

# **2016-17 Budget Management, 2017-18 Draft Budget and Medium Term Resourcing Plan**

**Cabinet**

**Date: 19<sup>th</sup> October 2016**

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Author:	Cabinet Member for Finance and Corporate Services and Corporate Director, Resources
Wards:	All
Locality Affected:	All
Parishes Affected:	All

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## **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. The report provides an update on the 2016-17 latest Budget Management position and leads on to the draft budget proposals for 2017-18, which have been considered and developed within this overall context.
- 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 corporate objectives.

## **2. Recommendations**

### Cabinet is recommended:

- 2.1 To note the medium term context of the Council and agree that the contents of this report be used to engage and consult with residents, stakeholders and service users on the organisational strategic response;
- 2.2 To note the in-year forecast out-turn position for 2016-17 and responding action plan to manage the projected year-end overspend;
- 2.3 To agree the 2016-17 budget virements set out in appendix 3;
- 2.4 To note the feedback from the Public Power Solutions (PPS) Board around progress in mitigating the cost pressure arising on the Waste Solutions Plant, and agree to defer repayment of the Company's existing working capital loan facility subject to a further review of its financial position in 12 months' time;
- 2.5 In relation to the 2017-18 Draft Budget proposals, to endorse the key assumptions underpinning the draft budget proposals and specifically that:-
  - 2.5.1 While the Council has accepted the Government's offer of a 4 year financial settlement, there remains uncertainty around public finances in general and this will be the case at least until the Autumn Statement is announced in late November and the provisional Local Government Finance Settlement for 2017-18 is published in December;

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- 2.5.2 The funding assumptions within the report assume that Council Tax will be increased by 3.99% in 2017-18 representing a 1.99% rise for general services plus a 2% uplift specifically to contribute towards the increasing demand for adult social care services;
  - 2.5.3 There is currently a gap between the assumed funding levels for 2017-18 and the current proposed cost of services as set out in Table Three, and that work will continue to identify further options to close this gap for consideration by Members in December 2016 and February 2017;
  - 2.5.4 The impact on minority groups has been considered for all savings proposals and a full Diversity Impact Assessment has been undertaken where an impact was perceived;
  - 2.5.5 The budget assumptions are based on estimated tax base and Collection Fund balances and these will need to be updated and agreed in the December report;
- 2.6 In relation to the 2017-18 Draft Budget proposals, to agree that:-
- 2.6.1 Consultation commences for Budget proposals affecting front-line services with the outcome of that consultation being reported to Cabinet in December 2016 to inform final decisions;
  - 2.6.2 Fees and charges should be uplifted by 5% or a rounded price close to 5% except where alternative proposals are recommended as set out in appendix 4 and that all changes should be implemented from 1st December 2016 or as soon as practicable thereafter;
  - 2.6.3 All Heads of Service, in consultation with the relevant Cabinet Member and the Corporate Director Resources, be authorised to increase fees and charges by greater than 5% where circumstances permit and subject to legal constraints, and to introduce new fees and charges where the market situation permits;
  - 2.6.4 That the Local Council Tax Support (reduction) scheme in 2016-17 be unchanged from that for 2015-16, apart from the annual increases in allowances, applicable amounts and non-dependant deductions, which will be increased in line with the national scheme;
  - 2.6.5 The Empty and Unfurnished Property Council Tax discount of 50% be removed and the Structural Alterations discount be reduced to 25% and applied for a maximum of 3 months from 1<sup>st</sup> April 2017;
  - 2.6.6 Further detail around the opportunities to appropriate assets between the General Fund and Housing Revenue Account be brought to December

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Cabinet to support the proposed transfer of housing garages into the General Fund due to the majority now being let privately;

- 2.6.7 That one-off funding of £3.8m is earmarked to support the implementation and cashflowing of the 2017-18 Budget proposals as set out in Table Six;
- 2.6.8 Those new Budget proposals that do not directly affect front-line services can be implemented by officers at the earliest opportunity, including undertaking consultation with staff where appropriate.
- 2.7 That the Cabinet approves the expansion of the ex-Penhill Children Centre building, which has recently opened as the new Family Service Centre, to enable the North Locality Team to relocate from their existing premises of The Limes to free up this property for disposal in accordance with the Council's development plan and that a proportion of the capital receipt from the disposal of The Limes be ring-fenced to fund works which are essential to enable the relocation.

