

# Budget 2016-17 and Beyond

**Cabinet**

**Date: 10<sup>th</sup> February 2016**

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| Author:            | Cabinet Member for Finance, People and Performance and Board Director Resources |
| Wards:             | All   |
| Locality Affected: | All   |
| Parishes Affected: | All   |

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## **1. Purpose and Reasons**

- 1.1 This report proposes a Budget for 2016-17 and sets out the financial context for 2017-18 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 recommended to note:

- 2.1 The medium term financial context and impact on Swindon of the draft Local Government Finance settlement;
- 2.2 The final Local Government Finance settlement is not expected until after the date of the Cabinet meeting and that the funding figures assumed in the report are therefore draft;
- 2.3 The projected out-turn for 2015-16 and that savings arising from the early delivery of 2016-17 Budget Proposals will be used to partly finance one-off costs incurred in-year to deliver the 2017-18 Budget, thus helping to preserve the level of funding held in reserves for future years' transformation;
- 2.4 The Council does not expect to need to replenish General Reserves as part of the 2016-17 Budget Setting process;
- 2.5 The consultation feedback set out in Appendix 11 in relation to the Budget proposals presented to Cabinet in December 2015;
- 2.6 That a consultation meeting with business representatives from Swindon, on behalf of non-domestic rate payers took place on 27<sup>th</sup> January 2016 and the minutes will be provided at the meeting;

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- 2.7 That the detailed Dedicated Schools budget for 2016-17 has been set by the Interim Director of Children Services under her delegated powers, within the provisional funding envelope of £163.550m;
- 2.8 That the proposed budget includes provision to pay all Council staff in line with or above the Government's National Living Wage, in accordance with the resolution at Council on 21<sup>st</sup> January 2016;
- 2.9 That 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.

In respect of Children Centres, Cabinet is asked to:

- 2.10 Consider the responses set out in Appendix 11 of the consultation carried out on the proposals to changes to children's centre provision;
- 2.11 Note that there have been initial discussions with the providers of early years' education currently in the children's centre buildings and they would all be interested in providing additional early years' places and can also see the benefit of having protected space for parents of 0 – 5 year olds and health provision;
- 2.12 Endorse the approach set out in this report in relation to improving children's lives in those areas with the most vulnerable children and families through the development of a Family Service 0 – 18 delivered out of Penhill Sure Start Children's Centre building at an investment of £672k;
- 2.13 De-register children's centres at Penhill & Pinehurst, Drove, Moredon, Gorse Hill and Parks & Walcot East;
- 2.14 In response to the specific consultation issues, note the Council is committed to the on-going conversation with parents and carers and will be making funding available of £33k per annum for two years for staffing to facilitate parent groups for parents of 0 – 3 year olds. The staff will be working three-fifths of the time in Goddard Park (Parks and Walcot East), one-fifth in Drove (Central) and one-fifth in Swindon Academy (Pinehurst);
- 2.15 Authorise the Board Director Commissioning (DCS/DASS) to implement the proposals after giving notice to existing providers of three months from 1st April 2016;
- 2.16 Authorise the Director of Law and Democratic Services and Head of Property Assets, in consultation with the Cabinet Member for Children's Services and the Interim Directors of Children Services (DCS) and Adult Social Care (DASS), to

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agree terms and conditions on which any changes to lease arrangements would be made to protect the Council's interests and ensure continued use of children's centre buildings for services for children and families.

Cabinet is requested to:

- 2.17 Agree the 2015-16 virements set out in Appendix 5;
- 2.18 Endorse the Medium Term Financial Strategy set out in Appendix 9;
- 2.19 Agree that the efficiency statement included within Appendix 9 is shared with the Secretary of State alongside confirmation that the Borough Council will be accepting the four-year financial settlement for Swindon shared by the Government;
- 2.20 Agree that there are no changes to the proposed fees and charges set out in Appendix 1 to the report to Cabinet on 9th December 2015 but note that the HMRC is exploring the possibility of requiring councils to charge VAT on land charges "Con29 - Standard Enquiries relating to information pending or not disclosed on LLC1";
- 2.21 Agree the Specific Reserves held in support of the 2016-17 Revenue Budget set out in Appendix 7;
- 2.22 Agree that one-off funding of £2m is earmarked to support delivery of the 2016-17 Budget as set out in paragraph 16.1;
- 2.23 Endorse the previous decision to cease the business rates scheme under which small business rate discounts are doubled from 31<sup>st</sup> March 2016;
- 2.24 Authorise the Board Director Resources to balance any changes between the provisional Local Government Finance settlement and the final numbers expected to be released in mid-February by using the Corporate Contingency Fund of £0.5m, up to the value of £250k;
- 2.25 Recommend to Council the level of Special Expenses for 2016-17 shall be £1,770,000 and the areas of land and services that will be charged as special and general expenses set out in Appendix 10; and
- 2.26 Recommend to Council, subject to any changes resulting from the Government's announcement of the final Local Government Finance Settlement for 2016-17 that:-
  - 2.26.1 The 2016-17 Budget be set at £135.226m and the Budget Requirement for tax setting purposes be set at £133.632m, with the difference being the Adult Social Care precept;

