Report

Council

Part 1

25th February 2014

Item No. **5**

Subject 2014/15 Budget and Medium Term Financial Plan

Purpose To agree the Council's 2014/15 revenue and capital budgets and the resulting Council Tax resolution, the Council's Treasury Management Strategy, Investment Strategy, Minimum Revenue Provision policy and Prudential Indicators as recommended by Cabinet on 10th February.

Author Head of Finance

Ward General

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

- the level of Council Tax and overall revenue and capital budgets;
- the Council's Treasury Management and Investment strategies; and
- Minimum Revenue Provision policy and Prudential Indicators.

Cabinet met on the 10th February and finalised detailed budget recommendations plus the various Treasury Management strategies and policies outlined above. This paper shows the 2014/15 detailed budget proposals, resulting service cash limits, council tax increase and recommendations for the Council's general reserve and contingencies. An increase in council tax of 4.50% (£38.47 per annum at Band D) for Newport City Council is recommended.

At Cabinet's request, detailed change and efficiency programmes have been developed to meet the forecasted medium term financial and service challenges the Council is facing. Budget proposals for 2014/15 are the first year of this and the programmes are fully outlined within the Medium Term Financial Plan (MTFP), (Appendix 8).

Based on these Change and Efficiency Programmes, Cabinet has taken a strategic and medium term approach and agreed all investment and saving proposals over the life of the current MTFP, together with the current 4 year Capital programme. Council is asked to note this decision.

Proposal That Council:

Revenue budget and Council Tax 14/15 (paragraphs 4-31)

- Note that an extensive consultation exercise has been completed on the medium term change/efficiency programme, including the 2014/15 budget proposals and that Cabinet have taken these into account in recommending final details of the programme and the 2014/15 budget proposals to this Council.
- Note the Head of Finance's recommendations that minimum General Fund Balances be maintained at £5million
- Note that, in line with the requirements of the Local Government Act 2003, the Head of Finance confirms 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 £1,973k
- Approve the final detail of Newport City Council's budget, shown in Appendix 1, noting that schools' funding is in line with the Welsh Government pledge
- Approve a Council Tax increase for Newport City Council of 4.50%, a band D tax of £893.36
- Approve the formal Council Tax resolution, included in Appendix 5 which incorporates Police and Crime Commissioner for Gwent & Community Council precepts

Capital Programme and 2014/15 budget (paragraphs 32–38)

- Approve the 2014/15 capital budget, in line with the detail contained in Appendix 6

Treasury Management and Investment strategies, Minimum Revenue Provision Policies & Prudential Indicators (paragraphs 39-54)

- To approve Treasury Management Policies in line with the detail contained in Appendix 7
- To approve the Annual Investment Strategy in line with the detail contained in Appendix 7
- To approve the Council's Counterparty list (external bodies for Council investments) in line with the detail contained in Appendix 7
- To approve the Prudential Indicators in line with the detail contained in Appendix 7
- To approve the Minimum Revenue Provision policy in line with the detail contained in Appendix 7

Medium Term Financial Plan and Capital programme (paragraphs 55 – 60 and 32 - 38)

- To note Cabinets approval of the implementation of the full 4 year change and efficiency programme, including all budget investments and saving options (Appendices 2 - 3), as summarised within the Medium Term Financial Plan (Appendix 8) and the full 4 year Capital Programme (Appendix 6). Noting they are subject to on-going review and updating.

Action by Assistant / Head of Finance – prepare 2014/15 Council Tax billing and Newport City Council detailed budgets in line with recommendation

Timetable Immediate

Background

A 'joined up approach'

1. The Council is required to set an overall budget for 2014/15 and the proposed budget is attached at Appendix 1. The budget is based on detailed proposals reported to Cabinet on 10th February 2014 and shared with Members via the Council's Scrutiny Committees in January 2014.

2. As in prior years, and in line with best practice, we are asking Council to consider the key budget issues together and:

   - agree an overall revenue & capital budget and resulting Council Tax; and
   - agree the Council's treasury management and investment strategies, minimum revenue provision policy and its prudential indicators.

3. In addition this year, Council should note that Cabinet have taken a strategic and medium term view and agreed the implementation of the Council's 4 year change and efficiency programme, including all budget investments and saving options, as summarised within the Medium Term Financial Plan and the full 4 year Capital Programme. Noting that these plans are subject to on-going review and updating.

THE COUNCIL'S 2014/15 REVENUE BUDGET AND COUNCIL TAX

The draft budget and Consultation

4. During the summer and autumn of 2013, Cabinet Members and Directors / Heads of Service developed a detailed change and efficiency programme, which has informed the Councils MTFP. These budget proposals have been consulted on as follows:

   - With Trade Unions via the Employee Joint Liaison Group (EJLG) meetings on 17th January 2014;
   - With all Overview and Scrutiny Committees in their January 2014 meetings where Members discussed the detailed change and efficiency programmes plus the MTFP;
   - With the Schools' Forum on 21st January 2014;
   - With the public, via the Council's website; and
   - The Council's Fairness Commission

5. Only one representative from the business sector attended the business and voluntary sectors consultation meeting on 28th January; the meeting was cancelled and a request for written views was made.

6. Details of the consultation responses were included in the Cabinet report on the 10th February 2014 and considered by Cabinet in finalising the details of the budget proposals for this Council meeting along with their Equality Impact Assessments.

The proposed budget 2014/15

7. The starting point for the 2014/15 budget is the current year's budget. Whilst it is a challenging year, most services, with the exception of Environment & Economy and Social Services 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 2014/15 and beyond and where required these have been included in service pressures / investment proposals.

8. Funding levels for Service Areas based on the draft proposals are shown in Appendix 1 with the detailed budget investments and savings shown in Appendix 2 and 3 respectively. Proposals include c£15,107k of budget investments / pressures over and above the costs of inflation. The most significant area of additional expenditure are linked to:

    - c£522k of additional funding to implement a 'living wage' policy within the Council, as part of the implementation of the Council's new pay and grading scheme
    - c£889k of additional funding to support the Council's capital programs
    - c£8,357k of additional funding following the transfer of PFI grant in the RSG settlement.

9. As is the case each year, the Welsh Government (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 1 reflect these changes.

10. In addition, significant specific grants are received from WG each year and at this time we still await the finer details of funding levels for 2014/15. 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 here 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.

11. The need to identify a significant level of savings to balance the budget, both for 2014/15 and the next three years was recognised at the early stages of budget preparation and a robust process has identified c£19,610k of savings over the 4 years. c£8,152k of savings for 2014/15 are shown in Appendix 3**.**

12. Whilst we still await the finer details of the WG pledge for school's funding. Their funding position, included within the service funding levels shown in Appendix 1 is in line with the WG pledge based on current information received by WG officials. This requires Councils to fund a minimum 0.45% increase in the overall schools budget, which will be increased further then by the 'Pupil Deprivation Grant' which is increasing significantly for 2014/15.

The grant settlement and Tax Base

13. The finance settlement from WG is important to the financial position of the Authority. For 2014/15, this has decreased by £2,957k (- 1.41%) after taking account of specific grant transfers in/out of the settlement.

14. 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 but an equivalent reduction is made to the Council's settlement from WG and, an allowance for the increased costs of benefits is also now required. For 2014/15, the tax base is 54,965.79.

General and Specific Reserves, Contingencies and Financial Risks

15. 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:

- Any overspend in 2013/14 will have a direct impact on the 2014/15 budget and level of general reserves. Whilst an underspend position is currently forecast, there remain a number of financial risks around a number of budget areas within the Council, these have been considered alongside the challenging savings targets for 2014/15. Additional significant budget capacity has been provided where it was deemed necessary.
- Saving proposals and additional income proposals in this report amount to c£8,152k and will need to be delivered in order to achieve a balanced budget for 2014/15. This will result in implementation costs and some 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.
- 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.

16. 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 these respects, Cabinet approved an additional £500k to be added to the Council's contingency base budget for 2014/15. In addition, c£500k has been taken from contingency previously to fund market factor supplement (MFS) in Children's Social Services until job evaluation is completed and implemented during the 2014/15 financial year, at which point it will be returned into contingency. It is felt that with this additional investment, along with the investment in the Social Services base budget in prior years, the contingency level of £1,973k is appropriate and will be kept under review.

17. 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. This is particularly the case this year, where significant one off funds will need to be adequately protected to fund:

    - The implementation of future change and efficiency program work c£8million with the possibility of an increase to c£10million over the MTFP due to additional savings which will be required to balance the medium term budget.
    - The implementation of the Council's new pay and grading scheme c£7million

18. These specific one of costs will be funded from the current Invest to Save and Pay reserves. Our forecasts indicate that there will be sufficient funds within these reserves to meet the above one off costs over the medium term.

19. In addition to General Reserves, the following are available to support the budget:

    - General base budget contingency - £1,973k

20. 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£8.9million for Newport. However, taking the approach outlined above:

    - 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 and has invested in the Social Services budget.
    - Budget risks have been addressed in the proposals, including Social Services
    - Protection against budget risks is provided through earmarked reserves and contingencies. Whilst no general revenue contingencies 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.

21. 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 £5million, supported by the base budget contingency.

22. 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 2014/15. 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 2014/15 budget as proposed is robust.

Proposed Budget & Newport Council Tax Level

23. Newport continues to have the second lowest Council Tax in Wales and amongst the lowest in the UK and significantly spends lower than its SSA compared with other Local Authorities. Whilst changes in Council Tax levels are usually noted in percentage terms, the cash increase this delivers in Newport will be smaller against other Local Authorities as our starting point is lower in the first place.

24. Based on a 5% (maximum before risking 'capping' by WG) Council Tax, the table overleaf compared the available and required budget funding which Cabinet considered at its meeting on 10th February, 2014.

	5% Increase
Council Tax at Band D at 5%	£897.64
Budget requirement	**£000**
Base Budget 2013/14	254,798
Inflation & Re-pricing adjustments	2,178
BASE BUDGET 2013/14 (before investments/savings)	**256,976**
Budget investments	14,922
Budget savings	8,152
DRAFT BASE BUDGET 2013/14	**263,746**
Funding available	
Final WG Settlement	214,826
Current Council Tax at new tax base	46,988
Increased Council Tax @ 5%	2,335
Total	**264,149**
Balance available 'in hand'	**+403k**

25. In recommending a final budget to Council, the Cabinet agreed the following

- Include further pressure of £160k for the continuation of the 'additional Council Tax Reduction Scheme for pensioners', subject to a review by Fairness Commission.

- Utilised the balance to set Council Tax at a level of 4.50% which will ensure a balanced budget for 2014/15

26. The final budgets, as detailed in Appendix 1, incorporate the above recommendations. In finalising these Cabinet were aware of the key messages / concerns / support coming out of the Consultation as outlined below but acknowledged that it was not possible to meet all the expectations.

27. The Cabinet was also mindful of the need to balance the interests of service users with tax payers given the current economic climate and in addition, noted that the Council's element of the Council Tax, even with the increase recommended, would still be the second lowest in Wales, below other Welsh cities and well below the average for Wales.

Community / Police precepts and Council Tax calculation

28. The Council Tax calculation includes precept figures from the Gwent Police Authority and Community Councils within the city as well as the City Council's own budget and these are shown in Appendix 4. The resulting Council Tax Resolution is set out in Appendix 5. These are based on the budget proposals agreed by Cabinet on 10th February 2014.

Equalities Impact Assessments

29. 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.

30. 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.

31. In finalising its budget proposals, Cabinet took account of the equalities impact assessments carried out, which was reported to them in their meeting on 10th February, 2014.

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

32. 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

33. In reality, there is little difference between (i) and (ii) i.e. 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).

34. 2013/14 is the final year of the current 4 year programme. A new 4 year Capital Programme covering the period 2014/15 to 2017/18 has been developed, and is set out at Appendix 6. This considers the requirements and priorities across the Council in line with the change and efficiency programs within the 4 year MTFP. This programme has been agreed by Cabinet on 10th February. It should be noted that this document will inevitably develop and change as assumptions are updated or confirmed.

35. The programme has been compiled with regard for service area requirements in the following categories:
    - Current known slippage against the 2013/14 capital programme
    - On-going Capital funded Maintenance schemes
    - Cyclical fleet/equipment replacement schemes
    - Schemes linked to the Change and Efficiency Programme
    - One off schemes resulting from service area requirements/ pressures

Key Schemes included in the New Programme

36. The new programme (detailed in Appendix 6) includes the following key schemes:

    - Newport C.C. match funding allocations required to fund Education priority schemes including Welsh Medium Secondary School Provision. As these proposals are still being developed, the full cost of the schemes, including external grant/other authority contributions, will be added to the programme once known.

    - 21st Century Schools - The Council currently has a bid in place for projects totalling £15million of which WG will provide £7.5million. It is currently the intention to use capital receipts to fund the Council's match funding. Schemes will progress and WG funds will be drawn down only when capital receipts have been generated and paid over to the Council. To date, reserved capital receipts for this purpose amount to £2.421million.

    - An amount of £6.519million is currently available to fund further Change and Efficiency Programme that are yet to be determined (including the Leisure Alternative Delivery model proposal).

    - The proposed Maesglas Streetscene Depot and Recycling Centre Project funded through new prudential borrowing of £4.9million. This is intended to be self-financing via savings and income generation.

    - The Fleet Replacement Programme approved in July 2013 funded by Capital Receipts of £1.8million, external grants and prudential borrowing £6.6million.

    - The proposed Four Year Capital Programme includes £17,500k of slippage that has occurred against schemes in the 2013/14 Capital Programme (the original budget envelope included £7.2million of forecast slippage against 2013/14 schemes).

Impact of the New Four Year Capital Programme on the Revenue Budget

37. The table below shows the Capital Financing revenue budgets required to fund the Capital programme at Appendix 6.

Capital Financing Budgets	**2014/15 £000's**	**2015/16 £000's**	**2016/17 £000's**	**2017/18 £000's**	**TOTAL £000's**
Revenue Budget required for New Four Year Programme	**22,368**	**24,045**	**24,175**	**24,591**	**95,179**

38. Council are asked to agree the Capital Programme for 2014/15.

TREASURY MANAGEMENT & INVESTMENT STRATEGY & PRUDENTIAL INDICATORS 2014/15

39. 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

40. These 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.

41. CIPFA requires local authorities to determine their Treasury Management Strategy Statement (TMSS) and Prudential Indicators (PIs) on an annual basis. This is approved by full Council following a recommendation from the Cabinet and a review by the Council's Audit Commitee. The TMSS also includes the Annual Investment Strategy (AIS) that is a requirement of the Welsh Government's (WG's) Investment Guidance.

