

Cabinet

Wednesday, 4 December 2019

Additional Information

Contact: Douglas Campbell (Telephone 07779 413886),
email: committeeservices@swindon.gov.uk

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Budget Update

Cabinet

Date: 4th December 2019

Author: Cabinet Member for Finance, Education and Skills
Corporate Director of Finance and Assets (Section 151 Officer)

Wards: All

Parishes Affected: All

1. Purpose and Reasons

- 1.1 This report updates the position in relation to the 2019-20 forecast outturn and the work underway to address the financial challenge in the period to March 2021.
- 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 2019/20 and that responding management actions continue to be employed to eliminate the projected year-end overspend;
- 2.2 To note:-
 - 2.2.1 The proposed budget and policy framework to address the estimated budget gap of £48m over the four year period to March 2024;
 - 2.2.2 That the Local Government Finance Settlement for 2020/21 has yet to be published and therefore the funding position for that year remains uncertain;
 - 2.2.3 The council tax base for 2020/21 will be 75,878.9;
 - 2.2.4 The Council's approach to approach to promoting tax compliance through its procurement process;
- 2.3 To agree:-
 - 2.3.1 The virements set out in Appendix 2;
 - 2.3.2 That the Local Council Tax Support (benefits) scheme in 2020/21 be amended in line with the national scheme in that, applicable amounts and

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non-dependant deductions will be increased and mixed age couples claims, where one of the couple becomes a pensioner, will be processed as a working age couple claim;

2.3.3 That the Local Council Tax Support (benefits) scheme in 2020/21 be amended to clarify the intention that households where children become 18 and have benefited from the disabilities protection under the local scheme, continue to be protected and do not have their support limited to 80% of the Council Tax liability;

2.3.4 That the Council Tax on unfurnished and unoccupied properties in excess of five years be increased from 200% to 300% with effect from 1st April 2020, in accordance with the Rating and Council Tax Act 2018, to encourage their owners to bring them back into use;

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 2020 is £991k.

3. Detail

Projected Outturn 2019/20

3.1 The position at the end of October is that the General Fund is forecast to be overspent by £2.5m by the end of the financial year if no mitigating actions are taken. This is an improvement of £1m since the last report.

3.2 The key changes since the last report are:-

3.2.1 Vacancies have resulted in a reduction in the previously reported pressure on staff costs in Children Services (£318k);

3.2.2 Public Health grant to fund preventative services provided by Community Health and Wellbeing (£310k);

3.2.3 An improvement in the income forecasts and operational cost savings in the Car Parking service (£161k);

3.2.4 An improvement for the Planning, Regulatory and Heritage Services due the release of developer contributions to match costs incurred (£400k) and a one off rebate on utilities (£68k);

3.2.5 A further increase in costs of the SEND team due to increased demands on the team along with the need to use interim staff until the recruitment process has been completed. (£247k);

3.2.6 Temporary staffing costs in the Waste & Recycling service to cover the impact of sickness absence and staff suspensions due to compliance breaches (£200k)

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3.2.7 A pressure due to increased pupil numbers requiring mainstream and SEN transports (£150k).

3.3 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.

3.4 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 – General Fund Out-turn By Department

Department	Budget 2019/20 £'000	Full-Year Projected Outturn £'000	Projected Variance £'000	Movement since the last report £'000
Adult Services	61,104	61,488	384	(181)
Children Services	42,760	44,135	1,375	(191)
Communities and Housing	25,580	26,440	1,250	(583)
Economy	1,241	1,161	(80)	(47)
Resources	11,812	11,734	(78)	(20)
Total General Fund	142,497	145,358	2,461	(1,022)

Housing Revenue Account (HRA)

3.5 The position at the end of October is that the HRA is forecast to be underspent by £95k, an improvement of £33k since the last report.

3.6 The key changes for this improvement are further staff savings due to vacancies across the department of £76k. These have more than offset a small pressure on void properties of £43k during the same period. Work is ongoing as part of a project to reduce void rental losses and this will mitigate further pressures in the area.

Dedicated Schools Grant (DSG)

3.7 The position at the end of October is that the DSG is forecast to be overspent by £1.7m. This is an adverse movement of £0.1m since the last report.

3.8 The main changes are:-

3.8.1 Increased pressure for rising demand and complexity of need in pupils requiring High Needs funding top ups (£161k);

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3.8.2 Increased demand for new Placements outside of Swindon (£132k);

- 3.9 These pressures are partially mitigated by a decrease in demand in Post 16 provision of (£162k).

