

Medium Term Financial Context and Budget Strategy 2017-18

Cabinet

Date: 16th June 2016

Author: 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 sets out a strategic context and framing for the direction of travel of the organisation to deliver the Vision for Swindon over the next four years, within the expected financial context. This leads on to the Budget strategy for 2017-18.
- 1.2. Ensuring the organisation understands the financial context within which it operates and has plans to remain financially stable underpins the Council's ability to achieve its Vision, strategies, plans and priorities, including the Council Plan elsewhere on this agenda.

2. Recommendations

Cabinet is recommended:

- 2.1 To note the Council's medium term context and agree that the contents of this report be used to engage and consult with residents, stakeholders and service users on the organisation's strategic response;
- 2.2 To note the latest version of the Efficiency Statement showing the financial plan for the next four years to 2020, the final version of which needs to be submitted to the Government in October 2016;
- 2.3 To agree the Budget strategy for 2017-18;
- 2.4 To approve the licensing fee structure set out in Appendix One.

3. Detail

Local Context

- 3.1 The Vision for Swindon, four Priorities, and thirty Pledges are a clear statement of intent about what the Council believes Swindon should look and be like in the future. The organisational response to this is set out in the Council Plan elsewhere on the agenda.
- 3.2 The Council Plan is proposed for adoption within the financial context set out below.

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Financial Context

- 3.3 The Chancellor of the Exchequer has announced funding levels for local councils up until 2020-21 and this has enabled the Council to plan with more certainty over a longer period than in the past. Table One below sets out funding and cost pressure forecasts to the end of the parliamentary period that demonstrates a funding gap over the next four years of nearly £66m. This assumes increases in Council Tax of the level permitted by Government over this period.

Table One - Forecast Funding Position – Swindon Borough Council 2016 - 2020

	'16-17	'17-18	'18-19	'19-20	Total
	£'000	£'000	£'000	£'000	£'000
<u>Pressures:-</u>					
Reduction in Revenue Support Grant	9,180	7,246	4,628	4,682	25,736
Reduction in New Homes Bonus	-937	-38	2,646	181	1,852
Reduction in Other Specific Grants	950	2,292	1,726	2,837	7,805
Pay and Prices Inflation	3,895	4,700	5,200	5,500	19,295
Social Care Packages	4,300	4,000	3,500	3,000	14,800
Pension, NI and Debt Charges	2,564	1,500	1,500	2,000	7,564
Other Cost Pressures	1,739	1,500	1,500	1,500	6,239
Collection Fund Surplus Movement	450	300	300	300	1,350
Total of Funding and Cost Pressures	22,141	21,500	21,000	20,000	84,641
Income if Members choose to increase Council Tax by 1.99%	-1,593	-1,641	-1,697	-1,755	-6,686
Income if Members choose to increase Council Tax by further 2% for Adult Social Care Precept	-1,549	-1,649	-1,706	-1,764	-6,668
Estimated new Better Care Funding (15% reduction allowed for redistribution)			-1,362	-2,876	-4,238
Changes in Funding Decisions	-1482				
Gap after assumed increases in income	17,517	18,210	16,235	13,605	65,567

Expenditure Trends

- 3.4 Alongside recent reductions in overall funding levels for the Council, during the last decade the profile of the Council's Budget has changed significantly with a reducing element being spent on universal services each year and a rising proportion being targeted at specialist services supporting vulnerable people. This trend, which reflects the increasing demand for specialist services from a growing and changing population, is expected to continue and quicken over the

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next four years. It is expected that around 80% of the Council's net budget will be spent supporting vulnerable people by 2020.

