment plant and attracting more commercial waste into the landfill site.

10. Significant one off costs will be required to implement these change and efficiency projects. Currently costs are estimated at c£5.4 million, split between c£2.5m for the current financial years 16/17 spend and £2.9m for the next four years to 2020/21. As further saving proposals are developed for future years, we would expect this latter figure to increase. This total cost projection for 17/18 onwards is made up of c£2.1m for potential redundancy/related costs and c£0.8m other one off costs. These exclude any further project management costs which are likely to be required. The funding of these amounts is considered at paragraph 40.

11. The detailed assumptions used in the MTFP were noted in the September 2016 and December 2016 Cabinet meeting when the draft budget and MTFP were agreed for consultation. Since then, the Council received its final Revenue Settlement Grant (RSG) settlement for 2017/18 when further, significant reductions were confirmed. In addition, WG have indicated that it is likely, in the future, that there will be on-going reductions to the RSG. In light of this, the WG RSG assumptions have been reviewed and whilst the reduction for 2018/19 has been maintained at 1.5%, the 'cash-flat' position for 2019/20 - 2020/21 has been amended to reflect a reduction of 1.5% in each of the two years. This is based on:

- The worse than anticipated reduction for 2017/18 being due to a 're-basing' exercise on population estimates by WG;
- On-going increases in general population and in school pupil numbers in Newport, as a growing city, should ensure its settlement is more favourable than the average – though still challenging;
- An analysis completed on WG overall funding forecasts showing it remains fairly 'static' over the next few years;
- Previous settlements for this Council, even after taking account of the re-basing impact of the 2017/18 settlement.

12. Cabinet should note the inherent uncertainty and risk in this future funding assumption and that Welsh Local Government Association (WLGA) and others continue to push for medium term settlements or indicative future funding. Whilst this is not necessarily an issue it prohibits medium term planning and is becoming increasingly unhelpful.

13. There have been no further significant changes to this plan since the December 2016 meeting, other than those outlined at paragraph 25.

14. Cabinet is recommended to agree the implementation of the full 4 year change and efficiency programme, including all budget investments and saving options (Appendix 6 & 7), as summarised within the MTFP (Appendix 10), whilst noting that it is subject to on-going review.

THE COUNCIL'S REVENUE BUDGET AND COUNCIL TAX

Consultation on the budget

15. The budget proposals agreed by Cabinet in December have been consulted on through a range of stakeholder groups and formats which are as follows:

- With Trade Unions via the Employee Partnership Forum on 12 January 2017. The Unison and GMB unions have also separately responded with their observations. Their responses are included in Appendix 1a;
- With all Scrutiny Committees in their January 2017 meetings where Members discussed the detailed change and efficiency programmes plus the MTFP. Their reports and conclusions are included in Appendix 2;
- With the Schools' Forum on 10 January. Responses are included in Appendix 3;
- With the public from 21st December 2016 to 20 January 2017. An analysis of responses is included at Appendix 4;
- Newport Fairness Commission has reviewed the proposals in terms of their parameters of fairness – their response is included in Appendix 4a;
- The GAVO Engage Portfolio which represents hard to reach client groups. Their response has been incorporated into the public feedback;
- Representations were received from Marshfield Community Council following a public meeting and their report is included as Appendix 1b.

In summary, there was a general acknowledgement of the financial pressures facing the Council. Whilst comments were made on a wide range of budget proposals, the main focus of comments was as follows:

Trade Unions

16. There was support for a Council Tax rise in excess of the proposed 4% increase given that Newport's Council Tax was still one of the lowest in the UK. Concern on the impact of the proposals on council jobs and employee wellbeing was expressed. Specific concerns were raised particularly in connection to the proposals concerning schools and education, the review of the domiciliary care service (Linc Extracare Schemes) and the proposals relating to children's services. The responses from the Trade Unions are given in full in Appendix 1a.

Public consultation

17. During the 2017/18 formal budget consultation stage 343 surveys were completed which is a 49% increase on the previous year (230 responses). This is thought to be as a result of an improved collaborative approach to consultation which was developed during consultation on the wellbeing assessment, which itself received nearly 1,800 responses.

18. Following December Cabinet the public were asked to give their opinions on any of the eleven budget savings proposals which were put forward for public consultation. Of the eleven proposals put forward for consultation there were four cases where more respondents disagreed than agreed. These were as follows:

CF171801	(People)	223 responses	78% of responses not in agreement
EDUC 171802	(People)	238 responses	78% of responses not in agreement
EDUC 171804	(People)	236 responses	71% of responses not in agreement
Council Tax	(non-service)	213 responses	57% of responses not in agreement

The other seven proposals were supported by the majority of respondents, they are as follows:

CF171804	(People)	220 responses	39% of responses not in agreement
AS171804	(People)	216 responses	28% of responses not in agreement
AS171808	(People)	207 responses	29% of responses not in agreement
AS171810	(People)	205 responses	21% of responses not in agreement
SS171804	(People)	203 responses	27% of responses not in agreement
FIN 171804	(Corporate)	169 responses	12% of responses not in agreement
PBC171803	(Corporate)	165 responses	19% of responses not in agreement

The proposed budget 2017/18

The Budget

19. The starting point for the 2017/18 budget is the current year's budget. Whilst it is a challenging year services, with the exception of Social Services, Education and StreetScene are currently forecasting to operate close to or under their approved budget. Notwithstanding this, regular budget monitoring has identified a number of base budget issues that require adjustment in 2017/18 and beyond and where required these have been included in service pressures / investment proposals.

20. Funding levels for service areas based on the draft proposals are shown in Appendix 5 with the detailed budget investments / pressures and savings shown in Appendix 6 and 7 respectively. Proposals for 2017/18 include c£6.6 million of budget investments / pressures over and above the costs of inflation. The most significant area of additional expenditure are linked to:

- £1,100k additional investment in schools
- £1,025k for pay increments
- £547k pressure from shortfall in delivering cross cutting savings
- £447k cost of paying National Minimum Wage to Council contractors, mainly Social Care
- £400k for underlying / historical demand for adult social care services
- £400k for increasing number of children in out of County placements
- £324k of pressure from implementing national policy of increasing 'capital limit' before any contributing is payable for residential care charges
- £321k new responsibility for Homelessness Prevention
- £316k cost of national Apprenticeship Levy
- £250k pressure from undelivered landfill income target saving
- £150k pressure from shortfall in delivering 'double handling' target saving
- £137k for adult social care demographic increase
- £110k for pension auto enrolment costs

As can be seen, there are major budget pressures stemming from unfunded legislative/regulation changes by National and Welsh Governments at c£1,190k as well as investment in social care at c£1.4m.

21. As is the case each year, WG transfers some specific grants into the Council's overall grant settlement. The proposals make the assumption that these are included in those service area budgets which were funded from the specific grants. This allows continuation of those services in the first year. Service funding levels in Appendix 5 reflect these changes.

    For 2017/18, the WG also transferred 'new responsibilities' to Local Councils and the settlement included provision for the cost of these, namely (i) Homelessness Prevention and (ii) reduced income stemming from the increased capital limits for residential care. Cabinet should be aware that pressures are included here at that level which officer's estimate will be required and has been based on known facts of current costs.

22. Significant specific grants are received from WG each year and at this time we still await the finer details of funding levels for 2017/18. 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.

23. The need to identify a significant level of savings to balance the budget, both for 2017/18 and the next three years was recognised at the early stages of budget preparation and a robust process has identified new savings of c£5.7m of savings over the 4 years, of which c£3.4m is for 2017/18. These are in addition to already agreed savings of c£2.5m of savings over the next 4 years, of which just over £2.2m is for 2017/18**.** The savings are shown in Appendix 7

24. The budget process does not stop and since Cabinet agreed the detailed budget proposals for consultation in December 2016, the Council received its final grant notification and have considered further budget savings and pressures. Changes considered and recommended are shown in the table below. A full reconciliation of the MTFP from the original consultation budget papers is included at Appendix 11.

25. The changes shown below are incorporated in the lists of 2017/18 investments / pressures and savings in Appendix 6 and 7 and funding levels for services in Appendix 5 i.e. saving items have been taken out or deferred/ moved into future years as appropriate and new budget investments added to the list, compared to the position at the draft budget stage.

Changes to MTFP (2017/18 only) following December 2016 / January 2017 Consultation

	Inflation £'000	Investments £'000	Savings £'000	Tech Adj & Tfr from reserves £’000	RSG/ C Tax £'000	Specific grant – Social Care £’000	GAP £'000
December 2016 Consultation budget position	**2,151**	**5,185**	**(5,645)**	**(50)**	**(2,667)**	**-**	**(1,026)**
Final settlement – adjustment for Council Tax base					1,084		1,084
Final Settlement – Additional new responsibility – Homelessness Prevention		321			(321)		-
Reclassify technical adjustment as funding adjustment				12	(12)		-
Estimated specific grant – Social Care						(353)	(353)
Additional funding for schools		1,100		(1,100)			-
Delete saving proposal AS171804- Review of Linc Domiciliary Scheme			70				70
Current Budget Position	**2,151**	**6,606**	**(5,575)**	**(1,138)**	**(1,916)**	**(353)**	**(225)**

26. Cabinet considered the schools’ funding position in its December meeting, noting that additional funding had been consistently given to school’s over the last 4 years or so, both from the Council and specific grants from WG. Further increases in some WG grants have been indicated for 2017/18, and also an announcement of a new grant to help reduce class sizes, though no detail is yet available on its distribution. Some grants will also be decreasing.

    Since that time, and in response to the budget consultation, Cabinet have considered changes which impacts on four proposals, as follows:

    - School’s funding - Allocate £1.1m further resources to the overall school’s budgets, funded from the current year’s unused contingency budget. This will create an underspend at the end of the year, which will be put into a specific reserve for this purpose and used to fund the additional budget in 2017/18. As a reserve funded item, it will need to be reviewed as part of the 2018/19 budget process. This additional funding can be utilised by schools, if they so wish, to sustain the proposals for Learning Support Centres in secondary schools and the Learning Resource Base in Llanwern High School.

    - Linc Extracare scheme – To delete this savings proposal of £70k in both 2017/18 and 2018/19.

27. With regard to fees & charges, the proposed final fees/charges for 2017/18, following consultation are shown in Appendix 14 and Cabinet are asked to agree these.

The Grant Settlement (RSG) and Tax Base

28. The finance settlement from WG is important to the financial position of the Authority making up c80% of its net budget funding. The Council received its final settlement on 21st December 2016 and as predicted, and planned for, it confirmed a significant reduction in the grant for 2017/18. The reasons for the disappointing draft settlement were explained in the December 2016 report on the draft budget and the final settlement reduced again due to the increased tax base in Newport, with the ability to raise funding from council tax being higher than the Welsh average. The equalisation of the RSG for different Council's ability to raise funding from council tax is a key feature of the system.

29. The final budget is therefore based on the final RSG settlement of £208.3m, which represents a 0.4% decrease in cash funding from the current year level, but a 0.7% decrease after taking account of specific grant transfers into the settlement and new responsibilities.

30. The tax base is the estimated number of Band D equivalent properties within the City. As this number increases, it generates additional income through council tax, however, as noted above a reduction is made to the Council's settlement from WG if any increase is disproportionate to average increases across Wales and this adjustment is included in the final settlement figure. An allowance for the increased costs of benefits is also required. For 2017/18, the tax base is 57,619.96 (2016/17 - 56,145.64.) which is a 2.6% increase.

General and Specific Reserves, Contingencies and Financial Risks

31. The proposed budget incorporates a number of assumptions in terms of likely levels of income and expenditure in future years. There are, therefore, inevitably a number of financial risks inherent in the proposed budget. The key financial risks are highlighted below.

32. Any overspend in 2016/17 over and above the revenue contingency budget would be an issue. However, no overspend is currently forecast and the revenue budget contingency is not earmarked for any specific issues at this time. In saying that, there are a number of significant base budget pressures and overspends in the current 2016/17 year and these have been considered alongside the challenging savings targets for 2017/18. Additional significant budget capacity has been provided where it has been deemed necessary.

33. New saving proposals and additional income proposals over the 4 year period amount to approximately £5.7m and will need to be delivered in order to achieve a balanced outturn for 2017/18. This will result in implementation costs and inevitable financial risk around full delivery of all savings. Realistic part year assumptions have been made where implementation cannot be immediate but there is an inherent financial risk around achieving changes in time to deliver the planned savings.

34. Cross cutting (Council wide) saving proposals in areas of procurement, administrative processing tasks and management/supervisory de-layering have delivered significant savings over the last 3 years. Any outstanding/undelivered targets are currently reflected within current year (2016/17) budget and have been adjusted as needed for 2017/18, reducing the budget risk from these areas.

35. Inflationary increases in budgets have been set at a low level, consistent with most other local authorities. Invariably, this introduces a degree of financial risk as key

inflationary pressures are not known with certainty at this time but this financial risk is no higher than in any other year. In particular, any risk here in the area of 'pay inflation', being the highest risk value potentially, is covered by the Council's 'Pay Reserve'.

36. In terms of any contingencies and reserves, the Head of Finance needs to review these in their totality in conjunction with the base budget itself and the financial risks which face the Authority. In addition, this review should incorporate a medium term view where needed and should take into account key developments that may impact on the need for and use of one off resources. In this respect, Cabinet will be aware that the current base budget has a c£1.5million contingency budget.

37. In light of the financial risks highlighted above, 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 13a shows the current 'snapshot' of key data and information, alongside the current and projected position on the Council's reserves.

38. 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 furthermore a reserve set aside for the smoothing of 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'.

39. The Council has also been able to show strong financial control and has managed within its budget over a number of years, despite the high level of savings. This is projected to be the case for 2016/17 again which is summarised in the financial resilience 'snapshot' appendix.

40. Specific one off costs for implementation of the change & efficiency programme will be funded from the current Invest to Save. Our forecasts indicate that there will be sufficient funds within this reserve to meet the above one off costs over the medium term of the current list of saving proposals here. A summary of the position is shown in Appendix 13d based on the detailed business cases for draft budget proposals agreed by Cabinet in December 2016. Cabinet is requested to approve this expenditure, funded from the reserve, noting it will be regularly reported to Cabinet as part of revenue budget monitoring.

41. A 'rule of thumb' analysis for determining the level of general reserves suggests this is at least 5% of net revenue expenditure (excluding schools' budgets), unless a formal risk assessment justifies a lower level. This implies a level of c£8.7million for Newport.

However, taking the approach outlined above:

42. Whilst it is accepted that as significant budget reductions are made it invariably introduces financial risks, Newport has a reputation of managing within its budget. Budget risks have been addressed within the proposals.

43. Protection against budget risks is provided through earmarked reserves and contingencies. Whilst no general revenue contingency reserves are currently held

(excepting the base budget provision), the Council has a number of earmarked reserves for known but not always easily quantifiable financial risks.

44. 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 £6.5million, supported by the base budget contingency of £1.5m.

45. The base budget contingency built into the budget, alongside the level of recommended general and earmarked reserves reflect the overall potential financial risk associated with delivering the budget proposals in 2017/18. With general reserves, this provides 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 2017/18 budget as proposed is robust.

RISK AND PERFORMANCE

46. 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, this next section looks at these and identifies how they are dealt with currently in setting out the Councils 2017/18 and medium term budgets.

Risk

47. 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 table below lists the current approved corporate risks at this time.

Table 1. Corporate Risk Register and associated financial mitigation

Risk	Financial planning mitigation
1. Legislative requirements including, but not limited to: Social Services Act, Welsh Language Act and Future Generations Act	*This will be assessed and budget provision /funding made available if deemed essential/unavoidable*
2. Increasing Ageing Population – puts significant strain on services and costs	*The MTFP has always and currently does reflect the demographic pressures in Social Care budgets*
3. Capacity and capability to meet the councils objectives - That there are not skills and or capacity within the workforce to deliver both operational services and also the pace of change needed to modernise services and balance the budget.	*The base budget has provision for the increased costs associated with the new pay/grading framework and adequate specific reserve exists to deal with one-off costs of equal pay settlements, pay protection and project cost. The Invest to Save reserve provides funding to change and modernise services, including bringing in additional capacity where necessary in the short term*
4. Budget Challenge - That the continuing need for significant annual savings is increasingly difficult to	*The Council has a robust business case approach to service change which identifies impact on services.*

	achieve and that could compromise organisational capacity and service delivery including statutory services	
5.	Safeguarding – Council policies/procedures may be inadequate to protect vulnerable children / adults	*No current specific financial issue. All budget saving proposals are supported by robust business plans which highlight, amongst other things, impacts on service delivery / statutory requirements.*
6.	Friars Walk – developer unable to sell / re-finance at level required to pay back the Council	*Project Governance is designed to highlight any problems early in this respect. In addition, specific reserve has provision to cover some losses and legal arrangements provides security against the Council loan facility.*
7.	City Deal - That the SE Wales region, which includes Newport CC, cannot conclude a city deal within the timescales and as a result misses the opportunity to secure investment to improve economic outcomes for the communities of the city	*No current financial issues.*

In addition to considering each savings and pressure item in respect of achievability, a number of additional specific or general Council risks exist. These include:

Table 2 – Other significant risks identified

Risk	**Financial planning mitigation**
The need to deliver significant levels of savings during a period of prolonged financial austerity particularly given the impact that delays to delivery of the proposal has on the budget monitoring position.	Robust financial monitoring and on-going review on the delivery of savings Robust business cases to support saving proposals Appropriate budget strategy to deal with the on-going challenges Base budget contingency to protect the core budget in short term
The cumulative impact of achieving the savings, within this current year's budget in addition to the unachieved previous years savings.	Robust financial monitoring and on-going review on the delivery of savings Base budget contingency to protect the core budget in short term
The Council's ability to meet the costs of change e.g. voluntary severance,	Established Invest to Save reserve in place and processes to access funds from there to support delivery of MTFP savings
The level of additional borrowing undertaken in previous years and proposed will require more revenue resources to be used for capital financing in future years.	Unavoidable risk based on historical spending Low interest rates provides some mitigation in that cost of borrowing is relatively cheap Review of capital programme and funding sources, including maximising capital receipts

The impact on Newport Bus, which is wholly owned by the Council, from challenging trading conditions and issues such as reductions to the reimbursement rate in respect of concessionary fares.	Good governance arrangements – Board of Directors includes officer rep and Members No budget expectation for financial dividend included in base budget Regular dialogue and update meetings with Directors
The risk of WG levying fines if the Council fails to realise recycling or land fill diversion rates	Funds provided to fund 'door knocking' campaign and increase recycling rates. Performance improved in current year 2016/17 Base budget contingency protects core budget in short term

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 and the Senior Management Team. The Council's Audit Committee also regularly review the Corporate Risk Register.

Performance

48. The Improvement Plan helps the Council demonstrate its continuous improvement. The 'Plan' contains the priority areas for improvements in service delivery, and the tracking of various actions and measures will allow the authority to prove its success in these areas. The Council has identified 8 Improvement Objectives to form part of the Improvement Plan for 2016-2018. The selection of the objectives followed a consultation with the public where over 600 responses were received.

49. The Improvement Objectives for 2016-18 fit into the Corporate Plan themes as follows:

- A Caring City
  - Ensuring people have the right social services to meet their needs
  - Improving independent living for older people
- A Fairer City
  - Ensuring people have access to suitable accommodation
- A Learning and Working City
  - City regeneration and development
  - Supporting young people into education, employment or training
  - Improving educational outcomes for children
- A Green and Healthy City
  - Increasing Recycling
- A Safer City
  - Preventing offending and re-offending of young people

50. The Councils base budget provides the resources required to meet the numerous targets linked to these Improvement Objectives. Annual service plans include further details about the appropriate targets and budgets in place which contribute to their delivery/achievement.

Proposed Budget & Council Tax Level

The table below shows the available and required budget funding with a 4% increase in Council Tax. Cabinet will be aware that there has been a 4% increase implicit in our MTFP planning parameters included in the draft budget proposals. In setting Council Tax, the Council needs to be aware of the need to set a balanced budget.	**4% Increase**
Council Tax at Band D at 4%	£1,013.59
Budget requirement	**£000**
Base Budget 2016/17	263,863
Inflation & Re-pricing adjustments	2,151
Technical Adjustment and transfer from reserves	(1,138)
BASE BUDGET 2017/18 (before investments/savings)	**264,876**
Budget investments – (£6,606k shown in list of pressures plus increase of £737k required in Council Tax Benefit based on 4% Council Tax increase)	7,343
Budget savings (£5,575k shown in list of savings less £138k relating to council tax funding adjustment)	(5,438)
DRAFT BASE BUDGET 2017/18	**266,781**
Funding available	
Final WG Settlement	208,250
Estimated Specific Grant – Social Care (estimated)	353
Current Council Tax at new tax base	56,157
Increased Council Tax @ 4%	2,246
Total	**267,006**
Balance available 'in hand'	**(225)**

51. Before Cabinet can recommend a budget to Council, it now requires decisions based on the figures shown in the above table. These decisions include:

- Delete specific saving items;
- Providing additional capacity within services;
- Fund new initiatives and policies;
- The level of council tax increase required to balance the budget. A 0.1% change in council tax equates to £45k.

As noted above, Cabinet have considered the school's funding position and have decided to allocate an additional £1.1m to the overall school's budget in 2017/18. This is to be funded from the current year's contingency budget which has not been needed and will therefore be transferred into a reserve at year end to enable it to fund this in 2017/18. This allocation will need to be reviewed as part of the 2018/19 budget process. In addition Cabinet have also taken the decision to delete the saving proposal in relation to the Linc Extracare scheme of £70k in both 2017/18 and 2108/19.

Cabinet will now need to make decisions based on how to allocate the £225k 'in hand'.

52. For contextual purposes, the table below shows the monetary impact of different percentage increases in council tax and current values at other Welsh Councils. Given

the low starting point on Newport Council's tax, it will still be lower than most of the Council's shown, even at a 5% increase level and the actual monetary increases in tax are low in themselves. Newport City Council tax will maintain its position as one of the lowest in Wales.

Percentage Increase	**1%**	**2%**	**3%**	**4%**	**5%**
Newport Band D Tax 2017/18	£984.36	£994.10	£1,003.85	£1,013.59	£1,023.34
Increase per annum	£9.75	£19.49	£29.24	£38.98	£48.73
Increase per week	19p	37p	56p	75p	94p
Comparison with existing Band D Council Tax (rounded) Current year (2016/17) <u>before</u> any increase					
NEWPORT	£975				
Caerphilly	£1,002				
Wrexham	£1,025				
Cardiff	£1,060				
Torfaen	£1,141				
Swansea	£1,176				
Monmouthshire	£1,138				

Equalities Impact Assessments (EIA)

53. In delivering its services the Council has to be 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.

54. 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.

55. Appendix 12 provides an overarching impact assessment as well as the impact assessment for all those new saving proposals individually listed in Appendix 7, showing any issues, after mitigation, of any equalities issues that Cabinet and Council need to be aware of.

<u>THE COUNCIL'S CAPITAL BUDGET</u>

56. 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.

57. 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).

58. In February 2014 a four-year capital programme was approved as part of the budget setting process, for the years 2014/15 to 2017/18. Over the three financial years since then, the programme evolved to reflect the key requirements and priorities across the Council. New schemes were approved and added to the budget as per the bidding process, as well as existing schemes being re-phased between financial years to reflect changes in deliverability. The table below summarises the current position as reported to Cabinet in January 2017, amended to reflect further updated forecasts of expenditure and funding.

	2014/15 £000's	**2015/16 £000's**	**2016/17 £000's**	**2017/18 £000's**	**Total £000's**
Original Programme February 2014	42,619	12,222	11,414	14,296	80,551
Currently Reported Programme as at January 2017	27,197	25,783	37,798	23,063	113,841
Remaining One-Year Programme to be approved February 2017 (this report)	27,197	25,783	36,628*	36,724	126,332
Change	**0**	**0**	**(1,170)**	**13,661**	**12,491**
Change Funded by:					
General Capital Grant			0	0	**0**
Supported Borrowing			0	0	**0**
Unsupported/ Prudential Borrowing			(1,417)	938	**(479)**
Capital Receipts			2,292	(369)	**1,923**
Other External Grants			(1,928)	13,067	**11,139**
Revenue Contributions			(1,457)	0	**(1,457)**
S106 & Other Contributions			1,340	25	**1,365**
Total	**0**	**0**	**(1,170)**	**13,661**	**12,941**

**forecast outturn*

59. The final remaining year of the capital programme is detailed in Appendix 8 and totals £36.724m. This 2017/18 budget includes slippage that has occurred against schemes in the 2016/17 programme, based on forecast outturn as at January 2017. This is subject to change, as it is only when the final outturn position is confirmed at the end of March (for reporting in June) that the final slippage figures can be incorporated into the 2017/18 programme.

60. In the table above, the increase of £13.661m to the 2017/18 budget compared to that reported at January Cabinet is made up of:
    - £11m additional budget, funded by WG and NCC match, for the Ysgol Gyfun Gwent Is Coed project, recently approved by the WG capital panel. Whilst approved by Cabinet in September 2016, officers awaited confirmation from WG before increasing the capital programme.
    - £1.65m allocation, as a result of the WG approval to increase the 21st Century Schools programme, to commence the proposed Maes Ebbw project (with a further £1.65m allocated in 2018/19).
    - £1.011m slippage, largely relating to the Gypsy/ Traveller Site Development, currently forecast against the revised 2016/17 capital programme of £37.798m.

The remaining difference in 2016/17, of £159k, is due to various small anticipated underspends across a number of projects.

61. The final year of the programme as shown in Appendix 8 includes the following key schemes:
    - The Ysgol Gyfun Gwent Is Coed provision and John Frost School redevelopment projects have remaining allocations of £16m and £2m respectively.
    - The Caerleon Lodge Hill Primary project will now gather pace, with additional funding approved by the WG capital panel, to be added to the 2018/19 allocation. The current profiling of £3.5m budget for 2017/18 remains unchanged.
    - The Gypsy/ Traveller Site Development project continues, with £1.7m available via a combination of WG grant and NCC borrowing.
    - Annual allocations for Disabled Facility and Safety at Home Grants (£1.4m), asset maintenance (£1.5m before adjusting for slippage), and Highways Capitalised Maintenance (£500k).
    - Fleet replacement programme continues with £1.5m budget available in 2017/18.
    - £2.2m set aside for any Change/ Efficiency Programme schemes that may yet materialise.

62. The final capital settlement (made up of a general cash grant of £2.465m and supported borrowing funding of £4.051m) for 2017/18 from WG is a small reduction of 0.5% on the 2016/17 allocation. Due to uncertainty around spending plans from Central Government, WG no longer provide indicative settlement figures for the medium term, so assumptions of future reductions each year have been made in order to maintain prudent estimates for the purposes of MTFP forecasting.

63. External grant funding continues to be an important source of funding for specific capital schemes, with the 2017/18 programme being 27.9% grant funded. The Authority will continue to seek opportunities to secure external funding to finance both existing schemes and new priorities that may emerge.

64. As previously agreed by Cabinet, the majority of capital receipts funding is earmarked for use on the 21st Century Schools programme (a minimum of £9.5m for Band A including Ysgol Gyfun Gwent Is Coed is required to keep within current funding plans and assumptions), as match funding against WG grant. Of this allocation, approximately £3.6m will have been spent by the end of 2016/17 and, based on current projections for capital receipts to be achieved this year, an overall balance of circa £7.5m is estimated to remain as at 31st March 2017. The value of capital receipts achievable over the medium term is unlikely to be sufficient to fund the entire Council share of the budget shortfall previously reported on the programme, so will need to be supplemented by other sources such as S106 contributions and use of capital reserves, as well as borrowing.

65. While the Council strategically continues to attempt to minimise its actual long term borrowing and maximise funding of the capital programme from applicable ‘cash’ sources (grants, capital receipts, contributions), it is recognised that in certain cases this may not be possible due to limited availability of cash resources. Funding capital expenditure via borrowing in a given year results in revenue cost implication beginning in the subsequent financial year. In 2017/18, capital financing costs are estimated to account for approximately 9% of the overall revenue budget and further capital expenditure funded from borrowing would increase this figure.

66. With this in mind, work on developing the new four-year capital programme from 2018/19 will progress soon and will be driven, in the main, by emerging priorities in the new corporate plan and detailed plans which support it, the Band B 21C school programme, the Regional City Deal programme and Newport City centre regeneration schemes.

Officers have estimated the approximate level of the future capital funding envelope if the Council's capital financing budgets were to remain at today's level. However, as noted above, Corporate priorities and programmes will need to influence this alongside affordability. This is summarised in the table below.

	2018/19	2019/20	2020/21	2021/22	Total
	£'000	£'000	£'000	£'000	£'000
Ongoing schemes already approved	4,251	0	0	0	4,251
Annual Sums	5,245	5,245	5,245	5,245	20,980
Replacement of printers/ photocopiers	0	170	0	0	170
New Capital schemes	13,162	6,772	5,609	65,478	32,020
Total Annual Capital Spend including Annual Capital Grant	**22,658**	**12,187**	**10,854**	**11,723**	**57,421**

City Deal

67. On 31st January 2017 the Council approved the next stage of the authority's commitment to the Cardiff Capital Region ("City Deal"). This is a significant commitment and will involve the council contributing a financial commitment of 9.8% to the project costs and based on initial financial modelling would result in the following financial commitments over the life of the programme:

- A revenue contribution of £20.7m over the 25 year programme
- Year 1-5 revenue contribution of £1,045k
- Revenue contribution peaking in year 11 at £1,307k in that year

68. Once the Joint Working Agreement is approved, councils will be 'locked-in' for a minimum period of five years. As with other Joint Committee's the legal implications set out that the cost of withdrawing are likely to be substantial and are effectively designed to keep councils locked in for the duration of the City Deal.

69. Included within the current MTFP is the initial revenue contributions to the Joint Committee, however the ongoing capital and capital financing costs are not currently included within the programme being approved, and will be included when there is more certainty around the delivery of the City Deal projects and the timing of capital expenditure. This will be reflected in the new capital programme for 2018/19 to 2021/22.

TREASURY MANAGEMENT STRATEGY & PRUDENTIAL INDICATORS 2017/18

70. 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 to

- Limit the need to actually borrow cash by using the positive cash-flow the Council has to fund capital expenditure funded from borrowing, wherever possible;
- Borrow and invest in the short-term to manage the shorter term cash-flow requirements of the Council.

71. 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 26th January 2017 and comments and observations were made in the following area;

    a. More information on actual borrowing and lending activity in following the strategy recommended. *This is included paragraph 78*
    b. They reviewed the proposed change in MRP calculation noting that this was already an option within the approved strategy. *Comments made and feedback as shown in paragraph 99.*

72. 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 Welsh Government's (WG's) Investment Guidance.

73. Our detailed Treasury strategies for 2017/18 are included at Appendix 9. In addition, planned strategies to 2020/21 are also included, in line with the Council's 5 year Medium Term Plan. Key points of interest are summarised below.

Treasury Management Strategy

74. 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.

75. This Treasury Management Strategy highlights that the Council has an inherent need to borrow and therefore the borrowing strategy discussed below is an important part of the overall Treasury Management Strategy.

76. 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 Medium Term Financial Plan. 2017/18 is the final year of our current capital programme and work is continuing over the next few months to complete the next four year programme. The prudential indicators for these are shown in the appendix to this report.

77. In summary, following this strategy, the Council does not envisage taking out further long-term borrowing over the short-term, 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. There are a lot of uncertainties on the level of borrowing or investment that will be required and this is dependent on the outcome of re-payment of any loans in relation to the Queensberry development.

Borrowing Strategy

78. 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’. 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.

79. The CFR (Capital Financing Requirement) in table 1 below highlights the Councils investment and borrowing requirement over the next four years. This shows that given the current capital programme and borrowing levels, the Council will have an inherent need to undertake new borrowing to re-finance borrowing maturing in the coming years. Following our strategy, this means:

    a. The Councils current strategy includes the need to replace existing long-term borrowing when this is re-payable with new borrowing.
    b. Timing of new borrowing would be uncertain and is dependent on a number of factors including, expected future interest rates, internal cash levels, earmarked reserves and levels of in year capital expenditure.
    c. Advice will be taken from treasury advisors on the timing of undertaking new long-term borrowing, to ensure minimal risk and cost of carry to the authority.
    d. The Councils overall treasury management strategy and decisions on the future capital programme are intrinsically linked to the Medium Term Financial Plan and the revenue implications of undertaking capital expenditure funded by borrowing i.e. increased MRP and interest costs. The future strategy must ensure this is affordable and prudent
    e. The prudential indicators in Appendix D, show the prudent levels of capital financing and borrowing limits the Council are agreeing to for the treasury management strategy.

80. 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 ‘Minimum Revenue Provision’ (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.

81. 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 2021/22. Further work on this will be carried out on over the next 6-12 months to determine the priority schemes that will be emerging. Appendix D shows the estimated capital expenditure for the Council over the medium term.

82. There are currently on-going discussions on the Council’s involvement in the ‘City Deal’ project which would involve the Council signing up to a significant capital investment over the next 20 years. There is still a significant amount of work required to finalise the full financial implications of the project, and an update will be brought to the committee on the treasury management impact of any approval to proceed with the scheme in the future. The figures for City Deal have not been included in any

estimates on capital expenditure or CFR in Appendix D, but the borrowing limits for 2017/18 are deemed sufficient if and when the Council signs up to the scheme.

83. 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.

84. In addition to normal planned capital expenditure, in December 2013 the Council approved a loan of up to £89.1million to Queensbury Real Estates (Newport) Ltd (QRE) to fund the building of the Friars Walk Development. The Council's own borrowings to make the onward loan are kept separate from the Council's other borrowing requirements as these loans are relatively short term given the loan is to be paid off via a capital receipt upon sale of the development or re-financed if a sale does not conclude. Following any sale, the Council's own borrowings for this will then be redeemed as soon as is possible. On this basis, the Council will not be required to make MRP charges to the revenue budget in relation to the Friars Walk Development loan as the borrowing will be paid off in full at the end of the scheme via the repayment of the loan by QRE (Newport) Ltd. Loans in relation to the Friars Walk development have been taken at various stages throughout the scheme, therefore have variable dates in which the loans are redeemable. £40 million of loans are redeemable in July 2017, with the balance being taken over shorter terms, with rolling one month terms. This would mean if the loan by QRE (Newport) Ltd is repaid before July 2017, for a short period, the Council will have surplus funds to invest, unless we are able to redeem early at nil or minimal cost.

85. The table below shows the estimated Capital Financing Requirement / New Net Borrowing Requirement position for Newport City Council for 2016/17 to 2019/20:

Table 1: Newport City Council – CFR

	31.3.16 Actual £m	**31.3.17 Estimate £m**	**31.3.18 Estimate £m**	**31.3.19 Estimate £m**	**31.3.20 Estimate £m**
CFR	230.5	233.8	238.1	241.7	243.1
Less: External borrowing *	(223.3)	(187.7)	(146.3)	(144.9)	(103.4)
Internal (over) borrowing	**7.2**	**46.1**	**91.8**	**96.8**	**139.7**
Less: Usable reserves	(101.3)	(92.3)	(89.4)	(86.7)	(83.8)
Less: Working capital	90.7	7.7	7.7	7.7	7.7
Investments / (New Borrowing)	**3.4**	**38.5**	**(10.1)**	**(17.8)**	**(63.6)**
Net Borrowing Requirement	**219.9**	**149.2**	**156.4**	**162.7**	**167.0**

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

86. As the table shows, the inherent 'need to borrow' as shown by the CFR is predicted to be £64 million. The significant reduction in the CFR between 2015/16 and 2016/17, and again to 2017/18 is due to the anticipated repayment of the loan in relation to the Friars Walk development. This borrowing would need to be refinanced if the sale did not proceed.

87. Given **current** borrowing levels no additional long term borrowing is likely to be required during 2017/18. However, the Authority will be required to be flexible to borrow up to the Authorised Limit, as there will be uncertainty over the timing of the repayment of the outstanding loan in relation to Queensberry.

88. 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

89. 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 £0m and £25 million. In 2017/18, the investment balances could increase significantly dependent on the timing of the repayment of loans in relation to Queensberry, where a substantial receipt may be achieved in advance of borrowing required to be repaid.

90. **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.

91. 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 2017/18. This is especially the case for any surplus funds available for investment following the repayment of the Queensberry loan, before it is used to repay its own loans for this purpose.

92. **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 table 2 below, subject to the cash limits (per counterparty) and the time limits shown will invest in the following areas:

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				

93. 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 C. 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.

94. A more detailed explanation of the different approved counterparty types are included in Appendix 1 but for the sake of clarity, the Council's investment strategy will, as per the Welsh Governments Investment Guidance, give priority to security and liquidity and will aim to achieve a yield commensurate with these principles.

Minimum Revenue Provision (MRP) Policy

95. Officers have completed a review of how we charge MRP in relation to unsupported borrowing. Appendix E shows the MRP Policy, and there will be no change to this policy, however Newport, as with the majority of local authorities, use option 3 the asset life method as a basis to charge MRP on unsupported borrowing.

96. Currently this is charge through equal instalments over the life of an asset on a straight line basis. Officers have completed a review to move from this method, to using the annuity method. The annuity method still has asset life as its main basis, but takes into account the time value of money. Therefore, the charges in year one will be less than the charge in say 25 years time, increasing year on year.

