

Budget 2018/19 and Beyond

Cabinet

Date: 7th February 2018

Author: Cabinet Member for Finance and Commercialisation
Corporate Director for Resources and Growth

Wards: All

Parishes Affected: All

1. Purpose and Reasons

- 1.1 This report proposes a budget for 2018/19, sets out an indicative budget for 2019/20, and provides the financial context for 2020/21 onwards.
- 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 2017/18;
- 2.3 That the Council does not foresee any need to replenish general reserves as part of the 2018/19 budget setting process;
- 2.4 The consultation feedback, summarised in Appendix 3, in relation to the budget proposals;
- 2.5 That the detailed Dedicated Schools budget for 2018/19 has been set within the provisional funding envelope of £176.765m;
- 2.6 That, in line with the requirements of the Local Government Act 2003, the Director of Finance (Section 151 Officer) 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 (£6m) is adequate in the context of the earmarked reserves held, specific contingencies and the proposed budget risk contingency of £2.1m.

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Cabinet is requested to:

- 2.7 Recommend to Council, subject to any changes resulting from the Government's announcement of the final local government finance settlement for 2018/19 that:-
 - 2.7.1 The 2018/19 Budget be set at £140.224m;
 - 2.7.2 The Council Tax be increased by 4.99%, comprising 2.99% for the basic amount of council tax and a specific adult social care precept of 2%, and;
 - 2.7.3 It be determined that the proposed increase in the basic amount of Council Tax for 2018/19 is not excessive in accordance with Schedule 5 of the Localism Act 2011 and therefore does not trigger the requirement for a referendum.
- 2.8 Agree the 2017/18 virements, set out in Appendix 2;
- 2.9 Approve the council tax exemption scheme for Swindon care leavers under the age of 21 as set out in paragraph 3.12.
- 2.10 Authorise the Director of Finance, in consultation with the Cabinet Member for Finance and Commercialisation, to extend any Exemption or Council Tax Discount for Swindon Care Leavers between the age of 21 and 25, where good reason or hardship is shown.
- 2.11 Approve the continuation of the scheme for disregarding refugees with permission to remain but no income from the Council Tax calculation of households.
- 2.12 Approve the local business rate relief schemes as set out in paragraphs 3.14 to 3.16.
- 2.13 Endorse the medium term financial strategy, set out in Appendix 6;
- 2.14 Agree the specific reserves held in support of the 2018/19 Revenue Budget set out in Appendix 5, and the approach to funding transitional commitments as set out in paragraphs 3.25 to 3.27;
- 2.15 Authorise the Director of Finance to balance any changes between the provisional local government finance settlement and the final numbers expected to be released in mid-February by adjusting the budget risk contingency;
- 2.16 Authorise the Corporate Director Resources and Growth to appoint PPS, under the Teckal exemption in Regulation 12 Public Contract Regulations 2015, to carry out the relevant technical work, including planning applications, and grid connection applications, and to advise on transaction structure, marketing and consideration of bids for the proposed Mannington battery storage project on the basis set out in paragraphs 3.35 to 3.42 and other such future schemes to be

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offered to the market for renewable energy strategy delivery, solar development, storage, heat and transport on Council owned land.

3. Detail

Forecast Out-turn 2017/18

- 3.1 The starting position for the 2018/19 budget is the current year's budget for 2017/18. Table 1 below and Appendix 1 set out the forecast position to 31st March 2018, which shows that the forecast overspend is £0.5m.
- 3.2 The significant changes since the last report to Cabinet are:
 - 3.2.1 The announcement of an increased funding allocation from central government for the Flexible Homelessness Support Grant, which has removed the cost pressure reported throughout the financial year
 - 3.2.2 An increase in the underspend on the capital financing budget of £450k, reflecting the anticipated treasury management activity for the remainder of the financial year and the impact of the increase in the Bank of England base rate
 - 3.2.3 The release of £300k from the pay strategy contingency as this will not be required in the current financial year
 - 3.2.4 Further demand pressures on children's social care including an increase in spend on external placements of £168k and an increase in children being supported by the locality teams (£90k). There has also been an increase in staff costs of £304k to address the increased demand and caseload levels within the team and to increase the number of in-house foster placements.
- 3.3 In addition to the points above budget managers across the council have sought to offset emerging cost pressures, over the course of the financial year. This work continues and, on that basis, it is anticipated that there will no recourse to drawing on general reserves in 2017/18.

