

Budget Management 2016-17 and 2016 – 2020 Efficiency Statement

Cabinet

Date: 7th September 2016

Authors:	Cabinet Member for Finance and Corporate Services and Corporate Director, Resources
Wards:	All
Locality Affected:	All
Parishes Affected:	All

1. Purpose and Reasons

- 1.1 This report presents the 2016-17 revenue forecast out-turn at the end of July 2016, the first quarter's monitoring position for the capital programme and the updated four-year financial plan to 2020 that councils are required to submit to the Government by 14th October 2016. It also includes some proposed changes to the Council's capital programme.
- 1.2 The effective management of financial resources through robust financial management processes underpins the Council's ability to achieve its plans and priorities.
- 1.3 Responsible budget management underpins the Council's strategic objective of consistently making the best use of all available resources as well as providing focus for its change programmes.

2. Recommendations

Cabinet is recommended to:

- 2.1 Note the projected Revenue Budget out-turn position for 2016-17 set out in Table 1 and Appendices 1 and 2,
- 2.2 Approve the revenue virements set out in Appendix 3;
- 2.3 Approve that an action plan set to help manage the projected in-year revenue overspend including the proposed service changes to deliver in-year savings be presented to the Cabinet meeting in October;
- 2.4 Note the latest forecast position on the capital programme set out in Table 2 and Appendix 5;
- 2.5 As part of the Council's commercialisation workstream to help generate new income to support its medium term resourcing plan, approve that a rolling capital fund of up to £15m, funded from the Council's cash balances and / or Prudential Borrowing, is made available to fund small scale housing development by the

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Council on Council-owned land, to generate a new income stream estimated at around £5m per year to help fund services, as detailed in the report;

- 2.6 Approve the additions and virements to the capital programme detailed in section 8;
- 2.7 Ask the Leader of the Council to continue to work with fellow leaders across the country and the Local Government Association to attempt to broker a consistent sector response to the offer of a 4 year settlement and agree Swindon's response within this context, recognising that it provides helpful certainty but provides an insufficient level of resources to respond to the demands on local authority services;
- 2.8 Subject to 2.7, agree that a 2016 – 2020 Efficiency Statement reflecting the Council's four year financial plan be submitted to the Government before the deadline of 14th October 2016 and to delegate authority to the Corporate Director Resources in consultation with the Cabinet Member for Finance and the Leader of the Council to finalise the draft version set out in Appendix 4 prior to submission;
- 2.9 Authorise the Corporate Director Resources to agree with the BID company the financial contribution from business towards services provided in the BID area and any change to the Council's contribution to the company within an overall smaller financial envelope and for the impact of those discussions to be reflected in the Council's medium-term resourcing plan;
- 2.10 Authorise the Director of Law and Democratic Services to undertake the work necessary to allow the renewal and continuation of the BID Company in accordance with the Business Improvement Districts (England) Regulations 2004.

3. Detail

2016-17 Projected Out-turn

- 3.1 The General Fund projected financial year-end out-turn as at the end of July 2016 on a like-for-like basis with the Budget agreed by Council in February 2016 is an overspend of £5.027m. Cabinet agreed at its meeting on 13th July 2016 that one-off resources of £2.6m could be allocated to offset the in-year pressure on the Council's budget for waste disposal costs. (Cabinet Minute 26(3), 2016/17 refers). The net projected overspend taking this into account is therefore £2.427m.

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- 3.2 At its July meeting, Cabinet requested officers to identify an action plan to respond to this challenge. Work is progressing on this and it is proposed that a full plan will be presented to Cabinet for consideration in October alongside the Draft Budget for 2017-18 as one of the mitigating actions is to implement some of the following year's budget proposals early.
- 3.3 The budget and projected out-turn by Department prior to implementing the action plan is set out in Table 1 below and a more detailed analysis is set out in Appendices 1 and 2.

