

**2016/17 Budget Management and 2017/18 Draft Budget**  
**Cabinet** **Date: 7<sup>th</sup> December 2016**

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Author: Cabinet Member for Finance and Corporate Resources  
Interim Corporate Director of Resources

Wards: All

Locality Affected: All

Parishes Affected: All

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**1. Purpose and Reasons**

- 1.1 This report builds on the decisions taken by Cabinet on 19 October 2016 and updates the position in relation to the 2016/17 forecast outturn and the proposals to produce a balanced budget for 2017/18.

**2. Recommendations**

Cabinet is recommended:

- 2.1 To note the in-year forecast outturn position for 2016/17 and responding action plan to manage the projected year-end overspend;
- 2.2 To authorise officers to engage and consult on a more financially sustainable delivery model for the youth service;
- 2.3 To note the practical issues arising from the implementation of car parking charges at Lydiard House and Park and at Coate Water Country Park and to agree that consultation commences with local residents and stakeholders on the introduction of car parking charges at Stanton Country Park;
- 2.4 To agree to the extension of the Waste Services Contract and Plant Loan with PPS Limited for a further three years to 31/12/2025.
- 2.5 To note:-
- 2.5.1 The significant risks faced by the Council in delivering services within its overall budget for both 2016/17 and 2017/18.
- 2.5.2 That the Local Government Finance Settlement for 2017/18 has yet to be published and therefore the funding assumptions in this report contain levels of uncertainty;
- 2.5.3 That the current gap between the assumed funding levels for 2017/18 and the current proposed cost of services is under £0.5m, and that work is continuing to identify further options to close this gap for consideration by Members once actual funding levels are confirmed and before the final budget is recommended to Council;
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- 2.5.4 The impact on protected 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 tax base for 2017/18 will be 71,551.4 and the estimated business rates retained for 2017/18 will be £31.383m;
- 2.5.6 That this budget assumes a change in accounting policy for the Minimum Revenue Provision (MRP) to be considered as a separate report on this Cabinet agenda. This budget assumption is dependent on the decision of Cabinet and Full Council;
- 2.5.7 That further detail regarding the transfer of assets between the General Fund and the Housing Revenue Account as set out in Appendix 7.
- 2.6 That the following be agreed:-
  - 2.6.1 The virements set out in Appendix 3;
  - 2.6.2 That 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 1st April 2017. Any existing structural alteration discount will be reduced to 25% and will continue for the remaining period of 3 months from its commencement.
  - 2.6.3 That the Council share of the estimated Collection Fund as at 31 March 2017 will be a surplus of £1.962m for council tax and a deficit £20k for business rates.
  - 2.6.4 That 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.
  - 2.6.5 That consultation commences for budget proposals affecting front-line services with the outcome of that consultation being reported to Cabinet in February 2017 prior to considering the final budget to be recommended to Council.

### **3. Detail**

#### Projected Outturn 2016/17

- 3.1 The projected outturn as at 31 October 2016 shows that the Council expects to deliver services broadly within budget for 2016/17. However there are still significant risks to this forecast, particularly within social care where the Council is managing the delivery of savings at a time of increasing demand. This is an issue common to many local authorities nationally and provides an increasingly challenging context for the managing the budget.

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- 3.2 The budget and projected outturn by Department is set out in Table 1 below and a more detailed analysis is set out in Appendices 1 and 2.
- 3.3 A number of budget changes have been identified since the last report and Members are asked to approve the virements set out in Appendix 3.

Table 1 – Projected Outturn 2016/17

Department	Budget 2016/17 £'000	Full-Year Projected Outturn £'000	Projected Variance £'000	Movement since last report £'000
Adult Services	72,581	75,819	3,238	1,559
Children Services	26,392	28,236	1,844	(127)
Communities and Place	28,224	31,745	3,521	305
Economy	(855)	(718)	137	(88)
Chief Executive	4,226	4,164	(62)	(56)
Resources	19,946	19,002	(944)	(170)
Corporate	(15,288)	(18,349)	(3,061)	(1,662)
<b>Total General Fund</b>	<b>135,226</b>	<b>139,899</b>	<b>4,673</b>	<b>(239)</b>

