

Budget 2017/18 and Beyond

Cabinet

Date: 8th February 2017

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

1. Purpose and Reasons

- 1.1 This report proposes a Budget for 2017/18 and sets out the financial context for 2018/19 and beyond.
- 1.2 Under the Council's Constitution, the Cabinet is required to recommend a budget to Council as part of its formal Council Tax Setting responsibilities.
- 1.3 The effective management of financial resources through robust financial planning processes underpins the Council's ability to achieve its plans and priorities.

2. Recommendations

Cabinet is recommended to note:

- 2.1 The medium term financial context and impact on Swindon of the draft Local Government Finance settlement;
- 2.2 The projected out-turn for 2016/17;
- 2.3 That the Council does not foresee any need to replenish general reserves as part of the 2017/18 Budget Setting process;
- 2.4 The consultation feedback is summarised in Appendix 3 in relation to the Budget proposals presented to Cabinet in December 2016;
- 2.5 The feedback received from a consultation meeting with business representatives from Swindon, on behalf of non-domestic rate payers, which took place on 23rd January 2017, as set out in Appendix 4;
- 2.6 That the detailed Dedicated Schools budget for 2017/18 has been set within the provisional funding envelope of £171.115m;
- 2.7 That, in line with the requirements of the Local Government Act 2003, the Interim Corporate Director of Resources, in her Section 151 capacity, confirms the robustness of the estimates underlying the recommended Budget and

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having reviewed the financial risks being faced by the Council concludes that the proposed minimum level of general reserves (£6m) is adequate in the context of the earmarked reserves held, specific contingencies and the proposed budget risk contingency of £4.1m.

Cabinet is requested to:

- 2.8 Agree the 2016/17 virements, set out in Appendix 2;
- 2.9 Endorse the medium term financial strategy, set out in Appendix 8;
- 2.10 Agree the specific reserves held in support of the 2017/18 Revenue Budget set out in Appendix 7;
- 2.11 Agree to top up the Transformation Fund to £2.5m from General Reserves at the year end to support delivery of the 2017/18 budget;
- 2.12 To authorise the Director of Law and Democratic Services in consultation with the Cabinet Member for Adult Services, Director of Adult Social Services and the Interim Corporate Director of Resources to complete documentation required to enter into a contract under the North East Purchasing Organisation (NEPO) framework for the provision of additional staffing capacity to deliver adult social care services, on such terms he considers appropriate to protect the Council's interests;;
- 2.13 Authorise the Interim Corporate Director of Resources to balance any changes between the provisional local government finance settlement and the final numbers expected to be released in mid-February by adjusting the Budget Risk Contingency;
- 2.14 Agree the change to the proposed fees and charges for allotment fees, as set out in 3.32;
- 2.15 Recommend to Council, subject to any changes resulting from the Government's announcement of the final local government finance settlement for 2017/18 that:-
 - The 2017/18 Budget be set at £136.464m;
 - The council tax be increased by 4.99%, comprising 1.99% for the basic amount of council tax and a specific adult social care precept of 3%, and;
 - It be determined that the proposed increase in the basic amount of Council Tax for 2017/18 is not excessive in accordance with Schedule 5 of the Localism Act 2011 and therefore does not trigger the requirement for a referendum.

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3. Detail

- 3.1 Central Government policy has had a specific focus to restore fiscal responsibility to the nation's public finances, which has meant local Government (together with the public sector as a whole) is required to reduce its expenditure. The Chancellor of the Exchequer has recently confirmed his intention to continue with public sector funding reductions as part of an overall deficit reduction strategy.
- 3.2 Within this context, it will be necessary for the Council to continue to obtain significant savings from its services and set aside any resources delivered by the early achievement of transformation to help meet the annual budget challenges in future years.
- 3.3 As part of the strategy to remain financially sustainable, the Council operates an on-going cycle of savings identification. Recognising the sustained nature of the challenging financial position it is Council policy to use its one-off reserves to fund the implementation of significant transformation programmes rather than relying on them to fund business as normal expenditure.
- 3.4 The Council's medium term financial strategy and efficiency statement are set out in Appendix 8. This sets out the strategic approach adopted to develop budget proposals within the national and local financial and economic context, which Members are asked to endorse.