## **3. Detail**

### Local Context

- 3.1 The Vision for Swindon was ratified on 29 September 2015 and offers a clear picture of how we want Swindon to be by 2030. The Council Plan approved by Cabinet on 16<sup>th</sup> June 2016 contains the Council's direct contribution to the Vision by way of four priorities and thirty pledges. In the twelve months since the ratification of the Vision by Full Council there has been significant progress towards our ultimate goal and we are in a good position for further progress in 2017-2018.

### Progress against Priority One

- 3.2 We have made good progress in many aspects of Priority One. Our work to develop solar farms is on track; the Common Farm community bond offer was completed ahead of schedule. The obsolete car parks at Carlton Street and the Wyvern have been demolished. Work on the Health Centre as part of the wider Kimmerfields development is well advanced. The Bus Exchange agreement has been completed and a detailed examination of the work necessary to advance the project including the work needed on the road network has taken place. . Work at Havelock Square has been completed. The LEP agreed in July to progress the funding bid for the Thamesdown Drive extension. At Greenbridge, the roundabout is on programme. There is good progress in the development of affordable housing, including opening new flats at Sussex Square and accommodation for key workers. Furthermore, plans to deliver the district centre at Wichelstowe are progressing.

### Progress against Priority Two

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- 3.3 In relation to priority two, the school building programme is on track, free school bids have been submitted for primary schools at Wichelstowe and Eastern Villages and for special educational provision. Work is under way to develop place marketing through a twelve month campaign of activity. Economic indicators remain strong and employment rates are high. Business cases are being developed for Local Growth Fund 3 funding. Indications from employers about the impact of Brexit are positive. The LEP Board have confirmed that the business case to develop HE provision will be part of their submission to central government.

### Progress against Priority Three

- 3.4 We are making progress with priority three. We have a twin approach to encouraging communities and neighbourhoods to increase the cleanliness of their local areas based on education about the impact of litter, fly tipping and graffiti and enforcement when incidents occur. Three new Education and Enforcement Officers have been appointed to take this forward. We have resolved outstanding legal matters to enable signing of Development Agreement for the Corn Exchange.

### Progress against Priority Four

- 3.5 Progress towards priority four is good. There has been a significant reduction in the use of bailiffs to recover Council Tax and other debts. We continue to work collaboratively with local health and care organisations from Wiltshire, Bath and North East Somerset to shape our joint Sustainability and Transformation Plan. Our aim is to introduce more preventative care, find new ways to meet people's needs; and identify ways that existing services and organisations can work together to do things differently. Our first plan submission was well received by NHS England in June. We are above target for both annual reviews for adult social care clients and for carers' assessments and are performing better than the national and regional figures for delayed discharges attributable to adult social care. We are on target to engage with the target number of Troubled Families.
- 3.6 However, we cannot be complacent. 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. In order to achieve the Vision, the Council has some clear choices to make on behalf of the whole community. Furthermore, the Council's financial position calls for a renewed focus on strategic, borough-wide priorities, namely; growing the economy; creating jobs; attracting investment; and securing well managed housing growth. Such a focus not only supports Swindon's place ambitions as outlined in the vision but also supports the Council's financial context by increasing the rate of council tax and business rate collection. This in turn improves our ability to deliver key services

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to residents of the borough, particularly those who are vulnerable and in need of support.

- 3.7 It is for these reasons that the Council has outlined its objectives in relation to the transformation of the organisation which are articulated in more detail in paragraphs 3.9 – 3.15 in this report. Over the coming months we will be reviewing the Council's Target Operating Model with a view to ensuring that we are structured in the most appropriate way to ensure both the delivery of the Vision, Priorities and Pledges to 2030 as well as ensuring the Council has a sustainable future post 2020.

