

**Slough Borough Council**

**Draft Medium Term Financial  
Strategy**

**2012/2013 – 2015/2016**

**Incorporating  
Draft Revenue & Capital Budget  
2012/2013**

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## **1. Introduction & Background**

- 1.1 This strategy delivers the Council's objective to secure a sustainable balanced budget position across the medium term. In so doing a balanced budget position is presented across a five year period, accommodating both clearly identified savings and known future challenges.
- 1.2 Members of the Council are drivers of budget policy and have set clear objectives for community and service priorities:
- Delivering savings requirements resulting from national government cuts in public sector spending
  - Protecting front line services
  - Accommodating the withdrawal of government subsidy for housing stock
  - Investing in service improvements to secure improved quality
  - Maintaining and increasing employment opportunities in the town
  - Providing capital investment for major regeneration, housing and infrastructure schemes
  - Investing in local community priorities
  - Increasing general fund balances to provide improved financial security in the current economic climate
- 1.3 The content of this document reflects the basis of the Council's Medium Term Financial Strategy over the current and coming four years and incorporates the proposed revenue and capital budget for the financial year 2012/2013. The draft budget presents a balanced position following decisions taken to address the residual shortfall. The main purpose of this report is then to approve Slough Borough Council's Financial, Capital and Treasury Management strategies, at the full Council meeting on 21 February 2012.
- 1.4 Changes to public sector funding have, as expected, resulted in significant financial challenges. Some services did not receive any element of national funding at all and it is for elected members to decide how they want to address this within the new "non ring fenced" but nevertheless significantly smaller pot of available funding. The savings set out in this report have been agreed at various stages during the past 6 months and represent difficult but necessary decisions to both secure a balanced position in the short term and address the larger scale financial challenges in the medium term.
- 1.5 The Strategy sets out the required Revenue, Capital and Treasury Management Budgets over the medium term and for 2012/13. The annual Capital and Revenue Budgets identify the resources required to deliver the full range of council services.
- 1.6 The Strategy is essentially structured across eight themes:
1. The Council's Priorities
  2. The Council's Financial Planning Process
  3. The Revenue Budget 2012/13
  4. The Capital Budget 2012/13
  5. Treasury Management
  6. Detailed Appendices

- 7. Accounting Policies and Disclosure
- 8. Fees and Charges

- 1.7 The Strategy incorporates the Strategic Director of Resources and Regeneration's recommendations for the 2012/13 revenue and capital budgets; and updates the Council on the likely precept requirements of the Thames Valley Police Authority and Royal Berkshire Fire Authority for 2012/13.
- 1.8 The Localism Bill contains clauses that end the requirement for local authorities to set a 'Budget Requirement', which is generally the sum of Council Tax revenue and general Government grant. Specific grants are netted off before determining the Budget Requirement. The Council will now set a 'Council Tax Requirement' (and a not a 'Budget Requirement' for 2012-13 onwards. The resolution for members of the Council to approve will be updated accordingly following advice from Cipfa.

## **2. Allocation of Resources to Council Priorities**

### National Position

- 2.1 SBC's financial and service planning is informed by the national economic position and influenced by the Government's priorities and expectations. For the period 2011/12 to 2014/15 the Government's spending plans were set-out in the Comprehensive Spending Review 2010, published on 20 October 2010.
- 2.2 The Chancellor of the Exchequer gave his Autumn Statement on the UK economy, which essentially provides an update on the Spending Review assumptions, on 29 November 2011. The Chancellor noted that, since the 2011 Budget was published in March 2011, the Office for Budget Responsibility (OBR) has revised a number of its key economic projections. In particular, the level of projected growth in the UK, Eurozone and World economy for the medium term has been significantly revised downwards. The latest set of OBR projections, compared to the forecasts used to inform Budget 2011 (March 2011), the Emergency Budget 2010 (June 2010) and the 2010 Budget (March 2010) are shown in Table 1 below. It is important to note that the growth projections are based upon the assumption that the euro area crisis does not escalate further and is eventually resolved.

