

# Budget Update

**Cabinet**

**Date: 5<sup>th</sup> December 2018**

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Author: Cabinet Member for Finance  
Director of Finance  
Wards: All  
Parishes Affected: All

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## **1. Purpose and Reasons**

- 1.1 This report updates the position in relation to the 2018/19 forecast outturn and the work underway to address the financial challenge in the period to March 2020.
- 1.2 In addition, this report meets the requirement to publish initial proposals for the Budgetary and Policy Framework at least two months before the Framework must be adopted (paragraph 2 (a), Budget and Policy Framework Procedure Rules, part 4 of the Council's Constitution).
- 1.3 Sound financial management underpins the Administration's delivery of the Council's Vision and other adopted strategies.

## **2. Recommendations**

Cabinet is recommended to:

- 2.1 To note the in-year forecast outturn position for 2018/19 and that responding management actions continue to be employed to eliminate the projected year-end overspend;
- 2.2 To with regard to the 2019/20 budget to note:-
  - 2.2.1 That the Local Government Finance Settlement for 2019/20 has yet to be published and therefore the funding assumptions in this report contain levels of uncertainty;
  - 2.2.2 That there is currently a gap between the assumed funding levels for 2019/20 and the current proposed cost of services as set out in Table 3, and that work is continuing to identify further options to close this gap for consideration by Members once actual funding levels are confirmed and before the final budget is recommended to Council;
  - 2.2.3 The council tax base for 2019/20 will be 74,532.0;
- 2.3 To agree:-
  - 2.3.1 The virements set out in Appendix 2;

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- 2.3.2 That those new budget proposals that do not directly affect front-line services can be implemented by officers at the earliest opportunity, including undertaking consultation with staff where appropriate;
- 2.3.3 That consultation commences for budget proposals affecting front-line services with the outcome of that consultation being reported to Cabinet in February 2019 prior to considering the final budget to be recommended to Council;
- 2.3.4 That budgets for fees and charges that are set by the Council should be uplifted by 5% or a rounded price close to 5% except where alternative proposals are recommended;
- 2.3.5 That the Local Council Tax Support (reduction) scheme in 2019/20 be unchanged from that for 2018/19, apart from the annual increases in allowances, applicable amounts and non-dependant deductions, which will be increased in line with the national scheme;
- 2.3.6 That the Council Tax on unfurnished and unoccupied properties in excess of two years be increased from 150% to 200% with effect from 1<sup>st</sup> April 2019, in accordance with the Rating and Council Tax Act 2018, to encourage their owners to bring them back into use;
- 2.3.7 That the Council's share of the estimated surplus on the council tax element of the Collection Fund as at 31 March 2019 is £1.393m.

### **3. Detail**

#### Projected Outturn 2018/19

- 3.1 The forecast as at 31<sup>st</sup> October 2018 is that there would be an overspend of £2.3m against the revenue budget for 2018/19 unless further mitigating actions are taken.
- 3.2 The budget and projected outturn by Department is set out in Table 1 below and a more detailed analysis is set out in Appendix 1.
- 3.3 A number of budget changes have been identified since the last report and Cabinet is asked to approve the virements set out in Appendix 2.

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Table 1 – Projected Outturn 2018/19

Department	Budget 2018/19 £'000	Full-Year Projected Outturn £'000	Projected Variance £'000	Movement since last report £'000
Adult Services	84,296	83,005	(1,291)	(590)
Children Services	34,261	41,304	7,043	1,230
Communities and Housing	26,133	25,637	(496)	33
Economy	(2,439)	(2,524)	(85)	(10)
Resources	20,451	19,314	(1,137)	(390)
Corporate	(19,654)	(21,340)	(1,686)	(928)
<b>Total Before Use of Cashflowing Reserve</b>	<b>143,048</b>	<b>145,396</b>	<b>2,348</b>	<b>(655)</b>
Transfer to/(from) Cashflowing Reserve	(2,824)	(2,824)	0	0
<b>Total General Fund</b>	<b>140,224</b>	<b>142,572</b>	<b>2,348</b>	<b>(655)</b>

- 3.4 The projected overspend has reduced by £655k since the report to Cabinet in October.
- 3.5 The most significant change relates to a further increase of £1.3m in the overspend forecast within Children's Social Care, mainly due to:
- 3.5.1 An increase in pressures due to continued use of agency workers, in place of permanent staff (£0.6m)
- 3.5.2 Additional placement costs (£0.6m)
- 3.6 Other changes are:-
- 3.6.1 Continued success in the early delivery of 2019/20 savings plans in Adult Social Care (£0.5m)
- 3.6.2 Partial release of the budget risk contingency (£0.7m)
- 3.6.3 Anticipated underspend on Treasury Management, reflecting latest cost of borrowing. This will provide an ongoing benefit to the Council, meaning that no growth is anticipated in the capital financing budget for 2019/20.
- 3.7 The management actions, set out in previous Cabinet reports, will continue to focus on managing the significant budget risks that the Council faces in the current financial year and bear down on non-essential expenditure to bring the forecast back towards budget by the year end.

