

Budget 2020/21 and Beyond

Cabinet

Date: 5th February 2020

Author: Cabinet Member for Finance, Education and Skills
Corporate Director of Finance and Assets

Wards: All

Parishes Affected: All

1. Purpose and Reasons

- 1.1 This report proposes a Budget for 2020/21 and sets out the financial context for 2021/22 and beyond.
- 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:

- 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 2019/20;
- 2.3 The consultation feedback summarised in Appendix 2,
- 2.4 The detailed Dedicated Schools budget for 2020/21, based on a provisional funding envelope of £198.28m;
- 2.5 That, in line with the requirements of the Local Government Act 2003, the Corporate Director of Finance and Assets, confirms the robustness of the estimates underlying the recommended Budget and adequacy of reserves in the context of the earmarked reserves and proposed budget risk contingency.

Cabinet is requested to:

- 2.6 Endorse the medium term financial strategy, set out in Appendix 5;
- 2.7 Agree the specific reserves held in support of the 2020/21 Revenue Budget set out in Appendix 4;
- 2.8 Agree that the proposed DSG budget deficit should be recovered from within DSG income;

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- 2.9 Authorise the Corporate Director of Finance and Assets to balance any changes between the provisional and final local government finance settlements by adjusting the Budget Risk Contingency;

Minute for Confirmation

- 2.10 Recommend to Council, subject to any changes resulting from the Government's announcement of the final local government finance settlement for 2020/21, that:-

2.10.1 The 2020/21 Budget be set at £149.074m;

2.10.2 The council tax be increased by 3.99%, comprising 1.99% for the basic amount of council tax and a specific adult social care precept of 2%, and;

2.10.3 It be determined that the proposed increase in the basic amount of Council Tax for 2020/21 is not excessive in accordance with Schedule 5 of the Localism Act 2011 and therefore does not trigger the requirement for a referendum.

3. Detail

The Forecast Out-turn for 2019/20

- 3.1 The starting position for the 2020/21 budget is the current year's budget for 2019/20. Table 1 below and Appendix 1 set out the forecast position to 31st March 2020, which shows that the forecast overspend is £1.5m. This position has improved by £1m since the last report to Cabinet.
- 3.2 The significant changes since the last report to Cabinet are:
- 3.2.1 An improvement in the forecast overspend within Children's Social Care. This is due to staff costs and expenditure on No Recourse to Public Funds being lower than previously forecast (£0.6m). This is mitigating pressures relating to placements costs (£0.3m);
- 3.2.2 An increase in the cost of Special Educational Needs transport (£0.1m);
- 3.2.3 Increased waste disposal costs due to the temporary closure of overseas solid recovery fuel plant facilities (£0.4m);
- 3.2.4 Increase in the rental income from investments in commercial property (£0.2m);
- 3.2.5 Release of budget risk contingency to mitigate the pressure arising on waste disposal (£0.4m) and a further release reflecting the progress made against savings delivery (£0.5m).

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- 3.3 Based on the current rate of improvement in the projected overspend position and the ongoing work across all service areas to identify further savings it is expected that the final outturn for 2019/20 will be delivered within budget.

Table 1 – Forecast Out-turn 2019/20

Department	Budget 2019/20 £'000	Full-Year Projected Outturn £'000	Projected Variance £'000	Movement since last report £'000
Adult Services	61,105	61,482	377	(7)
Children Services	42,759	43,844	1,085	(290)
Communities and Housing	25,580	27,019	1,439	579
Economy	1,240	1,167	(73)	7
Resources	11,811	10,454	(1,357)	(1,279)
Total General Fund	142,495	143,966	1,471	(990)

Dedicated Schools Grant (DSG)

- 3.4 The position at the end of December is that the DSG is forecast to be overspent by £1.79m. This forecast is an adverse movement of £80k since the last report.
- 3.5 The main changes are:-
- 3.5.1 Increased pressure for rising demand and complexity of need in pupils requiring High Needs funding top ups (£61k);
 - 3.5.2 Increased demand for bespoke packages as the primary Pupil Referral Unit is full (£45k);
- 3.6 These pressures are partially mitigated by reduced business rates costs for a primary school following its academy conversion earlier this year (£28k).

Housing Revenue Account (HRA)

- 3.7 The position at the end of December is that the HRA is forecast to be underspent by £268k, an improvement of £173k since the last report.
- 3.8 The key changes resulting in this improvement are:-
- 3.8.1 Further staff savings due to vacancies, primarily in the Supervision and Management area which have risen by £68k;
 - 3.8.2 Expenditure on Responsive Repairs has risen to reflect additional staff and material costs but is anticipated to be offset by increased recharges to

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capital projects and a reduction in spend on external contractors resulting in a small underspend of £23k.