97. This method is prudent as it still keeps asset life as its main basis, and therefore the repayment will be the same over the life of the asset in both the equal instalment and annuity methods.

98. This has been discussed with Wales Audit Office, and they have indicated that this would be an acceptable change to the method of charging MRP on unsupported borrowing, and that it fits within the aspects of the Future Generations Act.

99. The change in method was also discussed at Audit Committee on 26th January 2017, where the following observations and comments were made:

   a. Concern that this was putting off the day when we need to charge the MRP into the future was raised - While this observation is correct and the Council would gain from a saving in the early years and the cost would be increased in the future, the overall total payment would be the same and would be charged over the same period.
   b. Observation that MRP charge would need to remain prudent – this was understood, and as discussed it is felt that this is still a prudent method of charging MRP due to the main principle of it being charged over the asset life.

Therefore, the change to the method of charging MRP from equal instalment method to annuity method will be applied from 2017/18.

Prudential Indicators

100. 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 6 monthly basis.

101. Examples of our key indicators are noted below; again more detail is supplied at Appendix 9.

Net Borrowing/Capital Financing Requirement

102. 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

103. This ratio shows how much of the Council's total revenue budget is used for capital financing costs, as a percentage. The ratio for 2017/18 is 8.4%.

Timetable

The timetable for approval of the 2017/18 budget is as follows:

Cabinet agreed options as a basis for consultation	21st December 2016
Consultation period	21st December 2016 to 20th January 2017
Cabinet considers feedback from consultation and recommends an overall budget & resulting Council Tax, based on agreed	20 February 2017

final proposals	
Council approves the overall budget and Council Tax required	2nd March 2017

Risks

104. Detailed financial risks are included in the various sections of the report and appendices where applicable

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	M	L	(i) robust business case processes (ii)robust budget monitoring (iii) programme governance (iv) service planning (v) retention of reserves and budget contingency	Head of Finance Heads of Service
Budget savings not delivered on time leading to in year overspending	M	M	(i) robust budget monitoring (ii) programme governance (iii) retention of reserves and budget contingency	Directors / Heads of Service Head of 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

Options Available and considered

Taking a strategic and medium term view Cabinet should approve the 4 year change and efficiency programme as summarised in the MTFP, though they could approve 2017/18 proposals only. For 2017/18 Cabinet must agree a revenue budget and then the resulting Council Tax for Council. Cabinet have various options open to them on the detailed change and efficiency programmes contained within this report.

Preferred Option and Why

That Cabinet continues to approve a 4 year change & efficiency programme and the detailed projects over the 4 year period.

Cabinet must set a balanced revenue budget and recommend the related Council Tax amount required for this level of spending to Council.

Comments of Chief Financial Officer

The detailed financial implications stemming from this report are contained within the body of the report.

The Council's MTFP point to a challenging financial outlook, in line with all Council's across the UK. It will be crucial that the Council adopts a more long term and strategic approach to meet this challenge. The development of a new Corporate Plan with the new administration post May provides an opportunity to agree such an approach and develop the current 'Newport 2020' plans to ensure the Council develops what and how it delivers services in the future, supported by business plans to implement the agreed long term changes.

This should be done within the financial context shown by the MTFP to ensure the Council deliver sustainable services into the future whilst meeting the key objectives and priorities which will need to be clearly identified in the new Corporate Plan and supporting documents.

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 2017/18.

However, the implementation of the individual proposals within the medium term efficiency and change programmes 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

This budget is being set against a backdrop of prolonged pressure on public services as a combination of reduced income, rising demands on services, increased expectations, compliance with new legislation and the increasing costs of running services which has seen the delivery of over £45m of revenue savings over the last five years. This major reduction in funding has largely been accomplished with minimal impact on frontline services. However, the increasingly challenging financial situation the Council faces means that it is no longer possible to protect specific services in their entirety as we might have done in previous years. Nevertheless we remain committed to maintaining core services, minimising the impact on disadvantaged communities and groups and also investing strategically in key services that have the potential to contribute to our stated mission of "improving people's lives". We will continue to engage with our citizens and partners to incorporate their priorities into the councils plans based on firm evidence and look for innovate ways in which to deliver our services.

The budget options outlined in the report will have a direct impact on employees across the Council, including schools. Changes to structures and staffing will be required to make the necessary service changes and savings. This will require meaningful consultation with trade unions and affected employees. This is an ongoing process. The Council will aim to minimise the impact of the budget on employees across our services, however, given the increasing scale of the challenges facing the Council over the next few years and beyond, it has to be recognised that the Council cannot rule out having to make redundancies. All employees directly affected will be supported by the provisions of the Council's Job Security Policy, which aims to minimise compulsory redundancies and retain employees in our employment wherever possible.

Over the last three years extensive public engagement has been undertaken in relation to setting service delivery priorities and identifying which services matter most to people, and contribute to their wellbeing. Cabinet have considered the results of this engagement and this has been reflected in the budget programs taken forward. The results of the public engagement for the 2017/18 budget are detailed in this report.

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

Comments from Scrutiny Committees are included in appendix 2 of the report

Equalities Impact Assessment and the Equalities Act 2010

The detail of Equalities Impact Assessment undertaken is included in Appendix 12 of the report.

Children and Families (Wales) Measure

All proposals will be consulted on widely, as required.

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 15 of the report and within the appendices.

Background Papers

Dated:

Appendices

Appendix 1	Business, Union and 3rd Sector Consultations
Appendix 1a	Union specific comments
Appendix 1b	Responses from Consultation meeting with Business and Third Sector
Appendix 2	Extracts from Scrutiny Committee Minutes
Appendix 3	Extracts from Schools Forum
Appendix 3a	Letters from School representatives
Appendix 4	Public responses to budget consultations & responses
Appendix 4a	Fairness Commission review
Appendix 5	Service Area Draft Budgets
Appendix 6	Budget Investments
Appendix 7	Budget Savings
Appendix 8	Capital programme/budget 17/18
Appendix 9	Treasury Management Strategy and Prudential Indicators
Appendix 10	Medium Term Financial Plan (MTFP)
Appendix 11	Reconciliation of movements since Budget Consultation
Appendix 12	Equalities Issues
Appendix 13	Financial Resilience, Earmarked Reserves & Invest to Save requirements - summary position
Appendix 13a	Financial Resilience Snapshot
Appendix 13b	Projected Earmarked Reserves

Appendix 13c	Reserves Policy
Appendix 13d	Summary of Invest to Save Spend and Forecast
Appendix 14	Fees & Charges

APPENDIX 1 – BUSINESS, UNION AND THIRD SECTOR CONSULTATIONS

Minutes

Employee Partnership Forum

Date: 12 January 2017

Time: 9:30am

Present: Councillor M Whitcutt (Chair)

R Cornwall (Interim Head of People & Business Change) R Davies (HR Manager), B Burns (Health & Safety Manager) and A Jenkins (Democratic Services Officer)

Union Reps: P Short, P Garland, & I Reese (UNISON) M Thomas (NASUWT), R Hughes (NAHT), D Rees (NUT) R Hayward (GMB)

Apologies: Cllr Giles

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1 Apologies for Absence

Cllr Giles

2 Declarations of Interest

Cllr Whitcutt declared his membership with Unite and Cllr Jeavons with CWU

3 Minutes of the Last Meeting: 13 October 2016

Agreed:
That the minutes were recorded as a true record.

4 Budget Proposals

Chair thanked the Head of Finance for Meirion for attending the meeting.

Consideration was given on the 2017/17 Budget & Medium Term Financial Plan. The Chair drew attention to the summary of the report and the further reductions impose by the Welsh Government (WG).

At the request of the Chair the Head of Finance referred to paragraph 6 set out in the report, referring to two sets of data, recorded in a particular way that suggested the population had declined and housing tax had increased. This was where the Council's Standard Spending Assessment (SSA) was reduced slightly from the current year's value by the WG.

The NUT representative asked where WG received their figures. All forms of consultations from the previous year went to Cabinet and would be forwarded to the WG. Additionally, since publishing the Council's tax base this year, the adjustment had also resulted in a further reduction. The final settlement confirmed that we (the Council) had suffered another £700K cut. Overall we had suffered a £1M final settlement, as a result of this, the Leader had written strong words to the Assembly Minister.

The settlement would be very challenging and the manoeuvring is very tight. Other issues relating to the cuts also meant that we would be implementing over £6M savings when considering all the previous cuts. In addition, the Council tax was at 4%.

The Chair asked for any questions:

UNISON referred to para 13 in the report where the council was in a credit situation. It was reiterated that the Leader wrote a strong letter to the AM although £1M was the right figure issued by the WG. The credit was in place because we were anticipating further reductions in grants.

UNISON colleagues were not aware about the reconfiguring of the youth service and there was no business case in place. The Head of Finance advised that it might be a general comment but would confirm if this was the case.

Finally UNSION were disappointed on the proposal the Council had rejected last year and they were not now subject of the consultation, this was the two FTE posts relating to Bryngas Bungalow. The Head of Finance advised that they were not cancelled by deferred due to the flexibility at the time.

The NUT representative raised his concern that the schools funding which showed a funding increase gave a false picture. By including the pupil deprivation grant which was ring fenced for those on the free school meals register was misleading and gave a wrong impression. The Education Improvement Grant had seen massive cuts over the years, which was serious cause for concern.

Last year there was an intake of 700 pupils from outside of Newport and a cut of £150 per child this year to schools left Newport in the bottom five in Wales. In addition there was no pay increase to teacher's salary and nursery grant was cut by £90 per child.

NAHT representative also said there would be future concerns with more schools opening within Newport in the near future; therefore this was only an outline position.

The Head of Service advised that this would be fed back to Cabinet. In terms of future years, planning for funding new schools, it was stated in the Cabinet report that it would be confirmed on an annual basis. NAHT also mentioned that pupils should be included as well. The Head of Finance agreed that the grant had been reduced over the past years but that was the Welsh model, this was highlighting a consistent issue which was slightly out of our control. Whilst the figures were considered tough they were significantly better than all the other council areas. Schools have been funded relatively well in comparison to other areas.

The NUT representative referred to the increase in staff education. This was due to the increase in pupils and we were bound by rules of WG.

NAHT representative was concerned about pressures on schools to reduce the standards, particularly with a view to more challenging pupils in schools where resource basis were limited, for example the closure of the behavioural unit in Llanwern. Main stream schools would be left to deal with these pupils which would affect standards.

UNISON referred to the 18-20 FTE Teaching Assistants that were worried about a proposed business case as well as the impact on the wider population.

The Chair advised that all they could do at this stage was note the concerns and feed back to Cabinet. The Cabinet felt that their hands were tied where cuts were concerned but the reason for consultation was to look into where priorities could be made.

The UNISON representative suggested that there were ways to improve the council's finance and referred to a similar situation that Monmouth County Council were faced with. The Head of Finance was aware of this and would need to investigate further. This however wouldn't be a permanent reduction in cost and all it would do was reduce depreciation in first few years acting as a temporary measure. This would need to go to Council however it was reiterated that it would not be a long term solution and that a contingency was an absolute requirement.

It was stressed by the Head of Finance that officers had worked incredibly hard in making savings over the past three years. The Local Government were also expecting to see more severe cuts in the future years.

There was no decision at this point as to whether the Council would keep the council tax at 4% and the Chair reiterated that the Cabinet would do everything in their power to do the best with the budget.

UNISON referred to the outsourcing of the home care service and could not envisage savings to the Council, especially as there would be no other provision in house which was a cause for concern for members of staff within the service area. The Chair advised that it added included in the consultation.

The NASUWT representative advised the chair of a recent union meeting in Cardiff, where a projected estimation of the budget cuts was discussed. The best case scenario would see a £100K loss to each secondary school alone, resulting in huge deficit and the risk of losing teaching staff and Teaching Assistants. This would inevitably lead to industrial action, resulting in all secondary schools being shut. Work related stress sickness was on the increase and if there were redundancies it was feared that they would be compulsory rather than voluntary. The HR Manager advised that voluntary redundancy was always the first priority.

Lengthy discussion ensued and it was reiterated that the above statement was not meant as a threat but as a potential scenario which should be avoided.

The representative for Unite said that no one was blaming the Council who were acting outside of their remit and were affected by external pressures. It was therefore generally felt that now was the time to utilise the financial contingency.

The Chair reiterated that the contingency was being committed to covering risks, the general reserves were at £5M this was at the lowest possible amount, therefore the council would have to put more money into the reserve that same year meaning there would be no buffer to cover the risk.

Some savings were considered to be only a short term solution but in the long term, money might be lost. The GMB representative gave the closure of Brynglas House as an example. Other union representatives agreed and reiterated that certain cuts might not have a long tem benefit.

Finally the Chair stressed that all comments be made by 20 January 2017 for consideration at Cabinet on 20 February 2017.

5 Date of Next Meeting

It was agreed that, as the proposed meeting on 13 April was during the Easter period that the meeting be moved forward one week. The date of the next meeting would therefore take place on 6 April 2017 at 10am in Committee Room 1.

Employee Partnership Forum: Action Sheet

Item	Subject	Action by
3. Matters Arising: Total Reward	▪ Reminder: Further clarification on the subject of fees was sought by UNISON and it was confirmed by HR that a document would go out to union representatives for comments.	HR Manager
Revision of Flexitime Policy	▪ Stand-by issues were due to be reported to the Senior Leadership Team (SLT) and this would also be circulated to union representatives after SLT.	HR Manager
	▪ Provide guidance to managers on the on flexitime and overtime.	Head of People & Business Change
6. Budget proposals	▪ UNISON colleagues were not aware about the reconfiguring of the youth service and there was no business case in place. The Head of Finance advised that it might be a general comment but would confirm if this was the case.	Head of Finance
	▪ Ian Reese referred to the public protection service review regarding six FTE filled posts and asked if it was possible to discuss with the Head of People & Business Change after the meeting. There were concerns on impact of jobs and salaries. The Head of People & Business Change agreed to discuss after the meeting and approach the relevant Head of Service.	Head of People & Business Change

APPENDIX 1a - Union specific comments

UNISON

The Leader of Newport City Council and Members of the Cabinet

Dear Councillors

Newport 17/18 Budget and MTFP

Unison much welcomes the opportunity to comment on the Council's 17/18 Budget, following on from the valuable discussion at the Employee Partnership Forum on the 12th instant

We certainly appreciate that times are extremely difficult, with only unpalatable choices facing the Council. We have already seen Council employment drop by well over 40%, outside schools, with considerable sacrifices from all our members.

These proposals entail a further significant drop in the job stock and present a threat to the livelihoods of many UNISON members, while at the same time increasing the pressure and work intensity on the ever diminishing number of remaining staff.

Resources available

At the meeting, we made a number of suggestions that the Council could consider or reconsider, to maximise available resources to deal with the ongoing Austerity Challenge.

We understand that it is important 'to protect the financial health of the Council', but in these extreme circumstances, we wish to ensure that a reasonable balance is reached between prudence and the destruction of vital services

We mentioned a review of the Minimum Revenue Provision or MRP, which has released significant resources in neighbouring authorities. My Head Office colleague, Mr Challis, is already in discussion with the Assistant Head of Finance about how this could be achieved

We also feel that there is merit in reviewing the current financing of the Council's Private Finance Initiative (PFI) and question whether the Base Budget Contingency is at the correct level and also whether General and bespoke Reserves could be reviewed, again, bearing in mind that the Council has made a surplus in recent years

Council Tax

As the Budget Report points out the Council Tax is still the second lowest in Wales and results in the Council spending well below the Welsh Government's Standard Spending Assessment (SSA). The Report and the MTFP expects Council Tax to rise by 4%. UNISON believes that, considering the many and varied pressures; this is the minimum amount by which the tax, albeit regressive, should rise. There is no evidence to support the contention that depressing Council Tax rises, particularly immediately before a poll, makes any difference to voting patterns.

Consultation context

Appendix 3 of the Budget Report, while acknowledging the seriously deteriorating financial situation, refers to public engagement and the priorities identified:

1. Schools and Education
2. Care for children and young people
3. Elderly and vulnerable adults

We would like to focus our response on these three areas, where membership is particularly high

Schools and Education

The Business Cases for EDUC171802 - closure of the 8 Learning Support Centres (if the Comprehensive schools cannot fund) and EDUC171804 - closure of Llanwern Learning Resource Base, both highlight the potentially very serious implications of these proposals

The risk of more exclusions, the increased call on specialist services, disruption of 'mainstream', school budget pressure, impacts on school attendance, more demand on the PRU and less overall family support are all mentioned

Needless to say, we are very concerned to note that 20 full time equivalent jobs are at risk

Care for children and Young People

CF171801 (2 posts out of Children's Preventions Service) and CF171804 (1 post out of Integrated Family Support Team) are of serious concern. The Business Cases highlight the Department's concern about the reduction in service .120 less children supported in the case of the Preventions Team, on top of a similar reduction already in year, places 'Pressure on CFS to meet existing Statutory requirements and the obligations of the legislative framework.' Both business cases highlight the likelihood of increased caseloads on social work teams when their numbers are also being reduced by eight.

This latter proposal on children social workers (CFS03) is particularly disappointing. UNISON made strong representations on this proposal last year (when there weren't other cuts in C&FS) and we are particularly disappointed to learn that the proposal was only deferred and is not now the subject of any further consultation, even though the Business Case mentioned major risks around performance and benchmarks, court work, management of placements, the return of recruitment and retention difficulties and failure to carry out key statutory functions

We also note that a Fostering Social worker post will also go under the Scheme of delegation to Head of Service

At the meeting on January 12th, our questions about the 'Reviewing and Reconfiguring the Youth Service' (para.14, pg16 of the Report) of which we were unaware, were not answered

Elderly and Vulnerable Adults

AS171801 covers significant cuts to day opportunities scheme but as it is approved under the scheme of delegation there is no business case to comment on

AS171804 outlines the outsourcing of domiciliary care at the Linc Extra Care Schemes. This was considered a few years ago and rejected.

TUPE (staff transfer) and the Code of Practice on Workforce Matters in Public Sector Service Contracts (the 2 Tier Code) would definitely apply. Staff numbers and their pay, conditions and pensions could not be reduced in the manner of previous outsourcings.

How the relatively low predicted savings could be achieved is a mystery. The trouble and transactional costs make this a most unattractive proposition

There is considerable opposition within the community and from tenants for this **privatisation**. The Council's in house Home Care Service has been pared back to only this Extra Care work and the Frailty/ Reablement Project. This **privatisation** would leave the Council almost entirely reliant on the Private Sector for its Home Care Service with all the risks that entails.

The remaining staff working at the Extra Care Schemes were given various assurances during previous 'slim downs' that their direct Council employment would be sustained

LR171805 outlines the creation of a Public Protection Team, which will apparently allow 6 fte posts to be deleted.

This proposal caused much surprise in the Department. We are gathering reactions and will hopefully write further in the near future

The report acknowledges the stipulations of the Equalities Act, the Children and Families Wales Measure, the Wellbeing of Future Generations Act and the Social services and Well Being Act. It does acknowledge, in places, that some of the proposals present a challenge for some of the assessments under these legislative requirements. There doesn't seem to be much by way of mitigation measures in a number of instances

We would like to draw the above comments to the attention of the Fairness Commission and would appreciate receiving contact details

To avoid a repetition of past misunderstandings, a response to the above would be appreciated

Yours sincerely

Peter Short

Regional Organiser on behalf of Newport City UNISON

GMB

GMB submission to Cabinet/Full Council – 2017/18 Budget and Medium Term Financial Plan

The GMB wish to make the following statement to Cabinet/Full Council regarding the 2017/18 Budget and Medium Term Financial Plan.

Whilst the GMB fully acknowledge the severity of cuts facing Newport City Council is due to the continuation of Central Government's austerity cuts to the public sector, combined with a significant reduction to the final grant settlement by the Welsh Government, we would request Cabinet reconsider some of its budget proposals.

The budget cuts being proposed for 2017/18 are in addition to the cuts put forwarded from previous year(s), yet there does not appear to be any monitoring report as to whether or not these savings have in fact been achieved.

We raised this at the recent EPF meeting in relation to the Bryngias Bungalow which has closed. As at January 2017 Forest Lodge and Cambridge House were running at lower capacity due to the fact that Cambridge House have a particular child with very complex needs and therefore are unable to fill the other beds. Forest Lodge statement of purpose is changing from 6 to 4 young people. This makes them less cost effective and is a choice of the service. Therefore since 2016 as a service they have lost 2 beds at Bryngias and 2 at Forest Lodge. This makes the service more costly. However, it is becoming more specialised but they are not saving money as all their young people remain out of authority. This is viewed as a 'catch 22' situation of appearing unsustainable but nothing being done to address it.

In Appendix 2 Cabinet are looking to invest £400k for increasing number of children in out of County placements – how does that fit with the previous year's budget proposal of enabling Forest Lodge to take young people 'out of county' to generate income?

What actual savings have been made to children's residential by closing Bryngias Bungalow? The obvious savings relating to staffing costs but these should be offset against redundancy and early access to pension costs. How does that compare with NCC now increasing its own 'out of county placements'?

The GMB would like a schedule of savings put forward in previous three years that have or have not been achieved.

Proposal to Outsource the Council's Domiciliary Care Service provided in the Linc Extracare scheme

Having now had the opportunity to meet with a number of our members across the four Linc extracare scheme our members are bitterly opposed to being outsourced. The amount of saving over 2017/18 and 2018/19 is £140k. There is no breakdown as to how these savings would be made.

However, NCC have included an extra:

£137k for adult social care demographic increase;
£400k for underlying/historical demand for adult social care services;
£447k cost of paying NMW to council contractors, mainly social care;

As one ‘not for profit’ care provider told me when they took over a group of domiciliary care workers and failed to follow the TUPE transfer regulations. The new provider was given a ‘dowry’ for the staff, if they pursue their claim the provider will just close that part of the business – all for a maximum payment of four weeks’ pay if the failure to consult is upheld. Is this type of treatment really what the council wish for their loyal care staff?

On a national basis, private/voluntary/not for profit care providers are accusing local authorities of not paying them enough to provide the care and be able to pay their workers at a reasonable rate.

The GMB has been informed the rationale for proposing to move forward with the outsourcing of this group of predominantly part time women workers, is the alternative care provider will run the service for £14 per hour instead of the council’s £17.28 per hour. This is quite surprising as nationally a figure of £15 per hour is considered too low for most external care providers.

Has the council drilled down to identify how much of the £17.28 per hour per carer is ‘top sliced’ with corporate charges – finance, payroll, HR, legal, premises, utilities, management costs etc.? The reduction in this departmental/corporate funding will also have a knock on affect upon these ‘backroom’ services/staffing levels, yet we do not see any information detailing the potential impact upon these services.

Already our members have been given new job descriptions which now include ‘sleep ins’. This was never in the previous JD and our members feel they are just being ‘packaged up’ to be sold off. Is this the way NCC treat a group of dedicated, committed and loyal staff, when there is no indication any savings will be achieved in the short/medium/long term.

The GMB would urge the Council to reconsider before progressing with this proposal.

Reduction in School Budget

The GMB cannot support any reduction in the schools budget as ultimately this will lead to more school support staff either having their hours cut or being made redundant. This is putting many schools in an intolerable situation of trying to ‘balance the books’ whilst at the same time providing children and young people with a positive educational experience which will stay with/influence them for the rest of their lives.

As stated previously, the GMB acknowledge the financial difficulties facing NCC especially as it appears the council is being penalised for having more families in work and reducing the areas of deprivation across the city. At the same time being penalised for having more new domestic properties attracting more retail/commercial businesses to the city.

The GMB would urge the council to look for more income generating streams in order to increase the budget rather than solely focus upon cuts to vital services.

Overall Impact upon Staff Health and Wellbeing

Many departments are facing huge problems just trying to deliver a standard service with an ever decreasing workforce. This in itself is having a massive impact upon those staff who are left to meet unachievable targets/deadlines.. The GMB believe the impact of some of these ongoing budget cuts will also impact upon the overall health and wellbeing of staff and will also result in an additional cost to the council which needs to be captured.

APPENDIX 1b – Responses from Consultation meeting with Business and Third Sector - 1ST February 2017

Business Improvement District (BID) representatives asked what the Council will not be able to do that it is currently doing. It was explained that detail had not been worked through but in the main we have not identified major services that will not be delivered.

BID general comments

BID are currently trying to set their budget and require clarity what the Council is currently undertaking and what BIDs future expectations are.

We prioritise:

- Safe and Secure
- Cleaning
- BID will help food festival
- BID need to make sure they offer services that are beyond what the Council is doing
- BID understand that the Council is under pressure – BID have taken on the Christmas events
- BID have hired a company to help make savings on procurement and energy
- BID is in consultation with the Bath BID and we are seeing what they did on waste disposal.

BID response to consultation :

- BID recognise Education and Social care is very important
- BID is working with regeneration with initiatives coming forward like the Pop up business school. They would wish to see this continue
- BID would welcome more help with ASB in the City Centre – The City Centre is a key economic driver. We need to work together to help in this area of concern. An overall strategy needs to be developed to attract visitors
- BID considers cycling in the city centre is an issue- needs to be addressed as part of an ASB strategy
- BID has supported the Ambassador scheme
- We all need to continue to work on increasing the footfall in the city centre – Create an even more positive atmosphere
- Car parking and access is an issue – Is the Council looking at Decriminalisation?
  Cllr Truman: We are considering this via the Scrutiny process but it will take some two years. We are encouraging the police to enforce parking legislation in the City Centre.
- WG does not understand where Cities are under pressure – We have increasing populations at both end of the spectrum and we have more people coming into the city. If BID has lobbying opportunities they will help send a consistent message about pressure on cities like Newport
- Discussed the impact of the City Deal
- Footfall figures were discussed – generally retail across the UK were declining

MARSHFIELD

COMMUNITY COUNCIL

Public Transport Options
And The Proposed Subsidy Withdrawal
To The X16

January 2017

Background

As part of Newport City Council's draft budget for the 2017-2018 financial year proposals have been made to end subsidies for the X16 bus service which currently serves Marshfield.

The village of Marshfield is situated equidistant between Newport and Cardiff and has a population of approximately 3500. The Welsh Index of Multiple Deprivation shows that generally Marshfield is not deprived, however, due to the comparatively rural nature of the ward it ranks within the top 10% most deprived in Wales in terms of 'access to services'. The village has a high demographic of elderly residents who do not have access to a private motor vehicle.

The village is currently served by a Demand Response Transport service from Newport Bus taking passengers into Newport and a service into Cardiff via the X16 currently provided by Stagecoach. Stagecoach has indicated that without the support grant they will have no option but to cease the service. The reduction in the concession payments made to them by Welsh Government for carrying elderly and disabled passengers has been greatly reduced; this along with the low passenger numbers leaves the service no longer financially viable. Both services are deemed inadequate by the community and do not serve the current needs of the users.

The DRT service currently in operation has been criticised by residents for not meeting their needs. It only has a small number of registered stops; needs to be pre-booked in advance and users are seeing an increase in their phone bills due to the ring and book system. Pensioners have reported an increase of around £7 per quarter; this is an extra cost to those already living on limited budgets and state pensions.

Stagecoach inadequately displays any timetable in Marshfield or Castleton; potential passengers don't know when the service runs or exactly where it stops. Bus stops are infrequent and poorly advertised. This inefficiency most definitely has an impact on passenger numbers.

The area has seen a number of changes including the loss of its regular 31 service. The X16 service provider has changed several times in recent years and the community would welcome a permanent, adequate service to be put in place safeguarded into the future.
Members of this community are highly dependent on both services especially elderly residents who mostly live on the two housing developments near St Mellons Road. The X16 service gives them access out of the village to socialise, attend appointments and complete their weekly shopping.

The next closest bus link into either Cardiff or Newport can be accessed on the A48 at Castleton, this is approximately 1.5 miles from the bottom end of the village.

Needs

An affordable, adequate transport system that supports Marshfield and safely and conveniently connects people with Newport/Cardiff and beyond is crucial to the sustainability of the community. It should provide opportunities for services and jobs to be accessed in a sustainable way.

An adequate and improved service would assist in supporting growth and regeneration, thus provide opportunities for residents to access jobs, training and education. Enabling economic growth without causing congestion is a priority for Welsh Government and the UK as a whole, making transport easier to use and places easier to get to reduce social exclusion faced by all residents.

Residents have commented on the large amount of money spent on the regeneration of Newport City Centre. It is unfortunate that they are unable to benefit from this due to the restricted public transport networks serving this community.

Marshfield Community Council advocates that good health and quality of life accompanied with adequate transport infrastructure would encourage active travel. We need to maximise opportunities for transport to positively contribute towards people's quality of life. Public bodies need to make sure that when making their decisions they take into account the impact they could have on people living their lives in Wales in the future. Welsh Government has made a commitment to protect the wellbeing of future generations. Marshfield is currently cut off from services including, health services, shopping, and social activities. The withdrawal of any further services would render this community totally unsustainable into the future and leave residents completely reliant on their own private transport.

Community Impact Statements

Passenger A is in her 70's and uses this service to access shopping and social opportunities in Cardiff. She relies solely on this service as there is no family available to assist with her transport needs. Using a taxi is not an option due to the high cost. Loss of this service would render passenger A cut off from social activities, leave her isolated and unable to complete her weekly shop. This would have a serious and detrimental impact on her wellbeing. Passenger A is incredibly independent, for this to continue adequate public transport options are essential.

Passenger B is 16 and uses the X16 to access 6th form in Bassaleg High School. He does not drive and his parents work full time. The X16 is his only option to get to and from his education placement. Passenger B would also like to access social opportunities outside of the village in the evening. This is difficult due to the restrictions in the service. He would welcome an enhanced service that runs more regularly and later into the evening. Passenger B feels by removing or failing to support him with adequate transport fails to support his wellbeing and that of the future generations.

Passenger C is 47 and is a mother and full time carer to her disabled daughter, she does not drive and is totally dependent on public transport to get around. Passenger C does not think the current services meet her needs. She uses the X16 and DRT service regularly and has raised several complaints regarding the inefficiencies of the DRT service. Passenger C works part time and has already negotiated a later start time due to the infrequency of the bus services. Any further cuts would leave this passenger potentially unemployed and make it difficult for her to carry out her daily tasks.

Passenger D is in his late 50's, he uses the x16 daily to travel from Rogerstone to visit his elderly mother in Marshfield nursing home. The bus route forms part of his daily routine and ensures his mother has a visit each day. Withdrawal of this service would not only effect passenger D it would have a huge impact on his mother who would not get a visit each day. Passenger D would see a cost increase if he were to have to catch 2 busses a day; this would also cut the time he has to spend visiting.

The financial cost too many pensioners was also highlighted by two examples of taxi fares, each taken to visit the doctors costing £12 -£13 for an outward journey and £20 for a return journey, something which they cannot afford to pay.

Proposals

Neither transport service currently in place meets the needs of existing users nor does it encourage new users to access the service.

If withdrawal of the subsidy results in Stagecoach withdrawing the service we would need a commitment from Newport City Council that they would support alternative transport arrangements. An enhanced DRT service would not be adequate due to the limited number of destinations and the current booking system. Ideally a better utilisation of current services and a potential reroute would better serve the needs of this growing community.

- Increased publicity of the service and timetables would encourage more users, particularly fee paying passengers. It must be cheaper for those who work in Cardiff to use the X16 rather than drive and pay parking charges every day.

- Consider if alterations to the route would increase passengers, adding stops onto the DRT to meet the demand could be a start.

- Reroute some of the existing 30 bus services via the X16 route as a replacement service.

- Ask Cardiff Council to subsidise part of the X16 or support the re-routing of the current service 30 as passengers would be shopping in Cardiff.

- The A48 is serviced by a number of services to and from Cardiff and Newport. We would like to see one service 30 diverted every hour to service Marshfield. This seems a cost effective and viable option. The infrastructure is able to support a single deck vehicle to come down Marshfield Road, through St Mellons Business Park and join the A48 via Cypress Drive. This would improve the links to both cities and offer a great improvement to the services already in place. This option would mean the saving on the subsidy could be met without having a detrimental impact on our community.

APPENDIX 2 – EXTRACTS FROM SCRUTINY COMMITTEE MINUTES

Street Scene, Regeneration and Safety Scrutiny Committee – 12 January 2017

Draft Cabinet 2017/2018 Budget and Medium Term Financial Plan

The Senior Overview and Scrutiny Officer outlined the Committees role to consider the draft budget proposals within its portfolio, and make any comments or recommendations to Cabinet on these proposals, or on the process. Reference was made to Appendix 1 – a quick reference guide which had been provided to outline which proposals were relevant to the Committee.

The Head of Finance presented the report and provided the Committee with context of the final settlements from the Welsh Assembly. There was a reduction in the final settlement, plus additional responsibilities in the housing area to fund.

SS17804 - Withdrawal of Bus Service X16

The Senior Strategy Manager outlined the proposal to the Committee:

- X16 was chosen as it was not used as much as the evening and the Sunday service and it was considered to have less of an impact due to nearby rail links.
- Also there were other bus routes in the area into Newport and Marshfield with links to Cardiff off the A48.
- Spread of passengers over a 30 day period was relatively low with the majority travelling to St Mellons.
- Caerphilly also contributes to this service and has indicated they would be withdrawing the subsidy as it was not considered a not viable service. This would mean that for NCC to continue the service we would have to cover the £14,500 subsidy an addition.

The Committee raised the following issues:

- Passenger consultation had not been completed and as such there was no context as to how passengers would be affected if the service was to cease.
- Concern that the main users of this service could be vulnerable groups who would become isolated without access to this bus service.
- This proposal disproportionally affects the elderly, who would access this service with their free bus pass. The nearby rail links outlined would not offer a suitable alterative as they would have to pay for this service.
- Note that the Fairness and Equalities Impact Assessment had been completed – Members need sight of this to understand the full impact of the proposal.
- Although there were not a large number of users for the service, this was only part of the picture, who was using this service and should also be considered to be able to assess the impact of this proposal.
- Question as to whether further figures, i.e. for different months of the year, would also give a fuller picture of who is using the service.
- Difficult to assess whether the alternatives put forward (rail links and other bus routes) will mitigate the impact to passengers using this service as it is not known why people are using this service – what the demographic is, and where they are going.

The Committee **agreed** that further information is needed before a decision on this matter can be taken by the Cabinet, namely sight of the Fairness and Equalities Impact Assessment, and the completion of the passenger consultation. Without more detailed information as to who is using this service, and for what purpose, it was not possible to assess the full impact that the withdrawal of this service would have on the community, and whether the alternatives outlined would mitigate this impact.

The Committee is concerned that this proposal will disproportionately affect vulnerable groups within the community and could lead to people becoming isolated.

FIN171804 – Refocus of Finance Strategic Procurement

- Risk in terms of potential legal challenge if legislation is not adhered to.
- Questioned whether more money would be saved in the long term if this post was retained, and all contracts were managed centrally.
- Need for clear guidelines and advice for the service areas, and also a direct point of contact within procurement to seek advice.
- Noted that the team have made contract standing orders more user friendly and put on the council intranet for access.
- Noted that the procurement team were planning for more guidance to be developed, and for training to be organised to mitigate the risks.

The Committee expressed concern that this proposal might present a high risk to the authority, and that the training and guidance to the service area outlined by the officers was vital to mitigating this risk.

Budget Investments

18 – Landfill site Income Target

- Queries as to whether or not this could have been anticipated – advised that this there is a review about to be undertaken on the future of the landfill site, and that the landfill tax affects the numbers of commercial operators using landfill site.
- Figures impacted largely due to the loss of a major commercial user of the landfill site.

20 – New Ways of working

- Undelivered savings from previous year's budget – more explanation warranted as to why this has happened, and how it is being addressed so that it doesn't happen in future years.
- Advised that the new ways of working programme had been established 3 years ago, and the vast majority of this programme had been completed and the savings realised, however there was a residual mount that could not be delivered.
- Part of the £547,000 budget investment was the rebasing of the savings within the service area budget.

The Committee suggested that more detail on these undelivered savings should be provided and what was being done to ensure this did not happen in future budgets.

Budget Process

Members raised concerns that the time allowed by the Council for public consultation was too short, and recommended that the Cabinet allow feedback from the public up until 12 February.

Members noted that the large majority of the savings in this draft budget would be made through delegate officer decisions, with around £1 million worth of savings being consulted upon within the papers. Members requested explanation as to the process of accountability for delegated officer decisions, and requested more information on how these decisions are monitored and reported to the Cabinet.

Community Planning and Development Scrutiny Committee – 18 January 2017

Draft 2017-18 Budget and Medium Term Financial Plan

Budget Savings

AS171804 – Review of domiciliary care service provided in the Linc Extracare scheme

The Committee discussed the following issues with the Officers:

- Greater cost for the Council to provide this in house as a relatively small provider. We no longer have the infrastructure to provide this. Outsourcing would provide savings for the council would be £70,000 in this year's, and next year's budget, mainly around management cost savings in larger infrastructures.
- Currently 98% of domiciliary care was provided through our contracts with external care providers.
- Cost to run the service was £1.5 to run the service in house which equated to £17.60 per hour.
- Members queried if the care homes residents and families, and the staff had been consulted, and what the response had been. Members were advised that they had been consulted; responses had been mixed, with many staff indicating they would rather stay employed by the Council. Residents response was also mixed, by providing reassurances that staff and level of care wouldn't change most were relatively happy with the proposal.
- Concerns that the level of care could decrease if the service was outsourced. The Council would include levels of care required into the contract, and would undertake regular monitoring and management of the service to ensure the standard was being maintained.
- Queries as to whether the conditions of employees would be maintained – including pay, pension, living wage. It was confirmed that the contract would maintain current conditions and would be at least a 5 year contract for stability. The Council would work with the provider to ensure terms and conditions of employment were not eroded.