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2.26.2 The Council Tax should be increased by 3.99%, made up from 1.99% for the basic amount of Council Tax and a specific Adult Social Care Precept representing a further 2%, and;

2.26.3 It be determined that the proposed increase in the basic amount of Council Tax for 2016-17 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

- 3.1 Central Government policy has had a specific focus on reducing the public sector deficit which has meant that Local Government (together with the public sector as a whole) is required to reduce its expenditure. The Chancellor of the Exchequer has recently confirmed his intention to continue with public sector Government funding reductions as part of an overall deficit reduction strategy.
- 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. Members are reminded that, prior to the 2016-17 Budget round, £100m of savings have already been implemented during the last seven years, over 500 post deletions have been identified during the last four years and management capacity was reduced by nearly £1m during the period 2006 to 2013.
- 3.3 As part of its on-going strategy to remain financially sustainable, officers operate an on-going cycle of savings identification. Recognising the sustained nature of the challenging financial position, the Council needs to use its one-off reserves to fund the implementation of significant transformation programmes rather than relying on them to fund on-going expenditure, where possible.
- 3.4 The Council's Medium Term Financial Strategy and Efficiency Statement are set out in Appendix 9. This sets out the strategic approach adopted to develop budget proposals within the national and local financial and economic context, which Members are asked to endorse.

## 4. The Forecast Out-turn 2015-16

- 4.1 The starting position for the 2016-17 Budget is the current year's Budget for 2015-16. Table 1 below and appendices 1 and 2 set out the forecast position to 31st March 2016, which shows that the Council expects to be able to deliver the 2015-16 Budget without drawing on General Reserves. On that basis, no provision has been included in the Proposed Budget for 2016-17 to replenish Reserves as a result of projected drawings in-year.
- 4.2 As part of the continuous cycle of savings identification and implementation and the strategy adopted by Cabinet to implement savings as early as possible,

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officers have delivered a significant proportion of the 2016-17 Adult Social Care savings in-year. This has created some in-year funding capacity that can be redirected on funding costs incurred in year than were planned to be funded from reserves plus offset both older people and children social care cost pressures that emerged in year.

Table 1 – Forecast Out-turn 2015-16

| Department                | Budget<br>2015-16 | Full-Year<br>Projected<br>Out-turn | Projected<br>Variance | Movement<br>since last<br>report |
|---------------------------|-------------------|------------------------------------|-----------------------|----------------------------------|
|                           | £'000             | £'000                              | £'000                 | £'000                            |
| Chief Executive           | 3,246             | 2,970                              | (276)                 | (100)                            |
| Resources                 | 19,639            | 19,487                             | (152)                 | (91)                             |
| Corporate                 | (14,011)          | (15,136)                           | (1,125)               | 0                                |
| Commissioning             | 98,063            | 100,154                            | 2,091                 | 167                              |
| Service Delivery          | 29,803            | 29,318                             | (485)                 | (22)                             |
| <b>Total General Fund</b> | <b>136,740</b>    | <b>136,793</b>                     | <b>53</b>             | <b>(46)</b>                      |

- 4.3 A number of budget virements have been proposed since the last meeting and Members are asked to approve the budget transfers set out in Appendix 5.

## **5. The 2016-17 Provisional Finance Settlement**

- 5.1 On 17<sup>th</sup> December 2015, the Government published information to advise councils of the impact of the 2016-17 Provisional Local Government Finance Settlement which included a number of key changes compared to previous years.

### Four-Year Settlement

- 5.2 For the first time, the Government has set out clearly the level of funding it expects councils to have during the current parliamentary period up to 2019-20. This includes both Government funding and its expectation around locally-raised funding; making assumptions around both growth and Council Tax levels.
- 5.3 Having greater clarity around funding levels is certainly welcomed and will help the Council plan its services better in the coming years. One element of funding that is currently unclear though relates to specific grant funding. As well as the Government giving councils Revenue Support Grant (RSG), ring-fenced grants are also paid that have to be spent on specific services. Over the last few years the number and value of these specific grants has been reducing with an increasing number being rolled up into the RSG. However, a number of grants still exist, most notably the Public Health and Education Support Grants and, in total, Swindon receives £13.7m of cyclical specific grants in 2015-16. These fund services which have demands that are not directly influenced by their funding

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levels and our Medium Term Financial Plan assumes a reduction of £8m over the next four years. (In addition, there are a small number of specific reserves that relate directly to service levels and fluctuate from year to year).