Table 1 – Projected Revenue Out-turn By Department

Department	Budget 2016-17 £'000	Full-Year Projected Out-turn £'000	Projected Variance £'000	Movement since last report £'000
Chief Executive	7,844	8,171	327	-13
Resources	17,350	16,774	-576	-75
Corporate	-15,142	-16,033	-891	-266
Adult Services	72,318	73,434	1,116	-24
Children Services	27,188	29,053	1,865	14
Service Delivery	25,668	28,854	3,186	297
Total General Fund	135,226	140,253	5,027	-67
Less One-off funding for Waste Disposal		(2,600)		
Net Position	135,226	137,653	2,427	-67

4. Department Summaries and Explanation of Key issues

Chief Executive

- 4.1 The Chief Executive's Department is currently projecting an overspend of £327k. The main reason for this variance is the impact on the timing of savings being delivered through the Council's Going Local and Commercialisation programmes being pushed back to allow for an increased period of public consultation and engagement. These mainly relate to libraries.
- 4.2 Other variances relate to a cost pressure on the cremator servicing contract partly mitigated by vacancy savings.

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Resources and Corporate

- 4.3 The Resources and Corporate budgets are currently projecting an underspend of £1.466m attributable to lower insurance self-funding contributions (£500k), the release of £286k of balance sheet provisions that are no longer required back into revenue and £120k of savings on the revenue costs on the Adult Social Care IT system due to rescheduling of the upgrade.

Adult Services

- 4.4 The service is currently projecting a year-end overspend of £1.1m due to demand pressures, particularly relating to hospital discharge. Commissioners are exploring ways in which the pressures can be managed effectively including increasing capacity to undertake reviews.

Children Services

- 4.5 The service is experiencing pressures which indicates a possible overspend by the end of the year of around £1.9m due to an increase in demand for children's placements and on-going agency support requirements for Children's social care vacancies. Additional pressures in 16/17 are mainly due to increasing numbers of children in care and the continuing challenge of recruiting social workers therefore leading to a need for agency staff to delivery safe front-line services.
- 4.6 Following recent increases in numbers of children looked after and child protection cases, the service is under growing pressure around social worker caseload sizes. As a result further short-term investment is proposed to ensure a reduction in caseloads to an average of 15 in the long-term teams over the coming months which is the recommended practice norm. This will ensure the timely progression of child protection and looked after children work, address the recent and planned-for intake of unaccompanied asylum seeking children and ensure the timely review of cases. In parallel work continues around sustainability, to reduce the demand for these specialist services and maximise the quality of intervention to reduce spend around children looked after placements and the need for specialist assessments and intervention. This includes the opening in September of the new targeted family service. These short-term actions are expected to enable longer-term savings in the overall budget and therefore should not materially impact the current forecasts.

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Service Delivery

- 4.7 The Department is projecting an overspend of £3.185m less the £2.6m reserves contribution to waste processing costs leaving a net pressure of £585k. Within this there are cost pressures arising from legal costs due to planning application challenges, landscape architect costs due to the complexity of schemes, staffing cost pressures and lower than budgeted income levels.

5. Virements

- 5.1 Since setting the 2016-17 Budgets, there have been some virements to reflect changes to the allocation of costs across business units. Members are asked to agree these virements as set out in Appendix 3.

6. Housing Revenue Account (HRA)

- 6.1 HRA Budget Managers are currently forecasting an underspend of £597k as at the end of July 2016.
- 6.2 Since the May report, there has been a significant reduction in the estimated cost of utilities resulting in a projected underspend within the Specialist Services section of £450k. However, it is important to note that the surplus generated by these savings will be used to offset charges to tenants next year.
- 6.3 Savings on staffing due to vacant posts are £198k in the Repairs function and £78k in Supervision and Management. In addition, there are miscellaneous savings across the whole of Housing of £32k.
- 6.4 The savings noted above are partly offset by a share of the additional waste disposal costs that the HRA will incur, estimated at £161k.

7. Dedicated Schools Grant (DSG)

- 7.1 The DSG budget is predicting a net underspend of £282k. This relates to a grant reduction of £717k compared to that originally budgeted, offset by savings of £0.999m. Further details of the main changes are provided in the paragraphs below.
- 7.2 Due to fewer than anticipated early years' pupils, alongside the early years grant reduction of £717k above, there are savings on the cost of the service of £866k, creating a net saving for early years of £149k.
- 7.3 Schools Forum agreed a High Needs contingency budget of £252k. This is expected to cover emerging pressures in high needs top-ups for all settings and

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external placement fees. There are inherent risks with these demand led budgets, however they are currently forecast to be in line with budget

- 7.4 The underspend on early years is offset by pressures relating to additional pupil growth funding for primary places required in North Swindon of £80k, increased business rates cost following a school's expansion £12k and increasing numbers of short term placements supported by the Tuition Service where a charge cannot be made £20k.