AS171810 – Review of charging policy within Adult Services

- NCC was the only Local Authority in wales to apply a matrix to social care charges (non-residential). The Fairer charging matrix calculates a charge based on a banding system. This proposal was bringing NCC in line with other local authorities.

AS171809 – Review of Supporting People Programme's grant (SPPG) funding contributions to Social Services

- Outcome of the review was that Local Authorities were using SPPG money to fund care, when it should be used to support cost linked to accommodation rather than personal care. This proposal was to realign this funding into the budget where it was funding personal care.
- Queries as to how the risks were being managed, and were advised that the impact of any change, and the authority had spent time reassessing people's needs. The

authority was given 3 years to implement, and was taking the next 2 to implement effectively.
- How will this be reviewed – on a month by month basis with new more affordable housing schemes becoming available to mitigate the impact.

PBC171803 - Review of the social care training unit provision

Initial saving of option 1 was £40,000, with further savings to be explored within option 5 – long term to move to an external partnership with all 5 south east wales authority workforce development provision.

More work was needed to estimate what savings option 5 would bring in the long term. Option 1 savings was to be obtained through delivering training internal, mainly the Health and Safety training.

Budget Investments - Underlying budget deficit in Community Care

Members were advised that this related to a cost pressure of £400,000 which was a shortfall in the estimate of numbers and cost of care packages, due to the complexity of the needs. Reasons for the shortfall in the estimated figures relating to costs increasing complexities of people's needs and increasing numbers due to an aging population.

Members queried the most cost effective way of supporting people's needs and were advised that this was normally to support people within their own home, but there was a tipping point at a certain level of need where it was more cost effective within a residential care unit.

Members raised concerns around how the Council was ensuring the retention of highly skilled support staff.

Fees and Charges

- **Social Services**

Concerns were raised that all charges had increased dramatically within the Social Services, and the Committee were advised that there hadn't been increases in some time and as such the charges were being brought in line with the actual cost of the service.

The Committee expressed concern that the schedule of charges had not been updated for some time as this information was essential for supporting decision making going forward when making adjustments to service provision. It was **suggested** that the cost of services and the fees to be charged should be regularly updated and monitored, for all sections of the Council, to ensure that actual costs are reflected and factored into future budgets.

- **Law and Regulation**

Context was provided to the Committee in the increase in fees, with some being set by regulation and others being based on supply and demand of the market. Land charges were discussed, and it was clarified that even through the Council had discretion to increase this charge, that due to the VAT to be paid from April, it was not recommended that additional increases were applied to this charge as it would be a substantial increase with the VAT charges.

The fees and charges in relation to cemeteries were discussed, including costs of additional size grave plots and levels of demand for burials.

General comments

The Committee **suggested** that in future, additional information is provided within the fees and charges, to enable Members to evaluate whether the increases were appropriate. This information should include reasoning for increases outside of the recommended standard increase.

The Committee raised concerns that the proposals were not in keeping with the Wellbeing of Future Generations Act, having a short term view of the services provided. This is directly at odds with the intention of act by not fully considering the impact of the changes on future generations.

Members noted that the large majority of the savings in this draft budget would be made through delegate officer decisions, with around £1 million worth of savings being consulted upon within the papers. Members **requested** explanation as to the process of accountability for delegated officer decisions, and requested more information on how these decisions are monitored and reported to the Cabinet.

Learning Caring and Leisure Scrutiny Committee – 25 January 2017

Draft 2017/18 Budget and Medium Term Financial Plan

The Committee considered the Cabinet's draft budget proposals for 2017-18, as they relate to the Learning, Caring and Leisure portfolio.

The points discussed on each proposal are outlined below. The Committee **agreed** that the discussion and comments would be forwarded in their entirety to Cabinet as the Committee's consultation response, so that the full range of views expressed could be included and considered.

Budget Savings: Cabinet Decisions

Realignment of funding for children's preventions services

- The Head of Service outlined the proposal and responded to Members' questions.

- The following concerns were raised by individual Members:
    - That this is too big a step to take in one year, and any changes to the service should be phased in over a longer period.
    - That this could put additional pressure on staff, raising caseloads and putting the recent improvements to recruitment and retention rates at risk.
    - That the proposal would impact upon vulnerable children and families, who, by losing this service, would be at risk of developing more acute needs.
    - That the proposal would put at risk a service recognised as delivering best practice, and could cause a drop in standards.
    - That the combined impact of this and other proposals, for example in relation to school support, would cause a snowballing effect.

- The following points were put forward by the Head of Service in response:
    - The aim of prevention work was to stop children from being assigned a social worker, and in the long term to decrease demand on statutory services.
    - While it was not possible to control the number or nature of cases referred to the Service, other mitigating measures were in place. The preventions service was one of a number of services available to the families that might be affected by this change.
    - The risk of additional pressure on staff was recognised, and communication and openness with staff was a top priority.
    - It was recognised that losing part of this service would represent a risk, as had been outlined in the proposal, but this had to be balanced against the wider priorities of the Service and the need to achieve savings in a manageable way.
    - The majority of this service would be unaffected. While the proposal would represent a reduction to the service, this was not expected to affect its positive standing. Preventions services in Newport had a long track record of good practice and success at keeping children out of the care system.
    - While maintaining excellent practice was important, services also needed to respond to changes in needs and patterns of referrals, and introduce different approaches.

- Some Members wished to recommend that option 1 in the proposal, to maintain the status quo, should be the preferred option. Other Members argued that it was not for the Scrutiny Committee to recommend an option, but to refer all its comments and concerns to the Cabinet for consideration. The latter was agreed as the way forward.

Cease funding to the Learning Support Centres in eight secondary schools

- The Deputy Chief Education Officer outlined the proposal and responded to Members' questions.

- The following concerns were raised by individual Members:
    - That this would have a significant impact upon teaching and learning within secondary schools, risking disruption to classrooms, putting additional pressure on staff and putting pupil outcomes and school ratings at risk.
    - That this proposal would impact upon vulnerable children who were in need of specialist support.
    - That the proposal would mean losing the highly skilled staff working in the LSCs.
    - That school budgets were already under pressure from other funding changes, and there was not the capacity school budgets to take on these costs.
    - That this would increase pressure on Pupil Referral Unit services.
    - That the increased pressures on other services would negate the projected savings.
    - That this reduction would be compounded by the loss of other services through Communities First, in reducing the avenues of support for vulnerable young people.

- The following points were put forward by the officer in response:
    - Schools would have the option of continuing this provision through funding the support themselves. If this was not possible, it was most likely that the dedicated staff support in the "Inclusion Room" would be lost, but other aspects of the provision such as the "Reflection Room" would continue.
    - The risks highlighted by the Committee had been identified and addressed in the proposal. The service was asked to put forward savings proposals; the proposals

put forward for consultation were those evaluated as having the lowest impact following a risk assessment process.
    - Mitigations would be put in place such as additional training, development and support to schools. This would be from within the existing service but would be delivered as a priority. Staff were being continually upskilled to help support the changes and cope with the recognised pressures within the budget.
    - In response to a question on the policy direction for Primary School Learning Support facilities, it was recognised that there was a disconnect between the numbers in primary and secondary facilities, however pupils in primary learning support facilities generally transitioned successfully to mainstream classes in secondary schools. Placements were consistently reviewed, with children most in need receiving the highest levels of support. Promotion of independence was also an important factor, and it was stated that all placements should have clear entry and exit criteria.

Cease funding and close the Learning Resource Base in Llanwern High School

- The Deputy Chief Education Officer outlined the proposal and responded to Members' questions.

- The following concerns were raised by individual Members:
    - That this proposal would also have a significant impact upon teaching and learning within secondary schools, risking disruption to classrooms, putting additional pressure on staff and putting pupil outcomes and school ratings at risk.
    - That this proposal would impact upon vulnerable children who were in need of specialist support.
    - That the increased pressures on other services would negate the projected savings.
    - That this proposal, and the prospective changes to Learning Support Centres, would increase pressure on Educational Psychologists and other support services.
    - That there were children currently in mainstream classes who were waiting to access these services.

- The following points were put forward by the officer in response:
    - The role of this facility was to provide high nurture support, but with the aim of supporting a return to a mainstream setting.
    - As was outlined in the proposal, there would be some disruption to the pupils within the unit, but it was considered that these pupils could be safely and sensitively moved to alternative provision which would suit their needs. It was confirmed that no child would ever be moved to a setting where they wouldn't be able to cope.
    - Some pupils would require ongoing, transitional support on returning to mainstream, but this could be provided outside of the Learning Resource Base, for example through reconfiguring other school support and teaching assistant timetables.
    - There were facilities available within the Pupil Referral Unit for those pupils in need of ongoing intensive support.
    - In response to a suggestion that section 106 could be used to support this unit, and the Learning Support Centres from the previous proposal, it was clarified that section 106 use was restricted to certain conditions, and would have to be linked to specific developments with justified reasons given.

Budget Savings: Cabinet Member Decisions

Reduction of a post in Integrated Family Support Services

- The Head of Service outlined the proposal and responded to Members' questions.
- It was clarified that the biggest demand on this service was provision for new-borns, where court proceedings were ongoing and contact with family members needed to be maintained, and would be ordered by the court.
- It was explained that the reduction in staffing would be mitigated by the recent reductions in children coming into care, as well as a specific project focusing on reducing the demand for this service.
- Members raised concerns that, while this proposal stated that demand for the service was expected to decrease, the proposal to reduce the preventions service could actually increase demand for the Family Contact Service. The Head of Service acknowledged that this was a risk.
- It was clarified that the court proceedings referred to in the proposal related to the work of the family court, and were in no way connected to the work of the Youth Offending Service.

Budget Investments

Play Development

- The Head of Service outlined the legislative changes and reductions in grant for play development, which required investment to meet increasing costs.
- In response to the Committee's questions, the Head of Service confirmed that no additional funding was being provided by Welsh Government to implement any legislative changes. He also confirmed that this investment would include play schemes for children with special needs.

Fees and Charges

Parks and Open Spaces

- The Green Services Manager attended to answer questions about the fees and charges for parks and open spaces.
- Members raised concerns that prices were increased every year for sports facilities. Members commented that this rise would have a negative impact on clubs and teams, the numbers of which were dwindling. It was also felt that the quality of the facilities was deteriorating despite the yearly price rises. Members raised concerns that increasing charges would discourage people from participating in sports, when the Council should be encouraging more physical activity.
- The officer clarified that the fees in question cover the cost of running the facilities, including grounds maintenance, and the proposed rise was in line with the standard increase across the Council. Fees did not cover any capital investment, such as pitch drainage, or building changing facilities. Although available capital for such works was limited, funding through section 106 and other grants was applied for where possible. Sites were kept under review to determine works needed and priority needs against the capital funds available to us.
- It was confirmed that testing for legionnaires was undertaken by Environmental Health and was not part of this service.

Resolutions and Actions

The Committee **thanked** the officers for attending and responding to its questions.

The Committee **agreed** that the discussion and comments would be forwarded in their entirety to Cabinet as the Committee's consultation response, so that the full range of views expressed could be included and considered.

APPENDIX 3 - EXTRACT FROM SCHOOLS FORUM MINUTES – MEETING 10TH JANUARY 2017

(i) Response from Schools Forum

The Schools' Forum believes that the 'cash flat' 2017/18 budget proposal for Education will be devastating. These proposals will lead to a fall in standards that will inevitably impact upon Students' life chances. It will also affect the morale of a dedicated staff that want the best for the children taught in Newport Schools.

Secondary Schools

The decision to pull funding of £440K from the Learning Support Units is a retrograde step as it will have a negative impact on pupils. The impact on Schools will be huge and there will potentially be staff losses, making it extremely difficult to run Schools. With the preventative work not being able to take place, it will thereby affect exclusion levels, attendance, the ability to recruit Head Teachers and other teaching staff, and the ability for Teachers to teach. The same applies if the funding of £125K ceases for the Learning Resource Base at Llanwern High School and this facility is closed. The impact of these two cuts may even increase the number of children being placed in out of County Schools that the Authority has been trying to reduce for some time.

The Council's School funding proposals, specifically the funding of the new Welsh Secondary School and the ASD Unit, from the existing Secondary ISB and the proposed removal of the Learning Support Unit funding is vehemently opposed by Secondary Schools. Whilst the development of these new provisions is supported, it is felt that the funding should not be at the expense of the Secondary ISB as this will have a significant impact.

In the coming year there is to be huge curriculum and qualification reform, and deepening challenges in Teacher and Leadership recruitment. Whilst fully acknowledging the challenging position faced by the Council in these times of austerity, one of the top priorities should be the education of our children and their futures.

If these proposals go ahead, Secondary Schools will be planning for the challenges of a cash flat budget, a 10.6% reduction in post 16 funding that equates to £834K that will affect both curriculum breadth and standards. There are also cuts in grant funding and a significant and unfunded increase of over £250K in examination costs. The total reduction in funding is in the region of £3.14M that equates to 8.2%.

The Chief Education Officer will know that Secondary Heads will be withdrawing the £15K each Secondary School pays the Bridge Centre if these cuts go ahead.

Primary Schools

The proposed AWPU funding for 2017/18 averages a 7% decrease across the year groups since 2011/12. The proposed budget will mean an actual real term decrease in funding of £227 per pupil when factoring in the proposed AWPU reduction, pay awards, incremental drift and the new apprenticeship levy. At this point in time it is envisaged that some Primary Schools will not have enough money to pay the present staffing costs.

Class sizes will increase in all age groups at a time when the Welsh Government Education Secretary has said that she would be looking for a small reduction in class sizes. Many Primary Schools are already unable to meet the advisory Foundation Phase staff ratio in Early Years. The Foundation Phase Grant does not cover the true cost and Schools use their main budget to support it.

The budget cuts will have a devastating impact on the standard of education and result in the need to restructure staffing. It will have a detrimental effect on pupil standards, the ability to meet Estyn and curriculum requirements, health and safety, and staff and pupil well-being. 'New to English' pupils, particularly Roma, are being affected considerably. They are not entitled to the Pupil Deprivation Grant. The Language acquisition class will go and they will need to go back into mainstream classes.

The funding of the new ASD unit will also affect the funding of Primary Schools. Again, whilst this facility is welcomed, the funding for Primary pupils should not be at the expense of the Primary ISB. In total, with a cash flat budget for Schools, the real impact on the Primary sector is a 6% reduction that equates to £3.2M at an average of almost £73K per Primary School.

General

Members will see that there are significant holes in the Schools budget. Secondary Schools face a reduction in funding of £3.14M that equates to 8.2% (includes an increase in Examination Fees) and Primary Schools £3.2M that is a 6% reduction.

In July 2016 a Welsh Government report was published that shows Newport delegated 85.4% of the Education budget and was eighth out of 22 Authorities. However, the total gross Schools' budgeted expenditure per pupil for 2016/17 shows Newport funds the Primary sector £4013 and the Secondary sector £4829 – 19th and 14th respectively. In the Primary sector this means that Newport is £1034 below the highest Authority and £591 below in the Secondary sector. The Forum cannot support proposals that will have such a significant impact on the life chances of young people in our Schools.

The balances shown in the outturn statement for Schools' balances for 2015/16 were skewed to the extent of £1.1M due to £800K being distributed in March as a download from the EAS and £300K as a result of IT not invoicing Schools for the STEP project. The projected School balances at the end of 2016/17 indicates that the balances will reduce by some £1.6M and that seven out of the eight Secondary Schools and 39 out of 44 Primary Schools will have an 'in year' deficit.

Newport Schools will be underfunded compared to other Schools within the EAS and the loss of staff will impact negatively on Newport results at all levels. This will affect the national perception of the EAS and Newport Schools.

From a report that went to Cabinet in December, it would appear that the Authority has three expendable reserves at the end of this financial year. The General Reserve amounts to £6.5M, Friars Walk amounts to £9.0M, and Invest to Save amounts to £10.3M. The Forum would respectfully ask Council to consider using some of these reserves, in particular, the Invest to Save Reserve, to allay fears of the First Class Educationalists in this City.

APPENDIX 3a - Letters from School Representatives

There were approximately 30 responses from individual schools in regards to the cash-flat position in the December Cabinet budget and the impact this would have had on the schools. These reflect the same issues that are raised in the letters from schools representatives and the schools forum which are detailed below.

Conference of Newport Secondary Headteachers
Cynhadledd Prifathrawon Ysgolion Uwchradd Casnewydd

Chair: Mr T Brown Secretary: Mrs E Thomas
6 January 2017

Dear Cabinet Member for Education and Young People,

The Conference of Newport Secondary Headteachers met on the 4th January 2017 to consider the Council's 2017/18 Budget and Medium Term Financial Plan. Headteachers were unanimous in opposing the Council's School Funding proposals, specifically the funding / running of 2 new schools (£712k and £288k) from the existing Secondary ISB and the proposed removal of Learning Support Centre funding. Whilst CONSH fully supports the development of this new provision in the secondary sector, we are particularly concerned with regards to the proposal to fund 2 new schools from existing Secondary ISB funding and we feel that this will have a significant impact at individual school level.

As headteachers and schools we have the joy and privilege of making a difference to the lives of the young people in our care and it is our work that can bring confidence and coherence to some of our fragile communities. However, if these proposals were to be approved, the effect on secondary education in Newport would be devastating. This is against a backdrop of huge curriculum and qualification reform, deepening challenges in teacher and leadership recruitment and an increasingly punitive accountability regime. The CONSH collectively feel that the education of our children and their futures should be should be the Council's number one priority and whilst fully acknowledging the very challenging position faced by the Council, we cannot support proposals that will have such a significant and long term negative impact on the life chances of a generation of young people in the city. The Cabinet Member will be acutely aware that Newport Schools are amongst the lowest funded in Wales in terms of funding per pupil and if these proposals were to be approved, Newport City Council would be in the embarrassing position of being the lowest in Wales, if not the UK, in terms of this important funding measure and demonstrating the Council's stance on how much it values the education of the pupils it serves.

Clearly, there will have been debate around the level of school balances during budget considerations. However, without having a detailed understanding as to the reasons (and we are not aware that anyone from the Local Authority has spoken directly to any one of us during the process on this matter), concluding that schools have excess funding is flawed. Headteachers and their Governing Bodies operate prudently and responsibly, within a climate of annual uncertainty regarding budgets. We are very much aware of the lack of Local Authority capital for major projects (whether the replacement of a heating system, external pitch, roofing, windows etc.) and this requires prudence in terms of keeping our school sites operational. It is often not until March each year that we have a final budget picture. At present, we are planning for the challenges of a cash flat budget, a 2.5% reduction in post 16 funding in 2017/18, a cut in grant funding and a significant and unfunded increase in examination costs (in excess of £250k across the 8 schools). We feel that it is prudent to have a small surplus for many reasons and that it would be irresponsible not to. Indeed, as a Council you will quote the need to maintain balances of 5% for the very same reasons.

A detailed analysis has been undertaken to assess the financial impact of the budget proposals on Secondary schools (copy attached). If these budget proposals were to go ahead, the total reduction in funding across the 8 secondary schools (Council and external funding) is approximately £2.5 million – this total amount equates to an equivalent reduction of 6.5% of the Secondary School ISB (£38.3m), which is certainly not a "cash flat" budget.

This would result in the loss of 56 TMS 5 teaching posts (an average of 7 teachers per school) or 160 Level 1 Classroom Teaching Assistant (an average of 20 per site). Many of these roles support the most vulnerable pupils in our communities and are undertaken by staff who make a real difference, impacting significantly on our young people in terms of qualifications and academic outcomes, exclusion rates and maintaining and improving attendance. The result of this reduction would be hugely damaging at a time when we are seeing unprecedented mental health referrals from young people and when staff are working harder to provide an inclusive approach to support the challenges society presents to young people and their communities.

The withdrawal of LSU funding whilst achieving an initial saving of £55k per school is flawed in terms of a decision aimed at achieving ongoing financial savings and will undoubtedly result in significantly higher numbers of exclusions, more expensive placements out of school and lower attainment and attendance for this vulnerable group of students. The same applies to the proposed withdrawal of funding for the KS3 LA SEBD nurture provision at Llanwern High School. The Cabinet Member will be acutely aware of the current concerns and the focus on reducing exclusions in Newport schools and this cut will have a hugely detrimental impact on what is already the lowest performing authority in Wales in this indicator. As secondary schools we are incredulous that such an important part of our work on the inclusion agenda has been targeted in this way when the devastating impact is so clear.

The CONSH strongly opposes the budget proposals on behalf of a generation of more than 8,000 students currently in our secondary schools and those now in Primary School due to join in September 2017. These proposals will certainly lead to a fall in standards in every Newport Secondary School (after tireless work over many years has brought so much recent success at GCSE and A Level) and will therefore undoubtedly impact upon students' life chances. As stated, the impact upon student attendance, behaviour and exclusions will be profound as will the morale of a first-class team of committed professionals and support staff who are already pushed to the limit within current staffing numbers and who go above and beyond what is expected of them to ensure the very best outcomes for our children. As school leaders, the proposed cuts have left us feeling anxious and vulnerable. We ask that you re-consider and prioritise the young people you represent and we serve as the Council's main priority, and look to find savings elsewhere, as challenging as we appreciate this will be.

Collectively, Newport secondary headteachers are gravely concerned regarding the proposed budget and believe that educationally, this is the single most important political decision facing Secondary Education in Newport since Local Management of Schools in 1988. If the proposals were to be approved and go ahead, please be fully aware of the long term damage that will be made to each of our 8 secondary schools and the knowledge that we will have all collectively failed in denying the young people we serve, the education they deserve.

We would be willing to meet with you and appropriate LA colleagues to discuss further and find a suitable way forward.

Yours sincerely,

Trevor Brown
Chair of the Conference of Newport Secondary Headteachers
cc: James Harris, Chief Education Officer

Newport Association Primary Head Teachers

Chair Person - Meryl Echeverry
Vice Chair Person - Steve Rayer **Secretary – Kate Guest**

12th January 2017

Cabinet Member for Education and Young People
Councillor Giles
Civic Centre
Newport

Dear Councillor Giles

Proposed School Settlement Consultation – Primary Sector

As you are well aware there is significant concern among Primary Sector Headteachers with regard the proposed budget settlement for the financial year 2017/18 and beyond.

The proposed AWPU funding for the 2017/18 financial year is significantly lower than the amount received in 2011/12 with an average reduction of 7% across the year groups (See comparison table below). This is despite a significant increase in costs which include pay awards, increased employer pension contributions, increased employer national insurance contributions, incremental drift and inflation which is calculated by the Office for National Statistics at 15.65% during the period 2011 to 2016.

	2011/2012 (£)	2017/2018 (£)	Reduction (£)
Nursery	2,614	2,438	(176)
Reception	2,207	2,044	(163)
Year 1	2,070	1,922	(148)
Year 2	2,070	1,922	(148)
Year 3	1,987	1,851	(136)
Year 4	1,987	1,851	(136)
Year 5	1,987	1,851	(136)
Year 6	1,987	1,851	(136)

The proposed budget will mean an actual real term decrease in funding of £227 per pupil when factoring in the proposed AWPU reduction, pay awards, incremental drift and the new apprenticeship levy.

Based on the 13,969 pupils currently within the Primary Sector that amounts to a shortfall in funding of £3,170,963.

The proposed budget will have a devastating impact on primary education in Newport and will inevitably result in the need to restructure staffing in the vast majority of primary schools. There is very little scope to make savings within other budgets outside of staffing as these efficiency savings and cuts have already been implemented over the past 5 years.

The potential level of redundancies across the primary sector to offset this budget shortfall would equate to **226 Teaching Assistants or 79 Teachers**. It goes without saying that this would have a detrimental effect on pupil standards, the ability to meet Estyn & curriculum requirements, Health and Safety and staff and pupil well-being.
The impact on individual primary schools would be determined by the number of pupils at each school. The following table provides an indication of the impact the proposed budget will have on schools and the number of Teaching Assistants **or** Teachers that it equates too.

Form Entry	Number of Pupils	Budget Cut (£)	TA's	Teachers
1	210	47,670	3.40	1.19
1.5	315	71,505	5.10	1.79
2	420	95,340	6.81	2.38
2.5	525	119,175	8.51	2.98
3	630	143,010	10.22	3.58

Although the recent Cabinet report states that the school budget will be kept at the current level and that it will need to absorb all other costs, including those pressures stemming from demography and the running costs of new schools due to open in September, it does not state the financial cost of this or the impact on the sector which, as stated, equates to £3,170,963 or a real term reduction to the budget of circa 6%. Furthermore as it's not being stated as a budget pressure, there is no apparent provision for the cost of the inevitable restructures and subsequent redundancies that will need to take place across the majority of schools.
We do concur with our secondary colleagues with regard the historic level of surplus school balances and the need for them.

Collectively, Primary Head teachers are extremely concerned with and opposed to the proposed budget, owing to our subsequent ability and capacity to continue to provide the best possible education for the children of Newport.
We would welcome the opportunity to meet with you and other LA colleagues to discuss the proposed budget and find a suitable way forward.

Yours sincerely,

Meryl Echeverry
Chair Person
NAPHs

cc James Harris, Chief Education Officer

APPENDIX 4 – PUBLIC RESPONSES TO BUDGET CONSULTATIONS 2017/18

Newport's budget challenge
her cyllideb Casnewydd
Join the conversation | *Ymunwch â'r sgwrs*

Budget Proposals 2017-18 Results

There were a total of 343 surveys completed.

In addition to the surveys there were 28 representations submitted by e-mail referring to proposals that are not subject to public consultation e.g. the 'cash-flat' schools funding proposal expressing concerns. These representations have been noted.

The results of the online public consultation on the 2017-18 budget proposals have been split into the following sections:

- People (7 proposals);
- Place (1 proposals);
- Corporate (2 proposal); and
- Non-Service (1 proposals)

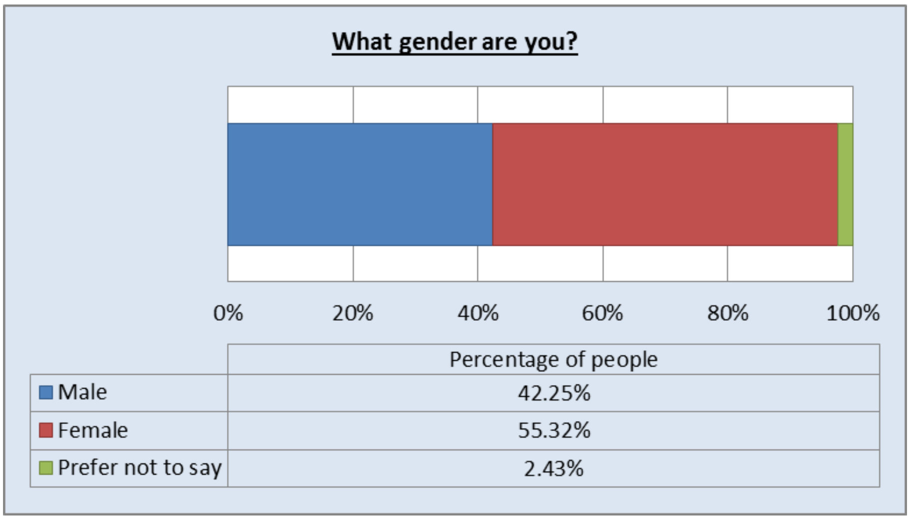
The results of the consultation are as follows:

Basic Information

Question 1a: What gender are you?

	Number of people	Percentage of people
Male	139	42.25%
Female	182	55.32%
Prefer not to say	8	2.43%

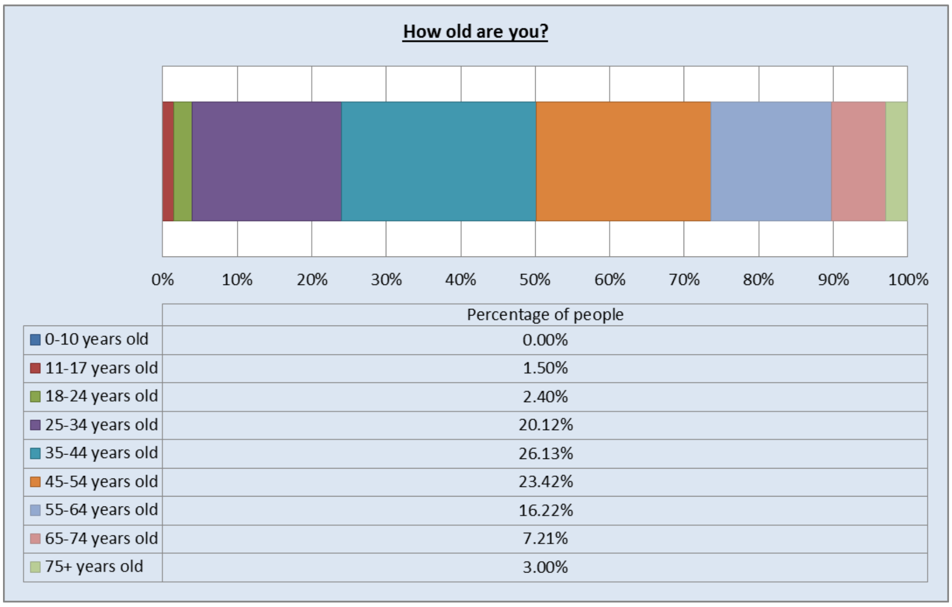
NB: There were 14 no responses to question 1a.



Question 1b: How old are you?

	Number of people	Percentage of people
0-10 years old	0	0.00%
11-17 years old	5	1.50%
18-24 years old	8	2.40%
25-34 years old	67	20.12%
35-44 years old	87	26.13%
45-54 years old	78	23.42%
55-64 years old	54	16.22%
65-74 years old	24	7.21%
75+ years old	10	3.00%

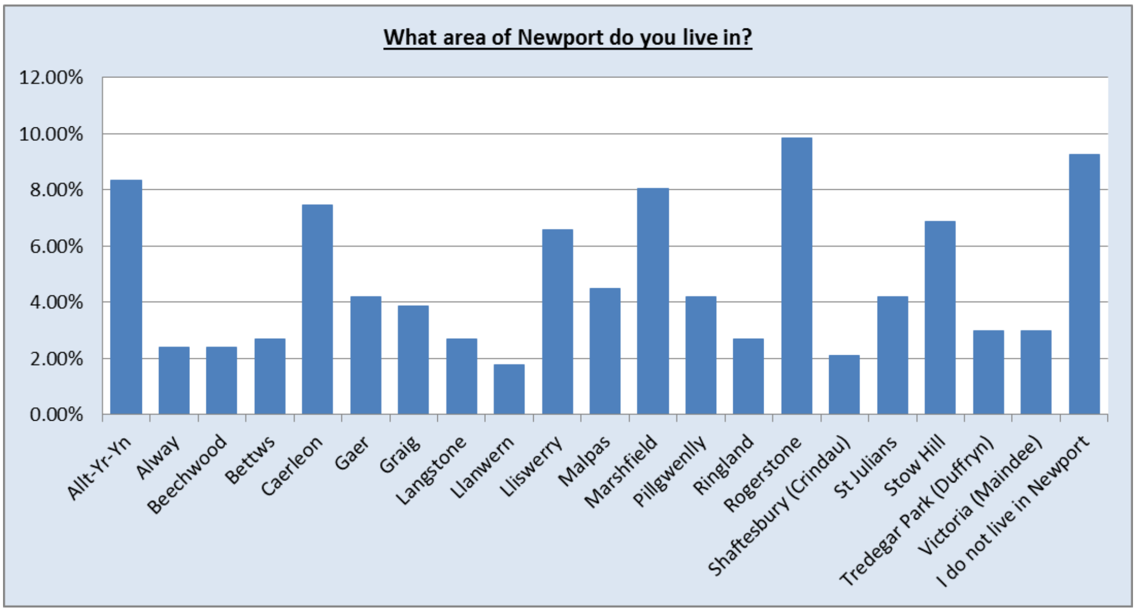
NB: There were 10 no responses to question 1b.



Question 1c: What area of the city do you live in?

Ward	No. of people	% of people	Ward	No. of people	% of people
Allt-Yr-Yn	28	8.36%	**Malpas**	15	4.48%
Alway	8	2.39%	**Marshfield**	27	8.06%
Beechwood	8	2.39%	**Pillgwenlly**	14	4.18%
Bettws	9	2.69%	**Ringland**	9	2.69%
Caerleon	25	7.46%	**Rogerstone**	33	9.85%
Gaer	14	4.18%	**Shaftesbury (Crindau)**	7	2.09%
Graig	13	3.88%	**St Julians**	14	4.18%
Langstone	9	2.69%	**Stow Hill**	23	6.87%
Llanwern	6	1.79%	**Tredegar Park (Duffryn)**	10	2.99%
Lliswerry	22	6.57%	**Victoria (Maindee)**	10	2.99%
			I do not live in Newport	31	9.25%

NB: There were 8 no responses to question 1c.



Section 1: People

Question 2: Do you want to review and comment on the 7 'People' proposals?

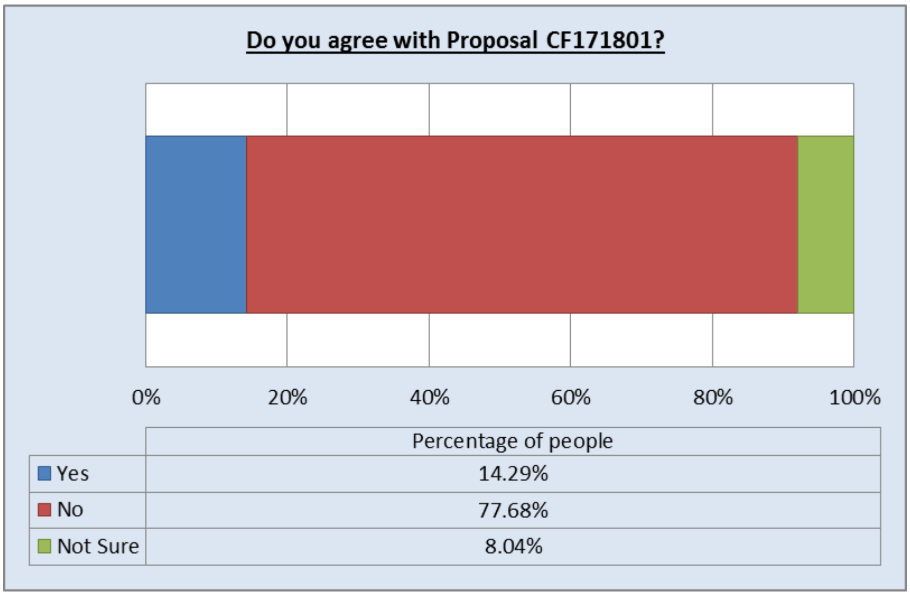
	Number of people	Percentage of people
Yes	211	73.26%
No	77	26.74%

NB: There were 55 no responses to question 2.

Question 3a: Do you agree with Proposal CF171801 - Realignment of funding for children's preventions services.

	Number of people	Percentage of people
Yes	32	14.29%
No	174	77.68%
Not Sure	18	8.04%

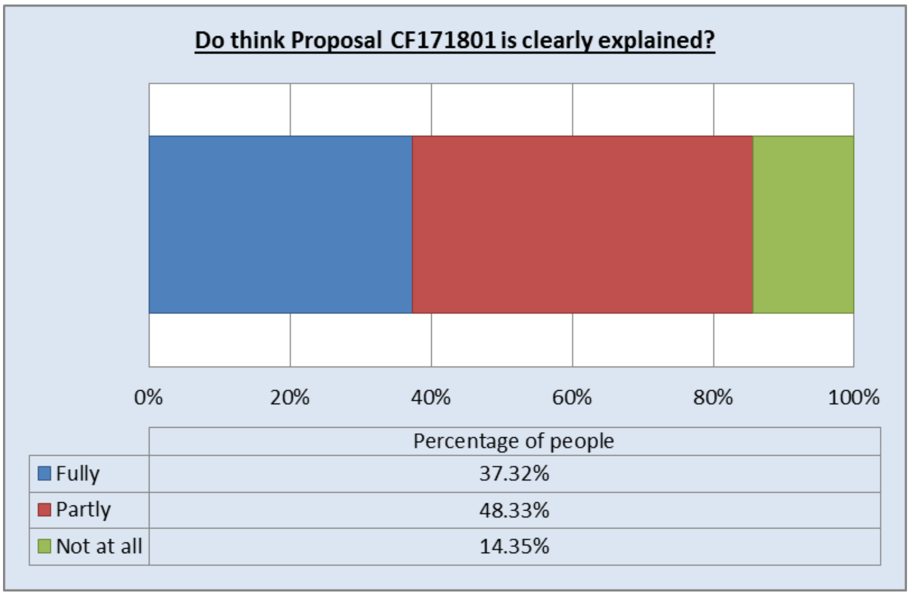
NB: There were 42 no responses to question 3a.