42. Our detailed Treasury strategies for 2014/15 are included at Appendix 7. In addition, planned strategies to 2017/18 are also included, in line with the Council's 4 year Medium Term Plan. Key points of interest are summarised below.

Borrowing Strategy

43. The Council has significant long term borrowing requirements but in recent years, the strategy has been to fund its capital expenditure from reducing investments rather than undertaking more expensive new borrowing. This is because the rates achievable on the Council's investments are lower than the rates that would be payable on long term borrowing.

44. 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) and actual interest payable budgets which are based on predictions of actual external borrowing. Both are discrete budget lines in the Council's overall revenue budget.

45. 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.

46. In addition to normal planned capital expenditure, in December 2013 the Council approved a loan of up to £90million to Queensbury Real Estates (Newport) Ltd (QRE) to fund the building of the Friars Walk Development. The borrowing associated with this loan will be kept separate from the Council's other borrowing requirements but in setting prudential indicators for borrowing limits, does need to be taken into account, and hence is included within the CFR. The loan is anticipated to be paid off in full via a capital receipt at the end of December 2016. 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.

47. The table below shows the estimated Capital Financing Requirement/ New Net Borrowing Requirement position for Newport City Council for 2013/14 to 2017/18:

Newport City Council – CFR

	31.3.14 Estimate £m	31.3.15 Estimate £m	31.3.16 Estimate £m	31.3.17 Estimate £m	31.3.18 Estimate £m
CFR	294.8	350.6	378.1	288.1	279.8
Less: Other long-term liabilities	-53.5	-51.4	-49.2	-47.0	-44.8
Borrowing CFR	**241.3**	**299.2**	**328.9**	**241.1**	**235.0**
Less: Existing External borrowing	-147.2	-145.5	-141.2	-137.6	-134.0
Borrowing Required	**94.1**	**153.7**	**187.7**	**103.5**	**101.0**
Less: Usable reserves	-71.4	-59.6	-61.2	-63.3	-63.7
New Net Borrowing Requirement	**22.7**	**94.1**	**126.5**	**40.2**	**37.3**

48. As the table shows, the inherent 'need to borrow' as shown by the CFR is predicted to be £350.6million by 31 March 2015, whereas existing long term borrowing (to 31 March 2014) and other long term liabilities is £200.7million.

49. Given current borrowing levels a further £153.7million would need to be borrowed to fund capital expenditure during 2014/15. However, taking account of cash backed reserves reduces this need to borrow to £94.1million. This includes borrowing required for the Friars Walk development, whilst new long term borrowing specifically for the Council will be required of approximately £20million. A further £20million is anticipated to be required before the end of the 2013/14 financial year. In addition, borrowing associated with the Friars Walk Development will be incurred on a monthly spend basis up to a maximum of £90million over the life of the project.

50. 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

51. Whilst investment funds remain available, the Council will based on the treasury management advice from Arlingclose, invest in the following areas:

- Debt Management Office (Bank of England)
- Term deposits with other UK local authorities
- Term deposits with banks and building societies, credit ratings must be A- or higher.
- Term Deposits with certain non UK banks as suggested by the Treasury Advisors
- Money Market Funds – as advised by Treasury Advisors

52. More detail is included at Appendix 7 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 return on its investments commensurate with these principles.

Prudential Indicators

53. 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.

54. Examples of our key indicators are noted below; again more detail is supplied at Appendix 7

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

    Financing Costs to Net Revenue Stream
    There will be financing costs to our borrowing requirements and this ratio shows these costs as a percentage of the Council's revenue budget. The ratio for 2014/15 is 8.6%.

THE MEDIUM TERM FINANCIAL PLAN

55. In July 2013, Cabinet agreed a new organisational framework, with the overarching mission statement of 'Improving Peoples Lives'. Cabinet recognised the need for the organisation to change how and what we do, and established a framework placing a clear distinction between business change/improvement and efficiency projects, with separate governance structures put in place to deliver each of these separate strands.

56. The medium term financial plan (MTFP) presented at Appendix 8 is the articulation of the financial challenges and the change/improvement and efficiency programmes, over the next 4 years. However it should be noted that this document will inevitably develop and change as assumptions are updated or confirmed.

57. The Council financial strategy continues to be to maintain key services to the public, develop improvements in how services are delivered and fund key priorities including city centre regeneration and customer services.

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

    - Strategic Commissioning in Education
    - Alternative service delivery mechanisms in Leisure, Property and Council wide Transactional services
    - Alternative service provision patterns in Libraries and Arts services
    - New Ways of Working across the Council
    - Moving our customers to on-line services wherever possible
    - Active Living / Promoting Independence within Adult Social Services

59. Significant one off costs will be required to implement these change and efficiency projects. Currently costs are estimated at c£8million, (although an additional £2million may be required over the life of the MTFP to fund savings not yet identified.) This is made up of potential redundancy costs of c£5.5million, additional project support costs of c£600k, external project support costs of c£1.3million and other costs of c£500k. The funding of these amounts is considered at paragraph 17.

60. Cabinet agreed the implementation of the full 4 year change and efficiency programme, including all budget investments and saving options (Appendix 2 & 3), as summarised within the MTFP (Appendix 8), noting that it is subject to on-going review. Council are asked to note this decision.

Risks:

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	H	L	(i) robust budget monitoring (ii) service planning (iii) retention of reserves and budget contingency	Head of Finance Heads of Service
Budget savings not delivered on time leading to in year overspending	H	M	(i) robust budget monitoring (ii) 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
The Council must agree a recommended Council Tax and 2014/15 and overall revenue and capital budget, plus the Council's Treasury and Investment strategies and prudential indicators.

Preferred Option and Why
Council has various options open to them on the detailed budget proposals contained within this report.

Comments of Chief Financial Officer
The financial implications stemming from this report are contained within the body of the report

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 Council must have regard to the advice of the Head of Finance, as the 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 the recommendations from the Cabinet regarding the budget and the Council tax rate. In accordance with the Functions and Responsibility Regulations, agreeing the budget and setting the Council Tax rate under the 1992 Act is a matter for full Council. In accordance with Section 30 of the 1992 Act, the Council is required to set the Council tax for the next financial year on or before 11th March. However, the Council is only empowered to set the budget framework and the

Council tax rate. Expenditure within the budget framework and the implementation of any requisite savings or re-provision of services are executive decisions for the Cabinet and Cabinet Members. Therefore, Cabinet is able to approve the 4 year programme as set out in the MTFP, subject to future budget decisions.

Staffing Implications-: Comments of Head of HR

The change and efficiency programme outlined in the report will have a direct impact on employees across the Council, including, potentially, schools. Changes to structures and staffing will be required to make the necessary savings. This programme will be supported through Human Resources, ensuring that the Council's services are financially sustainable into the future and continue to deliver high quality to Newport's citizens. The change programme will need to incorporate meaningful consultation with trade unions and affected employees and this has already commenced.

The Council will aim to minimise the impact of the budget proposals on employees across our services, and a number of actions are currently being undertaken to assist in this e.g. restrictions on recruitment, reduction in use of agency staffing and overtime. However, given the scale of the challenges facing the Council over the next 5 years, 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.

Local issues

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

Consultation

Wide consultation on the budget has been undertaken, as outlined in paragraph 4 of the report

Background Papers

Cabinet report Medium Term Financial Plan and Budget on 10th February 2014

Appendices

Appendix 1	Service Area Budgets
Appendix 2	Budget Investments
Appendix 3	Budget Savings
Appendix 4	Precepts / Council Tax
Appendix 5	Resolution to Set Council Tax Levels
Appendix 6	Capital programme/budget 14/15 and further 3 year programme
Appendix 7	Treasury Management Strategy and Prudential Indicators
Appendix 8	MTFP

Appendix 1 – Service Area budgets

	2013/14 Budget	2013/14 Budget
	£'000	**£'000**
Lifelong learning & Leisure		
Schools	84,849	85,235
Improvement & inclusion	7,048	6,523
Resourcing & planning inc transport/catering)	7,517	7,682
Youth & Community services	730	618
Continuing learning & leisure (inc Partnership)	5,801	5,219
	105,945	**105,277**
Social Services		
Children & family services	19,187	20,152
Community care & adult services - older persons	19,555	18,942
Community care & adult services - physical disabilities	512	517
Community care & adult services - learning difficulties	15,139	14,459
Community care & adult services - mental health	3,571	3,520
Community care & adult services - other	2,116	2,380
Resources & strategy	1,570	1,418
	61,650	**61,388**
Environment and the Economy		
Integrated Property Unit	4,496	4,848
Housing and Community Regeneration	1,968	1,601
Development Services	1,112	1,126
Public Protection	2,390	2,451
Street Scene Central	68	21
Street Scene East	4,378	4,664
Street Scene West	2,322	2,298
Environmental Services	2,728	2,823
Strategic Street Scene	229	231
Integrated Transport Unit	2,399	2,153
	22,090	**22,216**
Corporate Services		
Directorate	660	648
Finance	2,789	2,967
HR & policy	3,608	3,279
IS & Communications	6,260	5,728
Law & standards	3,879	3,907
Non Departmental Costs	-	-
	17,196	**16,529**
Capital Financing Costs & Interest		
Capital financing costs	11,544	11,218
Interest payable	10,464	11,646
Interest receivable	(70)	(37)
PFI grant	(959)	7,398

	2013/14 Budget	2013/14 Budget
	20,979	**30,225**
SUB TOTAL - SERVICE/CAPITAL FINANCING	**227,860**	**235,635**
Contingency Provisions		
Restructuring / Other savings related costs	950	950
General	1,473	1,973
Insurance Premiums	570	570
Other Income & Expenditure	41	(637)
	3,034	**2,856**
Levies/Other		
Discontinued Operations - pensions	1,588	1,756
Discontinued Operations - Ex Gratia Payments	2	
Levies - Drainage Board, Fire service etc	8,327	8,468
Non distributed grants	(1,476)	(1,476)
Non distributed costs	5	5
Council Tax Benefit Rebates	9,851	10,863
	18,297	**19,616**
Transfers to/(from) Reserves		
Base budget - Planned Transfers to/(from) Reserves	5,607	5,823
	5,607	**5,823**
TOTAL	**254,798**	**263,930**

APPENDIX 2 - LIST OF ADDITIONAL INVESTMENTS IN SERVICES

Service Area	MTFP Description	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000
Corporate	Council Tax administration grant is being reduced and reduction transferred into RSG settlement	254	0	0	0
	People and Transformation - Communications & Marketing The City Centre Marketing manager is currently funded equally between Newport CC and Newport Unlimited. In 2014/15 the Newport Unlimited funding will cease which will require additional budget provision to be created to continue to fund this post. Budget shortfall expected to be £37k based on current salary.	37	0	0	0
	People and Transformation - Communications & Marketing The Council Newspaper Newport Matters has been increased from 5 editions per year to 6 editions and external advertising has been restricted limiting potential income to offset this cost, which will result in a total pressure of £30k	30	0	0	0
	Council Tax Reduction Scheme for Pensioners Payable to those pensioners already in receipt of partial Council Tax Reduction through the statutory scheme, This grant has now become part of the Councils RSG. Based on 2013/14 data we are currently planning on paying c£160k on 1,769 pensioners. Subject to a review and recommendation from the Fairness Commission	160			
	Sub Total	481	0	0	0
CLL	None	0	0	0	0
	Sub Total	0	0	0	0
Education	Primary School Demographics - net increase between Primary and Nursery Pupils of 310 additional Pupils for 2013/2014. The following four years show an average rise each year of 300 pupils into the system from current information held.	500	500	500	500
	Secondary School Demographics - net decrease of 147 pupils for Secondary for 2013/2014. (Similar decrease anticipated in 14/15, then static numbers for 15/16 & 16/17, then increase of approx. 40 for 17/18)	-350	0	0	100
	Schools Breakfast Clubs Grant The grant transferred into RSG from 2013/2014. Newport is a low provider for Clubs in Primary schools. 20 additional clubs were targeted in 2013/2014 with additional funds allocated. These Clubs would start part way through 2013/2014, and therefore additional funds are required in 2014/2015 in order to continue to run these Clubs are provide any additional requested. WG have indicated this is a Statutory provision.	115	0	0	0

Service Area	MTFP Description	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000
	Teachers Superannuated Costs Where Teachers are made redundant etc. through the Council's agreed policies from Schools, and are of pensionable age, the costs of the Pension prior to the normal retirement age are payable by the Council, in addition to any one-off early release costs or redundancy payments. These costs have been steadily rising over the past few years and until now have been able to be absorbed through departmental budget management. This is no longer the case, and costs are greater than budgetary provision by £100,000 and rising each year as Schools undertake restructuring due to financial constraints. Therefore to make budgetary provision correct in terms of on-going in-perpetuity costs an amount of £100,000 is required.	100	0	0	0
	Sub Total	365	500	500	600
E&E	Indications of a reduction in recycling Grant 14/15	100	0	0	0
	Increase in Carbon Tax following increase in rate and ending of street lighting exemption from the tax	140	0	0	0
	Car park income not as high as anticipated following reintroduction of charging	60	0	0	0
	Administrative Buildings savings for 2013/14 not being achieved and unlikely to be made in 14/15	145	0	0	0
	RASWA. Utilities are becoming better at managing their work in order to avoid paying penalties	50	0	0	0
	Public Protection Income on Kennels and Environmental Health is not achieving targets	50	0	0	0
	Sub Total	545	0	0	0
Social Services	Adults - Demographic Growth - Based on current trends and demographic forecasts	300	276	274	322
	Improvement Package' grant bought into settlement - previously a specific grant to compensate Local Authorities for loss of income with introduction of £50 per week cap on client charges/contribution. Transfer is £137k but current budgeted/contribution is £150k	150	0	0	0
	Adults - Frailty Contribution to Pooled Budget from savings accrued - Contribution required by the Gwent Frailty Project in order to fund the investment in the project to transform services. This is a long-term project that is eventually expected to deliver savings in future years, though none have been achieved to date. Contributions assuming the full funding drawn down will be £685k in 14-15 and £719k in 15-16. £440k already in the base budget	245	169	0	0
	PRESSURE C&F - Non Recourse to Public Funds - Families who have come to the UK from Europe but who do not have an access to public funds have been increasing	50	0	0	0

