

# Budget Management 2016-17

**Cabinet**

**Date: 14<sup>th</sup> June 2016**

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Authors:	Cabinet Member for Finance and Commercialisation, and Corporate Director for Resources and Transformation
Wards:	All
Locality Affected:	All
Parishes Affected:	All

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## **1. Purpose and Reasons**

- 1.1 This report presents the 2016-17 Revenue Budget out-turn based on actual expenditure incurred during the Financial Year-ending 31<sup>st</sup> March 2017.
- 1.2 The effective management of financial resources through robust financial management processes underpins the Council's ability to achieve its plans and priorities.
- 1.3 Responsible budget management helps ensure that the Council consistently makes the best use of all available resources as well as providing focus for the Council's transformation programmes.

## **2. Recommendations**

### Cabinet is recommended to:

- 2.1 Note the 2016-17 Revenue Budget out-turn for each service area set out in Table One and Appendix One;
- 2.2 Agree the proposal to increase the planning fees and charges by 20% from 1<sup>st</sup> July 2017 in line with government guidelines;
- 2.3 Authorise the extension of the remit of the work that can be delivered by Public Powers Solutions Ltd under the Teckal exemption in Regulation 12 Public Contracts Regulations 2015, as set out in paragraphs 3.19 to 3.22;
- 2.4 Authorise the Corporate Director Economy, Regeneration and Skills in consultation with the Corporate Director Resources and Transformation, to appoint PPS to deliver those works under the Teckal arrangement pursuant to Regulation 12 of the Public Contracts Regulations 2015 as it is currently Teckal compliant, and that Standing Orders relating to Contracts be waived if necessary, provided best value can be demonstrated.
- 2.5 Authorise the extension of the working capital loan facility to Public Power Solutions Ltd until 31<sup>st</sup> December 2018.

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Further information on the subject of this report can be obtained from Mick Bowden on Direct Dial No. 07392 109917 or Email [mbowden@swindon.gov.uk](mailto:mbowden@swindon.gov.uk)

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## 3. Detail

### 2016-17 General Fund Out-turn

- 3.1 The Council achieved a balanced position in the final out-turn for the financial year ending 31<sup>st</sup> March 2017. This reflects the impact of the revised approach for the repayment of debt, approved by Council in February 2017 (Council Minute 87, 2016/17 refers).
- 3.2 The other significant changes since the last report to Cabinet are:
- 3.2.1 A worsening of the position on Adults of £293k as a result of an adverse court ruling in relation to Continuing Health Care funding for a social care client with an estimated cost of £367k. This has been partly mitigated by a number of favourable movements within the service since the last report;
- 3.2.2 An improvement in the position of Chief Executive of £196k. This is primarily as a result of improvements in the position for Revenues and Benefits of £170k;
- 3.2.3 An improvement in the position on Communities and Place of £313k. This is primarily due to lower than expected costs within the fleet workshop at Waterside of £115k and Highways and Transport budgets of £141k;
- 3.2.4 An improvement in the position on Corporate of £198k as a result of a number of movements.
- 3.3 The budget and out-turn by Department is set out in Table 1 below.

Table 1 – Out-turn By Department

Department	Budget 2016/17 £'000	Actual Out-turn £'000	Actual Variance £'000	Movement since last report £'000
Adult Services	72,595	77,563	4,968	293
Children Services	26,391	28,132	1,741	(30)
Communities and Place	28,137	31,719	3,582	(313)
Economy	(871)	(658)	213	78
Chief Executive	4,226	3,946	(280)	(196)
Resources	20,037	18,750	(1,287)	(75)
Corporate	(15,289)	(24,226)	(8,937)	(198)

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Total General Fund	135,226	135,226	0	(441)
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## Housing Revenue Account (HRA)