- 3.4 The projected outturn has improved by £239k since the last Cabinet report. The most significant changes being:
- 3.4.1 An increase in the projected overspend on Adults of £1.559m, reflecting demand pressures and increased provider charges.
- 3.4.2 The implementation of actions reported in October to release a corporate contingency budget held for pay (£0.8m) and a review of reserves (£0.6m)
- 3.4.3 A number of underspends identified across all departments to reflect the freeze on non-essential expenditure.
- 3.5 In addition to the £4.673m overspend there is a further £1.8m of Adults savings that are now considered at risk in light of the SEQOL transfer, which has severely stretched management capacity, together with a requirement to write off up to £726k of income from the provision of central support services to SEQOL for the financial year 2015/16. This means that the potential call on reserves at year end could be as high as £7.2m, reducing uncommitted revenue reserves to just over £3m. This would not be sufficient to fund the ambitious transformation programme required to achieve financial sustainability. Depletion of the reserves would also significantly impair the Council's financial resilience and erode its ability to safely navigate what will be a highly challenging budgetary environment over the next 3 years.

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- 3.6 Accordingly, officers have been exploring measures that could be taken to protect, and potentially enhance reserves. As reported elsewhere on the Cabinet agenda, changes to the Council's minimum revenue provision (MRP) policy are proposed that would deliver £4m of savings in the debt management budget in 2016/17 to offset the current year overspend. Backdating some of these changes would deliver further savings of £1.5m. These figures are indicative and would be finalised as part of the 2016/17 Statement of Accounts process.
- 3.7 Work will continue to bear down on non-essential spend in the remainder of the year to minimise the overspend as far as possible and protect reserves, given the challenging financial outlook over the next few years. This includes a continuing moratorium on non-essential spending and additional controls on use of agency staff and recruitment to vacant posts.

### Autumn Statement – 23 November 2016

- 3.8 As part of the Autumn Statement the Government:
- Confirmed that there is no change to the overall government departmental revenue spending plans set out in Spending Review 2015.
  - Reaffirmed its commitment to identify a further £3.5bn of savings from public spending in 2019/20, following an Efficiency Review. Up to £1bn of these savings will be reinvested in priority areas. The Efficiency Review will report on progress in Autumn 2017.
  - Announced that overall government departmental revenue spending will grow in line with inflation in 2020/21 and 2021/22.

### 2017/18 Budget – Overview

- 3.9 As part of the Central Government's policy objective to reduce the national deficit, in common with all Local Authorities, Swindon Borough Council is facing a significant reduction in its funding from Central Government. Swindon Borough Council has adopted a vision which informs its strategic response to this financial challenge.
- 3.10 The Cabinet report in October set out a residual funding gap of £4.7m for 2017/18. Since then further work has been undertaken to review budget pressures and identify further proposals to close the residual funding gap for 2017/18 to less than £0.5m.
- 3.11 This should be understood in the wider financial context, which is set out in Table 2 below.

### Table 2 Forecast Funding Position – Swindon Borough Council 2017 - 2020

	2017-18	2018-19	2019-20	Total
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Further information on the subject of this report can be obtained from Mick Bowden, Direct Dial 07392 109917, mbowden@swindon.gov.uk

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	£'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>

- 3.12 In light of the ongoing financial constraints, Cabinet has adopted a strategy, approved by full Council, of proceeding to transform how the council operates in order to ensure long-term, sustainable provision of public services while supporting wealth creation, which in turns provides services for those who are most vulnerable.
- 3.13 Cabinet is continuing to maintain a strategic approach, which will enable the transformation of all council services. This means questioning and reviewing what is provided, who provides it, and the results sought. This requires changes to be made to services which can be difficult or generate debate.
- 3.14 Given the scale of the changes that need to be made, and the amount of work a reduced number of senior council officers will have to undertake, Cabinet has already considered some options at its October 2016 meeting. Further proposals are now being brought forward that will reduce the residual funding gap for 2017/18 to less than £0.5m.
- 3.15 The changes since October are summarised in Table 3 below and detailed in Appendices 4 and 5. Members are 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 February 2017 prior to considering the final budget to be recommended to Council.