Budget Strategy and Policy Framework

- 3.10 The Council's current medium term financial strategy was endorsed by Cabinet in February 2019. This set out the requirement for the Council to identify savings of around £48m over the four year period to March 2024, of which £15m related to 2020/21. It was anticipated that a national spending review would take place during 2019, providing a multi-year funding settlement for local government and that this would provide the basis for a refresh of the Council's financial plans.
- 3.11 As reported to Cabinet in October the Government announced a single year budget round in September 2019. This provided information at a national level with detailed allocations at local authority level to follow in the December provisional local government finance settlement.
- 3.12 In the light of the General Election it is not clear when the funding announcement for individual local authorities will be made, but it is possible it will be during January 2020.
- 3.13 In the absence of updated information the outlook for the next four years remains broadly unchanged from the position in reported in February. Pending the detailed announcements for 2020/21 officers have therefore focussed on the development of the strategy to March 2024. This is in line with recommendations from the LGA Peer Review update in December 2018 and the external auditor's recommendation to the Audit Committee in July 2019.
- 3.14 Building on the Swindon Programme, which runs to March 2020, the Council will continue to maintain a focus on developing the Council to be a modern, efficient and effective organisation. The commercialisation work will continue to be a priority, particularly the commercial investment strategy and Council's companies, both wholly owned and the joint venture. In order to address the demand pressures over the period to March 2024 the following cross-cutting themes have also been identified:
- 3.14.1 Transitions – to ensure that young people make a successful transition to adulthood achieving as much independence, choice and control as is possible so they can lead independent and successful lives.
- 3.14.2 Strength based working - to ensure local people and families receive support that is responsive, community based and focused on resilience and keeping them in control of their lives.
- 3.14.3 Place based working - to help the most vulnerable children, young people and adults living in Swindon to achieve better outcomes and, by
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maximising our use of resources with partners, deliver services more efficiently and effectively at lower cost.

3.14.4 Housing – this will be key to the successful delivery of the areas above and ensure that sufficient good quality homes that met people's needs are available to support Swindon's residents.

- 3.15 The overriding purpose of these themes is to give residents greater opportunities to live safe, fulfilling and independent lives and to ensure that the Council's limited resources can be targeted effectively to manage the demand pressures it faces.
- 3.16 The updated medium term financial strategy will be produced for approval in February 2020, alongside the 2020/21 revenue budget, and provide further detail on the application of this framework in the planned delivery of services in the period to March 2024.

Tax Base

- 3.17 The Council has to notify precepting bodies by 31 January 2020 of the assumed level of tax base for 2020/21. 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.
- 3.18 Currently, domestic properties that are empty and unfurnished for more than 5 years are charged 200% Council Tax (the additional 100% is known as the empty premium). This is to encourage their owners to bring them back into use. To strengthen this incentive the Rating and Council Tax Act 2018 has increased the level of premium that Councils are able to charge from 100% to 200% (total charge 300%), with effect from 1 April 2020. New owners of such properties will be exempt from the additional charge (premium) for a period of six months, provided they are not family members or have a connection to the previous owner. In such circumstances new owners will be charged 100% Council tax for six months, before the premium is reapplied.
- 3.19 In recent years, the Council has seen an annual rise in its tax base of between 800-900 Band D equivalent properties due mainly to growth in the Borough. The increase between 2019/20 and 2020/21 is estimated to be 1,000 properties and a further 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 1,346.9 from 74,532.0 in 2019/20 to 75,878.9 in 2020/21. The increase in tax base between the two financial years leads to an increased level of Council Tax income of £1.8m.

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- 3.20 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 £1.18m at 31 March 2020. The Council's share of this amount is £991k, which will be used to reduce the net budget for 2020/21. This is £0.4m lower than the figure available to support the 2019/20 budget.

Council Tax

- 3.21 In line with expected average increases nationwide, the current planning assumption is that basic council tax will increase by 1.99% for 2020/21, along with an additional adult social care precept of 2%. Full Council will be asked to make a final decision on Council Tax level for 2020/21 in February 2020.

Local Council Tax Support Scheme (LCTSS)

- 3.22 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.

- 3.23 For 2020/21 the following changes to the LCTSS are proposed:-

3.23.1 That the Local Council Tax Support (benefits) scheme in 2020/21 be amended in line with the national scheme in that, applicable amounts and non-dependant deductions will be increased.