- 3.1 The HRA revenue budget overspent by £255k over the year. This was a combination of underspends including £472k in the area of Estate Management, £81k in Specialist Services (mainly service charge costs), £393k on Repairs and Maintenance, offset by an overspend of £1.201m on Capital Financing costs.
- 3.2 The primary reasons for the overspend on Capital Financing include an increase in the bad debt provision of £391k against budget, an increase in the depreciation charge of £1.082m (including the Revenue Contribution to Capital Outlay budget). This was offset by a reduction in the level of funding required for Discretionary Housing Payments (DHP) of £197k and an increase of £78k in interest received on reserve balances.
- 3.3 The net overspend of £255k will be transferred from HRA revenue reserves which decreased from £12.7m at the end of March 2016 to £12.4m at March 2017 as a result.
- 3.4 Capital Reserves have increased from £21.1m to £23.0m. This sum comprises £4.0m of Right to Buy receipts held for new build which have increased by £1.8m in year. They also comprise £18.8m to fund existing capital programme approvals.
- 3.5 At year-end, HRA debt stood at £125.532m, which compared to the debt cap of £172.4m leaves "headroom" of £46.868m.

## Dedicated Schools Grant (DSG)

- 3.6 The Schools Budget is entirely funded by Government through the Dedicated Schools Grant (DSG). The final total of DSG receivable for 2016-17 is estimated at £162.59m, subject to the Department for Education (DfE) confirming the Local Authority's recalculation of the Early Years' element. In accordance with the DfE's school funding reform programme, the majority of DSG funding was delegated to Schools and Academies although the Local Authority retained a proportion of funding for Special Educational Needs (SEN) pupils. This was subsequently paid over to specialist settings both within Swindon and outside the Borough based on actual occupancy, and the needs of individual pupils.
- 3.7 The Local Authority received funding to meet the costs of free nursery education for disadvantaged two-year olds and all three and four-year old pupils. This was paid over to early years settings based on actual occupancy during the year. There was a decrease in the DSG funding expected to be received mainly due to lower than anticipated participation. During the year the Council was identified

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as one of the early implementers of the 30 hours provision for disadvantaged children, the full roll out of this programme will commence this September.

- 3.8 The total of the 2016-17 centrally retained budget approved by the Schools Forum was £31.498m, of which £30.483m is paid to out to meet education needs, with £1.015m being retained to meet central costs.
- 3.9 The 2016-17 out-turn against the retained budget is an underspend of £359k, which is £30k less than the projection at the end of February.
- 3.10 The most significant items changes from budget during the year were an overspend on specialist and mainstream high-need top up payments due to higher levels of demand and increased complexity of pupils needs of £235k This was offset by an underspend on the Post 16 HN budget of £372k.
- 3.11 The DSG brought forward reserves of £209k from 2015-16 and after allowing for the 2016-17 in-year underspend of £359k, will carry forward a balance of £568k to 2017-18.
- 3.12 The DSG is a ring-fenced grant and local authorities are allowed to overspend their DSG allocation, with that amount being the first call on the DSG received in the following financial year.

## Changes to Planning Fees & Charges

- 3.13 The Government, which sets planning fee levels, has introduced a new charging regime for planning applications, which allows Local Planning Authorities to increase fees by 20% from 1<sup>st</sup> July 2017 should they wish to on the condition that the increase will be spent entirely on planning services. It is considered that this provides a more accurate reflection of the cost of determining applications.
- 3.14 The Council is currently experiencing an increase in the number of applications for planning permission, which is a positive indicator of economic growth and prosperity. Currently the Planning Department is dealing with strategic applications for town expansion to the north, south and east of the town as well as complex town centre schemes, in addition to an increasing number of householder proposals.
- 3.15 Many of the larger applications can take several years to be determined due to the complexity of issues associated with them, placing significant pressure on the department, which needs to be appropriately resourced to ensure that schemes are dealt with in a timely and appropriate manner.
- 3.16 The Government acknowledged this as an issue for all Local Authority Planning Departments and has reset the planning fee structure as a result. The increase in fees is welcomed and is essential if the Council is to meet its priorities particularly

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around improving infrastructure and housing to support a growing, low carbon economy.