## Financial Context and Forward Look

- 3.8 Local projections based on national figures have been modelled to show Revenue Support Grant received by the Council (£28m) will be taken away by 2020. Alongside this, forecasts in cost pressures and council tax income suggest that the scale of funding gap, with no change in the way services are provided, will be between £45m - £50m over the next 3 years. The latest estimate is shown in Table One below.

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Table 1 Forecast Funding Position – Swindon Borough Council 2016 - 2020

	2017-18	2018-19	2019-20	Total
	£'000	£'000	£'000	£'000
<b><u>Pressures:-</u></b>				
Reduction in Revenue Support Grant	7,246	4,628	4,682	<b>16,556</b>
Reduction in New Homes Bonus	-38	2,646	181	<b>2,789</b>
Predicted Reduction in Other Specific Grants	1,482	1,526	1,502	<b>4,510</b>
Pay and Prices Inflation	4,700	5,000	5,000	<b>14,700</b>
Social Care Packages	5,300	3,500	3,500	<b>12,300</b>
Pension, NI and Debt Charges	1,500	1,500	1,500	<b>4,500</b>
Other Cost Pressures	4,500	2,000	2,000	<b>8,500</b>
Collection Fund Surplus(-) / Deficit Movement	-500	500	500	<b>500</b>
<b>Total of Funding and Cost Pressures</b>	<b>24,190</b>	<b>21,300</b>	<b>18,865</b>	<b>64,355</b>
Income if Members choose to increase Council Tax by 1.99%	-1,641	-1,697	-1,755	<b>-5,093</b>
Income if Members choose to increase Council Tax by further 2% for Adult Social Care Precept	-1,649	-1,706	-1,764	<b>-5,119</b>
Estimated new Better Care Funding	0	-1,362	-2,876	<b>-4,238</b>
Changes in Funding Decisions	-1,000	-500	-500	<b>-2,000</b>
<b>Gap after assumed increases in income</b>	<b>19,900</b>	<b>16,035</b>	<b>11,970</b>	<b>47,905</b>

## The Council's Response

- 3.9 A high-level plan has been 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 its Vision. This reflects the organisational strategies and priorities and ensures that the Council's financial resources are focused on delivering these.
- 3.10 At present, the Council relies on the Government to fund its services in part through Revenue Support Grant. The Government has signalled that this will be withdrawn almost completely by 2020, resulting in Council services becoming fully funded from council tax, business rates and local charges. From 2020, the Council expects modest annual increases in council tax, business rates and local charges to broadly cover the inflationary rises in the cost of services and for growth in business rates and council tax to broadly offset the cost of growing demand for services. This would represent a financially sustainable position. However, for the next few years the Council will need to fundamentally review the services it provides and funds to ensure it is able to live within its means.

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- 3.11 As set out in previous reports; the Council's response to its financial 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 with the Council taking less of a role of sole deliverer of services to one of enabling shared solutions by working more closely with local communities, organisations and other private and public sector partners. The key areas of focus under these three themes are summarised below.

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

- 3.12 This theme focuses on generating income from housing and business growth and exploring opportunities for the Council to maximise its assets (both people and place) by becoming more commercial. This theme builds on the Council's previous change work, which culminated in a successful transfer of our leisure provision to the private sector.

*Theme 2: Going Local*

- 3.13 This theme focuses on work in partnership with community groups, residents and parish councils to take services closer to local people. A key strand of this work is a proposal that there will be parishes across the whole of the Borough. We will then work with existing and newly formed parish councils within the Borough to build our partnerships whilst protecting and enhancing important local services. The work specifically focuses on re-energising communities to take pride in their local communities through finding more effective ways to protect and enhance grounds maintenance and street cleaning standards, plus other locally-provided services, rather than waiting for services to be steadily eroded or eventually stopped as the Borough Council is no longer able to afford them.

- 3.14 Swindon has seen this as an opportunity to work more closely with local parishes to agree a managed transition of some services that are operationally safe and affordable and build community involvement. Alongside this, the Council proposes to work with the private sector to generate new income sources through commercialisation, drive down the cost of place-based services and put in place cheaper operating models. This work is expected to reduce costs and alleviate future pressures from place-based services. Community engagement is also a strong area of focus in Swindon's Library Strategy.

