

Minutes



Cabinet

Date: 20 December 2019

Time: 10.00 am

Present: Cllrs Jane Mudd (Chair); P Cockeram, D Davies, D Harvey, R Jeavons; D Mayer, G Giles, M Rahman, R Truman

In attendance: Ms S Davies; Mrs B Owen; Mr G Price; Mr M Rushworth, Mrs C Humphrey.

Part 1

1 Apologies for Absence

There were no apologies.

2 Declarations of Interest

There were no Declarations of Interest.

3 Minutes

The minutes of the meeting held on 13 November 2019 were confirmed as a true record.

4 Revenue Budget and MTFP: Draft Proposals

The Leader presented the report which outlined the 2020/21 draft budget report for consideration and agreement. The Leader reminded her Cabinet colleagues that this is the draft budget and wanted to impress on the meeting that the proposals contained in the report will be going out for public consultation prior to finalising the budget at the February 2020 meeting.

Due to the late publication of the draft revenue grant settlement, the report had been compiled on planning assumptions since the report had to be published prior to the announcement of the settlement figure. The report confirmed the planning assumptions were:

- That Newport City Council would get a 1% increase in its revenue grant settlement and growing tax base – approximately £2.1m;
- That the Council would also get a further £5.7m of either permanent or continuation of specific grants to cover the costs of teachers' pay/pensions and social services sustainability (funding which the Council is currently receiving this year as one-off grants).

The draft settlement confirmed the Council will receive more than envisaged – in total further funding of £7.1m. This allows some flexibility to either:

- (i) invest in more budget investments and priorities and/or;

- (ii) reduce/take out some of the budget saving proposals identified in the report.

The Council's revenue support grant, in cash terms, will increase by approximately £14m; to £228m in total. After taking account of current specific grants transferred into it, mainly related to the teachers' pay/pensions grant mentioned above, the increase is c£9m.

Newport had the highest increase of any Welsh Council – the first time this has happened. All councils will be receiving relatively high cash increases in their grant funding next year. There are particular reasons for this:

- The substantial increase in the overall Welsh Government Budget has meant it has been able to continue to invest in the NHS but not at the expense, this year, of other parts of the public sector. Therefore, Welsh Government were able to increase the overall revenue grant settlement budget by about £200m for 2020/21- to a total of nearly £4.5bn. This has benefited all Councils in Wales who receive a share of this. This kind of increase has not happened for many years and is very welcome. The Leader expressed Cabinet's thanks to Welsh Government for taking Newport's situation into account and making this increased allocation.
- Newport has received a better settlement this year as funding, like all councils, is determined by a complex formula which distributes that total revenue grant settlement of £4.5bn to every council. Key 'needs based' data drives that and includes things such as population numbers, the number of school aged children, older people numbers, etc. This year, the Welsh Government took account of some significant changes in population estimates which confirmed that in previous years Newport's population estimates were too low and some others too high. The update and re-basing of this, alongside the continued increase in pupil numbers, 'shifted' more of the available funding to Newport.

The Leader gave some context to the budget proposals:

Councils continue to be under significant financial challenges, coming from increased demand for services, in particular adult social care and increasingly, children's social care. This demand comes from societal issues and affects all parts of Wales and indeed, the UK; Newport in particular also has a growing demand arising from the growth of the city. This generates real pressure in Newport's school capacity and the cost of increasing that to meet demand for places. There is no doubt that local councils have been at the sharp end of financial austerity over many years. Together this 'perfect storm' has been incredibly challenging.

This is the context within which the administration continues to plan its medium term projections and the annual budget for next year.

The report confirmed the cost of unavoidable pay and inflationary cost increases which are, including schools, nearly £7m. This is a large figure but is, in reality, a standstill position. Consideration has to be given to the need to consider the increased costs of demand in order to set a realistic budget, these amount to approximately £6m; of which social care makes up about £2.2m and the cost of expanding our school places is £1.9m. In total, cost pressures amount to approximately £13m, of which schools' pressures are £4.38m.

The Leader was pleased to confirm that schools are not being asked to find any additional savings from this budget and the £4.3m is the full amount of their calculated cost increases next year. School budgets are under considerable strain (as they are across Wales, indeed, the whole of the UK), and they will need to continue to deal with their current levels of overspending and good progress is being made on that. Crucially this budget will not add to the challenge that schools face. Indeed, alongside some significant increases in Welsh Government specific grants that schools receive, such as the 'Pupil Deprivation Grant', we can expect even further increases in school funding next year.