Service Area	MTFP Description	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000
	each year, with an influx from Bulgaria and Romania expected from 14-15. They are then rendered homeless and without food or clothing support until their application has been processed. We have a duty of care to these families under Section 17 of the 1989 Children Act.				
	Fostering Team - Income Generation Target - Unachievable Income generation	67	0	0	0
	PRESSURE C&F - Serennu - Disabled Children's - Rent / Rates - Since moving to the new Serennu premises we have agreed an annual rent contribution with the ABHB	30	0	0	0
	Out of Area Residential Placements - There is an increasing number of children being placed in OOA residential placements due to the complexity and increased risk of female children. Current projected costs (August 2013)	337	0	0	0
	External Legal Fees - This budget is overspend each year and projected to continue at current levels	85			
	Kinship - This budget is forecasted to overspend due to demand and to continue - £85k	52	54	54	54
	Skills for Living - emotional support +16 - Packages of emotional support for young people	40	0	0	0
	Social Worker Case Loads - To comply with the Laming review - funding required to reduce social worker caseloads - this will enable us to bring down to 'average' levels. at 19.	275	275	0	0
	Sub Total	1,631	774	328	376
Non-Departmental	PFI grant bought into RSG settlement	8,357	0	0	0
	Increase in Council Tax Benefit Rebates due to Council Tax % rise	1,013	0	0	0
	Increase in National Insurance ER's rates following changes to regulations linked to 'contracted out' schemes such as the LGPS	0	0	1,215	0
	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 50% of this potential cost which equates to £0.507m.	101	101	101	101

Service Area	MTFP Description	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000
	Living Wage This proposal is gaining support in central government to increase the minimum wages to £7.20 per hours (LIVING WAGE LEVEL). At present the Council has 1,644 staff earning below this level. The worst case scenario is an additional cost of Basic Pay £884k, NI £95k and Pension £65k . It is expected that the Pay and Grading Review will address the issue of lower graded staff	522	522	0	0
	SDR PFI Scheme Interest payable on SDR PFI reserve to maintain ability to fund future costs when annual PFI grant lower than costs	300	300	300	368
	Capital programme MRP / Interest	889	1,085	-126	91
	Non-Operation Pensions Increase to Ex-Gwent Council Pension Payments as a result of inflationary pension rises.	150	0	0	0
	SW Fire Levy - Change in census population The increase in population within the Newport area (noted within the WG draft settlement), will result in increase to the Levy required by SW Fire. The pressure has been estimated based on draft WG Settlement information.	58	0	0	0
	Invest to Save funding - given the scale of one off funds required to implement the MTFP - it may be necessary to internally and temporarily use funds from the PFI reserve which requires repaying. This pressure is the repayment, based on £2m over 12 years. This issue will need to be reviewed periodically when reserves and one off funding in totality are assessed / changes	170	0	0	0
	Additional Contingency given current pressures faced by the Council	500			
	Reserve to assist with future Sponsorship	25			
	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 overall budget gap takes account of some amount for this.	0	400	400	400
		12,085	2,408	1,890	960
	TOTAL	15,107	3,682	2,718	1,936

APPENDIX 3 - LIST OF SAVINGS

ID	Service Group	Change/ Efficiency	Proposal	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000	Impact	Description	Staff Impact (FTE)	TUPE Impact (FTE)
1	Corporate	Efficiency - Income	Gwent Crematorium	120				Increased cost to the public.	This decision will be made by the Joint Committee and not any of the individual Authorities. The Gwent Crematorium is operated by a Joint Committee on behalf of the five constituent Authorities of Gwent. Each year the Joint committee approve a distribution of the surplus achieved to each constituent Authority. Newport acts as the lead Authority advising the Joint Committee on all aspects of finance and benchmark the cost of cremation with other Authorities. The current fees are below the Welsh average and therefore there is scope to increase these fees which will result in an increased distribution to all Authorities in the future. This income is currently budgeted at £80k but an expected distribution of £200k in 2014/15 is a reasonable expectation.	0	
2	Corporate	Efficiency	Centralise Marketing Budget (year 2)	31	14			No impact on service delivery.	More effective use of existing marketing channels and resources and increased use of digital channels such as web and social media. The move to this alternative service delivery will be phased over three years and started in 2013/14 to deliver savings of 20% (2013/14), 10%	0	

ID	Service Group	Change/ Efficiency	Proposal	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000	Impact	Description	Staff Impact (FTE)	TUPE Impact (FTE)
									(2014/15) and 5% (2015/16).		
3	Corporate	Efficiency	Review of Mail and Print Service across the Authority.	130	172			No impact on service delivery.	The role of Mail and Print services across the Authority has been reviewed by Northgate consultants including: Renegotiation of Franking Machine contracts, Centralisation of Mail activity to gain volume discounts, Standardisation of external mail envelope formats, Centralisation of paper procurement to gain volume discounts & Promotion of Print Room services via road shows in services areas to encourage internal business at a competitive price. This specific review by Northgate Consultants is in addition to the general Procurement review included in the Change Programme below, but will be amalgamated into one programme during 2014/15.	0	
4	Corporate	Efficiency	Various Corporate services departments	75				No impact on service delivery.	Reduction on supplies and services budgets in various Corporate Services departments.	0	
5	Corporate	Efficiency	Legal Services	93				1.9 FTE (vacant) staff reductions without a reduction in caseload will	Reduce supplies and service budgets £24k & delete the following posts: Commercial Solicitor £49k,Part-time Admin Assistant £8k & Part-time Conveyancing Assistant £12k	1.9	

ID	Service Group	Change/ Efficiency	Proposal	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000	Impact	Description	Staff Impact (FTE)	TUPE Impact (FTE)
								increase pressure on the service.			
6	Corporate	Efficiency	Members Neighbour - hood Allowances	25				This will reduce payments to a variety of third sector/voluntary bodies some of which may be replaced from other sources.	Discretionary spend allocated to each Member to fund individual requests from individuals or organisations within the Newport area. The requests are one off in nature and do not permanently fund any on-going projects.	0	
7	Corporate	Efficiency	Leaders Office	28				1 FTE reduction (vacant).	Delete the Leaders office personal assistant post which is vacant.	1	
8	Corporate	Efficiency	Human Resources	50				1 FTE job share staff reduction (0.4 vacant, 0.6 filled). Centralisation of IT Training function provides economies of scale.	Delete both parts of a job share HR Training Officer post £30k, reduction in supplies and services £2k and additional income from collaboration £18k	1	

ID	Service Group	Change/ Efficiency	Proposal	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000	Impact	Description	Staff Impact (FTE)	TUPE Impact (FTE)
9	Corporate	Efficiency	Training & Development	22				No impact on service delivery.	Transferring the IT Training service from C&IS into a centralised Training and Development Service within People & Transformation has reduced the cost of training provision.	0	
10	Corporate	Efficiency	Occupational Health	31				Negotiation of a reduced contractual service.	Contract cost of service provision is expected to reduce in 2014/15.	0	
11	Corporate	Efficiency	Health & Safety	31				1 FTE staff reduction. Existing workloads will be absorbed, but will have a greater lead time.	Delete one Health & Safety Assistant post £29k. Reduction in supplies and services budgets £2k.	1	
12	Corporate	Efficiency	Long Service Awards	3				No impact on service delivery.	Saving relates to the residual budget for payment of awards. An award ceremony will still take place to recognise the achievement and the cost will be covered from existing communications budget	0	
13	Corporate	Efficiency	HR Payroll Team	8				No impact on service delivery.	The rollout of iTrent self-service and moving to electronic document management will reduce printing and postage costs within supplies and services £8k.	0	
14	Corporate	Efficiency	Policy & Performance	22				No impact on service delivery.	The interim restructure of the Policy and Performance section in the current year has resulted in a saving of £18k. Supplies and	0	

ID	Service Group	Change/ Efficiency	Proposal	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000	Impact	Description	Staff Impact (FTE)	TUPE Impact (FTE)
									service budgets have been reduced by £4k		
15	Corporate	Efficiency	Partnerships	7				No impact on service delivery.	The majority of the service is grant funded. By maximising the use of the grant it is possible to reduce some supplies and services core budgets £7k.	0	
16	Corporate	Efficiency	Fairness/ Equalities/ Citizen Panel/ Community Plan	4				No impact on service delivery.	The separate budgets for these four areas will be combined to deliver a more robust service and provide economies of scale saving £4k.	0	
17	Corporate	Efficiency	Communication & Marketing	6				No impact on service delivery.	There is small staff saving due to a staff restructure achieving higher than expected savings of £4k, together with reductions in marketing expenditure due to greater use of social media and accounting for procurement savings £2k.	0	
18	Corporate	Efficiency	IT services	333				4 FTE staff (2 vacant, 2 filled) reductions will restrict the ability of the service to respond to front line service user queries. Rationalising the number of	Restructure of IT services. Estimated reduction of 4 FTE leading to a saving of £115k, via voluntary redundancy. Renegotiation of various contractual licenses reflecting the reduction in the size of the Council and subsequent reduced demand on IT Service. Consolidation of IT software with fewer suppliers leading to economies of scale £209k. General reductions are supplies and services budgets £9k.	4	

ID	Service Group	Change/ Efficiency	Proposal	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000	Impact	Description	Staff Impact (FTE)	TUPE Impact (FTE)
								software products could limit the ability to use the best product on the market.			
19	Corporate	Efficiency	Mail & Print Services	5				No impact on service delivery.	The review of Mail and Print services has changed the methods of procurement and working processes, together with renegotiation of the equipment contracts resulting in an expected saving of £5k.	0	
20	Corporate	Efficiency	Information Governance	39				No impact on service delivery.	The section have rationalised software suppliers to provide the customer Insight data that will underpin customer focus across the Authority, which has also allowed cancelling of some other contracts together with other supplies savings totalling £39k.	0	
21	Corporate	Efficiency	Customer Services	95				Reduces the ability to develop without securing specific funding in the future.	The software licenses for telephony and communications have migrated as part of the PSBA solution for the Authority which means individual voice and data communications contracts can be cancelled. Removal of contingency budget for IT hardware and software established during implementation of the Face to Face centre and the transfer of the Contact Centre,	0	

ID	Service Group	Change/ Efficiency	Proposal	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000	Impact	Description	Staff Impact (FTE)	TUPE Impact (FTE)
									which is no longer required as the two services have been operating successfully without the need for this budget £95k.		
22	Corporate	Efficiency	Joint Procurement Unit	22				Reduction of 4 FTEs (vacant).	Restructure the unit to continue to provide a service to the three authorities of Newport, Monmouth and Torfaen but at a reduced cost. All post holders have now been redeployed following implementation. This results in a net saving of £22k	4	
23	Corporate	Efficiency	Internal Audit	9				No impact on service delivery.	Reduce training and supplies and services budget £9k.	0	
24	Corporate	Efficiency	Payments	26				No impact on service delivery.	The development of more efficient payment processes reduces supplies and services cost £26k.	0	
25	Corporate	Efficiency	Revenues, Benefits & Council Tax	35				No impact on service	The realignment of budgets to reflect the new working practices following the review by Northgate consultants and incorporating the impact of EDMS on the service. Reliant on full implementation of new operating model.	0	
26	Corporate	Change	New Ways of Working	247	247			Staff impact - reduction of 24 FTEs estimated.	The aim of this proposal is to deliver more efficient and effective support arrangements within services by making full use of technology to reduce and automate paper processes. Implementing these improved processes will remove duplication and	24	

ID	Service Group	Change/ Efficiency	Proposal	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000	Impact	Description	Staff Impact (FTE)	TUPE Impact (FTE)
									bureaucracy and will benefit both internal and external customers		
27	Corporate	Change	Procurement	310	530			No impact on service delivery.	To deliver savings from a combination of revenue and capital spending reductions by managing prices, demand and standardising specification of goods and services procured by the Council. To implement and roll out electronic procurement across the Council to capture management information to identify subsequent procurement opportunities. To minimise the cost of the Procure to Pay function by reducing administrative costs. To reduce invoice volumes to limit the administrative burden on services.	0	
28	Corporate	Change	Finance - Business Partnering	139				Reduction of 4 FTE (3 vacant, 1 filled).	Restructure the accountancy service as a business partner model. In conjunction with revised budget monitoring and other process changes will be delivered to allow staff resources to concentrate on areas of value added work. This is a two-phased approach.	4	
29	Corporate	Change	External Customer Experience	-164				Reduction of 15 FTEs (filled) over the total project.	More efficient provision of the revenues and benefits service to the public whilst maintaining the level of service provided. Better collection rates on local taxation. This is associated with final year	15	

ID	Service Group	Change/ Efficiency	Proposal	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000	Impact	Description	Staff Impact (FTE)	TUPE Impact (FTE)
									implementation of a three year project.		
30	Corporate	Change	Personalisation - Customer Insight					No impact on service delivery.	The outline business case set out the options for consideration with regards to the Prospectus for Change Priority of Personalisation – where service delivery and outcomes take account of the different make up of communities across the city. For the Council and its partners to successfully be able to take account of the different make up and communities of the city it must effectively utilise Customer Insight and multiple data sources to inform planning, deployment of resources and delivery. The co-ordination of the data gathering function in one team (i.e. Information Management Team) is absolutely key to ensure maximisation of resources and one version of the truth.	0	
31	Corporate	Change	Super Connected Cities					No impact on service delivery.	Project to deliver Newport's digital vision of a 21st Century network infrastructure to realise economic, social and environmental benefits for the city. Will support the council to maintain and increase its ability to deliver quality services through new channels with greater efficiency	0	
32	Corporate	Change	Channel Shift	63	42			Reduction of 1.5 FTE		1.5	

ID	Service Group	Change/ Efficiency	Proposal	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000	Impact	Description	Staff Impact (FTE)	TUPE Impact (FTE)
								(vacant).	The continuation of the Council's Customer Services Strategy to provide quality customer service and direct customers to more cost effective self-service channels by providing appropriate facilities, equipment, training and guidance.		
33	Corporate	Change	Right People, Right Skills, Right Place (De-layering and VR process)	1,200	800			Staff impact - 100 FTEs including associated service impact.	Apply organisational design principles to improve accountability and decision making and reduce the number of management layers across the organisation	100	
				3,045	1,805	0	0			157.4	0
34	CLL	Efficiency - New Funding	Seek alternative funding for big splash event.		50			Customer impact.	To save £50,000 by ending all direct Council spends on the Big Splash Festival from 2015 onwards. Staff would seek to identify alternative sources of funding, or to replace the event with other smaller, self-funded activity	0	
35	CLL	Efficiency - New Funding	Seek sponsorship for food festival/Christmas events to make them cost neutral		32			Customer impact. Business sector impact.	To save £32,000 by reducing net spend by the Council run City Centre events to zero. All activity after the 1st April 2015 would have to self-funding through external grants, sponsorship or fees.	0	
36	CLL	Change - New	Riverfront - move to			300		Employee impact 12.5	To save £300,000 by seeking an alternative model for delivery of	6.5	6