Mixed Age Couples

- 3.24 In May 2019 the Department of Works and Pensions introduced new rules that affect how mixed age couples (where one partner of the couple is over Pension Credit qualifying age and the other one under that age) access benefits. The reforms provide that mixed age couples will no longer be able to choose whether they claim Universal Credit or Pension Credit or pension age Housing Benefit. Both parties of a couple will have to reach the Pension Credit qualifying age before they can be entitled to Pension Credit and/or pension credit Housing Benefit.
- 3.25 The Ministry of Housing, Communities and Local Government has confirmed the intention to amend regulations to ensure consistency between Local Council Tax Reduction and benefits information and definitions. The required changes will be made as part of the annual amendments to the Local Council Tax Reduction prescribed requirements, and are to be included in local schemes due to come into force from 1 April 2020.
- 3.26 Members are therefore asked to agree that mixed age couples claims, where one of the couple becomes a pensioner, are processed as a working age couple claim;

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Disability Premium For Children Turning 18

- 3.27 When children who have a disability premium reach 18, under existing benefit definitions, these individuals are no longer considered as part of the household. In reality these individuals may have severe disabilities, which means that their parents do need to continue to devote a lot of time to care for them and it is likely that these individuals will not find obtaining employment easy.
- 3.28 Members are therefore asked to agree that that the Local Council Tax Support (benefits) scheme in 2020/21 be amended to clarify the intention that households where children become 18 and have benefited from the disabilities protection under the local scheme, continue to be protected and do not have their support limited to 80% of the Council Tax liability.

Council Motion – Fair Tax

- 3.29 At a meeting of Full Council on 7th November 2019 it was agreed that a report be brought to Cabinet outlining the feasibility of including the Government's underlying principles on fair tax in the Council's procurement processes.
- 3.30 The principle underlying Central Government's approach is to use the procurement process to promote tax compliance. The Council already achieves this through adopting the Government's supplier selection and auditability questions for regulated procurement exercises, which includes the right for the Council to exclude a potential supplier where it can demonstrate that the potential supplier is in breach of its obligations relating to the non-payment of taxes. The Council also has extensive guidance and procedures in relation to the tax implications of IR35 with specific regard to the engagement of consultants.

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 current forecast overspend on the General Fund is £2.5m and management teams are working on actions to mitigate this pressure.
- 5.2 The forecast overspend on the DSG is £1.7m. This pressure will be managed within the DSG.
- 5.3 The HRA is currently forecasting an underspend of £95k. The HRA is ring-fenced and therefore any variances at year end will be managed within the HRA.

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- 5.4 Cost pressures will require the Council to identify budget proposals to provide a balanced budget for 2020/21 and develop its longer term financial plan to ensure its financial sustainability over future years.

Legal and Human Rights Implications

- 5.5 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.
- 5.6 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)

- 5.7 Where there are such implications these have been reflected in the body of the report.

Diversity Impact Assessment

- 5.8 Diversity Impact Assessments (DIA) will be undertaken for budget proposals that could affect protected groups. Where assessments undertaken identify adverse impacts then mitigations will be developed as part of the proposals.

Risk Management

- 5.9 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 Corporate Director of Finance and Assets (Section 151 Officer) and Chief Legal Officer (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 2019/20
- 8.2 Appendix 2: Virements 2019/20

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

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 2019.

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Budget Update 2019-20 - Forecast Out-turn by Department

