

2017-18 Budget Update and Budget Strategy 2018-2020

Cabinet

Date: 6th December 2017

Author: Cabinet Member for Finance and Commercialisation
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 the work underway to address the financial challenge in the period to March 2020 through a two-year budget strategy.
- 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 2017/18 and that responding management actions are being developed to eliminate the projected year-end overspend;
- 2.2 To note:-
 - 2.2.1 That the budget strategy will be focussed on the delivery of a two year plan covering both 2018/19 and 2019/20;
 - 2.2.2 That the Local Government Finance Settlement for 2018/19 has yet to be published and therefore the funding assumptions in this report contain levels of uncertainty;
 - 2.2.3 The tax base for 2018/19 will be 72,898.6;
 - 2.2.4 The potential funding pressures of meeting the demand for increased school places in future years.
- 2.3 To agree:-
 - 2.3.1 The virements set out in Appendix 2;
 - 2.3.2 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

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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proposals are recommended as part of the commercialisation workstream of the Swindon Programme;

- 2.3.3 That the Local Council Tax Support (reduction) scheme in 2018/19 be unchanged from that for 2017/18, apart from the annual increases in allowances, applicable amounts and non-dependant deductions, which will be increased in line with the national scheme;
- 2.3.4 That the basis for allocating Council Tax Support Grant to Parish Councils remains unchanged from that for 2017/18;
- 2.3.5 That the Council's share of the estimated surplus on the council tax element of the Collection Fund as at 31 March 2018 is £626k.

3. Detail

Projected Outturn 2017/18

- 3.1 The forecast as at 31st October 2017 is that there would be an overspend of £2.2m against the revenue budget for 2017/18 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.

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	82,026	82,118	92	131
Children Services	29,156	32,533	3,377	857
Communities and Housing	28,361	29,540	1,179	(40)
Economy	(3,174)	(3,133)	41	88
Resources	23,077	22,940	(137)	(136)
Corporate	(22,982)	(25,322)	(2,340)	(148)
Total General Fund	136,464	138,676	2,212	752

- 3.4 The projected outturn forecast has worsened by £752k since the report to Cabinet in October.

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- 3.5 The main change relates to continued demand pressures on looked after children placements, associated legal costs and costs of agency staff contributing to the increase in the forecast of Children Services expenditure of £893k. Specifically these pressures relate to:-
- 3.5.1 14 new Independent Fostering Agency placements, 7 placements have ended and 4 moved to alternative placements, resulting in a pressure of £172k.
 - 3.5.2 2 new Residential placements and an increase in cost for some existing residential placements which have resulted in a £213k pressure.
 - 3.5.3 Following a placement breakdown one young person with significant and complex needs has moved to a Supported Living placement which has resulted in an increase in predicted costs of £152k.
 - 3.5.4 Other minor placement changes have resulted in a further £58k saving.
 - 3.5.5 There has also been an increase in social care staffing costs, as additional posts have been agreed to support the increase in demand (14%) and to reduce social worker caseloads. This reduction in caseload will then allow for robust social work practice delivered to lower level need children (children in need), that will prevent them from escalating to a higher level of need and potentially more costly placements. This has resulted in a staffing pressure of £342k over the past 2 months.
 - 3.5.6 An increase in Counsel costs within the Legal budgets which has increased the pressure by £81k.
- 3.6 Other changes are:-
- 3.6.1 Cost pressure of £138k for costs associated with the loss of a Trading Standards court case;
 - 3.6.2 Underspends arising from vacant posts, efficiency savings and additional income.
- 3.7 The management actions, set out in the October 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).
- Budget Strategy 2018-2020, including Draft Budget 2018/19
- 3.8 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.
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- 3.9 The Chancellor of the Exchequer presented his Autumn Budget Statement on 22 November. This included the following announcements on business rates:
- 3.9.1 Switching the indexation of business rates paid from the retail prices index (RPI) to the consumer prices index (CPI) from April 2018
 - 3.9.2 Continuing the business rate discount for smaller public houses for 2018/19
 - 3.9.3 Increasing the frequency of revaluations to every three years, following the next revaluation (due in 2022)
 - 3.9.4 That local authorities should be reimbursed for the impact of these changes, making them cost neutral.
- 3.10 The Chancellor also announced that, from April 2018, local authorities will be given the power to increase the council tax empty homes premium from 50% to 100%.
- 3.11 Further information regarding funding arrangements for councils will be announced in the provisional local government finance settlement, anticipated in mid-December 2017. Specific areas impacting on this Council include:
- 3.11.1 Confirmation of the multi-year settlement figures for revenue support grant;
 - 3.11.2 Arrangements for business rates retention;
 - 3.11.3 New Homes Bonus funding allocations;
 - 3.11.4 Better Care Funding allocations;
 - 3.11.5 Flexible Homelessness Support Grant.
- 3.12 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.

Tax Base

- 3.13 The Council has to notify precepting bodies by 31 January 2018 of the assumed level of tax base for 2017/18. 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.
- 3.14 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 between 2017/18 and 2018/19 is estimated to be 891 properties and a further
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increase has been calculated due to a reduction in the number of households accessing council tax support and other allowances. In overall terms, the tax base has increased by 1,347.2 from 71,551.4 in 2017/18 to 72,898.6 in 2018/19. The increase in tax base between the two financial years leads to an increased level of Council Tax income of £1.7m.

- 3.15 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 £738k at 31 March 2018. The Council's share of this amount is £626k and this will be used to reduce the net budget for 2018/19.