ID	Service Group	Change/ Efficiency	Proposal	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000	Impact	Description	Staff Impact (FTE)	TUPE Impact (FTE)
		Funding	alternative delivery model					FTE Potential TUPE implications	services for The Riverfront Theatre and Arts Centre. This is likely to be through outsourcing to, or a management partnership with one or more other organisations. The savings would come from the Riverfront, Arts Management, Rates and Maintenance budgets.		
37	CLL	Efficiency - Income	Room hire at CLL venues for learning purposes	42				No impact on service delivery.	Additional income from room hire at branch libraries and Newport Centre for learning purposes.	0	
38	CLL	Efficiency - Income	Increased usage and income from sport and leisure centres	110				Increased programme offer and quality of provision	This proposal relates to an overall increase in the use of the service and an increase in income. There will be an increase usage in sport and leisure centres	0	
39	CLL	Efficiency	Tredegar House revenue funding			150		No impact on service delivery.	If the visitors to Tredegar House are above 120,000 per year then a saving of £150,000 will be made by the Council. The Council anticipates that this could occur by 2016/17.	0	
40	CLL	Efficiency	Theatre, arts and events	60				Post affected 1 FTE (filled)	To save £60,000 by reducing the net spend on events activity by £20,000 and by adjusting the staffing levels to save the balance of the target figure. The staffing changes will reflect the effect of the accumulated reductions over the	1	

ID	Service Group	Change/ Efficiency	Proposal	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000	Impact	Description	Staff Impact (FTE)	TUPE Impact (FTE)
									period 2012-2014 on the number and scale of events that it is possible to deliver.		
41	CLL	Efficiency	Library services	38	29			Post affected 2.5 FTE (filled)	Deletion of the Bibliographical Services Librarian post plus deletion of a part time Team Administrator post within the Community Learning and Libraries service. Deletion in 2015/16 of a further post within the library establishment.	2.5	
42	CLL	Efficiency	Withdrawal of direct delivery of arts development			18		Posts affected 0.5 FTE (filled).	To save £18,000 by reducing net spend by the Council on Arts Development activity to zero. All activity after the 1st April 2016 would have to self-funding through external grants, sponsorship or fees to participants.	0.5	
43	CLL	Efficiency	Closure of Belle Vue lodge	6				No impact in overall provision	Relocate Belle Vue Park Management and use by bowlers from the Lodge in Friars Road and offer to market for business letting purposes.	0	
44	CLL	Efficiency	No replacement equipment provided in children's play areas.	20				Posts affected 1 FTE (filled). Customer impact.	Removal of Children's Play Areas which are in poor condition/require significant investment to replace/or are magnets for anti-social behaviour including two Multi Use Games Areas and the Outdoor Water Play Feature at Tredegar Park.	1	
45	CLL	Efficiency	Reduction in staffing and	243				Staff impact 5 FTE (1.5	A reduction in staffing numbers and efficiencies relating to premises,	5	

ID	Service Group	Change/ Efficiency	Proposal	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000	Impact	Description	Staff Impact (FTE)	TUPE Impact (FTE)
			other identified efficiencies					vacant, 3.5 filled).	supplies and services. Some vacant posts will be deleted and additional savings made from restructuring.		
46	CLL	Change	Newport medieval ship	105	145			Posts affected 5 FTE (2 vacant, 3 filled).	The Council is committed to the completion of the conservation of the archaeological timbers; however, there is no funding to progress beyond this conservation phase.	5	
47	CLL	Change	Alternative CLL delivery model for leisure services.		309	103		No service user impact Staffing impact will be subject to TUPE protections.	Establishing an alternative delivery model for the Sport and Leisure service element of Continuing Learning and Leisure. This programme is intrinsically linked to a management restructure of Sport and Leisure, prior to progressing with the alternative delivery model.	0	105.82
48	CLL	Change	Sport and leisure management restructure prior to Alternative service delivery	50				Posts affected 2 FTE (filled).	Staffing restructure within Sport & Leisure prior to transfer to alternative delivery model.	2	
49	CLL	Change	Self-Management of bowls greens - Belle Vue park	24				Posts affected 1.5 FTE (filled)	Transfer the management and operation of the Belle Vue Park bowling green and associated bowling pavilion and changing chalet to a model of self – management	1.5	

ID	Service Group	Change/ Efficiency	Proposal	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000	Impact	Description	Staff Impact (FTE)	TUPE Impact (FTE)
50	CLL	Change	Libraries and Museum closure one day per week & management restructure	86				Posts affected 3.5 FTE (filled). Reduction of library service provision/hours, and will have an impact on employee's terms and conditions.	Closure of museum and central library one day per week and reorganise the staffing.	3.5	
51	CLL	Change	Rationalise and modernise the delivery of library operations			278		Closure of some libraries. Staff impact 14.5 FTE (filled)	To rationalise and modernise the delivery of Library Services in Newport providing high quality but affordable service for the residents in the City	14.5	
				784	565	849	0			43	112
52	Education	Efficiency	Schools Pressures	150				No impact on service delivery.	Included in budget pressures is school's demographic pressure of £150k net and funding of redundancy costs within schools at £500k. It is proposed that we reduce School's budget to match the pressure for school based redundancies which will enable us to create a 'budget' for this pressure and for the School's to absorb the demographic pressure	0	

ID	Service Group	Change/ Efficiency	Proposal	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000	Impact	Description	Staff Impact (FTE)	TUPE Impact (FTE)
									in 14/15.		
53	Education	Efficiency	Schools Pledge	375				No impact on service delivery.	This saving enables the Council to fund the minimum £375k to schools as its contribution to the Welsh Government pledge.	0	
54	Education	Efficiency	All Wales student finance		70			No impact on service delivery.	The aim of the Welsh Government, over the longer term, is to centralise the function of administering Student Finances. Plans are progressing at the current time within WG for this to take place from 2015/16 and it is assumed at this stage that RSG will be reduced, and therefore the £70k will be given up to offset this.	0	
55	Education	Efficiency	Additional Learning Needs/Special Educational Needs Collaboration (ALN/SEN) collaboration.	0	0	0	0	No impact on service delivery. We are aiming in the collaboration to remove duplication: we intend to do this in a way which makes no negative impact on the outcomes the service	Collaboration across all five Councils within the South East Wales Consortium. It would be anticipated that the collaborative work will continue within one Authority giving rise to shared posts. Income for shared posts, for example Child protection Officer as this is currently shared 50/50 between Newport and Blaenau Gwent.	0	

ID	Service Group	Change/ Efficiency	Proposal	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000	Impact	Description	Staff Impact (FTE)	TUPE Impact (FTE)
								delivery supports			
56	Education	Efficiency	Out of County Additional Learning Needs Placements as a result of New Provision			186	134	Following consultation should be positive outcomes on families.	The development of a specialist Autistic Spectrum Disorder school provision within the City will potentially lead to pupils being brought back from out of county placements thus avoiding costs to out of county establishments. This proposal is dependent upon 21st Century schools funding.	0	
57	Education	Efficiency	Home to School Transport.		60	60	60	No impact on existing pupils. An estimated 650 future pupils impact	Removal of the discretionary home to school transport distance of 3 miles entitlement back down to the statutory limit of 2 miles. Consultation with parents has resulted in savings being delayed until 2015/16. These savings will be staggered over a number of financial years as the revised policy will only be applied to new pupils.	0	
58	Education	Efficiency	Special Educational Needs Out of County Placements.	265				No impact on service delivery.	Budgetary provision can be reduced to reflect the current, known placements. There is a risk, however, that the budget going forward would only accommodate	0	

ID	Service Group	Change/ Efficiency	Proposal	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000	Impact	Description	Staff Impact (FTE)	TUPE Impact (FTE)
									this number of placements so any additional placements in the future will come at an additional cost to the Authority.		
59	Education	Efficiency	GEMS (Gwent Education Minority-Ethnic Service)	20				No impact on service delivery.	Utilise more grant funding as part of core budget.	0	
60	Education	Efficiency	Gwent Music Support Service	50				No impact on service provision.	At the current time Gwent Music receive all support services from the Council free of charge. The proposal is to charge the Music Service for central support services.	0	
61	Education	Efficiency	General management savings	15				No impact on service delivery.	Reduction of supplies budget across the following areas within Education: Education Management, Inclusion Management, SEN Resources and Education Accountancy.	0	
62	Education	Efficiency	Schools Canteen utilities costs	20				No impact on service delivery.	Traditionally the costs associated with the reimbursement of energy costs for schools (who pay for canteen utility costs) have been below budgetary provision. The budget can, therefore, be safely reduced.	0	

ID	Service Group	Change/ Efficiency	Proposal	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000	Impact	Description	Staff Impact (FTE)	TUPE Impact (FTE)
63	Education	Efficiency	Newport Schools Library Service	40				Impact on potential learning resources to schools and general access to books. Staff impact 0.5 FTE (filled).	Withdrawal of Newport Schools Library Service. This is currently run out of Newport Library Service.	0.5	
64	Education	Change	Strategic Commissioning in Education	223	126			Service re-designs. Reduce non-statutory services. Staff impact 10 FTE (1 vacant, 9 filled) Positive service impact	This is a commissioning strategy for the central Education Service geared to improving pupil's lives. It takes account of the direction of travel which is to deploy resources as closely as possible to pupils and schools in order to improve support for learners. For parents, pupils and those who work in schools, this means that resources and decision making is made by people who have a closer understanding of the needs of the pupils and are responsible for improving their education outcomes	11.5	
				1,158	256	246	194			12	0
65	Streetscene	Efficiency - New Funding	Sponsorship of roundabouts	70				No impact on service delivery.	Income Stream	0	

ID	Service Group	Change/ Efficiency	Proposal	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000	Impact	Description	Staff Impact (FTE)	TUPE Impact (FTE)
66	Streetscene	Efficiency - New Funding	Seek sponsorship for Nursery and floral displays and restrict to key sites to reduce spend	34				Visual appearance of the City could be affected.	Seek sponsorship for Nursery and floral displays and restrict to key sites to reduce spend. The Council has a number of planting regimes throughout the City, including hanging baskets, raised planters and flower beds. The areas currently with displays will be reviewed and the type of display evaluated.	0	
67	Streetscene	Efficiency - New Funding	Christmas Lights	25				No impact if sponsorship is achieved.	Seek sponsorship towards the Christmas lights. The Christmas lighting and trees budget is a total of £40,000 and currently includes £15,000 of sponsorship. This proposal is to increase the sponsorship contribution to a total of £40,000 and therefore reduce the Council's input to the budget.	0	
68	Regeneration & Regulation	Change - Income	CCTV		155	52		Staff impact of 11 FTE (filled). The service monitors CCTV covering the City Centre, Civic Centre, the Provisions Market, Brings House, the Civic	Establishing CCTV as a cost neutral service through seeking new contracts to fund the service and introducing efficiencies. The financial position of the service will be monitored throughout the next three financial years and if a cost-neutral position cannot be reached then the service will cease.	11	

ID	Service Group	Change/ Efficiency	Proposal	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000	Impact	Description	Staff Impact (FTE)	TUPE Impact (FTE)
								Amenity and landfill site, the Information Station and a dozen schools.			
69	Streetscene	Efficiency - Income	Additional waste income.			250	250	No impact on service delivery.	Additional waste income at Docks way Landfill Site.	0	
70	Streetscene	Efficiency - Income	Filming on Council Property	5				No impact on service delivery.	Charges will be made	0	
71	Streetscene	Change - Income	Increased income	150				No impact on service delivery.	Increased income from additional waste and highways maintenance contracts. Discussions with a number of companies are underway which could result in increased income to the service.	0	
72	Streetscene	Change - Income	Income from additional waste streams			1,500		Waste disposal site capacity will reduce.	Expected reductions in waste being deposited at the landfill site will mean that additional sources and streams of waste could be sought, along with potentially changing the license of the site and accepting new forms of waste.	0	
73	Streetscene	Efficiency	Prosiect Gwyrdd			1,108	35	No impact on service delivery.	Inter-authority partnership for waste disposal which delivers a reduced net cost of waste disposal to the council.	0	
74	Regeneration & Regulation	Efficiency	Business Grants	150				No impact on service delivery.	The Council currently provides Business Grants this will be changed to repayable loans.	0	

ID	Service Group	Change/ Efficiency	Proposal	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000	Impact	Description	Staff Impact (FTE)	TUPE Impact (FTE)
75	Streetscene	Efficiency	Rationalisation of public toilet provision across the City	137				Staff impact 4 FTE (1 vacant, 3 filled). The public toilets provided by the Council are to be re-provided through alternative existing facilities which will minimise the impact to service users.	Covering standalone toilets and public provision in other Council's buildings eg Newport Centre, Riverfront, Central Library, Bus Station etc. Market Square Bus Station and Austin Friars toilet will not be part of this proposal whilst development works are underway in the City Centre.	4	
76	Regeneration & Regulation	Efficiency	Voluntary managed Community Centres		29			Possible impact on community groups.	To implement the outcome from Community Planning and Development Scrutiny Committee.	0	
77	Regeneration & Regulation	Efficiency	R+R Admin Support	12	7			Staff impact 1 FTE (vacant). No impact to service delivery.	Reduce administration support	1	
78	Regeneration & Regulation	Efficiency	LDP budget	149				No impact on service delivery.	Reduced revenue budget for the Local Development Plan 2014-15 onwards. Reduced from £249,600 per annum to £100,000 per annum	0	
79	Regeneration &	Efficiency	Reduced supplies and	30				No impact on service	Reduced costs due to lower budget requirement	0	

ID	Service Group	Change/ Efficiency	Proposal	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000	Impact	Description	Staff Impact (FTE)	TUPE Impact (FTE)
	Regulation		services budgets					delivery.			
80	Regeneration & Regulation	Change	Pest Control	-10				Staff impact of 3 FTE (filled).	Ceasing provision of the in-house commercial pest control service; this is a discretionary service for which there is an alternative private sector provision. The service is budgeted to make a surplus but is actually loss making; ceasing service provision will therefore remove a future budget pressure.	3	
81	Regeneration & Regulation	Change	Property Joint Venture	103	98	53	106	Introducing the new model will result in the reduction of approximately 7 FTE from the service area. Further FTE reductions may be required from within corporate support functions. In all, about 17 FTE (4 vacant, 13 filled)	Establishing a new Joint Venture delivery model with Norse Group to deliver all existing property service functions. This would be a jointly owned company between NCC and Norse. This proposal is in Year 2 of development has been subject to an earlier scrutiny and approval process. The proposal will not form part of the public consultation.	17	235

