

Budget 2019/20 and Beyond

Cabinet

Date: 6th February 2019

Author: Cabinet Member for Finance

Director of Finance

Wards: All

Parishes Affected: All

1. Purpose and Reasons

- 1.1 This report proposes a Budget for 2019/20 and sets out the financial context for 2020/21 and beyond.
- 1.2 Under the Council's Constitution, the Cabinet is required to recommend a budget to Council as part of its formal Council Tax Setting responsibilities.
- 1.3 The effective management of financial resources through robust financial planning processes underpins the Council's ability to achieve its plans and priorities.

2. Recommendations

Cabinet is recommended to note:

- 2.1 The medium term financial context and impact on Swindon of the draft Local Government Finance settlement;
- 2.2 The projected out-turn for 2018/19;
- 2.3 The consultation feedback, summarised in Appendix 3, in relation to the Budget proposals presented to Cabinet in December 2018;
- 2.4 That the detailed Dedicated Schools budget for 2019/20 has been set within the provisional funding envelope of £184.7m;
- 2.5 That, in line with the requirements of the Local Government Act 2003, the Director of Finance, in his Section 151 capacity, confirms the robustness of the estimates underlying the recommended Budget and having reviewed the financial risks being faced by the Council concludes that the proposed minimum level of general reserves is adequate in the context of the earmarked reserves held, specific contingencies and the proposed budget risk contingency of £3.5m.

Cabinet is requested to:

- 2.6 Agree the 2018/19 virements, set out in Appendix 2;
- 2.7 Endorse the medium term financial strategy, set out in Appendix 6;

Further information on the subject of this report can be obtained from Mick Bowden, Direct Dial 07392 109917, mbowden@swindon.gov.uk

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- 2.8 Agree the specific reserves held in support of the 2019/20 Revenue Budget set out in Appendix 5;
- 2.9 Authorise the Director of Finance to balance any changes between the provisional local government finance settlement and the final numbers expected to be released by mid-February by adjusting the Budget Risk Contingency;
- 2.10 Recommend to Council, subject to any changes resulting from the Government's announcement of the final local government finance settlement for 2019/20 that:-
- The 2019/20 Budget be set at £142.497m;
 - The council tax be increased by 3.99%, comprising 2.99% for the basic amount of council tax and a specific adult social care precept of 1%, and;
 - It be determined that the proposed increase in the basic amount of Council Tax for 2019/20 is not excessive in accordance with Schedule 5 of the Localism Act 2011 and therefore does not trigger the requirement for a referendum.

3. Detail

The Forecast Out-turn for 2018/19

- 3.1 The starting position for the 2019/20 budget is the current year's budget for 2018/19. Table 1 below and Appendix 1 set out the forecast position to 31st March 2019, which shows that the forecast overspend is £1.3m. This position has improved by £1.1m since the last report to Cabinet.
- 3.2 The significant changes since the last report to Cabinet are:
- An increase in the overspend forecast within Children's Social Care due to an increase in external placement costs (£0.3m);
 - An increase in the forecast underspend within Adult's Social Care as a result of the early delivery of 2019-20 savings in the areas of demand, care package reviews and client contributions (£0.9m).
- 3.3 The remaining improvement of £0.5m is due to the continued management action across all services to reduce non-essential expenditure and to deliver 2019/20 savings early whilst managing existing and new cost pressures.
- 3.4 Based on the current rate of improvement in the projected overspend position and the ongoing work across all service areas to identify further savings it is expected that the final outturn for 2018/19 will be delivered within budget.

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- 3.5 On that basis the Council is able to carry forward £2.5m of the Children's Transition Reserve from 2018/19 to support the 2019/20 budget, in line with the original intention to deploy the reserve on a phased basis over two financial years.