*Theme 3: Building Resilience*

- 3.15 This theme focuses on building resilience in our communities, aimed at enabling different responses to the challenge of increasing demand for services. The Council's financial strategy targets a flat cash position across services supporting vulnerable people over the three year period. This will result in a net £17m of cost pressures having to be managed down or offset by savings achieved through developing and introducing new service models

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- 3.16 In addition to strategies within the above three themes, the Council will also need to reshape its enabling functions to respond to the changing shape of the organisation to ensure they remain fit for purpose and proportionate to the scale of other services.

## Projected Out-turn 2016-17

- 3.17 The projected out-turn as at 31<sup>st</sup> August 2016 shows that, on a like-for-like basis with its Base Budget and before considering and mitigating actions, the Council is expected to overspend by the end of the year by around £4.9m. The Budget and projected out-turn by Department is set out in Table Two below and a more detailed analysis with an explanation of the key variances set out in Appendices 2 and 3. As reported in previous months, the key variances relate to the cost of the waste disposal plant, Adult Services and Children Social Care.

Table 2 Projected Out-turn 2016-17

<b>Department</b>	<b>Budget 2016-17 £'000</b>	<b>Full-Year Projected Out-turn £'000</b>	<b>Projected Variance £'000</b>	<b>Movement since last report £'000</b>
Chief Executive	6,464	6,398	(66)	(95)
Economy	(1,288)	(1,063)	225	(73)
Resources	17,510	16,796	(714)	(139)
Corporate	(15,140)	(16,539)	(1,399)	(507)
Adults & Public Health	72,319	73,998	1,679	564
Children	27,152	29,123	1,971	106
Service Delivery	28,209	31,425	3,216	28
<b>Total</b>	<b>135,226</b>	<b>140,138</b>	<b>4,912</b>	<b>(116)</b>

- 3.18 In order to respond to this challenging position, it is proposed that the forecast overspend is managed in the following way, with target reductions based on current information shown in bracket.
- 3.18.1 Meet the Waste Plant cost pressure from specific reserves as already agreed by Cabinet (£2.6m);
- 3.18.2 Undertake a targeted reduction in the overall staffing pay bill (£0.8m);
- 3.18.3 Early-delivery of the 2017-18 Budget Proposals (£0.5m);
- 3.18.4 An increase of Fees and Charges of around 5% with effect from December 2016 (£0.2m);

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- 3.18.5 Undertake a review of specific reserves to stop all non-essential expenditure commitments (£0.6m);
  - 3.18.6 Attempt to renegotiate the PFI contract post-Brexit (£ currently uncertain);
  - 3.18.7 Commissioning an independent review of children's placements and recruitment / agency staff costs to provide assurance that everything possible is being done to hold down these pressures (£ currently uncertain); and
  - 3.18.8 Tighten the criteria around the non-essential expenditure freeze to create a greater impact (£ currently uncertain).
- 3.19 After the above interventions, it is proposed that any balance is met from one-off resources and other savings to be identified and implemented in-year. It should be assumed that any drawing from specific reserves above that originally budgeted for 2016/17 is replenished by 2020 through additional savings or increased income, to return the Council's balance sheet to its current healthy position.
- 3.20 As funding is available in specific reserves to fund any in-year cost overrun, it is not expected that General Reserves will be used during 2016/17. The Council, therefore will start the 2017-18 Financial Year with an acceptable levels of general balances.
- 3.21 A number of budget transfers have been identified since the last report and Members are asked to approve the virements set out in Appendix 3.

### 2017-18 Draft Budget – Overview

- 3.22 Swindon Borough Council has a duty to provide statutory and discretionary services and to balance its budget. The demand for statutory services is increasing. In addition, there has been a reduction in core grant as part of the Government's policy decision to reduce the national deficit and debt. This requires a strategic response to be made both now and in the future.
- 3.23 Appendices 5 and 6 set out the draft Budget proposals for 2017-18. They are being brought forward at this stage in recognition of the challenging position that the Council faces both in 2016/17 and 2017/18, which require an urgent response. Members are therefore asked to approve those Budget proposals that do not directly affect front-line services, which can be implemented by officers at the earliest opportunity. This includes undertaking consultation with staff where appropriate, and ensuring that consultation commences for those proposals affecting front-line services with the outcome of that consultation being reported to Cabinet in December 2016.

