

Budget Management 2015-16

Cabinet

Date: 16th June 2016

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

1. Purpose and Reasons

- 1.1 This report presents the 2015-16 Revenue Budget out-turn based on actual expenditure incurred during the Financial Year-ending 31st March 2016.
- 1.2 The effective management of financial resources through robust financial management processes underpins the Council's ability to achieve its plans and priorities.
- 1.3 Responsible budget management helps ensure that the Council consistently makes the best use of all available resources as well as providing focus for the Change Programmes.

2. Recommendations

Cabinet is recommended to:

- 2.1 Note the 2015-16 Out-turn for each service area set out in Table One and Appendix One and note that the out-turn was delivered within Budget for the tenth year running;
- 2.2 Note that the General Fund underspend of £0.2m has been added to the Council's transformation reserve as approved by Cabinet at its meeting on 20th April 2016 (Cabinet Minute 87(3) 2015/16 refers);
- 2.3 Note the out-turn positions for the Housing Revenue Account (HRA), Dedicated Schools Grant (DSG) and Public Power Solutions Ltd (PPS); and
- 2.4 To agree the proposed changes to fees and charges for Licencing and to note the changes to Land Charges as set out in Appendix 3.

3. Detail

2015-16 General Fund Out-turn

- 3.1 The final out-turn position for the Financial Year ending 31st March 2016 was a variance of £0.2m (0.1%) less than the budget, a movement of £0.19m between the February 2016 projection and the year-end position.
- 3.2 This net position is a combination of some in-year service costs being above budget, mainly in relation to Children and Adult services, mitigated by a

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combination of additional income and early delivery of 2015-16 Budget savings, in line with the Council's financial strategy.

- 3.3 As approved by Cabinet on 20th April 2016, the underspend of £0.2m has been added to the Council's Transformation Reserve. This is held to fund the implementation of service changes to balance future years' budgets, in line with the approach previously agreed by Cabinet.
- 3.4 The budget and out-turn by Department is set out in Table 1 below.

Table 1 – Out-turn By Department

Department	Budget 2015/16 £'000	Full-Year Actual Out-turn £'000	Full-Year Variance £'000	Movement since last report £'000
Chief Executive	3,246	2,847	(399)	(73)
Resources	19,669	19,390	(279)	(35)
Corporate	(14,047)	(15,595)	(1,548)	(193)
Commissioning	98,063	100,804	2,471	207
Service Delivery	29,809	29,092	(717)	(98)
Total General Fund	136,740	136,538	(202)	(192)

4. Department Summaries and Explanation of Key issues

Chief Executive

- 4.1 The Chief Executive's Department closed with an underspend of £0.4m, an increase in the underspend of £73k since the last report. The main reason for this is an improvement in the Revenues and Benefits subsidy and overpayment recovery.

Resources and Corporate

- 4.2 The final position on the Resources and Corporate budgets was an underspend of £1.8m, an improvement of £0.2m since the previous report. This improvement is mainly as a result of £114k received from Thamesdown Transport relating to the repayment of the company's Local Government Pension Scheme deficit.

Commissioning

- 4.3 The final position on the Commissioning budgets is an overspend of £2.7m, an adverse variance of £0.2m since the last report. The main reasons for the movement are increases in demand for care support for older people, supported lodgings for young people and increased costs of accommodation for homeless

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families. Pressures also emerged relating to interpretation services and funding for asylum seekers.

- 4.4 These pressures have been partly mitigated by the outturn for Children's, Families and Health being lower than forecast as the demand for external placements was lower than expected in March and additional funding was received from Health towards specific care packages.

Service Delivery

- 4.5 The final position for the Department is an underspend of £0.7m, an improvement of £0.1m since the last report. This movement is as a result of a combination of Home to School transport and Waterside fleet operational costs being lower than forecast and increased income from parking services.

5. Housing Revenue Account (HRA)

- 5.1 The HRA revenue budget underspent by £2.2m over the year. This was a combination of underspends including £340k in the area of Estate Management, £347k in Specialist Services (mainly service charge costs), £485k on Repairs and Maintenance, and £974k on Capital Financing costs.
- 5.2 The primary reasons for the underspend on Capital Financing include a saving in the bad debt provision of £561k against budget, a reduction in the level of funding required for Discretionary Housing Payments (DHP) of £122k, and a reduction in the Revenue Contribution to Capital Outlay of £272k.
- 5.3 The net underspend of £2.2m will be transferred to HRA revenue reserves which increased from £10.5m at the end of March 2015 to £12.7m at March 2016 as a result.
- 5.4 Capital Reserves have decreased from £23.4m to £21.2m. This sum comprises £2.2m of Right to Buy receipts held for new build which have increased by £899k in year. They also comprise £19.0m to fund existing capital programme approvals (including both Sussex Square and the new acquisition programme), of which £9.1m represents slippage in delivering the 2015-16 capital programme.
- 5.5 At year-end, HRA debt stood at £130.532m, which compared to the debt cap of £172.4m leaves "headroom" of £41.868m.
- 5.6 **Dedicated Schools Grant (DSG)**
- 5.7 The Schools Budget is entirely funded by Government through the Dedicated Schools Grant (DSG). The final total of DSG receivable for 2015-16 is estimated at £159.57m, subject to the Department for Education (DfE) confirming the Local Authority's recalculation of the Early Years' element. In accordance with the DfE's school funding reform programme, the majority of DSG funding was delegated to Schools and Academies although the Local Authority retained a

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proportion of funding for Special Educational Needs (SEN) pupils. This was subsequently paid over to specialist settings both within Swindon and outside the Borough based on actual occupancy, and the needs of individual pupils.

