

Budget Management 2016-17

Cabinet

Date: 13th July 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 2016-17 revenue forecast out-turn at the end of May 2016, the expected financial position for the coming years.
- 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 underpins the Council's strategic objective of consistently making the best use of all available resources as well as providing focus for its change programmes.

2. Recommendations

Cabinet is recommended to:

- 2.1 Note the projected Revenue Budget out-turn position for 2016-17 set out in Table 1 and Appendices 1 and 2,
- 2.2 Approve the virements set out in Appendix 3;
- 2.3 Approve the allocation of one-off resources of £2.6m to fund the estimated in-year cost of the waste processing and disposal service managed by PPS Ltd., that was previously funded from profit on solar schemes,
- 2.4 Authorise officers to progress with PPS Ltd the matters set out in paragraph 4.12;
- 2.5 Request the Cabinet Member for Finance and Corporate Services, and the Board Director Resources, to bring a report back to Cabinet in September 2016 setting out a plan to manage the pressures within the 2016-17 Budget;
- 2.6 Endorse the Swindon schemes being put forward for consideration through the Local Growth Fund 3, noting that any requirement for match funding or additional revenue support will be reported to Cabinet in January 2017 for consideration as part of the 2017-18 budget;
- 2.7 Approve the additions to the capital programme detailed in section 8.

Further information on the subject of this report can be obtained from Kirsty Cole on Direct Dial No. 464610 or Email kcole@swindon.gov.uk

Budget Management 2016-17

Cabinet

Date: 13th July 2016

3. Detail

2016-17 Projected Out-turn

- 3.1 The General Fund projected out-turn as at the end of May 2016 is an overspend of £2.9m which is mainly due to above budgeted service costs in both the Children and Adults Services, details of which are set out later in the report.
- 3.2 Over and above this projected overspend, the Council also needs to meet the cost of waste processing and treatment costs amounting to £2.6m that were previously offset by profit within the PPS company earned on photovoltaic schemes.
- 3.3 In response to the in-year pressure on the Council's Budget, an action plan is being prepared to respond to the challenge and an update on the position will be reported to Cabinet in September 2016.
- 3.4 The budget and projected out-turn by Department at this early stage in the year is set out in Table 1 below and a more detailed analysis is set out in Appendices 1 and 2.

Table 1 – Projected Out-turn By Department

Department	Budget 2016-17 £'000	Full-Year Projected Out-turn £'000	Projected Variance £'000	Movement since last report £'000
Chief Executive	7,342	7,681	339	339
Resources	17,639	17,639	0	0
Corporate	(15,276)	(15,276)	0	0
Adult Services	72,380	73,503	1,123	1,123
Children Services	27,420	28,791	1,371	1,371
Service Delivery	25,721	25,818	97	97
Total General Fund	135,226	138,156	2,930	2,930

4. Department Summaries and Explanation of Key issues

Chief Executive

- 4.1 The Chief Executive's Department is currently projecting an overspend of £339k. The main reason for this variance is the impact on the timing of savings being delivered through the Council's Going Local and Commercialisation programmes

Budget Management 2016-17

Cabinet

Date: 13th July 2016

being pushed back to allow for an increased period of public consultation and engagement. These mainly relate to libraries.

- 4.2 Other variances relate to a cost pressure on the cremator servicing contract partly mitigated by vacancy savings.

Resources and Corporate

- 4.3 The Resources and Corporate budgets are currently projecting a balanced position. Within the Corporate budget the Council is holding around £1m of contingencies available to help mitigate the current projected overspend plus further cost pressures that may emerge before the end of the Financial Year.

Adult Services

- 4.4 The service is currently projecting a year-end overspend of £1.1m due to demand pressures, particularly relating to hospital discharge. Commissioners are exploring ways in which the pressures can be managed effectively including increasing capacity to undertake reviews.

Children Services

- 4.5 The service is experiencing pressures which indicate a possible overspend by the end of the year of around £1.4m due to an increase in demand for children's placements and on-going agency support requirements for Children's social care vacancies. The current forecast does not contain any assumptions relating to the potential increase in the number of unaccompanied child asylum seekers.

Service Delivery

- 4.6 The Department is projecting a £97k overspend. Within this there are cost pressures arising from legal costs due to planning application challenges, landscape architect costs due to complexity of schemes and a reduction in the projected income from the Public Services Protection Order (PSPO) and the introduction of parking charges at Lydiard Park and Coate Water to reflect the likely level of income during the pilot period.
- 4.7 This pressure has been offset by savings from vacancies, fleet financing costs and home to school transport.

Public Power Solutions Limited (PPS)

- 4.8 In 2012 and 2013, the Council advanced its former wholly owned limited company, Swindon Commercial Services Limited, a loan to build a waste to energy plant at Cheney Manor to manage its waste to reduce the amount being sent to landfill.