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- 3.24 The Council has accepted the Government's offer of a 4 year financial settlement, covering the period from 2016/17 to 2019/20. The country is, however, facing an unprecedented period of uncertainty around its economic prospects. The Chancellor of the Exchequer will set out his assumptions and their impact on various parts of the public sector in late November, prior to the provisional Local Government Finance Settlement being announced, most likely in mid to late December 2016.
- 3.25 Pending these announcements, Government funding levels have been projected to be 15% lower compared to those received in 2015-16, in line with the indicative settlement figures published by Government earlier this year. At this stage, based on these assumptions, there remains a Budget gap for 2017-18. Work is on-going to identify ways of closing this before the Budget is agreed in February 2017 and an update will be provided to Cabinet in December 2016.

### Change Programmes

- 3.26 The funding gap for 2017-18 is estimated at £20m assuming a £7m reduction in government grant funding across general and specific grants and a number of service specific cost pressures mainly focused around the rising demand for social care services and pension and debt charges costs. After an assumed increase in Council Tax of 3.99%, this gap reduces to £17m.
- 3.27 Recognising the challenging financial context, the Council has put in place a number of programmes of work to change the ways services are delivered to reduce their on-going operating costs. From these programmes, the Council aims to close half of the funding gap. However, the nature of the programmes requires the Council to provide services in different ways which means they are often difficult to deliver and require significant leadership and change management effort to implement. Recognising these challenges, the Council does not yet have a clear line of sight to some of the detailed savings targeted through the programmes as they will evolve as the organisation engages with staff, service users and potential alternative service providers to deliver them. For that reason, the level of savings arising from some of the programmes may change from the figure currently assumed in the detailed appendices.
- 3.28 The programmes and indicative savings are set out in Table Three below.

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Table 3 – Change Programme Savings

<b>Programme</b>	<b>Nature of programme</b>	<b>2017-18 Draft Budget Saving Assumption</b>
Adult Care	<p>Learning Disabilities working with parents, carers and service users to better manage expectations and ensure clients receive the support required in an effective way to support their development</p> <p>Older People - working with hospital &amp; discharge teams to ensure appropriate levels of care to maintain independence</p> <p>Seqol – reshaping services insourced from the Social Enterprise</p> <p>Public Health – reshaping services in liaison with other Public Health providers to respond to the Government reduction in the ring-fenced grant</p>	£3m
Culture and Community Assets	Commercialisation of culture assets and reshaping community services with local groups and parish councils including implementation of the Libraries Strategy	£0.8m (over and above £0.3m in 2016-17 budget)
Local Services	As agreed by Cabinet in June, withdraw funding for local services with the possibility (subject to the outcome of the Community Governance Review) that these can be delivered in future by Parish Councils	£2.6m (over and above £0.5m in the 2016-17 budget)
Commercialisation	Developing Council-owned parcels of land for housing and wider commercial projects to generate new forms of income	£3m
Enabling Services	Reshaping back-office services to ensure they remain fit for purpose with the changing shape of the organisation both enabling more effective and digitalised front-line services and reducing the cost of the enabling functions themselves	£1.3m

## Gap and On-Going Work

- 3.29 If the proposals in the Draft Budget are agreed and implemented, a funding gap of around £4.7m remains to be closed before the Final Budget is agreed in February 2017.

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- 3.30 Through a supportive style of partnership working and a focused approach to programme delivery, it is expected that the change programme savings detailed in Table Three above could be increased before the final Budget is approved in February 2017. In addition, further work is being progressed to try to mitigate some of the cost pressures included in the Draft Budget and identify new savings opportunities.

