

Budget Management 2012-13 and Draft Budget 2013-14

Cabinet

Date: 11th December 2013

Authors:	Cabinet Member for Finance and Board Director Resources
Wards:	All
Locality Affected:	All
Parishes Affected:	All

1. Purpose and Reasons

- 1.1. This report sets out the latest projected out-turn for 2013-14, the draft Budget proposals for 2014-15 and the context for the Council's Medium Term Financial Plan.
- 1.2. The Council's Constitution states that the Cabinet will publish initial Budget proposals no later than 2 months before the Budget is adopted.
- 1.3. The effective management of financial resources through robust financial management processes underpins the Council's ability to achieve its strategies, plans and priorities, including the corporate objectives.

2. Recommendations

In respect of the 2013-14 projected out-turn, Cabinet is requested;

To note:-

- 2.1. The Projected Out-turn By Service 2013-14 as set out in Appendix 1 and the projected in-year General Fund underspend as summarised in Table 1 and noting in particular;
 - 2.1.1. That officers expect to be able to manage the Council's in-year finances within the 2013-14 Budget and that there is no need to make an allowance in the 2014-15 Budget to replenish General Reserves; and
 - 2.1.2. The in-year financial forecasts for the Housing Revenue Account and Dedicated Schools Grant.
- 2.2. To approve:-
 - 2.2.1. The proposed virements set out in Appendix 2;
 - 2.2.2. That, in response to Minute 22 of Council (2013-14), up to £20k should be released from the Council's Corporate Contingency Fund to be spent on exploring the feasibility of a solar sound barrier along the A419.

In respect of the 2014-15 Budget, Cabinet is requested;

- 2.3. To note:-

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- 2.3.1. The financial implications of those proposals set out within Appendices 3 and 4 and which either result from decisions taken by Cabinet at previous meetings or which have been submitted to Cabinet earlier on this agenda and which, if approved, will be progressed to implementation;
 - 2.3.2. That the Local Government Finance Settlement for 2014-15 has yet to be published and therefore the funding assumptions in this report contain levels of uncertainty;
 - 2.3.3. The current gap between the assumed funding levels for 2014-15 and the current proposed cost of services set out in Table 3 and that work is continuing to identify further options to close this gap for consideration by Members once actual funding levels are confirmed and before the Final Budget is recommended to Council in February 2014;
 - 2.3.4. That the current draft proposals assume a level of contingency of £1.62m and that Council will need to take a view on the level of contingency it should hold to support the 2014-15 Budget in February 2014, based on the advice of the Section 151 Officer at that point;
 - 2.3.5. That severance payments in line with existing policy will be made to those individuals affected by the Budget proposals and that these will include payments to partner and external organisations where the payments will result in on-going savings for the Council;
 - 2.3.6. That the impact on minority groups has been considered for all savings proposals and a full diversity impact assessment has been undertaken where an impact was perceived;
 - 2.3.7. The work that is progressing on the 2014-15 Budgets for the Housing Revenue Account and the Dedicated Schools Grant;
 - 2.3.8. That a cost pressure of £1m has been included within the Draft Budget for 2014-15 to cover the cost of new borrowing to support capital expenditure that is being incurred in 2013-14 and the likely amount required for 2014-15 (subject to Members' decision on new schemes in February 2014) plus additional financing costs for new longer-term borrowing costs which are currently being financed through cheaper short-term loans.
 - 2.4. To recommend that Council agrees at its meeting on 23rd January 2014 that the Council Tax Support Scheme adopted by Council for 2013-14 should continue unchanged throughout 2014-15;
 - 2.5. To agree:-
 - 2.5.1. That consultation with service users, staff and other stakeholders on the detailed Draft Budget proposals affecting front-line services set out in Appendix 4 that have yet to be approved by Cabinet should commence,

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with feedback to be considered by Cabinet at its meeting on 6th February 2014 in advance of proposing the 2014-15 Final Budget to Council;