ID	Service Group	Change/ Efficiency	Proposal	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000	Impact	Description	Staff Impact (FTE)	TUPE Impact (FTE)
								The remaining staff, approximately 235 FTE would TUPE transfer to the new company.			
82	Regeneration & Regulation	Change	New Regeneration model	72	72			Introducing the new model will result in the reduction of approximately 5 FTE (filled). The current business case is modelled upon percentage reduction figures.	Establishing a new structure or delivery model to support regeneration and work and skills.	5	
				927	361	2,963	391			41	235
83	Social Services	Efficiency	Adults Re-provision of respite services from New Willows	109	124			Staff impact 9.9 FTE (1.5 vacant) Potential TUPE	To close a residential respite service for adults with a learning disability by 15/16 and re-provide respite options utilising adult placements, direct payments,	9.9	

ID	Service Group	Change/ Efficiency	Proposal	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000	Impact	Description	Staff Impact (FTE)	TUPE Impact (FTE)
								impact. Service Users may experience a change of venue	holiday breaks and utilising 100% of existing provision e.g. Centrica Lodge. To continue to work with parent and carer representation groups e.g. Synergy, to explore new models		
84	Social Services	Efficiency	Voluntary redundancy	8				Staff impact 0.6 FTE (vacant)	Residual saving in supported living team, following re-structure in 13/14	0.6	
85	Social Services	Efficiency	Voluntary redundancy	41				Staff impact 1 FTE (vacant)	Voluntary Redundancy within Resources and Strategy- £43,165 less 4% vacancy factor. VR date of 21.11.13 so cost of VR met from service area in 2013-14 but full year saving from deleting the post in 14-15	1	
86	Social Services	Efficiency	Voluntary Sector Grants	14				Limited impact.	Reduction of budget to current spending.	0	
87	Social Services	Efficiency	Contract savings	19				No impact.(2% of total grants)	Reduction of budget to current spending.	0	
88	Social Services	Efficiency	Looked After Children Contact Budget	50				No impact on service delivery.	Efficiencies due to the reduction in number of Interim Care Orders, shorter length of care proceedings and efficiencies on taxi spend since the implementation of the ITU in 2011. Current projections suggest £50k permanent	0	
89	Social Services	Efficiency	Children & Families Adoption	25				No impact on service delivery.	At the present time and until 2015 we anticipate making savings on adoption allowances as a result of	0	

ID	Service Group	Change/ Efficiency	Proposal	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000	Impact	Description	Staff Impact (FTE)	TUPE Impact (FTE)
									tightening the criteria relating to adopted children aged 18 years +. This allows for a saving on this budget in the medium term. There is however a national strategy to speed up the process of adoption and to ensure that a greater proportion of children in care end up with an adoptive placement by 2015. We believe that there will then be an increasing pressure on adoption allowances.		
90	Social Services	Efficiency	Children &Family Savings arising from Local Safeguarding Children's Board becoming regional	24			-24	No impact on service delivery.	Newport City Council in line with Welsh Government (WG) changes is now part of the South East Wales Safeguarding Children's Board. The agreed contribution to the Regional Board is £24K which includes administrative support to the local Learning and Reviewing group. For the first three years of the Board's operation the cost for all five LAs is being met from a WG grant administered by Caerphilly CBC.	0	
91	Social Services	Efficiency	Deletion of p/t Youth Offending Service administrative post	10				Staff impact 0.6 FTE(vacant)	Work allocated to other posts within the team	0.6	
92	Social Services	Efficiency	Non-staffing Budgets from Baneswell	11				No impact on service delivery.	Residual non-staffing Budgets from Baneswell and Ringland Resource Union re-provision plus Brynglas	0	

ID	Service Group	Change/ Efficiency	Proposal	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000	Impact	Description	Staff Impact (FTE)	TUPE Impact (FTE)
			and Ringland Resource Unit.						Adult Training Centre Pocket Money Budget		
93	Social Services	Efficiency	Review of all non-core supplies and services budgets	145				No impact on service delivery.	Reduced supplies & services / food expenditure to be managed across the service in line with current spending levels		
94	Social Services	Efficiency	Professional fees	16				No impact on service delivery.	Fees - Other Professional on various R & S budgets that are not being used	0	
95	Social Services	Efficiency	Adults - Family Aide Re-provision	56	66			Staff impact 4.9 FTE (filled)	Part of a longer term strategic project to close current council operated Family Aide service and re-provide with alternative third sector provider. To promote Direct payments as an alternative	4.9	
96	Social Services	Efficiency	ABACUS system	46				Staff impact 2.6 FTE (1.6 vacant, 1 filled).	The new system will result in efficiencies within the team - some of which have been taken as 13/14 savings. The saving here completes this change in the team.	2.6	
97	Social Services	Efficiency	Disabled Children's Transformatio n	15	15	15	15	No impact on service delivery.	Disabled Children's Collaboration with Torfaen County Borough Council. Shared resources and premises within Serennu.	0	
98	Social Services	Efficiency	Day Care Services (Shopping)	25				No impact on eligible service users	Re-contracting an existing shopping service	0	
99	Social Services	Efficiency	Mental Health High Cost Placements	31				The changes will potentially	A review of High Cost placements relating to Mental Health clients is being undertaken in 13/14. It is	0	

ID	Service Group	Change/ Efficiency	Proposal	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000	Impact	Description	Staff Impact (FTE)	TUPE Impact (FTE)
								affect two people who are tenants within a supported living environment.	currently projecting to yield more savings than originally anticipated so the full year effect in 14/15 will be £31k. The proposal relates to the normal statutory responsibility for adult social services. In this case the review of current care plans has identified 'move on' options for people who currently are tenants in a supported living environment who could move to more independent living in the community. The proposal involves planning work with two individuals who currently receive a supported living type placement.		
100	Social Services	Efficiency	Hillside - Closure of Day Care Facility	84	124	591		Staff impact 39.5 FTE (filled), and service user impact.	Phased approach to Hillside with full closure by April 2016. The remaining clients will be catered for by the existing service.	39.5	
101	Social Services	Efficiency	Learning Disability Services / Group Living	80				No impact on service delivery. The proposal reduces duplication.	To challenge contracts where NCC is funding 24hr residential packages and also paying for Day Care, when day care should be included within the contract. The proposal requires agreement on residential contracts. The approach has been taken in	0	

ID	Service Group	Change/ Efficiency	Proposal	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000	Impact	Description	Staff Impact (FTE)	TUPE Impact (FTE)
									supported living environments for adults with a learning disability where providers in identified cases are providing more services including day opportunities for individuals.		
102	Social Services	Efficiency	Kensington Court Social Enterprise	19				Staff impact 1.6 FTE (filled)	The approach has been taken in supported living environments for adults with a learning disability where providers in identified cases are providing more services including day opportunities for individuals. Deletion of 1.6 FTE's Catering Staff within Kensington Court, with a longer term vision for a Social Enterprise.	1.6	
103	Social Services	Efficiency	Resource & Strategy - Contracts Team		17	16		No impact on service delivery.	The Contracts Team has undergone a restructure in 13-14 with one Contracts & Commissioning post only being fixed term. This saving therefore relates to removing the budget when the contract for that post ends halfway through 15/16.	0	
104	Social Services	Change	Active living in older age	945	285			Improving outcome and facilitating the care at home agenda	Provides a focus on prevention by maximising support within the community. Maximisation and reorganisation of existing intervention services. A single point of access and further integration of the frailty service. There is a need to co-produce	0	38

ID	Service Group	Change/ Efficiency	Proposal	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000	Impact	Description	Staff Impact (FTE)	TUPE Impact (FTE)
								Potential TUPE impact 38 FTE	solutions for individuals to receive support in their local communities and the emergence of new community enterprise approaches		
105	Social Services	Change	Promoting Independence and Choice	505	700			Approx. 48 FTE (filled) though vacancies in this service is usually sufficient to reduce this. Commissioned service reduction required to achieve savings. Potential TUPE impact.	Sustainable services for learning disabled people in Newport. Development of transition services for young people with a learning disability. Transforming day opportunities and respite services for vulnerable adults of working age in Newport.	23	25
106	Social Services	Change	Joint Working - Education/Social Services	-40	107	107	0	Impact on families receiving positive early intervention, therefore avoiding out of are placements. Employee	Improving children's and young people's lives by overcoming barriers to learning. Engaging in learning (interweaving of education, children's services and preventions), and; One support for disabled children. The savings currently identified deliver in 15/16 & 16/17, whilst an investment into the base budget for a specific post to fund the intervention strategies between the LA and schools is	0	

ID	Service Group	Change/ Efficiency	Proposal	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000	Impact	Description	Staff Impact (FTE)	TUPE Impact (FTE)
								impact - reduction of hours.	required from 14/15 at a cost of circa £40k, hence the negative figure in 14/15.		
				2,238	1,438	729	-9			84	63
107	Other	Efficiency	5% Council Tax	0	370	390	410		This is the additional income from a 5% council tax rise across the planning period rather than the 4% level in current assumptions		
107	Other	Change	Council Wide Strategic Partner		125	375			The key objectives of this proposal are to engage a Strategic Partner to undertake the delivery of some of Newport City Council's Transactional Services e.g. initially starting with Corporate. Delivery of this proposal would enhance existing arrangements and ensure additional efficiencies for the Authority.		
				0	495	765	410			0	0
	Total Savings - Change and Efficiency Programme			8,152	4,920	5,552	986			337	410

APPENDIX 4 - Precepts / Council Tax

The funding required from Council Tax for the recommended draft 2014/15 budget is an increase of 4.50%. The tables below show all the figures involved in that calculation.

The tax base

This is the number of properties that attract Council Tax for the year, expressed as if they were all in Band D. In practice, Band A properties only pay 66% of the Band D Council Tax whilst a Band I property pays 233% of the Band D Council Tax. For 2014/15, the tax base is 54,965.79 (2013/14 – 53,531).

Calculation of the Council Tax – Newport City Council

The calculation of the Council Tax follows the process shown below

	Amount £
Net budget requirement	£263,930,237
Less WAG funding	£214,826,000
Equals that which needs funding from Council Tax	£49,104,237
Divided by tax base (54,965.79) gives a Council Tax at Band D	£893.36

Calculation of the Council Tax – Police and Crime Commissioner for Gwent & Community Councils

The final Council Tax also incorporates other demands (precepts) that the Council collects on behalf of other bodies. These bodies are Police and Crime Commissioner for Gwent and the Community Councils within the city's boundary. Of these, the Police and Crime Commissioner for Gwent is the largest and for 2014/15, has set a precept of **£11,185,538**

Authority	Budget requirement / Precept from Council Tax (£000)	Tax Base	Council Tax at Band D		% Change
			2014/15	2013/14	
Newport City	49,104,237	54,965.79	£893.36	£854.89	4.50%
Gwent Police	11,185,538	54,965.79	£203.50	£198.23	2.66%

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

Authority	Council Tax Base	2014/15 Precept	Council Tax at Band D		% Change
			2014/15	2013/14	
Bishton	755.00	7,474.50	9.90	10.40	-4.81%
Coedkernew	979.00	2,937.00	3.00	2.50	20.00%
Goldcliff	186.00	2,418.00	13.00	13.00	-
Graig	2,845.00	49,588.35	17.43	16.60	5.00%
Langstone	1,771.00	35,083.51	19.81	19.81	-
Llanvaches	239.00	3,585.00	15.00	25.00	-40.00%
Llanwern	230.00	6,000.70	26.09	34.09	-23.47%
Marshfield	1,473.00	22,095.00	15.00	15.00	-
Michaelstone	166.00	3,600.54	21.69	20.75	4.53%
Nash	138.00	1,269.60	9.20	9.20	-
Penhow	445.00	6,933.10	15.58	13.84	12.57%
Redwick	110.00	2,657.60	24.16	24.38	-0.90%

Rogerstone	4,441.00	79,938.00	18.00	18.00	-
Wentloog	341.00	4,092.00	12.00	12.00	-

The Council Tax payable by households is the total of the Newport City Council, Gwent Police Authority and, where relevant, the Community Council taxes payable in the above tables. As already noted, the actual Council Tax payable by households will vary from the figures above as they represent those at the Band D only. The tables included in section 5 of the Council Tax Resolution at Appendix 5 show the actual Council Tax for each Band.

APPENDIX 5 – Council Tax Resolution

RESOLUTION TO SET COUNCIL TAX LEVELS

1. That the revenue estimates for 2014/2015, as recommended by the Cabinet on 10 February 2014 be approved.

2. That it be noted that the Council at its meeting on 20th February 2007 delegated the setting of the tax base to the Head of Finance and that on 06 November 2013, the Head of Finance acting in accordance with that delegation calculated the following amounts for the year 2014/2015 in accordance with regulations made under Section 33(5) of the Local Government Finance Act 1992:-

   (a) Council Tax Base

   54,965.79 being the amount calculated by the Council, in accordance with regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as its council tax base for the year;

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

Area	Tax base
Bishton	755
Coedkernew	979
Goldcliff	186
Graig	2,845
Langstone	1,771
Llanvaches	239
Llanwern	230
Marshfield	1,473
Michaelstone	166
Nash	138
Penhow	445
Redwick	110
Rogerstone	4,441
Wentlooge	341

3. That the following amounts be now calculated by the Council for the year 2014/2015 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992:-

(a) £401,596,033.25 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2)(a) to (e) of the Act ***(Gross Expenditure)***.

(b) £137,438,123 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(3)(a) to (c) of the Act ***(Gross Income)***.

(c) £264,157.910 being the amount by which the aggregate at (3)(a) above exceeds the aggregate at 3(b) above, calculated by the Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year ***(Budget + Community Council precepts)***.

(d) £214,826,000 being the aggregate of the sums which the Council estimates will be payable for the year into its council fund in respect of redistributed non-domestic rates, revenue support grant or additional grant ***(RSG + NNDR)***.

(e) £897.50 being the amount at 3(c) above less the amount at 3(d) above, all divided by the amount at 2(a) above, calculated by the Council, in accordance with Section 33(1) of the Act, as the basic amount of its council tax for the year ***(Average Band 'D' Tax for NCC including Community Councils)***.

(f) £227,672.90 being the aggregate amount of all special items referred to in Section 34(1) of the Act and detailed below ***(Community Council precepts)***.

Area	Special Item £
Bishton	7,474.50
Coedkernew	2,937.00
Goldcliff	2,418.00
Graig	49,588.35
Langstone	35,083.51
Llanvaches	3,585.00
Llanwern	6,000.70
Marshfield	22,095.00
Michaelstone	3,600.54
Nash	1,269.60
Penhow	6,933.10
Redwick	2,657.60
Rogerstone	79,938.00
Wentlooge	4,092.00
	227,672.90

(g) £893.36 being the amount at 3(e) above less the result given by dividing the amount at 3(f) above by the amount at 2(a) above, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its council tax for the year for dwellings in those parts of its area to which no special item relates ***(NCC Band 'D' Council Tax)***.