Given these levels of cost increases and pressures, the need to find savings is crucial. Some savings are being implemented by Heads of Service under delegated authority whilst others, those with policy

and service impacts, are for this Cabinet to approve first. The need for appropriate public consultation has been reviewed for all proposals and where required, that will happen first, irrespective of where the decisions are being taken.

Just over £5m of new savings are listed in the report, of which about 50% are being implemented by Heads of Service and decided by Cabinet. In terms of consultation, Appendix 2 lists those proposals for consultation and Appendix 5 has the detail for each of the proposals.

The Leader asked her Cabinet colleagues to consider approving these for consultation with immediate effect. Consultation will be done widely, both internally in the Council, through scrutiny committee, schools' forum, etc., and externally with the public and fairness commission and key stakeholders. The Leader encouraged the public and all partners to engage in the consultation process.

Clearly, Cabinet has some real choices this year given the better settlement, however, no decision will be taken today, reasons being:

- We only received the settlement on Monday and there is still a lot of work to do to ensure we understand all aspects of it, especially the specific grants, which we are still waiting on further details.
- We need to take a considered and strategic approach, and look forward to the medium term as to how we deal with this. This requires time and careful thinking.
- We want to be informed by our key stakeholders, the public in particular and others before we make our final decisions.

We will therefore go to consultation on all the proposals and consider the responses carefully, taking a strategic and long term approach, making final decisions on proposals, including Council Tax, at the February meeting.

The report highlights that a 7.95% increase in Council Tax is being consulted on. The Leader mentioned a few key facts which provided some important context to this:

- The percentage increase is not the best way to think about it. About two thirds of the homes in Newport are in Bands A-C and the increase, in cash terms, is between £1.14 and £1.52 per week. It's an increase but in cash terms more modest than the percentage might suggest.
- Whilst Council Tax makes up a relatively small part of the Council's overall funding and which gives rise to its own problems, it can't be ignored either. Newport's tax level is relatively low compared to others in Wales and indeed, the UK. If Newport was at the Welsh average level – the Council would have £10m more funding, for example. After many years of austerity and increased demand from the growing city, this fact can't be ignored as options to make further significant cuts in budgets are becoming increasingly challenging in the impacts and the increased risks that would come from them.
- This increase needs to be looked at in the context of the overall budget. The budget challenge is not just being solved by increasing council tax. There are savings too and we have sought to find a balance of dealing with the budget challenge through a mixture of council tax and budget savings.
- The increase is an investment in services. Careful consideration has to be given to the level of investment in social care and schools.
- Council Tax is the Council's only source of income it has direct control over.

- In the distribution of the revenue grant settlement, Welsh Government makes an assumption for a 'standard level of Council Tax' when it calculates the standard spending assessment for Councils. That standard council tax level has increased by just of 7% for 2020/21. Newport will fall further behind its standard spending assessment than current levels if the council tax increase is lower than this.
- Lastly, the Leader emphasised that support for paying this bill, through the Council Tax Reduction Scheme, will still be available to help those who are eligible for reductions in their bills. The Council's budget for this will increase in line with the Council Tax increase and accommodate the same level of support that is already in place.

Whilst the better settlement allows for some choices, the Leader hoped residents will see the Council Tax increase in perspective and take that wider and longer term view. Newport will still have one of the lowest Council Tax levels in Wales and the UK.

The Leader welcomed comments from her Cabinet colleagues and commended the draft budget for further consultation in the knowledge that there are some flexibilities which need to be considered very carefully.

Cabinet colleagues reiterated the Leader's comments and encouraged the public, stakeholders and partners to engage with the budget consultation process.

Decision:

Cabinet agreed the draft proposals contained in the report which will now be subject to public consultation prior to finalising the budget in February 2020.

5 Treasury Management 6 Monthly Report

The Leader presented the report which provided a review of the Council's Treasury Management activities, i.e., the management and planning of its 'cash resources', including loan and investing activities, for the first half of this financial year.

The report had already been reviewed by the Audit Committee, and reported to Cabinet for information; following the Cabinet meeting it would go to full Council for approval.

The report confirmed all borrowing and investments undertaken during the first half of the year were expected and within the Council's agreed limits.