- 2.5.2. The passporting of £75k of Council Tax Support Grant from the Borough Council to parishes in 2014-15;
- 2.5.3. The proposed 2014-15 Fees and Charges set out in Appendix 5;
- 2.5.4. That at this stage the minimum level of General Reserves should be maintained at £5m, acknowledging that a decision on the level to be held to support the 2014-15 Budget will be taken in February 2014 with full knowledge of the details of the Local Government Finance Settlement and known risks at that time;
- 2.5.5. That £140k is set aside from the existing one-off Community Enterprise Fund, that was set-up to support local community initiatives in support of the Stronger Together programme, to act as an innovation fund which Ward Members could spend in their local area to support community capacity building activities;
- 2.5.6. The allocation of one-off funding from specific Council reserves set out in Table 4 to support the implementation of 2014-15 Budget proposals, noting that some of this funding will need to be spent in the 2013-14 Financial Year;
- 2.5.7. That officers be authorised to implement as soon as practicable those proposals for the 2014-15 Budget that represent efficiency measures, including those impacting on staff;
- 2.5.8. That the Board Director, Service Delivery, in consultation with the Cabinet Member for Highways, Strategic Transport and Leisure be authorised to enter into and conclude negotiations with Halcrow (CH2M), the current provider of Highways and Transport Consultancy services to the Council, for the extension of the existing contract for these services for a period of up to 12 months beyond the current contract expiry date of June 2014 and that the Director of Law and Democratic Services be authorised to enter into any relevant agreement or documentation on such terms and conditions as he considers necessary to protect the Council's interests.

3. Projected Out-turn 2013-14

General Fund

- 3.1. The expected out-turn position on Council services as at the end of October 2013 is a projected underspend of £318k, a worsening of £162k since the October Cabinet meeting. The main reason for the worsening is due to the increasing cost of Children's care costs as a result of a national spike in the number of young people requiring support.

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- 3.2. A summary of the projected out-turn by Department is set out below with full details and an explanation of variances by Service in Appendix 1.

Table 1 – Projected Out-turn By Department

Department	Budget 2013-14 £'000	Full-Year Projected Out-turn £'000	Projected Variance £'000	Movement since last report £'000
Chief Executive	1,548	1,518	(30)	(30)
Resources	360	125	(235)	(190)
Corporate	(10,504)	(10,821)	(317)	(67)
Commissioning	92,818	93,332	514	349
Service Delivery	63,818	63,568	(250)	100
Total General Fund	148,040	147,722	(318)	162

- 3.3. The starting position for the 2014-15 Budget is the current year's Budget for 2013-14. As the current forecast assumes that services will be delivered within Budget, no allowance needs to be made within the 2014-15 Budget to restore General Reserves to their minimum level.

- 3.4. Since the last report, there have been some virements to reflect changes to the allocation of costs across business units. Members are asked to agree these virements as set out in Appendix 2.

4. Council Tax Support

- 4.1. The Government's revised approach to Local Council Tax Support was introduced as part of the Welfare Reforms in 2013-14. The aims of the Welfare Reform Act 2012 are to reduce expenditure on Welfare, ensure families in work are better off than those on benefits and give greater local choice. As part of the changes, the national Council Tax Benefit scheme was abolished and the Council set its own 'Local Council Tax Support scheme' which was approved by Cabinet and Council in December 2013, following a wide consultation that included writing to all Benefits recipients. Councils are required to approve any amendments to the scheme by January each financial year. Rather than introduce further significant disruption to services and claimants by considering changes to the scheme at this early stage, Cabinet is asked to recommend to Council at its meeting on 24th January 2014 that the scheme continues unchanged during 2014-15.
- 4.2. Members will recall that the changes implemented for 2013-14 reduced the on-going level of Council Tax income for all billing and precepting bodies including parish and town councils and that part of this funding was replaced by a Government grant. The Council determined not to pass any of this grant to parishes as part of the 2013-14 budget. Subsequently, on 7th November

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2013, Council agreed a Motion that the decision not to pass on Council Tax Support grant to parishes should be reconsidered in the current year and at least 50% should be allocated in 2014-15 (Minute 61 of Council). To mitigate, in part, the effect on parishes, Cabinet Members have indicated that they are minded to recommend passporting £75k of grant funding to parish and town councils for 2014-15, representing 50% of the estimated grant to be received.

