

Appendix 8

Swindon Borough Council

Medium Term Financial Strategy and Efficiency Statement to 2019/20

1 Background and Scope

- 1.1 The Council's Medium Term Financial Strategy agreed by Cabinet in February 2016 set out the financial context for the Council up to 2019/20. This document updates that strategy for changes announced in the 2017/18 local government finance settlement and also sets out the Council's updated financial position.
- 1.2 Alongside increasing demands for services, councils nationally have seen cumulative reductions in Government funding since 2010/11. The 2016 Autumn Statement and its accompanying forward projections confirmed that this position is set to remain in place throughout the current parliamentary period at least until 2019/20.
- 1.3 As part of the multi-year settlement arrangements introduced last year the Council is required to produce an efficiency statement demonstrating its high-level funding position and responding strategies to ensure medium-term financial sustainability. The efficiency statement is incorporated within this document.

2 Forecast Resources

- 2.1 The key funding issues relate to:
 - Business Rates Retention
 - New Homes Bonus (NHB)
 - Council Tax Increases
 - Better Care Fund (BCF)
- 2.2 **Business Rates Retention** – In 2015 the government announced its intention to implement the full retention of business rates by local authorities. Since then detailed planning on the operation of the new system has been underway, with working groups addressing key features such as the equalisation of resources to reflect need and the new responsibilities to be funded from the retained income. Some pilot schemes will be introduced in April 2017, as part of the move towards full implementation in April 2020.
- 2.3 **New Homes Bonus (NHB)** – The provisional local government finance settlement for 2017/18 introduced the following changes for NHB:
 - Reducing NHB payments from 6 years to 5 years in 2017/18 and then 4 years from 2018/19 onwards.
 - Introducing a baseline for housing growth, so that councils only receive NHB in respect of growth in excess of the baseline. For 2017/18 the baseline has been set at 0.4%, but the government has signalled that this figure may increase in future years
- 2.4 **Council Tax Increases** – The latest projection assumes that the Council will increase council tax levels as part of its normal calculation of the "Basic Level of Council Tax" by 1.99%, within the limit before a referendum is necessary.

Appendix 8

As part of the local government finance settlement the government announced that the social care precept can rise by an additional 1 per cent in 2017/18 and 2018/19 (from 2% to 3%), on condition that the total increase to 2019/20 does not exceed 6%. As the Council's existing medium term projections had factored in annual 2% increases over a three year period there is no change to the anticipated council tax level by 2019/20.

- 2.5 **Better Care Fund (BCF)** – There has been no change to the levels of BCF announced last year and already included within the medium term forecasts.

3 Forecast Expenditure

- 3.1 Previous forecasts of expenditure pressures have remained broadly unchanged since the February 2016 plan.
- 3.2 In overall terms, alongside the government funding reduction of £13.8m over the next two years, cost pressures add a further £28.6m to the Council's funding gap before Council Tax increases and Better Care funding.

4 Responding Strategies

- 4.1 The Council's responding strategies to meet this financial challenge are orientated around three themes which are aligned to the Vision and corporate strategy:-
- Theme 1: Growing Swindon's Economy and Identifying New Forms of Funding
 - Theme 2: Going Local
 - Theme 3: Building Resilience
- 4.2 An increasing commercial focus cuts across all of these themes. Through this, the Council intends to maximise the value from all of its assets, including land and buildings, IT infrastructure and borrowing ability to both generate new income and reduce costs.

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

- 4.3 The importance of economic growth is recognised by its prominence in the Vision for Swindon. Part of the strategy to stimulate growth includes targeted work to promote and provide financial support for new development in particular, both commercial and residential. This is a tangible demonstration of the Council's confidence in the town and will act as a catalyst for other investment from third parties. Additional new business rates directly benefits the Council and increases the resources available to support services to residents, as does additional revenue from Council Tax and the New Homes Bonus.
- 4.4 The Council will act more commercially, participating actively in residential development rather than simply offering land for sale to third parties, while working together with local and national house builders. This approach both enables the Council to benefit from development profits as well as to have more control over the scale and quality of housing development.
- 4.5 The Council will continue to seek new forms of investment both through its own activities and by working closely with Wiltshire Council through the Swindon and Wiltshire Local Enterprise Partnership (SWLEP), Central Government, private

Appendix 8

investors and other public bodies with similar economic growth ambitions along the M4 corridor and beyond.

- 4.6 A particular area of focus for the Council has been renewable energy schemes, since we are able to retain 100% of the additional business rates income from these. Any such schemes on Council land also attract a rental income stream.
- 4.7 A key element in reducing demand on Council services is stimulating behaviour change, encouraging individuals to take increasing responsibility for their own actions. To this end, the Council has recently taken steps to introduce and enhance enforcement regimes around misuse of bus lanes and anti-social behaviour in and around the town centre. While it is by no means the prime driver, the Council has to closely monitor income received from enforcement activity and reflect it in its budget if it is material.
- 4.8 In 2013, the Council commenced a programme of activity aimed at removing over time the subsidy for its Leisure and Cultural assets through working with alternative operators with a more commercial focus. The overarching objective of the review of Cultural assets is to ensure they are well positioned to enjoy a sustainable future. Inevitably this will need to involve removing the need for Council subsidy for the facilities, given the scale of demands on our resources from statutory services.