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

Area	Basic Council Tax £
Bishton	**903.26**
Coedkernew	**896.36**
Goldcliff	**906.36**
Graig	**910.79**
Langstone	**913.17**
Llanvaches	**908.36**
Llanwern	**919.45**
Marshfield	**908.36**
Michaelstone	**915.05**
Nash	**902.56**
Penhow	**908.94**
Redwick	**917.52**
Rogerstone	**911.36**
Wentlooge	**905.36**

Being the amounts given by adding to the amount at 3(g) above, the amounts of the special item or items in 3(f) divided by the amount at 2(b) for the specified area of the council. These amounts are calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its council tax for the year for dwellings in those parts of its area to which one or more special items relate.

(i)

NCC + Community Councils	Valuation Bands								
	A	B	C	D	E	F	G	H	I
	£.p	£.p	£.p	£.p	£.p	£.p	£.p	£.p	£.p
Bishton	**602.17**	**702.54**	**802.90**	**903.26**	**1,103.98**	**1,304.71**	**1,505.43**	**1,806.52**	**2,107.61**
Coedkernew	**597.57**	**697.17**	**796.77**	**896.36**	**1,095.55**	**1,294.74**	**1,493.93**	**1,792.72**	**2,091.51**
Goldcliff	**604.24**	**704.95**	**805.66**	**906.36**	**1,107.77**	**1,309.19**	**1,510.60**	**1,812.72**	**2,114.84**
Graig	**607.19**	**708.40**	**809.59**	**910.79**	**1,113.18**	**1,315.59**	**1,517.98**	**1,821.58**	**2,125.18**
Langstone	**608.78**	**710.25**	**811.71**	**913.17**	**1,116.09**	**1,319.02**	**1,521.95**	**1,826.34**	**2,130.73**
Llanvaches	**605.57**	**706.51**	**807.43**	**908.36**	**1,110.21**	**1,312.08**	**1,513.93**	**1,816.72**	**2,119.51**
Llanwern	**612.96**	**715.13**	**817.29**	**919.45**	**1,123.77**	**1,328.10**	**1,532.41**	**1,838.90**	**2,145.39**
Marshfield	**605.57**	**706.51**	**807.43**	**908.36**	**1,110.21**	**1,312.08**	**1,513.93**	**1,816.72**	**2,119.51**
Michaelstone	**610.03**	**711.71**	**813.38**	**915.05**	**1,118.39**	**1,321.74**	**1,525.08**	**1,830.10**	**2,135.12**
Nash	**601.70**	**702.00**	**802.28**	**902.56**	**1,103.12**	**1,303.70**	**1,504.26**	**1,805.12**	**2,105.98**
Penhow	**605.96**	**706.96**	**807.95**	**908.94**	**1,110.92**	**1,312.91**	**1,514.90**	**1,817.88**	**2,120.86**
Redwick	**611.68**	**713.63**	**815.58**	**917.52**	**1,121.41**	**1,325.31**	**1,529.20**	**1,835.04**	**2,140.88**
Rogerstone	**607.57**	**708.84**	**810.10**	**911.36**	**1,113.88**	**1,316.41**	**1,518.93**	**1,822.72**	**2,126.51**
Wentlooge	**603.57**	**704.17**	**804.77**	**905.36**	**1,106.55**	**1,307.74**	**1,508.93**	**1,810.72**	**2,112.51**
All Other Parts of the City	**595.57**	**694.84**	**794.10**	**893.36**	**1,091.88**	**1,290.41**	**1,488.93**	**1,786.72**	**2,084.51**

Being the amounts given by multiplying the amounts at 3(g) and 3(h) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in the valuation band D, calculated by the Council, in accordance with

Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

4. That it be noted for the year 2013/2014, that the only major precepting authority has stated the following amount in precept issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:-

Gwent Police	Valuation Bands								
	A	B	C	D	E	F	G	H	I
	£.p	£.p	£.p	£.p	£.p	£.p	£.p	£.p	£.p
All Parts of the City	**135.67**	**158.28**	**180.89**	**203.50**	**248.72**	**293.94**	**339.17**	**407.00**	**474.83**

5. That having calculated the aggregate in each case of the amounts at 3(i) and 4 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of council tax for the year 2013/2014 for each of the categories of dwelling shown below:-

Total Council Tax Demand	Valuation Bands								
	A	B	C	D	E	F	G	H	I
	£.p	£.p	£.p	£.p	£.p	£.p	£.p	£.p	£.p
Bishton	**737.84**	**860.82**	**983.79**	**1,106.76**	**1,352.70**	**1,598.65**	**1,844.60**	**2,213.52**	**2,582.44**
Coedkernew	**733.24**	**855.45**	**977.66**	**1,099.86**	**1,344.27**	**1,588.68**	**1,833.10**	**2,199.72**	**2,566.34**
Goldcliff	**739.91**	**863.23**	**986.55**	**1,109.86**	**1,356.49**	**1,603.13**	**1,849.77**	**2,219.72**	**2,589.67**
Graig	**742.86**	**866.68**	**990.48**	**1,114.29**	**1,361.90**	**1,609.53**	**1,857.15**	**2,228.58**	**2,600.01**
Langstone	**744.45**	**868.53**	**992.60**	**1,116.67**	**1,364.81**	**1,612.96**	**1,861.12**	**2,233.34**	**2,605.56**
Llanvaches	**741.24**	**864.79**	**988.32**	**1,111.86**	**1,358.93**	**1,606.02**	**1,853.10**	**2,223.72**	**2,594.34**
Llanwern	**748.63**	**873.41**	**998.18**	**1,122.95**	**1,372.49**	**1,622.04**	**1,871.58**	**2,245.90**	**2,620.22**
Marshfield	**741.24**	**864.79**	**988.32**	**1,111.86**	**1,358.93**	**1,606.02**	**1,853.10**	**2,223.72**	**2,594.34**
Michaelstone	**745.70**	**869.99**	**994.27**	**1,118.55**	**1,367.11**	**1,615.68**	**1,864.25**	**2,237.10**	**2,609.95**
Nash	**737.37**	**860.28**	**983.17**	**1,106.06**	**1,351.84**	**1,597.64**	**1,843.43**	**2,212.12**	**2,580.81**
Penhow	**741.63**	**865.24**	**988.84**	**1,112.44**	**1,359.64**	**1,606.85**	**1,854.07**	**2,224.88**	**2,595.69**
Redwick	**747.35**	**871.91**	**996.47**	**1,121.02**	**1,370.13**	**1,619.25**	**1,868.37**	**2,242.04**	**2,615.71**
Rogerstone	**743.24**	**867.12**	**990.99**	**1,114.86**	**1,362.60**	**1,610.35**	**1,858.10**	**2,229.72**	**2,601.34**
Wentlooge	**739.24**	**862.45**	**985.66**	**1,108.86**	**1,355.27**	**1,601.68**	**1,848.10**	**2,217.72**	**2,587.34**
All Other Parts of the City	**731.24**	**853.12**	**974.99**	**1,096.86**	**1,340.60**	**1,584.35**	**1,828.10**	**2,193.72**	**2,559.34**

APPPENDIX 6 - CAPITAL PROGRAMME 2014/15 – 2017/18

		CAPITAL BUDGET				
PROPOSED SCHEME	**TOTAL COST £000's**	**2014/15 £000's**	**2015/16 £000's**	**2016/17 £000's**	**2017/18 £000's**	**NOTES**
EDUCATION						
New ASD Facility	2,816	816	2,000	0	0	Slippage/ Existing Capital Scheme
Lliswerry High School - Centre for Performing Arts	20	20	0	0	0	Slippage/ Existing Capital Scheme
Stephenson Street - Relocation of Pupil Referral Unit	15	15	0	0	0	Slippage/ Existing Capital Scheme
Replacement Hartridge High School	25	25	0	0	0	Slippage/ Existing Capital Scheme
21st Century Schools - Nursery Education Provision	990	990	0	0	0	Slippage/ Existing Capital Scheme
21st Century Schools - Welsh Medium Primary Provision	975	975	0	0	0	Slippage/ Existing Capital Scheme
21st Century Schools - Capacity Building for Pupils with ASD	975	975	0	0	0	Slippage/ Existing Capital Scheme
St Julians - End to End IT System	530	530	0	0	0	Slippage/ Existing Capital Scheme
STEP	993	193	500	150	150	Other Service Area Requirement
Flying Start	543	543	0	0	0	Other Service Area Requirement
Primary Place Challenge	2,000	0	0	1,000	1,000	Other Service Area Requirement
Key priority school provision – Match Funding	6,000	6,000	0	0	0	Other Service Area Requirement
21st Century Schools - School Reorganisation proposals	5,000	0	2,500	2,500	0	Other Service Area Requirement
21st Century Schools - Capacity Building - Replacement of Demountables	7,000	1,000	1,000	0	5,000	Other Service Area Requirement
Installation of a Catering Cashless System in all Primary Schools	300	150	150	0	0	Other Service Area Requirement
S106 – Improvement works to Bassaleg School	210	210	0	0	0	Other Service Area Requirement
S106 – Improvement works to St Julian’s School	60	60	0	0	0	Other Service Area Requirement
LEISURE & CULTURE						
Medieval Ship - Purchase of Freeze Drier	15	15	0	0	0	Slippage/ Existing Capital Scheme
IT System & Equipment Replacements	237	69	0	118	50	Slippage/ Existing Capital Scheme

		CAPITAL BUDGET				
PROPOSED SCHEME	TOTAL COST £000's	2014/15 £000's	2015/16 £000's	2016/17 £000's	2017/18 £000's	NOTES
NISV Reen Improvements	24	24	0	0	0	Slippage/ Existing Capital Scheme
Central Library - External Refurbishment	10	10	0	0	0	Slippage/ Existing Capital Scheme
Lliswerry Recreation Ground Changing Rooms	235	235	0	0	0	Slippage/ Existing Capital Scheme
Leisure Trust Status	TBC	TBC	TBC	TBC	TBC	Change & Efficiency Programme
REGENERATION & DEVELOPMENT						
Pill ERDF	1,479	1,479	0	0	0	Slippage/ Existing Capital Scheme
City Centre Redevelopment CPO Schemes	100	100	0	0	0	Slippage/ Existing Capital Scheme
Education through Restoration - 14 Locks	272	272	0	0	0	Slippage/ Existing Capital Scheme
Vibrant & Viable Cities Grant	150	150	0	0	0	Other Service Area Requirement
Commercial Properties - Loan Scheme	0	0	0	0	0	Other Service Area Requirement – All schemes will be funded through repayable loans and will have no impact on Council Resources.
Gypsy/ Traveller Site Development	1,300	1,300	0	0	0	Other Service Area Requirement
HUMAN RESOURCES & ASSETS						
Face to Face Contact Centre	27	27	0	0	0	Slippage/ Existing Capital Scheme
IT Replacement Schemes	2,200	550	550	550	550	On-going Annual/ Cyclical Requirement
Replacement of Printers/ Photocopiers	610	103	0	404	103	On-going Annual/ Cyclical Requirement
Asset Management	5,917	1,417	1,500	1,500	1,500	On-going Annual/ Cyclical Requirement
Implementation of PROFILE system	100	100	0	0	0	Other Service Area Requirement
Scheme Preparation Allocation	400	100	100	100	100	Other Service Area Requirement
Amount Reserved for Change & Efficiency Programme areas still to be confirmed.	6,519	2,036	683	1,900	1,900	Other Service Area Requirement
LICENSING & STATUTORY FUNCTIONS						
CCTV - 24/7 Team - Development of CCTV Monitoring Service	122	122	0	0	0	Slippage/ Existing Capital Scheme

		CAPITAL BUDGET				
PROPOSED SCHEME	TOTAL COST £000's	2014/15 £000's	2015/16 £000's	2016/17 £000's	2017/18 £000's	NOTES
SOCIAL CARE & WELL-BEING						
Empty Homes Schemes	36	36	0	0	0	Slippage/ Existing Capital Scheme
Telecare Service Equipment	42	42	0	0	0	Slippage/ Existing Capital Scheme
Peterstone Sewage Scheme	68	68	0	0	0	Slippage/ Existing Capital Scheme
Residential Unit with 6 places for young people with acute complex needs	250	0	250	0	0	Change & Efficiency Programme
Renovation Grants (DFG's etc.)	5,894	1,586	1,436	1,436	1,436	On-going Annual/ Cyclical Requirement
Equipment for Disabled Grant (GWICES)	660	165	165	165	165	On-going Annual/ Cyclical Requirement
Refurbishment of the Special Needs unit at Brynglas ATC	370	370	0	0	0	Other Service Area Requirement
INFRASTRUCTURE						
Highways Local Government Borrowing Initiative - Final year	1,900	1,900	0	0	0	Slippage/ Existing Capital Scheme
Flood Risk Regulation Grant	45	45	0	0	0	Slippage/ Existing Capital Scheme
Bus Station - City Centre Redevelopment	4,120	4,120	0	0	0	Slippage/ Existing Capital Scheme
Tree, Shrub and Floral Planting Blacksmith's Way	10	10	0	0	0	Slippage/ Existing Capital Scheme
George Street/ Lower Dock Street Junction Improvements	717	717	0	0	0	Slippage/ Existing Capital Scheme
Footway Improvements - Marshfield Road	16	16	0	0	0	Slippage/ Existing Capital Scheme
Provision of Bus Shelters and infrastructure at Corporation Road	23	23	0	0	0	Slippage/ Existing Capital Scheme
Improvements to the Wales Coast Path	36	36	0	0	0	Slippage/ Existing Capital Scheme
Decommissioning of Public Toilets	20	20	0	0	0	Change & Efficiency Programme
Closure of Nurseries	20	20	0	0	0	Change & Efficiency Programme
Waste Disposal Site Finishing & Development Works	3,060	2,450	250	200	160	On-going Annual/ Cyclical Requirement
Highways Capitalised Maintenance	1,200	300	300	300	300	On-going Annual/ Cyclical Requirement

		CAPITAL BUDGET				
PROPOSED SCHEME	TOTAL COST £000's	2014/15 £000's	2015/16 £000's	2016/17 £000's	2017/18 £000's	NOTES
Fleet Replacement Programme	8,955	5,144	838	1,091	1,882	On-going Annual/ Cyclical Requirement
Maesglas Streetscene Depot and Recycling Centre project	4,940	4,940	0	0	0	Other Service Area Requirement
TOTAL COST OF PROGRAMME	**80,551**	**42,619**	**12,222**	**11,414**	**14,296**	
Funded By:						
Supported Borrowing	15,076	3,934	3,828	3,713	3,601	
General Capital Grant	9,176	2,394	2,330	2,260	2,192	
Capital Receipts	11,888	5,922	1,865	1,407	2,694	
Unsupported/ Prudential Borrowing	31,704	24,587	2,234	1,974	2,909	
External Grants	10,906	4,638	1,815	1,656	2,797	
Revenue Contributions	376	226	150	0	0	
S106 Contributions	815	815	0	0	0	
Finance Leases	610	103	0	404	103	
TOTAL FUNDING	**80,551**	**42,619**	**12,222**	**11,414**	**14,296**	

Appendix 7

Prudential Code Indicators, Minimum Revenue Policy, Treasury Management and Investment Strategy Statements 2014/15

Introduction

1. 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.