Budget Management 2016-17

Cabinet

Date: 13th July 2016

-
- 4.9 Since the plant became operational, the Council has been benefitting from waste disposal gate fees well below the market rates saving it around £3m per annum for the last three years. This is mainly due profits made by PPS on other aspects of its business focused on energy and power.
- 4.10 In addition, the plant has enabled waste to be redirected away from landfill with 95% of waste now being processed through the plant, recycled or composted with only 19% of this ultimately going to landfill as a waste product from the process.
- 4.11 Due partly to changes in solar tariffs by Central Government and the resulting less profitable pipeline of solar schemes in future, in 2016-17 the Council will need to pay a greater share of the actual costs of waste disposal.
- 4.12 Within this context, Members are asked to agree the following:-
- 4.12.1 That officers are authorised to renegotiate the Plant gate fee rate from the current £82 up to just below the market price with effect from 1st April 2016 which still remains cheaper than the cost of landfill (£123 per tonne) and other available alternatives;
- 4.12.2 That officers are asked to review the waste contract and operating processes at the plant to try to bring down the gate fee for the Council. This joint work between the Council and PPS should include:-
- Considering extending the length of the waste services contract to PPS beyond the current 8 years to enable the depreciation/loan repayment costs to be spread over a longer period;
 - Converting some of the plant depreciation costs within PPS into loan repayments to enable future interest costs to be reduced;
 - Improving processing methods within the plant;
 - Reducing the operating costs of the plant;
 - Increasing the proportion of waste diverted from landfill;
 - Improving disposal rates;
 - Increasing the level of external work charged at above the marginal cost rate;
 - Reducing operating costs/generating new income through the household waste recycling centre (HWRC).
- 4.12.3 That officers are asked to work closely with PPS to help conclude solar and power projects within shorter timescales within the 2016-17 Financial Year in order to maximise the amount of profit made by the company to
-

Further information on the subject of this report can be obtained from Kirsty Cole on Direct Dial No. 464610 or Email kcole@swindon.gov.uk

Budget Management 2016-17

Cabinet

Date: 13th July 2016

allow it to continue to subsidise the Council's waste disposal costs. To support this, funding of £60k is approved to fund an additional post;

4.12.4 That officers progress joint work with PPS to develop a business case on the longer-term options for the plant to include potentially converting the waste material into energy to be fed back into the electricity grid or to produce a product that can be sold, rather than paid for to dispose of;

4.12.5 That a report be brought back to Cabinet in October 2016 to update Members on the above work;

4.12.6 That a one-off budget of £2.6m be allocated for 2016-17 and an on-going pressure of this magnitude be allowed for within the Council's medium term resourcing plan until an updated position is reported to Cabinet in October 2016.

5. Virements

5.1 Since setting the 2016-17 Budgets, there have been some virements to reflect changes to the allocation of costs across business units. Members are asked to agree these virements as set out in Appendix 3.

6. Housing Revenue Account (HRA)

6.1 HRA Budget Managers are currently forecasting an underspend of £124k as at the end of May 2016.

6.2 The key variance relates to an underspend on staffing budgets within the Repairs Teams of £122k due to vacancies within the trades. Additionally, there is a small saving of £2k on staffing within the Sales Team.

7. Dedicated Schools Grant (DSG)

7.1 The DSG budget is predicting a net underspend of £359k. This comprises of a reduction in the grant of £0.769m from that originally budgeted, offset by savings of £1.128m. Further details are provided in the paragraphs below.

7.2 The DSG receivable for early years funding (£769k) is lower than budgeted due to a reduction in anticipated pupil numbers, which is offset through a reduction in costs of £881k.

7.3 A High Needs Contingency budget of £252k is available to help offset any overspends within the High Needs block.

Budget Management 2016-17

Cabinet

Date: 13th July 2016

8. Capital Programme – additions to the current programme

- 8.1 Members are asked to approve the following additions to the capital programme that are all funded from section 106 deposits.

Grounds Maintenance Enhancement

- 8.2 Members are requested to approve a transfer of £22.5k to Wroughton Parish Council to pump-prime training costs for a young person in grounds maintenance work to enable an on-going enhancement in service standards within the parish with the on-going costs being met by the Parish Council. The Parish Council have taken over responsibility from Swindon Borough Council for grass cutting together with the maintenance of trees and shrubs. The Parish is proposing to employ a young person who will be trained to undertake these tasks. The cost of this proposal will be funded from section 106 contributions.

Relocation of CCTV Room

- 8.3 Members are requested to approve a budget of £36k to relocate the CCTV control room to the Plus One centre on the civic campus. This proposal would centralise the Police and the Council's Security resources in one place and will provide improved ground floor access to the new control room. This proposal is supported by the Home Office Assistant Surveillance Commissioner with the costs being funded from section 106 contributions for CCTV.