## Housing Garages

- 3.31 One of the proposals included with the detailed Draft Budget appendices is a net saving of £500k from the appropriation of housing garages, from the Housing Revenue Account (HRA) to the General Fund. This recognises that the bulk of the assets are now being let to private tenants, based on a review of the use of assets held within the HRA.
- 3.32 Where the purpose for holding a property is not related to the provision of housing under Part II of the Housing Act 1985, the property should not be held within the Housing Revenue Account (HRA). If a property is currently held within the HRA, usually as a result of being originally acquired or constructed under Housing powers, it should be transferred (“appropriated”) to the General Fund. The garage stock has remained in the HRA as a result of originally being acquired using housing powers. When those powers were invoked these assets were held for the benefit of HRA tenants.
- 3.33 The HRA garage stock is currently let to both HRA tenants and private individuals of which 67% are let to private individuals. Overall the garages are predominantly achieving a general fund need for the provision of parking in the Borough, and the procedures for allocating garages do not favour any group of potential clients.
- 3.34 In order to achieve the outcome of placing the garages in the most appropriate account it is proposed that assets are appropriated between the HRA and the General Fund in order to achieve a fair and balanced outcome. For example in return for the garages the HRA could receive development land for affordable housing which in turn will deliver an income for the HRA.
- 3.35 Members are asked to note that further detail around the opportunities to appropriate assets between the two funds will be brought to December Cabinet to enable this transfer which will enable the £500k General Fund saving assumed in Appendix 6 to be realised.

## Public Power Solutions (PPS)

- 3.36 Cabinet agreed in June 2015 (Minute 6, 2015/16 refers) at the request of the PPS Board to temporarily increase the Company’s working capital loan facility from £1.25m to £4m until December 2016. As was stated at the time, PPS has recently received payment of £3m of its expected £3.6m payment in relation to

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the Wroughton Solar scheme. This has allowed it to make an initial loan repayment to the Council of £1.5m during September with a commitment to a further £0.5m repayment when the final balance is received from the Wroughton scheme. This will bring the value of the outstanding working capital loan from the Council to the sum advanced when Swindon Commercial Services Limited (SCS), PPS's predecessor, was originally set up.

- 3.37 The repayment date for the remainder of the working capital loan has been extended a number of times by Cabinet, with the most recently approved date being 31 December 2016. PPS's cash projections show that the Company will not be able to meet this timescale. Cabinet is therefore asked to agree to defer repayment subject to a further review in 12 months in light of the Company's trading and cash position and business plan projection at that time.
- 3.38 The current value of all loans which the Council has made to PPS is set out in Table Four below.

Table 4 Outstanding Loans from the Council to PPS

<u>Money Owed to SBC</u>		<u>Due By</u>
Waste Plant Loan	£8.70m	Mar-21
Can Baler Loan	£0.20m	Nov-22
Working Capital Loan	£1.75m	Dec-16
	<b>£10.65m</b>	

- 3.39 Since the contract for waste treatment and disposal was awarded to PPS in 2013, the company has been paid a gate fee significantly below the market level. This has resulted in savings having been realised for the Council, but has placed a significant pressure on PPS which has been unable to manage within the gate fee being paid. At its meeting in July 2016, Cabinet agreed to increase the gate fee paid to PPS for waste treatment to around the market level with effect from April 2016 and asked PPS to review the operating costs of its waste plant and undertake work to try to reduce the financial cost of the waste disposal service to the General Fund.
- 3.40 The net operating cost of the plant for PPS was around £3.6m in 2015/16. Improved production processes and efficiency savings have reduced that to a projected £3.1m in the current year. This net cost is forecast to be offset in the PPS accounts by profit on other work, enabling the Company broadly to break even with the increased gate fee costing the General Fund £2.6m over and above the original base budgeted gate fee.