**Table 1 – Government economic forecasts**

		Budget	2010	2011	2012	2013
GDP growth	<b>2011 Autumn Statement</b>		<b>1.8%</b>	<b>0.9%</b>	<b>0.7%</b>	<b>2.1%</b>
	March 2011		1.3%	1.7%	2.5%	2.9%
	Emergency Budget 2010		1.2%	2.3%	2.8%	2.9%
	March 2010		1.0% to 1.5%	3.0% to 3.5%	3.25% to 3.75%	-
CPI Inflation	<b>2011 Autumn Statement</b>		<b>3.3%</b>	<b>4.5%</b>	<b>2.7%</b>	<b>2.1%</b>
	March 2011		3.3%	4.2%	2.5%	2.0%
	Emergency Budget 2010		2.7%	2.4%	1.9%	2.0%
	March 2010		2.0%	1.5%	2.0%	-
Net debt (% of GDP)	<b>2011 Autumn Statement</b>		<b>60.5%</b>	<b>67.5%</b>	<b>73.3%</b>	<b>76.6%</b>
	March 2011		60.3%	66.1%	69.7%	70.9%
	Emergency Budget 2010		61.9%	67.2%	69.8%	70.3%
	March 2010		63.6%	69.5%	73.0%	74.5%

2.3 In response to the apparent worsening economic position, the Chancellor's Autumn Statement included the following measures:

- Restricting public sector pay awards to an average of 1% for each of the two years (2013/14 and 2014//15) after the current pay freeze comes to an end;
- At a high-level, establishing that public expenditure will be further reduced by 0.9% in real terms in each of the years (2015/16 and 2016/17) following the current Spending Review period;
- Raising the state pension age from 66 to 67 between April 2026 and April 2028 (it increases to 66 in 2020); and
- Cancelling the planned £110 above inflation increase to the child element of the Child Tax Credit, and not uprating the couple and lone parent elements of the Working Tax Credit, in 2012/13.

- 2.4 The medium term financial plan (MTFP) takes account of these measures as necessary.

#### Impact of Localisation of Council Tax Benefit

- 2.5 The Government included within the Spending Review 2010 a policy commitment to localise support for council tax by 2013/14, reducing expenditure by 10%. The Welfare Reform Bill, published on 17 February 2011 contained provisions for the abolition of council tax benefit, paving the way for new localised schemes. Therefore, Slough BC will be responsible for designing and implementing a local council tax benefits scheme from April 2013. The MTFP currently assumes that any future scheme will exactly match the available government funding. Officers will keep this assumption under regular review.

#### Formula Grant Allocation

- 2.6 On 18 July 2011, the Department for Communities and Local Government (DCLG) launched its consultation paper outlining the principle features of a proposed business rates retention scheme, "Local Government Resource Review: Proposals for Business Rates Retention – Consultation". DCLG subsequently published eight 'technical papers', to supplement and provide further detail on the initial consultation paper, on 19 August 2011. The government's intention is that the new business rates retention scheme will be implemented from 2013/14.
- 2.7 Currently, all business rates (also known as non-domestic rates or NDR) income collected by billing authorities is 'pooled' nationally, with this income being redistributed to individual authorities through the Formula Grant system. The government's stated policy objective is to enable councils to retain business rates income locally, providing a financial incentive for councils to undertake economic development activities and consequently increase the level of business rates collected in their local area. This new mechanism, which will be introduced from 2013/14, is a significant departure from the current system. Officers have modelled likely funding scenarios for SBC, based on the latest information available. These funding figures will be kept under regular review.