Solar Sound Barrier

- 4.3. Minute 22 of Council and Minute 46 of the Cabinet (2013/14) approved that a cross party Working Group should be established to development of an outline business case in relation to a solar sound barrier pilot scheme along the A419 trunk road and report its findings to the Cabinet by the end of the current Municipal Year 2013/14.
- 4.4. In order to advance this work, it is necessary to secure specialist external expertise from both Swindon Commercial Services Ltd and other parties. Officers are currently in the process of procuring the work required and Members are asked to approve that up to £20k can be released from the Council's Corporate Contingency Fund to progress this work.

Housing Revenue Account (HRA)

- 4.5. The HRA is currently forecasting an underspend of £333k. Previously an overspend of £150k was being reported against void property expenditure, however in recent months the Housing Repairs team have been working hard to bring the cost back within budget. Savings are now being forecast which relate to vacant posts within the HRA of approximately £150k. Further savings have come from a more robust review of budgets, which has identified additional savings relating to IT requirements and estate management.
- 4.6. The current level of rent arrears for 2013-14 as at week 31 is £720k (3.0% of rent due) compared to £637k (2.6% of rent due) at the same point last year, an increase in rent arrears of £83k or 0.4%. Officers are continuing to monitor the position closely.

Dedicated Schools Grant (DSG)

- 4.7. The Schools Budget is entirely funded by Government through the Dedicated Schools Grant (DSG). The total DSG for 2013-14 is £145.4m subject to in year recalculations of the early years element which is now linked to participation. In accordance with the Department for Education's (DfE's) school funding reform programme the majority of funding has been delegated to Schools and Academies. However, the Local Authority (LA) now retains a higher proportion of funding for Special Educational Needs (SEN) pupils which is paid over to specialist settings both within Swindon and outside the Borough, based on actual occupancy and the needs of individual pupils. The LA also retains funding for in year school expansion costs and nursery

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education, which is paid over to early years settings based on actual occupancy. The total of the 2013/14 retained budget approved by the Schools Forum is £26.7m.

- 4.8. From the start of this year, the scope of the DSG was expanded to include funding previously allocated to Local Authorities in the Early Intervention Grant to meet the costs of providing free nursery places for the Borough's 20% most disadvantaged 2 year old children. Initial forecasts were that costs would be considerably lower than the funding allocation, which included a relatively generous element for trajectory building, and £1m was reallocated to meet a post 16 high needs student cost pressure estimated at £1m arising from a new responsibility to fund provision in Further Education Colleges and Independent Specialist Providers. Latest indications are that spending on disadvantaged 2 year old nursery provision will be higher than anticipated by £0.31m. Fortunately, the anticipated cost of meeting the LAs new post 16 responsibilities is £0.29m lower than was initially estimated, although students may yet join courses which will commence this year. Overall projections at this stage are that across these two new areas of responsibility spending will be contained within the available budget.
- 4.9. Based on the latest information available the cost of external high need placements will be lower than the budget by £0.26m, although extra spend of approximately £0.15m will arise as pupils previously placed out of Borough are now in specialist settings in Swindon for which top up funding will be payable to the schools which take additional pupils. The LA is forecasting that the value of pupil based funding recouped from schools for excluded and dual registered pupils will be significantly higher than the budget. However, this is likely to lead to increased spending by the Education Other Than at School (EOTAS) and Tuition Services to meet the needs of additional pupils. Across the overall retained budget a net underspend of £0.30m is forecast at the end of October. A further update will be provided to the 21st January 2014 Schools Forum.
- 4.10. The DSG is a ring-fenced grant and local authorities are allowed to overspend their DSG allocation, with that amount being the first call on the DSG received in the following financial year. Underspends on the DSG must be carried forward for distribution subject to annual discussions with the Schools Forum. Proposals on how the projected underspend could be allocated in 2014/15 will be reported to the Forum in January and March 2014.