The Forecast Out-turn 2016/17

- 3.5 The starting position for the 2017/18 budget is the current year's budget for 2016/17. Table 1 below and Appendix 1 set out the forecast position to 31st March 2017, which shows that the forecast overspend is £6.5m.
- 3.6 The significant changes since the last report to Cabinet are :
- Continued demand pressures in Adults Social Care leading to a reduction in the assessment of savings that can be delivered by the end of 2016/17
 - An increase in the overspend forecast for Communities and Place reflecting updated parking income projections, increased costs in waste and recycling, and additional pressures on the homelessness budget.
- 3.7 Previous reports to Cabinet have set out the approach to meeting the pressures in the current financial year, through the revision of the Council's approach to providing for the repayment of debt and the use of one-off earmarked reserves. On that basis, no provision has been included in the proposed budget for 2017/18 to replenish general reserves as a result of projected drawings in-year.

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Table 1 – Forecast Out-turn 2016/17

Department	Budget 2016/17 £'000	Full-Year Projected Outturn £'000	Projected Variance £'000	Movement since last report £'000
Adult Services	72,597	77,236	4,639	1,401
Children Services	26,383	28,308	1,925	81
Communities and Place	28,152	32,235	4,083	563
Economy	(862)	(756)	106	(31)
Chief Executive	4,226	4,146	(80)	(18)
Resources	20,018	18,955	(1,063)	(118)
Corporate	(15,288)	(18,390)	(3,102)	(41)
Total General Fund	135,226	141,734	6,508	1,837

- 3.8 A number of budget virements have been proposed since the last meeting and Members are asked to approve the budget transfers set out in Appendix 2.

The 2017/18 Provisional Finance Settlement

- 3.9 The Government published the provisional 2017/18 local government finance settlement on 15th December 2016.
- 3.10 The key issues arising from the provisional settlement are:
- The Government has created more flexibility by allowing the social care precept to rise by an additional 1 per cent in 2017/18 and 2018/19 (from 2 per cent to 3 per cent), on condition that the total increase to 2019/20 does not exceed 6 per cent.
 - Savings of £241m from reducing the New Homes Bonus (NHB) from 6 to 5 years have been allocated to social care authorities through a new one-off Adult Social Care Support Grant. In addition the Government has introduced a 0.4 per cent threshold for NHB payments. This will mean that local authorities will need to achieve growth of greater than 0.4 per cent before they receive any funding.
 - The Government will not act to limit excessive council tax increases for 2017/18 for Parish and Town Councils. However, it will keep the matter under review.

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- The revenue support grant figures in the provisional settlement are in line with expectations.

3.11 Table 2 below summarises the provisional settlement for Swindon and compares it to the assumptions in the draft budget considered by Cabinet on 7th December 2016 (Cabinet Minute 65, 2016/17 refers). There has been a significant reduction in New Homes Bonus (1.628m in 2017/18), driven by the changes referred to above, which is only partially offset by the one-off Adult Social Care support grant of £773k in 2017/18.

Table 2 – Comparison of Provisional Settlement with Draft Budget Assumptions

	2017/18	2018/19	2019/20
Actual	£m	£m	£m
Revenue Support Grant	13.577	8.949	4.268
New Homes Bonus	5.370	4.049	3.885
Adult Social Care Support	0.773	-	-
Total	19.720	12.998	8.153
Draft Budget			
Revenue Support Grant	13.577	8.949	4.268
New Homes Bonus	7.008	4.362	4.181
Adult Social Care Support	-	-	-
Total	20.585	13.311	8.449
Increase/(Decrease) in Funding	(865)	(313)	(296)

Council Tax 2017/18

- 3.12 In line with Government expectations and the feedback from other Councils, it is proposed that the Council increases the basic amount of council tax by 1.99% (as planned in the draft budget) and raises an adult social care precept of 3%.
- 3.13 If agreed, the total 4.99% increase will be broken down on the face of the council tax bill, in line with national guidance, to explain that 3% of the increase is specifically to respond to the rising demand for adult social care.
- 3.14 A 4.99% increase would increase the average Council Tax bill by £59.47 per annum, excluding precepts.

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Feedback from Scrutiny Committee

- 3.15 On 9th January 2017, the Scrutiny Committee considered a report on the 2017/18 budget setting process. The Committee debated a range of points and resolved that:
- That the Budget Position Update report be noted.
 - That the Cabinet Member for Finance and Corporate Services be invited to speak with the Labour spokesperson for Resources about the 2017/18 budget proposals.