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- 3.41 Since the July report to Cabinet, work has been undertaken by PPS to see whether changes could be made to further reduce the operating costs of the plant by 2017/18, to enable the same or lower gate fee to be offered to the Council next year. Significant work is in train, with PPS needing to identify new income and efficiency savings to cover predicted additional pressures moving into the next financial year of £1.2m.
- 3.42 At this stage, this work is unlikely to take the cost down below the current price, however the PPS Board is hopeful of being able to hold the gate fee at its current level. In order to achieve this, the Company will need the Council to support it in two ways;
- 3.42.1 The Company needs to implement a solution to deal with large and small materials that are not processed fully through the plant. It is likely that the company will need to approach the Council for a further loan later this Financial Year to purchase a shredder for around £400k to enable it to deliver its cost reduction plan to contain costs within the current envelope.
- 3.42.2 One of the most significant costs of the plant is the depreciation charges to write down the value of the plant itself over the remaining 6 year life of the current Waste Services Contract. Should the contract life be extended, the £9m build costs could be spread over a longer period therefore reducing the annual costs. The Board believes that a further three year extension would be sufficient to deliver a profit at the current gate fee.
- 3.43 As part of reviewing the longer-term plans for the Waste Services Contract, the Council has commissioned external support to help assess the options available. This work is exploring whether further investment in the PPS waste plant would bring opportunities to widen the customer base and / or reduce the net costs of the facility as well as reviewing the Council's overarching waste strategy.
- 3.44 Pending the completion of these exercises, it is proposed that the cost pressure of £2.6m to the Council in the current year is included at the same level in the in the draft budget proposals for 2017/18. The final budget proposals in February 2017 will need to reflect the agreed direction of travel for the future Waste Strategy and the implications of this on the Waste Services Contract.

### Tax Base and Collection Fund Surplus / Deficit

- 3.45 The Council has to notify precepting bodies by 15<sup>th</sup> January 2017 of the assumed level of tax base for 2017-18 and the estimated balances on the Council Tax and Business Rates collection funds. An update on these figures will be brought to the December meeting but the indicative figures included in this report are as follows:-



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- Tax base of 71,160 which assumes growth of 1,614 from both an increase in household numbers and a reduction in discounts and exemptions.
  - Council Tax Collection Fund Surplus of £1.962m (Borough Council share)
  - Business Rates Collection Fund Surplus of £0.75m (Borough Council share)

### Council Tax

- 3.46 In line with expected average increases nationwide, the Draft Budget assumes a Council Tax rise of £3.99% in 2017-18 representing a 1.99% rise for general services plus a 2% uplift specifically to contribute towards the increasing demand for adult social care services. Full Council will be asked to make a final decision on Council Tax levels in February 2017.
- 3.47 The assumed funding levels for 2017-18 are set out in Table Five below based on the detailed assumptions set out in this report.

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Table 5 Estimated Base Budget

	<b>£'000</b>
<b>Base Budget 2016-17</b>	<b>135,226</b>
Reduction in Revenue Support Grant (before the rolling in of specific grants)	-7,246
Increase in movement of Council Tax Collection Fund surplus	500
Income if Members choose to increase Council Tax by 1.99%	1,641
Income if Members choose to increase Council Tax by further 2% for Adult Social Care Precept	1,649
Increase in movement on Business Rates Collection Fund surplus	1,000
Council Tax Base Growth due to increase in household numbers and reductions in discounts and exemptions	2,000
<b>Estimated Base Budget 2017-18</b>	<b>134,770</b>

## Local Council Tax Support (reduction) Scheme and Discounts

- 3.48 Since the replacement of council tax benefit with a Local Council Tax Support scheme, there is a requirement to review the local scheme each year and agree any amendments.
- 3.49 A number of changes to the scheme have been considered but the resulting financial savings to the Council from changes that could have a considerable effect on individual recipients are small and therefore no changes are proposed for 2017/18.
- 3.50 Members are therefore asked to agree that the Local Council Tax Support (reduction) scheme in 2017-18 be unchanged from that for 2016-17, apart from the annual increases in allowances, applicable amounts and non-dependant deductions, which will be increased in line with the national scheme.
- 3.51 Members are also asked to approve the recommendations included in the detailed Draft Budget proposals in Appendix 5 to remove the Empty and Unfurnished Property Council Tax discount and reduce the Structural Alterations discount to 25% and apply it for a maximum of 3 months from 2017-18.

## Children's Accommodation

- 3.52 The office accommodation currently occupied by one of the Council's Children's Locality Teams is currently not fit for purpose as modern office space and the site is earmarked for development. In order to facilitate the development of the site and improve the working conditions of the staff operating from the Limes, Members are asked to approve the expansion of the ex-Penhill Children Centre

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Further information on the subject of this report can be obtained from Stuart McKellar, Direct Dial 01793 463300, [smckellar@swindon.gov.uk](mailto:smckellar@swindon.gov.uk).