5. Budget Overview 2014-15

- 5.1. The 2014-15 Budget will be the fourth annual Budget set within the context of the current Coalition Government-led measures to reduce the country's borrowings. The level of funding reductions continues to be very challenging, with headline expected reductions in Government grant of 10% next year and, according to some respected commentators, for some years to come. Within that context, the Council is continuing to develop a very different model of

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service provision, which is being delivered through its six change programmes, to implement the Council's corporate priorities.

- 5.2. Building on the Council's agreed Stronger Together operating model, the 2014-15 Budget has a key theme of supporting people and communities to become more resilient and less reliant on Council services. Services continue to be reconfigured to give them a whole-system focus, with a shift away from single-service silos.
- 5.3. The Council decision to bring most of the services formally operated by Swindon Commercial Services Limited back into the Council on 1st November 2013 has been a key contributor to the 2014-15 Budget, with a number of proposals affecting services formerly managed by the limited company.

6. Funding Assumptions 2014-15

- 6.1. The local government funding system changed significantly for 2013-14 and less change is expected for 2014-15, bringing slightly more certainty to budget planning. Although the Government published indicative funding levels for 2014-15 and 2015-16 in the summer, the Local Government Finance Settlement has yet to be published at the time of printing this report and therefore the funding assumptions in the table below are estimates based on the high level information available.

Table 2 – Assumed Funding Changes 2013-14 to 2014-15

Description	Estimated Change in Funding (£'000)
Assumed reduction in General Grant	-4,100
Assumed net change in Education-related specific grants affecting the general fund resulting from a range of school funding reforms, most particularly the Education Services Grant (formerly the Local Authority Central Services Equivalent Grant (LACSEG))	-80
Net changes in Specific Grants (assumes Health Transfer Grant cost neutral after new responsibilities)	-24
Increase in Council Tax Income from growth in households	+945
Reduction in Council Tax Collection Fund Surplus	-145
Assumed Change in Base Budget Funding	-3,404

- 6.2. The current working assumption is that there will be no increase in Council Tax for 2014-15, although a final decision will need to be taken by Members at the February 2014 Council meeting. However, an increase in overall Council Tax income of nearly £0.8m has been assumed, linked to an anticipated rise in the tax base through a growth in household numbers (from 65,420.8 in 2013-14 to 66,245.8 in 2014-15, generating an extra £945k for the Borough

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Council) and a minor reduction in the level of Collection Fund Surplus (reduction from £2m for the Borough Council share in 2013-14 to £1.855m in 2014-15).

- 6.3. From 1st April 2013, local authorities have been passed additional risks and opportunities around retention of Business Rates within their areas. This includes the impact of appeals against rating valuations going back over many years, which are impossible to predict with any degree of accuracy. In this context, a specific reserve was created alongside the 2014-15 budget to cover the risk of future funding fluctuations. The latest indications are that income from Business Rates to support the Council's Budget is likely to be £28.7m, in line with that for 2013-14, which includes a surplus above the base-line of £450k. The total level of Business Rates income collectable is around £103m and Members are asked to note that around 5% of this is currently subject to an appeal and therefore this brings additional uncertainty in projecting accurately income levels for future years. The Board Director Resources will advise on the latest estimate of business rates to be collected as part of the February Budget report.

7. Draft Budget 2014-15

Process and Themes

- 7.1. As stated in December 2012's Cabinet draft budget report, recognising the scale of funding reductions facing councils in 2014-15 and the medium-term, there is a need to continue to reshape Council services in a way that enables them to be sustainable with less funding. This has led the Council to continue taking a much stronger "whole-Council" approach to the Budget setting process, with proposals for 2014-15 augmenting the work that was commenced for the 2013-14 Budget round. The process has been much more strategic, with a move towards a more "Stronger Together" approach. The key strategies to balance the 2014-15 Budget include the following:
- A strategic commissioner focus, with a number of more significant changes realising substantial savings rather than the more traditional small-scale "salami-slicing" seen in previous years;
 - Staffing restructures have been focused much more on whole-Council resources working across individual services, recognising the scope for economies of scale by bringing similar activities together, especially in relation to the re-integration of services formerly operated by Swindon Commercial Services Limited;
 - Taking a wider whole-Council approach to the demand management of services to vulnerable people rather than seeing this as an issue solely for Children and Adult Services to respond to. This has and will continue to involve reshaping Council services to support people within Swindon to live much more independently and be less reliant on the Council providing high-cost solutions; and

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- Building local capacity and working with communities for longer-term local benefits.

