

Budget 2014-15 and Beyond

Cabinet

Date: 5th February 2014

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 proposes a Budget for 2014-15 and sets out the financial context for 2015-16 and beyond.
- 1.2 Under the Council's Constitution, the Cabinet is required to recommend a budget and level of Special Expenses to Council as part of its formal Council Tax Setting responsibilities.
- 1.3 The effective management of financial resources through robust financial management processes underpins the Council's ability to achieve its plans and priorities.

2. Recommendations

Cabinet is requested to note that:-

- 2.1 The Council does not expect to need to replenish General Reserves as part of the 2014-15 Budget Setting process;
- 2.2 The feedback received to the Borough-wide consultation process on the Draft Budget is set out in Appendix 5 for Members' consideration;
- 2.3 A consultation meeting with business representatives from Swindon, on behalf of non-domestic rate payers, took place on 28th January 2014 and the minutes will be provided at the meeting;
- 2.4 In line with the requirements of the Local Government Act 2003, the Board Director, Resources, in his Section 151 capacity, confirms the robustness of the estimates underlying the recommended Budget and having reviewed the financial risks being faced by the Council concludes that the proposed level of General Reserves (£6m) is adequate in the context of the earmarked reserves held, specific contingencies and the proposed general contingency of £0.5m;

Cabinet is requested to agree:

- 2.5 The proposed changes in fees and charges for 2014-15 set out in Appendix 1;
- 2.6 The Specific Reserves held in support of the 2014-15 Revenue Budget set out in Appendix 7;

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- 2.7 That £150k will be passed from the Borough Council to parish councils to mitigate the impact of changes to the tax base implemented in 2013-14, linked to changes to the Council Tax Support scheme;
- 2.8 That £845k of one-off resources is invested in the activities set out in Table 3 of the report and commenced as soon as possible; and
- 2.9 To recommend to Council, subject to any changes resulting from the Government's announcement of the final Local Government Finance Settlement for 2014-15, that:-
- 2.9.1 The 2014-15 Budget be set at £142.659m;
- 2.9.2 There be no increase in Council Tax for 2014-15, and
- 2.9.3 It be determined that the proposed increase in the basic amount of Council Tax for 2014-15 is not excessive in accordance with Schedule 5 of the Localism Act 2011.

3. The Medium Term Picture

- 3.1 The 2014-15 Budget is the second year of the new Local Government Funding reforms for 2013-14 and 2014-15, which includes a general reduction in the overall level of income available to councils. As part of the 2014-15 Local Government Finance Settlement indicative figures have been included for 2015-16 and the Chancellor of the Exchequer has recently confirmed his intention to continue with public sector funding reductions. With these two things in mind, the estimated three-year financial picture remains very challenging as set out in Table 1 below.

Table 1 – Medium Term Funding Gap

	2014-15	2015-16	2016-17
	£'000	£'000	£'000
Change from previous Financial Year			
Grant Funding Reduction	5,721	6,500	8,000
Inflation	3,816	4,000	4,000
Adults and Children's cost pressures	4,663	4,500	4,000
Pensions and Debt Charges	1,747	2,000	2,000
Other Cost Pressures	2,821	2,000	2,000
Reduction in Council Tax Collection Fund Surplus	145	1,000	1,000
Reduction in Business Rates Collection Fund Surplus	450	0	0
Less Council Tax Income Growth	(945)	(1,000)	(1,000)
Less extra Council Tax Income / Freeze Grant	(850)	(1,000)	(1,000)
Total Gap to be closed	17,568	18,000	19,000

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- 3.2 Within this context, it will be necessary for the Council to continue to drive significant savings from its services and set aside any resources delivered in advance of future year grant reductions to help achieve the annual budget challenges in future years. Current indications are that the 2015-16 funding settlement will be tougher for local authorities generally than previous years with a predicted 13% reduction in formula grant compared with our previous medium term assumptions of 10% per annum.
- 3.3 As changes are being made to the way councils are financed, it is becoming increasingly noticeable that the level of on-going base grant funding is getting smaller and this core level of funding is being supplemented with new grants with uncertain durations. With this in mind, it will be increasingly important to use one-off funds wisely to help particularly with future years' budget reductions.