- 5.4 To date, no information has been released by the Government on the expected future trends in this overall specific grant funding level, albeit some communication has been released suggesting a 25% reduction in Public Health funding and a significant withdrawal of parts of the Education Services Grant during the parliamentary period. Therefore a certain degree of uncertainty remains despite the four year settlement.

## Council Tax Levels

- 5.5 For the last five years, the Government has encouraged and incentivised councils to minimise Council Tax increases using a Council Tax Freeze Grant. From 2016-17 onwards, the Government is instead assuming that Councils will increase Council Tax to help offset the on-going reductions in Government Grant funding and to help manage new cost pressures, in particular in relation to Adult Social Care.
- 5.6 In relation to services generally, no Council Tax Freeze grant is available, the threshold by which Councils have to hold a referendum has been set at 2% (£5 for some District Councils) and the Government's modelling assumes that authorities will increase Council Tax by at least 1.75%. Feedback from Councils nationwide suggests that most are considering an increase just below the referendum threshold at 1.99% for their basic amount of Council Tax.
- 5.7 In response to feedback from councils and the Local Government Association, the Government has also given authorities responsible for Adult Social Care further flexibility to raise an Adult Social Care precept up to the value of a 2% Council Tax increase. The Government's four year spending power forecasts assume that councils will raise Council Tax by a further 2% and, again, feedback from councils nationally is that most are considering this.
- 5.8 An additional 2% Adult Social Care Precept Council Tax increase would generate an extra £1.594m in 2016-17 for Swindon, £6.492m over the next four years.

## Efficiency Statement

- 5.9 A new requirement is included asking Councils to confirm their acceptance of the four-year settlement on the basis that they share with the Secretary of State their individual plans to drive local savings as part of a Council-wide efficiency agenda.
- 5.10 At the time this report was published, it was unclear from the announcement what the implications were for councils either accepting or rejecting the offer and whether any alternative options were available. In addition, despite receiving greater clarity on major grant funding levels, there remained significant uncertainty around future specific grant funding.



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- 5.11 However, after seeking greater clarity over future funding levels for many years, it is recommended that the Council submits the Efficiency Statement set out in Appendix 9 and does accept the four year funding levels with the caveat that the information has been taken at face value and still contains significant levels of uncertainty and therefore the Council will not be held to this irrevocably.

## New Homes Bonus

- 5.12 The Draft Budget assumes that 100% of New Homes Bonus received by the Council from 2016-17 is spent supporting the on-going revenue budget. This was proposed based on forecast growth levels and resulting bonus levels in future years payable for six years from the point of occupation of the new dwellings.
- 5.13 A Government consultation document issued on 17<sup>th</sup> December 2015 proposes to reduce the level of national funding allocated for New Homes Bonuses by £800m and to reduce the period over which the grant is payable from six years to four or less years. In addition, the ability to withhold the grant from councils without a local plan is also being established.
- 5.14 The changes would reduce the level of bonus received by Swindon from £28.3m over the next four years to £23.0m, with the reductions falling in years three and four.

## Revenue Support Grant (RSG)

- 5.15 The Draft Budget assumed that Swindon would no longer receive RSG by 2020. The four year funding announcement suggests that around £4m will remain in 2019-20 which will broadly offset the reduction in New Homes Bonus referred to above. It is unclear whether further reductions will continue beyond the current parliamentary period or whether any further specific grants will be rolled into the RSG

## Better Care Fund (BCF)

- 5.16 At present, Swindon benefits from £4.8m of BCF passported from the Clinical Commissioning Group (CCG) to the Council towards the cost of Adult Social Care to help reduce costs within the hospital and our Medium Term Financial Strategy assumes this will continue and grow moderately negotiated through continued good working relationships between the two organisations. Over and above this, the Government has announced that it will re-target some of the money freed up from the New Homes Bonus into new BCF funding to be paid directly to Councils in 2018-19 and 2019-20. This could be up to £5m for Swindon but will be flexed based on the number of councils raising an Adult Social Care Precept.

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## Impact of the Provisional Settlement

- 5.17 At a national level, the Local Government Association has welcomed the increased flexibility given to Councils to raise new local funding.
- 5.18 The Medium Term Financial Strategy in Appendix 9 sets out in more detail the assumed future funding levels for Swindon but in overall terms, the announcement for Swindon was very much in line with previous predictions with the grant levels for 2016-17 being within £2k of local predictions. The Draft Budget assumed an overall change in funding of £10m in 2016-17 but wasn't explicit over the proportions across general and specific grants. Table 2 below summarises the provisional settlement and compares it to the assumptions in the Draft Budget considered by Cabinet on 9<sup>th</sup> December 2015.