Proposed Budget 2014-15

- 7.2. The detailed Draft Budget proposals for 2014-15 are set out in Appendix 4. Based on the current funding assumptions summarised in Table 2 above, a gap still exists between the cost of services set out in the Draft Budget and the assumed level of funding available. This is set out in Table 3 below.

Table 3 – Current Level of Assumed Funding Gap

	Net Change	Assumed Funding Reduction	Total
	£'000	£'000	£'000
Cost Pressures	9,546	4,483	14,029
Savings/ New Income	-11,733	-1,079	-12,812
Estimated Gap before Council Tax Freeze Grant or Council Tax Increase			1,217

- 7.3. To date, £12.8m of savings proposals and new income have been identified and further work is continuing to balance the 2014-15 Budget pending confirmation of the final funding levels. An update on funding levels and savings identified will be provided at the meeting. A significant proportion of the savings have been generated by the service areas that are the focus of the Council's major change programmes together with stream-lining opportunities that have arisen from the reintegration of services formerly provided by Swindon Commercial Services Limited back into the Council.

Council Tax

- 7.4. The current Draft Budget proposals and funding assumptions allow for no additional income from Council Tax as this is an area of consideration for Members over the coming weeks.
- 7.5. Although no formal statement has been received from the Government over funding levels for 2014-15, in the consultation guidance issued earlier in the year it is suggested that the Government is minded to offer councils a further Council Tax Freeze grant similar to that payable in previous year. On this basis, it is expected that a grant equivalent to a 1% Council Tax increase will be paid for two years should councils freeze Council Tax levels for 2014-15. For Swindon Borough Council, this equates to £750k per annum. The guidance also suggests that the grant payable for previous year's freezes will also be built into future formula grants rather than being discontinued.
- 7.6. Councils are currently permitted to increase Council Tax by up to 2% without undertaking a referendum to seek support for an increase above this level.

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For Swindon, an increase of just below 2% would generate £1.473m in 2014-15, instead of the £750k freeze grant value. Over a two year period, the difference in the level of income generated from a 1.94% Council Tax increase compared to accepting a 1% Council Tax Freeze Grant is £2.229m.

Table 4 – Comparison of income generated from Council Tax Freeze Grant and an increase in Council Tax Level

	2013-14	2014-15	2015-16	2 Year Total
	£'000	£'000	£'000	£'000
<i>Base-line CTax Income after Tax Base growth</i>	74,979	75,925	76,965	
2014-15 CTax Freeze Grant		750	750	1,500
2015-16 CTax Freeze Grant			759	759
1.94% CTax Increase pa		(1,473)	(3,015)	(4,488)
Extra from a Council Tax Uplift				2,229

- 7.7. A 1.94% Council Tax increase equates to an average increase of £0.43 per week (£22 per annum) per Band D household not in receipt of Council Tax Support. Swindon Borough Council's Council Tax charge is currently slightly below average when compared to unitary councils nationwide and is 7% lower than neighbouring Wiltshire Council's. Although the Government has offered grant to incentivise councils to freeze tax levels for the last 3 years, 15% of councils increased Council Tax in 2012-13, rising to 41% in 2013-14. That proportion is expected to increase again for 2014-15.

