

Budget 2021/22

Cabinet

Date: 3rd February 2021

Author:	Cabinet Member for Commercialisation, 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 2021/22 and sets out the financial context for 2022/23 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 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 2020/21;
- 2.3 The consultation feedback summarised in Appendix 3,
- 2.4 The detailed Dedicated Schools Grant budget for 2021/22, based on a provisional funding envelope of £216.131m;
- 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 Approve the virements set out in Appendix 2;
- 2.7 Endorse the medium term financial strategy, set out in Appendix 6;
- 2.8 Agree the specific reserves held in support of the 2021/22 Revenue Budget set out in Appendix 5;

Further information on the subject of this report can be obtained from Mick Bowden, on direct dial 07392 109917 or email mbowden@swindon.gov.uk.

Budget 2021/22

Cabinet

Date: 3rd February 2021

-
- 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 2021/22, that:-

2.10.1 The 2021/22 Budget be set at £153.277m;

2.10.2 The council tax be increased by 4.99%, comprising 1.99% for the basic amount of council tax and a specific adult social care precept of 3%, 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

Forecast Out-turn for 2020/21

General Fund

- 3.1 The forecast position is that the General Fund is anticipated to be on budget at the year end.
- 3.2 The current forecast is after the application of the COVID-19 emergency funding from the Government of £16.7m, and is based on the COVID-19 pressures during the remainder of the financial year continuing to be offset by government support.
- 3.3 The significant improvements since the last report are:
- 3.3.1 A further reduction in the corporately held bad debt provision to reflect the assessment of specific income risks (£300k);
- 3.3.2 Children Services are forecasting a reduction in the COVID related cost pressures following a review of the impact of demand on services (£428k);
- 3.3.3 Adults are forecasting a reduction in costs, mainly due to reductions in the assumed levels of demand for placements across Learning Disability, Memory & Cognition and Physical/Sensory Support (£540k).
- 3.4 The above improvements have mitigated a number of new pressures, the main ones being:

Budget 2021/22

Cabinet

Date: 3rd February 2021

- 3.4.1 A further pressure on cost recovery associated with debt collection activity (£250k);
- 3.4.2 Shortfall on property fee income (£114K);
- 3.4.3 Further reduction in anticipated income from planning applications plus legal costs in relation to an appeal (£254k).
- 3.5 The budget risk contingency includes provision for one-off funding of £761k to support the 2021-22 budget.
- 3.6 The budget and out-turn by Department is set out in Table 1 below and the full details are contained in Appendix One.
- 3.7 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 – Revenue Budget Forecast

Department	Budget 2020/21	Forecast	Variance	Movement since last report
	£'000	£'000	£'000	£'000
Adults	66,567	69,496	2,929	(538)
Children Services	47,229	50,516	3,287	(666)
Operations	23,303	28,571	5,268	127
Enabling	16,206	16,882	676	(55)
Economy & Development	2,577	4,751	2,174	190
Finance & Assets	(6,808)	(4,477)	2,331	942
Sub-Total	149,074	165,739	16,665	0
COVID-19 Grant Funding		(16,665)	(16,665)	0
Total General Fund	149,074	149,074	0	0

Budget 2021/22

Cabinet

Date: 3rd February 2021

Dedicated Schools Grant (DSG)

- 3.8 The DSG is forecasting an overspend of £2.493m, which is an improvement of £80k since the last report.
- 3.9 This pressure increases the cumulative deficit on the DSG to £4.1m. In July, Schools Forum agreed a timetable of consultations for a deficit recovery plan. SEND Strategic Board and Schools Forum will consider a report on the outcome of the consultation in January.

Housing Revenue Account (HRA)

- 3.10 HRA Budget Managers are currently forecasting a net underspend of £323k, which is an improvement of £412k since the last report as a result of reduced contract, materials and staff costs across the service.