Table 2 – Comparison of Provisional Settlement with Draft Budget Assumptions

|                             | 2016-17       | 2017-18       | 2018-19       | 2019-20      | Total         |
|-----------------------------|---------------|---------------|---------------|--------------|---------------|
| <b>Actual</b>               | £m            | £m            | £m            | £m           | £m            |
| Revenue Support Grant       | 20.823        | 13.577        | 8.949         | 4.268        |               |
| New Homes Bonus             | 7.079         | 7.117         | 4.471         | 4.290        |               |
|                             | <b>27.902</b> | <b>20.694</b> | <b>13.42</b>  | <b>8.558</b> | <b>70.574</b> |
| <b><u>MTRP Forecast</u></b> |               |               |               |              |               |
| Revenue Support Grant       | 20.821        | 13.623        | 6.623         | 0            |               |
| New Homes Bonus             | 7.079         | 7.079         | 7.079         | 7.079        |               |
|                             | <b>27.9</b>   | <b>20.702</b> | <b>13.702</b> | <b>7.079</b> | <b>69.383</b> |
|                             |               |               |               |              |               |
| <b>Difference</b>           | <b>0.002</b>  | <b>-0.008</b> | <b>-0.282</b> | <b>1.479</b> | <b>1.191</b>  |

## Final Local Government Finance Settlement

- 5.19 In recent years, the final Local Government Finance settlement has been received in late January but the consultation document this year refers to a February announcement with an expectation that this is likely to be after the date of the Cabinet meeting. On that basis, it is proposed that authority is delegated to the Board Director Resources in consultation with the Cabinet Member for Finance, People and Performance to manage any differences in numbers between the provisional and final settlement from within the Council's £0.5m contingency fund, up to a value of £250k.

## **6. Council Tax 2016-17**

- 6.1 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% (as opposed to 1.94% in the Draft Budget) and raises an adult social care precept of £1.594m resulting in a further 2% increase.



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- 6.2 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.
  - 6.3 A 3.99% increase would increase the average bill by £45.73 per annum. Freezing bills during the last five years has saved the average Council Tax payer £342.27 with bills in 2015-16 being £115.57 lower than they would have been with annual increases just below the 2% referendum threshold.
  - 6.4 PPS is required to share with the Council, as its shareholder, its Business Plan for the following financial year in January each year in order that the financial implications can be considered as part of the Council's Budget setting process.
  - 6.5 Adoption of the PPS 2016/17 – 2019/20 Business Plan was postponed pending news regarding its Wroughton Solar Park project. As a result, it was agreed that the final drafting would be agreed at its January Board meeting on 28<sup>th</sup> January 2016.
  - 6.6 As a result of this postponement, Cabinet Members have not yet had a chance to consider the detailed plan. However, the Wroughton Solar Park project is now progressing well and the key financial information is not expected to be significantly different to the plan adopted by Cabinet in February 2015 and therefore, no significant changes have been reflected in the proposed Budget for the Council for 2016-17. However, a cost pressure reflecting a fall in global recycling values has been included in the detailed appendices.

## **7. Feedback from Scrutiny Committee**

- 7.1 On 11th January 2016, the Scrutiny Committee considered a report on the 2016-17 Budget setting process and took the opportunity to better understand the strategic context and framing for the direction of travel of the organisation to deliver the Vision for Swindon over the next four years. The Committee debated a range of points and asked that the Cabinet be recommended to consider the following comments in relation to the Budget setting process 2016/17:
  - a. That the new health demand change from acute to prevention to facilitate budget saving initiatives be investigated;
  - b. That Swindon's economic development, the Council's savings proposals and the identification of new forms of revenue streams be supported;
  - c. That highway projects already approved and committed through the Localities Fund by 31<sup>st</sup> March 2016 be ring-fenced;
  - d. That the Director of Law and Democratic Services include the review of the delegation of Locality Community Grants within the future review of the Scheme of Delegation to keep current funding in 2016.
- 7.2 As was reported at the Scrutiny Committee, the Council's has been driving changes to the way adult social care services are provided to help mitigate the demand for the service. As a result of this work, the detailed Budget proposals

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for 2016-17 include £4.5m of savings to care package costs that have been either avoided due to prevention work or reduced in cost due to putting in place more suitable forms of support.

- 7.3 In addition, in accordance with the recommendations of the Scrutiny Committee, the detailed Budget proposals assume that highway projects already approved and committed through the Localities Fund by 31<sup>st</sup> March 2016 will be ring-fenced and completed thereafter; and that the level of grants to be made available will be maintained at 2015-16 levels.

## 8. Consultation Feedback

The Council published details of all proposed service changes included within its Draft Budget on its website on the 18<sup>th</sup> December 2015 and also undertook targeted consultation on some specific proposals. The feedback from the consultation is set out in Appendix 11 of this report with the majority of feedback focused around the proposals affecting Children Centres, the provision of localised services such as libraries and the joint work with parish councils; and the proposed changes to the Voluntary Action Swindon contract. As stated in the Council's Consultation policy (Cabinet Minute 89, 2013/14 refers), "the Council recognises that consultation is one of a number of important factors in making its decisions e.g. a consultation is certainly not a referendum; and that the decisions made will not always be supported by all consultees".