4. The 2014-15 Provisional Finance Settlement

- 4.1 On 18th December 2013, the Government published information to advise councils of the impact of the 2014-15 Provisional Local Government Finance Settlement. This showed that Swindon's expected funding position overall is virtually identical to that assumed in the Draft Budget with only a £29k variance from the level of formula grant funding assumed in the December Cabinet report. However, at the time of writing this report the final Local Government Finance Settlement has not been announced although significant changes are unlikely. In the event of a minor adjustment being made, it is proposed that the level of Corporate Contingency Fund is adjusted accordingly.

5. The Forecast Out-turn 2013-14

- 5.1 The starting position for the 2014-15 Budget is the current year's Budget for 2013-14. A report elsewhere on the agenda sets out the forecast position to 31st March 2014, which shows that the Council expects to be able to deliver the 2013-14 Budget without drawing on General Reserves. On that basis, no provision has been included in the Proposed Budget for 2014-15 to replenish Reserves through drawings in-year.

6. Council Tax 2014-15

- 6.1 One of the new Grants announced as part of the 2010 Comprehensive Spending Review (CSR) was the Council Tax freeze grant, which replaces the level of income generated from an assumed Council Tax increase with grant funding if council tax levels are frozen. Swindon has frozen its Council Tax levels since 2010-11 and Cabinet Members have indicated that they propose to do so again in 2014-15. The Council Tax Freeze Grant available to councils freezing Council Tax levels in 2014-15 is equivalent to a 1% Council Tax increase using a base-line level of tax base before the 2013-14 Council Tax Support Scheme changes. For Swindon, this amounts to £850k.

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- 6.2 In previous years, the Council Tax Freeze Grant has been one-off funding payable for either one or two years. However, from 2014-15, it is proposed that this funding would be on-going and added to the formula grant in the year after payment. This therefore makes the financial incentive of increasing Council Tax levels to generate additional income above the freeze grant less attractive as both the Freeze Grant and Council Tax income will be on-going. Table 2 below sets out the difference between the income generated from a Council Tax increase set just below the referendum limit at 1.9% and the grant generated from a freeze.

Table 2 – Comparison of Income Generated from a Council Tax Increase in 2014-15 versus the Council Tax Freeze Grant

	2014-15	2015-16	2 Years
	£'000	£'000	£'000
Council Tax Freeze Grant 2014-15	850	850	1,700
Income from a 1.9% Council Tax Increase in 2014-15	1,473	1,493	2,966
Extra from a Council Tax increase	623	643	1,266

- 6.3 The “freeze” relates to the Council’s Basic Amount of Council Tax, which includes its own Special Expenses but not Parish Precepts. Therefore, some households may experience a minor change in the amount paid due to fluctuations in the level of parish precepts.
- 6.4 In accordance with Schedule 5 of the Localism Act 2011, the Council has a duty to determine whether any increase in its basic level of Council Tax is considered to be excessive in which case it would be required to hold a referendum. For 2014-15, the Government is expected to set the threshold at 2% for Swindon and, as the Council is proposing no change to the level of Council Tax in 2014-15, no referendum is necessary.

7. Tax Base and Collection Fund Surplus / Deficit

- 7.1 In line with assumptions in the December 2013 Cabinet report, the Tax Base for 2014-15 and the Council’s share of the estimated Council Tax Collection Fund Surplus for 2013-14 are 66,245.5 and £1.855m respectively.
- 7.2 In 2013-14, the Council assumed that Business Rate income would be £450k above the base-line level. The 2014-15 Budget assumes there will be no variance to this figure and therefore no surplus or deficit accruing on the Business Rates Collection Fund at the end of the Financial Year 2013-14.
- 7.3 The assumed Business Rate income to support the 2013-14 Budget was £28.664m, which was £450k above the base-line. For 2014-15, the base-line has been increased to £28.758m, of which Swindon is assuming no surplus. There has been growth in some aspects of our economy resulting in extra

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Business Rate income but this additional growth has been offset by the impact of appeals on previous years' income.

- 7.4 These figures feature in the formal Council Tax setting calculations to be considered by Council on 24th February 2014.