#### Sustainable Community Priorities

- 2.8 Within this challenging financial climate, SBC, and other partners - such as the Berkshire East Primary Care Trust (PCT) and Police and Fire Authorities – are committed to continuing to progress the 20 year Sustainable Community Strategy (SCS) "Proud to be Slough". The SCS, which was refreshed in 2011, sets out the most important priorities, identified by the local community itself, as follows:

Economy and Skills  
Health and Wellbeing  
Housing  
Regeneration and Environment  
Safer Communities

Two cross-cutting themes of promoting the image of the town and civic responsibility also run through the SCS.

### Allocation of resources to priorities

2.9 The proposed revenue and capital budgets, contained within this report, are a reflection of the Council's ongoing prioritisation of resources to ensure SBC's services are focussed on delivering the strategy outlined above in the face of significant funding reductions. The budget proposals contained within this report include growth items for the following:

- ***Economy and Skills***  
£60K Town Centre Management  
£150K GIS
  
- ***Health and Wellbeing***  
£158k – Learning Disability clients  
£58k – Children's Service (Independent Review Officers)  
£100k – Concessionary fares  
£32K – Ice Arena refrigeration plant  
£85k – Improving Play Provision
  
- ***Regeneration and Environment***  
£300k – Waste disposal  
£85k – Improving play provision
  
- ***Safer Communities***  
£30k –Alley gating

The following areas of growth are proposed as invest to save and efficiency investments:

- Client transactional services mgmt
- Inhouse debt collection service
- Information Governance Officer
- IT maintenance of contracts

### Community Investment

2.10 In times of financial challenge local community needs can often be overlooked in favour of national or broader borough wide priorities. Members of the Council recognise the importance of investment in local communities and this strategy sets aside a sustainable funding allocation to ensure the needs of local residents and communities continue to be met on an equitable basis according to need.

### Budget Consultation

2.11 The Council is under a statutory obligation to consult with local businesses on its proposed revenue and capital budgets each year. Best practice also suggests that the Council should consult with its local residents.

- 2.12 Slough Borough Council makes significant efforts to consult with stakeholders on its budget proposals each year. The recognised benefits of this approach include the following:
- Provide Members with information to support decision making
  - Promote public involvement in decision making
  - Identify priorities for spending
  - Identify areas in which spending reductions are seen as most acceptable
  - Raise awareness about how finances are spent
  - Raise awareness of the Council's sources and levels of funding
- 2.13 This year residents have been consulted through a wide range of qualitative and quantitative consultation methods including: meetings with local parishes; local businesses – via the Thames Valley Chamber of Commerce; an article in the Citizen (Slough's free newspaper); and a consultation officer to deal with telephone and email enquiries. From 2012/13 the Council will make available the use of an interactive online budget simulator which will allow residents to understand the difficult financial choices facing councillors during the budget setting process.
- 2.14 The consultation process was designed to be as inclusive as possible, seeking the views and opinions of residents, stakeholders, the business and voluntary sectors. Understanding the views and opinions of local people has assisted Cabinet as it develops and finalises the budget for the financial year ahead. The feedback obtained is also used by council services, alongside other sources of customer intelligence and feedback, when developing service plans and in continued implementation of the council's vision.

### **3. Financial Planning**

- 3.1 Robust financial planning and control processes are essential tools for a local authority to demonstrate good governance over public funds and to achieve value for money. Slough BC is continually seeking to improve in this area.
- 3.2 This section of the report provides an overview of the Council's Financial Planning Process.

#### The Financial Planning Process

- 3.3 Each year, the Council must prepare a budget that fulfils five main purposes:
- To set the level of Council Tax for the forthcoming financial year;
  - To prioritise resources;
  - To authorise expenditure;
  - To provide a base to control expenditure and income;
  - To establish targets against which performance and achievements can be measured.
- 3.4 The Council begins its budget setting process early in the financial year to enable options to be fully considered and explored before decisions are made.