Appendix 1

Fund	Tier 1 Pillar	Tier 2 Function	Budget 2019/20 £'000	Full-Year Projected Out-turn £'000	Projected Variance £'000	Movement since last report £'000	Commentary on Reasons for Variance
General Fund	Resources	Finance, Property & Audit	(2,008)	(2,368)	(360)	(102)	Revised property rental income forecast
		Human Resources and	2,274	2,155	(119)	0	
		Digital Services and Corporate Programmes	7,314	7,671	357	8	Further reduction in the income forecast for the Crematorium largely mitigated by a saving on ICT licences
		Performance, Communications, Legal and Democratic Services	4,232	4,276	44	74	Additional costs associated with the use of locum staff in the Legal service pending the completion of recruitment activity partly mitigated by further vacancy savings in other areas.
	Economy		11,812	11,734	(78)	(20)	
		Strategic Growth	616	583	(33)	0	
		Town Centre	625	578	(47)	(47)	Vacancy savings plus a reduction in the forecast expenditure in relation to feasibility works.
	Children Services		1,241	1,161	(80)	(47)	
		Routes to Employment & Libraries	2,025	1,985	(40)	(39)	Skills and employment have identified further savings of £20k and the library service has undertaken a review of their budgets resulting in the identification of savings of £19k.
		Skills & Attainment	2,118	2,647	529	206	Further pressure due to increased demands on the team along with the need to use interim staff until the recruitment process has been completed (£247k). This has been partly mitigated by savings identified as a result of a zero based budgeting exercise.(£41k).
		Children, Families and Community Health Services	38,617	39,503	886	(358)	Vacancies have resulted in a reduction in the forecast cost pressure relating to staffing by £318k. A reduction in costs across other spend areas has improved the forecast by a further by £40k since the August report.
	Adult Services		42,760	44,135	1,375	(191)	
		Adults	60,779	61,508	729	129	Increased pressure regarding Older People with high level dementia requiring residential care and agency costs in Adult safeguarding pending completion of recruitment activity.
		Public Health	325	(20)	(345)	(310)	Public Health grant to fund preventative services provided by Community Health and Wellbeing that are currently charged to the general fund.
	Communities and Housing		61,104	61,488	384	(181)	
		Streetsmart and Supported Employment	15,268	15,793	525	(70)	Enterprise works trading forecasts have improved by £54k. Waste disposal forecasts have reduced by £80k based on tonnage data. A review of forecasts for staff costs has resulted in an increase in the costs of additional temporary worker costs to cover the impact of sickness absence and staff suspensions due to compliance breaches in the waste & recycling team (£200k). The balance reflects updated forecasts for salary, operating expenditure and income projections across all service areas following budget manager meetings. Further management work will be undertaken here to control spend.
		Housing Services	(321)	(322)	(1)	(1)	
		Highways & Transport	6,969	7,731	762	23	Additional transport costs forecasted of £150k for both mainstream and special needs pupils as a result of the increased demand for the numbers of pupils to be taken to school in September; Highway operations underspend reduced by £166k due to an increase in traffic management costs, project materials, H&S equipment and other costs; but is still forecasting an underspend for the year. This is mitigated by improved forecasts across car parking of £161k for income and operating expenditure. These have been further mitigated by updated forecasts for salary, operating expenditure and income projections across all service areas following budget manager meetings. Further management work will be undertaken here to control spend.
		Planning, Regulatory and Heritage Services	1,331	911	(420)	(566)	A release of developer contributions (S38 fees) to match costs (£400k); a one-off rebate on a utility bill (£68k); the balance reflects updated forecasts for salary, operating expenditure and income projections across all service areas following budget manager meetings.
		Facilities Management	2,333	2,327	(6)	31	Additional in year salary costs forecast for Homeline control room. Potential in year mitigations are being investigated by managers.
			25,580	26,440	860	(583)	
General Fund Total		142,497	144,958	2,461	(1,022)		

Fund	Tier 1 Pillar	Tier 2 Function	Budget 2019/20 £'000	Full-Year Projected Out-turn £'000	Projected Variance £'000	Movement since last report £'000	Commentary on Reasons for Variance
Health	Health Adults	Health Adults	5,847	5,856	9	(138)	Fall in demand for FNC grant
		Health Adults Funding	(5,847)	(5,856)	(9)	138	Funding adjusted in line with savings on FNC grant
	Health Children's	Children's Health Delivery	1,781	1,777	(4)	(4)	
		Children's Health Delivery	(1,781)	(1,781)	0	0	
		Children's Health	2,466	2,470	4	4	
		Children's Health	(2,466)	(2,466)	0	0	
Health Total			0	0	0	0	
Dedicated Schools Grant	DSG Commissioning	DSG Skills and Attainment	79,858	78,620	(1,237)	90	Increased demand for high needs top ups and costs of placing additional pupils in provision +£62k and increased demand for Placements outside of Swindon +£132k, partially offset by reduction in demand for Post 16 placements (£94k) and net saving for minor variances (£10k)
	DSG Commissioning	DSG Skills and Attainment	(79,858)	(76,911)	2,947	0	
Dedicated Schools Grant Total			0	1,709	1,709	90	
Housing Revenue Account	Housing Revenue Account	Supervision & Management	(36,234)	(36,323)	(89)	(3)	Void rents have reduced less than planned in the first half of the year resulting in a further pressure of £43k. This has been more than offset by savings on vacant posts and estate management running costs. A review of income projections has resulted in a net reduction of £40k income. This has been offset by savings of £28k on staff and utility costs. Vacancy savings in the Business Support function.
		Special Services	668	586	(82)	12	
		Repairs	10,780	10,856	76	(42)	
		HRA Capital Financing	24,786	24,786	0	0	
Housing Revenue Account Total			0	(95)	(95)	(33)	

	Resources £'000	Economy	Children Services £'000	Adult Services £'000	Communities & Housing £'000	Total General Fund £'000
Cabinet 16/10/2019	11,661	1,241	42,742	61,110	25,743	142,497
Contribution to cost of an additional post in the Money Management Team	6	0	0	(6)	0	0
Removal of cross service recharge	11	0	(11)	0	0	0
Budget for staff transferring between service areas	(29)	0	29	0	0	0
Debt charges relating to the Barnfield Solar project allocated to the treasury budget.	163	0	0	0	(163)	0
Cabinet 04/12/2019	11,812	1,241	42,760	61,104	25,580	142,497

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