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Table 1 – Forecast Out-turn 2017/18

Department	Budget 2017/18 £m	Full-Year Projected Outturn £m	Projected Variance £m	Movement since last report £m
Adult Services	82.2	82.1	(0.1)	(0.2)
Children Services	29.2	33.1	3.9	0.6
Communities and Housing	28.2	28.6	0.4	(0.8)
Economy	(3.2)	(3.2)	0.0	(0.1)
Resources	23.0	22.5	(0.5)	(0.4)
Corporate	(22.9)	(26.1)	(3.2)	(0.9)
Total General Fund	136.5	137.0	0.5	(1.7)

- 3.4 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 2018/19 Provisional Finance Settlement

- 3.5 The Government published the provisional 2018/19 local government finance settlement on 19th December 2017.
- 3.6 The key issues for the Council's revenue budget over the next two years arising from the provisional settlement are:
- 3.6.1 The Government has created more flexibility by increasing the referendum limit for core Council Tax by an additional 1 per cent in 2018/19 and 2019/20 (from 2 per cent to 3 per cent);
 - 3.6.2 The ability to use capital receipts to fund transformation is to be extended for a further 3 years to March 2022;
 - 3.6.3 The previously announced ability to increase planning fees by 20% is to go ahead;
 - 3.6.4 There will be no limits on parish council tax increases over the next three financial years;
 - 3.6.5 No further changes were made to the New Homes Bonus scheme; and
 - 3.6.6 The revenue support grant figures in the provisional settlement are in line with expectations.
- 3.7 Table 2 below summarises the provisional settlement for Swindon and compares it to the draft budget assumptions.

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Table 2 – Comparison of Provisional Settlement with Draft Budget Assumptions

	2018/19	2019/20
Actual	£m	£m
Revenue Support Grant	8.949	4.268
New Homes Bonus	3.852	3.654
Improved Better Care Fund	3.779	4.468
Total	16.580	12.390
Draft Budget		
Revenue Support Grant	8.949	4.268
New Homes Bonus	3.672	3.672
Improved Better Care Fund	3.779	4.468
Total	16.400	12.408
Increase/(Decrease) in Funding	0.180	(0.018)

Council Tax

- 3.8 In line with Government expectations it is proposed that the Council increases the basic amount of Council Tax for 2018/19 by 2.99%, of which 1% is for adult social care, and raises an additional specific adult social care precept of 2%.
- 3.9 If agreed, the total 4.99% increase will be broken down on the face of the Council Tax bill, in line with national guidance, to explain that 2% of the increase is specifically to respond to the rising demand for adult social care.
- 3.10 A 4.99% increase would increase the average Band D Council Tax bill by £62.44 per annum, excluding precepts from other bodies.
- 3.11 For the purposes of producing the indicative budget figures for 2019/20, it has been assumed that the overall Council Tax increase will be 3.99%. This is comprised of a basic Council Tax increase of 2.99% and an adult social care precept of 1%.
- 3.12 At its meeting on 18th October 2017, Cabinet agreed to consult on granting council tax exemptions or discounts for care leavers (Cabinet Minute 46, 2017/18 refers). The outcome of the consultation exercise, which was supportive of the proposal, is set out in Appendix 3. It is recommended that the exemptions and discounts are granted as proposed in the October 2017 report, and that those aged between 21 and 25 will need to show that hardship would result if they had to pay the amounts billed.

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- 3.13 A Cabinet Members Decision Note agreed in September 2017 allowed householders who agreed to 'host' refugees given permission by the relevant government agency to remain in the UK to retain a single person discount on council tax, until the refugee is receiving an income or for a period of three months. This has been granted for one householder and it is now recommended that this discount be allowed for other householders for a maximum of three months, if the need arises in the future.

Business Rates

- 3.14 In the March 2017 budget the Chancellor announced three schemes to help businesses facing large increases in business rates following the national revaluation of rates. These were that:
- 3.14.1 Any business that received small business or rural rates relief in March 2017, should have a maximum of a £600 a year increase for the next few years;
 - 3.14.2 Public Houses should be given a £1,000 rates reduction in 2017/18; and
 - 3.14.3 Local Authorities would be given funds to introduce schemes to limit the increases of medium sized private sector businesses.
- 3.15 A Cabinet Member Decision Note agreed in July 2017 set out the scheme for Swindon businesses. For those with rateable values of less than £200,000 the maximum increase would be 12.5% and for future years the increase would be a maximum of 20%, until the rates payable reached the assessed level under the national revaluation.
- 3.16 In the November 2017 budget the Chancellor announced that funding for all three schemes would continue in 2018/19, extending the £1,000 reduction for Public Houses for a further year. It is therefore recommended that the three schemes continue as agreed in July 2017.

Feedback from Scrutiny Committee

- 3.17 On 8th January 2017, the Scrutiny Committee considered a report on the 2018/19 budget setting process. The Committee debated a range of points and resolved that:
- 3.17.1 That the Budget Position Update report be noted.
 - 3.17.2 That the Cabinet Member for Finance and Commercialisation provide additional detailed information to members on the budget proposals for 2018-2020

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Consultation Feedback

- 3.18 The Council published its budget strategy on its website and sought feedback on the approach being taken. 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 30th January 2018.
- 3.19 The feedback from this will be circulated as Appendix 3 for the meeting.