Question 3b: Do you think this proposal is clearly explained?

	Number of people	Percentage of people
Fully	78	37.32%
Partly	101	48.33%
Not at all	30	14.35%

NB: There were 57 no responses to question 3b.



Question 3c: Do you have any other comments about proposal CF171801 (69 comments received)?

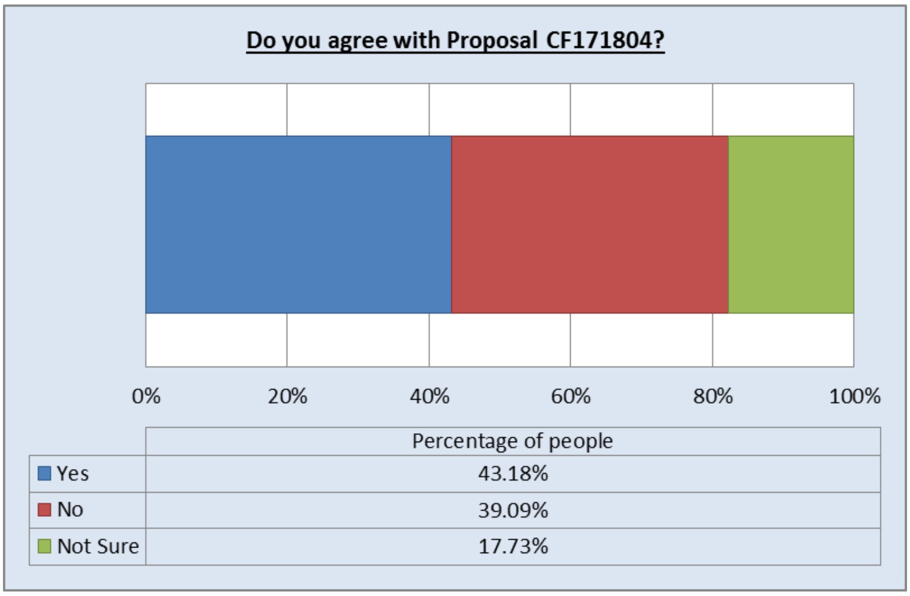
Summary of responses received in the public consultation:

- Concerns that a reduction in spend on the Preventions Service could result in increase future costs on acute and statutory interventions
- Suggestions that the proposal could increase 'Adverse Childhood Experiences' (ACEs) which have been linked with poorer long-term wellbeing outcomes and are a priority for the Welsh Government and Future Generations Commissioner
- Positive personal experiences were reported by some service users and a concern that service provision would be reduced
- Concern that this proposal coincides with uncertainty over the future of key tackling poverty programmes e.g. Communities First which could heighten the impacts

Question 4a: Do you agree with Proposal CF171804 - Reduction of a post in the Integrated Family Support Service.

	Number of people	Percentage of people
Yes	95	43.18%
No	86	39.09%
Not Sure	39	17.73%

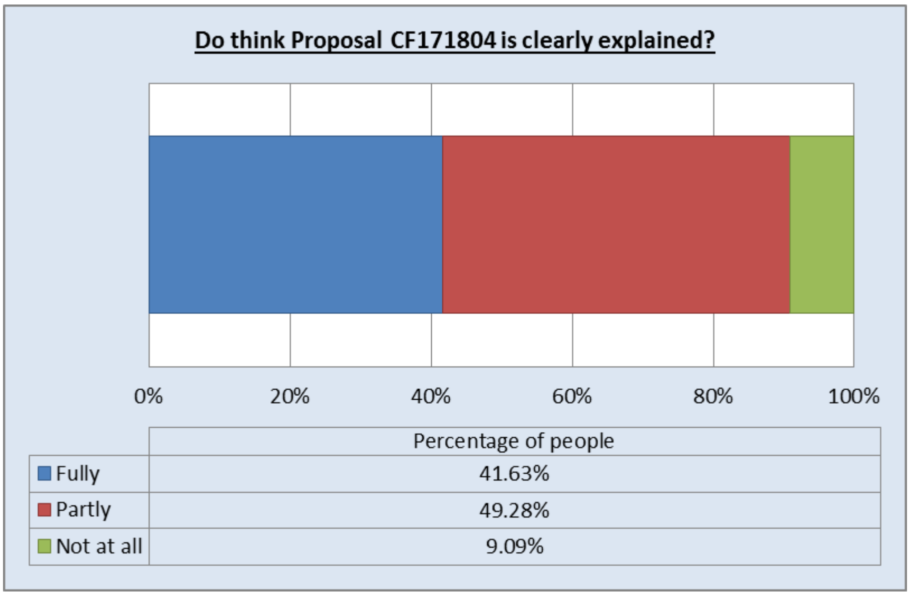
NB: There were 46 no responses to question 4a.



Question 4b: Do you think this proposal is clearly explained?

	Number of people	Percentage of people
Fully	87	41.63%
Partly	103	49.28%
Not at all	19	9.09%

NB: There were 57 no responses to question 4b.



Question 4c: Do you have any other comments about proposal CF171804 (28 comments received)?

Summary of responses received in the public consultation:

- Some responses supported the proposal provided that the number of children becoming 'looked after' does not increase and that social worker caseloads are regularly reviewed in terms of capacity

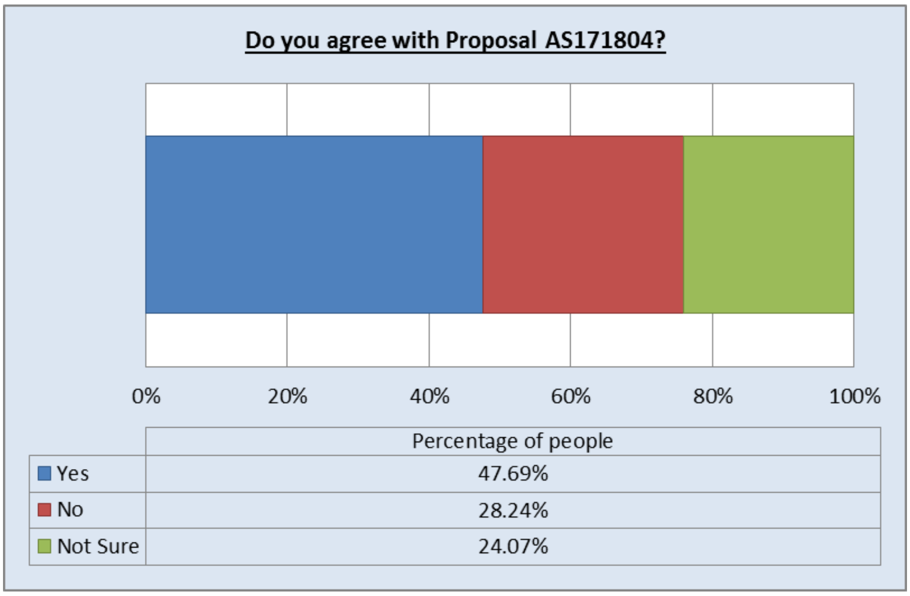
- Concerns were expressed that the proposal affects some of the most vulnerable families in the local authority area

- Concerns that the service relieves pressure on acute social services and a reduction in resource would lead to increased costs, caseloads and risk of harm.

Question 5a: Do you agree with Proposal AS171804 - Review of the Council's domiciliary care service provided in the Linc Extracare schemes.

	Number of people	Percentage of people
Yes	103	47.69%
No	61	28.24%
Not Sure	52	24.07%

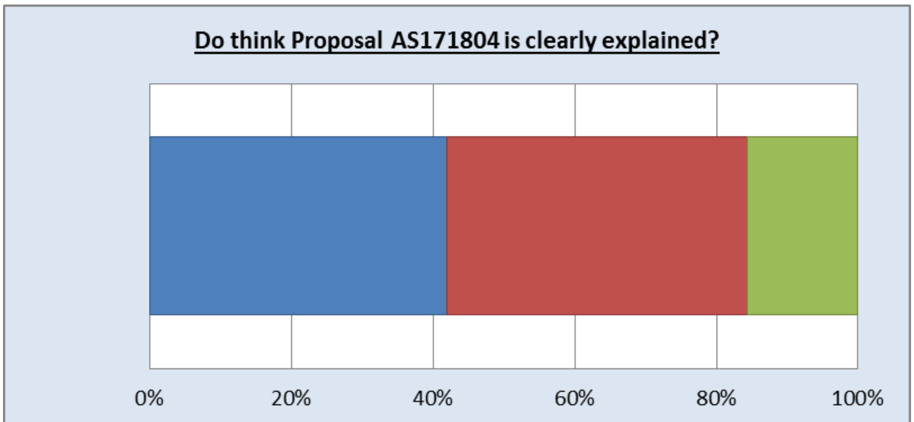
NB: There were 50 no responses to question 5a.



Question 5b: Do you think this proposal is clearly explained?

	Number of people	Percentage of people
Fully	83	41.92%
Partly	84	42.42%
Not at all	31	15.66%

NB: There were 68 no responses to question 5b.



	Percentage of people
Fully	41.92%
Partly	42.42%
Not at all	15.66%

Question 5c: Do you have any other comments about proposal AS171804 (37 comments received)?

Consultation events week commencing 9th January 2017 Well wood, Glyn Anwen, Capel Court and Willowbrook extra care schemes

Consultation was on the following proposal:

Proposal AS171804 - Review of the Council's domiciliary care service provided in the Linc Extracare schemes.

Savings: £70,000 (2017-18); £70,000 (2018-19); Staff reduction of 59.82 FTE (full time equivalent) - TUPE

A presentation was given on the budget process and the detail of the proposal. Consultees were given copies of the presentation and a copy of the consultation feedback form for completion. They were also informed that they could provide feedback in writing using the freepost address provided.

Following the presentation consultees were invited to provide their views and these were recorded. At the end of the event these were reviewed by the group and what follows is a record of those views (most views expressed multiple times).

Consultation event – Wellwood .

1. Consultees felt that over a number of years there had been a disproportionate impact on services to older people, compared to other service areas. This current proposal was felt to have come on top of other service changes from previous years.

2. Perceived impact on staff as a result of transferring to another provider. All negative comments about erosion of terms and conditions. No staff were present and these issues have been picked up separately at staff consultation events.
3. Consultees felt that there was an (perceived) issue of quality/reduction in quality/time spent if the service was no longer run by the Council.
4. Questions were raised about where the £140k saving was coming from. The view of consultees was that this would only come from a reduction in service provision.
5. Consultees were concerned that a new provider 'could' change the contract and provide a lesser service. This came from a general discussion about TUPE, changes to contracts and the need to make future savings.
6. There were a number of comments about the continuity of provision. The desire and requirement from residents and carers for the same staff to be working within the setting was clear. There were also a number of comments about them being within the building, although it was unclear how this related to the current service.
7. There was a clear desire for a like for like service from any new provider that would have to be specified within the contract.
8. A number of health and safety concerns were raised, although given the discussion this cannot be said to be a universal concern (mainly came from 2 people).
9. Concerns were raised about contingencies and sustainability (what happens if….?). These were answered.
10. General support for the proposal if it delivered a like for like service where there was consistency of staffing.

Consultation Glyn Anwen

Q Does the 140K saving have to come from Extra care?

Q How will you save money?

A

- Spending less to deliver the same level of care we do not and can not charge the full cost of care in Wales
- Council unable to make the economies of scale – less we deliver the more it costs. The in house team have less flexibility
- Examples discussed where Linc have done this in other areas

Q At what point does the saving process stop?

Q Can you meet the target- inflation etc

Q Where will the additional 10 million WG funding be used

A Winter pressures

Q Care support will it transfer from NCC to the new providers at no charge

Q Consistency care you guarantee the same carers

Q T and C 's for staff will they be the same?

A We will look for a new provider who will be a responsible employer, respect trade unions etc.

Q How will the company be chosen?

A

- Competitive process- selection process where we check the validity of companies, work to the same specification as is and level of service. Tenants and family members will be invited to be part of the selection process.
- Will be looking for long term commitment
- Extensive contract monitoring to ensure stand dards are met
- Specification for the service cannot be changed without prior agreement with NCC
- Linc will act as a critical friend as part of the process working on behalf of tenants
- Dialogue to improve services working in partnership
- The specification will be a public document

Q How long will the contract be?

A Looking for a longer term contract 5-10 years to provide security for the tenants, landlord and staff.

Q Will there be any zero hour contracts in the new set up?

Q Charging concerns in the long term.

A Explanation of national charging rates set by WG currently maximum charge £60 per week

C Worried about erosion of service

Q Worst case- contract breakdown what would happen?

A All work to ensure this would not happen ,robust process and relationship management checks and balances. Large amount of experience in this work area within the Contracts and Commissioning team. (no extra charge for contracts and commissioning team)

Q Would NCC offer VR

A No we would look to support continued employment

Consultation Capel Court

No	Questions asked by consultees
1	What does TUPE stand for?
2	Will the living wage be affected?
3	What does KPI mean?
4	What will happen to the managers?
5	What does the Welsh government think about this proposal?
6	How does the performance of existing outsourced providers compare with the in-house

	teams?
7	What is the approval criteria for the proposal?
8	Consultee described a positive experience with an outsourced provider?
9	If the NCC cant afford to run the contract how will the new provider?
10	Will there be an impact on tenant fees?
11	Will the new provider be able to make changes to staff T&C's
12	Will the KPI';s be managed appropriately ?
13	Will the Community alarm system be affected ?
14	We will still be getting our information magazine every three months?
15	Will we be involved in the procurement process ?
16	General comment from consultees that problems with a variety of providers are usually resolved satisfactorily

Consultation Willowbrook

Q. will the same staff come to see us (the residents)

A. yes – there will be no job losses, the existing staff will transfer

Q. is the long term contract a problem? what if it doesn't work?

A. the long term contract will allow engagement from the beginning – as the provider will see this as a long term contract. We will manage performance. NCC will hold the contract and relationship with the provider, and monitor that.

Q. Will we go to the cheapest contract ? and what is in it for the supplier ? how do we guarantee service ?

A. There is a stringent process to check on providers. The shortlisting process will require the provider to demonstrate the ability to deliver. Price is a factor but it is not in NCC interests to award to a provider who cannot deliver. Bigger providers can provide services in a more effective way and a long term contract allows growth and development.

Note: not all providers are private companies – there are also third sector organisations.

Q. Economies of scale is a concern, does that mean we accept less ?

A. No – we would set standards. Costs can reduce as unit costs reduce eg costs of staff training.

Q. Will the service be as good ?

A. We will expect the provider to demonstrate this – and will invite residents views.

Q. What redress do we have if things go wrong ?

A. We monitor, we ask tenants. They (you) will be able to tell us what the problems are.

Q.	About users who pay – would they (we) pay the Council and would the costs be capped as they are now ?

A.	Yes – the relationship would be the same as it is now ?

Q.	Where will the service be based ?

A..	Here.

Q.	Regarding monitoring – will this be continuous in the early stages especially – a year is too long for vulnerable people.

A.	Yes we would monitor especially at the start to ensure the implementation is successful, and continue this.

Note from Linc: would meet with residents regularly like they do now – in the role of landlord.

Q.	Is there a designated complaints procedure ? as staff on site are so busy.

A.	yes, we can provide this.

*	requested information on the complaints procedure.

Note from Linc: there is a similar scheme in Cardiff, residents report no change. Service manager would signpost residents to the complaints procedure if required.

Would also have regular meetings – work together).

Q.	would Linc bid for the work ?

A.	No – Linc is not registered to deliver care services

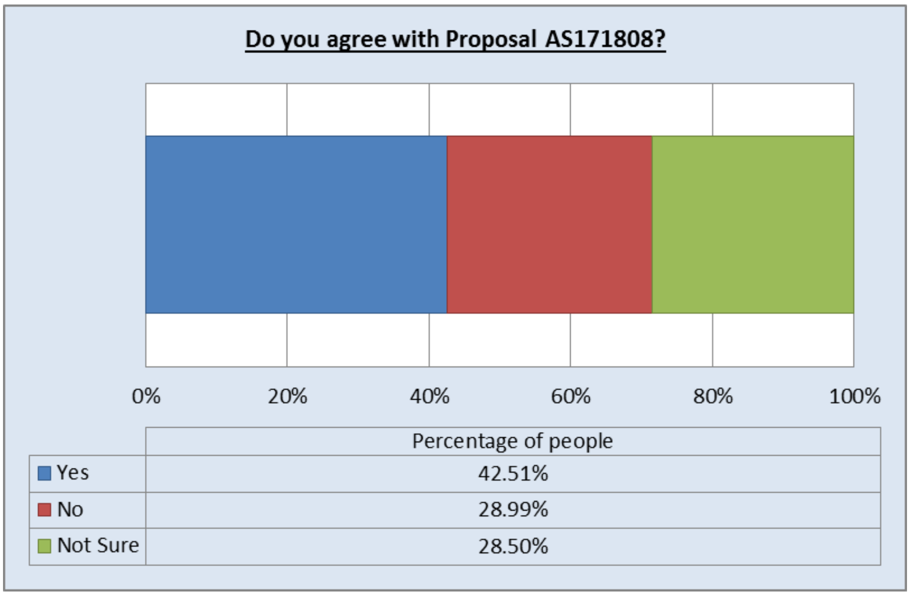
Note:	Linc can help fill in feedback forms.

We will provide notes to all residents.

Question 6a: Do you agree with Proposal AS171808 - Review of Supporting People Programme Grant's (SPPG) funding contribution to Social Services.

	Number of people	Percentage of people
Yes	88	42.51%
No	60	28.99%
Not Sure	59	28.50%

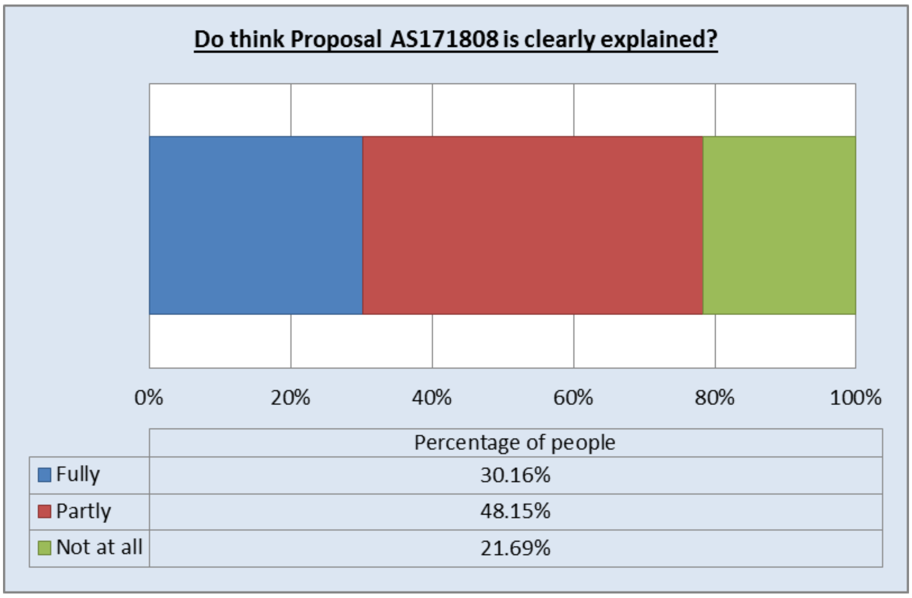
NB: There were 59 no responses to question 6a.



Question 6b: Do you think this proposal is clearly explained?

	Number of people	Percentage of people
Fully	57	30.16%
Partly	91	48.15%
Not at all	41	21.69%

NB: There were 77 no responses to question 6b.



Question 6c: Do you have any other comments about proposal AS171808 (31 comments received)?

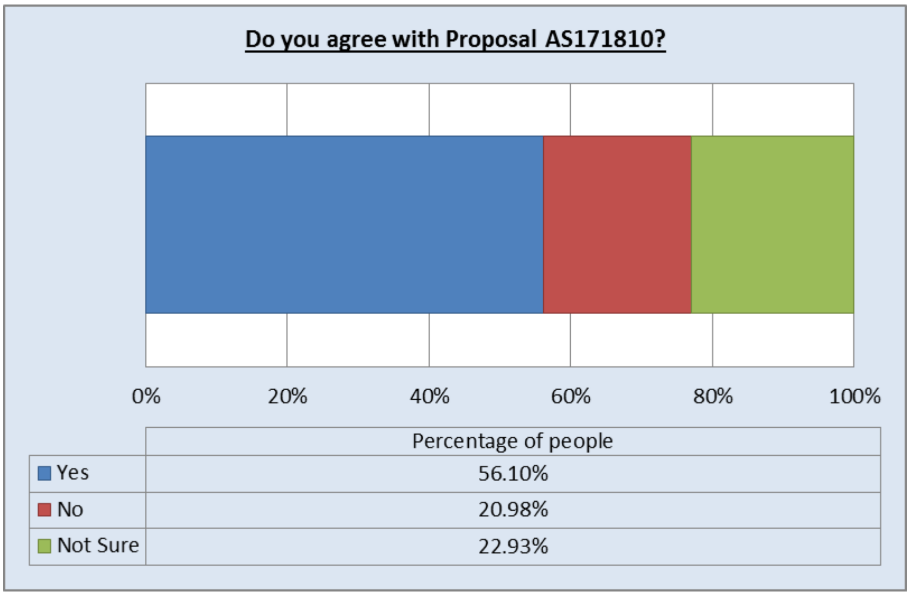
Summary of responses received in the public consultation:

- A relatively high number of responses indicated that they did not understand this proposal or the nature of Supporting People services e.g. they questioned how savings could be made from grant funding
- There were concerns that housing and homelessness services in Newport are facing significant pressures and the proposal could exacerbate this
- Concerns were expressed that Supporting People clients would have a high level of vulnerability and the proposal could result in crisis situations
- There were concerns that the financial burden could simply be moved from Supporting People to Social Services with long term increased cost implications

Question 7a: Do you agree with Proposal AS171810 - Review of Charging Policy within Adult Services.

	Number of people	Percentage of people
Yes	115	56.10%
No	43	20.98%
Not Sure	47	22.93%

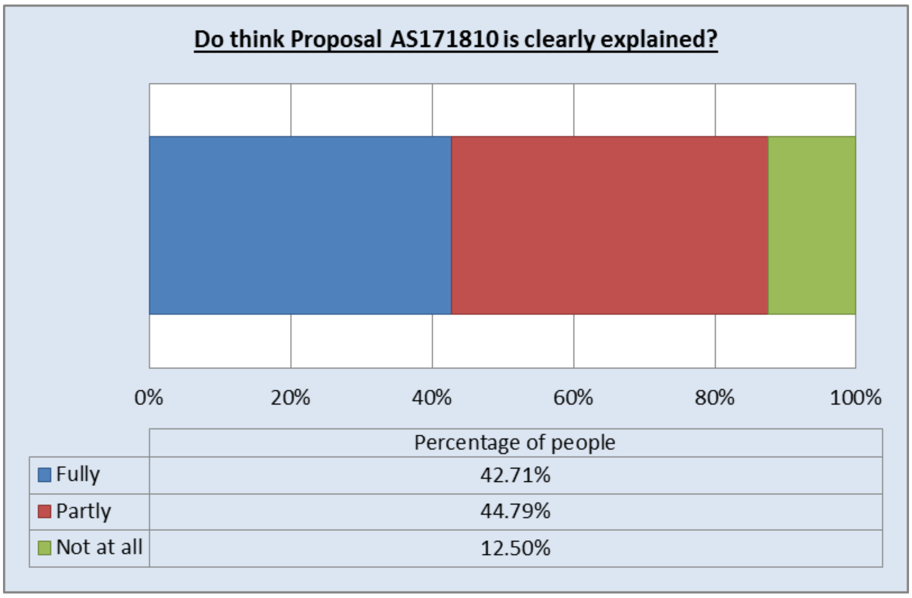
NB: There were 61 no responses to question 7a.



Question 7b: Do you think this proposal is clearly explained?

	Number of people	Percentage of people
Fully	82	42.71%
Partly	86	44.79%
Not at all	24	12.50%

NB: There were 74 no responses to question 7b.



Question 7c: Do you have any other comments about proposal AS171810 (24 comments received)?

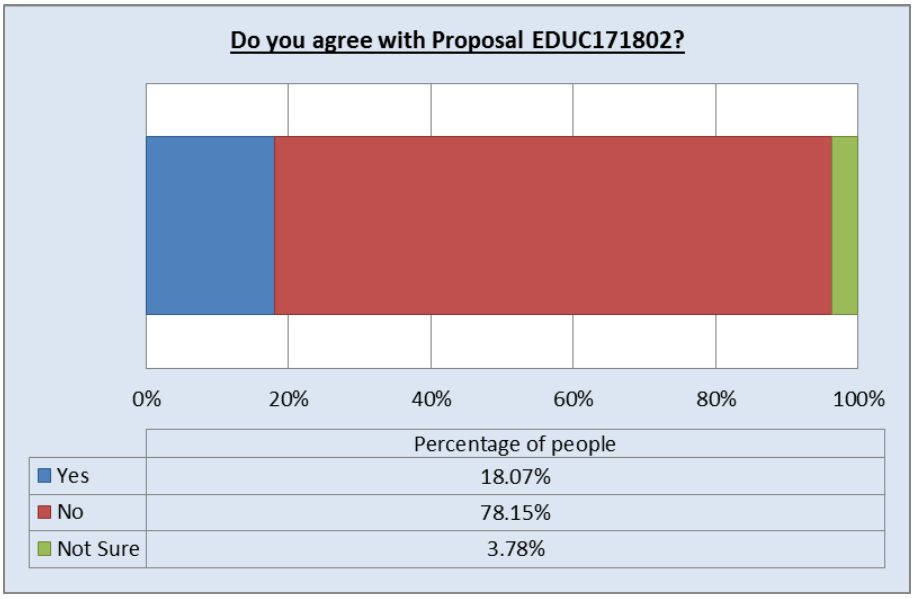
Summary of responses received in the public consultation:

- Some responses supported this proposal on the basis that it is in line with Welsh Government legislative guidelines and was therefore supported
- Concerns were expressed that clients on the threshold of vulnerability, 'just coping' would be significantly affected by the introduction of charges for services, impacting on their wellbeing and wider costs to services
- Concerns were expressed that the clients concerned might also be affected by the loss of other benefits such as Personal Independence Payments

Question 8a: Do you agree with Proposal EDUC171802 - Cease funding to the Learning Support Centres in eight Secondary Schools.

	Number of people	Percentage of people
Yes	43	18.07%
No	186	78.15%
Not Sure	9	3.78%

NB: There were 28 no responses to question 8a.



Question 8b: Do you think this proposal is clearly explained?

	Number of people	Percentage of people
Fully	108	46.96%
Partly	78	33.91%
Not at all	44	19.13%

NB: There were 36 no responses to question 8b.

Question 8c: Do you have any other comments about proposal EDUC171802 (110 comments received)?

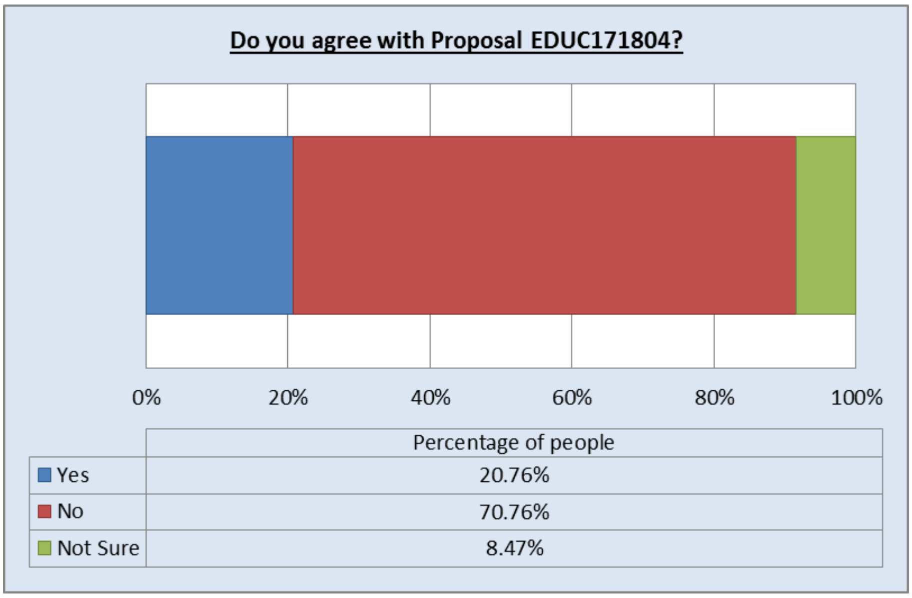
Summary of responses received in the public consultation:

- Concerns were expressed that the proposal would result in increased exclusions as schools could struggle to manage challenging behaviour
- Concerns that the proposal could impact on all school pupils as teaching time and resource is diverted to manging challenging behaviour
- Concerns that a reduction in the specialist Learning Support Centre resource could result in pupils failing to meet their full educational potential with increased costs to public services and society over the long-term in terms of unemployment, homelessness, ill-health and criminal justice.
- The view that children with additional needs should be educated with their family and peers in their catchment area schools

Question 9a: Do you agree with Proposal EDUC171804 - To cease funding and close the Learning Resource Base (LRB) in Llanwern High School.

	Number of people	Percentage of people
Yes	49	20.76%
No	167	70.76%
Not Sure	20	8.47%

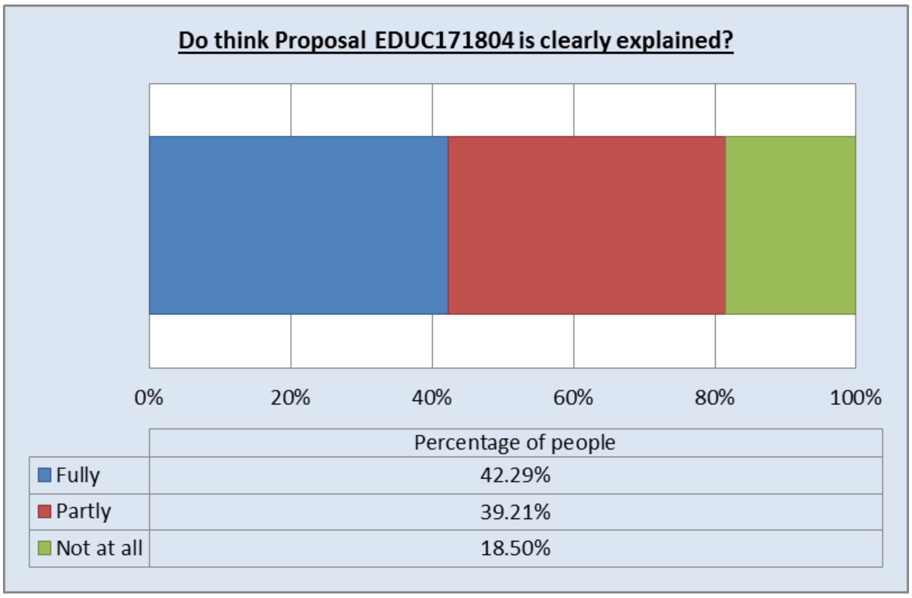
NB: There were 30 no responses to question 9a.



Question 9b: Do you think this proposal is clearly explained?

	Number of people	Percentage of people
Fully	96	42.29%
Partly	89	39.21%
Not at all	42	18.50%

NB: There were 39 no responses to question 9b.



Question 9c: Do you have any other comments about proposal EDUC171804 (88 comments received)?

Summary of responses received in the public consultation:

- The resulting cost of out of county placements could offset the estimated savings e.g. in costs of provision and transport
- The loss of a specialist unit which is based in a school setting and contributes to the inclusion and integration of the children could result in the marginalisation of pupils
- Concerns that the children concerned are from vulnerable groups and backgrounds and will have complicated needs and could be affected by the loss of the current setting in terms of the emotional and social development
- It was suggested that the Pupil Referral Units are already facing staffing and funding pressures and might not absorb the additional demand

Section 2: Place

Question 10: Do you want to review and comment on the 1 'Place' proposal?

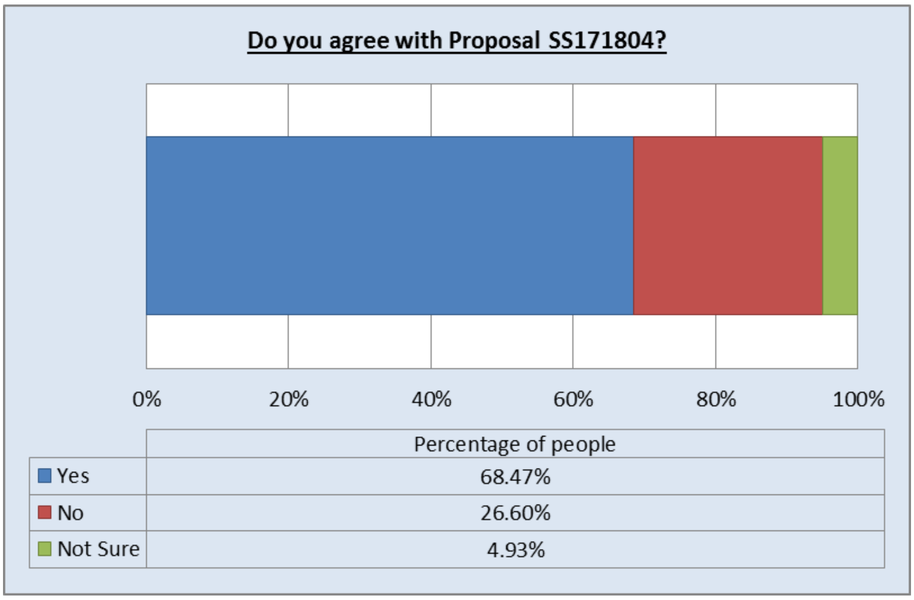
	Number of people	Percentage of people
Yes	137	54.58%
No	114	45.42%

NB: There were 92 no responses to question 10.

Question 11a: Do you agree with Proposal SS171804 - Removal of subsidy for bus service X16 as a supported service and re-tender of evening and Sunday services to achieve better value.

	Number of people	Percentage of people
Yes	139	68.47%
No	54	26.60%
Not Sure	10	4.93%

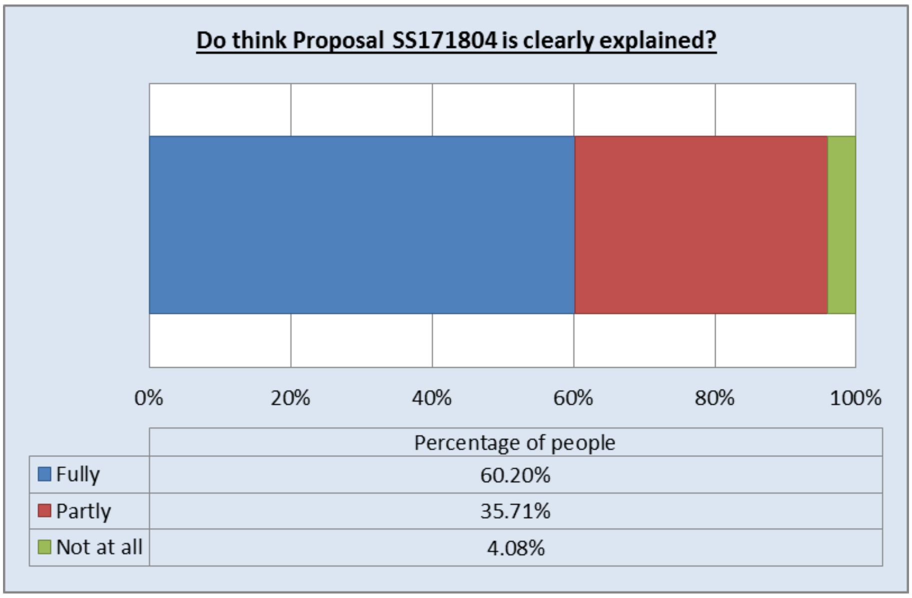
NB: There were 26 no responses to question 11a.



Question 11b: Do you think this proposal is clearly explained?

	Number of people	Percentage of people
Fully	118	60.20%
Partly	70	35.71%
Not at all	8	4.08%

NB: There were 33 no responses to question 11b.



Question 11c: Do you have any other comments about proposal SS171804 (52 comments received)?

Summary of responses received in the public consultation:

- Some views suggested that only commercially viable bus services should be run and the Council should not subsidise non-profitable services.
- Some responses referred to the alternative rail and bus services which serve some areas on the route e.g. Rogerstone
- Some responses were concerned that the service runs to Cardiff rather than Newport city centre and suggested that Newport does not get the benefit of the subsidy
- Responses suggested that public transport services are necessary to reduce congestion and reduce air pollution and so have a wider benefit to the local population and environment
- Impacts on pupils who regularly use the service from Marshfield to Bassaleg School
- Impacts of older residents and disabled people from Marshfield who cannot access the alternative services which stop on the A48
- Limitations of the 'on demand' service which serves Marshfield but must be booked in advance
- A detailed report indicating the perceived impacts on Marshfield residents was prepared by Marshfield Community Council, following a public meeting on 17 January, and is appended to this report

Section 3: Corporate

Question 12: Do you want to review and comment on the 2 'Corporate' proposals?