The 2020/21 Provisional Finance Settlement

- 3.9 The Government published the provisional 2020/21 local government finance settlement on 20th December 2019.
- 3.10 The key issues arising from the provisional settlement are:
- 3.10.1 Social Care Grant - following the announcement of additional funding across adults' and children's social care of £1bn in the September Spending Round, the government has now indicated how this will be allocated. Based on the proposed distribution methodology the Council will receive £2.7m in 2020/21, in addition to the £1.3m announced the previous year.
- 3.10.2 New Homes Bonus - the provisional settlement confirmed that no change would be made to the current system for 2020/21 and therefore, in line with the increase in properties in the borough, the level of grant will be £5.2m.
- 3.10.3 Council Tax – the Government confirmed the council tax referendum limit would be in line with previous announcements. Therefore, the maximum allowable increase for SBC in 2020/21 (without a referendum) is 3.99%.
- 3.11 The overall net impact of the announcements in the provisional settlement is to improve the funding for 2020/21 by £3.1m. The long-term implications remain uncertain, given the changes to funding of local government for 2021/22 as outlined in Appendix 5.

Council Tax 2020/21

- 3.12 In line with Government expectations and the feedback from other Councils, it is proposed that the Council increases the basic amount of council tax by 1.99% and raises an adult social care precept of 2%.
- 3.13 If agreed, the total 3.99% 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.
- 3.14 A 3.99% increase would increase the average Council Tax bill by £4.54 per month, excluding precepts from other bodies.

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Feedback from Scrutiny Committee

- 3.15 On 13th January 2020, the Scrutiny Committee considered a report on the 2020/21 budget setting process. The Committee resolved that the current budget position be noted.

Consultation Feedback

- 3.16 The Council undertook consultation with the business community via a meeting with business representatives from Swindon, on behalf of non-domestic rate payers on 7th January 2020.
- 3.17 The feedback from consultation is set out in Appendix 2.

The Proposed Budget for 2020/21

- 3.18 Table 3 summarises the changes to the current financial year in arriving at the proposed budget for 2020/21. The detailed proposals are set out in Appendix 3.

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Table 3 – Summary of Budget Changes

	2020/21 £m
Base Budget	142.5
Funding Changes	(1.7)
Inflation	5.4
Cost Pressures	14.7
Identified Savings	(11.3)
Reduction in Budget Risk Contingency	(0.5)
Proposed Budget for 2020/21	149.1
Funded By:	
Revenue Support Grant	4.3
Business Rates	36.0
Council Tax	107.8
Surplus on Council Tax Collection Fund	1.0
Total Funding	149.1

Relationship between Revenue and Capital Budgets

- 3.19 The 2020/21 revenue budget includes allowance for the estimated increase in debt charges to finance the capital programme being delivered during 2019/20 and any interest incurred on schemes starting in 2020/21.
- 3.20 The 2020/21 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 between £40k-80k per £1m, subject to the nature of the capital investment.

Approach to Funding Transitional Costs

- 3.21 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:
- 3.21.1 Costs of delivering projects within the Council's improvement programme,

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- 3.21.2 Reorganisation and restructuring costs that deliver financial savings
 - 3.21.3 Transitional investment that delivers long-term financial benefits by reducing future service costs.
 - 3.22 The 2019/20 budget reflected the use of the remaining £2.5m from the £7.5m reserve previously established to deal with the short-term pressures in Children's social care and put in place the arrangements to enable the service to be financially sustainable in the longer term.
 - 3.23 The use of reserves in such a manner can only be a time-limited in nature to ensure the ongoing financial sustainability of the Council. The forecast level of reserves available to meet specific existing commitments, and support the management of the overall budget, is set out in Appendix 4.
 - 3.24 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 2020/21, alongside the level of general and earmarked reserves, reflects the overall potential risk associated with delivering the budget proposals.
 - 3.25 The following significant risks have been identified in relation to the council's budget:
 - 3.25.1 The total value of savings contained within the budget for 2020/21 is lower than that identified for 2019/20. However it still represents over 7% of the Council's net revenue budget and this, in itself, provides a source of risk to the Council's financial position;
 - 3.25.2 There are a number of savings proposals which are still subject to ongoing activity and therefore the precise level of saving is uncertain;
 - 3.25.3 The Council also faces risks in managing the costs associated with the major demand led services, particularly in adult and children's social care, parking income and waste disposal. The investment of funding and resource to manage pressures 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 2020/21.
 - 3.26 Based on this assessment, and risks within the existing base budget, it is proposed that the budget risk contingency is set at £3.0m.
 - 3.27 In light of this, and the specific reserves held to support the budget (set out in Appendix 4), the Director of Finance and Assets, as part of his Section 151 responsibilities, is content that the 2020/21 budget as proposed is deliverable, taking into account the level of specific and general reserves held by the Council.
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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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General Reserves

- 3.28 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 £7.5m 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, as a minimum, at the current level of £6.6m and should gradually increase over the medium term to increase the Council's financial resilience.