- 3.17 Based on a similar number and type of applications to that processed in 2016/17, this would result in an increase in planning fees from £1.36m in 2016/17 to £1.56m in 2017/18 based on applying the increase from July 1st and therefore a part year. Fee income based on a full year and therefore comparable to the £1.36m 2016/17 figure is £1.63m which would therefore provide an additional £0.27m per annum of planning income from 2018/19 and beyond, again assuming a similar number of applications to 2016/17.
- 3.18 Given the Administration's commitment to managed housing growth, as set out in Priority One and Pledges 6, 7, 9 and 14 of the Council's Vision, Cabinet is requested to approve the proposal to increase planning fees and charges by 20% as set out in Appendix 2.

## Public Power Solutions Ltd (PPS)

### **Teckal**

- 3.19 In a report to Cabinet on 23<sup>rd</sup> October 2013 ("Swindon Commercial Services Ltd Update") authorisation was given to the Board Director, Commissioning to engage Swindon Commercial Services Ltd, to advise on the development of business cases for PV arrays on Council-owned land, with such costs being absorbed by SCS, and Standing Orders relating to Contracts being waived if necessary (Cabinet Minute 57(8), 2013/17 refers).
- 3.20 In response to the reduction in Government Subsidies, PPS has reviewed its target market to cover a wider Renewable Energy remit and PPS will develop and submit draft business cases to the Council including, but not limited to, renewable energy strategy delivery, solar development, storage, heat and transport.
- 3.21 The business cases will be evaluated through the Commercial Investment Strategy Board and the cost of the development of the business cases will be met by PPS.
- 3.22 Should the Council decide to commission the project, Cabinet is requested to authorise the Corporate Director Economy, Regeneration and Skills in consultation with the Corporate Director Resources and Transformation, to appoint PPS to deliver the works under the Teckal arrangement pursuant to Regulation 12 of the Public Contracts Regulations 2015 as it is currently Teckal compliant, and that Standing Orders relating to Contracts be waived if necessary, provided best value can be demonstrated.

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## Working Capital Loan Facility

- 3.23 PPS are reporting a profit of £0.2m for the year to 31/03/17, subject to the conclusion of the external audit and testing of subsequent events. PPS's existing working capital loan facility is for £1.25m, this was last renewed up to December 2017.
- 3.24 PPS will shortly be repaying a further £0.25m of this loan facility, this in addition to the £2m of repayments made in 2016. This loan repayment will be triggered on receipt of funds from Phase 2 of Common Farm.
- 3.25 PPS have recently revisited their business plan and have an encouraging sales pipeline including further SBC assets; PPS are also implementing waste innovations that are leading to further cost savings and landfill reductions.
- 3.26 PPS have requested that the working capital loan facility of £1.25m is kept in place until at least December 2018, which is line with completion of the agreed PPS Business Plan objectives.

## 4. Alternative Options

- 4.1 Cabinet could decide not to approve the proposed changes to the planning fees and charges, however, this is not recommended as it would mean that the Council will forgo income of £200k in 2017-18 that would otherwise have been available for the investment in resource to manage and support the planning application process.

## 5. Implications, Diversity Impact Assessment and Risk Management

### Financial and Procurement Implications

- 5.1 The planning fees are set by the Government with options being offered for 2017-18 of a 20% increase linked to investment in the service or to continue with current charges. If approved by Cabinet, this would generate approx. £200k in 2017-18 in additional revenue to invest in resource to manage and support the planning application process.
- 5.2 The out-turn position above has utilised £288k of the £2.6m one-off resources approved by Cabinet in July 2016 to support the 2016/17 budget (Cabinet Minute 26, 2016/17 refers).

### Legal and Human Rights Implications

- 5.3 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.

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

- 5.4 There are no such direct implications.

## Diversity Impact Assessment

- 5.5 A Diversity Impact Assessment (DIA) has not been done as this report is reporting performance in the last financial year and does not make any recommendations to reprioritise the future funding of services.

## Risk Management

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

## **6. Consultees**

- 6.1 The Director of Finance (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

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

- 9.1 This is not a key decision and is included in the Cabinet Work Programme / Forward Plan for June 2017.