- 3.5 It is important to recognise the new approach that has been taken to identify and implement savings at a Corporate wide level across key themes rather than reducing all service budgets by an agreed percentage.
- 3.6 PPRG has been central in this process with individual directorates presenting their savings proposals to Commissioners across the key corporate themes between September and December 2011. This enabled the Council to have agreed savings items for 2012-13 in advance of the Government settlement in December 2011. Following PPRG's agreement savings could then be reported by directorate to Cabinet as part of the developing Budget Strategy.
- 3.7 The key events in Slough BC's annual financial cycle are set out below:

<b>February to April</b>	Council agrees general revenue budget framework; capital budget framework; associated council tax levels; and treasury management policy.  Council tax and non-domestic rate bills are despatched.
<b>April/May</b>	Work commences on next year's revenue and capital budget frameworks.
<b>August/September</b>	Financial Reviews (i.e. Fees and Charges, Option Appraisals, Growth and Savings options).
<b>October - December</b>	PPRG meetings, agreement of savings and development of growth bids.
<b>December</b>	Government publishes provisional local authority funding levels for next year for consultation.  Precepts announced by Parish Councils.  Council tax-base and collection fund surplus/deficit calculated.
<b>January</b>	Financial reviews completed.  Government publishes final local authority funding levels for next year.  Council housing rent and Housing Revenue Account business plan review.
<b>February</b>	Precepts and levies announced by Fire and Police Authorities
<b>February to April</b>	Council agrees general revenue budget framework; capital budget framework; associated council tax levels; and treasury management policy.

Council tax and non-domestic rate bills are despatched.

### Roles and responsibilities

#### **PPRG (Policy and Performance Review Group)**

- 3.8 Within Slough, priorities and objectives are set for the medium-term whilst departmental plans are submitted, considered and updated on an annual basis. The main focus of this process is the PPRG meetings which are held on a monthly basis between September and December. The membership of PPRG is Commissioners' and Directors'. These meetings provide an opportunity for service departments to put forward new service proposals for the Administration to consider, refine their existing plans and demonstrate how they will balance their budget in the coming years. The process also gives the Administration the opportunity to engage with Service plans and to re-prioritise resources where appropriate.
- 3.9 The Administration and Service Departments are well aware of the constant need to provide Value for Money (VFM) in the services provided to the Council's residents and the particular Government imposed financial restraints inhibiting the Council. Alongside the constant in-year review of VFM, the PPRG meetings process enables existing priorities to be challenged by Lead Commissioners and Officers and ensures all growth and savings options are scrutinised and perceived to be robust.

#### *Elected Members and Officers*

- 3.10 Although the Commissioners' and Directors' meetings are essentially led by the Council's Administration and Corporate Management Team (CMT), all elected members and officers have an important role to play in the overall financial planning and monitoring processes.
- 3.11 Full Council: Under the Local Government Act 2003, the budget and consequent Council Tax demand must be agreed by Full Council regardless of the political structure in operation at the authority. Ultimately, therefore, the agreement of the budget is determined politically.
- 3.12 The Local Government Finance Act 1992 also requires precepting authorities to agree and issue their precept to billing authorities before the 1<sup>st</sup> March, with billing authorities being required to set the Council Tax by 11<sup>th</sup> March prior to the commencement of the new financial year on 1<sup>st</sup> April. Slough BC's budgeting process, therefore, culminates in a meeting of full Council, in February each year, to approve the budget for the forthcoming year.
- 3.13 Full Council has less of a role in budget monitoring, due to the more detailed nature of the information, but receives regular management information highlighting key budget and service performance issues, including details on the planned action by either officers or Cabinet to address the issues raised.
- 3.14 Cabinet: The Cabinet is responsible for presenting a budget to full Council for approval. Clearly, whilst much of the detailed work is undertaken by service officers

and the finance department, the Cabinet provides oversight and strategic input into the budget construction process, as noted above through the Commissioners' and Directors' meetings process, establishing and monitoring systems and processes to ensure that the draft budget is acceptable and will deliver the Council's agreed policies, aims and objectives.