### *Children Centres*

- 8.1 The rationale for decommissioning the children centres was set out clearly in the report to Cabinet on 9th December 2015 and the full consultation document produced to engage with stakeholders. Since that date, extensive consultation has been undertaken. The full consultation report and the full responses are available for inspection in the Members Room or on request from the report author and are summarised in Appendix 11.
- 8.2 The proposals comply with relevant duties under the Childcare Act 2006 and relevant associated guidance. Section 1 of the Childcare Act places a duty on Local Authorities to improve the well-being of children in their area and reduce inequalities between them. Section 3 places a duty on local Authorities to make arrangements to secure that early childhood services in their area are provided in an integrated manner in order to facilitate access and maximise the benefits of those services to young people and their parents.
- 8.3 The majority of the responses received to the consultation on the over-arching proposal to decommission the sites as registered children centres were negative and opposed the idea. A number of respondents expressed a willingness to volunteer although cited the need for adequate training and support to equip them to do this. Initial discussions have been held with the providers of early years' education currently in the children's centre buildings and they would all be interested in providing additional early years' places and can also see the benefit

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of having protected space for parents of 0 – 5 year olds and health provision. The Council is expecting a petition opposing the closure from parents and stakeholders in the Parks and Walcot area. In addition a proposal has been received from Goddard Community School to provide a Family Centre and also one from 4Children to provide a Family Support Service for a reduced budget. These have been considered however are not seen as viable given the Council's current budget position. Alongside the wider evidence included in the December report, it is therefore proposed that the Council continues with its proposal to decommission the centres.

- 8.4 In response to the specific consultation issues, Members are asked to note the Council is committed to the on-going conversation with parents and carers and are asked to make funding available of £33k per annum for two years for staffing to facilitate parent groups for parents of 0 – 3 year olds. The staff will be working three-fifths of the time in Goddard Park (Parks and Walcot East), one-fifth in Drove (Central) and one-fifth in Swindon Academy (Pinehurst). The expectation would be that within two years the parent groups would become established and become self-sustaining.

## *Going Local*

- 8.5 A number of groups responded to proposals affecting community assets, libraries and grounds and street cleaning services within the context of moving services closer to local people. The Council will be engaging with the groups responding to the consultation as well as wider stakeholders as part of the engagement planned around the consultation on the libraries strategy, work on wider community asset proposals and the Community Governance Review currently in progress to determine the number and shape of parish councils across the Borough. Feedback is welcomed and the Council is keen to engage to help develop the future shape of services with residents within the proposed reduced funding envelope.

## **9. The Proposed Budget 2016-17**

- 9.1 Since publication of the draft Budget in December 2015, the Council has consulted with a range of stakeholders and the key findings from that consultation is summarised in Appendix 11. The Council is also undertaking further consultation with the business community via a meeting with business representatives from Swindon, on behalf of non-domestic rate payers on 27<sup>th</sup> January 2016. The minutes of the meeting with Business Representatives will be circulated as Appendix 6 at the meeting.
- 9.2 No material changes to the Draft Budget are proposed as a result of feedback from the general consultation but further changes have been required to close the remaining gap between income and expenditure commitments and specific actions are recommended to respond to issues raised on the Children Centres

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consultation set out in Appendix 11. Members are asked to agree to these recommendations.

- 9.3 All proposals that have been added or amended since the Draft Budget was presented to Cabinet on 9<sup>th</sup> December 2015 are shown in Table 3 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 2016-17 scheduled Budget Management reports. The figures in both Appendix 4 and Table 3 assume that the recommendations in reports earlier on the agenda are agreed by Cabinet.

Table 3 – Changes between the Draft and Final Proposed Budget 2016-17

|   | £'000 |
|---|-------|
| <b>Changes to assumptions and proposals in Draft Budget Report:-</b>                                    |       |
| Difference between total funding assumption and provisional settlement                                  | (2)   |
| Expected further reduction in Public Health Grant (not yet announced) ##                                | 200   |
| Further inflationary cost pressure  | 735   |
| Further reduction in recycles income due to falling prices  | 200   |
| Reduction in placements/agency Children and Families cost pressure                                      | (100) |
| Increase in Budget reductions driven through a 2014-15 Out-turn versus 2015-16 Budget comparison.       | (21)  |
| Delete contingency for worse settlement as not required   | (500) |
| Increase in change programme savings since Draft Budget   | (274) |
|   |       |
| <b>New savings expected to be in place by 1<sup>st</sup> April 2016:-</b>                               |       |
| Public Health savings to offset grant reduction above ##  | (200) |
| Reductions in Supporting People contracts   | (245) |
| Restructuring of Children Safeguarding Advisory service   | (73)  |
| Saving on Building Maintenance costs for the Children's Nursery   | (13)  |
| Home Office contribution to Child Sex Exploitation prevention work                                      | (33)  |
| Investment in growth in older people care packages by Health  | (190) |
| Replacement of Adult Social Care funding of Localities Service with 2015-16 unspent ring-fenced funding | (65)  |
| Reduction in Adult Social Care Voluntary Sector expenditure   | (65)  |
| Review of Business Support and Customer Services structures   | (100) |
| Education efficiency savings across a number of budgets   | (40)  |
| Additional fuel savings on fleet due to falling oil prices  | (45)  |
| Additional income from planning, licencing and car park enforcement                                     | (110) |
| Partnership opportunities to operate the Shopmobility service   | (20)  |
|   |       |
| <b>Further new savings to be targeted during 2016-17:-</b>  |       |