Table 1 – Forecast Out-turn 2018/19

Department	Budget 2018/19 £m	Full-Year Projected Outturn £m	Projected Variance £m	Movement since last report £m
Adult Services	84.4	82.2	(2.2)	(0.9)
Children Services	34.2	41.6	7.4	0.3
Communities and Housing	26.1	25.6	(0.5)	0.0
Economy	(2.3)	(2.4)	(0.1)	0.0
Resources	20.4	19.1	(1.3)	(0.2)
Corporate	(22.6)	(24.6)	(2.0)	(0.3)
Total General Fund	140.2	141.5	1.3	(1.1)

- 3.6 A number of budget virements have been proposed since the last meeting and Members are asked to approve the budget transfers set out in Appendix 2.

The 2019/20 Provisional Finance Settlement

- 3.7 The Government published the provisional 2019/20 local government finance settlement on 13th December 2018.
- 3.8 The key issues arising from the provisional settlement are:
- Social Care Support Grant - following the announcement of additional funding across adults' and children's social care in the October Budget, the government has now indicated how this will be allocated. Based on the proposed distribution methodology the Council will receive £1.3m in 2019/20, of which it is estimated that £0.5m is required to meet additional cost pressures in Adult Social Care.
 - Business Rate Levy - a one-off grant of £180m has been announced, funded by a surplus on business rate levies paid over by councils nationally. Based on the provisional allocation method proposed by the government the Council's share would be £0.5m.

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- New Homes Bonus - during the summer the government indicated that it would change the calculation basis, which would have adversely affected the Council. The provisional settlement confirmed that no change would be made and therefore, in line with the increase in properties in the borough, the level of grant will be £4.9m.
- Council Tax – the Government confirmed the council tax referendum limit, would be in line with previous announcements. Therefore the maximum allowable increase for SBC in 2019/20 (without a referendum) is 3.99%.

3.9 The overall net impact of the announcements in the provisional settlement is to improve the funding for 2019/20 by £2.6m. The long-term implications are uncertain, given the changes to funding of local government for 2019/20 as outlined in Appendix 6.

Council Tax 2019/20

3.10 In line with Government expectations and the feedback from other Councils, it is proposed that the Council increases the basic amount of council tax by 2.99% (as planned in the draft budget) and raises an adult social care precept of 1%.

3.11 If agreed, the total 3.99% increase will be broken down on the face of the council tax bill, in line with national guidance, to explain that 1% of the increase is specifically to respond to the rising demand for adult social care.

3.12 A 3.99% increase would increase the average Council Tax bill by £4.37 per month, excluding precepts from other bodies.

Feedback from Scrutiny Committee

3.13 On 14th January 2019, the Scrutiny Committee considered a report on the 2019/20 budget setting process. The Committee raised a range of points, including the approach to fees and charges, the surplus on the collection fund, government funding announcements and resolved that the current budget position be noted.

Consultation Feedback

3.14 The Council published details of all proposed service changes included within its draft budget on its website and undertook targeted consultation on some specific proposals. The Council has also undertaken further consultation with the business community via a meeting with business representatives from Swindon, on behalf of non-domestic rate payers on 22nd January 2019.

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- 3.15 The feedback from consultation is set out in Appendix 3. Any further feedback received after the drafting of this report will be provided at the meeting.

The Proposed Budget for 2019/20

- 3.16 Table 3 summarises the changes to the current financial year in arriving at the proposed budget for 2019/20. The detailed proposals are set out in Appendix 4.

Table 3 – Summary of Budget Changes

	2019/20 £m
Base Budget	140.2
Funding Changes	(4.2)
Inflation	5.8
Cost Pressures	18.2
Identified Savings	(21.6)
Change in Budget Risk Contingency	1.3
Change in Use of Cashflowing Reserve	2.8
Proposed Budget for 2019/20	142.5
Funded By:	
Revenue Support Grant	4.3
Business Rates	35.0
Council Tax	101.8
Surplus on Council Tax Collection Fund	1.4
Total Funding	142.5

Relationship between Revenue and Capital Budgets

- 3.17 The 2019/20 revenue budget includes allowance for the estimated increase in debt charges to finance the capital programme being delivered during 2017/18 and any interest incurred on schemes starting in 2018/19. Due to ongoing savings in interest costs from the implementation of Council's treasury management strategy it is not necessary to increase the capital financing budget for 2019/20.