- 3.15 Whilst detailed budget monitoring is carried out by service managers, Commissioners maintain an overview of budget and service performance issues and challenges within their area of responsibility, and the Cabinet receives and reviews regular reports detailing overall service and budget performance and highlighting any particular challenges. These reports are debated in order to develop and agree appropriate strategies, if required, to ensure that performance and spending are brought back on plan.
- 3.16 Overview and Scrutiny: The Local Government Act 2000 establishes the role of scrutiny as one of holding the Executive to account and to ensure that decision making is efficient, transparent and accountable. Effective scrutiny can add value to the budget making process by challenging the financial planning process to ensure that it is sufficiently integrated with the corporate and service planning process and examining how resources are allocated, making recommendations as to how resource allocation and value for money could be improved.
- 3.17 Overview and Scrutiny receive the service and budget monitoring reports discussed by Cabinet, and can conduct their own reviews and investigations to add value to the overall performance monitoring process as part of their on-going work load.

### Key Considerations in the Financial Planning Process 2012/13

#### Funding Constraints

- 3.18 The Council, effectively, has three main sources of revenue income to fund its non-school services each year:
- 1) Formula grant: the main general funding stream provided by Government.
  - 2) Council tax.
  - 3) Specific grants: grants provided by Government to be spent on particular services/initiatives.

#### *Formula Grant*

- 3.19 Due to the current economic climate, and the Government's announcements concerning the national finances, officers have been forecasting significant formula grant reductions, over the short and medium-term, for some time. As noted later in the report the Council's formula grant allocation will be reduced by 8.3% in 2012/13 (-11.1% in 2011/12).
- 3.20 This level of funding reduction, although foreseen, inevitably requires difficult decisions to be made.

#### *Council Tax*

- 3.21 The Council is currently in receipt of a Council Tax Freeze grant, of £1,197k per annum for the years 2011/12 to 2014/15, as it accepted the Government's offer to freeze the level of its cash council tax amount in 2011/12 at 2010/11 levels. This specific grant, with no conditions attached, represents the income the council would have received had it increased its council tax in 2011/12 by 2.5%. The funding continues for future years (until 2014/15) to reflect the fact that had the Council actually increased its council tax amount in 2011/12 it would have benefitted from this additional income in perpetuity as it would form part of the council's income base.
- 3.22 In November 2011, alongside the Autumn Statement, the Government announced that it intended to offer a further Council Tax Freeze grant for 2012/13. However, crucially, this specific grant funding will only be available for one year – therefore Slough BC will effectively be left with a funding shortfall when the grant is withdrawn from 2013/14. As before, the grant assumes the council freezes its cash council tax level in 2012/13 at its 2011/12 levels. The grant is expected to be worth £1,209k in 2012/13. This specific grant funding has been included in the MTFs assumptions, although Members are asked to note the analysis of the Government's Council Tax Referendum policy within the Council Tax resolution.

*Specific Grants*

- 3.23 From 2011/12, the Government removed ring-fencing from a number of specific grants and rolled-them into individual local authorities' formula grant allocations. As such, these specific grants are now part of the Council's overall general funding allocation without any conditions attached; and, therefore it is ultimately for Members to decide how this general funding is spent.
- 3.24 The provisional allocations for SBC, in 2012/13, are highlighted in the Table below. Service area budgets have been adjusted, in the MTFs, to reflect these revised funding levels.
- 3.25 The latest information available gives the following allocations for DCLG Specific Grants in 2012/13 equivalent value of £17.8m in 2011/12):

	<b>2012/13</b>
<b>Revenue Grants</b>	<b>£'000</b>
Community Safety	213
Extended Rights to Free Transport	99
Early Intervention Grant	7,821
Housing Benefit and Council Tax Benefit Administration	1,259
Homelessness	197
The Private Finance Initiative (PFI)	3,678
Leaving Care	37
Learning Disability & Health Reform	2,970
Lead Local Flood Authorities	161
<b>Total Revenue Grants</b>	<b>16,435</b>
<b>Capital Grants</b>	<b>£'000</b>
Capital - Department of Health Grants	266
Capital - Integrated Transport	854

Capital - Maintenance Block Grant	982
<b>Total Capital Grants</b>	<b>2,102</b>
<b>TOTAL</b>	<b>18,537</b>

- 3.26 The MTFs currently includes a contingency sum of £223k to reflect the current uncertainty regarding the overall 2012/13 quantum of specific grant funding. Officers will keep this amount under regular review.

