

Budget Management Update

Cabinet

Date: 18th October 2017

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Corporate Director of Resources and Growth

Wards: All

Parishes Affected: All

1. Purpose and Reasons

- 1.1 This report updates the position in relation to the 2017/18 forecast outturn and sets out the approach for addressing the financial challenge in the period to March 2020.

2. Recommendations

Cabinet is recommended:

- 2.1 To note the in-year forecast outturn position for 2017/18 and that responding management actions are in place to manage the projected year-end overspend;
- 2.2 To note the update on delivering the renewables target and reducing energy costs;
- 2.3 To authorise the Cabinet Member for Finance and Commercialisation to respond to the invitation for the 100% business rates pilot scheme for 2018/19; and
- 2.4 To agree:-
- 2.4.1 The virements set out in Appendix 2;
- 2.4.2 The approach set out in the Swindon Programme to manage the financial challenge facing the Council whilst targeting resources to delivering essential services to the most vulnerable.

3. Detail

Projected Outturn 2017/18

- 3.1 The forecast as at 31st August 2017 is that there would be an overspend of £1.5m against the revenue budget for 2017/18. However there are still significant risks to this forecast, particularly within social care where the Council is managing the delivery of savings at a time of increasing demand. This is an issue common to many local authorities nationally and provides an increasingly challenging context for the managing the budget.
- 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.

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- 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.

Table 1 – Projected Outturn 2017/18

Department	Budget 2017/18 £'000	Full-Year Projected Outturn £'000	Projected Variance £'000	Movement since last report £'000
Adult Services	82,251	82,212	(39)	(49)
Children Services	29,185	31,705	2,520	764
Communities and Housing	28,136	29,355	1,219	413
Economy	(3,207)	(3,254)	(47)	(5)
Resources	23,142	23,142	0	0
Corporate	(23,043)	(25,235)	(2,192)	(2,112)
Total General Fund	136,464	137,924	1,460	(990)

- 3.4 The projected outturn forecast has improved by £990k since the report to Cabinet in September. The main changes being:

- 3.4.1 An underspend of £1m on capital financing budget, reflecting the ability of the Council to maintain the strategy of financing capital expenditure from use of internal resources and, where borrowing has been necessary, to benefit from low long-term interest costs;
- 3.4.2 A release of £800k from the pay contingency being held against any costs arising from the pay strategy review;
- 3.4.3 Continued pressures on looked after children placements, associated legal costs and costs of agency staff contributed to the increase in the forecast of Children Services expenditure of £764k. The national pressures in this area were highlighted in the Local Government Association's Budget Submission showing that:
- Councils' spend on children's services exceeded budgets by £605m
 - There was a 140% increase in child protection enquiries over a decade
 - An expectation that, on current trends, the funding gap would be £2bn by 2020; and
- 3.4.4 Pressures across the Communities and Housing Directorate, the most significant being the shortfall of income of £122k against that anticipated from Public Space Protection Orders.

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- 3.5 The management actions, set out in the September 2017 Cabinet report, 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 (Cabinet Minute 30, 2017/18 refers).

Financial Outlook for 2018/19 and Beyond

- 3.6 The medium term resource plan presented to Council in February 2017 set out a projected funding gap of just over £30m for the period to March 2020 (Council Minute 87, 2016/17 refers). These figures were based on the multi-year settlement established during the last Parliament.
- 3.7 On 14th September 2017 the Government issued a consultation paper covering a number of issues, including the multi-year settlement, new homes bonus, council tax referendum principles and the adult social care precept. The paper does not indicate any significant changes to the planned funding of local authorities over the next two financial years.
- 3.8 The outcome of this consultation is not expected to be confirmed until the Provisional Local Government Finance Settlement. The date for this has not yet been announced but will be after the Autumn Budget which is scheduled for 22nd November 2017.
- 3.9 The Local Government Finance Bill, drafted during the last Parliament, did not make it in to the Queen's Speech for the current legislative year, 2017-18. This raised uncertainty about the arrangements for the introduction of 100% business rates retention, originally anticipated to be in place for 2019/20. On 1st September 2017 the Government issued an invitation for local authorities, particularly those in business rate pools, to apply to be in a second wave of pilots, for the 2018/19 financial year only.
- 3.10 On 14th September 2017, further clarification was provided that applications would be welcomed from single authorities. The deadline for submitting an application is 26th October 2017. At the point of drafting this report the potential benefits for Swindon are being evaluated. It is proposed that the Cabinet Member for Finance and Commercialisation agrees the Council's response to the invitation.

The Swindon Programme

- 3.11 The Swindon Programme sets out the Administration's approach to meeting the financial challenge facing the Council. This would be achieved by transforming the way Council works and making its services, systems and processes more efficient for both customers and staff. This would allow the Council to provide the residents of Swindon with the information and support they need in a way that is convenient to them and cost effective for the local authority.