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- 3.18 The 2019/20 capital programme is set out elsewhere on the agenda and any significant increase in the proposed programme that is financed from borrowing will have an estimated impact on the annual revenue budget of £80k per £1m, subject to the nature of the capital investment.

Fees and Charges

- 3.19 No changes are proposed to the general approach to fees and charges agreed by Cabinet on 5th December 2018.

Approach to Funding Transitional Costs

- 3.20 In accordance with the freedom given by central government it is the Council's existing approach to use the capital receipts flexibility to meet expenditure related to the delivery of future long term savings. It is proposed that this is continued where it is in the Council's financial interest to do so, with specific reference to:
- Costs of delivering projects within the Swindon Programme,
 - Reorganisation and restructuring costs that deliver financial savings
 - Transitional investment that delivers long-term financial benefits by reducing future service costs.
- 3.21 The 2018/19 budget included:
- The establishment of a £7.5m reserve to deal with the short-term pressures in Children's social care and put in place the arrangements to enable the service to be financially sustainable in the longer term;
 - The use of £2.8m from the cashflowing reserve to support the overall budget
- 3.22 The use of reserves in such a manner can only be a time-limited in nature to ensure the ongoing financial sustainability of the Council. Therefore it is proposed that no new commitments from reserves are made as part of the 2019/20 budget. The forecast level of reserves available to meet specific existing commitments, and support the management of the overall budget, is set out in Appendix 5.

Contingencies and Risk

- 3.23 Each of the savings proposals put forward as part of the budget setting cycle has been risk assessed. The level of contingency built into the proposed budget

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for 2019/20, alongside the level of general and earmarked reserves, reflects the overall potential risk associated with delivering the budget proposals.

3.24 The following significant risks have been identified in relation to the council's budget:

- The total value of savings contained within the budget for 2019/20 is more than double that identified for 2018/19. This, in itself, provides a source of risk to the Council's financial position for 2019/20, requiring the budget risk contingency to be increased;
- There are a number of savings proposals which are still subject to ongoing activity and therefore the precise level of saving is uncertain;
- The Council also faces risks in managing the costs associated with the major demand led services, particularly in adult and children's social care. The investment of funding and resource to manage pressures in adult social care during 2017/18, and the significant investment in children's social care proposed in this budget, provides some mitigation against these risks. However, it is recognised that these services will continue to be a potential challenge to the Council's financial position and will therefore be the subject of close scrutiny in the budget management process for 2019/20.

3.25 Based on this assessment, and risks within the existing base budget, it is proposed that the budget risk contingency is set at £3.5m.

3.26 In light of this, and the specific reserves held to support the budget (set out in Appendix 5), the Director of Finance, as part of his Section 151 responsibilities, is content that the 2019/20 budget as proposed is deliverable, taking into account the level of specific and general reserves held by the Council.

General Reserves

3.27 In general, it is considered that uncommitted reserves of around 5% of net revenue expenditure provides for a reasonable level of support to manage risks, subject to the specific circumstances of each authority. This implies a level of around £7m for Swindon. However, protection against budget risks is also provided through earmarked reserves and contingencies and the Council's experience of managing budget pressures without using general reserves. In this context, it is recommended that the level of general reserves the Council holds is maintained at a minimum of £6m.

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Schools' Budgets 2019/20

- 3.28 The provisional Dedicated Schools Grant (DSG) for 2019/20 is £184.7m, the majority of which is passported directly to schools. The provisional grant value includes the additional £0.5m allocated to DSG High Needs in December 2018. The Council prepared its budgets based on existing spend, inflation and known increases in demand and it has been possible to produce a balanced budget, within the available funding. The Schools Forum considered the proposed budget at its meeting on 16th January 2019 and agreed the allocation of the budget as set out in Table 5 below.