- 5.8 The Local Authority also retained funding to meet the costs of free nursery education for disadvantaged two-year olds and all three and four-year old pupils. This was paid over to early years settings based on actual occupancy during the year. The total of the 2015-16 centrally retained budget approved by the Schools Forum was £29.47m, of which £28.52m is paid to out to meet education needs, with £0.95m being retained to meet central costs.
- 5.9 The 2015-16 out-turn against the retained budget is an overspend of £0.889m, which is £0.050m higher than the projection at the end of February.
- 5.10 The most significant items contributing to the overspend are increased expenditure on specialist and mainstream high-need top up payments due to higher levels of demand and increased complexity of pupils needs. Another area is three and four year old nursery places where the demand for places exceeded the projected participation numbers.
- 5.11 There was also a decrease in the DSG funding expected to be received mainly due to lower than anticipated two year old nursery participation.
- 5.12 The overspend is partially mitigated by underspends in two key areas; on two-year old nursery places due to slippage on a number of infrastructure expansions, which led to a lower overall take-up. There was decreased expenditure on external placements, as fewer pupils were placed outside Swindon.
- 5.13 The DSG brought forward reserves of £1.098m from 2014-15 and after allowing for the 2015-16 in-year overspend of £0.889m, will carry forward a balance of £0.209m to 2016-17.
- 5.14 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.

6. Public Power Solutions Ltd

- 6.1 In its second full financial year as a refocused operation, PPS will be declaring a profit before tax in the order of £0.8m (subject to audit). This comprises a very positive £4.6m return from Photovoltaic development, principally due to the Wroughton solar scheme. This offsets £3.8m of losses on the solid recovered fuel (SRF) plant and wider waste-related services after depreciation and interest of £1.7m.
- 6.2 Despite the success of the Wroughton scheme, 2016 was always predicted to be challenging in cashflow terms for PPS, due to the normal lag between scheme

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approval and the developer fee becoming due plus on-going cost pressures in delivering the waste services contract. Recent site redevelopment at Waterside has restricted the operational working space and significantly affected the SRF and waste services resulted in the planned next phase of landfill reduction not yet being operational. This has stretched cash resources further than envisaged with a further update being brought to a future meeting.

7. Changes to Fees & Charges

Licencing

- 7.1 Whilst some fees are set nationally through statute, Local Authorities are required to establish their own charging rates for certain licensable activities.
- 7.2 Licensing fees, other than those relating to taxis, have not been reviewed for some time. Several are no longer aligned to other Local Authorities rates and do not cover the cost of administering the service, including compliance and enforcement work arising from licensed premises.
- 7.3 Moreover, a number of new licensable activities have been introduced since the existing fee schedule was established. These include sex entertainment establishments, catteries, kennels and dog breeding. It is important that the Council keeps its fee structure up to date and that the fees represent a fair and reasonable charge related to the activities that they cover. Additional work is ongoing to assess fair and reasonable charges for gambling licences and these will be brought to Cabinet in a future report.
- 7.4 A review of the licensing charging regime has taken place and any changes proposed to the current fees and charges are shown in Appendix 3. It is recommended that these charges are adopted and implemented from 1st July 2016.

Land Charges

- 7.5 HMRC recently changed the rules relating to VAT on land charges which has resulted in a number of fees and charges becoming subject to VAT. The impact of this, along with some changes to the statutory charges is shown in Appendix 3.

8. Alternative Options

- 8.1 Cabinet could decide not to approve the proposed changes to the fees and charges for Land Charges however this is not recommended as it would mean that the service would not recover an appropriate level of revenue for the services it provides.

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9. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

- 9.1 Where there are specific financial implications these have been reflected in the body of the report.

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) has not been done as this report is reporting performance in the last financial year and does not make any recommendations to reprioritise the future funding of services.

Risk Management

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

10. Consultees

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

11. Background Papers

- 11.1 None

12. Appendices

- 1.1. Appendix 1 – Forecast Out-turn by Directorate 2015-16
12.1 Appendix 2 – Forecast Out-turn by Service 2015-16
12.2 Appendix 3 – Proposed Changes to Fees & Charges

13. Key Decision/Decision in Cabinet Work Programme and Forward Plan

- 13.1 This is not a key decision and is included in the Cabinet Work Programme / Forward Plan for June 2016.