Key points of note are:

- The Council's £40m Bond was re-financed in April - this saved the Council a very significant amount of money which was taken as a saving in this year's budget, as the interest rate on the loan taken out was substantially lower than the interest paid on the Bond. The Council's 'internal borrowing' strategy meant this had to be re-financed as opposed to paid off and this strategy is currently saving the Council over £2m annually in interest charges, it was noted the Council's capacity to be internally borrowed will reduce in relation to future spend of the PFI and other reserves.
- The report confirmed the Council borrows funds from the Public Works Loan Board – essentially the Government. During this period interest rates were suddenly increased by an unprecedented 1%. The Head of Finance and the finance team are reviewing options with the Council's Treasury Advisers on other borrowing alternatives and this will be reported in future reports as required.

Decision:

Cabinet noted the content of the report and agreed to provide comments to Council.

6 Corporate Risk Register Update (Quarter 2)

The Leader presented the report which provided an update of the Corporate Risk Register for the end of Quarter 2 (30th September 2019).

Cabinet was asked to consider the content of the report and note the changes to the risk register for the end of quarter 2.

The report confirmed the Council's Risk Management Strategy and Corporate Risk Register enables the administration and its officers to effectively identify, manage and monitor those risks which could prevent the authority from achieving its objectives set out in the Corporate Plan 2017-22 and its Statutory Duties as a local authority.

The report further explained that every year, as part of the Council's planning arrangements, service areas review their current risks and look at new or emerging risks that would prevent the administration from achieving its objectives as part of the Council's Corporate Plan.

The Quarter 2 risk report will be presented to the Council's Audit Committee in January 2020; Audit Committee review and monitor the risk management and governance arrangements.

The report noted 12 risks have been escalated to the Council's Corporate Risk Register requiring monitoring from Cabinet and the Senior Leadership Team.

The remaining risks will continue to be monitored through the Council's service areas and Corporate Management Team. Mechanisms are in place to escalate any new or existing risk to the Corporate Risk Register.

At the end of Quarter 2 (1st July 2019 to 30th September 2019) the Council had 9 High risks (15 to 25) and 3 Medium Risks (5 to 14). In comparison to quarter 1, there were no new risks and no risks were closed. However, 2 risks had increased from Medium to High level risks. The scores of risks that increased were:

- **Demand for Additional Learning Needs (ALN) and Special Education Needs (SEN) support (Risk score increased from 12 to 20)**
 - This risk relates to new legislation being introduced and unknowns in relation to its potential impact on Education services and school support in the city.
 - ALN funding models were reviewed in a local authority and headteacher working group during quarter 2. It was evident that due to a rise in the general school population there has been an increase in ALN pupils which has put additional pressure on the existing ALN funding.
 - There is an expectation that schools supplement their allocated ALN funding, however, due to the increase of statemented and funded pupils the per pupil ALN funding does not reflect the amount required.
 - A one year funding model was agreed with further meetings to take place during summer 2020 to develop a long term funding model.
- **In-year financial management (Risk score increased from 8 to 12)**

- The Council's Finance Service at the end of September shows a forecast overspend of £700k.
- Whilst the impact of an in-year overspend will have a detrimental effect on the level of reserves, it is not something the Council could not cover in the short-term.
- These overspends continuing in the medium term will need to be brought under control to prevent an impact on the financial resilience of the organisation.
- Appropriate action will be needed to bring this overspend under control; however, a risk remains that demand and cost for services continues to increase by more than is currently projected.

Cabinet Members were asked to agree the contents of the Quarter 2 Risk Report and continue to monitor progress of actions taken to reduce the impact of the risks in the report.

Decision:

Cabinet approved the contents of the Quarter 2 Risk Report and agreed to continue to monitor progress of actions taken to reduce the impact of the risks contained in the report.

7 Wales Audit Office – Assessment of Performance Certificate

The Leader presented the report which confirmed this is the second certificate of compliance which is issued by the Wales Audit Office (WAO) following an audit of the Council's 2018/19 performance in accordance with the Local Government (Wales) Measure 2009.

The Wales Audit Office are the Council's external auditors and have a duty to ensure that public bodies, such as Newport Council, have the necessary arrangements in place for securing economy, efficiency and effectiveness in the use of its resources to deliver Council services.

The work completed by the Wales Audit Office also supports the Well Being of Future Generations (Wales) Act 2015 by ensuring that public bodies are undertaking sustainable developments to meet the needs of future generations and adhering to the five ways of working principle.

The Leader welcomed Gareth Jones, Performance Audit Lead WAO to the meeting. Mr Jones provided an overview of the work required by the Council to receive the second certificate of compliance and confirmed the requirements had been met and the certificate had been issued.

