

# Slough Borough Council

**2010/11 Value for Money Conclusion – Financial  
resilience**

# Value for Money Criteria

- **Financial resilience:** – The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- **Areas reviewed:**
  - **Financial governance:** The quality of financial governance and leadership within an organisation is critical in meeting the financial management challenges and for securing financial resilience. Good basic systems, processes and controls are important, but it is the overall financial culture that makes the difference.
  - **Financial planning:** Organisations should set the budget in the context of a longer-term financial strategy and a medium-term financial plan (MTFP) covering for example, a three-to five-year horizon. The MTFP needs to be realistic. Assumptions around inflation, income levels, demographics and future demand for services need to be modelled and based on reasonable predictions.
  - **Financial control:** Authorities need to manage within their budget. Authorities therefore need to challenge their budget monitoring and reporting arrangements to ensure they are fit-for-purpose, and that they can respond to the even greater need to demonstrate value for money and achieve efficiencies.

# Financial resilience

## Audit approach

- reliance on rolled forward assurance
- assessment of what has changed
- review of financial resilience indicators
- Audit Commission's financial resilience survey
- risk based work
- 2010/11 financial performance
- review of medium term financial plans

# What we covered

- **Audit Commission's financial resilience survey**
- **Medium term financial planning**
- **Current cost improvement programme**
- **Future cost improvement programme**
- **2010/11 out-turn**
- **Review of key financial ratios**

# Audit Commission's financial resilience survey – headline conclusions

- There is a good level of consistency with other unitaries and Slough compares favourably on many of the specific areas of assessment.
- There has been a 10.9% reduction in central government funding for 2011/12 compared with 2010/11 (just marginally above the median). This increases further when the removal of specific grant funding (some £4m) is added in.
- The change in revenue expenditure 2010/11 to 2011/12 as a percentage of revenue expenditure in 2010/11 is 8.6% which is more than the median of 6.1%; reflecting the need to compensate for the loss of specific grant funding and the requirement for comparatively challenging savings targets.
- The Council's planned use of reserves in 2011/12 is significantly greater than the majority of other unitaries; some 6.3% compared to the median of 2.9% which is due to the utilisation of specific reserves to deliver a backlog of capital projects.
- Forecast levels of revenue reserves remaining at the end of 2012 as a percentage of 2011/12 budgeted revenue expenditure is lower than the median of other unitaries; 9.7% compared with 12.5%. This suggests that Slough is less well cushioned by reserves than some other authorities (see financial indicators )

# Medium term financial planning

## Lines of enquiry and findings

- To what extent has the Council drawn upon available guidance and tools in shaping its financial planning?
- The Council has used a variety of good practice guidance and tools to help shape its financial planning arrangements.
- How has the Council shaped its financial strategy in response to the benchmarking exercise recently undertaken by external consultants?
- The Revenue Income Optimisation exercise is commendable with evidence of comprehensive coverage and tangible outcomes. Refresh in August 2011 it provided a reality check and business cases to take forward viable initiatives submitted for Cabinet approval in September
- Local authorities will be able to borrow against predicted growth in their locally raised business rates, To what extent does this feature in the Council's MTFP?
- Additional borrowing does not feature in the Council's MTFP as it does not consider it affordable at this stage but will keep under review.

# Medium term financial planning

## Lines of enquiry and findings

- How have the financial implications of the 2011 Census been estimated and incorporated in the MTFP?
- The Councils has been active in addressing the challenges it has faced with historically poor census data. Expectation that 2011 census data will be more representative
- How have the implications of the demise of the Building Schools for the Future programme been incorporated in financial planning?
- It is anticipated that by April 2015, the Council will need 1050 more secondary places at an estimated cost of £26.5m. However, the latest information suggests that all the Council's sec schools will move to Academy status from April 2012 and funding then becomes a central govt issue. Currently, there is evidence that the Borough's future primary school places needs are being managed, and will continue to do so. The residual risk is if the secondary school funding requirement is not transferred to central government as anticipated.

# Medium term financial planning: Lines of enquiry and findings

- The financial value of the Council's Carbon Management Programme was estimated to be £12.3 million. To what extent have these savings been incorporated in the MTFS and how resilient are the projections?
- Individual savings have not been incorporated as the achievement of these savings is not assured and as there are significant implications of not meeting targets. Prudent approach but a fruitful area for future exploration – further work planned.
- How are joint working and financing being taken forward within the new financial planning framework?
- Efforts by the Council on developing partnership arrangements are well documented and reviews are being undertaken of all services currently provided through joint arrangements. Good approach but residual risk area due to uncertainty of commitment from other parties.