8. Council Tax Support Scheme Changes and effect on Parish Councils

- 8.1 As set out in the Draft Budget Report to Cabinet on 12th December 2012, changes to the Council Tax Support Scheme introduced from April 2013 had the effect of reducing the tax base of councils, and the resulting level of Council Tax income, and the Government has replaced this with additional grant income added to the Formula Grant.
- 8.2 The grant is payable to Swindon Borough Council to cover the impacts of lower levels of Council Tax income for both the Borough and parish councils and therefore the Borough Council has the option of passing a proportion on to parish councils. Since its introduction in 2013-14, the grant has been rolled up into the Formula Grant, which has subsequently been reduced.
- 8.3 It is estimated that the element of the grant that would need to be passported to parishes to compensate for the lower tax base is £150k in 2014-15. Members are recommended to passport this sum on a parish by parish basis in proportion to the calculated impact of the changes to the Council Tax Support scheme for each parish council, which has been notified to individual parishes.

9. New Homes Bonus 2014-15

- 9.1 Cabinet initially agreed a strategy in November 2011 to use New Homes Bonus (NHB) primarily for a mix of large-scale and more local one-off capital schemes. Subsequently, Council agreed that £2.2m of the 2013-14 allocation would be used to support the revenue budget, with the remainder being used to help fund capital expenditure. The Government has announced that the provisional value of New Homes Bonus (NHB) for Swindon for 2014-15 totals £5.1m, which includes an affordable homes premium of £61k. Of this sum, the budget proposals assume that the same level as in 2013-14 will be used to support the 2014-15 Base Budget, with the balance being set aside to help pump prime investment in the Borough. Due to the uncertain nature of this grant in future years, Members are advised not to increase the proportion of this grant used to support the Council's base budget.
- 9.2 The next instalment of NHB will be received from April 2014 and there are likely to be a number of calls on this funding. In line with Cabinet's previous decision, it is assumed that these will primarily involve supporting capital schemes, either by funding new ones or financing existing schemes. One potential area of investment is in relation to superfast broadband in more rural areas, for which an approved allocation of funds already exists. During the coming weeks, an announcement is expected from BDUK, the Government

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agency responsible for the national roll-out, around additional funding for local authorities to deliver up to 95% coverage, subject to match funding being available. Further consideration will need to be given to this once the funding details are known.

10. One-Off Investment in Services

- 10.1 Recognising the impact that the challenging on-going financial position has on the Council's ability to invest in additional services, Members have prioritised £845k of one-off resources to invest in services. This funding has been earmarked from the £1.2m unspent Corporate Contingency Fund in the 2013-14 Budget. The balance will be used to mitigate risks within the 2014-15 Budget. Members are asked to approve that this funding is spent on the services set out in Table 3 below and that the work commences at the earliest opportunity.

Table 3 –One-Off Investment in Service Improvements

	One-Off Investment £'000
Capacity and technology to allow customers to undertake more transactions on-line	140
Investment to allow customers to report issues using up to date "App" technology	75
Refresh road line painting in areas where the lines are not clear	25
Widen Queen Elizabeth Drive	100
Undertake access works to allotments off Greenbridge Road	25
Funding to allow a 20% discount off the price of Compost Bins purchased from Enterprise Works up to a ceiling of £40k	40
Create school safety zones at Haydonleigh, Chiseldon and Peatmoor Schools	30
Appoint a temporary part-time post to focus on the prevention of child sexual exploitation within the Borough	60
Additional funding for pot hole and pavement repairs	350
Total One-Off Investment in Services	845

11. The Proposed Budget 2014-15

- 11.1 A number of changes to services and resulting Budget savings have already been approved by Cabinet at its meetings in October and December 2013. In addition, the Council consulted on its draft Budget proposals following their approval by Cabinet on 11th December 2013 and is also undertaking further consultation with the Business community. The meeting with business representatives from Swindon, on behalf of non-domestic rate payers will take

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place on 28th January 2014. The general consultation feedback is set out at Appendix 5 and the minutes of the meeting with Business representatives will be circulated as Appendix 6 at the meeting.

- 11.2 No changes to the Draft Budget are expected as a result of the general consultation feedback received to date.
- 11.3 The assumed level of funding gap in the Draft Budget was £29k higher than that included in the Provisional Local Government Finance Settlement. In addition, new cost pressures and savings proposals not affecting front-line services have been identified since the December 2013 Draft Budget reducing the funding gap to £850k. Should Council approve a Council Tax freeze for 2014-15 at its meeting on 24th February 2014, this gap will be closed through the receipt of the Council Tax Freeze Grant.
- 11.4 All proposals that have been added or amended since the Draft Budget was presented to Cabinet on 11th December 2013 are shown in Table 4 below and within an additional column in Appendix 4. Should any changes be required to any of the proposals in response to consultation feedback prior to implementation, these will be reported to Cabinet as part of the 2014-15 scheduled Budget Management reports.