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

3. 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.

4. 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 is therefore central to the Authority's treasury management strategy.

Economic Background

5. The Bank of England's Monetary Policy Committee (MPC) through its recent forward guidance is committed to keeping policy rates low for an extended period using the Labour Force Survey unemployment rate of 7% as a threshold for when it would consider whether or not to raise interest rates, subject to certain knock-outs. Unemployment was 7.7% in August 2013, but is not forecast to fall below the threshold until 2016, due to the UK's flexible workforce. The latest position as at January 2014 shows an unemployment rate of 7.1%

6. The flow of credit to households and businesses is slowly improving but is still below pre-crisis levels. The fall in consumer price inflation from the high of 5.2% in September 2011 to 2.7% in September 2013 will allow real wage increases (i.e. after inflation) to slowly turn positive and aid consumer spending.

7. Stronger growth data in 2013 (0.4% in Q1, 0.7% in Q2 and 0.8% in Q3) alongside a pick-up in property prices mainly stoked by government initiatives to boost mortgage lending have led markets to price in an earlier rise in rates than warranted under Forward Guidance and the broader economic backdrop. However, with jobs growth picking up slowly, many employees working shorter hours than they would like and benefit cuts set to gather pace, growth is likely to only be gradual. Arlingclose forecasts the MPC will maintain its resolve to keep interest rates low until the recovery is convincing and sustainable.

8. In the US expectations for the slowing in the pace of asset purchases ('tapering') by the Federal Reserve and the end of further asset purchases will remain predominant drivers of the financial markets. The Fed did not taper in September and has talked down potential tapering in the near term. It now looks more likely to occur in early 2014 which will be supportive of bond and equity markets in the interim.

9. **Credit outlook:** The credit risk of banking failures has diminished, but not dissipated altogether. Regulatory changes are afoot in the UK, US and Europe to move away from the bank bail-outs of previous years to bank resolution regimes in which shareholders, bond holders and unsecured creditors are 'bailed in' to participate in any recovery process. This is already manifest in relation to holders of subordinated debt issued by the Co-op which will suffer a potential loss on its conversion bail-in to alternative securities and/or equity. There are also proposals for EU regulatory reforms to Money Market Funds which will, in all probability, result in these funds moving to a VNAV (variable net asset value) basis and losing their 'triple-A' credit rating wrapper. Diversification of investments between creditworthy counterparties to mitigate bail-in risk will become even more important in the light of these developments.

10. **Interest rate forecast**: Arlingclose's forecast is for the Bank Rate to remain flat until late 2016, the risk to the upside (i.e. rates being higher) are weighted more heavily towards the end of the

forecast horizon. Gilt yields are expected to rise over the forecast period with medium- and long-dated gilts expected to rise by between 0.7% and 1.1%.

11. A more detailed economic and interest rate forecast provided by the Authority's treasury management advisor is attached at ***Appendix A***.

12. The Authority currently has £203.4m of borrowing and £8m 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.

Capital Financing Requirement

13. 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.

14. The Authority has an increasing CFR due to the capital programme and the approval of the loan to Queensbury Real Estates (Newport) Ltd, but minimal investments and will therefore be required to borrow up to £126.5m over the forecast period.

15. 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 2014/15.

Table 1: Balance Sheet Summary and Forecast

	31.3.14 Estimate £m	31.3.15 Estimate £m	31.3.16 Estimate £m	31.3.17 Estimate £m	31.3.18 Estimate £m
CFR	294.8	350.6	378.1	288.1	279.8
Less: Other long-term liabilities *	-53.5	-51.4	-49.2	-47.0	-44.8
Borrowing CFR	**241.3**	**299.2**	**328.9**	**241.1**	**235.0**
Less: External borrowing **	-147.2	-145.5	-141.2	-137.6	-134.0
Borrowing Required	**94.1**	**153.7**	**187.7**	**103.5**	**101.0**
Less: Usable reserves	-71.4	-59.6	-61.2	-63.3	-63.7
New Net Borrowing Requirement	**22.7**	**94.1**	**126.5**	**40.2**	**37.3**

*finance leases and PFI liabilities that form part of the Authority's debt
** shows only loans to which the Authority is committed and excludes optional refinancing

Borrowing Strategy

16. The Authority currently holds £147.7 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 expects to borrow up to £94.1 million before the end of the 2014/15 financial year. New long term borrowing of approximately £20 million is anticipated to be required before the end of the 2013/14 financial year. A further £20 million will likely be required by the end of the 2014/15 financial year to cover general capital spending. In addition, borrowing associated with the Friars Walk Development will be incurred on a monthly spend basis up to a maximum of £90 million.

17. 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.

18. Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

19. By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. Whilst such a strategy is most likely to be beneficial over

the next 2-3 years as official interest rates remain low, it is unlikely to be sustained in the medium-term. 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. 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 2014/15 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

20. 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
    - 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.

21. 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.

22. The Authority holds £35m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. £25m of these LOBOS have options during 2014/15, and although the Authority understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Authority will take the option to repay LOBO loans at no cost if it has the opportunity to do so.

23. 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.

24. **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.

Annual Investment Strategy

25. 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 £30.6 and £0 million, and similar levels are expected to be maintained in the forthcoming year.

26. 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.

27. The Authority may invest its surplus funds with any of the counterparties in Appendix C, subject to the cash and time limits shown.

28. There is no intention to restrict investments to bank deposits, and investments may be made with any public or private sector organisations that meet the required credit rating criteria. This reflects a lower likelihood that the UK and other governments will support failing banks as the bail-in provisions in the *Banking Reform Act 2014* and the EU *Bank Recovery and Resolution Directive* are implemented.

29. In addition, the Authority may invest with organisations and pooled funds without credit ratings, following an external credit assessment and advice from the Authority's treasury management adviser.

30. **Current Account Bank**: The banking contract with Santander UK PLC was renewed for a further three years from 1st April 2013. Santander UK PLC is currently rated above the minimum required A- rating. Should the credit ratings fall below A-, the Authority may continue to deposit surplus cash with Santander UK PLC providing that investments that can be withdrawn on the next working day, and that the bank maintains a credit rating no lower than BBB- (the lowest investment grade rating).

31. **Registered Providers**: Formerly known as Housing Associations, Registered Providers of Social Housing are tightly regulated by the Homes and Communities Agency and retain a high 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.

32. **Building Societies**: The Authority takes additional comfort from the building societies' regulatory framework and insolvency regime where, in the unlikely event of a building society liquidation, the Authority's deposits would be paid out in preference to retail depositors. The Authority will therefore consider investing with unrated building societies where independent credit analysis shows them to be suitably creditworthy. The Government has announced plans to amend the building society insolvency regime alongside its plans for wide ranging banking reform, and investments in lower rated and unrated building societies will therefore be kept under continuous review.

33. **Money Market Funds**: These funds are pooled investment vehicles consisting of money market deposits and similar instruments. They have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager. Fees of between 0.10% and 0.20% per annum are deducted from the interest paid to the Authority. Funds that offer same-day liquidity and aim for a constant net asset value will be used as an alternative to instant access bank accounts, while funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

34. **Other Organisations:** The Authority may also invest cash with other organisations, for example by making loans to small businesses. Because of the higher perceived risk of unrated businesses, such investments may provide considerably higher rates of return. They will however only be made following a favourable external credit assessment and on the specific advice of the Authority's treasury management adviser.

35. **Risk Assessment and Credit Ratings**: The Authority uses long-term credit ratings from the three main rating agencies Fitch Ratings, Moody's Investors Service and Standard & Poor's Financial Services to assess the risk of investment default. The lowest available counterparty credit rating will be used to determine credit quality, unless an investment-specific rating is available. Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
    - no new investments will be made,
    - any existing investments that can be recalled or sold at no cost will be, and
    - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

36. Where a credit rating agency announces that a A- 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 on the next working day 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.

37. **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.

38. 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 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.

39. **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".

40. The Authority defines "high credit quality" organisations 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.

41. **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 D sets out the investment limits/ maximum maturity periods for Non-specified investments.

42. **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.

43. 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.

44. **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 pessimistic 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.

<u>Monitoring & reporting on the Treasury Management and capital Prudential Indicators</u>

45. 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 E) 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

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

47. **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.

48. **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.

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

50. **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

51. The budget for investment income in 2014/15 is £39k due to the current strategy of internally borrowing to fund planned capital expenditure. The budget for debt interest paid in 2014/15 is £11.2 million. If actual levels of investments and borrowing differ from those forecast, performance against budget will be correspondingly different.

Other Options Considered

52. 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
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
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 December 2013

Underlying assumptions:

- Growth continues to strengthen with the second estimate for Q3 growth coming in at an unrevised 0.8%. The service sector remains the main driver of growth, boosted by a contribution from construction.
- The unemployment rate has fallen to 7.6%. The pace of decline in this measure will be dependent on a slower expansion of the workforce than the acceleration in the economy, alongside the extent of productivity.
- The CPI for November has fallen to 2.1%, a much more comfortable position for the MPC. Utility price increases are expected to keep CPI above the 2% target in 2014, before falling back again.
- The principal measure in the MPC's Forward Guidance on interest rates is the Labour Force Survey (LFS) unemployment rate. The MPC intends not to raise the Bank Rate from its current level of 0.5% at least until this rate has fallen to a threshold of 7%.
- The reduction in uncertainty and easing of credit conditions have begun to unlock demand, much of which has fed through to the housing market. In response to concerns over a house price bubble, the Bank of England announced a curtailment of the Funding for Lending Scheme, which will henceforth concentrate on business lending only.
- The MPC will not hesitate to use macro prudential and regulatory tools to deal with emerging risks (such as curtailing the FLS). Absent risks to either price stability or financial stability, the MPC will only tighten policy when it is convinced about the sustained durability of economic growth.
- Federal Reserve monetary policy expectations - the slowing in the pace of asset purchases ('tapering') and the end of further asset purchases - will remain predominant drivers of the financial markets. Tapering of asset purchases will begin in Q1 2014. The US political deadlock over the debt ceiling will need resolving in Q1 2014.
- The European backstop mechanisms have lowered the risks of catastrophic meltdown. The slightly more stable economic environment at the aggregate Eurozone level could be undone by political risks and uncertainty in Italy, Spain and Portugal (doubts over longevity of their coalitions). The ECB has discussed a third LTRO, as credit conditions remain challenging for European banks.
- China data has seen an improvement, easing markets fears. Chinese leaders have signalled possible monetary policy tightening.
- On-going regulatory reform and a focus on bail-in debt restructuring of is likely to prolong banking sector deleveraging and maintain the corporate credit bottleneck.

Forecast:

- Our projected path for short term interest rates remains flat. Markets are still pricing in an earlier rise in rates than warranted under Forward Guidance and the broader economic backdrop. The MPC will not raise rates until there is a sustained period of strong growth. However, upside risks weight more heavily at the end of our forecast horizon.
- We continue to project gilt yields on an upward path through the medium term. The recent climb in yields was overdone given the soft fundamental global outlook and risks surrounding the Eurozone, China and US.

	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Official Bank Rate													
Upside risk		0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	1.00
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk													
3-month LIBID rate													
Upside risk	0.20	0.25	0.30	0.35	0.40	0.50	0.55	0.60	0.65	0.70	0.75	0.90	0.95
Arlingclose Central Case	0.45	0.45	0.50	0.55	0.65	0.75	0.75	0.75	0.75	0.75	0.80	0.80	0.80
Downside risk			0.05	0.10	0.20	0.30	0.30	0.30	0.30	0.30	-0.35	-0.35	-0.35
1-yr LIBID rate													
Upside risk	0.35	0.30	0.35	0.40	0.45	0.50	0.60	0.70	0.75	0.75	0.75	0.80	0.80
Arlingclose Central Case	0.90	0.95	0.95	0.95	1.00	1.05	1.10	1.15	1.20	1.25	1.30	1.40	1.40
Downside risk	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
5-yr gilt yield													
Upside risk	0.50	0.75	0.75	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	1.45	1.50	1.55	1.60	1.65	1.70	1.75	1.85	1.95	2.10	2.30	2.50	2.50
Downside risk	-0.50	-0.50	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.65	-0.75	-0.80	-0.80	-0.80
10-yr gilt yield													
Upside risk	0.50	0.50	0.50	0.65	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	2.55	2.60	2.65	2.70	2.75	2.80	2.85	2.90	3.00	3.10	3.30	3.50	3.50
Downside risk	-0.50	-0.50	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.65	-0.75	-0.80	-0.80	-0.80
20-yr gilt yield													
Upside risk	0.50	0.75	0.75	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.25	3.30	3.35	3.40	3.45	3.50	3.55	3.65	3.75	3.85	4.05	4.15	4.15
Downside risk	-0.50	-0.50	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.65	-0.70	-0.75	-0.80	-0.80
50-yr gilt yield													
Upside risk	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.45	3.50	3.55	3.60	3.65	3.70	3.75	3.80	3.85	3.95	4.05	4.15	4.15
Downside risk	-0.50	-0.50	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.65	-0.70	-0.75	-0.80	-0.80

Appendix B – Existing Investment & Debt Portfolio Position

	31/12/13 Actual Portfolio £m
External Borrowing:	
PWLB – Fixed Rate	72.2
Market Loans	35.0
Stock Issue	40.0
European Investment Bank	0.1
Other Soft Loans	0.4
Total External Borrowing	**147.7**
Other Long Term Liabilities:	
PFI	55.5
Finance Leases	0.2
Total Gross External Debt	**203.4**
Investments:	
Short-term investments	8.0
Long-term investments	0.0
Total Investments	**8.0**
Net Debt	**195.4**