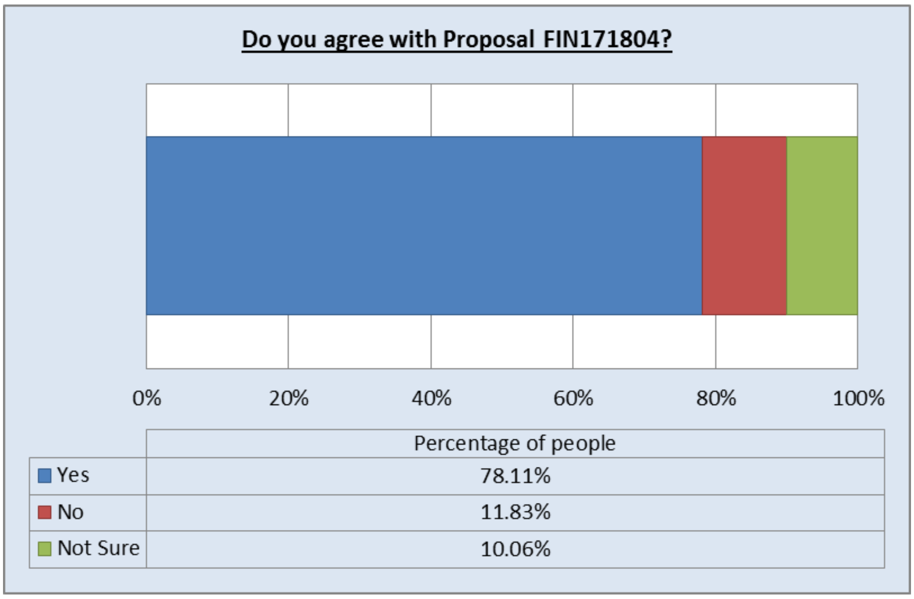
	Number of people	Percentage of people
Yes	107	43.15%
No	141	56.85%

NB: There were 95 no responses to question 12.

Question 13a: Do you agree with FIN171804 - Re-focus of the Strategic Procurement Function.

	Number of people	Percentage of people
Yes	132	78.11%
No	20	11.83%
Not Sure	17	10.06%

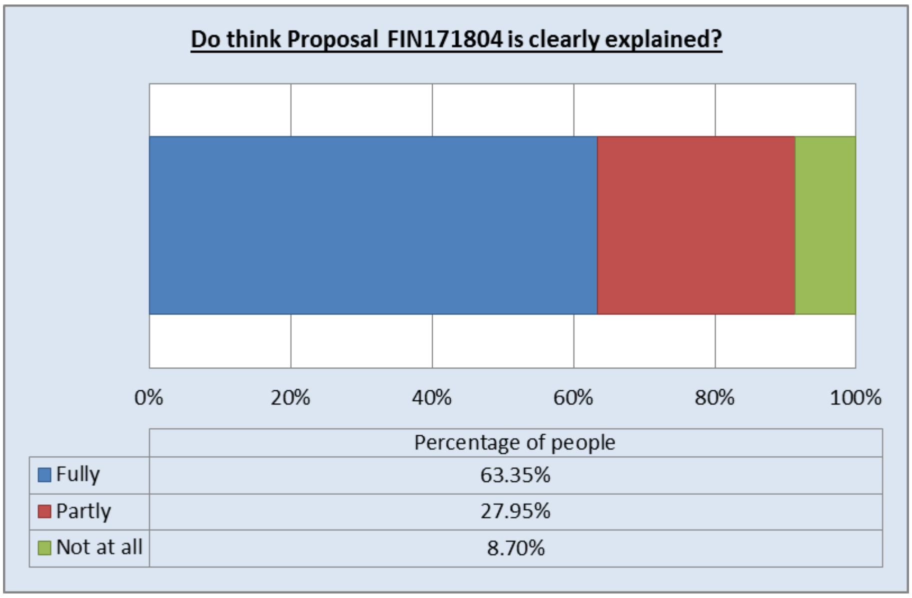
NB: There were 33 no responses to question 13a.



Question 13b: Do you think this proposal is clearly explained?

	Number of people	Percentage of people
Fully	102	63.35%
Partly	45	27.95%
Not at all	14	8.70%

NB: There were 41 no responses to question 13b.



Question 13c: Do you have any other comments about proposal FIN171804 (17 comments received)?

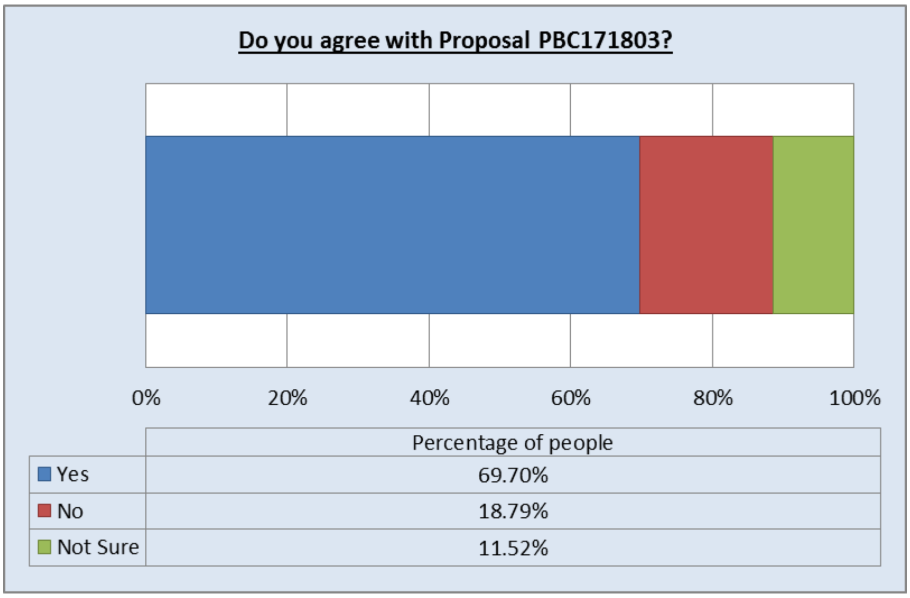
Summary of responses received in the public consultation:

- Responses were generally favourable to this proposal, as the post is currently vacant, but provided that the team can deliver the service requirements within their staffing resource
- Several responses suggested the potential to collaborate with other authorities in strategic procurement functions, however this was outside the scope of the proposal

Question 14a: Do you agree with Proposal PBC171803 - Review of the social care training unit provision.

	Number of people	Percentage of people
Yes	115	69.70%
No	31	18.79%
Not Sure	19	11.52%

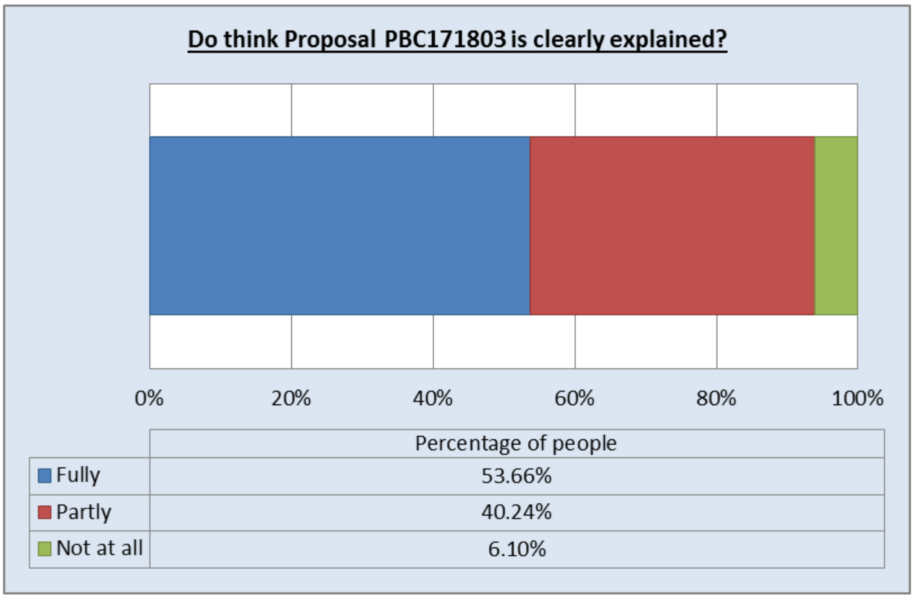
NB: There were 37 no responses to question 14a.



Question 14b: Do you think this proposal is clearly explained?

	Number of people	Percentage of people
Fully	88	53.66%
Partly	66	40.24%
Not at all	10	6.10%

NB: There were 38 no responses to question 14b.



Question 14c: Do you have any other comments about proposal PBC171803 (18 comments received)?

Section 4: Non Service

Question 15: Do you want to review and comment on the 1 'Non Service' proposals?

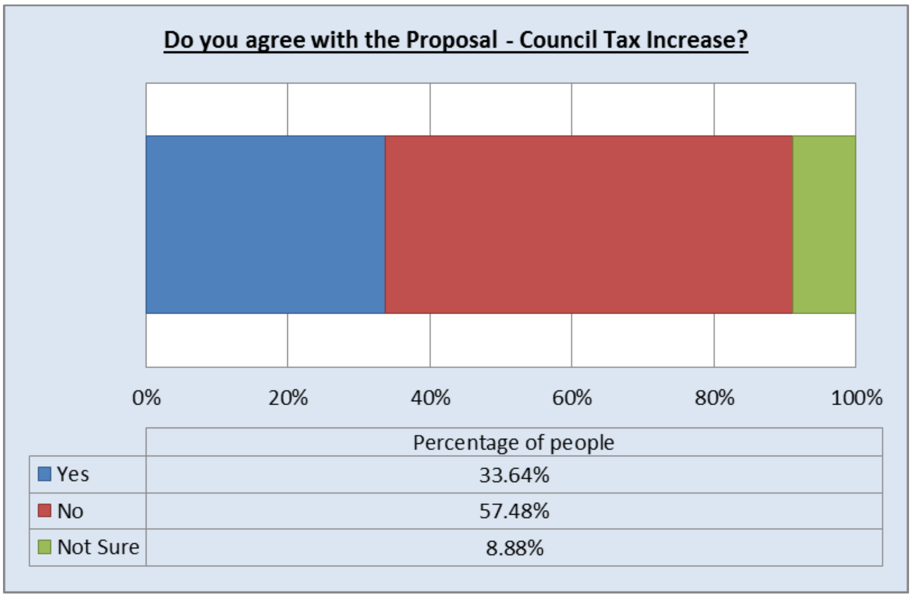
	Number of people	Percentage of people
Yes	151	65.65%
No	79	34.35%

NB: There were 113 no responses to question 15.

Question 16a: Do you agree with Proposal - Council Tax Increase.

	Number of people	Percentage of people
Yes	72	33.64%
No	123	57.48%
Not Sure	19	8.88%

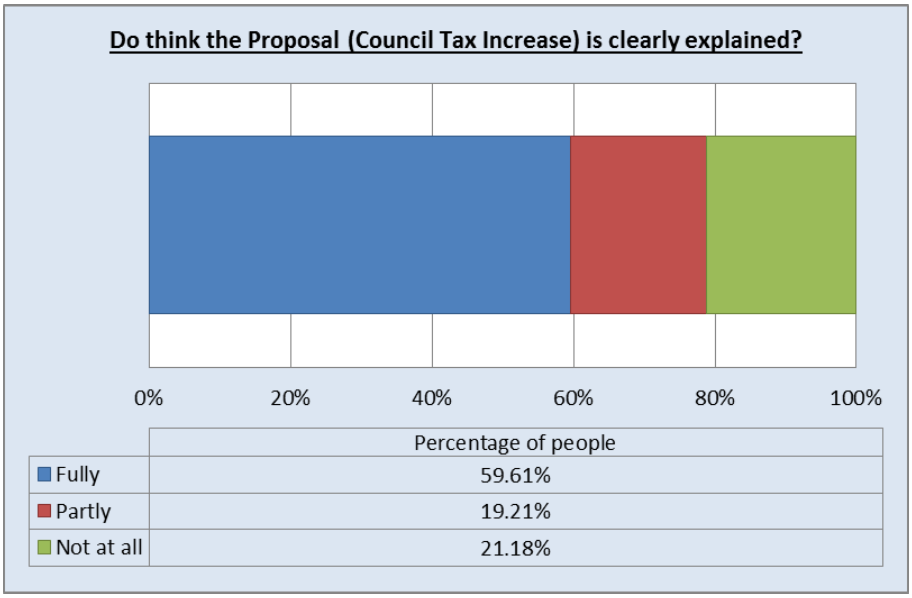
NB: There were 50 no responses to question 16a.



Question 16b: Do you think this proposal is clearly explained?

	Number of people	Percentage of people
Fully	121	59.61%
Partly	39	19.21%
Not at all	43	21.18%

NB: There were 61 no responses to question 16b.



Question 16c: Do you have any other comments about the proposal – Council Tax Increase (113 comments received)?

Summary of responses received in the public consultation:

- The most common concern was that the proposed Council Tax increase is greater than the rate of inflation and typical pay increases
- Some responses suggested that they could not afford any increase in Council Tax
- Concerns that services are being reduced year on year whilst Council Tax has increased
- Some proposals supported the increase rather than some of the other proposed reductions in “essential” frontline services
- A small number of responses indicated that the proposed increase was necessary to prevent the funding gap widening in the years ahead in Newport
- Some responses called for a reduction in the number of Councillors, Councillors allowances, and senior management salaries rather than an increase in Council Tax

APPENDIX 4a – FAIRNESS COMMISSION REVIEW

NEWPORT
FAIRNESS
COMMISSION

Response to 2017/18 Budget & Medium Term Financial Plan

VERY IMPORTANT: NFC sees its role as facilitating a critical reflection *on* policy, rather than it being a recommender *of* policy. Therefore, selective extracts from this response should *not* be used to support particular council policy *as if* this policy is also being recommended by the NFC.

January 2017

Executive summary

- Questions of fairness are made all the more pressing in a climate of reduced local authority budgets.
- There is clear evidence that the budget proposals seek to realise the fundamental value of prioritising the needs of the most vulnerable and disadvantaged. At the same time, limitations to budgets lead to 'trade-offs' between the groups deemed most vulnerable, in severe need, and so on.
- There is a clear risk that those currently not identified as most vulnerable are more likely to become more vulnerable as a result of aggregated cuts to funding of services over successive budgets. Such trends may be affected by factors outside the Council's immediate control, such as demographic trends, Welsh Government policy, etc. There is a clear risk of a vicious cycle of social, economic and cultural deprivation.
- There is a specific concern that the net effects of these processes may come into tension with Welsh Government priorities such as those identified in the Well-Being of Future Generations Act 2015.
- There are clear steps forward in the Council's handling of the consultation process, and in the potential for creative thinking about how best to deliver services in straitened financial circumstances.
- We regard the four parameters of fairness – and the questions they raise in the current budget context – as a crucial tool in assessing and negotiating this complex and challenging terrain

1. **Background:**

   We very much welcome the invitation from Council to be part of the consultation process for the above. In times of severe economic austerity especially, we believe it is vital that the value of fairness is discussed critically and openly in public debate, so we can examine in a meaningful way how this principle is applied to local government policies and practices, and in the setting of its priorities. However, it is also important to highlight what has already been stated in our full report to Council in November 2013 (see our website http://www.newportfairnesscommission.org/) – that the Fairness Commission is not an elected body and is not a special interest group, and therefore, in our view, its role is not to make specific policy and practice recommendations. We fully recognise and respect, that some Fairness Commissions across the UK have made particular policy recommendations to their Councils. Nevertheless, the NFC sees its role as facilitating a critical reflection *on* policy, rather than it being a recommender *of* policy. The main aim, then, of the Newport Fairness Commission (NFC) is to provide policy-makers with a 'critical lens' for viewing fairness, and to encourage public debate which takes fairness seriously as a centrally important political, economic, and social goal.

It is in the above light that the following response has been made to the Budget Proposals 2017/18 and Medium Term Financial Plan (MTFP) as detailed in the December Cabinet Report.

2. General overview of the Newport Fairness Commission (NFC) – summary of what it sees as the broad issues and concerns

The Newport Fairness Commission (NFC) met on the 15th December 2016 to consider in detail the above budget proposals. The first draft of this response was then prepared with invitations for comment to Commission members to be made in the New Year, with appropriate revisions being completed for the final response to Council in late January 2017. The following overview, then, reflects the discussions at the December meeting, plus these additional amendments.

a. The NFC concludes that the austerity measures applied in previous years, combined with the 17/18 proposed cuts and future austerity until at least 2020/21, has led to a profound sea-change in how Local Government is able to provide services for its community, both now and in the future. Moreover, the NFC concludes that in matters relating to the principle of fairness (however this principle is substantially conceptualised), various pressures are now being exerted on vulnerable and disadvantaged sections of the community which, we believe, threaten to undermine key values associated with the principle of fairness. Most notably, the fundamental value guiding the Commission's thinking on these issues, identified and explored in the NFC full report referred to above, is that Council should attend to the needs of those social groupings considered most vulnerable or disadvantaged across the city, *and* as a matter of first and immediate priority. However, although we believe that Newport City Council is endeavouring to fulfill this value as its main priority, the extent of the cuts means that we are now increasingly witnessing the needs of these vulnerable groups being traded-off against each other, as the NCC tries to balance its books.

So, in broad terms it seems that those vulnerable groups defined as having 'severe needs' are being traded-off against those vulnerable groups defined as having 'very severe needs'; those vulnerable groups defined as benefitting from 'early prevention' are being traded off against those vulnerable groups defined as having 'acute needs'; and, those vulnerable groups which can be targeted by Council with appropriate powers of intervention (but with no *duties* of intervention) are now being traded-off against those vulnerable groups where statutory obligations apply.

Specifically, in relation to the 17/18 budget proposal and considering our responses to previous budgets, the NFC has also become very aware of what might be termed the 'external pressures' on Council spending – that is, pressures which increase the demand on Council spending outside of inflationary considerations, such as, demographic pressures, increased legislative obligations on Local Government which can be costly, increased pay bills for low paid workers, and so on. Moreover, according to the budget proposals these 'external pressures' will likely be even greater in years 2018/19; 2019/20; and 2020/21 – compared with 2017/18. This means that even if cuts in spending are less severe than anticipated because of the final settlement for Newport City being 'relatively favourable', that services will still be substantially reduced for individual citizens in need, as a result of these other pressures on Council spending.

b. A related problem, according to the NFC, is that failing to prevent deterioration for those defined as being in 'severe need' (rather than 'very severe need'), or who are defined as 'moderately vulnerable', risks escalating this group's needs and so making them become 'very severely in need' as a result. Inevitably then, these trade-offs are in danger of increasing costs in the medium and long-term as people enter the ranks of those whose health and broader social conditions qualify for statutory services. Moreover, these trade-offs occur in a variety of forms,[1] with the common theme being that many vulnerable citizens are at risk of becoming *more* vulnerable as a result of cuts in services, and as the Council concentrates its diminished resources on a reduced number of people. The NFC acknowledges that, to some extent, the effects of these austerity measures are alleviated by the activities of the voluntary/third sector, and other changes in the organisation of care and services, such as the encouragement of independent living in the home for frail and vulnerable adults. For example, one benefit of third sector services is that these often provide 'added value' and provide individuals with choice in services - something people value and can, in certain circumstances, support better recovery and independent living. It should, however, be noted that in Local Government's efforts to cut direct costs, they are *commissioning* very similar services to the ones they previously supplied directly to support the same high priority clients, while offering less funding towards these commissioned packages, which risks escalating people's needs (and the corresponding costs) and thereby reducing 'quality of life' experiences both now and in the future. Moreover, as the more direct and formalised support structure provided by Local Government diminishes, the 'added value' of using the not-for-profit sector may risk being squeezed out. For example, Welsh Government have introduced innovative legislation through several Acts and Measures (e.g. the Social Services and Wellbeing Act 2014), which should have benefited vulnerable groups such as unpaid carers, people with autism etc. but with so much reliance on local

[1] As stated in previous responses the NFC has made to budge proposals, it is also important to note that these trade-offs also occur in relation to the pay, working conditions, and vulnerability to job-loss of council employees. So, for example, the commitment to a 'Living Wage' being paid to workers by Newport City Council (reflecting, quite rightly, a commitment to low paid workers) is traded-off against attempts to reduce wage bills in times of economic austerity, but which in turn can lead to diminished working conditions, increased workloads as positions are unfilled, the increased likelihood of redundancy, and so on.

authority facilitation and no extra funding it is difficult to imagine a trajectory of improved wellbeing being achievable.

Specifically, in relation to the 17/18 budget proposal the Commission is concerned that the above outcomes, combined with the cuts administered in previous years, risk the occurrence of a vicious cycle, where increased deprivation (for certain sections of the Newport population at least) will require more services, but which will now no longer be available. It is in this context of medium to long-term decline, which again will put further pressure on Council services. Moreover, this decline in service provision will increasingly come into play in the future, and threaten other policy objectives of Welsh Government legislation, most notably perhaps, the Well-Being of Future Generations Act 2015. According to the Welsh Government website, this Act aims to improve the social, economic, environmental and cultural well-being of Wales, in part by making public bodies think more about the long-term, and work better with people and communities and each other, to prevent problems occurring in the first place. However, the Fairness Commission has concluded that the austerity measures, alongside the many other demographic and other pressures facing Council, will very likely undermine the Act's aims, given what we call a 'false economy' of cuts – that is, where monies are supposedly 'saved' in the short-to-medium term, but where the costs to the tax payer and government (both local and national) augment in the future, as social and economic problems increase as a result of present cuts in services. In this context, too, it is also important to acknowledge the significant role that raising Council Tax plays in these calculations, particularly given the long history of Newport City Council having a relatively low local tax burden for its citizens. While recognising the political pressure on Council to keeping these taxes low as local elections loom in 2017, as well as the importance of ensuring that any increases in Council Tax does not detrimentally affect vulnerable families and groups, the NFC is <u>especially</u> mindful of these more hidden long-term costs to tax payers if local government revenues are reduced as a result of not sufficiently raising its Council Tax in the short-medium term. We also recognize, though, that increasing Council Tax will only at best reduce the <u>extent</u> of the cuts, in the short-term, but will not be able to meet the whole of the shortfall of funding in the medium to long-term. In a wider national context, it is also worth noting that Wales has traditionally risen, directly from its citizens, a substantially lower proportion of the sum needed to maintain local authority services than in England.

c. In addition to the detrimental impact of these austerity measures, and alongside the increased demand from 'external pressures' detailed above, other pressures are also being felt in Newport city which have exacerbated these problems in trading-off the needs of vulnerable groups, as well as the wider needs and aspirations of other Newport citizens. For example, even taking into account improvements in enablement services that allow some vulnerable elderly people to live in their own homes for longer periods, it seems that the threshold for entry to residential homes for extremely frail elderly people has been raised as local authorities have had to close these establishments. The raising of the threshold, is, in turn, exacerbated by demographic factors which means that people are living longer, but unfortunately with increasing chronic long-term health conditions. The NFC's concern is that Newport overall, and in particular the most elderly and vulnerable groups within Newport, will suffer increased deprivation as a result. For example, people may seek residential accommodation rather than nursing homes to meet their care needs, but if the private sector set higher tariffs for self-funders and for those without resources where the Local Authorities pay, set higher 'top-up' fees, then demand might go down *even though* the needs of the elderly population are increasing.[2] This decrease in demand, might in turn, reduce the supply of suitable residential accommodation despite these increased needs, and leaving even more vulnerable elderly people with insufficient care.

Moreover, the NFC is also concerned about the high possibility of, what might be termed, *increased cultural deprivation* in Newport. Like education policy, this issue relates less to priority being given to vulnerable and disadvantaged groups (although these issues certainly overlap), and more to how local governments sees their role in relation to the funding and provision of the cultural infrastructure, and as it is maintained for the whole of the community. For example, previous cuts in library, leisure and the arts facilities, with the onus being put on other means of funding outside of local government, for the NFC signifies a radical change in how councils administer and facilitate the cultural activities of their communities. The concern is that the important civic role that Councils historically have often played in enhancing the cultural life of its populace risks being seriously undermined as a result of these cuts.

Subsequently, and specifically in relation to the 17/18 budget proposal the NFC considers that there is now considerable strain being placed on the <u>*competing*</u> *priorities of Council when resources are being reduced and other demands are increasing, and is a strain which is perhaps most acutely felt perhaps between generations. For example, while the Welsh Government's commitment to maintaining school educational budgets at least in line with inflation has been lifted, which has meant a freeing-up of resources to the above older groups and other council activities, the obvious trade-off is that any gains and improvements made by the education services for its children and young people may be threatened as a result. This, in turn, may have a negative knock-on effect on the sustainability of future generations' prosperity and well-being as educational services will also become a target for cuts in services. Again, this issue will also have implications for how the Well-Being of Future Generation Act 2015 is specifically interpreted and implemented.*

d. Finally, and a more positive note, it is important to acknowledge what the NFC sees as steps forward in Council practices in the wake of these austerity measures being applied. For example, the consultation process for this round of budgetary proposals – while subject to the usual alarmingly tight time-constraints imposed by the Welsh Government (WG), plus the lateness of information being provided by the WG to local government decision-makers – is considerably improved compared with previous rounds. The Council's plan in 2017 (building on the work completed in 2016) for a series of activities and events intended to provide a wider engagement with the public over Council policy is to be commended. Hopefully, this consultation process will set in motion an ongoing 'conversation' on local government spending, savings and future service provision, which will be much wider and deeper than just 'agreeing' the budget for the year. Of course, consultation processes can always be improved upon, and we would strongly recommend that the NCC examine closely good practice in other councils in Wales and other parts of the UK to develop further

[2] The threshold capital of £24k has not changed much in recent years, although taking into account inflation it has obviously decreased in value in real terms. There are indications that the Welsh Government will direct that this is raised to £50k but when is unknown at this stage.

its own practices.[3] In addition, the NFC also notes that *some* of the austerity measures at least, will encourage a more imaginative and efficient delivery of services which may well be beneficial to certain groups of service-users. Moreover, as councils are forced to break from their more traditional roles in service-delivery other benefits may also accrue. For example, there are some signs across the UK of a more heightened sense of citizen obligations in meeting community aspirations and practices which could lead to beneficial outcomes, as well as a more 'bottom-up' approach to policy and practice development as councils have to address increased cuts imposed on its budgets. Again, the Well-Being and Future Generation Act 2015, could potentially provide an arena for developing this 'bottom-up' approach further, and for the facilitation of meaningful cross-party discussion concerning what kind of City we want for Newport in the future as a result.

In summary then, the Fairness Commission has a number of serious concerns about the budgetary proposals for 2017/18 and the Medium Term Financial Plan. Most notably, that the extent of the austerity measures will result in a fundamental principle of fairness being undermined, namely that Council should attend to the needs of those social groupings considered most vulnerable or disadvantaged across the city, and as a matter of first and immediate priority. It is especially concerned that as the needs of vulnerable groups are traded-off against each other that a vicious cycle of social, economic and cultural deprivation will be reinforced, leading to a much wider set of detrimental long-term unforeseen consequences for the whole community. Nevertheless, despite these gloomy predictions in the face of this increased austerity, the NFC also acknowledges that out of this necessity, other possibilities open-up which could lay the ground for more improved service provision in the future – relating, for example, to increased and improved public consultation, involvement and political debate, over Local Government spending and subsequent service provision.

3. The fundamental principle of fairness and the four parameters of fairness:

As stated in 2 above, the most fundamental principle guiding the Commission's thinking on these issues, and again identified and explored in the full report referred to above, is that Council should attend to the needs of those social groupings considered most vulnerable or disadvantaged across the city, *and* as a matter of first and immediate priority. However, although it is extremely important to articulate this principle in broad terms, by itself, this principle is not sufficient when considering the fairness of specific policies and practices, as a number of important questions and issues remain unanswered. In response to this problem, and again as detailed in our full report, the Fairness Commission has identified, what we have called, four 'parameters of fairness', which provide a framework for understanding and critically evaluating the specific policies

[3] For example, as highlighted in the NFC's response last year, in the City of Leeds, a "Poverty Truth" project was launched in February 2015, starting from the principle that all decisions about poverty should involve people who directly face poverty. As its press release states: "[The project] aims to ensure that people living in poverty take the lead on challenging the city's leaders to work with them on tackling poverty: to make a difference to the decisions being made and finding new solutions to poverty." The Commission would strongly recommend that the NCC closely observes its activities (and other similar projects) to develop further its own consultative practices.

and priorities set by Council, and the subsequent debates and controversies concerning the meaning of fairness.

The four parameters of fairness are identified as follows, and lead to what the Commission sees as key questions or focal points of debate concerning fairness, recognising that in relation to specific policies and practices these parameters often overlap and work in conjunction with each other:

- *Parameter 1 Equal treatment while recognising difference*

  Main focal points of debate: When is it fair to treat people the same, and when is it fair to treat people differently? What groups have priority in Newport, and why? And, if trade-offs and compromises are to be made between different group interests', how should these trade-offs be balanced?

- *Parameter 2 Mutual obligations between citizens and local government*

  Main focal points of debate: What is the responsibility of local government to meet certain needs, and what conditions should apply to citizens, if any? And, which needs are to be provided universally (i.e. to all citizens) and which needs are to be met, in part or wholly, by citizens?

- *Parameter 3 Interdependency and reciprocity within community relations*

  Main focal points of debate: What is the value of participation in community life? How are citizens enabled to positively participate in the life of the community over periods of time, for their own and others' benefit? And, how and when are equal opportunities and 'life chances' facilitated, so enabling citizens to participate effectively?

- *Parameter 4 Transparency and accountability in decision-making*

  Main focal points of debate: How does Council ensure that the procedures for decision-making are fair, consistent and transparent? How does Council convey clearly and concisely to citizens the main decisions being considered and made? And, how are mature and meaningful channels of communication and exchange of views facilitated between the NCC and citizens?

As a final comment, then, the NFC recommends that in evaluating its proposals that these parameters are used by Council (and others) to make better sense of what the budget allocations mean for the value of fairness, and how it is understood.

So, in relation to Parameter 1 (equal treatment while recognising difference), it seems clear that as a result of year-on-year austerity measures, that in matters relating to equality and diversity, a number of increasingly entrenched trade-offs are occurring between particular vulnerable groups (as explored in 2.a and b above), and between generational demands on services (as explored in 2.c above). As a result, vulnerable groups may be less able to access opportunities to meaningfully participate in society and thereby experience a better quality of life (also see Parameter 3 below). So the questions, then, that Council need to consider are: When is it fair to treat people the same, and when is it fair to treat people differently? What groups have priority in Newport, and why? And, if trade-offs and compromises are to be made between these different group interests', how should these trade-offs be balanced, and why?

In relation to Parameter 2 (mutual obligations between citizens and local government), it again seems clear that as a result of year-on-year austerity measures, that the obligations between citizens and local government are radically changing, and, in some ways, are being subject to increasing strain, in relation to, say the issue of the necessity of increasing Council Taxes due to increased demand and cuts in Government revenue (as explored in 2.b above), while at the same time seeing diminished universal services to citizens who may at other times enjoyed the benefits of council activities (as explored in 2.c above). Rightly or wrongly the local authority, and certain other statutory services have been increasingly seen as mediators of fairness in community relations. Withdrawal from service provision may increase local disputes and grievances, with direct and indirect cost implications for vulnerable and disadvantaged individuals and groups. Again, these issues lead to a number of questions which Council need to consider, such as: What is the responsibility of local government to meet certain needs, and what conditions should apply to citizens, if any? And, which needs are to be provided universally (i.e. to all citizens) and which needs are to be met, in part or wholly, by citizens?

In relation to Parameter 3 (interdependency and reciprocity in social relations), it also seems clear that as a result of year-on-year austerity measures, the possibilities for reciprocity and interdependency can be threatened as a result, at least across very vulnerable sections of the community who have become increasingly disenabled and incapacitated as a result (as explored in 2.b above). It is also important to stress that this is not peculiar to the Newport experience, as increasing evidence across the UK seems to suggest that vulnerable citizens have had to be defined (and will define themselves) as being 'incapable' and so will become 'passive recipients' of services, in order to gain access to limited resources. This development, in turn, leads to a number of difficult questions that Council need to consider: What is the value of participation in community life, and how can this be best promoted? How are citizens enabled to positively participate in the life of the community over periods of time, for their own and others' benefit? And, how and when are equal opportunities and 'life chances' facilitated, so enabling citizens to participate effectively?

Finally, in relation to Parameter 4 (transparency and accountability in decision-making), it seems that a number of pressures on Council has led to certain positive outcomes concerning its transparency and accountability. Although many spending decisions are still not open to consultation being at the discretion of officers and the Cabinet Members, as Council has had to make increasingly difficult decisions, it has in response made systematic attempts to open-up public debate around these issues (as explored in 2.d above). This attention to the processes of decision-making has obviously not avoided the painful choices that have had to be made, but at least allows for a more consistent and systematic addressing of the following questions associated with this Parameter: How does Council ensure that the procedures for decision-making are fair, consistent and transparent? How does Council convey clearly and concisely to the widest possible range of citizens, the main decisions being considered and made? And, how meaningful channels of communication and exchange of views facilitated between the NCC and citizens?