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building, which has recently opened as the new Family Service Centre, to enable the North Locality Team to relocate from their existing premises. Essential expenditure to facilitate the move would be cash flowed from corporate capital resources which would then be reimbursed from the capital receipt generated from the disposal of The Limes.

### Fees and Charges

- 3.53 The Draft Budget for 2017-18 assumes that fees and charges are increased by 5% (or just above or below 5% to allow for rounding off to a sensible new charge) as a standard level of uplift. Where the cost of the service suggests a higher increase is justified or where an above-inflation nationally-set increase is proposed, the proposed charges for these services are set out in Appendix 4. Members are asked to approve that consultation commences on these higher-level increases and that the increases are implemented from 1<sup>st</sup> December 2016, or as soon as practicable thereafter. It is also suggested Heads of Service, in consultation with the relevant Cabinet Member and the Corporate Director Resources, be authorised to increase fees and charges by greater than 5% where circumstances permit and subject to legal constraints, and to introduce new fees and charges where the market situation permits.

### Balance Sheet

- 3.54 The Council's strategy to implement previous year's Budget savings early has supplemented the level of one-off resources available to invest in future changes to ensure its on-going financial viability. This means that its Balance Sheet is currently healthy relative to many other councils. Over and above the £6m of General Reserves held against the risk of unforeseen costs arising in-year, the Council also holds reserves committed for specific earmarked purposes plus around £18m of unallocated resources to support the delivery of future year's Budgets. These can be used either to fund implementation costs or cash flow funding changes. Around half of this is likely to be used up supporting the current year's Budget and implementing the 2017-18 proposals, still leaving up to £10m for use in future years.

### One-Off Funding

- 3.55 In order to fund the implementation of the 2017-18 budget proposals and cash flow some savings that will not be implemented by 1<sup>st</sup> April 2017, Members are asked to approve that £3.9m of one-off funding be earmarked for this purpose. Table Six below sets out a high-level breakdown of this sum, which includes part of the unallocated reserves highlighted in paragraph 3.49 above.

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Table 6 One-Off Funding

<b>Area</b>	<b>£000</b>	<b>Detail</b>
Parishes (see separate report elsewhere on the agenda)	3,000	Transitional funding and start-up reserves, subject to the outcome of the Community Governance Review
Year Two of Transitional Funding awarded in February 2016	827	General implementation funding for the other Budget savings including £500k for Libraries.
	<b>3,827</b>	

## Consultation

- 3.56 Following publication of the draft budget proposals set out in Appendix 6, consultation will now commence and the feedback will be taken into consideration in any final Budget proposals to be presented to Cabinet in February 2017.

## **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 proposals are set out in the appendices and other reports on the agenda.

### 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.
- 5.3 Over the years, there have been a number of challenges in the courts as to reductions in budgets. The courts have held that the decision to set a local authority budget for a service at a certain level and to make reductions in specific areas is a political decision which cannot be judicially challenged. How those reductions are implemented, however, is key and will be subject to appropriate consultation.

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## All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

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

## Diversity Impact Assessment

- 5.5 A Diversity Impact Assessment (DIA) has been produced for each of the savings proposals set out in the appendices that could affect minority groups. Risk Management
- 5.6 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 Corporate Director Resources (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

## **7. Background Papers**

- 7.1 None

## **8. Appendices**

- 8.1 Appendix 1: Forecast Out-turn by Directorate 2016-17
- 8.2 Appendix 2: Forecast Out-turn by Service Type 2016-17
- 8.3 Appendix 3: Virements 2016-17
- 8.4 Appendix 4: 2017-18 Proposed Changes to Fees and Charges above the 5%
- 8.5 Appendix 5: Summary of Proposed Budget By Group 2017-18
- 8.6 Appendix 6: Detailed Budget Proposals 2017-18 By Group

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

- 9.1 This is a Key Decision and is included in the Cabinet Work Programme and Forward Plan for October 2016.