The 2021/22 Provisional Local Government Finance Settlement

- 3.11 The Government published the provisional 2021/22 local government finance settlement on 17th December 2020.
- 3.12 The key points from the provisional settlement are:
- 3.12.1 The referendum threshold for increases in council tax will be 2%, with social care authorities will be able to charge an adult social care precept of up to 3%;
 - 3.12.2 A reduction in New Homes Bonus of £1.65m;
 - 3.12.3 An increase in Revenue Support Grant of £24k;
 - 3.12.4 A further £192k grant funding for adult and children's social care;
 - 3.12.5 A new one-off Lower Tier Services Grant of £281k;
 - 3.12.6 An additional £1.6m of one-off grant funding to meet cost pressures relating to the collection of council tax.

Council Tax 2021/22

- 3.13 In line with Government expectations, it is proposed that the Council increases the basic amount of council tax by 1.99% and raises an adult social care precept of 3%.
- 3.14 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 3% of the increase is specifically to respond to the rising demand for adult social care.
- 3.15 A 4.99% increase would increase the average Council Tax bill by £5.91 per month, excluding precepts from other bodies.
-

Budget 2021/22

Cabinet

Date: 3rd February 2021

Feedback from Scrutiny Committee

3.16 On 11th January 2021, the Scrutiny Committee considered a report on the 2021/22 budget setting process. The Committee resolved that:

(1) That the budget position update be noted and that the Cabinet Member for Commercialisation, Education and Skills' responses to questions about the financial context within which the budget proposals have been framed along with the budget and policy framework utilised by the Council in setting its 2021/22 budget, be noted.

(2) That the Corporate Director of Finance and Assets be requested to circulate the Local Grant settlement figures.

(3) That the Corporate Director Adult Services, Health and Housing be requested to circulate:

a) Information regarding "strength based" conversations held to support service users.

b) Information regarding the methods to be used to ensure the Directorate aligned the programme of work to operate in a more modern, efficient and effective way.

(4) That the Clerk be requested to circulate Schools Forum minutes to the meeting being held on 19th January 2021.

Consultation Feedback

3.17 The Council undertook consultation with the business community via a meeting with business representatives from Swindon, on behalf of non-domestic ratepayers on 6th January 2021.

3.18 The minutes of the meeting are set out in Appendix 3.

The Proposed Budget for 2021/22

3.19 Table 2 sets out the changes to close the budget gap of £3.8m reported to Cabinet at its meeting on 2nd December 2020. Specific changes relating to the Collection Fund are set out in paragraph 3.26.

Budget 2021/22

Cabinet

Date: 3rd February 2021

Table 2 – Changes since December 2020

Changes	£m
Additional adult social care precept	(1.1)
Social Care Grant	(0.2)
New Homes Bonus	(0.6)
Lower Tier Services Grant	(0.3)
Reduced allowance for pay inflation	(0.5)
Minor changes to estimates	(0.3)
Application of funding set aside from budget risk contingency in 2020-21	(0.8)
Sum of Changes	(3.8)

Budget 2021/22

Cabinet

Date: 3rd February 2021

- 3.20 Table 3 summarises the overall changes to the current financial year in arriving at the proposed budget for 2021/22. The detailed proposals are set out in Appendix 4.

Table 3 – Summary of Budget Changes

Budget Changes Summary	2021/22 £m
Base Budget	149.1
Funding Changes	(1.7)
Inflation	3.7
Cost Pressures	10.0
Identified Savings	(7.8)
Proposed Budget for 2021/22	153.3
Funded By:	
Revenue Support Grant	4.4
Business Rates	35.9
Council Tax	113.7
Less Council Tax Collection Fund deficit	(0.7)
Total Funding	153.3

Relationship between Revenue and Capital Budgets

- 3.21 The 2021/22 revenue budget includes allowance for the estimated increase in debt charges to finance the capital programme being delivered during 2020/21 and any interest incurred on schemes starting in 2021/22.
- 3.22 The 2021/22 capital programme is set out elsewhere on the agenda and any 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.

Budget 2021/22

Cabinet

Date: 3rd February 2021

Approach to Funding Transitional Costs

- 3.23 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:

3.23.1 Costs of delivering projects within the Council's improvement programme,

3.23.2 Reorganisation and restructuring costs that deliver financial savings

3.23.3 Transitional investment that delivers long-term financial benefits by reducing future service costs.

Financial Impact of COVID-19

- 3.24 As set out earlier in this report, it is currently anticipated that the additional government funding in the current financial year will enable the Council to meet the in-year additional financial pressures arising from COVID-19 during 2020/21.