The Proposed Budget 2018/19 and Indicative Budget for 2019/20

- 3.20 Table 3 summarises the changes to the current financial year in arriving at the proposed budget for 2018/19 and indicative budget for 2019/20. The detailed proposals are set out in Appendix 4.

Table 3 – Summary of Budget Changes

	2018/19 £m	2019/20 £m
Base Budget	136.5	140.2
Funding Changes	1.2	-
Inflation	4.4	6.7
Cost Pressures	11.4	10.9
Identified Savings	(10.1)	(9.6)
Capitalisation of Transformation Costs	(1.2)	-
Change in Budget Risk Contingency	(2.0)	-
Change in Use of Reserves	0.0	2.8
Proposed Budget for 2018/19	140.2	
Further Savings Required for 2019/20		(9.8)
Indicative Budget for 2019/20		141.2
Funded By:		
Revenue Support Grant	8.9	4.3
Business Rates	34.9	35.6
Council Tax	95.8	101.3
Surplus on Council Tax Collection Fund	0.6	-
Total Funding	140.2	141.2

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Relationship between Revenue and Capital Budgets

- 3.21 The 2018/19 revenue budget includes a cost pressure of £0.6m to cover 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.
- 3.22 The 2018/19 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.

Fees and Charges

- 3.23 No changes are proposed to the general approach to fees and charges agreed by Cabinet on 6th December 2017 (Cabinet Minute 61(4), 2017/18 refers).
- 3.24 As the Government has now confirmed that councils will be able to increase planning fees by 20% the proposed budget also reflects the decision previously taken by Cabinet on 14th June 2017 to implement this measure (Cabinet Minute 5(2), 2017/18 refers).

Approach to Funding Transitional Costs

- 3.25 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:
 - 3.25.1 Costs of delivering projects within the Swindon Programme,
 - 3.25.2 Reorganisation and restructuring costs that deliver financial savings
 - 3.25.3 Transitional investment that delivers long-term financial benefits by reducing future service costs.
- 3.26 A key financial challenge for the Council relates to rising cost of children's social care. At a national level the LGA has highlighted the fact that:
 - 3.26.1 Councils' spend on children's services exceeded budgets by £605m
 - 3.26.2 There was a 140% increase in child protection enquiries over a decade
 - 3.26.3 An expectation that, on current trends, the funding gap would be £2bn by 2020
- 3.27 In the current financial year the budget for children's social care is anticipated to overspend by £3.9m. Although provision has been made for growth in the base

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budgets for 2018/19 and subsequent years, additional investment above those amounts will need to be made to deal with the short-term pressures and put in place the arrangements to enable the service to be financially sustainable in the longer term. As part of the budget it is therefore proposed to earmark £7.5m of the Council's available reserves to invest in this priority area. This forms part of the specific reserves to support the budget, which are set out in Appendix 5.

Contingencies and Risk

- 3.28 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 for 2018/19, alongside the level of general and earmarked reserves, reflects the overall potential risk associated with delivering the budget proposals.
- 3.29 The following significant risks have been identified in relation to the savings within the council's budget:
- 3.29.1 Commissioning and Procurement – The approach to delivering the £2m budget saving will, as part of the Swindon Programme, involve engaging with commissioners across the Council. Whilst a process to deliver this is in place the outcome will only be certain once this work has been completed.
- 3.29.2 Organisational Excellence – During the course of the next few months there will be a range of projects across the organisation to change the way the Council works. A number of these will be the subject of specific Cabinet decisions over that period and this process will provide confirmation of the savings to be delivered.
- 3.30 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 establishment of a specific reserve for children's social care, 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 2018/19.
- 3.31 Based on this assessment it is proposed that the budget risk contingency is set at £2.1m.
- 3.32 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 2018/19 budget as proposed is deliverable, taking into account the level of specific and general reserves held by the Council. It should be noted that there is less certainty regarding the indicative proposals for 2019/20 at this

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stage, but that these will subject to review and further refinement as part of the continued progress of the Swindon Programme.

General Reserves

- 3.33 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.