Appendix C – Approved Investment Counterparties

COUNTERPARTY LIMITS FOR BANKING – UK INSTITUTIONS

			Total Investments below £10million		Total Investments above £10million - minimum of 4 Counterparties required	
Instrument	**Country/ Domicile**	**Counterparty - Banking UK Institutions**	**Maximum Counterparty Limit and Group Limit (if applicable)**		**Maximum Counterparty Limit and Group Limit (if applicable)**	**Maximum Lending Period**
Term Deposits/ Call Accounts/ CDs	UK	Santander UK Plc. (Banco Santander Group)	£4,000,000		£8,000,000 or 50% of outstanding investments	6 Months
Term Deposits/ Call Accounts/ CDs	UK	Lloyds Bank	£4,000,000		£8,000,000 or 50% of outstanding investments	6 Months
Term Deposits/ Call Accounts/ CDs	UK	Bank of Scotland	£4,000,000		£8,000,000 or 50% of outstanding investments	6 Months
Term Deposits/ Call Accounts/ CDs	UK	Barclays Bank Plc.	£4,000,000		£8,000,000 or 50% of outstanding investments	12 Months
Term Deposits/ Call Accounts/ CDs	UK	HSBC Bank Plc.	£4,000,000		£8,000,000 or 50% of outstanding investments	12 Months
Term Deposits/ Call Accounts/ CDs	UK	Nationwide Building Society	£4,000,000		£8,000,000 or 50% of outstanding investments	12 Months
Term Deposits/ Call Accounts/ CDs	UK	Close Brothers	£4,000,000		£8,000,000 or 50% of outstanding investments	100 days
Term Deposits/ Call Accounts/ CDs	UK	Leeds Building Society	£4,000,000		£8,000,000 or 50% of outstanding investments	100 days
Term Deposits/ Call Accounts/ CDs	UK	Goldman Sachs International Bank	£4,000,000		£8,000,000 or 50% of outstanding investments	100 days
Term Deposits/ Call Accounts/ CDs	UK	Royal Bank of Scotland/ National Westminster Bank (Royal Bank of Scotland Group)	£4,000,000		£8,000,000 or 50% of outstanding investments	Overnight

Term Deposits/ Call Accounts/ CDs	UK	Standard Chartered Bank	£4,000,000		£8,000,000 or 50% of outstanding investments	12 Months

COUNTERPARTY LIMITS FOR BANKING – NON UK INSTITUTIONS

Instrument	Country/ Domicile	Counterparty	Maximum Counterparty Limit and Group Limit (if applicable) £	Maximum Lending Period
Term Deposits / Call Accounts/CDs	Australia	Australia and NZ Banking Group	Maximum 15% of Outstanding Investments	12 months
Term Deposits / Call Accounts/CDs	Australia	Commonwealth Bank of Australia	Maximum 15% of Outstanding Investments	12 months
Term Deposits / Call Accounts/CDs	Australia	National Australia Bank Ltd (National Australia Bank Group)	Maximum 15% of Outstanding Investments	12 months
Term Deposits / Call Accounts/CDs	Australia	Westpac Banking Corp	Maximum 15% of Outstanding Investments	12 months
Term Deposits / Call Accounts/CDs	Canada	Bank of Montreal	Maximum 15% of Outstanding Investments	12 months
Term Deposits / Call Accounts/CDs	Canada	Bank of Nova Scotia	Maximum 15% of Outstanding Investments	12 months
Term Deposits / Call Accounts/CDs	Canada	Canadian Imperial Bank of Commerce	Maximum 15% of Outstanding Investments	12 months
Term Deposits / Call Accounts/CDs	Canada	Royal Bank of Canada	Maximum 15% of Outstanding Investments	12 months
Term Deposits / Call Accounts/CDs	Canada	Toronto-Dominion Bank	Maximum 15% of Outstanding Investments	12 months
Term Deposits / Call Accounts/CDs	Finland	Nordea Bank Finland PLC	Maximum 15% of Outstanding Investments	12 months
Term Deposits / Call Accounts/CDs	Germany	Deutsche Bank AG – Registered	Maximum 15% of Outstanding Investments	12 months
Term Deposits / Call Accounts/CDs	Netherlands	ING Bank NV	Maximum 15% of Outstanding Investments	100 days
Term Deposits / Call Accounts/CDs	Netherlands	Bank Nederlandse Gemeenten	Maximum 15% of Outstanding Investments	12 months
Term Deposits / Call Accounts/CDs	Netherlands	Rabobank	Maximum 15% of Outstanding Investments	12 months
Term Deposits / Call Accounts/CDs	Sweden	Svenska Handelsbanken – A SHS	Maximum 15% of Outstanding Investments	12 months
Term Deposits / Call Accounts/CDs	Switzerland	Credit Suisse	Maximum 15% of Outstanding Investments	100 days
Term Deposits / Call Accounts/CDs	US	J P Morgan Chase Bank NA	Maximum 15% of Outstanding Investments	12 months
Term Deposits / Call Accounts/CDs	Germany	Landesbank Hessen-Thuringen (Heleba)	Maximum 15% of Outstanding Investments	100 days
Term Deposits / Call Accounts/CDs	Finland	Pohjola Bank	Maximum 15% of Outstanding Investments	6 Months
Term Deposits / Call Accounts/CDs	Singapore	DBS Bank Ltd	Maximum 15% of Outstanding Investments	6 Months
Term Deposits / Call Accounts/CDs	Singapore	Oversea-Chinese Banking Corporation	Maximum 15% of Outstanding Investments	6 Months
Term Deposits / Call Accounts/CDs	Singapore	United Overseas Bank	Maximum 15% of Outstanding Investments	6 Months

COUNTERPARTY LIMITS FOR OTHER INSTITUTIONS

Instrument	Country/ Domicile	Counterparty	Maximum Counterparty Limit and Group Limit (if applicable) £	Maximum Lending Period
Term Deposits / Call Accounts	UK	Other Local Authorities, Police and Fire Authorities etc	8,000,000 per authority or 100% of outstanding investments	364 days
Term Deposits / Call Accounts	UK	Debt Management Office Facility	50,000,000 or 100% of outstanding investments	364 days
Term Deposits / Investments longer than 364 days	EEC	European Investment Bank (EIB)	10,000,000	10 years
Term Deposits / Investments longer than 364 days	EEC	European Bank for Reconstruction and Development (EBRD)	10,000,000	10 years
Term Deposits / Investments longer than 364 days	EEC	Council of Europe Development Bank (CEDB)	10,000,000	10 years

COUNTERPARTY LIMITS FOR MONEY MARKET FUNDS (NON GOVERNMENT FUNDS)

Instrument	Country/ Domicile	Counterparty	Maximum Counterparty Limit and Group Limit (if applicable) £	Maximum Lending Period
		Money Market Funds (Non Government Funds)	**Maximum of 0.5% of the moneymarket fund size and 10% of Outstanding Investments unless otherwise specified.**	
Call Accounts	Ireland	Aviva Investors – Sterling Liquidity Fund		
Call Accounts	Ireland	Blackrock – Institutional Sterling Liquidity Fund		
Call Accounts	Luxembourg	BNP Paribas Investment Partners – Insticash GBP Fund		
Call Accounts	Ireland	BNY Mellon Asset Management – Sterling Liquidity Fund		
Call Accounts	UK	CCLA – Public Sector Deposit Fund		
Call Accounts	Ireland	D B Advisors (Deutsche) - Managed Sterling Fund		
Call Accounts	UK	Federated Prime Rate Capital Management – Sterling Liquidity Fund		
Call Accounts	Ireland	Fidelity International – Institutional Liquidity Fund – Sterling		
Call Accounts	Ireland	Goldman Sachs – Liquid Reserves Fund		
Call Accounts	Ireland	HSBC – Sterling Liquidity Fund		
Call Accounts	Ireland	Ignis Asset Management – Sterling Liquidity Fund		
Call Accounts	Ireland	Insight Investments – Sterling Liquidity Fund		
Call Accounts	Ireland	Invesco AIM – STIC Sterling Liquidity Portfolio		
Call Accounts	Ireland	Legal & General Investment Management – Sterling Liquidity Fund		
Call Accounts	Ireland	Morgan Stanley Investment Management – Sterling Liquidity Fund		
Call Accounts	Ireland	Northern Trust – Global Cash Fund		
Call Accounts	Ireland	Royal Bank of Scotland – Global Treasury Funds – Sterling Fund		
Call Accounts	Ireland	State Street Global Advisors – GBP Liquidity Fund		
Call Accounts	Ireland	SWIP – Global Liquidity Fund PLC – Sterling Fund		

Appendix D – Non-Specified Investments

Having considered the rationale and risk associated with non- specified investments (i.e. investments where the investment period is more than 364 days), the following have been determined for the Council's use:

Non Specified Investment Instruments	**Maximum maturity**	**Max %/£M of portfolio**	**Capital expenditure?**
Call accounts, term deposits & CDs with banks, building societies & local authorities which do not meet the specified investment criteria (on advice from TM Adviser)	*1 year*	Maximum of £5m across all non-specified Investment categories	No
Deposits with registered providers		Maximum of £5m across all non-specified investment categories	No
Gilts		Maximum of £5m across all non-specified categories	No
Bonds issued by multilateral development banks		Maximum of £5m across all non-specified categories	No
Bonds issued by financial institutions guaranteed by the UK government		Maximum of £5m across all non-specified categories	
Sterling denominated bonds by non-UK sovereign governments		Maximum of £5m across all non-specified categories	No
Money Market Funds and Collective Investment Schemes		Maximum of £5m across all non-specified categories	No
Corporate and debt instruments issued by corporate bodies purchased from 01/04/12 onwards		£ Maximum of £5m across all non-specified categories	No
Collective Investment Schemes (pooled funds) which do not meet the definition of collective investment schemes in WSI 2004 No 1010 (W.107) or WSI 2007 No 1051 (W.108)	These funds do not have a defined maturity date	Maximum of £5m across all non-specified categories	Yes

Appendix E

Prudential Indicators 2014/15 – 2017/18

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 had no difficulty meeting this requirement in 2013/14, 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	**2013/14 Estimate £m**	**2014/15 Estimate £m**	**2015/16 Estimate £m**	**2016/17 Estimate £m**	**2017/18 Estimate £m**
Total	**31.0**	**42.3**	**12.2**	**11.4**	**14.3**

3.2 Capital expenditure will be financed or funded as follows:

Capital Financing	**2013/14 Estimate £m**	**2014/15 Estimate £m**	**2015/16 Estimate £m**	**2016/17 Estimate £m**	**2017/18 Estimate £m**
Capital receipts	1.1	5.9	1.9	1.4	2.7
Government Grants	10.2	7.0	4.2	3.9	5.0
S106 Contributions	1.7	0.6	0.0	0.0	0.0
Revenue contributions	1.4	0.2	0.2	0.0	0.0
Total Financing	**14.4**	**13.7**	**6.3**	**5.3**	**7.7**
Supported borrowing	4.0	3.9	3.8	3.7	3.6
Unsupported borrowing	12.6	24.7	2.1	2.4	3.0
Total Funding	**16.6**	**28.6**	**5.9**	**6.1**	**6.6**
Total Financing and Funding	**31.0**	**42.3**	**12.2**	**11.4**	**14.3**

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	2013/14 Estimate %	2014/15 Estimate %	2015/16 Estimate %	2016/17 Estimate %	2017/18 Estimate %
Total	8.6%	8.6%	9.3%	9.4%	9.3%

5. Capital Financing Requirement:

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 its financing.

Capital Financing Requirement	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
Total CFR	294.8	350.6	378.1	288.1	279.8

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 31/03/2013	£000
Borrowing	163,894
Other Long-term Liabilities	55,830
Total	**219,724**

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	2014/15 Estimate £	2015/16 Estimate £	2016/17 Estimate £	2017/18 Estimate £
Increase in Band D Council Tax	2.15	8.39	2.89	1.03

Assumes a 2.5% cumulative increase in Council Tax although no decision has been taken to this effect.

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	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
Borrowing	260	288	198	191

Other Long-term Liabilities	51	49	47	45
Total	**311**	**337**	**245**	**236**

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	**2014/15 Estimate £m**	**2015/16 Estimate £m**	**2016/17 Estimate £m**	**2017/18 Estimate £m**
Borrowing	240	268	178	171
Other Long-term Liabilities	51	49	47	45
Total	**291**	**317**	**225**	**216**

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 which 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 31/03/14 %	**2014/15 Estimate %**	**2015/16 Estimate %**	**2016/17 Estimate %**	**2017/18 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 31/12/13 %**	**Lower Limit for 2014/15 %**	**Upper Limit for 2014/15 %**
under 12 months	24%	0%	40%
12 months and within 24 months	1%	0%	20%
24 months and within 5 years	8%	0%	50%
5 years and within 10 years	39%	0%	50%
10 years and within 20 years	10%	0%	20%
20 years and within 30 years	6%	0%	20%
30 years and within 40 years	0%	0%	20%
40 years and within 50 years	12%	0%	20%
50 years and above	0%	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. Especially in relation to 2014/15, it is considered unlikely that investments with a maturity of more than 364 days from the date of investment will be made.

Upper Limit for total principal sums invested over 364 days	**2014/15 Estimate £m**	**2015/16 Estimate £m**	**2016/17 Estimate £m**	**2017/18 Estimate £m**	**2018/19 Estimate £m**
	5	**5**	**5**	**5**	**5**

Appendix F – Minimum Revenue Provision (MRP) Statement 2014/15

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

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3. MRP in 2014/15: 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 2014/15 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 £90million 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 8 - MTRP

	2014/15	2015/16	2016/17	2017/18	TOTAL
Planning pressures					
Inflation	2,178	2,068	2,544	2,601	**9,391**
Social Care Demographics	300	276	274	322	**1,172**
Social Care - Frailty	245	169	0	0	**414**
School demographics	150	500	500	600	**1,750**
Capital Programme / PFI	1,189	1,385	174	459	**3,207**
Living Wage	522	522	0	0	**1,044**
ER's Ni increasing			1,215		**1,215**
TOTAL 'PLANNING' PRESSURES	4,584	4,920	4,707	3,982	**18,193**
OTHER PRESSURES	12,700	830	555	555	**14,642**
	-	-	-	-	**-**
(INCREASE)/DECREASE IN REVENUE SUPPORT GRANT	-5,791	2,146	3,434	-2,285	**-2,496**
C. Tax @ 5%	-3,868	-1,851	-1,871	-1,891	**-9,479**
Less consequential increase in benefits	526	439	460	479	**1,904**
GAP	8,152	6,485	7,285	841	**22,763**
Efficiency programme savings	4,409	954	2,394	470	**8,227**
Change programme savings	3,743	3,966	3,158	516	**11,383**
Balance	0	1,566	1,733	-145	**3,153**