The Council's Response

- 3.5 High-level plans are being developed to ensure that by 2020, the Council will be a sustainable organisation in control of its funding sources and living within its means to deliver the objectives set out in the Council Plan. At present, the Council relies on the Government to partly fund its services but expects this to be almost fully withdrawn by 2020, at which time Council services will be virtually fully funded from council tax, business rates and local fees and charges. From 2020, it is envisaged that modest annual increases in council tax, business rates and local charges will broadly cover the inflationary rises in the cost of services. Further growth in business rates as Swindon's economy continues to strengthen and grow and the related increase in the council tax base from additional properties will broadly offset the cost of growing demand for services.
- 3.6 In order to get to 2020, the organisation needs to reposition its focus to ensure that it delivers the Council Plan within a smaller envelope of funding. The Council's response to this context is focused around three key themes. All three recognise that the Council cannot respond to the challenges faced on its own and require much greater partnership working. The Council will need to take less of a role in delivering services and increasingly enable shared solutions by working more closely with local communities, organisations and other private and public sector partners.
- 3.7 Table Two below sets out the targeted savings and additional income from each theme plus further forecast reductions in cross-cutting and enabling services.

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Table Two – Four Year Savings Plan 2016 – 2020

	'16-17	'17-18	'18-19	'19-20	Total
	£'000	£'000	£'000	£'000	£'000
Theme 1: Growing Swindon's Economy and Identifying New Forms of Funding					
Business Rates Growth	-997	1,000	1,000	1,000	3,997
Council Tax Base Growth	2,200	1,300	1,300	1,300	6,100
Theme 2: Going Local					
Removal of Council subsidy of place-based discretionary services by accessing new forms of community-based funding and commercial opportunities	372	6,000	2,000	1,000	9,372
Reduction in Council subsidy of statutory place-based services by reducing service levels and market-testing service costs	2,932	1,000	4,000	4,000	11,932
Theme 3: Building Resilience					
Flat-line Social Care / Vulnerable People Costs through more targeted upstream prevention and service provision, outcome-based commissioning and demand management	6,065	6,000	5,500	5,000	22,565
Other emerging strategies:-					
Mitigation of part of inflationary growth through pay and procurement strategies	2,779	600	600	600	4,579
Reduction in enabling functions, cost of democracy & other services through service reductions and better use of technology	2,172	2,310	1,835	705	7,022
	17,517	18,210	16,235	13,605	65,567

3.8 An overview of the key themes within the above plan is set out below.

Theme 1: Growing Swindon's Economy and Identifying New Forms of Funding

3.9 As part of its response to funding reductions and increasing demand for services the Council will seek to attract additional funding to protect front-line services alongside taking steps to reduce expenditure.

Further information on the subject of this report can be obtained from Kirsty Cole, Direct Dial 01793 464610, kcole@swindon.gov.uk.

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- 3.10 The importance of economic growth is recognised by its prominence in the Vision for Swindon. While any improvement in Swindon's economic output will benefit residents and businesses, it will be important to target work at new development in particular, as this has the greatest impact on increasing the level of business rates and council tax income receivable, which directly benefits the Council by providing additional funding for services.
- 3.11 Alongside additional income through core funding streams, a further key focus of the Council's financial strategy is around taking a more commercial approach to service delivery and income generation within the Borough. This is taking the form of both trying to reduce the subsidy of key assets and services such as Lydiard House and Park, generating new income streams by working with developers to accelerate developments and drive commercial profits for the Council and maximise returns from our land and property assets.

Theme 2: Going Local

- 3.12 Recognising the increasing proportion of Council expenditure having to be directed to support vulnerable people, the forecast level of budget available to fund local services by 2020-21 is substantially less than that invested today. This is reflected in the report elsewhere on the agenda named Future Direction – Transfer of Services to Parish Councils.
- 3.13 In order to secure a sustainable future for Council services, including the universal services enjoyed by all residents, the Council will continue to work with community groups, existing parish councils, commercial organisations and others to enable services to be provided more locally with newly developed governance and funding arrangements. This approach is based on our belief first set out in the Council's Stronger Together approach that decisions affecting neighbourhoods and communities should be made at a local level, in response to local priorities and circumstances. In the current and future context, it is only by working in this way that services will be sustained or improved.