Table 5 - Overall DSG Funding and Expenditure 2019/20

	£m
Early Years Expenditure	14.4
Mainstream School Expenditure	138.2
High Needs Expenditure	31.1
Central Schools Services Expenditure	1.0
Total Expenditure	184.7

4. Alternative Options

- 4.1 The Cabinet could amend the package of budget proposals at the assumed council tax increase of 3.99% for 2019/20, which would require the amendments to be cost neutral.
- 4.2 The Cabinet could also choose to recommend a different council tax level to Full Council, and amend the package of proposals within the new net budget. Each 1% on council tax equates to approximately £1m.

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

- 5.1 The projected overspend in the current financial year is £1.3m and based on the current rate of improvement it is expected that the final position will be within budget. However any residual overspend will be a call on the Council's reserves.

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- 5.2 Where there are financial implications these have been reflected in the body of the report and in the appendices.

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.

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

- 5.4 The proposals included in this budget will result in approximately 160 full time equivalent posts being deleted from the Council's staffing establishment. A significant number of these are vacant posts as a result of the planned approach to savings delivery ensuring that unfilled posts are not recruited to unless essential. In line with this approach the post of Corporate Director for Resources and Growth has been deleted as part of a review of the senior management structure.

Diversity Impact Assessment

- 5.1 In line with the Public Sector Equality Duty (Equality Act 2010) Swindon Borough Council is required to pay due regard to the need to eliminate unlawful discrimination, advance equality of opportunity and foster good relations between different protected groups when making decision. Where known, the equality impact of change must be disclosed.
- 5.2 All saving proposals have been subject to the Council's DIA screening process to assess their potential/likely impact, if any, on service users with protected characteristics. For some proposals where there is no change to service or staffing a DIA has not been completed. Other proposals, which are at an early stage of development, have initial DIAs – however in these cases the potential areas of impact have been identified. In some cases the service changes have been proposed to create greater equity in terms of access and customer service. Where risks have been identified, mitigations have been proposed.
- 5.3 Where it is not possible at this stage to fully assess the impact from individual proposals, these will be subject to separate decisions informed by a separate DIA prior to implementation.
- 5.4 However, officers' current assessments conclude that the impact of adopting these proposals on front-line services or vulnerable groups would be minor. This is not to imply that there would not be any adverse impact on service users, if

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the proposals are approved. As part of our dynamic assessment process, should this position change, we would review each DIA, update and publish this.

- 5.5 Many of the proposals will affect staff, especially where the majority of the saving proposals are made up of staffing costs. Given the scale of staffing reductions, there is potential for these proposals to have a significant impact on the workforce. There are some services that due to their nature consist of predominantly female or male members of staff, and it is important that changes are not disproportionate in terms of their impact. The Council's Managing Change, Restructuring, Redeployment & Redundancy Policy provides a framework to be followed during times of organisational change to minimise the risk of a negative impact on any equality groups. The Managing Change Policy requires that staffing changes undergo a specific DIA per proposal to ensure that the restructure process is conducted in a fair, transparent and non-discriminatory manner. We have also drafted an overarching DIA to try and address the cumulative impact or potential impact on staff. This is reviewed once a quarter.

6. Consultees

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

7. Background Papers

- 7.1 None

8. Appendices

- 8.1 Appendix 1: Forecast Out-turn by Directorate 2018/19
- 8.2 Appendix 2: Virements 2018/19
- 8.3 Appendix 3: Consultation Feedback
- 8.4 Appendix 4: Detailed Budget Proposals 2019/20
- 8.5 Appendix 5: Reserves Policy and Specific Reserves held to support the 2019/20 Budget
- 8.6 Appendix 6: Medium Term Financial Strategy Update

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9. Key Decision/Decision in Cabinet Work Programme and Forward Plan

- 9.1 The Council's Budget will be determined by the full Council on 21st February 2019. This is therefore not a key decision for the Cabinet at this meeting. It is included in the Cabinet Work Programme and Forward Plan for February 2019.