Debt Charges

- 7.8. One of the significant cost pressures included in the detailed proposals set out in Appendix 4 is £1m of new debt charges. This is to cover the cost of new borrowing to support capital expenditure that is being incurred in 2013-14 and the likely amount required for 2014-15 (subject to Members agreeing the level of new schemes in February 2014) plus additional financing costs for new longer-term borrowing costs which are currently being financed through cheaper short-term loans. In recent years, the cost of short-term borrowing has been exceptionally low compared with historic trends. In order to protect the Council from significant cost pressures in later years as borrowing costs return to a more "normal" profile of short and medium-term rates, the Council needs to borrow on longer-term rates which will give a more balanced profile of loan maturity dates.

Tender Time-Line and Halcrow Contract

- 7.9. As part of the on-going work to reintegrate services, work will be undertaken in the coming months to review the cost effectiveness of services and consider whether any work should be subjected to a future tendering strategy. Whilst

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this work is undertaken and to avoid transferring simple savings opportunities to external providers, it is recommended that officers do not proceed to market for services until efficiencies have been driven out internally. Within this context, the tender time-line agreed by Cabinet in June 2011 (Cabinet Minute 10, 2011/12 refers), may no longer offer the best route to securing value for money. A revised time-line will therefore be presented as part of the final Budget report in February 2014.

- 7.10. In the meantime, the existing contract the Council has with Halcrow (now CH2M) for the provision of highways and transport consultancy services is due to expire in June 2014. In order to allow time for the operational highways services to be integrated successfully back into the Council and a future service strategy to be developed that covers both the operational work as well as the consultancy services to be formulated, Members are asked to agree that officers can enter into and conclude negotiations with Halcrow for the extension of the existing contract for a period of up to 12 months.

One-Off Funding

- 7.11. The Council's financial strategy for a number of years has focused on the early delivery of savings in order to create in-year underspends to allow a fund to be built up to cash flow the implementation costs of future savings. It is proposed that the following new one-off funding is approved from this source in order to allow the full implementation of the savings assumed in the Draft Budget for 2014-15. Members are asked to note that some of this funding will need to be incurred during 2013-14 in order for some savings to be implemented by 1st April 2014.

Table 4 – One-Off Funding

Description	One-Off Funding £'000
Implementation costs for changes to the Green Waste service	200
Cashflowing the purchase of wheeled bins to be received from charges to service users (subject to Cabinet's decision elsewhere on the agenda)	261
Additional legal and other professional costs to enable the transfer of Leisure and Golf assets to an external provider and wider work undertaken to realise savings in 2014-15 within Leisure and Culture	100

- 7.12. The Council currently holds a Community Enterprise Fund containing £500k of one-off funding that was set-up to support local community initiatives in support of the Stronger Together programme, to act as an innovation fund which Ward Members could spend in their local area to support community capacity building activities. Linked to the work that has been started by the Council's Locality Team, the Corporate Governance Review Working Group

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supported a proposal that some of this funding is set aside to pump-prime activities. Members are therefore asked to approve that £140k is released from the Community Enterprise Fund to be prioritised with local areas for this purpose. The design of how the fund will work will be developed through the Corporate Governance Working Group, ready to take effect from 1st April 2014.

Contingencies and Risks

- 7.13. The draft Budget incorporates a number of assumptions in terms of likely levels of expenditure and income in future years. The significant level of savings being driven out to balance the Budget means there are inevitably a number of risks inherent in the proposed Budget.
- 7.14. Each of the savings proposals put forward as part of the Budget setting cycle has been individually risk assessed and the levels of contingency built into the proposed Budget for 2014-15, alongside the level of general and earmarked reserves, reflect the overall potential risk identified at this stage associated with delivering the Budget proposals. The key material risks are as follows:-
- 7.14.1. Solid Recovered Fuel (SRF) / Refuse Derived Fuel (RDF) operating costs have high levels of volatility depending on when the dryer element of the facility becomes operational. It is currently anticipated that the dryer will be fully operational by 1st April, 2014. Each month's delay will add around £100k to net operating costs in 2014-15. The figures are based on an assumed level of SRF gate fee, which is currently being procured, for the disposal of the material coming out of the plant. For each £10 variance in the cost per tonne, operating costs will change by around £400k pa in 2014-15. As production at the plant increases in future years this variance would be up to £600k p.a. when the plant is fully operational;
- 7.14.2. Income due from external wholly-owned companies;
- 7.14.3. The rising cost of Children's Social Care due to an increase in the number of children requiring support nationally;
- 7.14.4. The results of the tendering process involving the Council's Leisure and Golf facilities will not be fully understood until after the budget is set by Council in February.
- 7.15. As a result, the draft proposals include contingencies against general and specific risks totalling £1.62m. This level will be reviewed as part of the final budget proposals.
- ## Equalities and Diversity
- 7.16. Achieving equality and diversity underpins the Council's aim of providing high-quality services, which reflect and support the needs of the wider community. Swindon Borough Council is committed to eliminating discrimination and promoting best practice in all areas of its work and the 2014-15 Budget has