8. Capital Programme – 2016/17 monitoring and additions to the current programme

- 8.1 Table 2 below shows the current status of the 2016-17 capital budget and forecast outturn position. At this point in the year, no projected cost variances have been identified. Table 3 shows how the capital programme is being funded.

Table 2 - Budget Forecasts and Variances

Service	Approved Budget 2016-17 Onwards	Forecast Scheme Spend to Completion	Projected Variance
Group	£'000's	£'000's	£'000's
Community Works	1,903	1,903	-
Corporate Projects	37,371	37,371	-
Section 106	10,373	10,373	-
Schools	15,432	15,432	-
Social Care	2,329	2,329	-
Transport	57,734	57,734	-
Total General Fund	125,142	125,142	-
Total HRA	35,129	35,129	-
Service Totals	160,271	160,271	-

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Table 3 - Capital Programme funding

	Current Funding Requirement
Expenditure	£'000
Budget	160,271
Balance to be financed:	160,271
Capital Receipts	4,973
Section 106 Deposits	23,296
Grant Funding	75,754
Revenue Contributions	4,032
HRA balances	33,004
Increase in Borrowing Requirement	19,212
Total	160,271

- 8.2 The detailed capital monitoring for quarter 1 is attached at Appendix 5. Members are asked to approve the following additions and changes to the programme.

Amalgamation of Overlapping Projects

- 8.3 The work of three projects are interwoven and the project managers for the Crowdys Hill School Projects have requested the three schemes be merged into one. This is an operational change and no new funds are being asked for. The projects listed as items 95, 96 & 97 in Appendix 1 will be combined in future reports.

Office Accommodation

- 8.4 Members are requested to approve the allocation of a budget of £350k to carry out improvement works to the Wyvern House accommodation vacated by Capita IT services earlier in the year and to Wat Tyler West 1st floor. The proposed budget includes a sum of £50k to digitise the storage of a large volume of currently paper filing. These works will enable the relocation of staff from Wat Tyler House to create space on the main campus to accommodate staff transferring back into the Council from SEQOL. The reintegration of services is estimated to generate savings of around £1m per annum from the rationalisation of overheads, senior management costs and tighter control of care package costs and this can only be achieved by co-locating the teams with the wider Adults Service. The costs will be funded in the current year within the overall debt charges budget but an additional pressure of around £50k will be incurred from 2017-18 onwards and reflected in future 2017-18 plans.

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Alexandra Park Traffic Scheme

- 8.5 Members are requested to approve a budget of £40k to introduce traffic calming measures at Alexandra Park. This proposal would provide traffic calming between Comet Way and Wanshot Close by way of revised speed limits, gateways and direction signs. The scheme has been agreed in consultation with Ward Members, Wroughton Parish Council and the Alexandra Park Residents Association, the costs being funded from section 106 contributions.

Whitbourne House / Fessey House – Renovations

- 8.6 Members are requested to approve a budget of £36k to enhance and maintain the buildings so that they remain fit for purpose. The Council's general building maintenance programme cannot support all the works required in a timely manner. The following items have been identified as requiring replacement / enhancement; windows, flooring, equipment and furnishings. The costs will be funded from section 106 contributions for Adult Social Care.

New Railway Footbridge at South Marston

- 8.7 Swindon Borough Council proposes to enter into a legal agreement with Network Rail to contribute up to a maximum value of £250,000 towards the cost of upgrading the proposed new bridge across the railway at South Marston. This offer is made on the basis that the Council will underwrite the cost of designing and constructing a higher specification bridge that will accommodate the future requirements of the New Eastern Villages development. These costs will initially be funded through Council borrowing but ultimately recovered through S106 contributions from New Eastern Villages developers.