- 3.25 In addition to affecting the cost of delivering services and the Council's ability to generate income, the pandemic has led to significant changes in the collection of council tax and business rates. This has included the removal of business rates liabilities for all retail, hospitality and leisure businesses during 2020/21, an increase in the number of council tax support claimants and a lower than anticipated increase in the council tax base. Whilst council tax collection rates are, to date, broadly in line with previous years there has been a reduction in the collection of business rates. These patterns are reflected across the country and have been incorporated in the information supplied to the Government throughout the year. The Government has established the following support to local authorities in dealing with deficits that arise:

3.25.1 The ability to spread elements of the losses over three years;

3.25.2 Specific funding support for eligible losses and to help meet the pressures of increased cost of council tax support;

3.25.3 Application of the general COVID-19 support funding

- 3.26 The precise calculation will be based on the final year-end position at 31st March 2021. The latest estimate is that there will be adverse financial effects of the council tax base (£0.7m), council tax collection fund balance (£1.6m) and deficit on business rates (£1.4m).

- 3.27 The Government's Spending Review announcement on 25th November 2020 included an unallocated national contingency of £21bn out of the total funding of £55bn, reflecting the level of uncertainty on the future impact of the pandemic during the 2021/22

Budget 2021/22

Cabinet

Date: 3rd February 2021

financial year. In the light of such uncertainty, COVID-19 is an exceptional budget risk that is being considered separately to the other risks that are usually considered as part of the budget setting process.

- 3.28 The spending review included the following specific measures to continue the support provided in the current year into the first part of 2021/22:

3.28.1 A general grant to meet COVID-19 funding pressures (£5.7m for Swindon)

3.28.2 The extension of the support for losses from sales, fees and charges income to cover the period to 30th June 2021.

- 3.29 These funding announcements, alongside the Government's stated intention to continue to support local authorities and keep the package of support under review, provides a level of assurance that the Council will be able to manage the budget risks in the forthcoming year. However, members are advised that the position remains uncertain and, without adequate ongoing Government support, would potentially be beyond the financial resources of the Council. A continuation of the careful monitoring of costs and reporting to the Ministry of Housing, Communities and Local Government will therefore be vital. This will be done directly on behalf of the Council and through SW Councils and the Local Government Association.

Other Budget Risks

- 3.30 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 2021/22, alongside the level of general and earmarked reserves, reflects the overall potential risk associated with delivering the budget proposals.
- 3.31 The following significant risks have been identified in relation to the council's budget:
- 3.31.1 The total value of savings contained within the budget for 2021/22 is lower than that identified for 2020/21. However it still represents around 5% of the Council's net budget and this, in itself, provides a source of risk to the Council's financial position;
- 3.31.2 There are a number of savings proposals which are still subject to ongoing activity and therefore the precise level of saving is uncertain;
- 3.31.3 The Council also faces risks in managing the costs associated with the major demand led services, particularly in adult and children's social care 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

Budget 2021/22

Cabinet

Date: 3rd February 2021

will therefore be the subject of close scrutiny in the budget management process for 2021/22.

- 3.32 Based on this assessment, and risks within the existing base budget, it is proposed that the budget risk contingency is set at £1.5m.
- 3.33 In light of this, and the specific reserves held to support the budget (set out in Appendix 5), the Corporate Director of Finance and Assets, as part of his Section 151 responsibilities, is content that the 2021/22 budget as proposed is deliverable, taking into account the level of specific and general reserves held by the Council.

General Reserves

- 3.34 In general, it is considered that uncommitted reserves of around 5% of net budget (£7.7m) provides for a reasonable level of support to manage risks, subject to the specific circumstances of each authority. However, protection against budget risks is also provided through earmarked reserves and contingencies along with the Council's experience of managing budget pressures without using general reserves.
- 3.35 The Council's level of general fund reserves has increased by £1.2m to £7.2m in the last two financial years, reflecting the successful management of the budget in that period. It is recommended that the level of general reserves the Council holds is maintained, as a minimum, at the current level of £7.2m and should gradually continue to increase over the medium term to improve the Council's financial resilience.