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3.12 There are four strands to the Swindon Programme:

- Organisational Excellence
- Commissioning and Procurement
- Managing Demand
- Commercialisation

Organisational Excellence

3.13 This theme is about becoming the most effective organisation that we can be. From our back office processes, to how we engage with residents, we will look at every area of work and identify how to do it better, quicker and cheaper than we do it at the moment. We will look at how our corporate systems support us to do our jobs currently, changing those that do not and investing in those that do. We will also look at how our council buildings are currently being used to get the most out of them and pass on any that we no longer need.

3.14 Finally, and most importantly we will look at all the many ways we engage with our customers. We will focus on helping residents to access the information they need from places that are convenient to them, whether that be the comfort of their own home or the local library. We will make sure that we serve them right first time, doing it digitally wherever possible to make it quicker and more convenient for our customers and cheaper for the Council.

Demand Management

3.15 This theme is about supporting our residents to be as independent and resilient for as long as possible. To be able to support themselves in their own homes to live long, healthy and happy lives. We will look at how we provide services which promote independence, and when residents do need our support, that our services help them get back on their feet as quickly and successfully as possible. We will take a hard look at ourselves and whether the services we offer encourage residents to become dependent on the council, and we will work with partners such as the NHS and the Police to identify how residents end up requiring our services at all. Doing this will allow to direct our preventative work at real source of the issues that affect our service users. Finally we will take pride in how efficiently we can deliver those services, and through being more efficient we will protect the budgets that are required to delivery vital and much needed services to our citizens.

Commissioning and Procurement

3.16 This theme is all about making sure we have the right services available in the right form, delivered or bought using the right processes. We spend a significant amount of money with service suppliers and it's important that we manage those

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suppliers in a strong but supportive way. We need to continue improve how we make the most of the contracts we have using every lever to get the best value for our residents. We need to look at how we buy goods and services, and identify whether there are better ways to do it by thinking across services and departments instead of within our own siloes. We need to test every service for whether it makes sense to deliver it ourselves or buy it from someone else, and we need to be creative when it comes to the types of organisations we use to deliver services, be it through our arm's length companies, or the community and voluntary sectors.

Commercialisation

- 3.17 This theme is all about making sure we have the right services available in the right form, delivered or bought using the right processes. We spend a significant amount of money with service suppliers and it's important that we manage those suppliers in a strong but supportive way. We need to make the most of the contracts we have using every lever to get the best value for our residents. We need to look at how we buy goods and services, and identify whether there are better ways to do it by thinking across services and departments instead of within our own siloes. We need to test every service for whether it makes sense to deliver it ourselves or buy it from someone else, and we need to be creative when it comes to the types of organisations we use to deliver services, be it through our arm's length companies, or the community and voluntary sectors.

Energy Update

- 3.18 Since Cabinet approved the initial Minute on seeking to reach the 2020 renewables target (Cabinet Minute 60(9), 2016/17 refers), Council has approved the creation of a Commercial Investment Strategy Board (Council Minute 73, 2016/17 refers) and the allocation of capital funding, which provides the ability to invest in solar farm projects both here and elsewhere in the UK. Individual cases will be presented to the Board and considered on their merits. As part of each submission close attention will be paid to the business cases, including the environmental and financial impacts.
- 3.19 To address reducing the Council's electricity costs, Cabinet is invited to note the wide set of changes to the way it operates being undertaken as part of the Swindon Programme. One element of this is a review of the buildings we own, how we use them, and whether they are still fit for purpose. One of the workstreams will investigate how we can continue to reduce all the Council's costs that do not relate to front line services, for example ensuring that energy efficient is a key procurement criteria when replacing obsolete equipment.
- 3.20 In addition to this, the Cabinet Member for Communities and Place will be working with officers and the Communities and Place Overview and Scrutiny Committee concerning the continued roll-out of new LED streetlights and options to replace older lighting (Streetsmart, Highways and Communities Overview and

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Scrutiny Committee Minute 27, 2016/17 refers); this will set of actions will in itself reduce electricity consumption by a significant amount.

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.

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

- 5.1 The projected overspend in the current financial year is currently £1.5m. 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 meet an anticipated funding gap of £30m over the period to March 2020.

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) will be produced for each of the future savings proposals that could affect protected groups. Where assessments undertaken identify adverse impacts then mitigations are being developed as part of the proposals.

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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 Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

7. Background Papers

- 7.1 None

8. Appendices

- 8.1 Appendix 1: Forecast Outturn by Directorate 2017/18

- 8.2 Appendix 2: Virements 2017/18

9. Key Decision/Decision in Cabinet Work Programme

- 9.1 This is a Key Decision and is included in the Cabinet Work Programme for October 2017.