Schools' Budgets 2020/21

- 3.29 The provisional Dedicated Schools Grant (DSG) for 2020/21 is £198.28m, the majority of which is passported directly to schools. The Council prepared its budgets based on existing spend, inflation and known increases in demand. Due to the significant increases in demand for specialist places and High Needs top ups it has not been possible to produce a balanced budget, within the available funding and a budget gap of £1.47m is forecast. The Schools Forum considered the proposed budget at its meeting on 15th January 2020 and agreed the allocation of the budget as set out in Table 5 below.
- 3.30 The Government stated, in October 2019, that "The Government's intention is that DSG deficits should not be covered from general funds but that over time they should be recovered from DSG income". Consistent with this approach, and given the Council's overall financial position, it is recommended to Cabinet that the DSG cumulative deficit be addressed through a DSG Deficit Recovery Plan. The Council is working with the High Needs Sub Group of Schools Forum to find effective and efficient solutions to the budget position, which will include the need for all schools and academies to be more inclusive, reduce demand on services and ensure DSG Schools Block funding, including Notional SEN, is used effectively to meet pupils' needs.
- 3.31 The DSG 2019/20 balance to be carried forward is forecast to be a deficit of £1.48m, and less than 1% of the overall 2019/20 DSG allocation (£184m) by 31st March 2020, therefore a formal Deficit Recovery Plan is not now expected to be required by the Department for Education in June 2020. An internal DSG Deficit Recovery Plan will be used as a tool to monitor and track the DSG as it is brought back into balance over the next three years and a draft Deficit Recovery plan will be submitted to Schools Forum in July 2020.
- 3.32 The DSG 2020/21 budget gap is £1.47m plus the forecast 2019/20 deficit of £1.48m to be carried forward into 2020/21. After taking account of the DSG reserve of £0.3m, the cumulative deficit for 2020/21 would be £2.95m. This deficit represents 1.49% of the DSG 2020/21 allocation. Based on current legislation, a

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formal Deficit Recovery Plan to the Department for Education would be required for 30th June 2021.

Table 5 - Overall DSG Funding and Expenditure 2020/21

	£m	£m
DSG Funding 2020/21		(198.28)
Early Years Expenditure	14.90	
Mainstream School Expenditure	148.34	
High Needs Expenditure	35.48	
Central Schools Services Expenditure	1.03	
Total Expenditure		199.75
DSG Budget Gap		1.47
Estimated overspend on DSG for 2019/20		1.79
Use of DSG reserve brought forward from 2018/19		(0.3)
Cumulative DSG balance at 31/03/2021		2.96
Cumulative DSG balance as a percentage of 2020/21 DSG funding		1.49%

4. Alternative Options

- 4.1 The Cabinet could amend the package of budget proposals at the assumed council tax increase of 3.99% for 2020/21, 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 £1.1m.

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

- 5.1 The projected overspend in the current financial year is £1.5m and based on the current rate of improvement it is expected that the final position will be within budget. However any residual overspend will be a call on the Council's reserves.
- 5.2 Where there are financial implications these have been reflected in the body of the report and in the appendices.

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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.

Climate Change Impact

- 5.4 The recommendations would bring about a reduction in the Council's carbon footprint through: the commitment of £0.2m for climate change initiatives, including the Air Quality Action plan and the implementation of energy reduction through the installation of LED lighting

All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 5.5 The proposals included in this budget will result in approximately 50 full time equivalent posts being deleted from the Council's staffing establishment. A significant number of these are vacant posts as a result of the planned approach to savings delivery ensuring that unfilled posts are not recruited to unless essential.

Diversity Impact Assessment

- 5.6 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. This year SBC's cabinet introduced Children in Care and Care Leavers as an additional characteristic to consider when we make key decisions to strengthen our role as a Corporate Parent.
- 5.7 All saving 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. In some cases the service changes have been proposed to create greater equity in terms of access and customer service. Where risks have been identified, mitigations have been proposed.
- 5.8 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.
- 5.9 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

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proposals are approved. As part of our dynamic assessment process, should this position change, we would review each DIA, update and publish this. These are routinely reviewed by our Equality Task Group members which includes members from the wider Swindon community and voluntary agencies.

- 5.10 There are a small number of staff that will be affected by this year's proposals as the majority of the posts which are proposed for deletion, are currently vacant posts. 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 a specific DIA per proposal to ensure that the restructure process is conducted in a fair, transparent and non-discriminatory manner. All of these are reviewed by the Human Resources Business Partners and members of the equality task group so that we can understand the impact not just of reductions in staff but the corresponding impact on service levels and workload to make sure proposals are realistic and sustainable.

6. Consultees

- 6.1 The Corporate Director of Finance and Assets (s151 officer) and Chief Legal Officer (Monitoring Officer) are consulted in respect of all reports.

6.1.1 The Corporate Director of Finance and Assets (s151 Officer) cleared this report for publication on 24th January 2020.

6.1.2 The Chief Legal Officer (Monitoring Officer) cleared this report for publication on: 28th January 2020.

7. Background Papers

- 7.1 None

8. Appendices

- 8.1 Appendix 1: Forecast Out-turn by Directorate 2019/20.
- 8.2 Appendix 2: Consultation Feedback.
- 8.3 Appendix 3: Detailed Budget Proposals 2020/21.
- 8.4 Appendix 4: Reserves Policy and Specific Reserves held to support the 2020/21 Budget.
- 8.5 Appendix 5: Medium Term Financial Strategy Update.

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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 20th February 2020. 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 2020.