STEAM - Operations and Retail Management System

- 8.4 Members are requested to approve a budget of £39k to replace the current front of house ticketing and retail software. The current systems are over 16 years old and are not supportable beyond this Summer. The museum therefore needs to seek an alternative product to carry out all of its on-site and internet transactions. The new solution will enable an enhanced customer experience, and is scalable to meet the needs of other Council operations. The costs will be funded from section 106 contributions.

9. Local Growth Fund 3 Bids

- 9.1 At its meeting in June, Cabinet authorised the Head of Highways and Transport in consultation with the Cabinet Member for Sustainability, highways and transport to work with the Swindon and Wiltshire Local Enterprise Partnership (SWLEP) to submit a bid to the Large Local Major Schemes Fund for development funding for the Thamesdown Drive to Barnfield Link.
- 9.2 The SWLEP is the strategic body through which SBC bids for monies through the Local Growth Fund and other sources. The main funding sources through the LEP are as follows:
- Local Growth Fund (LGF);

Budget Management 2016-17

Cabinet

Date: 13th July 2016

- European Structural Investment Fund (ESIF);
 - City Deal, the SWLEP Higher Futures programme.
- 9.3 These funds support the Councils and the SWLEP in delivering the objectives of the Strategic Economic Plan, the strategy for growth in the SWLEP area. This was first produced in April 2014 to support the LGF1 bid, and has recently undergone a refresh with the participation of officers across both Councils.
- 9.4 The Local Growth Fund is the function by which the department for Business, Innovation and Skills, (BIS), in conjunction with the Department for Transport (DfT), grants funding to Local Authorities (and increasingly other public and private sector bodies) to create jobs, homes and transport improvements which unlock employment sites and promote economic growth. As a result of the Round 1 bid, SWLEP secured approximately £130m, the lion's share of which went to Swindon projects.
- 9.5 Along with various other funding tranches (for example Higher Futures) this is known collectively as the Growth Deal and is negotiated at LEP level with government. The process has differed somewhat with each round.
- 9.6 SBC schemes to be considered for this process were agreed through consultation with Heads of Service and going through existing work/capital programmes to identify schemes which were deliverable in the timeframes but required further capital support. These were then worked up into submissions through the process set out below.
- 9.7 The new Growth Deal announcement was made as part of the March 2016 Budget Statement. Headlines were as follows:
- **£475m for transport majors.** (It was made clear that over £100m of this had already been allocated and that in all likelihood more of this sum had been allocated in devolution deals).
 - **£2bn for housing under the direction of HCA** in the form of a loan scheme to developers. Further detail is awaited on whether this is new money and how the funding will work.
 - **£1.8bn general LGF fund** (this is the fund to which bids will be submitted). The bidding process is competitive with no set application form.
- 9.8 While the official announcement of LGF 3 has only recently been released, it has been anticipated for some time by the Council and the LEP and work was done to prepare the two Councils for submission of schemes likely to come forward in the bid funding window (2017/18 to 2020-21). Following on from the production of
-

Budget Management 2016-17

Cabinet

Date: 13th July 2016

a new SWLEP Assurance Framework a new process for selection was created, within the broad themes of Skills, Transport and Place Shaping.

9.9 The final bids submission date to government is 21st July 2016. Challenge sessions attended by a Minister have been scheduled by government for the period 20th June-21st July; as yet no exact date has been given for the SWLEP. The successful bids will be announced in the Autumn Statement.

9.10 Swindon schemes included in the SWLEP's proposed submission are:

- Swindon Higher Education Centre - £7.5m
- Swindon College Centre for Excellence in Sustainable Technologies - £9m
- Swindon Station Regeneration Package - £5.5m

9.11 Cabinet is requested to endorse the Swindon schemes being put forward for consideration through the Local Growth Fund 3, noting that any requirement for match funding or additional revenue support will be reported to Cabinet in January 2017 for consideration as part of the 2017/18 budget.

10. Alternative Options

10.1 Cabinet could choose not to approve the virements as set out in Appendix 3.

11. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

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

Legal and Human Rights Implications

11.2 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)

11.3 There are no such direct implications.

Diversity Impact Assessment

11.4 A Diversity Impact Assessment (DIA) has not been done as this report does not make any new recommendations that would have a detrimental impact on services.

Budget Management 2016-17

Cabinet

Date: 13th July 2016

Risk Management

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

12. Consultees

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

13. Background Papers

- 13.1 None

14. Appendices

- 1.1. Appendix 1 – Forecast Out-turn by Directorate 2016-17

- 1.2. Appendix 2 – Forecast Out-turn by Service 2016-17

Appendix 3 – Proposed Budget Virements 2016-17

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

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