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| Targeting part-year savings from new Adult Social Care operating model and reduced care costs to be held centrally until new model in place  | (500)          |
| Review of future funding for bus services to be based on social need criteria - part year saving.  | (100)          |
| Review of community transport service whilst minimising impact on the service users – part-year saving   | (100)          |
| Joint working with Wiltshire Council to identify efficiencies in the cost of running the Wiltshire History Centre. SBC's contribution will reduce in 16/17. There will be no impact on the level of service currently provided | (23)           |
| Canteen Subsidy Reduction - review operations to explore options to reduce the net running cost of the service.  | (30)           |
| Enforcement of Public Service Protection Order - penalty charge notice income generated as a result of behaviour change work in town centre  | (127)          |
| <b>Proposed Funding Changes:-</b>  |                |
| Increase in Basic Council Tax increase from 1.94% to 1.99%   | (40)           |
| Further increase in NNDR income  | (247)          |
| Further 2% Council Tax increase through Adult Social Care Precept  | (1,594)        |
|  |                |
| <b>Total changes between Draft and Final Proposed Budget</b>   | <b>(3,722)</b> |

## Public Health expenditure reductions will be matched to the reduction in the grant to be confirmed in February 2016.

|   |                |
|---|----------------|
| <b>Total of Draft Budget Proposals (9<sup>th</sup> December 2015)</b>             | <b>133,720</b> |
| Less Draft Budget funding gap closed above  | (3,722)        |
| Increased Council Tax income from increase above Draft Budget                     | 1,634          |
| Rolling of specific grants into Revenue Support Grant                             | 1,777          |
| Assumed growth in Business Rates moved as a funding source and increased by £247k | 997            |
| Allowance for other specific grant changes (to be confirmed)                      | 820            |
| <b>Final Proposed Budget 2016-17</b>  | <b>135,226</b> |

|  |                |
|--|----------------|
| <b>Financed By:</b>                                      |                |
| ~ Revenue Support Grant                                  | 20,823         |
| ~ Business Rates   | 30,305         |
| ~ Council Tax Income – basic amount of Council Tax       | 81,292         |
| ~ Council Tax Income – Adult Social Care precept         | 1,594          |
| ~ Collection Fund Surplus – Council Tax                  | 1,462          |
| ~ Collection Fund Deficit – Business Rates               | (250)          |
| <b>Final Proposed Budget 2016-17</b>                     | <b>135,226</b> |
| Less Adult Social Care Precept                           | (1,594)        |
| <b>Budget Requirement for Basic Tax Setting Purposes</b> | <b>133,632</b> |

## Business Rates Discounts 2016-17

Further information on the subject of this report can be obtained from Kirsty Cole on (01793) 464610 or Email [kcole@swindon.gov.uk](mailto:kcole@swindon.gov.uk)



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- 9.4 Following announcements made in the Chancellor's autumn statement, it should be noted that the national scheme under which Small Business Rate discounts are doubled will continue in 2016-17. However, the funding of the retail relief scheme, under which shops and restaurants were given an additional £1,500 annual rates discount ends in March 2016. If the Council wishes to continue its own local scheme, under the Business Rates finance retention scheme, it would have to fund 50% of any payments. This is not recommended at the current time, as it would cost approximately £350,000 to continue.

## **10. Relationship between Revenue and Capital Budgets**

- 10.1 The 2016-17 Revenue Budget includes a cost pressure of £0.5m to cover the estimated increase in debt charges to finance the capital programme being delivered during 2016-17 and any interest incurred on schemes starting in 2016-17. This is modelled on previous years' capital cash outflows, which tend to be in the order of around £60m per annum.
- 10.2 The 2016-17 Capital Programme is set out elsewhere on the agenda and any significant increase in the published programme will have an impact on the annual revenue budget of £0.85m per £10m of capital expenditure financed from corporate resources.