End

APPENDIX 5 – SERVICE AREA DRAFT BUDGETS

Summary Revenue Budget		
2017-18	2016/17 Current Budget £'000	2017/18 Base Budget £'000
PEOPLE		
Children& Young People	21,436	21,433
Adult & Community Services	39,346	41,003
Education	14,575	14,859
Schools	89,232	90,297
	164,589	**167,592**
PLACE		
Regeneration, Investment & Housing	9,041	9,526
Streetscene & City Services	16,911	17,464
	25,952	**26,990**
CHIEF EXECUTIVE		
Directorate	552	557
Finance	2,742	2,719
People & Business Change	6,420	6,232
Law & Regeneration	6,521	6,494
	16,235	**16,002**
CAPITAL FINANCING COSTS & INTEREST		
Capital Financing Costs MRP	10,813	11,032
Interest Payable	9,145	9,085
Interest Receivable	(37)	(37)
PFI Grants	8,262	8,315
	28,183	**28,395**
SUB TOTAL - SERVICE/CAPITAL FINANCING	**234,959**	**238,979**
CONTINGENCY PROVISIONS		
General Contingency	1,473	1,473
Centralised Insurance Fund	570	570
Non Departmental Costs	5	5
Other Income & Expenditure	4,111	4,544
	6,159	**6,592**
LEVIES / OTHER		
Discontinued Operations - pensions	1,790	1,577
Discontinued Operations - Ex Gratia Payments	2	2
Levies - Drainage Board, Fire service etc	8,208	8,207
Non distributed grants	-	-
CTAX Benefit Rebates	11,735	12,072
Charity Rate Relief	-	-
	21,735	**21,858**
TRANSFERS TO/FROM RESERVES		
Base budget - Planned Transfers to/(from) Reserves	1,086	(1,001)
	1,086	**(1,001)**
TOTAL	**263,939**	**266,428**
Funded by		
WAG funding (RSG & NNDR)	(209,142)	(208,250)
Council Tax	(54,720)	(58,403)
Council Tax Surplus	(76)	-
TOTAL	**0**	**(225)**

APPENDIX 6 – BUDGET INVESTMENTS

(i) NEW BUDGET INVESTMENTS

Unique ID	Service Group	Description	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000
PEOPLE						
1	Education (Schools)	**Ysgol Gyfun Gwent Is Coed:** This is the new Welsh Medium Secondary School, which is being established from September 2016. The schools is opening as a seedling school with intake of pupils up to the following numbers in September of 2016 (90), 2017 (120), 2018 (120), 2019 (120), 2020 (120) and 2021 and thereafter (150). The costs now built into the MTFP are those costs associated with the growth of the school, as it takes in the additional year groups, and significantly grows its curriculum towards year 11 and GCSE year groups. The initial operating costs in 16/17 have been met through a school reserve, which has been exhausted covering the initial seven months of operation and set up.	0	202	271	275
2	Education (Schools)	**New ASD School Provision:** This is the new ASD Special School which is being established on the site of Gaer Primary School. The school building is due for completion in early 2017. The school is being built to accommodate 48 pupils and will be a 3-16 school. The MTFP assumes that the school will open with pupils in September 2017, and costs reflect full staffing and running costs of the school as demand indicates that the school should be full. Costs have been therefore indicated over two financial years to reflect the academic year trans versing the 17/18 and 18/19 financial years.	0	314	0	0

Unique ID	Service Group	Description	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000
3	Education (Schools)	**New Jubilee Park Primary School**: This school will be established on the housing development of the former Alcan Site, and is being built by the developer as part of S106 agreements. The school will be a 1.5 FE school, with a nursery and LRB unit on site. The MTFP assumes that the school will open in September 2017 as a seedling school with cohorts of up to 45 pupils being admitted each year until all year groups are admitted. The costs that are therefore built into the MTFP are those costs associated with the growth of the school.	0	393	225	90
4	Education (Schools)	**New Llanwern Primary School**: This school will be established on the housing development of the former steelworks Site, and is being built by the developer as part of S106 agreements. The school will be a 2 FE school, with a nursery and LRB unit on site. The MTFP assumes that the school will open in September 2019 as a seedling school with cohorts of up to 60 pupils being admitted each year until all year groups are admitted. The costs that are therefore built into the MTFP are those costs associated with the growth of the school.	0	0	0	0
5	Education (Schools)	**New West Glan Llyn Primary School**: This school will be established on the housing development at St Modwens, and is being built by the developer as part of S106 agreements. The school will be a 2 FE school, with a nursery and LRB unit on site. The MTFP assumes that the school will open in September 2018 as a seedling school with cohorts of up to 60 pupils being admitted each year until all year groups are admitted. The costs that are therefore built into the MTFP are those costs associated with the growth of the school.	0	519	411	122

Unique ID	Service Group	Description	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000
6	Education (Schools)	**New Primary School**: This school will be established on the housing development at the Whiteheads site, and is being built by the developer as part of S106 agreements. The school will be a 2 FE school, with a nursery and LRB unit on site. The MTFP assumes that the school will open in September 2020 as a seedling school with cohorts of up to 60 pupils being admitted each year until all year groups are admitted. The costs that are therefore built into the MTFP are those costs associated with the growth of the school.	0	0	0	519
7	Education (Schools)	**New Nursery units**: Additional Nursery units are being developed for additional pupil demand on for Primary School Sites, these being Llangstone, Mount Pleasant, Marshfield and Pentrepoeth, costs put into the MTFP are for associated costs of running the units with up to 20 FT places in one school, and 16 places in the other three.	0	0	0	0
8	Education (Schools)	Further funding for Schools following consultation. Funded from underspend in current 16/17 year which will be reserved for this purpose. This funding will be reviewed as part of the 18/19 budget.	1,100	0	0	0
9	Adult & Community Services	**Double Handling Pressure** - £300k 16/17 savings project that the service area is unable to achieve in their entirety.	150	0	0	0
10	Adult & Community Services	**Supporting People Grant Reductions**: Due to the application of the pricing policy of LD supported living following WG review. £726k budget pressure profiled over next three years.	300	150	276	0

Unique ID	Service Group	Description	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000
11	Adult & Community Services	**Underlying budget deficit in Community Care**.	400	0	0	0
12	Adult & Community Services	**Capital Limit** - one of the Government's top six 'Taking Wales Forward' commitments is to uplift the capital limit as it applies in residential care charging from £24,000 to £50,000. No commitment has been made as to the timing of this, or how the uplift should be introduced (in one go or on an incremental basis).	324	TBC	TBC	TBC
13	Adult & Community Services	**Specific grants transferred into settlement**: Delivering Transformation Grant.	144	0	0	0
PLACE						
14	Regeneration, Investment & Housing	**Play Development** - legislative changes and reductions in grant have resulted in increasing costs.	25	0	0	0
15	Regeneration, Investment & Housing	**Homelessness** - Additional pressures resulting from increased statutory duties under the Housing (Wales) Act 2014 and increased costs associated with the management of private sector leasing scheme.	50	0	0	0

Unique ID	Service Group	Description	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000
16	Regeneration, Investment & Housing	**Provision Market** - significant under recovery of income from the market.	126	0	0	0
17	Regeneration, Investment & Housing	**Disabled Facilities Grant (DFG)** - provision of the Disabled Facility Grants (DFG) service in the private sector housing department.	90	0	0	0
18	Regeneration, Investment & Housing	**NDR Property valuation** from April 2017.	72	0	0	0
19	Regeneration, Investment & Housing	**RSG New responsibility** – Homelessness Prevention	321	0	0	0
20	Streetscene & City Services	**Landfill site income target** - Assumed additional income in 16/17 has not been realised as a result of commercial operators taking waste to the new PG incineration plant.	250	TBC	TBC	TBC
21	Streetscene & City Services	**Waste Strategy –** Reduction in waste grant	0	269	393	511

Unique ID	Service Group	Description	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000
CORPORATE						
22	Corporate	**Public Sector Broadband Aggregation (PSBA)** - Introduction of new method of core cost reallocation which has led to an increased cost to the Council. PSBA transformation exercise is currently underway to transform both the core and the connectivity of each organisation which means that a number of circuits will have to be provisioned. The revenue costs to the Council will increase but these are yet to be determined. The ongoing upgrades will be funded by the Council post march '18 - the financial costs of this are yet to be determined.	34	0	0	0
NON SERVICE						
23	Non - Service	**New Ways of Working -** Undelivered savings target relating to previous years.	547	0	0	0
24	Non – Service	**Apprenticeship Levy -** New government initiative announced in the 2015 Summer Budget. Levy is to be applied to total pay bill for large employers across all industries. The government is introducing the apprenticeship levy to help fund three million new apprenticeships by 2020.	316	0	0	0

Unique ID	Service Group	Description	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000
25	Non - Service	**Pension Deficit -** Market conditions have continued to worsen for funds and the deficit is likely to increase from £47bm since the last valuation by around £20bn. The exact increase of individual employer contributions are to be negotiated once the details of the LGPS triennial valuation have emerged. 1% increase currently assumed, however, final details not due to be confirmed until Summer 2016.	0	860	660	660
26	Non - Service	**City Deal –** Contribution to funding	0	100	0	0
		NEW INVESTMENT TOTAL	**4,249**	**2,807**	**2,236**	**2,177**

(ii) AGREED/ REVISED INVESTMENTS

Unique ID	Service Group	Description	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000
PEOPLE						
27	Education	**3 and 4 Year Olds** - The expansion of the Welsh Government Flying Start initiative, coupled with the general increase in population and the Local Authorities development of additional Nursery provision means that from 2017/2018 additional funding is required to meet additional capacity needs.	0	0	0	0

Unique ID	Service Group	Description	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000
28	Education (Schools)	**Secondary School Demographics** - net increase for 2016/2017 financial year and beyond. Snapshot taken of known position at 6th March 2015. The figures show increases of 28, 81, 121, and 335 for 2016/2017 to 2019/2020 respectively into the system. For 16/17 & 17/18 proposal is to limit schools to cash limit of 15/16 budget, therefore no pressures included for these years.	0	266	263	550
29	Education (Schools)	**Primary School Demographics** - net increase between primary and nursery pupils for 2016/2017 financial year and beyond. Snapshot taken of known position at 6th March 2015. The figures show increases of 298, 209, 258, and 367 for 2016/2017 to 2019/2020 respectively into the system. For 16/17 & 17/18 proposal is to limit schools to cash limit of 15/16 budget, therefore no pressures included for these years.	0	462	466	162
30	Education (Schools)	**Maes Ebbw Special Schoo**l - capacity building through Capital investment. Revenue consequences of Capital Bid being presented to cater for additional staffing with regard to the creation of additional Capacity proposed to be created at the school, and the ability to take further additional pupils over above current levels. The current position within the school is it has capacity for 100 pupils, but at the present time has 124 pupils on site. The capital bid, which is to be submitted for 6 additional classrooms at £2.3m will give capacity at 148, allowing the school to safely deliver education to those currently on site, and allow additional known demand to be catered on site. The revenue consequences of the development is additional staffing of 6 Teachers and 12 Teaching assistants at total cost of £550k, of which circa £100k can be found from within current ISB resources when pupils move, and a further £180k from anticipated savings falling out of a schools reorganisation programme to be finalised during the current MTFP process. Therefore the revenue burden sits at £270k over two years.	40	0	0	0

Unique ID	Service Group	Description	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000
31	Adult & Community Services	**Adults - Demographic Growth**. Funding based on current trends and demographic forecasts.	137	157	169	0
32	Adult & Community Services	**Transitions** - Children due to turn 18 that are in the children with disabilities team (CDT) and are therefore likely to go into the adult social care system. This is worked out based on the full year cost of 4 children at the current package cost within Children's services. Not all LAC's who turn 18 would apply here, only those in the CDT.	57	297	180	0
33	Children & Young People Services	**Kinship** - There have been increases of children being granted Special Guardianship Orders of around 25% per year, for the last couple of years. Based on reviewing these trends and current numbers, these pressures are needed until the situation plateaus in the years to come. Based on end of May 2016 projection Kinship budget is anticipated to underspend therefore no growth required in 17/18.	0	100	0	0
34	Children & Young People Services	**Out of Area Residential Placements** - Based on an age profile showing children turning 18 and a trend analysis of the likely number of new cases, gives rise to this budgetary pressure. June 16 forecasts anticipate a £426k overspend in this area.	400	0	0	0

Unique ID	Service Group	Description	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000
35	Children & Young People Services	**New legislation/Regulation** - **Fostering 'When I'm Ready'/Leaving Care** - This is an amendment to a line in the last agreed MTFP, where some costs can now be estimated. There are changes to legislation regarding support for foster children up to the age of 25. We are still awaiting final guidance on this but these calculations are based on foster carers receiving the WG minimum allowance for 16-18 year olds until the age of 25, assuming that all children as they turn 18 are included. These can be children from Independent Fostering Agencies, Out of Area Residential Placements and in house looked after children.	141	187	163	150
NON-SERVICE						
36	Non-Service	**Non-teaching staff increments**	717	777	0	0
37	Non-Service	**Teaching staff increments**	308	759	607	486

Unique ID	Service Group	Description	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000
38	Non-Service	**Auto enrolment in Pension scheme** Newport's staging date will be somewhere between 1st April and 30th June 2013. Staff earning over £8,105 will automatically be enrolled into a pension scheme for one month and will then have the ability to opt out of the scheme. Assuming all classes of employee currently not in a pension scheme stayed enrolled the maximum employers contribution (LGPS existing scheme) will cost £1.618m per annum. However it is assumed for budget purposes that only permanent staff will potentially stay in the scheme and that there will be minimal take up from Casual, Fixed Term, Seasonal, Sessional, and Temporary staff. It is not possible to assess how many permanent staff will remain in the pension scheme but it is felt prudent to make budget provision for 30% of this potential cost which equates to £0.507m.	110	0	0	0
39	Non-Service	**Other pressures' - To Be Identified** as annual detailed budget work undertaken - there is normally miscellaneous budget pressures identified. This amount here provides an 'allowance' for this - so that the overall budget gap in each year takes account of some amount for this.	0	1,000	1,000	1,000
40	Non-Service	**Capital programme MRP / Interest** Costs of capital programme MTFP/ interest, following a review of the programme in Sept/Oct 2014 and subsequent re-phasing of projects.	0	200	0	0

Unique ID	Service Group	Description	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000
41	Non-Service	**National Minimum Wage** - Subject to significant uncertainty but preliminary work confirms that increase in cost to our contractors will be very substantial. Contracts & Commissioning manager has advised to reduce down from initial estimate and advised 5% annual increase would be passed to external providers.	447	472	498	525
		AGREED/REVISED INVESTMENT TOTAL	**2,357**	**4,677**	**3,346**	**2,873**
		BUDGET INVESTMENT TOTAL	**6,606**	**7,484**	**5,582**	**5,050**

APPENDIX 7 – BUDGET SAVINGS

(i) NEW BUDGET SAVINGS FOR CONSULTATION

Cabinet

Unique ID	Service Group	Proposal	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	Staff Impact FTE
PEOPLE							
CF171801	Children & Young People Services	Realignment of funding for children's preventions services	55	0	0	0	2
AS171810	Adult & Community Services	Review of charging policy within Adult Services	181	0	0	0	0
EDUC171802	Education (Schools)	Cease funding to the Learning Support Centres in eight secondary schools	256	184	0	0	16
EDUC171804	Education (Schools)	To Cease funding and close the Learning Resource Base in Llanwern High School	79	56	0	0	4
		NEW BUDGET SAVINGS TOTAL - Cabinet	**571**	**240**	**0**	**0**	**22**

Cabinet Member

Unique ID	Service Group	Proposal	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	Staff Impact FTE
PEOPLE							
CF171804	Children & Young People Services	Reduction of a post in Integrated Family Support Services	24	0	0	0	1
AS171808	Adult & Community Services	Review of Supporting People Programme's Grant (SPPG) funding contribution to Social Services	300	150	0	0	0
PLACE							
SS171804	Streetscene & City Services	Withdrawal of bus service X16 as a supported service and re-tender of evening and Sunday services to achieve better value.	69	0	0	0	0
CORPORATE							
FIN171804	Finance	Re-focus of the Strategic Procurement Function.	28	0	0	0	1
PBC171803	People & Business Change	Review of the social care training unit provision.	40	0	0	0	0
		NEW BUDGET SAVINGS TOTAL – Cabinet Member	**461**	**150**	**0**	**0**	**2**

Unique ID	Service Group	Proposal	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	Staff Impact FTE
		NEW BUDGET SAVINGS TOTAL	**1,102**	**460**	**0**	**0**	**83.82**

(ii) NEW BUDGET SAVINGS IMPLEMENTED UNDER DELEGATED AUTHORITY

Head of Service

Unique ID	Service Group	Proposal – Summary Description	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	Staff Impact (FTE)
PEOPLE							
CF171802	Children & Young People Services	Reduction of a post in the Fostering Team - In managing the workload in the fostering team we will make an efficiency saving of one social work post.	42	0	0	0	1
CF171803	Children & Young People Services	Reduce Specialist and Career foster carers - This is a proposal to cap recruitment to two fostering enhanced payments schemes at the present level.	48	0	0	0	0
AS171802	Adult & Community Services	Various Budget reductions - A reduction in various budgets across Adult & Community Services.	129	20	20	20	0

Unique ID	Service Group	Proposal – Summary Description	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	Staff Impact (FTE)
AS171806	Adult & Community Services	Review of the Council's In House Day Opportunities Service - This proposal outlines opportunities to reduce expenditure in the provision of internal day services.	20	60	0	0	3.5
AS171807	Adult & Community Services	Review of the Social Work requirements within the Hospital Social Work team - To review the Social Work requirement within the Hospital Team once the 'In Reach' Project is embedded within the hospital discharge process	39	0	0	0	0
AS171809	Adult & Community Services	Review and retendering of frailty care support team (Hospital Discharge service) - Remodelling the Frailty Care Support Team to improve capacity and minimise the number of handoffs between different teams and services	32	0	0	0	0
PLACE							
RIH171801	Regeneration, Investment & Housing	Transfer of the Access Supported Employment post to external funding - To transfer into external funding the Job Coach position that delivers the activities carried out through the Access Supported Employment Team, supporting people with disabilities to find employment.	25	0	0	0	1
RIH171803	Regeneration, Investment & Housing	Reallocation of external funding from the Flying Start programme to support the post of the Play Development Manager - Additional capacity has been identified within the play development manager's post that will complement the work of Flying Start and amalgamate / reduce 2 x FTE management posts into one.	22	0	0	0	0.5

Unique ID	Service Group	Proposal – Summary Description	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	Staff Impact (FTE)
RIH171805	Regeneration, Investment & Housing	Adult and Community Learning Transfer - To transfer Adult and Community Learning to Community Regeneration to maximise administrative and support efficiency, while developing the service to exploit commercial and funded training opportunities. Efficiency and generated income will see £32k increase in surplus above budget	31	0	0	0	1
RIH171806	Regeneration, Investment & Housing	Deletion 0.6FTE Technical Support post - Development Services – reduction of Technical Building Control Support Team by 0.6 FTE.	6	6	0	0	0.6
RIH171807	Regeneration, Investment & Housing	Reduced Local development Plan (LDP) budget - review of base budget requirements - Development Services - Reduction of LDP budget by £15,000	15	0	0	0	0
RIH171809	Regeneration, Investment & Housing	Reduction of Building Control supplies and services budget and increase Building Control income - Reduction of Building Control supplies and services budget by £8,000 and Increase in Building Control Income by £17,000.	25	0	0	0	0
RIH171810	Regeneration, Investment & Housing	Reduction of Development Management supplies and services budget - Reduction of Development Management supplies and services budget by £12,000	12	0	0	0	0

Unique ID	Service Group	Proposal – Summary Description	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	Staff Impact (FTE)
RIH171811	Regeneration, Investment & Housing	Budget Efficiency - Reduction of the Centralised Property Rates - To reduce the centralised properties building rates budgets in alignment with the occupied number of buildings by Newport City Council.	95	0	0	0	0
RIH171812	Regeneration, Investment & Housing	Energy Efficiency - Energy Budget Savings and Reduce the Carbon Reduction Budget - Reduction in energy budgets and carbon reduction budgets as a result of improved monitoring, consumption and forecasting.	60	0	0	0	0
RIH171813	Regeneration, Investment & Housing	Reallocation of external funding to create a shared resource - Currently the community regeneration service is supported by a number of finance and admin functions that predominantly are externally funded. We have reviewed the structure of Admin and finance officers and are currently restructuring the team.	12	0	0	0	0.5
SS171808	Streetscene & City Services	Collaboration of Passenger Transport Units of Newport City Council and Monmouthshire County Council - Monmouthshire County Council are providing management support to the passenger transport unit, the proposal is to take this forward with a full collaboration of this service between the two local authorities to achieve savings for both authorities.	14	0	0	0	0.4

Unique ID	Service Group	Proposal – Summary Description	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	Staff Impact (FTE)
SS171810	Streetscene & City Services	Review of lodges within Streetscene portfolio - To implement the findings of a property valuation, currently being undertaken by Newport Norse, of the occupied and empty lodge buildings within the Parks and Cemeteries of Streetscene. To bring residential rentals into line with appropriate market level for condition and age of the property.	10	10	0	0	0
SS171813	Streetscene & City Services	Provision of car parking facilities to Aneurin Bevan University Health Board (ABUHB) - Part one and part two - This business case confirms an external income opportunity for the provision of car parking spaces at Park Square car park via a negotiated contract	39	39	0	0	0
SS171815	Streetscene & City Services	Southern Distributor Road (SDR) operation and maintenance contract award - Part one and part two - To report on the income generation following the successful award of the operating and maintenance contract for the SDR	40	10	0	0	-4 (increase)
SS171816	Streetscene & City Services	Removal of vacant posts from the Green Services Establishment - Removal of the vacant posts from the financial establishment of Countryside, Parks & Open spaces for 2016/17.	99	0	0	0	4.5
CORPORATE							

Unique ID	Service Group	Proposal – Summary Description	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	Staff Impact (FTE)
FIN171801	Finance	Centralisation of Accountancy Assistants - To centralise accountancy assistants within the service, provide more focus on tasks and review working practices, thereby allowing a reduction in the number of accountancy assistants by 2 FTE	0	46	0	0	2
FIN171802	Finance	Restructure of 'Place' Finance Business Partner - To re-structure Place accountancy team with resulting reduction in staff resource of 0.5FTE	28	0	0	0	0.5
FIN171803	Finance	Restructure of Internal Audit and revisions to the operating model - Reduced internal audit work across the Council, thereby allowing for a reduction in Internal Audit staffing establishment by 1 FTE	21	0	0	0	1
FIN171805	Finance	Increase council tax collection rate - When setting C Tax, an allowance for non-collection is incorporated into the process. The proposal is to reduce this allowances, thereby, from the same level of C Tax, increase funding / income from C Tax by increasing the collection rates– 0.1% in 2017/18 and 2018/19 and 0.05% in 2019/20.	62	62	31	0	0
PBC171801	People & Business Change	Reduction of HR budget	20	0	0	0	1.5

Unique ID	Service Group	Proposal – Summary Description	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	Staff Impact (FTE)
PBC171802	People & Business Change	Review of partnership team structure - Review the structure of the partnership team releasing interim funding.	27	0	0	0	0
PBC171804	People & Business Change	Digital savings - Digital cost savings primarily in the areas of mail and print facilitated by Xerox Mail “FlexiMail” solution and new Multi-Function Device (MFD) print contract.	61	0	0	0	1
PBC171805	People & Business Change	Business Improvement & Performance Team (BIPT) - Income generation	48	0	0	0	0
LR171805	Law & Regulation	Public protection structure review - A review of the Public Protection Structure to create multidisciplinary service teams within the service to increase resilience and to provide a more joined up service to the residents and businesses of Newport	38	121	0	0	6
LR171807	Law & Regulation	Restructure of Public Relations (PR)/ Communication and Democratic services - To amalgamate the PR/Communications and Democratic Services teams under a single management structure and with combined, integrated teams to provide greater resilience	59	0	0	0	1

Unique ID	Service Group	Proposal – Summary Description	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	Staff Impact (FTE)
NON – SERVICE							
NS171801	Non-Service	**Municipal Mutual Insurance (MMI) -** Removal of contribution to MMI reserve - Remove the contribution to the MMI reserve as the current level is deemed sufficient for future calls on the Council.	250	0	0	0	0
NS171802	Non-Service	**MRP/ Interest budgets -** Expected interest rate savings when bonds mature - A large number of the bonds the Council have are due to mature in the 2019/20 financial year. Due to the current low level of interest rates, when these are re-financed there will be significant savings on the financing cost of these bonds	0	0	1,500	0	0
NS171803	Non-Service	Surplus energy budgets - Remove surplus energy budget held centrally	263	0	0	0	0
NS171804	Non-Service	Net saving resulting from HoS restructure and pay and grading review - Remove the budget in relation to the net savings resulting from the Head of Service restructure and Pay and Grading Review within non service.	48	0	0	0	0
NS171805	Non-Service	Review of levies budgets - To reduce the budgets for both Non-operational Pensions and South Wales Fire and Rescue Levy.	212	0	0	0	0

Unique ID	Service Group	Proposal – Summary Description	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	Staff Impact (FTE)
NS171806	Non-Service	Council Tax Reduction Scheme	400	0	0	0	0
		DELEGATED HEAD OF SERVICE BUDGET SAVING TOTAL	**2,352**	**374**	**1,551**	**20**	**22**

(iii) BUDGET SAVINGS PREVIOUSLY APPROVED/ REVISED

Service Group	Proposal	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000
Education	**Joint Working with Social Services -** Anticipated saving in respect of reduced out of county placements and potential to income generate through offering school places across Gwent. This saving has been profiled in line with the opening of the new Autistic Spectrum Disorder school.	0	0	0	0
Education	**Home to School Transport** The home to school transport distance was changed from the discretionary three miles to the statutory limit of two miles in September 2014. It only applies to new pupils as they enter secondary school.	60	0	0	0
Regeneration, Investment & Housing	**Property Services** - The service is now being delivered by a joint venture company.	106	0	0	0
Streetscene & City Services	**Prosiect Gwyrdd** - Commencing 1 April 2016. Associated landfill site savings and additional income generated from external customers	0	0	0	0
Streetscene & City Services	**Commercial Waste -** Additional income opportunities by allowing more commercial waste to be deposited at the landfill site.	0	0	0	0
Finance	**Council Tax & Non-Domestic Rates (NDR): Implement e-transactions and e-billing** To increase the volume of online transactions, especially e-billing, leading to reduced billing and postage costs.	5	0	0	0

Service Group	Proposal	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000
Law & Regulation	**Warden Service** Increase proactive fixed penalty enforcement work, increasing income from fines.	5	0	0	0
Non Service	**Council Tax 1%** This is the additional income from a 1% council tax rise across the period of the medium term financial plan	0	0	0	0
CS & DI	**Information Governance** - Reduce postage budget by 7% (over a two year period) across the Council. This would be achieved through reductions in 1st class mail, maximising royal mail discounts and through the use of an automated mail service (hybrid mail solution)	5	0	0	0
CS & DI	**Information Governance** - Reduce budget for external storage of documents. Documents previously held in storage externally have now been transferred to the internal modern records facility therefore reducing the cost in future	3	0	0	0
CS & DI	**Information Technology** - Budget reduction to reflect the Egress (secure email) sliding scale of charges	29	0	0	0
CS & DI	**Information Governance** - PSBA (Public Sector Broadband Aggregation) circuits. Greater Gwent Network project developed involving the provision of a new wide area network funded by Welsh Government	61	12	0	0

Service Group	Proposal	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000
Finance	**Internal Audit** - Reduction in Audit staffing resources	26	0	0	0
Finance	**Procurement and Payments** - Reduction of staff within the two teams	27	0	0	0
Law & Regulation	**Land Charges -** To increase the fee income projections for local land charges searches fees	25	0	0	0
Law & Regulation	**Legal Services -** Reduction of staff within the Legal section	43	0	0	0
Law & Regulation	**Kennel Service -** Redesign the service at the kennels moving it towards more of a rehoming centre which drives income to eventually pay for its self	10	0	0	0
People & Business Change	**Voluntary Sector Grants** - The re-commissioning of voluntary sector organisation provision - replaces original PBC06 & RIH9	63	0	0	0
Adult & Community Services	**Promoting Independence -** LD Service Development and Reviews	531	0	0	0

Service Group	Proposal	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000
Adult & Community Services	**Modernisation of Transport Provision**	104	0	0	0
Adult & Community Services	**Review of Telecare Service**	78	0	0	0
Adult & Community Services	**Improving the efficiency of Homecare and Extracare service**	90	0	0	0
Children & Young People Services	**Reduction in Social Worker posts**	144	144	0	0
Children & Young People Services	**Review of residential provision**	594	0	0	0
Children & Young People Services	**Review Voluntary Sector Contracts**	23	0	0	0

Service Group	Proposal	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000
Streetscene & City Services	**Bus routes -** Removal of subsidy to support evening and Sunday bus services	69	0	0	0
Streetscene & City Services	**Trade Waste -** Review of charges and increase the number of contracts	90	0	0	0
Streetscene & City Services	**Waste -** Review of charging for special collections - applying a new pricing mechanism to ensure that the minimum charge covers the operating and disposal costs of the service	0	0	0	0
Streetscene & City Services	**Newport LIVE -** Efficiency savings from Newport Live operation	0	60	60	0
	Total agreed budget savings	**2,191**	**216**	**60**	**0**

SAVINGS SUMMARY

Savings Decision Type	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	Staff Impact (FTE)
Cabinet Budget Savings	571	240	0	0	22
Cabinet Member Budget Savings	461	150	0	0	2
New Budget Savings for consultation	**1,032**	**390**	**0**	**0**	**24**
Delegated Head of Service Budget Savings	2,352	374	1,551	20	22
Budget Savings previously agreed/revised	2,191	216	60	0	25.4
TOTAL BUDGET SAVINGS	**5,575**	**980**	**1,611**	**20**	**71.4**

APPENDIX 8 – CAPITAL PROGRAMME 2017/18

SCHEME	2017/18 APPROVED £000's	NOTES
EDUCATION		
STEP 4	247	Ongoing scheme
21C Schools - School Reorganisation - Lodge Hill New Build	3,518	Ongoing scheme
21C Schools - Capacity Building – Demountable Replacement	2,307	Ongoing scheme
21C Schools - Ysgol Gyfun Gwent Is Coed / John Frost	16,000	Ongoing scheme
John Frost School - Additional Funding	2,000	Ongoing scheme
21C Schools - Special Sector Maes Ebbw	1,650	New scheme
Jubilee Park Primary FF&E	375	Ongoing scheme
Total Education	**26,097**	
REGENERATION, INVESTMENT & HOUSING		
Gypsy Traveller Site Development	1,663	Ongoing scheme
City Centre Redevelopment CPO Schemes	66	Ongoing scheme
Renovation Grants	1,436	Annual allocation
Asset Management	1,664	Annual allocation
Central Library Structural Safety Works	320	Reprofiled existing allocation
Total Regeneration, Investment & Housing	**5,149**	
CUSTOMER SERVICES & DIGITAL INNOVATION		
Replacement of High Volume Printing/ Copying Machines	210	Cyclical requirement
MFD Lease IT Replacement Schemes	0 200	Cyclical requirement Annual allocation
Corporate EDMS Rollout	9	Ongoing scheme
Total Customer Services & Digital Innovation	**419**	
PEOPLE & BUSINESS CHANGE		

SCHEME	2017/18 APPROVED £000's	NOTES
Implementation of HR self-serve System	85	Ongoing scheme
Preparatory Works Allocation	100	Annual allocation
Amount Reserved for Change & Efficiency Programme	2,200	TBD
Total People & Business Change	**2,385**	
LAW AND REGULATION		
Schemes yet to be determined	0	No projects identified
Total Law and Regulation	**0**	
ADULT & COMMUNITY SERVICES		
Appliances/Equipment for Disabled	165	Annual allocation
Telecare Service Equipment	30	Annual allocation
Total Adult & Community Services	**195**	
CHILDREN & YOUNG PEOPLE SERVICES		
Schemes yet to be determined	0	No projects identified
Total Children & Young People Services	**0**	
STREETSCENE & CITY SERVICES		
Fleet Replacement Programme	1,500	Annual allocation
Decommissioning of Public Toilets	20	Reprofiled existing allocation
Lliswerry Recreation Ground Changing Rooms	189	Ongoing scheme
Maplewood Play Area	176	Ongoing scheme
Maintenance, Footways and Street Lighting	500	Annual allocation
Pye Corner Development Works	26	Ongoing scheme
Peterstone Sewage Scheme	68	Reprofiled existing allocation
Total Streetscene & City Services	**2,479**	
TOTAL EXPENDITURE	**36,724**	

SCHEME	2017/18 APPROVED £000's	NOTES
Funded By:		
General Capital Grant	2,465	
Supported Borrowing	4,051	
Unsupported/ Prudential Borrowing	6,566	
Capital Receipts	6,957	
External Grants	16,110	
Revenue/ Reserve Contributions	0	
S106 & Other Contributions	365	
Finance Lease	210	
TOTAL FUNDING	**36,724**	

APPENDIX 9 TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS

Prudential Code Indicators, Minimum Revenue Policy, Treasury Management and Investment Strategy Statements 2017/18

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.

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 borrows/invests 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, or 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 2017/18 will be the UK's progress in negotiating a smooth exit from the European Union. Financial markets, wrong-footed by the referendum outcome, have since been weighed down by uncertainty over whether leaving the Union also means leaving the single market. Negotiations are expected to start once the UK formally triggers exit in early 2017 and last for at least two years. Uncertainty over future economic prospects will therefore remain throughout 2017/18.

The fall and continuing weakness in sterling and the near doubling in the price of oil in 2016 have combined to drive inflation expectations higher. The Bank of England is forecasting that Consumer Price Inflation will breach its 2% target in 2017, the first time since late 2013, but the Bank is expected to look through inflation overshoots over the course of 2017 when setting interest rates so as to avoid derailing the economy.

Initial post-referendum economic data showed that the feared collapse in business and consumer confidence had not immediately led to lower GDP growth. However, the prospect of a leaving the single market has dented business confidence and resulted in a delay in new business investment and, unless counteracted by higher public spending or retail sales, will weaken economic growth in 2017/18.

Looking overseas, with the US economy and its labour market showing steady improvement, the market has priced in a high probability of the Federal Reserve increasing interest rates in December 2016. The Eurozone meanwhile has continued to struggle with very low inflation and lack of momentum in growth, and the European Central Bank has left the door open for further quantitative easing.

The impact of political risk on financial markets remains significant over the next year. With challenges such as immigration, the rise of populist, anti-establishment parties and negative interest rates resulting in savers being paid nothing for their frugal efforts or even penalised for them, the outcomes of Italy's referendum on its constitution (December 2016), the French presidential and general elections (April – June 2017) and the German federal elections (August – October 2017) have the potential for upsets.

Credit outlook:

Markets have expressed concern over the financial viability of a number of European banks recently. Sluggish economies and continuing fines for pre-crisis behaviour have weighed on bank profits, and any future 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. 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 continue to fall.

Interest rate forecast:

The Authority's treasury adviser Arlingclose's central case is for UK Bank Rate to remain at 0.25% during 2017/18**.** The Bank of England has, however, highlighted that excessive levels of inflation will not be tolerated for sustained periods. Given this view and the current inflation outlook, further falls in the Bank Rate look less likely. Negative Bank Rate is currently perceived by some policymakers to be counterproductive but, although a low probability, cannot be entirely ruled out in the medium term, particularly if the UK enters recession as a result of concerns over leaving the European Union.

Gilt yields have risen sharply, but remain at low levels. The Arlingclose central case is for yields to decline when the government triggers Article 50. Long-term economic fundamentals remain weak, and the quantitative easing (QE) stimulus provided by central banks globally has only delayed the fallout from the build-up of public and private sector debt. The Bank of England has defended QE as a monetary policy tool, and further QE in support of the UK economy in 2017/18 remains a possibility, to keep long-term interest rates low.

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

Local Context

On 31 December 2016, the Authority held £215.9 million of borrowing and £8.2 million 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

	31.3.16 Actual £m	31.3.17 Estimate £m	31.3.18 Estimate £m	31.3.19 Estimate £m	31.3.20 Estimate £m
CFR	230.5	233.8	238.1	241.7	243.1
Less: External borrowing *	(223.3)	(187.7)	(146.3)	(144.9)	(103.4)
Internal (over) borrowing	**7.2**	**46.1**	**91.8**	**96.8**	**139.7**
Less: Usable reserves	(101.3)	(92.3)	(89.4)	(86.7)	(83.8)
Less: Working capital	90.7	7.7	7.7	7.7	7.7
Investments / (New Borrowing)	**3.4**	**38.5**	**(10.1)**	**(17.8)**	**(63.6)**
Net Borrowing Requirement	**219.9**	**149.2**	**156.4**	**162.7**	**167.0**

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

Capital Financing Requirement

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 during 2015/16 due to the capital programme and the on-going loan to Queensbury Real Estates (Newport) Ltd, but holds minimal investments and will therefore be required to borrow up to £50m during 2015/16. However, during 2016/17 the sale of the development will reduce the CFR significantly and dependent on timing of loan re-payments and capital receipts, significant investments are likely to be required over the forecast period.

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 2017/18.

Borrowing Strategy

The Authority currently holds £215.9 million of loans as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Authority does not expect to need to borrow in 2017/18, but this is dependent on the outcome of the repayment or refinancing of the Queensberry loan. The Authority may however borrow to pre-fund future years' requirements, providing this does not exceed the recommended authorised limit for borrowing of £354 million.

The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty 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.

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 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 2016/17 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 2016/17, 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 (normally for up to one month) to cover unexpected cash flow shortages.

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

- Public Works Loan Board and any successor body
- UK local authorities
- any institution approved for investments (see below)
- any other bank or building society authorised by the Prudential Regulation Authority to operate in the UK
- UK public and private sector pension funds
- capital market bond investors
- Special purpose companies created to enable joint local authority bond issues.

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 Public Works Loan Board, 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.

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 automatic option to either accept the new rate or to repay the loan at no additional cost. £25m of these LOBOS have options during 2017/18, and although the Authority understands that lenders are extremely unlikely to exercise their options in the current low interest rate environment, there remains a remote 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.

Short-term and variable rate 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. Some bank 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 saving or reduction in risk.

Investment Strategy

The Authority holds 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 million and £25 million. In 2017/18, the investment balances could, for a short period, increase significantly dependent on the timing of the repayment of loans in relation to Queensberry, where a substantial receipt may be achieved in advance of borrowing required to be repaid. As per the strategy, balances could first be used to reduce levels of borrowing required before the Authority invests funds, this is in relation to long term loans which become redeemable.

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 receiving unsuitably low investment income. Where balances are expected to be invested for more than a 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 sums invested.

Given the increasing risk and falling returns from short-term unsecured bank investments, the Authority aims to diversify into more secure and/or higher yielding classes during 2017/18. This is especially the case for any surplus funds available for investment following the repayment of the Queensberry loan.

- **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 level 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 designated 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.

- **Banks Secured:** Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and designated 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 highest 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 UK government, regional and local authorities. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK 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 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. The Authority will consider investing with unrated Registered Providers with adequate credit safeguards, subject to receiving independent advice.

- **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.

- **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 the Treasury advisor provides advice relating to a specific named counterparty then the Authority will act upon that advice relating to the duration of exposure and amount.
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; those that are defined as capital expenditure by legislation, such as shares in money market funds and other pooled fund; and investments with bodies and schemes not meeting the definition on high credit quality. Appendix C sets out the investment limits/ maximum maturity periods for Non-specified investments.

- **Approved Instruments:** The Authority may lend or invest money using any of the following instruments:
    - interest-bearing bank accounts,
    - fixed term deposits and loans,
    - callable deposits and loans where the Authority may demand repayment at any time (with or without notice),
    - certificates of deposit,
    - bonds, notes, bills, commercial paper and other marketable instruments, and
    - shares in money market funds and other pooled funds.

- Investments may be made at either a fixed rate of interest, or at a variable rate linked to a market interest rate, such as LIBOR, subject to the limits on interest rate exposures below.

- **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, with receipts under-estimated and payments over-estimated 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.

Monitoring & reporting on the Treasury Management and capital Prudential Indicators

The Head of Finance will report to the Audit committee/ Cabinet/ Council on treasury management activity, performance and Treasury/Capital Prudential Indicators (set out in Appendix D) as follows:

- Half Yearly and then annually against the strategy approved for the year. The annual report will be produced normally by July of the following year but in any event no later than 30th September.
- The Audit Committee will be responsible for the scrutiny of treasury management activity and practices.

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 Use of Financial Derivatives:** In the absence of any 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 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 annually as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

  Staff members regularly attend training courses, seminars and conferences provided by Arlingclose and other organisations.

- **Investment Advisers:** The Authority has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. The service provided by Arlingclose continues to meet all expectations and the advice given especially in relation to investment counterparties and credit ratings has allowed the Council to action the changes needed, especially in removing counterparties from the approved list, in a prompt and timely manner.