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### Draft Budget 2019/20

- 3.8 The medium term resource plan presented to Council in February 2018 set out a projected funding gap of just over £30m for the period to March 2020. These figures were based on the multi-year settlement established during the last Parliament.
- 3.9 The Chancellor of the Exchequer presented his Autumn Budget Statement on 29 October. This included the following announcements:
- 3.9.1 Additional funding for social care in 2019/20;
  - 3.9.2 A reduction in business rates for smaller organisations, with local authorities being reimbursed for the impact of these changes, making them cost neutral.
  - 3.9.3 £45m of additional funding for Disabilities Facilities Grant in 2018/19;
  - 3.9.4 £420m in 2018/19 to tackle pot holes and other minor road highways works;
  - 3.9.5 £400m of in-year capital funding allocations to schools in 2018/19;
  - 3.9.6 £650m of extra Social Care funding for English Local Authorities in 2019/20;
  - 3.9.7 An additional £84m of Children's Services funding over 5 years, across 20 councils;
  - 3.9.8 For two years up until the next Revaluation in 2021 all retail premises with a rateable value below £51,000 will have their bills reduced by one third;
  - 3.9.9 £675m of co-funding will be provided through a new "High Streets Fund" to assist with rejuvenation of High Streets and, in particular, changing unused business and commercial property into residential accommodation;
  - 3.9.10 Additional funding of £500m for the Housing Infrastructure Fund.
- 3.10 Further information regarding funding arrangements for councils will be announced in the provisional local government finance settlement, anticipated on 6 December 2018. Specific areas impacting on this Council include:
- 3.10.1 Confirmation of the final year of the current multi-year settlement for revenue support grant;
  - 3.10.2 Arrangements for the business rates retention pilot;

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- 3.10.3 New Homes Bonus funding allocations;
- 3.10.4 Confirmation of additional funding for social care;
- 3.10.5 Council Tax increases.
- 3.11 In advance of these funding announcements financial modelling is based on the most up to date information available, including forecasts of council tax base, council tax increases and budget pressures.
- 3.12 Appendix 3 sets out the draft Budget proposals for 2019/20. These reflect the application of the key themes of the Swindon Programme to address the financial challenge facing the Council:
  - 3.12.1 Organisational Excellence
  - 3.12.2 Demand Management
  - 3.12.3 Commissioning and Procurement
  - 3.12.4 Commercialisation
- 3.13 The draft proposals also include a substantial investment into Children's Services, to reflect the increased demand on the service and the plan to improve future service provision and ensure the service is financially sustainable in future years.
- 3.14 In line with the current approach the draft budget assumptions for 2019/20 and 2019/20 are based on budgets for fees and charges, where the charges are set by the Council, increasing by 5% as a standard level of uplift.

### Tax Base

- 3.15 The Council has to notify precepting bodies by 31 January 2019 of the assumed level of tax base for 2019/20. In order to help with their planning processes, this is normally done slightly earlier than the statutory date. The tax base setting process starts in mid-October when all Councils have to complete a statutory return to Central Government setting out the number of properties it has by band and any allowances or discounts on those properties.
- 3.16 Currently, domestic properties that are empty and unfurnished for more than 2 years are charged 150% Council Tax (the additional 50% is known as the empty premium). This is to encourage their owners to bring them back into use. To strengthen this incentive the Rating and Council Tax Act 2018 has increased the level of premium that Councils are able to charge from 50% to 100%, with effect from 1 April 2019.
- 3.17 In recent years, the Council has seen an annual rise in its tax base of around 900 Band D equivalent properties due mainly to growth in the Borough. The increase

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between 2018/19 and 2019/20 is estimated to be 1,200 properties and a further increase has been calculated due to a reduction in the number of households accessing council tax support and other allowances and to reflect a collection rate of 98.8%. In overall terms, the tax base has increased by 1,633.4 from 72,898.6 in 2018/19 to 74,532.0 in 2019/20. The increase in tax base between the two financial years leads to an increased level of Council Tax income of £2.1m.