Theme 2: Going Local

- 4.9 In order to secure a sustainable future for Council services, including the universal services enjoyed by all residents, the Council will continue to work with community groups, parish councils, commercial organisations and others to enable services to be provided more locally with newly developed governance and funding arrangements. This approach is based on our belief first set out in the Council's Stronger Together approach that decisions affecting neighbourhoods and communities should be made at a local level, in response to local priorities and circumstances. In the current and future context, it is only by working in this way that services will be sustained or improved.
- 4.10 Key to this approach is adopting a flexible approach to the way in which local services are delivered. In future, this is likely to be increasingly through a range of different providers using different and shared buildings which are multi-purpose and best serve the needs of local areas. This approach is central to the approach the Council is taking to its review of Community Based Assets.
- 4.11 Building on the Council's strategy of taking services closer to local communities, more parish councils will take over responsibility for services in their areas from April 2017. This will allow some services that would otherwise not be affordable within available Council resources to be protected and potentially enhanced.
- 4.12 Alongside generating new sources of funding to pay for important local services, the Council is also adopting a more commercial approach to some of its service provision which crosses over the Going Local and Growing the Economy themes. This includes a focus on the Council developing land for housing and the adoption of a commercial investment strategy.

Appendix 8

Theme 3: Building Resilience

- 4.13 Around 25% of the predicted funding gap over the next four years is due to inflationary price increases and increased demand for services provided to vulnerable people, both children and adults.
- 4.14 In order to reduce this, the Council will continue to help people to help themselves and live as independently as possible. This results in better outcomes for individuals and families and enables us to reduce demand on some of our key services so we can focus our limited resources on protecting the most vulnerable people in our community.
- 4.15 We will achieve this by co-creating and commissioning with residents and Health partners new forms of service provision and community capacity that are focused on supporting people to live more independently, building resilience in our workforce by targeting them effectively to the most vulnerable people or the greatest areas of opportunity. This will result in more people remaining independent for longer and being able to access forms of supports that are not all funded by the Council.

5 Financial Strategy

- 5.1 The financial implications of implementing these strategies are set out in the Efficiency Statement overleaf. The savings figures reflect the original 2016 efficiency statement submitted to the Government in October 2016. The Council is in the process of refreshing its Transformation Programme and developing detailed business cases for the projects within it. Once approved these will be incorporated into an update to the medium term financial strategy to be presented to Cabinet in July 2017.
- 5.2 In March 2016 the Secretary of State issued statutory guidance on the flexible use of capital receipts. This will enable council's to finance certain revenue expenditure from capital receipts. The key criteria to use when deciding whether expenditure can be funded using the capital receipts flexibility is that it is forecast to generate on-going savings. The guidance sets out some examples of expenditure that could be financed using this flexibility, including:
- Sharing services
 - Service reform
 - Collaboration between councils
 - Service reconfiguration, restructuring or rationalisation
 - Setting up alternative delivery models.
- 5.3 The Council's Transformation Programme will incur expenditure of this nature in order to deliver the savings specified above. Specific areas being explored which could require up-front investment to realise future savings include increased use of digital channels and establishing shared services with other organisations. The Council may therefore utilise the capital receipts flexibility to meet expenditure that it incurs in order to realise the savings set out in this efficiency plan.
- 5.4 This flexibility will not be applied rigidly. Expenditure incurred in delivering the efficiency plan will be monitored continuously and the decision on whether or not to

Appendix 8

use the flexibility will be taken based upon the Council's best financial interests at the time.

Financial Projections

	2018/19	2019/20	Total
	£'000	£'000	£'000
<u>Pressures:-</u>			
Reduction in Revenue Support Grant	4,628	4,682	9,310
Reduction in New Homes Bonus	1,321	164	1,485
Predicted Reduction in Other Specific Grants	1,526	1,502	3,028
Pay and Prices Inflation	5,000	5,000	10,000
Social Care Packages	3,500	3,500	7,000
Pension, NI and Debt Charges	1,500	1,500	3,000
Other Cost Pressures	2,000	2,000	4,000
Reduction in Collection Fund Surplus (-) / Deficit movement	500	500	1,000
Removal of one-off Adult Social Care Support Grant	773	-	773
Removal of one-off spending in 2017/18	-	-	-
Change in Use of Reserves	2,824	-	2,824
Total of Funding and Cost Pressures	23,572	18,848	42,420
Income if Members choose to increase Council Tax by 1.99%	(1,782)	(1,817)	(3,599)
Income if Members choose to increase Council Tax by further 3% for Adult Social Care Precept in 2018/19	(2,686)	-	(2,686)
Estimated new Better Care Funding (15% reduction allowed for redistribution)	(1,362)	(2,876)	(4,238)
Changes in Funding Decisions	(500)	(500)	(1,000)
Gap after assumed increases in income	17,242	13,655	30,897

Appendix 8

Responding Strategies to close the Gap:-			
Theme 1: Growing Swindon's Economy and Identifying New Forms of Funding			
Business Rates Growth	(1,000)	(1,000)	(2,000)
Council Tax Base Growth	(1,400)	(1,100)	(2,500)
Commercial Investments	(500)	(500)	(1,000)
Theme 2: Going Local			
Removal of Council subsidy of place-based discretionary services by accessing new forms of community-based funding and commercial opportunities	(2,000)	(1,000)	(3,000)
Reduction in Council subsidy of statutory place-based services by reducing service levels and market-testing service costs	(4,000)	(4,000)	(8,000)
Theme 3: Building Resilience			
Flat-line Social Care / Vulnerable People Costs through more targeted upstream prevention and service provision, outcome-based commissioning and demand management	(5,000)	(3,500)	(8,500)
Other emerging strategies:-			
Mitigation of part of inflationary growth through pay and procurement strategies and review of debt financing	(600)	(300)	(900)
Reduction in enabling functions, cost of democracy & other services through service reductions and better use of technology	(1,535)	(570)	(2,105)
Balance	1,207	1,685	2,892