Schools' Budgets 2021/22

- 3.36 The provisional Dedicated Schools Grant (DSG) for 2021/22 is £216.131m, 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 £1.373m is forecast. The Schools Forum considered the proposed budgets in Table 4 at its meeting on 19th January.
- 3.37 The DSG 2020/21 balance to be carried forward is forecast to be a deficit of £4.125m therefore, combined with the 21-22 budget deficit, the forecast deficit by the end of 2021-22 is £5.5m.
- 3.38 The council is required to produce a deficit recovery plan and the engagement with Schools Forum on this has been undertaken between November and January. A report on the outcome of this work was considered by Schools Forum on 19th January 2021 and agreed for progression. Final details will be provided in February 2021. Following this, council officers will undertake a Full Equalities Impact Assessment including up to a

Budget 2021/22

Cabinet

Date: 3rd February 2021

twelve-week consultation on proposed changes to inform the final deficit recovery plan. An update on the progress of this work will be available for July Cabinet.

Table 4 - Overall DSG Funding and Expenditure 2021/22

Items	£m	£m
DSG Funding 2021/22		(216.131)
Early Years Expenditure	15.820	
Mainstream School Expenditure	161.701	
High Needs Expenditure	38.877	
Central Schools Services Expenditure	1.106	
Total Expenditure		217.504
DSG Budget Gap		1.373
Estimated overspend on DSG for 2020/21		4.125
Cumulative DSG balance at 31/03/2022		5.498
Cumulative DSG balance as a percentage of 2021/22 DSG funding		2.54%

4. Alternative Options

- 4.1 The Council is required to set a balanced budget. If Cabinet choose not to approve the budget proposals set out in this report, then further options would need to be identified to ensure that the statutory requirement is met.
- 4.2 The Cabinet could amend the package of budget proposals at the assumed council tax increase of 4.99% for 2021/22, which would require the amendments to be cost neutral.
- 4.3 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 General Fund is forecasting to be on budget for the current financial year. This is after the application of the COVID-19 emergency funding from the Government of £16.7m, and is based on the COVID-19 pressures during the remainder of the financial year being offset by government support.

Further information on the subject of this report can be obtained from Mick Bowden, on direct dial 07392 109917 or email mbowden@swindon.gov.uk.

Budget 2021/22

Cabinet

Date: 3rd February 2021

- 5.2 The report sets out the draft budget for 2021/22. A budget of £153.3m is proposed, requiring a council tax increase of 4.99%.

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 This report includes the budget savings arising from the continued 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 41 full time equivalent posts being deleted from the Council's staffing establishment. The Council's Managing Change, Restructuring, Redeployment & Redundancy Policy will be applied in the implementation of changes to staffing structures

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. The Council has also included 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 are subject to the Council's DIA screening process to assess their potential/likely impact, if any, on service users with protected characteristics. For proposals where there is no change to service or staffing a DIA is not required.
- 5.8 Where it is not possible at this stage to assess fully 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 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.
-

Further information on the subject of this report can be obtained from Mick Bowden, on direct dial 07392 109917 or email mbowden@swindon.gov.uk.

Budget 2021/22

Cabinet

Date: 3rd February 2021

- 5.10 There is 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.

Risk Management

- 5.11 None other than those highlighted in the body of the report. Individual schemes will have individual Risk Assessments and DIAs.

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.

7. Background Papers

- 7.1 None

8. Appendices

- 8.1 Appendix 1: Forecast Out-turn by Directorate 2020/21
- 8.2 Appendix 2: Virements 2020/21
- 8.3 Appendix 3: Consultation Feedback
- 8.4 Appendix 4: Detailed Budget Proposals 2021/22
- 8.5 Appendix 5: Reserves Policy and Specific Reserves held to support the 2021/22 Budget
- 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 18th February 2021. 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 2021.