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been prepared with this in mind. As part of the process to draw up budget proposals for 2014-15, each Director and Head of Service has considered equalities and other risk issues, including community safety, both in respect of investment and reductions in spend. Where it is perceived that a proposal impacts on a particular minority group, a full diversity impact assessment has been undertaken.

Fees and Charges

- 7.17. One of the key themes that emerged from the consultation process undertaken in September 2011 was a desire to focus discretionary funding on areas where they will have the biggest impact and to offer subsidies to those most in financial need. Incorporating this approach in the proposed fee structure will ensure that services accessed by a minority of service users will not typically be heavily subsidised in future.
- 7.18. Most charges will be increased in line with inflation but Members are asked to approve those that will receive a higher level of increase set in Appendix 5. The main area where it is proposed that charges are increased by more than the level of inflation is in respect of short-stay car parking charges. In order to maintain charges at ten pence intervals, the short stay charges are increased every three years. 2014-15 is a year for a triennial increase and therefore it is proposed that a number of short-stay charges are increased by 11.1%, reflecting three years' worth of inflation. The longer stay charges are unaffected by the inflationary increases proposed.

General Reserves

- 7.19. The Comprehensive Performance Assessment 'rule of thumb' introduced for 2003-04 suggested that a level equivalent to not less than 5% of net revenue expenditure excluding School budgets should be considered, unless there is a formal risk assessment, which would justify a lower level. This implies a level of around £7m for Swindon, assuming a small reduction in the Net Budget for 2014-15.
- 7.20. Despite the significant level of savings identified since 2006-07, the Council has not overspent and is on track to deliver the Budget in the current year despite the challenging financial climate. Protection against budget risks is also provided through earmarked reserves and contingencies.
- 7.21. At present, the Council is holding general reserves of £6m. A decision will be taken in February 2014 over whether to maintain this for 2014-15 with the full knowledge of the local government finance settlement and the level of other risks being faced at that time.

Severance Costs

- 7.22. In recent years, the level of severance costs resulting from the annual Budget rounds have been in the region of £1m per annum and this sum has been built into the base budget. For this year, some of the changes being proposed affect staffing levels within our partner organisations and other external organisations as well as within the Council and it is expected that the total

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payments to staff to effect the proposed changes will exceed £1m. It is proposed that any shortfall in the £1m base budget for this purpose is met from the £1m specific reserve being held to meet future severance costs and that this reserve is topped up from any underspend in one-off resources in the current year.

Housing Revenue Account (HRA)

- 7.23. The 2014-15 HRA Budget will be considered by the Housing Advisory Forum on 23rd January 2014, and Cabinet on 6th February 2014. The draft budget is based on rent increases moving towards rent convergence targets, which, after funding the revenue costs of providing services to tenants, creates a surplus available for capital investment. There are a number of choices for Members around the level of debt repayment or new borrowing, specific rent levels and capital programme spend which will be informed by the 30-year business plan to ensure the budget is sustainable over the longer-term.