Consultation Feedback

- 3.16 The Council published details of all proposed service changes included within its draft budget on its website on the 13th December 2016 and undertook targeted consultation on some specific proposals. The feedback from the consultation is set out in Appendix 3, for the Cabinet to consider in making its proposals to full Council.
- 3.17 The Council has also undertaken further consultation with the business community via a meeting with business representatives from Swindon, on behalf of non-domestic rate payers on 23rd January 2017. The minutes of the meeting with Business Representatives will be circulated as Appendix 4 at the meeting.

The Proposed Budget 2017/18

- 3.18 All proposals that have been added or amended since the draft budget was presented to Cabinet on 7th December 2016 are shown in Table 3 below and within an additional column in Appendix 6. Should any changes be required to any of the proposals in response to consultation feedback prior to implementation, these will be reported to Cabinet as part of the 2017/18 scheduled budget management reports.

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Table 3 – Changes between the Draft and Final Proposed Budget 2017/18

		£'000
<u>Budget Gap Reported to Cabinet in December</u>		471
<u>Funding Changes</u>		
	Funding reductions assumed on ESG mitigated by transitional relief and charges to maintained schools for Core Services	(680)
	Reduction in New Homes Bonus	1,676
	Adult Social Care Grant	(773)
	Call on reserves to fund shortfall on New Homes Bonus net of the Adult Social Care grant	(824)
	Call on reserves to increase budget risk contingency	(2,000)
	Refinement of pressure relating to specific grants	(51)
	Special Education reform caseload - uplift of grant	(16)
	Increase in ASC Precept from 2% to 3%	(852)
	Extra Tax base	(69)
	Additional funding for Early Years posts	(220)
<u>Cost Pressures</u>		
	Withdrawal of funding from PCC for Opal Team	69
	Additional Educational Psychologist post	60
	Demand Pressures on Older People services	883
	Demand Pressures on Learning Disabilities	3,668
	Demand Pressures on Mental Health	62
	My Care My Support licence costs	20
	Wichelstowe borrowing costs	406
	Additional posts in Highways to support the growth agenda	97
	Removal of pressure linked to Microsoft licences	(87)
	Demand Pressures on Children's placements	400
<u>Contingencies</u>		
	The budget risk contingency has been increased to £4.1m to recognise the risks in the budget.	1,176

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	<u>Savings</u>	
	Reduction in the saving expected to arise from the insourcing Seqol.	250
	Increase in saving on Supporting People contracts	(100)
	Older People Day Care service procurement	(76)
	Older People - review of care packages, contract provisions and working practices	(1,141)
	Savings to be identified through the ASC transformation programme. The budget risk contingency has been increased to recognise the risk of achieving this target.	(2,000)
	Further saving on Revenue & Benefits contract savings due to changes in demand	(20)
	Headcount Reductions - savings target	(1,500)
	SEN Transport - reduction in pressure	(50)
	Reduction in anticipated savings on Public Health inflation	109
	Reduction in anticipated savings on Learning Disability packages	1,079
	Adjust for part year effect of public toilet closure	25
	Refinement of saving from Libraries and Community Assets	(40)
	Increase in saving from reshaping opening hours of HWRC	(96)
	Withdrawal of bring sites	(25)
	Deferral of introduction of hand held technology in Highways	40
	Increase in saving related to bus strategy	(50)
	Full cost recovery when undertaking work for Traffic Regulation Orders in connection with new developments	(20)
	Delay in achievement of savings expected as a result of Lydiard outsourcing exercise	50
	Revision of Steam opening hours	(12)
	Culture - Post deletion as a result of service restructure	(65)
	Removal of proposal on staff car parking and mileage changes pending conclusion of consultation with staff	226
	<u>Total Changes since December</u>	(471)
	<u>Current Budget Gap</u>	0

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Relationship between Revenue and Capital Budgets

- 3.19 The 2017/18 revenue budget includes a cost pressure of £1.0m to cover the estimated increase in debt charges to finance the capital programme being delivered during 2017/18 and any interest incurred on schemes starting in 2017/18.
- 3.20 The 2017/18 capital programme is set out elsewhere on the agenda and any significant increase in the proposed programme that is finance from borrowing will have an impact on the annual revenue budget of £85k per £1m.