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Table 4 – Changes between the Draft and Final Proposed Budget 2014-15

	£'000
Funding Gap in 2014-15 Draft Budget (11th December 2014)	1,217
Difference between the funding assumptions in the Draft Budget and the provisional Local Government Finance Settlement for 2014-15 (the grant settlement included a slightly bigger reduction in grant funding than previously assumed)	+29
Additional recharges to Schools	(30)
Reduction in loss of section 106 funding towards grounds maintenance costs from £40k to £30k	(10)
Reduction in Contract Inflation and funding changes	(354)
Reduction in income from Thamesdown Transport Limited	350
Increase in cost pressure for the passporting of Council Tax Support Grant to parished (previously 50% assumed – now increased to 100%)	75
Additional NNDR Costs	50
Additional Planning and Building Control Income	(35)
Costs of migrating to the Windows 7 operating system when Windows XP support is removed and provision for Windows software licence costs being negotiated with Microsoft and Capita, partly offset by some short-term savings whilst work is undertaken to reshape ICT services to deliver more significant future years' savings.	479
Increase in procurement savings	(115)
Additional Council Tax Court Cost Income	(190)
Rental income from energy providers from photovoltaic solar panels located on Council assets	(200)
Council Tax Freeze Grant Income	(850)
Reduction in Corporate Contingency	(416)
Funding Gap February 2014	0
2014-15 Proposed Budget Financed By:	
~ Formula Grant	64,889
~ Council Tax Income	75,923
~ Collection Fund Surplus – Council Tax	1,847
Proposed Budget 2014-15	142,659

12. Contingencies and Risk

- 12.1 The table below sets out the level of contingencies and general reserves held in support of the 2014-15 Budget and the specific reserves held are set out in Appendix 7. 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, and alongside the level of general and earmarked reserves, reflect the overall potential risk associated with

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delivering the Budget proposals. In light of this approach, the Board Director, Resources, as part of his Section 151 responsibilities, is content that the 2014-15 Budget as proposed is deliverable.

Table 5 – General Contingencies and Reserves held against the 2014-15 Budget

	£'000
General Reserves	6,000
General Contingency Fund	500

13. Fees and Charges

- 13.1 In the Draft Budget considered by Cabinet on 11th December 2013, a 3% increase in fees and charges was assumed. Where using market intelligence a 3% increase is not proposed, the proposed charges for these services are set out in Appendix 1 and only very minimal changes have been made from those published in the Draft Budget Report.

14. Equalities and Diversity

- 14.1 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 2013-14 Budget has been prepared with this in mind. As part of the process to draw up budget proposals, each Board Director has considered equalities and other risk issues, including community safety, both in respect of investment and reductions in spend. For those proposals with an impact on stakeholders, a full Diversity Impact Assessment (DIA) was completed and published alongside the Draft Budget presented to Cabinet on 11th December 2013.

15. General Reserves

- 15.1 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. However, 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 and benchmarking suggests that Swindon is holding higher levels of reserves than other Councils of a similar size and complexity. In this context, it is recommended that the level of General Reserves the Council holds is maintained at £6m.

16. Alternative Options

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

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17. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

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

Legal and Human Rights Implications

- 17.2 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)

- 17.3 There are no such direct implications.

Diversity Impact Assessment

- 18.** A Diversity Impact Assessment (DIA) has been produced for each of the savings proposals that could affect minority groups. These have been published on the Council's Web-site alongside the Draft Budget report considered by Cabinet on 11th December 2013.

19. Consultees

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

20. Background Papers and Appendices

- 20.1 Appendix 1: Proposed Changes to Fees and Charges above the 3%
20.2 Appendix 2: Summary of Proposed Budget By Group 2014-15
20.3 Appendix 3: Summary Budget Proposals By Department 2014-15
20.4 Appendix 4: Detailed Budget Proposals 2014-15 By Group
20.5 Appendix 5: Consultation Response – to follow
20.6 Appendix 6: Minutes of the Ratepayers meeting on 28th January 2014 – to follow
20.7 Appendix 7: Reserves Policy and Specific Reserves held to support the 2014-15 Budget

21. Key Decision/Decision in Forward Plan

- 21.1 This is not a key decision for the Cabinet as it is subject to determination by the full Council and the item is included in the Cabinet Work Programme and Forward Plan for February 2014.