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- 3.16 As with the current financial year, the 2017/18 draft budget proposals contain significant risks – including the delivery of savings, the potential for increased inflation and continuing uncertainty about the extent of demand pressures in adults and children’s social care. The latest set of budget proposals therefore include an additional £2m budget risk contingency to be funded from backdating of the MRP policy changes detailed in a separate report elsewhere on the Cabinet agenda. The establishment of this contingency will provide additional financial resilience, enabling uncertainties and risks to be addressed in a planned and managed way.
- 3.17 It is important to note that although the proposed MRP policy changes will result in reduced debt management costs in the short term they will not result in any increase in the Council’s overall indebtedness and the same amount of funding will be set aside for repayment over the life of the debt under the annuity method for calculating MRP as under the existing straight line policy. However, under the revised policy the amount that has to be set aside will increase by a small amount year on year.
- 3.18 Backdating of the policy change will allow the Council to apply the difference between the amount that would have been set aside using the annuity method and the actual amount of MRP set aside since 2008 as a further revenue budget saving over an 8 year period. This saving will be phased out from the Council’s revenue budget as and when circumstances allow and will be reviewed annually as part of the budget setting process but the draft Medium Term Resource Plan assumes that a sum of £2.2m will be used over each of the next 3 years.
- 3.19 The Council does not expect to receive the provisional Local Government Finance Settlement until late in December 2016 and, as a result, Government funding levels have been based on the projections contained within the 2016/17 settlement.

Table 3 – Changes to 2017/18 Draft Budget since the October Budget report

	£'000
<b>Budget Gap Reported to Cabinet in October</b>	<b>4,721</b>
<b><u>Cost Pressures</u></b>	
SEN Transport	500
Children’s Placements	(400)
School Improvement	200
Adults Demand Pressures	500
Family Centres continued funding	212
Regulated Services Manager in Adult Social Care	65
<b><u>Contingencies</u></b>	
Reduction in pay contingency	(500)
Budget Risk Contingency	2,000



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	Adults – Contract Inflation	300
<u>Savings</u>		
	Youth Service Restructure	(136)
	Income from Investment Property	(500)
	Capital Financing (MRP) Policy Changes	(2,800)
	MRP Policy Change - Backdating	(2,200)
	Digitisation	(500)
	Staff Parking / Mileage Rates	(226)
	Procurement Review	(500)
	STEAM Income	(50)
	Cemetery and Crematorium Income	(30)
	School Crossing Patrols	(20)
	Swift System	(140)
	Car Parking Charges at Stanton CP	(25)
	<u>Total Changes since October</u>	<u>(4,250)</u>
	<u>Current Budget Gap</u>	<u>471</u>

### Car Parking Charges at Country Parks

- 3.20 In June 2016 Cabinet agreed to implement car parking charges at Lydiard House and Park and Coate Water Country Park. Appendix 6 provides an update on the implementation of those charges and sets out a proposal to consult on the implementation of charges at Stanton Country Park.

### Public Power Solutions (PPS) Update

- 3.21 In the last few weeks, PPS has paid off £2m of the Company's working capital loan facility. This has been paid predominantly from the financial receipts from the Wroughton Solar Project.
- 3.22 The Company has assumed within its business plan that it will make further significant loan repayments and finance investment to increase throughput and efficiency of the plant through company profits. As an example, in October, the Company indicated that it intended to invest in a solution to reprocess large and small materials which are a bi-product of the SRF plant without approaching the Council for a further loan. However, this is only achievable if the company is in a position to generate and retain sufficient profits for future investment.
- 3.23 One of the most significant costs to the Company is the depreciation charge to write down the value of the SRF plant. The plant has an expected life of 25 years, however depreciation is currently set against a loan period of 8 years, in-line with the existing waste services contract. As set out in the Cabinet report in October 2016, the Council is requested to approve the extension of the Waste Services Contract and Plant Loan to 31/12/2025. This will improve PPS' financial position

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by £400k per annum and will also support the Company achieve its annual impairment review and going concern tests.