Financial Implications

- The approximate debt interest of £8.6 million and principal of £1.3 million is expected to be paid in 2017/18. In addition to this, principal of c£69m in relation to Queensberry loans (as detailed in Appendix B) will be paid or re-financed in 2017/18 depending on the status of the sale. If actual levels of investments and borrowing 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 Head of Finance 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.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Reduced risk of losses from credit related defaults, but any such losses will 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 will 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 will 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 will 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 will be less certain

Appendix A – Arlingclose Economic & Interest Rate Forecast November 2016

Underlying assumptions:

- The medium term outlook for the UK economy is dominated by the negotiations to leave the EU. The long-term position of the UK economy will be largely dependent on the agreements the government is able to secure with the EU and other countries.

- The global environment is also riddled with uncertainty, with repercussions for financial market volatility and long-term interest rates. Donald Trump's victory in the US general election and Brexit are symptomatic of the popular disaffection with globalisation trends. The potential rise in protectionism could dampen global growth prospects and therefore inflation. Financial market volatility will remain the norm for some time.

- However, following significant global fiscal and monetary stimulus, the short term outlook for the global economy is somewhat brighter than earlier in the year. US fiscal stimulus is also a possibility following Trump's victory.

- Recent data present a more positive picture for the post-Referendum UK economy than predicted due to continued strong household spending.

- Over the medium term, economic and political uncertainty will likely dampen investment intentions and tighten credit availability, prompting lower activity levels and potentially a rise in unemployment.

- The currency-led rise in CPI inflation (currently 1.0% year/year) will continue, breaching the target in 2017, which will act to slow real growth in household spending due to a sharp decline in real wage growth.

- The depreciation in sterling will, however, assist the economy to rebalance away from spending. The negative contribution from net trade to GDP growth is likely to diminish, largely due to weaker domestic demand. Export volumes will increase marginally.

- Given the pressure on household spending and business investment, the rise in inflation is highly unlikely to prompt monetary tightening by the Bank of England, with policymakers looking through import-led CPI spikes to the negative effects of Brexit on economic activity and, ultimately, inflation.

- Bank of England policymakers have, however, highlighted that excessive levels of inflation will not be tolerated for sustained periods. Given this view and the current inflation outlook, further monetary loosening looks less likely

Forecast:

- Globally, the outlook is uncertain and risks remain weighted to the downside. The UK domestic outlook is uncertain, but likely to be weaker in the short term than previously expected.

- The likely path for Bank Rate is weighted to the downside. The Arlingclose central case is for Bank Rate to remain at 0.25%, but there is a 25% possibility of a drop to close to zero, with a very small chance of a reduction below zero.

- Gilt yields have risen sharply, but remain at low levels. The Arlingclose central case is for yields to decline when the government triggers Article 50.

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	**0.12**
Arlingclose Central Case	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**
Downside risk	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	**0.40**
3-month LIBID rate														
Upside risk	0.05	0.05	0.10	0.10	0.10	0.15	0.25	0.25	0.25	0.25	0.25	0.25	0.25	**0.18**
Arlingclose Central Case	**0.25**	**0.25**	**0.25**	**0.30**	**0.30**	**0.30**	**0.30**	**0.30**	**0.30**	**0.30**	**0.30**	**0.30**	**0.30**	**0.29**
Downside risk	0.20	0.25	0.25	0.25	0.30	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.34**
1-yr LIBID rate														
Upside risk	0.10	0.10	0.15	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	**0.23**
Arlingclose Central Case	**0.60**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.60**	**0.70**	**0.85**	**0.90**	**0.90**	**0.90**	**0.65**
Downside risk	0.10	0.15	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	**0.24**
5-yr gilt yield														
Upside risk	0.25	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.39**
Arlingclose Central Case	**0.50**	**0.40**	**0.35**	**0.35**	**0.35**	**0.40**	**0.40**	**0.40**	**0.45**	**0.50**	**0.55**	**0.60**	**0.65**	**0.45**
Downside risk	0.30	0.45	0.45	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	**0.47**
10-yr gilt yield														
Upside risk	0.30	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.39**
Arlingclose Central Case	**1.15**	**0.95**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.90**	**0.95**	**1.00**	**1.05**	**1.10**	**1.15**	**0.96**
Downside risk	0.30	0.45	0.45	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	**0.47**
20-yr gilt yield														
Upside risk	0.25	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.39**
Arlingclose Central Case	**1.70**	**1.50**	**1.40**	**1.40**	**1.40**	**1.40**	**1.40**	**1.45**	**1.50**	**1.55**	**1.60**	**1.65**	**1.70**	**1.75**
Downside risk	0.40	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	**0.57**
50-yr gilt yield														
Upside risk	0.25	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.39**
Arlingclose Central Case	**1.60**	**1.40**	**1.30**	**1.30**	**1.30**	**1.30**	**1.30**	**1.35**	**1.40**	**1.45**	**1.50**	**1.55**	**1.60**	**1.41**
Downside risk	0.40	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	**0.57**

Appendix B – Existing Investment & Debt Portfolio Position

	31/12/16 Actual Portfolio £m
External Borrowing:	
PWLB – Fixed Rate	71.79
Market Loans	35.00
Stock Issue	40.00
Temporary loans - Queensberry	69.08
Other Soft Loans	0.00
Total External Borrowing	**215.87**
Other Long Term Liabilities:	
PFI	49.51
Finance Leases and other	0.13
Total Gross External Debt	**265.51**
Investments:	
Short-term investments	8.20
Long-term investments	0.00
Total Investments	**8.20**
Net Debt	**257.31**

Appendix C – Operational Investment Counterparties List

COUNTERPARTY LIMITS FOR BANKING – UK INSTITUTIONS

	Unsecured Investments		**Secured Investments**	
Counterparty - Banking UK Institutions	**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	£10,000,0000	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

*** based on advice from Arlingclose**

Appendix D - Prudential Indicators 2017/18 – 2019/20

1. **Background:**
There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators.

2. **Gross Borrowing and the Capital Financing Requirement:**
This is a key indicator of prudence. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that the net external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional increases to the capital financing requirement for the current and next two financial years.

If in any of these years there is a reduction in the capital financing requirement, this reduction is ignored in estimating the cumulative increase in the capital financing requirement, which is used for comparison with gross external debt.

The Head of Finance reports that the authority will have no difficulty meeting this requirement in 2017/18, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

3. **Estimates of Capital Expenditure:**

3.1 This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax.

Capital Expenditure	***2016/17 Estimate £m***	***2017/18 Estimate £m***	**2018/19 Estimate* £m**	**2019/20 Estimate* £m**	**2020/21 Estimate* £m**
Total	***36.6***	***36.7***	***22.7***	**12.2**	**10.9**

** The Capital Programme for 2018/19 to 2021/22 is currently being assessed and compiled. The estimated capital expenditure included in the figures above, give an indication of the level of capital expenditure that could be allowed in the financial year which will keep the revenue costs within the current MRP headroom. The estimated capital expenditure does not currently include, as shown in the table 3.2 below, any estimates for specific grants (which could be significant) or any revenue contributions, which would have no impact on the CFR or borrowing. This has been updated since the report to Audit Committee due to the ongoing work on the 2017/18 programme which is discussed in the main body of the report.*

3.2 Capital expenditure will be financed or funded as follows:

Capital Financing	***2016/17 Estimate £m***	***2017/18 Estimate £m***	**2018/19 Estimate £m**	**2019/20 Estimate £m**	**2020/21 Estimate £m**
Capital receipts	3.5	7.0	0.4	0.0	0.0
Government Grants	2.5	2.5	2.2	2.0	2.0
Other Specific Grants	13.6	16.1	2.7	0.0	0.0
S106 Contributions	3.9	0.4	0.0	0.0	0.0
Revenue contributions	1.8	0.0	0.0	0.0	0.0
Total Financing	**25.3**	**26.0**	**5.3**	**2.0**	**2.0**
Supported borrowing	4.1	4.0	4.0	3.8	3.6
Unsupported borrowing	7.2	6.5	13.4	6.2	5.3
Finance Leases	0.0	0.2	0.0	0.2	0.0
Total Funding	**11.3**	**10.7**	**17.4**	**10.2**	**8.9**
Total Financing and Funding	**36.6**	**36.7**	**22.7**	**12.2**	**10.9**

4. Ratio of Financing Costs to Net Revenue Stream:

4.1 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. The definition of financing costs is set out in the Prudential Code.

4.2 The ratio is based on costs net of investment income.

Ratio of Financing Costs to Net Revenue Stream	**2016/17 Estimate %**	**2017/18 Estimate %**	**2018/19 Estimate %**	**2019/20 Estimate %**	**2020/21 Estimate %**
Total	8.6%	8.4%	8.4%	7.8	7.8%

5. Capital Financing Requirements:

5.1 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and it's financing.

Capital Financing Requirement	**2015/16 Actual £m**	**2016/17 Estimate £m**	**2017/18 Estimate £m**	**2018/19 Estimate £m**	**2019/20 Estimate £m**
Total CFR	230.5	233.8	238.1	241.7	243.1

6. Actual External Debt:

6.1 This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

Actual External Debt as at 31/03/2016	**£000**
Borrowing	230,008
Other Long-term Liabilities	49,656
Total	**279,664**

7. Incremental Impact of Capital Investment Decisions:

7.1 This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and Housing Rent levels. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

Incremental Impact of Capital Investment Decisions	2017/18 Estimate £	2018/19 Estimate £	2019/20 Estimate £	2020/21 Estimate £
Increase in Band D Council Tax*	1.93	3.18	-2.78	3.43

*Assumes a 4% increase in Council Tax although no decision has been taken to this effect. The Friars Walk Loan have been excluded from this calculation as it is not part of the capital programme.

8. Authorised Limit and Operational Boundary for External Debt:

8.1 The Council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Council and not just those arising from capital spending reflected in the CFR.

8.2 The **Authorised Limit** sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) for the Council. It is measured on a daily basis against all external-borrowing items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities). This Prudential Indicator separately identifies borrowing from other long-term liabilities such as finance leases. It is consistent with the Council's existing commitments, its proposals for capital expenditure and financing and its approved treasury management policy statement and practices.

8.3 The Authorised Limit has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

8.4 The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

Authorised Limit for External Debt	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
Borrowing	308	276	283	287
Other Long-term Liabilities	46	44	43	42
Total	**354**	**320**	**326**	**329**

8.5 The Operational Boundary links directly to the Council's estimates of the CFR and estimates of other cashflow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

8.6 The Head of Finance has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported in the next regular capital/treasury monitoring report to be submitted to Cabinet/Council.

Operational Boundary for External Debt	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
Borrowing	288	256	263	267
Other Long-term Liabilities	46	44	43	42
Total	**334**	**300**	**306**	**309**

9. Adoption of the CIPFA Treasury Management Code:

9.1 This indicator demonstrates that the Council has adopted the principles of best practice.

Adoption of the CIPFA Code of Practice in Treasury Management
The Council approved the adoption of the CIPFA Treasury Management Code at its Council meeting on 29th June 2009.

The Council has incorporated the changes from the revised CIPFA Code of Practice into its treasury policies and procedures and will update its treasury management practice documentation in due course.

10. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure:

10.1 These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. This Council calculates these limits on net principal outstanding sums, (i.e. fixed rate debt net of fixed rate investments)

10.2 The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises that could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments.

	Existing limit at 31/03/16 %	2017/18 Estimate %	2018/19 Estimate %	2019/20 Estimate %	2020/21 Estimate %
Upper Limit for Fixed Interest Rate Exposure	100%	100%	100%	100%	100%
Upper Limit for Variable Interest Rate Exposure	50%	50%	50%	50%	50%

10.3 The limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the Council's treasury management strategy.

11. Maturity Structure of Fixed Rate borrowing:

11.1 This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

11.2 It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

11.3 LOBO's are classified as maturing on the next call date i.e. the earliest date that the lender can require repayment and as most of these loans are on six monthly notice period, then they increase the under 12 months percentage accordingly, though it is considered unlikely all will be called within one financial year.

11.4 The greatest concentration of debt is in the financial year 2019/20 when the stock issue (£40m) matures. A strategy to deal with the repayment will be prepared closer to the maturity date.

Maturity structure of fixed rate borrowing (Newport CC debt)	**Existing level at 31/12/16 %**	**Lower Limit for 2017/18 %**	**Upper Limit for 2017/18 %**
under 12 months	46%	0%	80%
12 months and within 24 months	0%	0%	70%
24 months and within 5 years	21%	0%	70%
5 years and within 10 years	17%	0%	50%
10 years and within 20 years	6%	0%	30%
20 years and within 30 years	0%	0%	20%
30 years and within 40 years	6%	0%	20%
40 years and within 50 years	2%	0%	20%
50 years and above	2%	0%	20%

12. Credit Risk:

12.1 The Council considers security, liquidity and yield, in that order, when making investment decisions.

12.2 Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Council's assessment of counterparty credit risk.

12.3 The Council also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:

- Published credit ratings of the financial institution (minimum A- or equivalent) and its sovereign (minimum AA+ or equivalent for non-UK sovereigns);
- Sovereign support mechanisms;
- Credit default swaps (where quoted);
- Share prices (where available);
- Economic fundamentals, such as a country's net debt as a percentage of its GDP;
- Corporate developments, news, articles, markets sentiment and momentum;
- Subjective overlay.

12.4 The only indicators with prescriptive values remain to be credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

13. Upper Limit for total principal sums invested over 364 days:

13.1 The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

Upper Limit for total principal sums invested over 364 days	**2017/18 Estimate £m**	**2018/19 Estimate £m**	**2019/20 Estimate £m**	**2020/21 Estimate £m**
	5	**5**	**5**	**5**

Appendix E – Minimum Revenue Provision (MRP) Statement 2017/18

1. The Welsh Government's Guidance on Minimum Revenue Provision (issued in 2010) places a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Welsh Ministers and local authorities are required to "have regard" to such Guidance under section 21(1A) of the Local Government Act 2003.

2. The four MRP options available are:
    - Option 1: Regulatory Method
    - Option 2: CFR Method
    - Option 3: Asset Life Method
    - Option 4: Depreciation Method

3. MRP in 2016/17: Options 1 and 2 may be used only for supported (i.e. financing costs deemed to be supported through Revenue Support Grant from Central Government) Non-HRA capital expenditure funded from borrowing. Methods of making prudent provision for unsupported Non-HRA capital expenditure include Options 3 and 4 (which may also be used for supported Non-HRA capital expenditure if the Authority chooses). There is no requirement to charge MRP in respect of HRA capital expenditure funded from borrowing.

4. The MRP Statement will be submitted to Council before the start of the 2016/17 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement should be put to Authority at that time.

5. The Authority will apply Option 1/Option 2 in respect of supported Non-HRA capital expenditure funded from borrowing and Option 3/Option 4 in respect of unsupported Non-HRA capital expenditure funded from borrowing.

6. MRP in respect of leases and Private Finance Initiative schemes brought on Balance Sheet under the International Financial Reporting Standards (IFRS) based Accounting Code of Practice will match the annual principal repayment for the associated deferred liability.

7. In December 2013 the Council approved a loan of up to £89.1million to Queensbury Real Estates (Newport) Ltd (QRE) to fund the building of the Friars Walk Development. The loan is anticipated to be paid off in full via a capital receipt at the end of the three-year period. On this basis, the Council will not be required to make MRP charges to the revenue budget in relation to the Friars Walk Development loan as the borrowing will be paid off in full at the end of the scheme.

APPENDIX 10 – MEDIUM TERM FINANCIAL PLAN (MTFP)

APPENDIX ONE - MEDIUM TERM FINANCIAL PLAN					
	2017/18	**2018/19**	**2019/20**	**2020/21**	**TOTAL**
Pressures					
Inflation	2,151	3,501	3,586	3,682	**12,922**
Other	6,606	7,484	5,582	5,050	**24,722**
Total Pressures	**8,758**	**10,985**	**9,169**	**8,732**	**37,644**
Technical Adjustments	**- 1,138**	**-**	**-**	**-**	**- 1,138**
(INCREASE)/DECREASE IN REVENUE SUPPORT GRANT(0.43% 17/18, assumed 1.5% 18/19 and thereafter	**892**	**3,090**	**3,044**	**2,998**	**10,024**
Estimated Specific Grant - Social Care	- 353	-	-	-	**- 353**
Increase in tax base - C.Tax @ 16/17 rate	- 1,299	-	-	-	**- 1,299**
C. Tax @ 4% in 17/18 (4% thereafter)	- 2,246	- 2,266	- 2,286	- 2,306	**- 9,105**
Less consequential increase in benefits	737	521	526	530	**2,314**
GAP	**5,350**	**12,331**	**10,452**	**9,954**	**38,087**
Savings	5,575	980	1,611	20	8,186
Balance - @ -0.43% WG reduction 2017/18 (and 1.5% 2018/19 onwards)	**- 225**	**11,351**	**8,841**	**9,934**	**29,901**
Balance - @ -1.5% WG reduction	N/A	11,351	8,841	9,934	**30,126**
Balance - @ -1% WG reduction	N/A	10,331	10,891	11,964	**33,185**
Balance - @ -2% WG reduction	N/A	12,360	12,858	13,871	**39,089**

APPENDIX 11 – RECONCILIATION OF MOVEMENTS SINCE BUDGET CONSULTATION

	17/18	18/19	19/20	20/21
Inflation	2,151	3,346	3,425	3,515
Investments	5,185	6,888	5,755	4,086
Technical Adjustment	- 50	-	-	-
Savings	- 5,645	- 1,050	- 1,611	- 20
RSG/ C Tax	- 2,668	1,345	- 1,760	- 1,776
December 2016 MTRP balances	- 1,026	10,529	5,809	5,805
<u>Movement since consultation/ December 2016 MTRP</u>				
Inflation adjustment		155	161	167
Transfer from reserves	- 1,100			
<u>RSG/ C Tax - Change of RSG assumptions</u>				
Final settlement - adjustment for Council tax base	1,105			
Miscellaneous increase in Aggregate External Finance (AEF)	- 21			
Final settlement - additional new responsibility; Homelessness Prevention	- 321			
Estimated specific grant - Social care	- 283			
Planning assumptions amended for 1.5% decrease in RSG for 19/20 and 20/21			3,044	2,998
<u>Investments</u>				
RSG new responsibilities - Homelessness Prevention	321			
Additional funding for schools	1,100			
Waste Strategy - reduction in waste grant		269	393	511
City Deal - Contribution to funding		100		
Increase in non-service pension deficit		28	660	660
Pension deficit increase		200		
(Decrease)/ Increase in Schools primary demographic			- 184	115
(Decrease)/ Increase in Schools secondary demographic			- 523	89
Defer new Llanwern primary school pressure			- 519	- 411
February 2017 MTRP Balances	**- 225**	**11,281**	**8,841**	**9,934**

APPENDIX 12 – EQUALITIES ISSUES

Budget Proposals and Fairness and Equality Impact Assessments (FEIA).

There were a number of budget proposals where it was deemed Fairness and Equality Impact Assessments (FEIAs) were required. FEIAs are used to look at the effect of any change to services or employment from everybody's viewpoint to make sure that it's fair. The following proposals/areas had FEIAs undertaken:

- Streetscene lodge review
- Removal of the X16 bus service
- Children's services
- Supporting people
- School Admission Arrangements

The detailed results of these FEIAs are on the budget pages of the Council's website at the following link:

http://www.newport.gov.uk/en/Council-Democracy/Equalities-the-Welsh-language/Equality-Impact-Assessments/Fairness--equality-impact-assessments.aspx

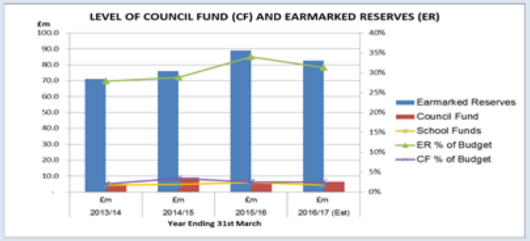
APPENDIX 13

APPENDIX 13a Financial resilience Snapshot

FINANCIAL SNAPSHOT REPORT - UPDATE TO FEBRUARY CABINET

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)



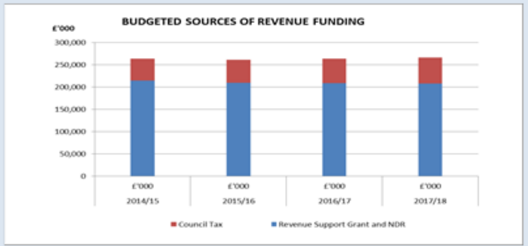
Level of Reserves

	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 (Est) £m
Earmarked Reserves	71.2	76.1	88.9	82.6
Council Fund	5.0	8.9	6.5	6.5
School Funds	4.2	4.8	5.9	4.3

Budgeted Sources of Funding

Total Revenue Funding	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Revenue Support Grant and NDR	214,826	209,254	209,142	208,250
Council Tax	49,104	52,117	54,796	58,403

Budgeted Revenue Funding Split



Financial Performance and Ratios

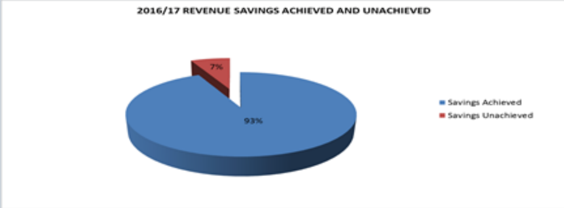
Ratio	Calculation	2012/13 £'000	2013/2014 £'000	2014/2015 £'000	2015/2016 £'000
Net Worth	(Asset-Liabilities)	53668	96,061	44,764	61,360
Net Worth (excPension Liab.)	(Asset-Liabilities)	266220	280,675	296,914	341,080
Working Capital Ratio	(Curr. Assets /Curr. Liabilities)	0.68	0.79	0.89	1.82
Gearing Ratio	(Borrowing / Total Reserves)	44.1%	51.2%	45.5%	44.0%

The figures below shows the 16/17 forecast position for both revenue and capital.

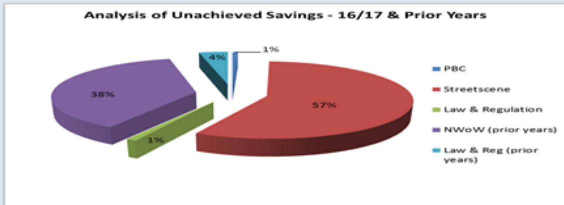
2016/17 December Revenue Position

Directorate	Net Expenditure Budget £'000	Forecast £'000	Variance £'000	Variance %
Children & Young People	21,436	21,746	310	1
Adult & Community Services	39,346	39,609	263	1
Education	13,807	14,298	491	4
Schools	90,000	91,600	1,600	2
Regeneration, Investment & Housing	9,041	9,039	- 2	(0)
Streetscene & City Services	16,911	17,646	735	4
Corporate Services	16,235	15,883	- 352	(2)
Total Directorates	206,776	209,821	3,045	1.47
Capital Financing	28,183	28,101	(82)	(0)
Contingency/ Provisions	6,159	6,380	221	4
Levies / other	21,735	20,434	(1,301)	(6)
Reserves /Transfer	1,086	(539)	(1,624)	(150)
Total Budget	263,938	264,196	259	0.10
Additional funding - CT surplus	(76)	(724)	(648)	
Projected Over/ (Under) spend			(389)	

Revenue Savings Achieved and Unachieved (December FIP)



Analysis of Unachieved Savings



2016/17 December Capital Position

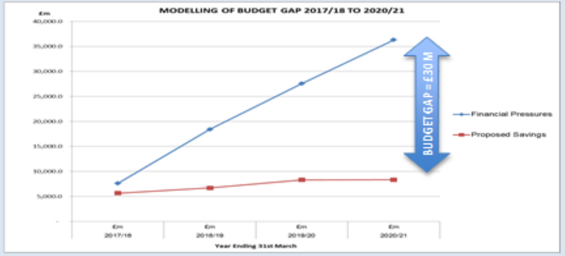
Directorate	Final Budget £'000	Final Outturn £'000	Variance Slippage £'000	Variance (Under)/ Overspend £'000
Education	18,599	19,217	(131)	749
Regeneration, Investment & Housing	12,008	11,878	(130)	-
Customer Services & Digital Innovation	1,014	521	(9)	(484)
People & Business Change	185	-	(85)	(100)
Law & Regulation	179	179	-	-
Adult & Community Services	736	736	-	-
Children & Young People Services	55	55	-	-
Streetscene & City Services	5,022	4,963	(59)	-
Total Budget	37,798	37,549	(414)	165

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

MTFP Scenario (To be approved by February Cabinet)

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	Total £'000
Financial Pressures	7,658	10,985	9,169	8,732	36,544
Technical adjustments	(38)	0	0	0	(38)
Funding Reductions	892	3,090	3,044	2,998	10,024
Budget Requirement Reduction	8,512	14,075	12,213	11,730	46,530
Estimated specific grant - Social care	(283)	0	0	0	(283)
Increase in tax base	(2,808)	(1,745)	(1,760)	(1,776)	(8,089)
Savings	(5,645)	(1,050)	(1,611)	(20)	(8,326)
Shortfall to requirement	(225)	11,281	8,841	9,934	29,831
RSG Reduction scenarios					
based on 1.5% reduction	N/A	11,281	8,841	9,934	30,056
based on 1.00% reduction	N/A	10,261	10,891	11,964	33,115
based on 2.00% reduction	N/A	12,290	12,858	13,871	39,019

Modelling of Budget Gap 2017/18 to 2020/21



Capital Expenditure & Capital Financing Requirement (CFR)

Capital Expenditure	2015/16 Actual £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m
Total capital expenditure	25.8	36.6	36.7	22.7	12.2
Capital Financing Requirement					
Financing requirement	13.8	11.0	10.8	22.4	10.0
CFR	230.5	233.8	238.1	241.7	243.1

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.

	2016/17 Estimate %	2017/18 Estimate %	2018/19 Estimate %	2019/20 Estimate %	2020/21 Estimate %
Ratio of Financing Costs to Net Revenue Stream	8.6	8.4	8.4	7.8	7.8
Incremental impact of Capital Investment Decisions	£	£	£	£	
Increase in Band D Council Tax*	-	1.93	3.18	2.78	3.43

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

APPENDIX 13b - Projected Earmarked Reserves

		Estimated Balance at year end				
Reserve	Balance at 31-Mar-16	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	£'000
Council Fund:	(6,500)	(6,500)	(6,500)	(6,500)	(6,500)	(6,500)
Balances held by schools for future use	(5,881)	(4,280)	(4,280)	(4,280)	(4,280)	(4,280)
Earmarked Reserves:						
Music Service	(205)	(205)	(205)	(205)	(205)	(205)
Insurance Reserve	(1,925)	(1,925)	(1,925)	(1,925)	(1,925)	(1,925)
MMI Insurance Reserve	(352)	(352)	(352)	(352)	(352)	(352)
Legal Claims	(100)	(100)	(100)	(100)	(100)	(100)
Health & Safety	(16)	(16)	(16)	(16)	(16)	(16)
Council Tax Reduction	(500)	(500)	(500)	(500)	(500)	(500)
Education Achievement Service	(92)	(92)	(92)	(92)	(92)	(92)
Schools Redundancies	(453)	(782)	(782)	(782)	(782)	(782)
Friars Walk	(6,176)	(8,987)	(8,987)	(8,987)	(8,987)	(8,987)
Gem Services Reserves	(100)	-	-	-	-	-
SUB TOTAL - RISK RESERVES	**(9,919)**	**(12,959)**	**(12,959)**	**(12,959)**	**(12,959)**	**(12,959)**
Pay Reserve	(1,948)	(1,218)	(1,218)	(1,218)	(1,218)	(1,218)
Capital Expenditure	(7,084)	(6,084)	(6,084)	(6,084)	(6,084)	(6,084)
Invest to Save	(12,838)	(10,354)	(7,957)	(7,486)	(7,466)	(6,466)
Super Connected Cities	(749)	(624)	(624)	(624)	(624)	(624)
Landfill (Door Stepping Campaign)	(131)	(31)	-	-	-	-
Christmas Lights	(47)	(24)	-	-	-	-
Usable Capital Receipts	(8,059)	(3,826)	(3,826)	(3,826)	(3,826)	(3,826)
SUB TOTAL - ENABLING RESERVES	**(30,856)**	**(22,161)**	**(19,709)**	**(19,238)**	**(19,218)**	**(18,218)**
STEP School Computers	(638)	(195)	(195)	(195)	(195)	(195)
Municipal Elections	(120)	-	-	-	-	-
Local Development Plan	(528)	(582)	(582)	(582)	(582)	(582)
Glan Usk PFI	(971)	(971)	(971)	(971)	(971)	(971)
Southern Distributor Road PFI	(44,498)	(44,481)	(44,470)	(44,258)	(43,918)	(43,918)
SUB TOTAL - SMOOTHING RESERVES	**(46,756)**	**(46,229)**	**(46,218)**	**(46,006)**	**(45,666)**	**(45,666)**
Works of art	(21)	(21)	(21)	(21)	(21)	(21)
School Works	(272)	(292)	(292)	(292)	(292)	(292)
Theatre & Arts Centre	(233)	(233)	(233)	(233)	(233)	(233)
Cymorth Income	(38)	-	-	-	-	-
Pupil Referral Unit	(60)	(60)	(60)	(60)	(60)	(60)
Gypsy and Traveller Site	(7)	(7)	-	-	-	-
Homelessness Prevention	(38)	(38)	-	-	-	-
Environmental Health - Improve Air Quality	(50)	-	-	-	-	-
Refurbishment of a Children / Older People Homes	(115)	-	-	-	-	-

ECDL Training Package - **Change to Apprenticeship Scheme**	(80)	(41)	-	-	-	-
City Deal Reserve - Rename - **City Economic Development**	(195)	(131)	(81)	(36)	-	-
NEW - Welsh Language Standards	(240)	(240)	-	-	-	-
NEW - YS Dilapidation Costs Information Shop	(51)	(51)	-	-	-	-
NEW - IPU Repairs & Maintenance	-	(70)	-	-	-	-
NEW - European funding	-	(75)	-	-	-	-
NEW - Additional funding for schools	-	(1,100)	-	-	-	-
SUB TOTAL - OTHER RESERVES	**(1,400)**	**(2,359)**	**(687)**	**(642)**	**(606)**	**(606)**
		-				
RESERVES TOTAL	**(101,311)**	**(94,487)**	**(90,352)**	**(89,624)**	**(89,228)**	**(88,228)**

APPENDIX 13c – Reserves Policy

Newport City Council

Reserves Policy

1.0 Introduction

1.1 This policy establishes a framework within which decisions will be made regarding the level of reserves held by the Council, the purposes for which they will be maintained and used in addition to their reporting requirements.

1.2 The requirement for financial reserves is acknowledged in statute. Sections 32 and 43 of the Local Government Finance Act 1992 requires authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

1.3 There are also a range of safeguards in place that help prevent local authorities over committing themselves financially. These include:

- The balanced budget requirement;
- The statutory duty of the Head of Finance (S151 Officer) to report on the robustness of estimates and adequacy of reserves when the authority is considering its budget requirement (Section 25 of the Local Government Act 2003);
- The legislative requirement for each local authority to make arrangements for the proper administration of their financial affairs and that the Head of Finance has responsibility for the administration of those affairs as set out in Section 151 of the Local Government Act 1972;
- The requirements of the Prudential Code and the Treasury Management in Public Services Code of Practice.

1.4 The above requirements are reinforced by section 114 of the Local Government Finance Act 1988 which requires the Head of Finance to report to all the authority's councillors if there is, or is likely to be, unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that the authority will not have resources to meet its expenditure in a particular financial year.

1.5 This policy is based on a requirement that all reserves are corporate in nature and that individual departmental reserves are only to be permitted if agreed by Cabinet after taking the advice of the S151 Officer.

2.0 Definitions

2.1 Reserves are sums of money held by the Council to meet future expenditure (whilst managing risk) and should be held for a specific purpose.

3.0 Types of Reserve

3.1 As an integral part of the annual budget setting process, the Cabinet (via the Head of Finance) considers the establishment and maintenance of reserves. These will be held for three main purposes:

- A **working balance** to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing;
- A **contingency** to cushion the impact of unexpected events or emergencies;
- A means of building up funds - **earmarked reserves**, to meet known or predicted requirements. The authority categorises earmarked reserves into three categories: risk, enabling or smoothing to reflect the general purpose of each reserve. A detailed analysis of the authority's reserves can be found in Appendix i.

The following table identifies the high level categories of earmarked reserves held by the Council:

Category of Earmarked Reserve	**Rationale**
Sums set aside for major schemes, such as capital developments or asset purchases, or to fund major reorganisations	Where expenditure is planned in future years, it is prudent to set aside resources in advance, e.g. Local Development Plan, Glan Usk Private Finance Initiative (PFI).
Insurance reserves	Self-insurance is a mechanism used by most local authorities. In the absence of any statutory basis sums held to meet potential and contingent liabilities are reported as earmarked reserves where these liabilities do not meet the definition of a provision under the requirements of the Code's adoption of IAS 37 Provisions, Contingent Assets and Liabilities.

Reserves of trading and business units	Surpluses arising from in-house trading may be retained to cover potential losses or re-organisation costs in future years, or to finance capital expenditure, e.g. Gwent Music service.
Reserves retained for service departmental use	Internal protocols permit year end underspending at departmental level to be carried forward, where appropriate e.g. homelessness prevention.
Reserves for unspent revenue grants	Where revenue grants have no conditions or where the conditions are met and expenditure has yet to take place, surplus funds can be held in earmarked reserves for future use.
Schools balances	These are unspent balances of budgets delegated to individual schools.

3.2 Paragraph 3.1 above articulates the categories of 'useable reserves' held by the Council, i.e. those reserves that are 'cash-backed'. On the technical accounting side, the Council also holds 'unusable reserves'. These reserves are not cash backed and arise out of the interaction of legislation and proper accounting process, either to:

a) Store revaluation gains (e.g. on property revaluations); or

b) As adjustment accounts to reconcile accounting requirements driven by reporting standards to statutory requirements (e.g. pension reserve).

The remainder of this report will focus on the Council's useable, and therefore, cash-backed reserves.

4.0 General Fund Reserves

4.1 In assessing the appropriate level of reserves the Council will ensure that the general reserves are not only adequate but also necessary and will be appropriate for the risk (both internal and external) to which it is exposed.

4.2 The risks faced by a local authority will, in many cases, be due to the specific local context and will need to be kept under review. In assessing its financial risk the Chartered Institute of Public Finance and Accountancy (CIPFA) has issued guidance on the factors that should be considered:

- Budget assumption for inflation and interest rates;
- Estimates of the level and timing of capital receipts;
- The treatment of demand led pressures;
- The authorities track record in budget and financial management;
- Treatment of planned efficiencies/savings;
- The financial risk inherent in any significant new funding partnerships, major outsourcing and capital developments;
- The likely level of Government support to deal with major unforeseen events;
- The adequacy of the authority's insurance arrangements;
- The authority's virement and end of year procedures in relation to budget under and over spends;
- The general financial climate and future funding assumptions.

4.3 The risk assessment to be carried out will be based on the guidance provided by CIPFA above and any further issues which the Head of Finance feels are relevant. This will be reviewed annually.

4.4 The appropriate level of General Fund Reserves will be determined annually as part of the budget setting process and medium term financial strategy plus at other periodic intervals in-year and will be subject to approval by the Cabinet and full Council.

4.5 The Head of Finance, within the Councils Medium Term Financial Plan and financial strategy will set out the level of planned reserve balances, including financial arrangements for any replenishing of reserves. It will also confirm acceptable thresholds above and below the balance where appropriate / relevant. If the balance falls outside of these thresholds a plan will be agreed by Cabinet to restore balances to the appropriate level.

5.0 Earmarked and Specific Reserves

5.1 These are required for specific purposes and are a means of building up funds to meet known or predicted liabilities. By nature these reserve balances do not have minimum and maximum thresholds. Creation of such reserves must be approved by the Head of Finance.

5.2 Balances should be reasonable for the purpose held and must be used for the item for which they have been set aside. If circumstances arise to which the reserve is no longer required for its original purpose they will transfer to other earmarked reserves or the General Fund reserve, as agreed and approved by Cabinet.

5.3 The authority follows best practice in that for each earmarked reserve, a clear protocol exists setting out:

- The reason for/ purpose of the reserve;
- How and when the reserve can be used;
- Procedures for the reserves management and control; and
- A process and timescale for review of the reserve to ensure continuing relevance and adequacy.

5.4 **Setting up of reserves**

5.4.1 Where officers would like to request potential transfers to/ from existing earmarked reserves or the creation of a new reserve, discussions are to be had with the Assistant Head of Finance (AHoF) and the service area Senior Finance Business Partner (SFBP) to determine whether the assumption needs to be included within the in-year financial monitoring forecasts. Any decisions on whether these requests are authorised or not will, in the majority of cases, be made at year end when the overall Council position is known and must be approved by Cabinet.

5.4.2 Reserve request forms will be circulated as part of the year end closing process.

5.5 **Use of reserves**

5.5.1 Should there be an unplanned need to utilise general reserves there must be a clear plan setting out the intended route to replenish the reserves to its minimum balance recommended. This must clearly state how the shortfall will be met and by when.