- 3.18 Based upon current council tax collection rates during this financial year it is estimated that there will be a surplus on the Collection Fund of £1.643m at 31 March 2019. The Council's share of this amount is £1.393m, which will be used to reduce the net budget for 2019/20.

### Council Tax

- 3.19 In line with expected average increases nationwide, the current planning assumption is that basic council tax will increase by 2.99% for 2019/20, along with an additional adult social care precept of 1%. Full Council will be asked to make a final decision on Council Tax level for 2019/20 in February 2019.

### Local Council Tax Support Scheme

- 3.20 Since the replacement of council tax benefit with a Local Council Tax Support scheme, there is a requirement to review the local scheme each year and agree any amendments.
- 3.21 A number of changes to the scheme have been considered but the resulting financial savings to the Council from changes that could have a considerable effect on individual recipients are small and therefore no changes are proposed for 2019/20.
- 3.22 Members are therefore asked to agree that the Local Council Tax Support scheme in 2019/20 be unchanged from that for 2018/19, apart from the annual increases in allowances, applicable amounts and non-dependant deductions, which will be increased in line with the national scheme.

### Summary of Current Financial Position

- 3.23 The estimated funding for 2019/20, based on the information currently available to the Council, is set out in Table 2 below.

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Table 2 – Estimated Funding Changes for 2019/20

	£m
<b>2018/19 Funding</b>	<b>140.2</b>
Reduction in Revenue Support Grant	(4.7)
Increase in Council Tax Collection Fund surplus	0.8
Income if Members choose to increase Council Tax by 2.99%	3.0
Income if Members choose to increase Council Tax by further 1% for Adult Social Care Precept	1.0
Council Tax Base Growth due to increase in household numbers and reductions in discounts and exemptions	2.1
Increase in Retained Business Rates	0.7
<b>Estimated 2019/20 Funding</b>	<b>143.1</b>

- 3.24 An overall summary of the current gap between the estimated funding for 2019/20 and draft budget proposals is set out in Table 3 below.

Table 3 – Estimated Budget Gap

	£m
<b>2019/20 Base Budget</b>	<b>140.2</b>
Cost Pressures	29.7
Savings	(21.6)
<b>2019/20 Draft Budget</b>	<b>148.3</b>
<b>Estimated 2019/20 Funding</b>	<b>143.1</b>
<b>Estimated Gap Based on Current Funding Assumptions</b>	<b>5.2</b>

#### 4. Alternative Options

- 4.1 The report sets out the context for the organisation and its proposed response. The Council could continue to provide services in the current form but this is not recommended as the organisation would soon become financially unsustainable and important services would be unaffordable.

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### 5. Implications, Diversity Impact Assessment and Risk Management

#### Financial and Procurement Implications

- 5.1 The projected overspend in the current financial year is currently £2.3m. Further management action is aimed at managing the overall position. Any residual overspend will be a call on the Council's reserves.
- 5.2 Funding reductions and cost pressures require the Council to identify budget proposals to provide a balanced budget for 2019/20 and develop its longer term financial plan to ensure its financial sustainability over future years.

#### Legal and Human Rights Implications

- 5.3 All legal and human rights considerations have been taken fully into account in compiling this report. It is considered that the recommendations of this report are compatible with Convention rights.
- 5.4 Over the years, there have been a number of challenges in the courts as to reductions in budgets. The courts have held that the decision to set a local authority budget for a service at a certain level and to make reductions in specific areas is a political decision which cannot be judicially challenged. How those reductions are implemented; however, is key and will be subject to appropriate consultation.

#### All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 5.5 Where there are such implications these have been reflected in the body of the report.

#### Diversity Impact Assessment

- 5.6 Diversity Impact Assessments (DIA) are being undertaken for budget proposals that could affect protected groups. Where assessments undertaken identify adverse impacts then mitigations are being developed as part of the proposals.

#### Risk Management

- 5.7 Any risks arising from the proposals contained within this report will be managed through their implementation taking into consideration feedback from the consultation exercise.

### 6. Consultees

- 6.1 The Director of Finance (Section 151 Officer) and Interim Director of Law (Monitoring Officer) are consulted in respect of all reports.



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### **7. Background Papers**

7.1 None

### **8. Appendices**

8.1 Appendix 1: Forecast Outturn by Directorate 2018/19

8.2 Appendix 2: Virements 2018/19

8.3 Appendix 3: Draft Budget Proposals

### **9. Key Decision/Decision in Cabinet Work Programme**

9.1 This is a Key Decision and is included in the Cabinet Work Programme and Forward Plan for December 2018.