Schools' Budgets 2018/19

- 3.34 The provisional Dedicated Schools Grant (DSG) for 2018/19 is £176.765m, the majority of which is passported directly to schools. 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 17th January 2018 and agreed the allocation of the budget as set out in Table 4 below, which is shown after Schools Forum's agreed transfer of £0.659m (0.5%) of Schools Block funding to the High Needs Block:

Table 4 - Overall DSG Funding and Expenditure 2018/19

	£m
Total DSG and EFA Funding receivable	
Early Years Expenditure	14.024
Mainstream School Expenditure	131.117
High Needs Expenditure	30.679
Central Schools Services Expenditure	0.945
Total Expenditure	176.765

Public Power Solutions

- 3.35 A report to Cabinet on 14th June 2017 ('Budget Management 2016 - 17') outlined at paragraphs 3.19 - 3.22 a proposal that PPS would develop and submit draft business cases to the Council including, but not limited to, renewable energy strategy delivery, solar development, storage, heat and transport, and that the business cases would be evaluated through the Commercial Investment Strategy Board with the cost of the development of the business cases being met by PPS. Cabinet resolved (Min 5(3) 2017/18 refers) that the remit of the work that can be

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delivered by PPS under the 'Teckal' exemption in regulation 12 of the Public Contracts Regulations 2015 as set out in paragraphs 3.19 - 3.22 of the report be authorised. Cabinet further resolved (Minute 5(4) 2017/18 refers) that the Corporate Director Economy, Regeneration and Skills, in consultation with the Corporate Director Resources and Transformation be authorised to appoint PPS to deliver those works under the Teckal arrangement pursuant to regulation 12 of the Public Contracts Regulations 2015 as it was then Teckal compliant, and that Standing Orders in relation to contracts be waived if necessary, provided best value could be demonstrated.

- 3.36 The process set out in the report of 14th June 2017 whereby PPS would prepare business cases for energy related schemes on Council owned land, to be evaluated through the Council's Commercial Investment Strategy Board was set up for schemes where the Council was looking to be the investor with the costs of developing the business case met by PPS.
- 3.37 The advice from PPS now is that the energy market is in a period of transition and that PPS is adapting to this by progressing energy storage projects and innovative private wire solar installations. Some of these schemes, in particular grid connected battery storage, may not currently be suited to Council or community investment due to the risks around long-term income security. However, the advice is that there is wider market interest in purchasing these projects from organisations looking to invest in and manage these installations and who already benefit from a business model, which provides revenue security.
- 3.38 In this situation, the proposal is that the Council would commission PPS, to advise concerning such projects on Council owned land and to progress on the Council's behalf the relevant technical work, including planning applications and grid connection applications. The project would then be offered to market and PPS would advise the Council on selection of a preferred bidder based on best value principles and capacity to deliver.
- 3.39 PPS has identified the first such project namely a large scale battery storage scheme at Mannington Depot. The proposal is that after having secured planning permission and a grid connection for the project, the scheme including an option to take a lease of the site will be offered to the market and that the preferred bidder will construct and manage the scheme over the long term. The Council will benefit from a rental income and business rates from the scheme.
- 3.40 It is worth noting that, whilst some energy schemes may not currently be suitable for Council or community investment, PPS is working on models which provide the investment risk profile necessary to attract private sector investment, passing the revenue and environmental benefit back to the Council and local communities.

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3.41 In relation to the proposed battery storage scheme at Mannington, the land disposal is expected to fall within the scope of the delegated authority of Head of Property Assets. Any future projects which PPS may advise the Council to consider taking forward on Council owned land will require appropriate authority to be granted for the proposed disposal.

3.42 Cabinet is requested to approve authorisation for the Corporate Director Resources and Growth to appoint PPS to carry out the relevant technical work and to advise on transaction structure, marketing and consideration of bids specifically for the proposed Mannington battery storage scheme and for other such future schemes. PPS will deliver the works under Teckal arrangements pursuant to Regulation 12 of the Public Contracts Regulations 2015, as it is currently Teckal compliant, and that Standing Orders relating to Contracts be waived if necessary.

4. Alternative Options

4.1 The Cabinet could amend the package of budget proposals at the assumed council tax increase of 4.99% for 2018/19, 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 £0.9m.

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

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

Legal and Human Rights Implications

5.2 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)

5.3 During the first part of the year the Swindon Programme will continue to focus on service redesign with workforce requirements being scoped out during this period. Although the programme has not set a specific headcount reduction target it is anticipated that there will be a reduction in posts of around 15% of the current total across the organisation over the next two years.

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- 5.4 As detailed business cases are approved, consultation will commence around the related headcount reduction. Consultation will be aligned to specific work streams and will require a minimum of 45 days duration.

Diversity Impact Assessment

- 5.5 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.
- 5.6 Specific savings 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.
- 5.7 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.
- 5.8 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 the proposals are approved.
- 5.9 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 DIA to ensure that the restructure process is conducted in a fair, transparent and non-discriminatory manner.

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

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8. Appendices

- 8.1 Appendix 1: Forecast Out-turn by Directorate 2017/18
- 8.2 Appendix 2: Virements 2017/18
- 8.3 Appendix 3: Consultation Feedback
- 8.4 Appendix 4: Detailed Budget Proposals 2018/19 and 2019/20
- 8.5 Appendix 5: Reserves Policy and Specific Reserves held to support the budget for 2018/19 and later years
- 8.6 Appendix 6: Medium Term Financial Strategy Update

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 22nd February 2018. 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 2018.