Dedicated Schools Grant (DSG)

- 7.24. The Local Authority (LA) reported indicative 2014-15 DSG funding assumptions to the Schools Forum in October although changes arising from the Department for Education's (DfE's) school funding reform programme mean that final figures will not be released by the DfE until the end of March 2014. In previous years, the overall level of DSG received was largely determined by a single calculation of the number of early years and school age pupils at a single census date and could therefore be estimated with a relatively high degree of certainty. The grant is now based on 3 separate calculations. The Early Years and Schools Blocks are still based on census data although the value of the Early Years element is now based on 2 census dates and is subject to an in year adjustment which could be an increase or decrease depending on local participation rates. LA estimates are that the Schools Block grant will be £113.722m whilst the Early Years block grant will be £10.607m
- 7.25. The main area of uncertainty is in the High Needs Block, which now includes funding allocated to the LA to meet post 16 provision for Special Education Needs (SEN) students in Further Education Colleges and Independent Specialist Providers. Over recent years Swindon has experienced significant increases in demand for SEN places at specialist settings and this is expected to rise again next year as an additional 22 places are forecast in Special Schools and Special Resource Provisions. The DfE has yet to agree the national value of high needs funding for 2014-15 and guidance is that LAs should plan on the assumption that next year's High Needs Block grant will be at the same level as the current year although grant adjustments may be made towards the end of March following a review of demand. Given that Swindon was detrimentally affected by the introduction of a national funding formula for post-16 high needs funding by approximately £0.7m when 2013-14 DSG allocations were agreed, uncertainty in this area for 2014-15 makes

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financial planning very difficult. The LA is estimating that the High Needs Block grant will be £22.551m.

- 7.26. The total DSG for 2014-15 is estimated at £146.880m although it is important to recognise that the three blocks are not individually ring fenced and it is for LAs in consultation with their Schools Forums to allocate funding to meet the needs of their pupils and students. The LA commenced a series of consultations with schools and other providers in September in order to agree how best to implement further changes required to comply with the DfE's school funding reform programme which include options to refine local funding formulas and on how pupil growth should be allocated to mainstream schools and Academies. The LA is also committed to the introduction of a simplified funding formula for all high need settings and further consultation events are scheduled during November and December 2013.
- 7.27. The LA must agree 2014-15 mainstream school and Academy funding allocations by the 21st January 2014 and for early years and specialist high needs settings by the end of March and updates will be provided to the 21st January 2014 Schools Forum. It is recognised by DfE that implementing formula changes will inevitably result in the redistribution of funding across schools although the Minimum Funding Guarantee requirement will provide a degree of protection by limiting individual schools from losing more than 1.5% of funding per pupil in 2014-15. No such protection is however available for early years or post 16 providers and it is probable that lower levels of protection will be in place for mainstream schools from 2015-16 onwards.
- 7.28. It is relevant to note that the DfE are committed to the introduction of a new national fair funding formula for mainstream schools in 2015-16 although details have yet to be proposed. This could result in DfE implementing a new formula for the distribution of DSG to local authorities or DfE actually determining the level of funding allocated to individual schools and Academies thereby bypassing the role of the LA and Schools Forum in managing the local fair funding formula. Historically the level of DSG per pupil received by Swindon has been significantly lower than the national average and it is possible that this could change when a national formula is introduced.

8. Alternative Options

- 8.1. The full range of options is set out in the body of the report.

9. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

- 9.1. 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

- 9.2. 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)

- 9.3. There are no such direct implications.

Diversity Impact Assessment

- 9.4. A Diversity Impact Assessment (DIA) have been produced for each of the savings proposals that could impact on minority groups. These will be published on the Council's Internet alongside the Cabinet papers.

10. Consultees

- 10.1. The Board Director Resources (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted on all reports.

11. Background Papers and Appendices

Appendix 1 – Projected Out-turn By Service 2013-14

Appendix 2 – Virements 2013-14

Appendix 3 – Draft Budget 2014-15 – Summary of Proposals

Appendix 4 – Draft Budget 2014-15 – Detailed Proposals

Appendix 5 – Proposed Increases in Fees and Charges with effect from 1st April 2014

12. Key Decision/Decision in Forward Plan

- 12.1. This is a key decision and is included in the Cabinet Work Programme and Forward Plan for December 2013.