## **11. Members Allowances**

- 11.1 The Council agreed at its meeting on 23<sup>rd</sup> July 2015 (Minute 21 of the Council) to increase Councillors' Basic and Special Responsibility Allowances by an amount equivalent to the percentage increase in pay awarded to local authority staff nationally in the 2015/16 Pay Round and that this be on the basis of the percentage of the increase in the Council's pay to meet the cost. The 2016-17 Budget allows for a 1% uplift in staff pay and therefore Councillors' allowances. (A 1% uplift in Members Allowances costs £6,700). Appendix 8 shows the indicative levels of allowances for 2016-17.

## **12. Special Expenses (charges for services provided in the non-parished area)**

- 12.1 As part of the Borough of Swindon is parished and part unparished, the Borough Council is responsible for providing some services to a proportion of its residents that parishes provide elsewhere within the Borough. In order that the cost of these local services are only charged to residents in the non-parished area (to avoid residents living within parishes paying for the same services twice) a special calculation has to be made as part of the annual Council Tax setting process.
- 12.2 The costs of "parish-type" services provided by the Borough Council in the non-parished area are called special expenses. In recent years, whilst Council Tax levels have been frozen, there has been little change to the services charged as special expenses and the charge per Band D household has been £27.81.



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- 12.3 One of the change programmes delivering savings in 2016-17 involves transferring services from the Borough Council to parish councils. As the level of service provision undertaken by parish councils increases, the range of services that the Borough Council provides to residents living in the non-parished part of the Borough only increases.
- 12.4 The service transfers to parish councils in 2016-17 are focused mainly around grounds maintenance and street cleaning services. The proportion of the Borough Council's Budget chargeable as special expenses has therefore increased between 2015-16 and 2016-17 for these two services. Previously, street cleaning services were viewed as a benefit to all households but now some aspects of the service is provided by parish councils.
- 12.5 A breakdown of the sum to be charged as special expenses is summarised below with full details set out in Appendix 10. Members are asked to approve the value of £45.80 for 2016-17 in order that this figure can be included in the Council Tax calculations to be presented to Council on 23<sup>rd</sup> February 2015. This compares to the average parish precept of £65 in 2015-16 which is expected to increase to around £75 in 2016-17.

Table 4 –Level of Special Expenses and Council Tax impact 2015-16 to 2016-17

|   | 2015-16    | 2016-17    | Change |
|---|------------|------------|--------|
| <u>Special Expenses (tax base 38,643.2)</u>         |            |            |        |
| Total value of Special Expenses                     | £1,041,229 | £1,770,000 | 70.0%  |
| Divided by tax base for the non-parished area       | 37,440.8   | 69,545.80  | 85.7%  |
| Charge per Band D Household                         | £27.81     | £45.80     | 64.7%  |
| <u>General Expenses (tax base 69,545.8)</u>         |            |            |        |
| General Expenses assuming no other change           | £1,130.70  | £1,120.64  | -0.9%  |
| General Expenses with a 3.99% uplift in Council Tax | £1,130.70  | £1,166.37  | 3.2%   |

- 12.6 The effect of a £17.99 increase in the charge payable per household for special expensive will result in a reduction in the charge for General Expenses, which are charged to every household. Ignoring the proposed Borough-wide Council Tax increases, the reduction in the general expenses charge equates to £10.06 per household on average which is very similar to the expected average increase in parish precepts as a result of the service transfers. This means that in the parished areas, on an average basis, households will be paying the Borough Council around £10 less and their parish council £10 more and therefore the charge for grounds and street cleaning services overall is broadly unchanged.
- 12.7 As present, most of the grounds and street cleaning costs are spread across all households as part of the general expenses charge. However, the scale of investment in more urban areas is greater than in rural areas and therefore the proportion now being paid for residents just in the non-parished area is greater

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than the proportionate number of households. This has resulted in the charge per household increasing by £17.99 in comparison to the £10 changes referred to above. A comparison of the service costs proposed to be charged as Special Expenses in 2015-16 and 2016-17 is set out below.

Table 5 - Special Expenses 2015-16 and 2016-17

|                        | 2015-16          | 2016-17          | Change         |
|------------------------|------------------|------------------|----------------|
|                        | £                | £                | £              |
| Allotments             | 49,440           | 45,000           | (4,440)        |
| Bus Shelters           | 17,510           | 8,000            | (9,510)        |
| Community Centres      | 178,279          | 83,000           | (95,279)       |
| Open Spaces/Recreation | 740,000          | 717,000          | (23,000)       |
| Dog Bins               | 56,000           | 56,000           | 0              |
| Street Cleaning        | 0                | 861,000          | 861,000        |
|                        | <b>1,041,229</b> | <b>1,770,000</b> | <b>730,771</b> |

- 12.8 During 2016-17, the Council is undertaking a community governance review that may result in changes to parish boundaries and/or the establishment of new parish councils. Should the Council reach a position whereby the whole Borough becomes parished in future, a special expenses calculation is unlikely to be required as all households would be charged for the same services.