Contingencies and Risk

- 3.21 Each of the savings proposals put forward as part of the budget setting cycle has been individually risk assessed and the levels of contingency built into the proposed budget for 2017/18, and alongside the level of general and earmarked reserves, reflect the overall potential risk associated with delivering the Budget proposals.
- 3.22 Significant risks have been identified in relation to the savings set out in Table 4 below. An assessment of the likelihood of non-delivery has been undertaken, reflecting both the inherent complexity of the proposal and the progress of the actions needed to deliver the saving.

Table 4 – Assessment of Key Budget Risks

Proposal	Saving £'000	Risk of non- delivery	Value at Risk £'000	Comment
Adult Social Care - through transformation.	2,000	100%	2,000	Reflects extent of transformational savings still to be identified
Procurement	500	50%	250	Specific opportunities being validated
Digitisation	500	50%	250	Project at outline business case stage
Small scale housing development	3,000	33%	1,000	Reflects inherent risks around timing of delivery
Headcount reduction	1,500	40%	600	Risk that full year savings cannot be achieved
Total			4,100	

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- 3.23 Based on this assessment it is proposed that the budget risk contingency is set at £4.1m.
- 3.24 In light of this, and the specific reserves held to support the budget (set out in Appendix 7), the Interim Corporate Director of Resources, as part of her Section 151 responsibilities, is content that the 2017/18 Budget as proposed, including the specific reserves and general contingency is deliverable.

Adult Social Care Service Redesign

- 3.25 Adult Social Care is facing an unprecedented demand for its services and is currently projecting an overspend of £4.6m in 2016/17. At the same time, the Council insourced 400 staff and 11 services from SEQOL in October 2016. There is insufficient capacity within the Council to deliver the service changes required 'in house' to improve outcomes for clients and deliver associated savings. The additional staffing capacity will work closely with Council staff to design, test and embed the new procedures and also ensure a transfer of knowledge to the Council employees takes place.

One-Off Resources Commitments

- 3.26 The Council has a specific reserve to fund severance costs and a number of proposals have impacts on staff that will be met from this fund. Over and above that, it is proposed that the Transformation Fund is topped up to £2.5m from General Reserves at the year end to support delivery of the 2017/18 budget. This includes funding for a comprehensive service redesign of Adult Social Care in order to deliver annual efficiency savings of up to £3.1m as referenced in paragraphs 3.25 to 3.28.
- 3.27 As noted in Appendix 8, the transformation programme is currently being refreshed and will be brought to Cabinet in July 2017 together with an estimate of funding requirements over the next 3 years as part of a Medium Term Financial Strategy update.

Fees and Charges

- 3.28 One change is proposed to the fees and charges agreed by Cabinet on 19th October 2016 (Cabinet Minute 57, 2016/17).
- 3.29 Cabinet is recommended to endorse a lower increase in the allotment fees compared to that originally proposed in October. This reflects consultation feedback and seeks to optimise the income levels for the service. The revised allotment fees for the period from 1st October 2016 to 30th September 2017 are as follows:

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Service	Actual 2016/17	Proposed 2017/18	Increase		Comment
	£	£	£	%	
Allotments - Full Size - Standard Rate	£52.50	£61.20	£8.70	17%	Rates increased to cover cost of service
Allotments - Full Size - Concession 2	£39.20	£45.90	£6.70	17%	Rates increased to cover cost of service
Allotments - Half Size - Standard Rate	£26.25	£30.60	£4.35	17%	Rates increased to cover cost of service
Allotments - Half Size - Concession 2	£19.60	£22.95	£3.35	17%	Rates increased to cover cost of service

- 3.30 The remaining charges for 2017/18 that have been increased by more than 5% remain unchanged from the draft budget.

General Reserves

- 3.31 In general, it is considered that uncommitted reserves of around 5% of net revenue expenditure provides for a reasonable level of support to manage risks, subject to the specific circumstances of each authority. This implies a level of around £7m for Swindon. However, protection against budget risks is also provided through earmarked reserves and contingencies and the Council's experience of managing budget pressures without using general reserves. In this context, it is recommended that the level of general reserves the Council holds is maintained at a minimum of £6m.