5.5.2 Where there is a planned use of reserves a reserve request form must be submitted to the Head of Finance to be considered at year end as set out in 5.4 above.

6.0 Ring-fenced Reserves

6.1 Schools Reserves

6.1.1 Schools are able to carry forward surplus and deficit balances from one year to the next and utilise these balances for managing changes in pupil numbers and funding, or the funding of projects and future liabilities. The balances are held by individual schools and are not for general Council use. Guidance on the level of balances held is documented within section D of Newport City Council Scheme for the Financing of Schools.

7.0 The Reporting Framework

7.1 The balances and movement of all reserves is required to be reported within the authorities Annual Statement of Accounts.

7.2 The balance held and projected movement of useable reserves will be reported monthly/ quarterly as part of the budget monitoring report to the Senior Leadership Team (SLT)/ Cabinet. This includes the level of reserves held against each category of reserve.

7.3 The S151 Officer has a fiduciary duty to local taxpayers, and must be satisfied that the decisions taken on balances and reserves represent proper stewardship of public funds.

7.4 The level and utilisation of reserves will be determined formally by the Cabinet, informed by the advice and judgement of the S151 Officer. To enable the Cabinet to reach its decision, the S151 Officer should report the factors that influenced his or her judgement, and ensure that the advice given is recorded formally. Where this advice is not accepted this should be reported formally in the minutes of the Cabinet meeting.

7.5 It is recommended that:

- The budget report to the Cabinet should include a statement showing the estimated opening general reserve fund balance for the year ahead, the addition to/ withdrawal from balances, and the estimated end of year balance. Reference should be made as to the extent to which such reserves are to be used to finance recurring expenditure;
- This should be accompanied by a statement from the S151 Officer on the adequacy of the general reserves and provisions in respect of the forthcoming financial year and the authority's medium term financial strategy;
- A statement reporting on the annual review of earmarked reserves (including schools' reserves) should also be made at the same time to the Council. The review itself should be undertaken as part of the budget preparation process. The statement should list the various earmarked reserves, the purposes for which they are held and provide advice on the appropriate levels. It should also show the estimated opening balances for the year, planned additions/ withdrawals and the estimated closing balances.

Appendix i – Analysis of Reserves

Reserve	**Purpose/ Rationale for Reserve**
Council Fund	General Reserve
Schools Reserve	Balances held by schools for their future use
Earmarked Reserves:	
Risk Reserves:	
Music Service	This is a general reserve retained by the Gwent wide Music Service and a traded service and belongs to all trading partners. Newport holds the reserve as the hosting authority. The reserve is held as a balance to cater for years where trading income is below expenditure and/or one off cost's for re-organisation are incurred.
Insurance Reserve	To assist in management of the Council's insurance risks and provide funds, over and above existing insurance provisions for excessive levels of claims/costs in any year.
MMI Insurance Reserve	To assist in future funding requirements of MMI in line with the agreed 'Scheme of Arrangement'.
Legal Claims	Risk of future legal claims in relation to a range of charges such as Social Services, complaints and non-compliance etc.
Health & Safety	Responding to inspections and reports from Health & Safety Executive.
Council Tax Reduction	Council responsible for cost overruns on council tax benefits, which is demand led. Reserve covers specific budget risk on this area and established when grant funding transferred into Revenue Settlement Grant (RSG).
Education Achievement Service	Reserve held against Newport's share of any redundancy costs that may arise from a restructure of the service as a result of funding reductions from grant allocations. Newport is a partner in the service and has to take a share of any costs that may arise.
Friars Walk	Established to assist with potential future funding/risks in relation to the Friars Walk Scheme.
GEM Services Reserves	Reserve created from service income levels over and

	above grant income in 2014/15 to cater for anticipated redundancy costs anticipated from restructuring to cater for different language sets, and potential reduction in grant income.
Enabling Reserves:	
Schools Redundancies	Reserve has been created from contributions from Schools to cater for redundancy costs that arise through schools that face financial issues. The value has been negotiated with the schools as a contribution towards the costs that have to be met by the LA.
Pay Reserve	Total Reward team costs, outstanding equal pay claimants, hardship payments.
Capital Expenditure	To fund capital investment.
Invest to Save	To enable funding of specific change/efficiency projects which achieve savings to the revenue budget.
Super Connected Cities	Funding for Community Safety Network over a seven year period including project costs.
Landfill (Door Stepping Campaign)	Recycling initiative (door knocking campaign) to increase recycling targets.
Christmas Lights	Recover costs associated with Christmas lights until alternative funding sources are found.
Usable Capital Receipts	Holds proceeds from the sale of property, plant and equipment, used to finance new capital expenditure. Currently reserved for Council contribution to 21C Schools programme.
Smoothing Reserves:	
STEP School Computers	Reserve to match agreed income and expenditure of 3 year STEP program for schools. Schools charged annual amount and any excess/deficit due to timing differences held here.
Municipal Elections	Reserve used to smooth over significant differences in

	annual budget required over a cyclical period whilst keeping budget at a stable annual amount.
Local Development Plan	Reserve used to smooth over significant differences in annual budget required over a cyclical period whilst keeping budget at a stable annual amount. Related to production and inspection of the LDP and SPG's
Glan Usk PFI	Established to smooth out funding differences that have arisen from funding available and payments to the contractor - reserve will balance over life of project
Southern Distributor Road PFI	Established to smooth out funding differences that have arisen from funding available and payments to the contractor - reserve will balance over life of project
Other Reserves:	
Works of art	To fund purchases for the collections.
School Works	Reserve specifically for identified school works - funded by school's themselves. Reserve allows schools to build up specific scheme reserves over a number of years, where required.
Theatre & Arts Centre	Council agreed reserve as condition of Art's Council funding of the Riverfront Theatre.
Cymorth Income	To fund the provision of Domestic Abuse Services.
Pupil Referral Unit	Specific reserve for development of Pupil Referral Unit (PRU) over and above refurbishment of new premises.
Gypsy and Traveller Site	To carry out preparation, design, and consultancy activities with the development of the Gypsy and Traveller site identified in the Local Development Plan (LDP).
Homelessness Prevention	There is a minimum amount that needs to be spent on homelessness prevention on an on-going basis. The revenue budget is continually under pressure of overspending due to the obligation placed on the Authority to house clients.

Environmental Health - Improve Air Quality	To undertake highways work in a specific area to improve air quality and reduce noise pollution.
Refurbishment of a Children / Older People Homes	There is a need to refurbish residential homes on a regular basis to attract Service Users and more importantly, to ensure they meet inspection criteria.
ECDL Training Package - Change to Apprenticeship Scheme	Reserve established from 2014/15 underspending. To fund ECDL and online IT training packages.
City Deal Reserve - Rename - City Economic Development	To fund initial contribution to the City Deal project.
Welsh Language Standards	To fund expenditure in relation to implementation of Welsh language standards.
Youth Service - Dilapidation Costs Information Shop	To fund costs associated with bringing the property back in repair at the end of a lease.

APPENDIX 13d - SUMMARY OF INVEST TO SAVE SPEND AND FORECAST

Invest To Save - Summary Forecast

	£'000
Balance B/F 31.03.2016	(12,838)
Total Forecast Spend 2016/17	2,484
Invest to Save Forecast balance 31.03.2017	**(10,354)**
Further Funding Required:-	
Bids & Change/Efficiency proposals	
2017/18	1,470
2018/19	50
2017/18 MTFP Business Cases	1,368
Remaining Invest to Save reserve available for future Change/Efficiency Programme	**(7,466)**

APPENDIX 14 – FEES & CHARGES

SERVICE AREA: Corporate Services

SERVICE DESCRIPTION	CURRENT CHARGE £	PROPOSED CHARGE £	% INCREASE
REGISTRATION SERVICE			
Approved Premises License	1,500	1,560	4%
Ceremony Charges			
Mansion House - Monday to Thursday	210	230	9.50%
Mansion House - Friday	265	285	7.50%
Mansion House - Saturday (includes Premier Package)	300	320	6.60%
Approved Venue - Monday to Thursday	315	335	6.30%
Approved Venue - Friday	370	390	5.50%
Approved Venue - Saturday	405	425	4.90%
Approved Venue - Sunday, Bank holidays	475	495	4.20%
Register Office (simple ceremony)	46	46	0%
Church/Chapel ceremony attendance	86	86	0%
Naming and Vow Renewal Ceremonies			
Booking fee	70	70	0%
Mansion House - Monday to Thursday	210	230	9.50%
Mansion House - Friday	265	285	7.50%
Mansion House - Saturday (includes Premier Package)	300	320	6.60%
Approved Venue - Monday to Thursday	315	335	6.30%
Approved Venue - Friday	370	390	5.50%
Approved Venue - Saturday	405	425	4.90%
Approved Venue - Sunday, Bank holidays	475	495	4.20%
Commemorative certificate packs	N/A	10	
Save the Date Fee	25	25	0%
Legal notice of marriage or civil partnership	35	35	0%
Certificate (issued same day)	4	4	0%
Certificate (issued within 28 days)	7	7	0%
Citizenship Ceremonies	85	90	6%
Single Adult	30	30	0%
CERTIFICATE FEES			
Certificate Search Fees			
Search 1 year either side of date	0	0	0%
Search a further 5 years	6	10	66%

SERVICE DESCRIPTION	CURRENT CHARGE £	PROPOSED CHARGE £	% INCREASE
Search a further 10 years	18	18	0%
Same Day Service			
Certificate	10	10	0%
Standard Certificate	5	7	40%
Short Certificate	5	7	40%
Regular Service			
Standard Certificate	10	10	0%
Short Certificate	10	10	0%
Telephone Orders			
Administration Charge - Registrar Certificate	2	2	0%
Administration Charge - Superintendent Certificate	2	4	100%
Same day service certificates	17	21	23%
Regular service applications	12	14	16.5%
LEGAL SERVICES			
Local Land Charges (LLC1 only)	6	6	0%
Local Land Charges (Con 29 R)	104	104	0%
Local Land Charges (Nlis LLC1))	4	4	0%
Local Land Charges Official Search (LLC1 & Con 29 R)	110	110	0%
Local Land Charges Nlis Official Search (LLC1 & Con 29 R)	108	108	0%
Optional Questions	12 (for 20 out of 22 questions) 15 (2 out of the 22 questions)	12 (for 20 out of 22 questions) 15 (2 out of the 22 questions)	0%
Solicitors own questions	25	25	0%
Additional parcel fee (LLC1)	1	1	0%
Additional parcel fee (Con29 R)	24	24	0%
Additional parcel fee (total)	25	25	0%
Query re: personal search (dealing with errors etc)	25	25	0%
PUBLIC PROTECTION SERVICE			
A .EAR PIERCING, ACUPUNCTURE, ELECTROLYSIS AND TATTOOING-REGISTRATION			
Premises	88	92	4%
Practitioners	88	92	4%
Replacements Certificates	22	23	4%

SERVICE DESCRIPTION	CURRENT CHARGE £	PROPOSED CHARGE £	% INCREASE
B .CERTIFICATE FOR VOLUNTARY SURRENDER OF FOOD			
Voluntary Surrender Certificate	53 for first half hour and 53 for every additional half hour or part thereof plus VAT	55 for first half hour and 55 for every additional half hour or part thereof plus VAT	4%
Collection and Disposal	To be determined by weight and cost of disposal	To be determined by weight and cost of disposal	
Food Hygiene Rating Scheme - Rescore Fee (per certificate)	160	160	0%
C. EXPORT HEALTH CERTIFICATES Export Health Certificate - Food Safety (per certificate)	104	108	4%
SEX SHOP	1,610	450	0%
Application Fee – deducted from Full Fee [non-refundable]	440	458	4%
LOCAL LAND SEARCHES IN RESPECT OF CONTAMINATED LAND ETC. [OTHER THAN THOSE UNDER THE LOCAL LAND CHARGES ACT 1975]	52 for first hour and 52 for each additional hour or part thereof	54 for first hour and 54 for each additional hour or part thereof	4%
UK ENTRANCE CLEARANCE - PREMISES INSPECTION	165	172 + VAT	4%
GAMBLING ACT 2005 – VARIOUS LICENCE / PERMIT FEES	As per the Statutory maximum	As per the Statutory maximum	
HOUSES IN MULTIPLE OCCUPATION LICENSING FEES**			
i. Initial Licence	866	901	4%
(For larger HMO (6+ units of accommodation/households)	50 extra per additional until up to a max of 1,516	52 extra per additional until up to a max of 1,577	4%
ii. Renewal of Licence made before application of existing license	685	712	4%

SERVICE DESCRIPTION	CURRENT CHARGE £	PROPOSED CHARGE £	% INCREASE
(For larger HMO (6+ units of accommodation/households)	50 extra per additional until up to a max of 1,335	£52 extra per additional until up to a max of 1,388	4%
iii. Renewal of Licence made after application of existing license	866	901	4%
(For larger HMO (6+ units of accommodation/households)	50 extra per additional until up to a max of 1,516	52 extra per additional until up to a max of 1,577	4%
PROPERTY SURVEYS (NON-STATUTORY)	0	172 + VAT	
CAMP SITE LICENCES	0	624	
Mobile Homes			
Site Licence fees - small site (3-10 caravans)	600	624	4%
Site Licence fees - medium site (11-49 caravans)	670	697	4%
Site Licence fees - large site (50+ caravans)	800	832	4%
Site Licence fees - sites of 2 or fewer pitches	0	0	4%
Amendment to site licence conditions - variation	55	57	4%
Amendment to site licence conditions - variation requiring an inspection	140	146	4%
Other fees and Fixed Penalty Notice Charge - fee to deposit site rules	45	47	4%
Other fees and Fixed Penalty Notice Charge - fee for replacement licence	13	14	4%
Other fees and Fixed Penalty Notice Charge - Fixed Penalty Notice charge	75	78	4%
HOUSING ACT 2004 NOTICE FEES	385	400	4%
Each additional identical notice served on another recipient at the same time	52	54	4%
WORKS IN DEFAULT - ADMINISTRATION FEE	Fee charges by the contractor (ex.VAT) plus:	Fee charges by the contractor (ex.VAT) plus:	
	20% for fees up to £1,000	20% for fees up to £1,000	
	10% for fees £1,001+	10% for fees £1,001+	

SERVICE DESCRIPTION	CURRENT CHARGE £	PROPOSED CHARGE £	% INCREASE
	*Fee charged by contractor plus "officer time" charge (up to a mx. Of the above charge) where EH Manager agree defaulter has special circumstances.	*Fee charged by contractor plus "officer time" charge (up to a mx. Of the above charge) where EH Manager agree defaulter has special circumstances.	
PORT HEALTH SHIP SANITATION CERTIFICATES Gross Tonnage			
Up to 1,000	80	80	0%
1,001 to 3,000	115	115	0%
3001 to 10,000	175	175	0%
10,001 to 20,000	230	230	0%
20,001 to 30,000	295	295	0%
Over 30,000	350	350	0%
With exception of vessels with capacity to carry between 50 and 100 persons	350	350	0%
With exception of vessels with capacity to carry more than 1,000 persons	600	600	0%
Extensions to Certificates	50	50	0%
PORT HEALTH – WATER SAMPLING			
i. Drinking water – Microbiological (First Sample) (Plus VAT)	87.88	91.40	4%
ii. Drinking water – Microbiological (Each subsequent sample) (Plus VAT)	62.10	64.58	4%
iii Legionella water sample (First sample) (Plus VAT)	104.88	109.08	4%
iv Legionella water sample (each subsequent sample) (Plus VAT)	78.44	81.58	4%
PORT HEALTH – ORGANIC FOOD IMPORT CERTIFICATE	56	58	4%
HEALTH & SAFETY - SWIMMING POOL/SPA POOL RESAMPLES FOLLOWING UNSATISFACTORY RESULT (Plus VAT)	61	63	4%

SERVICE DESCRIPTION	CURRENT CHARGE £	PROPOSED CHARGE £	% INCREASE
PRIVATE WATER SUPPLIES			
Risk Assessment (each assessment) - Up to 3 hours	£156 for up to 3 hours plus £52 for each additional hour or part thereof, up to a maximum of £500*	£162 for up to 3 hours plus £54 for each additional hour or part thereof, up to a maximum of £500*	4%
Sampling (each visit)	100*	100*	0%
Investigation (each investigation)	£100* plus the analysis cost	£100* plus the analysis cost	0%
Grant of an authorisation (each authorisation)	100*	100*	0%
Analysis (taken under regulation 10)	25*	25*	0%
Analysis (taken during check monitoring)	Analysis cost up to 100*	Analysis cost up to 100*	0%
Analysis (taken during audit monitoring))	Analysis cost up to 500*	Analysis cost up to 500*	0%
* Maximum permitted by regulation			
Animal Welfare/Dog Control Fees			
[a] Riding Establishments			
Up to 10 horses	110	114	4%
11 to 20 horses	134	139	4%
21 to 30 horses	143	149	4%
[b] Animal Boarding Establishments			
Pet Sitters	40	80	100%
Up to 25 animals	125	130	4%
25 to 50 animals	142	148	4%
Over 51 animals	166	173	4%
[c] Pet Shops	104	108	4%
[d] Dangerous Wild Animals	478	497	4%
[e] Dog Breeding Establishments	104	108	4%
[f] Zoo Licence	912	948	4%
[For [a] to [f] above, in addition to the licence fee, the licensee to pay the Council's veterinary fees]			
[g] Dog Kennelling Services**			
Stray Dogs Reclaiming Fees:			
Dogs reclaimed after one day	87	87	0%
Dogs reclaimed after two day	100	100	0%

SERVICE DESCRIPTION	CURRENT CHARGE £	PROPOSED CHARGE £	% INCREASE
Dogs reclaimed after three day	113	113	0%
Dogs reclaimed after four day	126	126	0%
Dogs reclaimed after five day	139	139	0%
Dogs reclaimed after six overnight stays	152	152	0%
Dogs reclaimed after seven overnight stays	165	165	0%
Dogs reclaimed and staying with the kennels for an extended period (charge per night)	0	11	
However there will be discretion given to the Kennels Officer on the level of charging due to unusual circumstances			
Dog re-homing fee :			
Puppies up to 1 years old	160	160	0%
Dogs aged 1-3 years old	140	140	0%
Dogs aged 3-6 years old	120	120	0%
Dogs aged 6 years old +	100	100	0%
Tagging inc. VAT	0	15	
Removal from home	0	49	
However there will be discretion given to the Kennels Officer on the level of charging due to unusual circumstances			
[i] Fireworks – All year sales licence - All year sales licence- set at statutory maximum	500	500	0%
Street Trading Consents			
City Centre Pitch - Application Fee (monthly)	50	52	4%
City Centre Pitch - Application Fee (Quarterly / Full year)	150	156	4%
License Fee (daily) Static Trader	45	47	4%
License Fee (weekly) Static Trader	90	94	4%
License Fee (monthly) Static Trader	250	260	4%
License Fee (quarterly) Static Trader	350	364	4%
License Fee (Full year) Static Trader	800	832	4%
City Centre Pitch - License Fee (Full year) Static Trader	2,500	2,600	4%
License Fee (daily) Mobile Trader	45	47	4%
License Fee (weekly) Mobile Trader	90	94	4%
License Fee (monthly) Mobile Trader	120	125	4%
License Fee (quarterly) Mobile Trader	150	156	4%
License Fee (Full year) Mobile Trader	300	312	4%

SERVICE DESCRIPTION	CURRENT CHARGE £	PROPOSED CHARGE £	% INCREASE
Street Naming			
Property Naming/Renaming (does not cover newly built properties	42	42	0%
Single Plot Development	114	114	0%
Development 2+ Plots	114.40 + 41.60 per additional plot	114.40 + 41.60 per additional plot	0%
Changes to Development Layout after Notification	£41.60 per plot affected	£41.60 per plot affected	0%
Street Renaming at Residents Request	114.40 +41.60 per property	114.40 +41.60 per property	0%
Confirmation of Address to Conveyancers etc	42	42	0%

** New charging schemes agreed during 15/16 by separate
Cabinet Member Report

SERVICE AREA: Regeneration, Investment & Housing

SERVICE DESCRIPTION	CURRENT CHARGE £	PROPOSED CHARGE £	% INCREASE
PLANNING & DEVELOPMENT			
Building Control Fees			
Various Fees based on size and type of building. Examples of typical charges (excluding VAT).			
Single storey extension floor area not exceeding 10m2			
i) Plan charge	125	125	0%
ii) Inspection charge	200	200	0%
iii) building notice charge	325	325	0%
Two storey Extension exceeding 40m2 but not exceeding 100m2	466.67	466.67	0%
i) Plan charge	125	125	0%
ii) Inspection charge	341.67	341.67	0%
iii) building notice charge	570.83	570.83	0%
Creation of New Dwelling			
i) Plan charge	203.13	203.13	0%
ii) Inspection charge	406.87	406.87	0%
iii) building notice charge	610	610	0%
Internal alterations			
i) cost of works <£2000	125	125	0%
ii) cost of works £2001 to £5000	204.17	204.17	0%
iii) cost of works > £5000	245.83	245.83	0%
Safety at Sports Grounds Certificate	1,300	1,300	0%
Safety at Sports Grounds renewal	500	500	0%
Letter of acceptance to AIs	20	20	0%
Preliminary enquiries	50% of plan fee	50% of plan fee	0%
Dangerous Structures	70.00 per hour	70.00 per hour	0%
Demolition Notice	130	130	0%
Development Management Fees	Various based on scale of development	Various based on scale of development	0%
Pre-application advice	Various depending on the scale of development	Various based on scale of development	

<u>PROPERTY SERVICES</u>			
Market Rents	various based on size of stall and facilities	various based on size of stall and facilities	0%
Civic Centre Room Hire			
Council Chamber	68 per session 213 per day	71 per session 222 per day	4%
Committee Room 1	36 per session 109 per day	37 per session 113 per day	4%
Committee Room 2	26 per session 78 per day	27 per session 81 per day	4%
Committee Room 3	26 per session 78 per day	27 per session 81 per day	4%
Committee Room 4	26 per session 78 per day	27 per session 81 per day	4%
Committee Room 5	21 per session 62 per day	22 per session 64 per day	4%
Committee Room 7	62 per session 187 per day	64 per session 194 per day	4%
<u>Equipment Hire</u>	13	14.0	4%
Digital Projector	9.4	10.0	6%
Television	9.4	10.0	6%
Video	5.2	6.0	15%
OHP	5.2	6.0	15%
Screen	4.2	5.0	19%
Flipchart Stand	4.2	5.0	19%
Slide Projector	5.4	6.0	11%
Full facilities in Committee Room 7 including staff assistance	57.2	60.0	5%
Council Chamber Microphones	28.6	30.0	5%
Council Chamber 1 Microphone	12.5	13.0	4%

<u>Civic Centre Charging Eligibility</u>

Full Charge
1 Industrial or Business Organisations
2 Organisations whose members are engaged in trade, business or professional practice (other than student associations)
3 Statutory official or Government Bodies including Local Government except where reciprocal arrangements apply

Half Price
Political, Social or Trade Union Groups not included under full price or Free

Free (this only applies to evening sessions) 1 Organisations devoted exclusively to charitable causes 2 Societies for the handicapped 3 Organisations for promotion of recreational activities for young people. 4 Trade Union Branches whose members are employed by Newport City Council 5 Any political group meetings of Councillors and invited guests are free of charge (provided that not more than 25 % of the people attending the political group meetings are non Councillors). NB Any registered charities chaired by the Mayor of Newport can use the meeting rooms free of charge at any time

COMMUNITY REGENERATION			
Community Centres Room Hire			
Caerleon Town Hall			
Non Profit Making/ Voluntary Organisations (per Hour)			
Town Hall	10	10.6	4%
Memorial Hall	8.0	8.3	4%
Council Chamber	8.0	8.3	4%
Hire of Kitchen	6	6.4	4%
First Floor	10	10.6	4%
Small Group Organisations (per hour)			
Town Hall	13.0	13.5	4%
Memorial Hall	10	10.6	4%
Council Chamber	10	10.6	4%
Hire of Kitchen	7	7.5	4%
First Floor	13.0	13.5	4%
Commercial/ Business (per hour)			
Town Hall	16.0	16.6	4%
Memorial Hall	13.0	13.5	4%
Council Chamber	13.0	13.5	4%
Hire of Kitchen	8.3	8.6	4%
First Floor	14.00	14.6	4%
Ringland Community Centre			
Non Profit Making/ Voluntary Organisations (per Hour)			
Main Hall	10	10.6	4%
Meeting Rooms	8.0	8.3	4%
Hire of Kitchen	6	6.3	4%

Special Events	(all weekend and large event charges to be set by Malpas Court)		
Changing Rooms	13.1	13.6	4%
Small Group Organisations (per hour)			
Main Hall	13.0	13.5	4%
Meeting Rooms	10	10.6	4%
Hire of Kitchen	7	7.5	4%
Special Events	(all weekend and large event charges to be set by Malpas Court)		
Changing Rooms	13.1	13.6	4%
Commercial/ Business (per hour)			
Main Hall	16.0	16.6	4%
Meeting Rooms	13.0	13.5	4%
Hire of Kitchen	8.3	8.6	4%
Special Events	(all weekend and large event charges to be set by Malpas Court)		
Changing Rooms	13.1	13.6	4%
Alway Community Centre			
Non Profit Making/ Voluntary Organisations (per Hour)			
Main Hall	10	10.6	4%
Meeting Rooms	8.0	8.3	4%
Hire of Kitchen	6	6.3	4%
Special Events	(all weekend and large event charges to be set by Malpas Court)		
Changing Rooms	13.1	13.6	4%
Small Group Organisations (per hour)			
Main Hall	13.0	13.5	4%
Meeting Rooms	10	10.6	4%
Hire of Kitchen	7	7.5	4%
Special Events	(all weekend and large event charges to be set by Malpas Court)		

Changing Rooms	13.1	13.6	4%
Commercial/ Business (per hour)			
Main Hall	16.0	16.6	4%
Meeting Rooms	13.0	13.5	4%
Hire of Kitchen	8.3	8.6	4%
Special Events	(all weekend and large event charges to be set by Malpas Court)		
Changing Rooms	13.1	13.6	4%
Bettws Day Centre			
Non Profit Making/ Voluntary Organisations (per Hour)			
Main Hall	10	10.6	4%
Day Club	8.0	8.3	4%
Hire of Kitchen	6	6.3	4%
Special Events	(all weekend and large event charges to be set by Malpas Court)		
Small Group Organisations (per hour)			
Main Hall	13.0	13.5	4%
Day Club	10	10.6	4%
Hire of Kitchen	7	7.5	4%
Special Events	(all weekend and large event charges to be set by Malpas Court)		
Commercial/ Business (per hour)			
Main Hall	16.0	16.6	4%
Day Club	13.0	13.5	4%
Hire of Kitchen	8.3	8.6	4%
Special Events	(all weekend and large event charges to be set by Malpas Court)		
Small Group Organisations (per hour)			
Main Hall	14.7	15.3	4%
Training Room	11.8	12.3	4%
Hire of Kitchen	7	7.5	4%
Special Events	(all weekend and large event charges to be set by Malpas Court)		
Commercial/ Business (per hour)			

Main Hall	16.0	16.6	4%
Training Room	13.0	13.5	4%
Hire of Kitchen	8.3	8.6	4%
Special Events	(all weekend and large event charges to be set by Malpas Court)		
Same tariffs also apply for Rivermead Centre			
<u>**CULTURE & HERITAGE**</u>			
Museum & Art Gallery			
Educational Publications UK Rights	18	19	4%
Educational Publications World Rights	35	36	4%
Commercial Publications & Websites UK rights	36	37	4%
Commercial Publications & Websites world rights	76	79	4%
Publication Jacket, Covers & Homepages UK Rights	86	89	4%
Publication Jacket, Covers & Homepages World Rights	175	182	4%
Television Flash Fees UK rights	86	89	4%
Television Flash Fees world rights	170	177	4%
Digital Image 300 dpi	7	7	12%
Ship Project			
Staff Consultancy & Training services			
Hourly Rate	39	45	15%
Staff Consultancy & Training services			
Day Rate	270	285	6%
Faro Arm Rental	76	80	5%
Libraries			
Fines (per day)	0.20	0.20	0%
Overdue Administration Adult	0.30	0.30	0%
Replacement Library Card	4.00	4.00	0%
Lost Books and other items	Sliding scale linked to Book Price	Sliding scale linked to Book Price	0%
Hire of Talking Books	1.40	1.40	0%

Charge for late return of Talking Books	0.20	0.20	0%
Public Access to Computers	First hour free 1 per hour for additional hours	No Charge	0%
Materials Fee	3.50	3.50	0%
Family History Research	28.00	28.00	0%
Hire of Rooms	15/ 20	15/ 20	0%
Transporter Bridge			
Day Ticket - Adult	3.00	3.00	0%
Day Ticket - Child	2.00	2.00	0%
Gondola - Adult (one way)	1.00	1.00	0%
Gondola - Adult (return)	1.50	1.50	0%
Gondola - Child (one way)	0.50	0.50	0%
Gondola - Child (return)	1.00	1.00	0%
Adult & Community Learning			
Discretionary Course Offer			
Standard Room (table, chairs, white/ interactive board/ PC for tutor use)	12 per hour	12 per hour	0%
ICT Room (inc PCs for learners, kitchen/ equipment hire)	15 per hour	15 per hour	0%
Deposit	10%	10%	10%
Photocopying	2p per copy	2p per copy	0%

SERVICE AREA: Streetscene & City Services

SERVICE DESCRIPTION	CURRENT CHARGE £	PROPOSED CHARGE £	% INCREASE
Cemeteries			
EXCLUSIVE RIGHT OF BURIAL AND ISSUE OF DEED AND MARKER			
£300 is included with full grave space and £155 for a cremated remains space.			
Standard Grave space not exceeding 2.15m x 0.76m (30'') including Headstone Permit	952	990	4%
Grave space exceeding 0.76m (30") width but less than 0.92m (36") including Headstone	952	990	4%
Grave space exceeding 0.92m (36") width (double plot required) including Headstone	1,550	1,612.00	4%
Purchase of two Grave Spaces to accommodate Fibreglass Burial Cube, including Headstone	1,576	1,639	4%
Cremated remains in Garden of Rest – grave space **not** exceeding 0.23m x 0.92m	454	473	4%
Stillborn or child not exceeding one month	284	295	4%
INTERMENTS – INCLUDING USE OF GRASS MATS AS NECESSARY			
Stillborn child or child not exceeding one month	No Charge	No Charge	0%
Child one month to sixteen years	No Charge	No Charge	0%
Persons exceeding sixteen years	1,035	1,076	4%
Interment of second person in grave space on same day	164	171	4%
Cremated remains in Full Grave Space	229	238	4%
Cremated remains in Garden of Rest	229	238	4%
Interment of second person cremated remains in same space on same day	54	56	4%
Scattering of Ashes	125	130	4%
Scattering of Ashes of second person at same time	54	56	4%
HEADSTONES AND TABLETS – INCLUDING ALL INSCRIPTIONS			
ALL PERMIT COSTS NOW INCLUDED WITH EXCLUSIVE RIGHT			
Columbaria Sanctum 2000 Units – above ground	1,472	1,530	4%
Second and Subsequent Interment Sanctum 2000 Units	78	81	4%

SERVICE DESCRIPTION	CURRENT CHARGE £	PROPOSED CHARGE £	% INCREASE
OTHER SERVICES AND ITEMS			
Administrative research of Burial records	10.40 per 30 min period	10.80 per 30 min period	4%
Provision of Fibreglass Burial Cube	730	759	4%
Provision of BROXAP Bench (£390) and Concrete Plinth (£260) (when available)	749	779	4%
TRANSPORT HIGHWAYS AND GREEN SERVICES			
COMMUNITY TRANSPORT FEES (have been transferred to Monmouthshire County Council)			
RASWA			
Skip licence	38	39.50	4%
Unauthorised Skips	146	152	4%
Private works: New apparatus Sec 50	368	382	4%
Sec 50 – Single Dwelling new apparatus	368	382	4%
Sec 50 – Licence for repair or replace	368	382	4%
Sec 50 inspection – repair or replace	238	247	4%
Sec 50 inspection of excavations >200m long	368 per 200m	382 per 200m	4%
S171 Highway Excavation	195	202	4%
Tower Crane Oversailing the Highway Licence: 10 Working days' notice required.	130	135	4%
Road Space Booking	130	135	4%
Vehicle Crossing Inspections	90	93	4%
Pavement Cafe - Charge for table plus 4 chairs	123	128	4%
Application to erect sign	197	205	4%
Traffic Sign – Application to extend for excess 12months	34	35	4%
PARKING			
Residents parking permits	17	17.00	0%
Visitor parking permits (Book of 10)	7	7.00	0%
Bus service departure Fees (Market Square)	2.22	2.30	4%
Bus service departure Fees (Market Square - local pick up)	0.78	0.81	4%
Car Park Charges (exc Maindee)			

SERVICE DESCRIPTION	CURRENT CHARGE £	PROPOSED CHARGE £	% INCREASE
Up to 3 hours	2.00	2.00	0%
Up to 5 hours	4.00	4.00	0%
Over 5 hours	5.50	5.50	0%
Maindee Car Park			
Up to 2 hours	0.50	0.50	0%
Up to 5 hours	2.00	2.00	0%
Over 5 hours	2.50	2.50	0%
Allotment Rents	£23 per annum +£3.30 per perch	£24 per annum +£3.40 per perch	4.00
WASTE COLLECTION			
Trade waste collection:-			
Trade sacks	2.03	2.11	4%
240 Litre bin	5.36	5.57	4%
360 Litre bin	7.15	7.44	4%
660 Litre bin	13.10	13.62	4%
660 Litre bin hire	0	0	0%
1100 Litre bin	21.84	22.71	4%
1100 Litre bin hire	0	0	0%
Bulky/Special: Collection	6	6	0.00
Cesspit emptying;			
1,000 gallons	155	161	4%
2,000 gallons	195	203	4%
WASTE DISPOSAL CHARGES			
Active Waste			
Disposal Charge	46.47	48.33	4%
Inactive Waste			

SERVICE DESCRIPTION	CURRENT CHARGE £	PROPOSED CHARGE £	% INCREASE
Disposal Charge	46.47	48.33	4%
PARKS AND OPEN SPACES			
* No vat			
Belle Vue Park (Hire now run externally from 15/16)			
Wedding Photography - Annual Permit	70	73.25	4%
Bandstand Per Events*	41	42.25	3%
Belle Vue Park - Residential Lodge Rent	394	410	4%
Caerleon Pavilion			
Caerleon Pavilion*	12	12	0%
Sport & Leisure Pitch Hire			
Football			
Pitch Only (Adult) (per match/pitch) summer and winter	28	29	4%
Pitch & 1 x Changing (Adult) (per all sports summer and winter	36	37	4%
Changing Room (per team)	9	9.40	4%
Seasonal Football Charge Exclusive Use – Football Pitch Only	838	872	4%
Seasonal Football charge Exclusive Use - Football Pitch & changing	955	994	4%
Seasonal Football Charge Priority - Pitch Only	441	458	4%
Seasonal Football Charge Priority - Pitch & changing	539	561	4%
Seasonal Football Charge Standard - Pitch Only	319	332	4%
Seasonal Football Charge Standard - Pitch & Changing	431	448	4%
Seasonal Football Charge General Use - Sunday sides - Pitch only	291	302	4%
Seasonal Football Charge General Use - Sunday sides - Pitch & Changing	366	381	4%
Rugby			
Rugby - Exclusive Use Pitch & Changing	955	994	4%
Rugby - Exclusive Pitch Only	838	872	4%
Rugby - Standard Pitch	319	332	4%
Rugby - Standard Pitch & Changing	431	448	4%
Events			

SERVICE DESCRIPTION	CURRENT CHARGE £	PROPOSED CHARGE £	% INCREASE
Charity Events (discretionary)	113	200	77%
Commercial Events per day (discretionary)	225	500	122%

SERVICE AREA: Social Services

SERVICE DESCRIPTION	CURRENT CHARGE	PROPOSED CHARGE	% INCREASE
Part III Residential Homes (£/week)			
Blaen-y-Pant - Non EMI	524.27	550.00	4.91%
Blaen-y-Pant - EMI	524.27	605.00	15.40%
Parklands - Non EMI	524.27	550.00	4.91%
Spring Gardens - EMI	524.27	605.00	15.40%
Day Services (£/Day) Inter Authority Charges			
Day Services/Opportunities - LD	46.81	75.00	60.21%
Day Services/Opportunities - MH/OP	46.81	56.00	19.62%
Spring Gardens Resource Centre	48.85	56.00	14.64%
Supported Housing for LD clients (£/week)	838.47	855.24	2.00%
Domiciliary Services (£/hour)	12.18	14.00	14.94%
Day Services/Opportunities - LD	46.81	75.00	60.22%
Day Services/Opportunities - MH/OP	46.81	56.00	19.62%
Spring Gardens Resource Centre	48.85	56.00	14.64%
Meal Income (per meal)			
All Establishments (Service Users, Visitors & Staff)	2.91	3.00	3.09%
Residential - Provided by External Providers Non-Residential - Provided by External Providers Direct Payments Telecare Respite	Where services are provided by external providers the charges made are based on actual costs paid to providers (after income assessment has been made)		