# Current cost improvement programme

## Lines of Enquiry and findings

- Governance and accountability
  - There is evidence of strong governance and accountability around the CIP.
  - However, financial literacy and skills need to be enhanced at service level and the shortage of technical accounting capacity within the finance section addressed
- Project management arrangements
  - Detailed plans are in place for the delivery of the programme although we did note that there are no reserve schemes in the programme. Although the CIP does not have an explicit risk log, the rag report details progress and mitigating actions, or further plans. Risks are identified on the finance risk report.
  - There is evidence of strong management involvement in overseeing the delivery of the programme and a commitment to delivering the planned savings and efficiencies from senior managers and staff.
- Monitoring and reporting

# Current cost improvement programme

## Lines of Enquiry and findings

- Progress in delivering the programme
  - Outcomes have exceeded expectations and the 2010/11 programme has delivered £300k savings in excess of budget. There are also opportunities to bring forward the delivery of savings identified for the future which members will consider.
- How the organisation evaluates how well it has delivered the programme
  - The outturn of the annual programme has been evaluated in preparation for the next planning cycle. The 2010/11 results have been discussed at CMT and Cabinet and will be discussed at PPRG. Each director has been requested to prepare a separate report for their area for presentation to the October Cabinet meeting. The finance section will prepare an overall CIP report.

# Future cost improvement programme

## Lines of Enquiry and findings

- **Assessment of services**
- The Council has taken a variety of steps to identify its costs, and opportunities to make savings and generate income whilst preserving quality and level of service. Business cases include evidence of costs / saving and impact on services.
- PWC review of revenue income optimisation opportunities, includes benchmarking. CMT has approved several high level business cases which were specifically designed for the purpose of identifying and implementing income generation opportunities. Market testing opportunities from this source may be identified but it is early days. LG Futures benchmarking exercise undertaken
- Examples of market testing of services, where progress is more advanced for example transactional services and internal audit.
- Benchmarking and market testing

# Future cost improvement programme

## Lines of Enquiry and findings

- Engagement
  - Evidence provided to show that both members and officers are fully engaged. There is a clear Council wide commitment.
- Assumptions
  - The MTFP has been re-considered throughout the period and assumptions around the level of income and activity re-assessed. The latest version takes into account the limitations imposed by future activity levels and income.
  - There is evidence that the Council takes into account the plans of its providers and partners.

# Future cost improvement programme

## Lines of Enquiry and findings

- Plans

- The outturn of the annual programme has been evaluated in preparation for the next planning cycle. The programme sets out specific areas of savings, supported by detailed and realistic plans.
- Capital schemes have been assessed for their impact on revenue costs and efficiencies via the asset and property management review.
- The organisation has not specifically incentivised any of the cost improvement areas but probably not a requirement a given that areas and targets for delivery are clearly prioritised with the plan
- More hard cashable savings planned for year one, with benefits of review of transactional services to be delivered over a longer period.

# Future cost improvement programme

## Lines of Enquiry and findings

- Quality
  - There is evidence that preservation of quality of services is a priority for the Council. Statutory targets remain the main focus, and front line services have been protected for year 1, but will be less protected in the future.
  - The quality of services was considered extensively during the review of transactional services
- Longer-term cost improvement and efficiency plans
  - The Council has identified growth and savings targets up to 2014/15. These are biased towards the first two years so as to avoid a protracted transitional period .
  - The Council has identified the full £8m savings to cover the 11/12 gap and has prepared outline plans for 2012/12 and 2013/14 for the balance of savings to be found totalling £10m. These will be submitted for member approval in September 2011

# 2010/11 out-turn

- Based on pre audited accounts
- Good financial performance in 2010/11
- Spending maintained within 2010/11 budget levels and £900k contribution to the General Fund
- Total cost of services under-spent by £2.3m against the original budget and budget savings in key service areas
- The Housing Revenue Account is showing an under spend of £523K
- Balanced position achieved without any unplanned calls on balances
- However some concerns around capital
  - Underspend of £12.8m on the Council's capital budget and £1.4m on the HRA capital budget raises questions about how effectively the capital programme is being delivered

# Key financial ratios

- Based on 2009/10 figures (Council's nearest neighbours)
- The key financial indicators are largely favourable with the exception of:
  - **Usable reserves:** Shows the Council to have a low level of useable reserves as a proportion of GRE relative to other unitaries - just over 0.05% (median around 0.07%) – but recognise that contributions to reserves made in 2010/11
  - **School balances:** At 10%, the Council has the third highest level of school balances in the range as a proportion of school funding (DSG schools' allocation) Exceeded only by the Isle of Scilly and Southend BC



# Action points

- Keep levels of reserves and balances under review
- Further work to ensure that schools are utilising their financial resources effectively
- Enhance standards of financial literacy and skills at service level and increase technical accounting capacity within the finance section
- Realise financial opportunities from Council's Carbon Management Programme
- Realise financial opportunities identified from revenue income optimisation review
- Prioritisation of scarce capital resources

# VFM conclusion

- Our overall conclusion is that the Council does have proper arrangements in place to **managing effectively financial risks and opportunities, and securing a stable financial position that enables it to continue to operate for the foreseeable future**