Council Tax

- 3.16 In line with expected average increases nationwide, the current planning assumption is that basic council tax will increase by 1.99% in each of the next two years and that the adult social care precept (a further 3%) will be raised in the period to 2019/20. Full Council will be asked to make a final decision on Council Tax level for 2018/19 in February 2018.
- 3.17 Appendix 3 sets out the current Band D council tax level for Swindon Borough Council, alongside the other unitary shire authorities.

Budget Pressures

- 3.18 The main budget pressures facing the Council over the next two years are:
- 3.18.1 Reductions in grant funding;
 - 3.18.2 Demand – increases in the number looked after children and adults in need of social care; and
 - 3.18.3 Pay and price inflation.
- 3.19 Table 2 below summarises the funding and service pressures facing the council in the period to March 2020.

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Table 2 – Funding and Service Pressures

	Period to March 2020 £m
Reduction in Grant Funding	11.4
Adult Services Demand Pressures	6.0
Children Services Demand Pressures	4.8
Pay and Prices Inflation	9.8
Other Cost Pressures	7.8
Reduction in Contingency Budget	(2.0)
Remove Use of Reserves	2.8
Council Tax and Business Rate Income	(9.9)
Total	30.7

Swindon Programme Update

- 3.20 At its October meeting, Cabinet agreed the Swindon Programme as the approach to manage the financial challenge facing the Council, whilst targeting resources to delivering essential services to the most vulnerable (Cabinet Minute 48 (4) (b), 2017/18 refers).
- 3.21 The programme has now been mobilised and, building on engagement meetings with staff from across the Council, commenced the development of specific proposals to address the challenges over the period to March 2020.
- 3.22 The table below highlights the progress to date with the Swindon Programme broken down into its four workstreams.

Workstream	Key Elements	Draft Savings Target to 2020
Commercialisation	This workstream relates to making best use of the Council's assets for income generation. The identified projects include Wichelstowe parcels 2 and 3; disposal of land with planning permission; expansion of any truly profitable traded services; marketing and advertising; energy production and storage; review of fees and charges (see	£5.7m

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	below for further detail).	
Commissioning and Procurement	Broken down into the four key areas of ownership of the challenge; contract management for better value; market disruption and agitation; strategic commissioning for better value. This workstream is challenging the organisations circa 250 commissioners and contract managers, to deliver better value for money. The savings are different from the other three streams which move forward by delivering service redesign and organisational change projects. This workstream is focusing on skills, structure, commissioning best practice, peer challenges and cross council benefit over service benefit.	£5.5m
Demand Management	This workstream focuses on the three challenges of reducing the amount of demand coming in to the council; addressing the length of intervention and effectiveness; and driving down the unit cost of work in dealing with the demand. 33 projects have been identified which are in various stages of planning through to implementation. The major focus of Demand Management is on care provision for adults with learning disabilities, children and older people. Some projects will be focused on waste and recycling.	£10.0m
Organisational Excellence	This workstream is broken into 4 themes of digital services, intelligent infrastructure and estates, workforce development and sharing data. Within each component now exist a prioritised collection of projects which are targeting approximately £5m across the workstream. Further work is planned which builds on ideas to close in on the overall £13.8m target but early momentum on the first tranche of projects is the priority with the savings from the first project planned for March 2018.	£13.8m

3.23 In line with the current approach the draft budget assumptions for 2018/19 and 2019/20 are based on budgets for fees and charges, where the charges are set

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by the Council, increasing by 5% as a standard level of uplift. The commercialisation workstream is currently undertaking a review of the council's charging policy and will make proposals for differential increases for consideration by future Cabinet meetings.

Local Council Tax Support Scheme

- 3.24 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.
- 3.25 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 2018/19.
- 3.26 Members are therefore asked to agree that the Local Council Tax Support scheme in 2018/19 be unchanged from that for 2017/18, apart from the annual increases in allowances, applicable amounts and non-dependant deductions, which will be increased in line with the national scheme.
- 3.27 Since April 2014 the Council has allocated Council Tax Support funding to the Parish Councils, with the original distribution method being based on levels of council tax support in each area. The total sum available has reduced, in line with funding reductions to local government, each year. As part of the Community Governance Review additional funding was allocated to the new Parish Councils, based on their respective council tax bases. During the summer Parish Councils were consulted on the distribution method to see if there was support to change the existing approach and switch to a single basis across all the parishes (either council tax support or council tax base).
- 3.28 The responses received indicated that there was no overall support to change the method used, with more responses in favour of "no change" than either of the alternatives. On that basis, it is recommended that the sums available for distribution, which will continue to reduce each year, will be distributed in the same proportions as the current financial for the period up to March 2020.

Future Demand for School Places

- 3.29 There is a changing landscape regarding schools capital funding and the Council could hold a significant financial risk as a result of providing for the Borough's new population.
- 3.30 Whilst approximately £84m worth of provision has been secured in recent years through the Free School programme, there is a significant amount of new provision needed to meet strategic housing growth (estimated to be £120m). In future, without a successful free school application, the funding required for the new schools required to meet the growth in Swindon is highly likely to create a

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shortfall between the Department for Education (DfE) basic needs grant, potential contributions from new housing developers and the capital build cost of the school project.

- 3.31 Where the Council has to meet the cost of new school provision and third party funding is not available, the Council would need to undertake borrowing to fund the capital cost of the school.
- 3.32 The long-term impact of funding £120m borrowing would be to add £9.6m of ongoing costs to the Council's revenue budget.

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 £2.2m. 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.

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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.

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
8.3 Appendix 3: Council Tax Levels

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 2017.