Theme 3: Building Resilience

- 3.14 Around 25% of the predicted funding gap over the next four years is due to inflationary price increases and increased demand for services provided to vulnerable people, both children and adults.
- 3.15 In order to reduce this, the Council will continue to help people to help themselves and live as independently as possible. This results in better outcomes for individuals and families and enables us to reduce demand on some of our key services so we can focus our limited resources on protecting the most vulnerable people in our community.
- 3.16 We will achieve this by co-creating and commissioning with residents and Health partners new forms of service provision and community capacity that are focused

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on supporting people to live more independently, building resilience in our workforce by targeting them effectively to the most vulnerable people or the greatest areas of opportunity. This will result in more people remaining independent for longer and being able to access forms of supports that are not all funded by the Council.

2016-17 Budget – Overview

- 3.17 The 2016-17 Budget agreed by Council in February includes delivery of nearly £18m of savings. The majority of these have already been secured but a small number have yet to be fully implemented. This, together with some emerging pressures that are being closely tracked and will be reported when there is greater certainty around them, is creating a financial pressure in-year that will need to be managed over the coming months and require senior capacity and dedicated resources to deliver.
- 3.18 In particular, significant effort is being directed at delivering the ambitious savings to the cost of adult social care packages and significantly reduce the Council's running costs for country parks and libraries. A report on the current status of the work to remove the Council's current subsidy for its country parks is included elsewhere on this Cabinet agenda. Work is progressing to bring greater clarity to the individual and Council-wide risks to delivering the 2016-17 Budget and an update will be brought to the next meeting of Cabinet as part of the routine Budget management report.

2017-18 Budget Strategy

- 3.19 The 2017-18 Budget strategy is set within the context of the four year plan and themes referred to above.

Growing The Economy

- 3.20 The 2017-18 financial targets for new business rate and council tax income are based on trends seen over the last two years plus planning permission records and amount to £2.3m for 2017-18, £10m over the four-year plan. As the Council is currently only able to retain 28% of any growth in business rates collectable in the Borough, this represents a challenging target.
- 3.21 Alongside this, the Council is looking at a range of innovative responses to ensure that we are able to deliver our services in a cost effective and efficient manner. This includes reviewing charging and fees structures, delivery mechanisms and maximising asset value.
- 3.22 We are able to set some regulatory fees locally, and are working to review our charging regimes to ensure that they are fair, but cover service costs. The fee structure for licensing activities has been refreshed and is attached in Appendix One. There are a number of new licensable activities that are chargeable, whilst others have been updated to reflect actual costs incurred. It is anticipated that

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other regulatory service fees and charges will be reviewed in the next few months. Members are asked to approve the new charging structure to enable this work to progress at pace.

- 3.23 A work programme looking to maximise asset realisation is also being scoped. This will involve a detailed assessment of surplus or under-used land in the Council's ownership, linked to our work on compiling a brownfield register, to compile a portfolio of potential development sites which would be taken forward through Planning in consultation with Ward Members. This project would assist not only in bringing in a receipt (capital or revenue depending on the approach taken), but could also help meet social housing need, assist with our five year housing land supply, and reduce maintenance costs and liabilities on underused land.
- 3.24 Officers are currently compiling a long list of potential sites and will open discussions with Ward Members once their development potential has been evaluated. This work will involve in particular officers from Planning, Housing, Property, Finance and the Borough Architect and is targeted to generate income to contribute to the 2017-18 Budget with more detailed targets to be reflected in the draft budget proposals to be presented later this year.

Going Local

- 3.25 The financial targets for 2017-18 focused around the Going Local theme are very ambitious and rely on the draft strategy to parish the whole Borough being adopted by Council in November 2016.
- 3.26 The Budget strategy includes a £6m savings target which will generate new funding streams to pay for locally-delivered services such as street cleaning, grounds maintenance and libraries as set out in a separate report elsewhere on the agenda. The savings for the Council rely on all or parts of these services no longer being funded by the Borough Council and community groups, volunteers and parish councils being much more involved in service delivery either through direct staffing or contract arrangements.
- 3.27 Alongside this, a further £1m is targeted from reducing the cost of other place-based services such as highways, waste collection and building services.