HRA Capital Budget Realignment

- 8.8 Following a review of the 2015-16 outturn position, the priorities from the recent independent stock condition survey and existing contract obligations, the capital budget programme has been reviewed for 2016-17. The following table shows the proposed realignment of the capital budgets to reflect anticipated capital priorities during the remainder of the year and particularly the increased expenditure required to deliver the External Wall Insulation programme. Cabinet Members are therefore asked to approve a virement to action the required budget amendment.

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Proposed HRA Capital Budget Virement

	Approved 2016/17 Budget plus carry forward from earlier years (£000)	Realigned Budget 2016/17 (£000)	Net change (Virement) (£000)
Aids & Adaptations	989	1,300	311
Bathrooms	944	1,542	599
Central Heating	1,905	1,780	(125)
Contingent Major Repairs	970	51	(919)
Electrics	2,035	1,076	(959)
Environmental & Communal Areas	481	480	(1)
Exceptional Extensive	7,298	9,957	2,660
External / Entrance Doors	1,886	484	(1,402)
External Walls	471	100	(371)
Improvements	426	426	0
Kitchens	2,581	2,851	270
Planned Maintenance	1,210	2,028	818
Related Assets	265	100	(165)
Roofs	3,117	2,426	(691)
Windows	225	798	573
St Ives - to be considered as part of HRA re-development schemes	599	0	(599)
Baileys Farm	60	60	0
Scooter Stores	314	314	0
Total Approved Budget	25,774	25,774	(0)

9. Efficiency Statement 2016 – 2020

- 9.1 As part of the 2016-17 Local Government Finance Settlement, councils were offered the opportunity to sign up to a four-year settlement. The Secretary of State announced that this would be available to all authorities that share with him their individual plans to drive local savings as part of a Council-wide efficiency agenda.
- 9.2 It remains unclear what the implications are for councils either accepting or rejecting the offer. In addition, despite receiving greater clarity on major grant

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funding levels, there remains significant uncertainty around future specific grant funding.

- 9.3 Some local government commentators and senior figures in the local government community, while acknowledging the relative certainty offered by a 4 year settlement in forward planning, have questioned whether it is in the best interest of local government to sign up to a financial position that is most likely insufficient to meet demands for services in the years ahead. The Leader of the Council is in contact with Leaders of other authorities who are debating this issue and the possible role of the Local Government Association in lobbying on behalf of the sector as a whole. It is felt that Swindon's position will be best served by working in collaboration with others on this issue and the Leader of the Council will continue to participate in such debate over the coming weeks.
- 9.4 Should the Leader decide in light of the conclusions of these debates that it is in the Council's best interest to accept the 4 year settlement, only a high-level four-year plan needs to be shared with the Secretary of State by 14th October 2016. It is proposed that officers submit a statement similar to that set out in Appendix 4 before the deadline with the final numbers being agreed with the Cabinet Member for Finance and introductory text being agreed by the Leader. This recognises that work is still progressing on the 2017-18 Draft Budget and medium-term plan and these will not be formally agreed by Cabinet until after the submission date. The plan follows the themes agreed as part of the Medium Term Financial Strategy included as part of the February Budget report and the numbers will be updated to reflect progress and trends during the first half of 2016-17. The three themes are:-
- Theme 1: Growing Swindon's Economy and Identifying New Forms of Funding
 - Theme 2: Going Local
 - Theme 3: Building Resilience

10. Swindon Borough Council Housing Development

- 10.1 As part of Theme 1 to grow the economy and generate new income streams, officers from a range of Council departments including Property Assets, Planning, Housing and Design and Architecture, have undertaken a detailed review of the Council's extensive land holdings to identify land parcels that could be suitable for small-scale housing development of up to around 30 units.
- 10.2 Traditionally, an approach to bring these forward would be to design an outline scheme and take this to market in order to secure a capital receipt. Learning

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from the Wichelstowe project has highlighted that there is scope to realise greater value and, importantly, revenue income from direct involvement in housing development.