The Leader thanked the WAO for their partnership approach and work with Newport City Council.

The Leader proposed that Cabinet accept the conclusion contained in the Auditor General's Certificate of Performance Assessment.

Decision:

Cabinet accepted the conclusion contained in the Auditor General's Certificate of Performance Assessment.

8 Revised Contract Standing Orders

The Leader presented the report which set out proposals to update and make changes to the Council's Contract Standing Orders. Full Council will make a final decision on the report but Cabinet's view is required before it's finalised and sent through to the next available Council meeting.

Contract Standing Orders (CSOs) form part of the Council's Constitution and are the rules for buying goods, services and works that have to be adhered to by all employees.

The report confirmed that CSOs are required to be reviewed every three years to take account of changes to legislation, Council policy and strategic direction, as well as wider Welsh Government Policy that needs to be incorporated into the Council's rules. The proposed CSO's, which were appended to the report, introduce changes designed to improve the Council's procurement practices and ensure changing legislation, other Council Policy and procurement practices are adhered to.

The review had been undertaken in consultation with the Head of Law & Regulation, Head of Finance and the Chief Internal Auditor, as well as the Strategic Leadership Team and Corporate Management Team.

As a result of that consultation key changes have been made in a number of areas, most noticeably around;

1. Compliance - a new section covering responsibilities around probity, standards, compliance with regulation and Codes of Conduct.
2. Social Services - a new section covering individual service contracts for clients which may be awarded under a set of certain circumstances within Social Care.
3. Procurement Tendering Process - in particular more flexibility to be able to approach local and other Welsh suppliers for tenders up to £75k in value, up from the current £25k.
4. Code of Practice, Ethical Employment in Supply Chains - a new section covering the Council's commitment to consider a range of actions to ensure our internal and external supply chains operate under legal and ethical employment practices.
5. Contract Management - a new section to cover how contracts should be managed following award of such contracts, to ensure the contract remains effective in delivering its required outputs for its full duration.
6. Waivers - a new section to ensure officers understand the process should it be deemed necessary to request that CSO's be set aside in certain circumstances.

The report further confirmed the importance that the Council's processes and rules reflect the latest developments which affect local authorities; the Leader specifically referred to confirmation that the Council is embedding important updates such as the ethical employment in its supply chains and changing process which makes it easier to engage local and Welsh suppliers, whilst still ensuring value for money in how the Council purchases its goods and services.

The Leader commended the report to Cabinet and also that the updated CSO's are reported to Council for approval.

Decision:

Cabinet approved the report and for it to be reported to the next Council meeting.

9 Director of Social Services' Annual Report

The Leader introduced the report and confirmed the Regulation and Inspection of Social Care (Wales) Act 2016 (R&I) and the Social Services and Wellbeing (Wales) Act 2014 (SSWB) sets out the requirement for the Director of Social Services to produce an annual report setting out the performance of Social Services.

The intention of the report is not to detail process but to provide information for publication to a wide audience. The report covered the year 2018/19 and set out the Director's assessment of how well the

Council had promoted and delivered social care services for Newport's citizens and carers in need of care and support.

The Leader introduced the Cabinet Member for Social Services to talk through some of the headlines of the report to demonstrate the progress being made in the development of early intervention and prevention services and the work around integrating health and social care to build much needed additional capacity.

The Cabinet Member was pleased with the report which highlighted a lot of positive initiatives that Newport has made over the past year.

The Leader asked the current Director of Social Services, Chris Humphrey for her thoughts. Mrs Humphrey confirmed the report showed the continuing journey that Social Services has been on for the last few years. She commended the performance by all staff which reflects a huge amount of hard work that has been undertaken.

Cabinet Members applauded the hard work of all staff.

The Interim Chief Executive commended the collaborative work carried out with Education and Health to ensure joined up services to make lives better for some of the most vulnerable people in our society.

The Leader thanked the Cabinet Member for the leadership shown in this role and the Leader emphasised the difficult and challenging circumstances people find themselves in, Social Services colleagues work at the frontline of this.

The Leader confirmed she had attended the Looked after Children's Christmas Party; she congratulated the staff, all of whom show such empathy and compassion in the work they do.

Decision:

Cabinet endorsed the report.

10 Cabinet Work Programme

The Leader presented the Cabinet Work Programme.

Decision:

Cabinet agreed the updated programme.

11 Date of Next Meeting

The next meeting will take place on Wednesday 15 January 2020, at 4.00 pm in Committee Room 1, at the Civic Centre, Newport.