## 13. Council Motion: National Living Wage

- 13.1 On 21<sup>st</sup> January 2016, Council resolved:

“This Council welcomes the government’s announcement of a National Living Wage. This Council supports the Government in adopting this principle. This Council requests the Cabinet Member for Finance, People and Performance to bring a report to Cabinet on how the Council would include paying its staff the National Living Wage as part of the Council’s 2016-17 budget.”

- 13.2 The Proposed Budget assumes an increase in salaries in line with the latest employer’s offer based around a 1% rise plus a weighted increase for lower-paid staff. All staff will be paid at or above the Government’s National Living Wage in 2016-17 and Members are asked to note that this Council Motion was adopted and has been reflected in the Final Proposed Budget to Council.

## 14. Contingencies and Risk

- 14.1 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 2016-17, and alongside the level of general and earmarked reserves, reflect the overall potential risk associated with delivering the Budget proposals. The corporate contingency fund has been set at £0.5m and the specific reserves held to support the budget are set out in Appendix 7. In light of

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these, the Board Director Resources, as part of his Section 151 responsibilities, is content that the 2016-17 Budget as proposed, including the specific reserves and general contingency is deliverable.

## 15. One-Off Resources Commitments

- 15.1 The Council has a specific reserve to fund severance costs and a number of proposals have impacts on staff that will be met from this fund. Over and above that, it is proposed that £2m of one-off resources are earmarked to enable delivery of the 2016-17 Budget with an expectation that pump-priming and transitional funding may be required for the following proposals:-

- Transfer of services to parish councils
- Community and Culture Assets Review
- ICT and Adult Social Care new operating models
- Children Centres

## 16. Fees and Charges

- 16.1 No changes are proposed to the fees and charges proposed to Cabinet on 9th December 2015 and therefore the charges for 2016-17 that have been increased by more than 3% remain unchanged from the Draft Budget. Members are asked to note that the HMRC is currently considering the introduction of a mandatory VAT levy of 20% on land charges “Con29 - Standard Enquiries relating to information pending or not disclosed on LLC1”.

## 17. General Reserves

- 17.1 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.

## 18. Schools’ Budgets 2016-17

- 18.1 The provisional Dedicated Schools Grant (DSG) for 2016-17 is £163.550m, the majority of which is passported directly to schools. The Local Authority prepared its budgets based on existing spend, inflation and known increases in demand

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and this identified a spending requirement of £164.790m, leaving a gap of £1.240m.

- 18.2 The LA consulted with Schools Forum on how this funding gap could be met which involved exploring a range of options, The options had different funding implications for individual schools and after long debate, the Schools Forum were unable to agree on a proposed way forward.
- 18.3 The LA has to set a balanced budget and, in circumstances when Schools Forum is unable to agree, the LA's Director of Children Services (DCS) is authorised to agree the DSG Budget. Following consultation with the Cabinet Member for Children Services, the Council's Interim DCS has decided that an overall reduction of all mainstream school funding factors of 1.508% is to be implemented to balance the overall DSG budget. Full details of the decision making process were set out in a Cabinet Member Briefing Note which is available in the Members Room.
- 18.4 Cabinet is asked to note that the Interim DCS has used her delegated powers (paragraph 99 of the Council's scheme of delegations) to advise the Education Funding Agency of Swindon's decisions on funding for all schools within the Local Authority (LA) area for 2016-17.

## 19. Alternative Options

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

## 20. Implications, Diversity Impact Assessment and Risk Management

### Financial and Procurement Implications

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

### Legal and Human Rights Implications

- 20.2 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)

- 20.3 There are no such direct implications.

### Diversity Impact Assessment

- 20.4 A Diversity Impact Assessment (DIA) has been produced for each of the savings proposals that could affect minority groups and these are available for inspection.

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## **21. Consultees**

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

## **22. Background Papers**

- 22.1 None

## **23. Appendices**

- 23.1 Appendix 1: Forecast Out-turn by Directorate and by Service Type 2015-16
- 23.2 Appendix 2: Summary of Proposed Budget By Group 2016-17
- 23.3 Appendix 3: Summary Budget Proposals By Directorate 2016-17
- 23.4 Appendix 4: Detailed Budget Proposals 2016-17 By Group
- 23.5 Appendix 5: Virements 2015-16
- 23.6 Appendix 6: Minutes of the Ratepayers meeting on 28th January 2015 (to follow)
- 23.7 Appendix 7: Reserves Policy and Specific Reserves held to support the 2016-17 Budget
- 23.8 Appendix 8: 2016-17 Members Allowances
- 23.9 Appendix 9: Medium Term Financial Strategy Update and Efficiency Statement 2016 - 2020
- 23.10 Appendix 10: Special Expenses 2016-17
- 23.11 Appendix 11: Consultation Feedback

## **24. Key Decision/Decision in Cabinet Work Programme and Forward Plan**

- 24.1 The Council's Budget will be determined by the full Council on 22nd February 2016. 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 2016