- 3.24 The extension will also provide the Council with an extended period of certainty regarding its waste disposal arrangements, giving the opportunity for the long-term waste strategy to be developed.
- 3.25 The Council is looking to PPS as its wholly owned company to maximise long-term financial returns and help the Council meet its objectives with regard to:
- Development of Council sites and supporting Swindon's renewable strategy, which is currently generating an additional £647k per annum income from business rates, rent and dividends.
  - Achievement of the vision of a growing, low-carbon economy
  - Creating innovative investment funds and solar bonds
  - Developing an offering to maximise SBC's assets including Private Wire, Car Parks and Storage solutions
  - Freezing the gate fee on the Waste Services Contract for 2 years (£300k).
  - Landfill savings and continuing to develop and implement future innovations.

### Consultation on Council Tax Discounts

- 3.26 Consultation on the proposed Empty Council Tax discounts changes has been undertaken with landlords, who may own empty properties, at the Benefits Landlords Forum and details were also published on the Council's website. One comment was received regarding the processes involved in notifying the Council Tax office of changes, although the Council does have online forms available on its website for this purpose. These forms have also recently been changed to make them more relevant to the customer's circumstances. The Council's Housing Department will be impacted and the Head of Housing commented "Understandable why these changes are being put forward. Clearly for the HRA it will give us a greater focus for turning around lettable voids."

### Appropriation of Assets between General Fund and Housing Revenue Account

- 3.27 The Council is required to ensure it accounts for assets either within the General Fund or Housing Revenue Account according to their use. Where that use changes over time such that the existing categorisation is no longer appropriate the Council is required to transfer those assets accordingly. More detail on the Council's approach to reviewing these assets is set out in Appendix 7.

### Tax Base and Collection Fund Surplus / Deficit

- 3.28 The Council has to notify precepting bodies by 31 January 2017 of the assumed level of tax base for 2016/17. In order to help with their planning processes, this is normally done slightly earlier than the statutory date. The tax base setting



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process starts in mid-October when all Councils have to complete a statutory return to Central Government setting out the number of properties it has by band and any allowances or discounts on those properties.

- 3.29 In recent years, the Council has seen an annual rise in its tax base of around 800 Band D equivalent properties due mainly to growth in the Borough. The change between 2016/17 and 2017/18 is estimated to be above this at 1,075.2 and a further increase has been calculated due to a reduction in the number of households accessing council tax support and other allowances. In overall terms, the tax base has increased by 2,005.6 from 69,545.8 in 2016/17 to 71,551.4 in 2017/18. The increase in tax base between the two financial years leads to an increased level of Council Tax income of £2.4m.
- 3.30 The assumed level of Council Tax surplus to be used to support the 2017/18 Budget is £1.962m compared to £1.462m in 2016/17.
- 3.31 For business rates, latest projections show a deficit on the collection fund of £20k for 2016/17 compared to £0.250m in 2017/18. In overall terms, business rates have increased with an estimated rise in the level retained by the Council in 2017/18 of £1.338m compared to 2016/17. It should be noted that the revaluation of business rates will affect the retained figures from April 2017 but the Government have announced that there will be a corresponding adjustment in the tariff paid by the Council which should mean that the overall impact of the change will be neutral. Confirmation of these arrangements will be received as part of the Local Government Finance Settlement in late December.

### Council Tax

- 3.32 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.
- 3.33 Taking into account the extra income from an uplift in Council Tax bills, the estimated funding gap to be closed by February 2017 is under £0.5m. Once the Local Government Finance settlement has been received later this month and the actual funding levels known, further work will be undertaken to close the remaining gap by the time the February Cabinet papers are published.

### Consultation

- 3.34 Following publication of the proposals set out in Appendix 7, 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.

### Thamesdown Transport

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- 3.35 Officers will brief members on the current position with regard to Thamesdown Transport Ltd.

#### **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.

##### 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 protected groups. Where assessments undertaken identify adverse impacts then mitigations are being developed as part of the proposals.

##### 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.

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### **6. Consultees**

- 6.1 The Interim 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 Outturn by Directorate 2016/17
- 8.2 Appendix 2: Forecast Outturn by Service Type 2016/17
- 8.3 Appendix 3: Virements 2016/17
- 8.4 Appendix 4: Summary of 2017/18 Budget Proposals By Group
- 8.5 Appendix 5: Detailed 2017/18 Budget Proposals By Group
- 8.6 Appendix 6: Car Parking Charging at Country Parks
- 8.7 Appendix 7: Transfer of Assets between the HRA and General Fund

### **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 December 2016.