Schools' Budgets 2017/18

- 3.32 The provisional Dedicated Schools Grant (DSG) for 2017/18 is £171.115m, the majority of which is passported directly to schools. The Council prepared its budgets based on existing spend, inflation and known increases in demand and it has been possible to produce a balanced budget, within the available funding. The Schools Forum considered the proposed budget at its meeting on 17 January 2017 and agreed the allocation of the budget as set out in Table 5 below:

Table 5 - Overall DSG Funding and Expenditure 2017/18

	£'000
Total DSG and EFA Funding receivable	171,115

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Early Years Expenditure	13,633
Mainstream School Expenditure	126,751
Statutory Responsibilities	498
High Needs Expenditure	30,233
Total Expenditure	171,115

4. Alternative Options

- 4.1 The full range of options is set out in the body of the report.

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

- 5.1 Where there are financial implications these have been reflected in the body of the report and in the appendices.

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 There are no such direct implications.

Diversity Impact Assessment

- 5.4 In line with the Public Sector Equality Duty (Equality Act 2010) Swindon Borough Council is required to pay due regard to the need to eliminate unlawful discrimination, advance equality of opportunity and foster good relations between different protected groups when making decision. Where known, the equality impact of change must be disclosed.
- 5.5 All saving proposals have been subject to the Council's DIA screening process to assess their potential/likely impact, if any, on service users with protected characteristics. For some proposals where there is no change to service or staffing a DIA has not been completed. Other proposals, which are at an early stage of development, have initial DIAs – however in these cases the potential areas of impact have been identified.

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- 5.6 Where it is not possible at this stage to fully assess the impact from individual proposals, these will be subject to separate decisions informed by a separate DIA prior to implementation.
- 5.7 However, Officers' current assessments conclude that the impact of adopting these proposals on front-line services or vulnerable groups would be minor. This is not to imply that there would not be any adverse impact on service users, if the proposals are approved. Having confronted difficult decisions early in the financial planning cycle the Council is now able to build into its financial plans the benefits of significant efficiency gains via the following themes:
- 5.8 Growing Economy - There are limited identified equality impacts in the proposals which are linked to the growing economy theme. However, the Council will need to ensure that any of these developments must be delivered in a way that advances equality of opportunity and so pay attention to minimum standards of accessibility and how the reach of any of this work is developed in such a way that the diversity of the Borough's population can participate and benefit.
- 5.9 Going Local - A number of adverse impacts are identified in the proposals linked to this theme. Primarily these are on the basis of age, sex, disability and ethnicity. Mitigations are identified within the DIAs and these should be given due consideration. Where the aspiration is that parishes and community organisations take on responsibility for some of these services, the requirements of the Equality Act (2010) must be taken into account.
- 5.10 Building Resilience - The greatest numbers of identified potential adverse impacts are linked to this theme, primarily on the basis of age and disability. Where possible, mitigations have been identified.
- 5.11 Many of the proposals will affect staff, especially where the majority of the saving proposals are made up of staffing costs. Given the scale of staffing reductions, there is potential for these proposals to have a significant impact on the workforce. There are some services that due to their nature consist of predominantly female or male members of staff, and it is important that changes are not disproportionate in terms of their impact. The Council's Managing Change, Restructuring, Redeployment & Redundancy Policy provides a framework to be followed during times of organisational change to minimise the risk of a negative impact on any equality groups. The Managing Change Policy requires that staffing changes undergo DIA to ensure that the restructure process is conducted in a fair, transparent and non-discriminatory manner.
- 5.12 Diversity Impact Assessments that have been produced for the savings proposals are available at the following link

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http://www.swindon.gov.uk/info/20029/people_and_communities/309/diversity_impact_assessments

6. Consultees

- 6.1 The Interim Corporate Director of 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: Virements 2016/17
- 8.3 Appendix 3: Consultation Feedback
- 8.4 Appendix 4: Minutes of the Ratepayers meeting on 23rd January 2017
- 8.5 Appendix 5: Summary of Proposed Budget 2017/18
- 8.6 Appendix 6: Detailed Budget Proposals 2017/18
- 8.7 Appendix 7: Reserves Policy and Specific Reserves held to support the 2017/18 Budget
- 8.8 Appendix 8: Medium Term Financial Strategy Update

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

- 9.1 The Council's Budget will be determined by the full Council on 23rd February 2017. This is therefore not a key decision for the Cabinet at this meeting. It is included in the Cabinet Work Programme and Forward Plan for February 2017.