- 10.3 Across a site as large as Wichelstowe it makes sense to participate in a joint venture arrangement with a large housing developer who possesses the skills and capacity to manage high volumes of units. Through this approach, the Council takes a share of the risk and consequently the returns. For smaller sites, the Council is able to take a greater level of control, using the in-house skills of the Design and Architecture team and the local supply chain relationships they have developed over many years with respected construction firms, and thereby maximise the return.
- 10.4 The potential to deliver almost 1,000 new properties over the next 5 years has been identified, including a mixture of sale to market (around 500), social housing (around 400) and assisted living units (around 75). Experience from having already built 3 care bungalows is that these offer the potential to save around £80k each in costs of providing alternative care.
- 10.5 Given the Council's financial position, a first priority has been to identify and draw up plans for 7 sites that can be delivered and sold to market during 2017. For a capital investment of up to £15m (funded from a combination of cash balances and Prudential Borrowing), financial appraisals show a likely return (both profit and land receipt) of £5m - £7.5m, subject to normal construction and sales risks. Given the amount of land held by the Council across the Borough, it is believed that "recycling" the capital investment would enable returns of this order to be realised for several years with the first financial benefits being during 2017-18. Should this strategy prove successful, it would be possible to continue to realise profits if the Council was willing to purchase land outside the Borough, although this approach is not recommended at this time.
- 10.6 It is believed that delivery of housing by the Council would help support around 600 local jobs in a period of uncertainty for the construction sector as well as attracting additional New Homes Bonus and Council Tax. It would also help demonstrate that Swindon is able to deliver the level of houses set out in the Local Plan.
- 10.7 It is likely that one or more special purpose vehicles would be created, potentially in partnership with local construction firms, as the optimum vehicles to market and dispose of properties for sale. Should Cabinet approve this outline proposal, more detailed consideration will be given to this element and will be reported back to members in due course.

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11. InSwindon Business Improvement District (BID) Ballot

- 11.1 The Swindon Business Improvement District (BID) is coming to the end of the second five year period of operation. It is proposed that the Swindon BID continues for a further five year period covering the 1st April 2017 to 31st March 2022 and retains its current geographical area of business operation. InSwindon as the BID body is legally required by the Business Improvement Districts (England) Regulations 2004 to re-ballot investors within the designated area and the ballot holder will be Swindon Borough Council.
- 11.2 As part of the renewal process, the Council needs to confirm any financial support it will make to the BID company and to agree with it any links to Council services included within the renewal documentation. This is particularly important this year due to the strategy agreed by Cabinet in July 2016 to no longer provide some grounds and street cleaning services that will impact on the BID area. Officers are in discussion with InSwindon over the implications of this decision on the BID company and any resulting impact on the renewal and this will include agreeing any change to the Council's £60k annual contribution.
- 11.3 Cabinet is asked to authorise the Corporate Director Resources to agree with the BID company the financial contribution from business towards services provided in the BID area and any change to the Council's contribution to the company within an overall smaller financial envelope and for the impact of those discussions to be reflected in the Council's medium-term resourcing plan.
- 11.4 Cabinet is also asked to authorise the Director of Law and Democratic Services to undertake the work necessary to allow the renewal and continuation of the BID Company in accordance with the Business Improvement Districts (England) Regulations 2004.

12. Alternative Options

- 12.1 Cabinet could choose not to approve the virements as set out in Appendix 3 or the proposed additions to the capital programme.

13. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

- 13.1 Where there are specific financial implications these have been reflected in the body of the report.

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Legal and Human Rights Implications

- 13.2 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)

- 13.3 There are no such direct implications.

Diversity Impact Assessment

- 13.4 A Diversity Impact Assessment (DIA) has not been done as this report does not make any new recommendations that would have a detrimental impact on services.

Risk Management

- 13.5 None other than those highlighted in the body of the report. Individual schemes will have individual Risk Assessments and DIAs.

14. Consultees

- 14.1 The Corporate Director, Resources (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

15. Background Papers

- 15.1 None

16. Appendices

- 16.1 Appendix 1 – Forecast Out-turn by Directorate 2016-17
16.2 Appendix 2 – Forecast Out-turn by Service 2016-17
16.3 Appendix 3 – Proposed Budget Virements 2016-17
16.4 Appendix 4 – Efficiency Statement 2016 – 2020
16.5 Appendix 5 – Detailed Capital Budget Monitoring 2016-17 Schemes

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

- 17.1 This is not a key decision and is included in the Cabinet Work Programme / Forward Plan for September 2016.