Building Resilience

- 3.28 The 2016-17 Budget strategy targets a £6m reduction in cost pressures and savings across services provided to vulnerable people which will enable services to continue to be provided at the level of the 2016-17 Budget.
- 3.29 Key focus areas for this work include mitigating the cost of learning disability care packages, reducing operating costs and care packages for services currently managed by Seqol that will be brought in-house during 2016-17 and undertaking targeted work around foster care.

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- 3.30 The Government has notified the Council that its 2017-18 Public Health grant will be reducing by £0.4m and therefore the Budget Strategy also refocuses some of the services funded from this grant to ensure we maintain them within a reducing envelope of funding. This work includes partnering with other public health authorities to drive economies of scale and increase the purchasing power of councils over a wider area.

Enabling and Cross-Cutting Work

- 3.31 Within the context of the three themes set out above, a number of cross-cutting strategies are also being adopted to deliver a further £2.7m of savings for 2017-18. These will include reshaping and making better use of the ICT services brought back in-house from Capita in February to deliver greater value and impact across the wider Council. The ICT work and wider digital strategy will be closely aligned with the Council's future customer strategy which will recognise the potential for channel shift to more digitally-enabled forms of service provision, which reflects societal changes and is a significantly cheaper method of responding to many customer needs.
- 3.32 Staff pay forms a significant proportion of council expenditure and government policies around the national living wage and future pay awards are contributing nearly £4m to the cost pressures of the Council to 2020. Work is therefore also planned within the context of the 2017-18 budget strategy to consider the Council's approach to staff pay over the next four years which may lead to a reduction in these cost pressures.

Capacity and Capability

- 3.33 In order to deliver savings in both the 2016-17 and 2017-18 Budget, a £2m implementation fund was agreed as part of the 2016-17 February Cabinet report. New posts to deliver the above budget strategy are being recruited and will be funded from this fund. This includes a combination of service capacity to drive changes within departments alongside business as usual work, professional change and wider enabling skills and capacity plus new commercial expertise.

Efficiency Statement

- 3.34 The Council is required to submit a copy of its four-year financial strategy to respond to its £66m funding gap to Government in October 2016. While the Government's requirements are still not clear, it is expected that this will take the form of an updated version of Tables One and Two of this report plus commentary. A final version will be brought to a later meeting of Cabinet for approval by Members before it is submitted.

Engagement with Residents

- 3.35 As the requirement to adopt radically different forms of service provision increases and with the increasing reliance on working in partnership with others

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to deliver the Council's financial plans, it is vital that we help residents, partners and other stakeholders understand the context and financial challenges facing the Council.

- 3.36 Members are asked to agree that the content of this report and wider financial and service context is used to increase engagement with residents and build a greater understanding of the direction of travel of the organisation.

4. Alternative Options

- 4.1 The report sets out the context for the organisation and its proposed response. The Council could continue to provide services in the current form but this is not recommended as the organisation would soon become financially unsustainable and important services would be unaffordable.

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

- 5.1 The financial implications of the plan will be developed alongside the detailed proposals and reported to Cabinet as draft Budget proposals later in the year.

Legal and Human Rights Implications

- 5.2 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)

- 5.3 Where there are such implications these have been reflected in the body of the report.

Diversity Impact Assessment

- 5.4 A Diversity Impact Assessment (DIA) will be developed alongside the detailed proposals and reported to Cabinet as part of the draft Budget proposals later in the year.

Risk Management

- 5.5 Any risks arising from the proposals contained within this report will be managed through their implementation taking into consideration feedback from the consultation exercise.

6. Consultees

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

Further information on the subject of this report can be obtained from Kirsty Cole, Direct Dial 01793 464610, kcole@swindon.gov.uk.

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7. Background Papers

7.1 None

8. Appendices

8.1 Appendix One – Licensing Fee Structure

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

9.1 This report is included in the Cabinet Work Programme and Forward Plan for June 2016.