#### *New Homes Bonus*

- 3.27 In 2011/12, the Government introduced a new, non-ringfenced, specific grant, “the New Homes Bonus”, to “create a powerful, simple, transparent and permanent incentive “. The amount secured offsets some of the additional costs incurred by local authorities that deliver sustainable housing development.

- 3.28 The Council is expected to receive £1,357k via the New Homes Bonus specific grant in 2012/13 (£456k in 2011/12). The additional value for 2012/13 of £903K has been included in the MTFP.

- 3.29 However, it should be recognised that, from 2013/14, the Government expect the bonus scheme to effectively be paid for by local government (i.e. the scheme will be funded by reducing the amount of formula grant local authorities were expected to receive nationally). The Government admits that *“this redistributive mechanism....means that the scheme will create financial winners and losers”*; therefore, there is, depending on the number of new homes built within the Slough area, a possibility that Slough BC could “lose” (i.e. the Council’s future formula grant allocations may be reduced by more than it receives back via the New Homes Bonus scheme). Officers have sought to model the impact of this decision on SBC’s future formula grant forecast; and will keep these forecasts under regular review.

#### *VFM*

- 3.30 Managing the Council’s limited finances always presents an important challenge as residents demand the delivery of high quality services within a tight budget. This requires the Council to be more efficient and innovative as well as continuing to improve and to make the most of our resources to deliver what our residents want.

- 3.31 Examples of Value for Money items within the 2012/13 Revenue Budget include:

£395k - Maximising revenue.

£2,350k - Reshaping the Council's services

£600k - Full year effect of the previous years savings

£300k - Reshaping the Council's services

£425k - Review of council assets

£150k - Review of all major contracts and commissioned services

£250k - Reducing, reshaping and changing, where possible, the financing of the council's capital programme

£253k - Increase in commissioned services from the voluntary sector

£1,150k - Establishing an external transactional services centre

£56k - Closure of Wexham Nursery  
£570k - Reduction of agency spend  
£337k - Increasing opportunities for part-time working  
£125k - Investing in a healthy workforce

### Risk Strategy

- 3.32 Budgets are necessarily based on assumptions about what will happen during the next financial year; and therefore there is an inevitable risk that these assumptions might be wrong.
- 3.33 The main foreseen risk is that the proposed savings are not delivered. In an attempt to reduce this risk all agreed savings will be allocated to the relevant directorate cash limits prior to distribution. The budgets will then be closely monitored via the monthly financial management reports and updated budget information, including savings achieved, will be reported to Cabinet throughout the financial year.

### Inflation & Interest Rate Risk

- 3.34 Officers have recommended the Medium Term Financial Strategy assumes the following for inflation:

	12/13	13/14	14/15	15/16
Inflation (pay)	0	1,000	1,200	1,000
Inflation (prices)	2,881	1,400	1,000	1,000
<b>TOTAL INFLATION</b>	<b>2,881</b>	<b>2,400</b>	<b>2,200</b>	<b>2,000</b>

- 3.35 Inevitably, there is an element of risk associated with these assumptions. It is especially uncertain, in the current financial climate, what inflation rates are likely to be in the future and indeed how long the current relatively low levels of inflation can be sustained. Officers have worked to ensure the building of a robust budget in this report.

#### *Pay*

- 3.36 The MTFs takes into account the Government's extension of the public sector pay freeze to include 2012/13. It does, however, ensure that any contractual incremental progression is fully funded.

#### *Prices*

- 3.37 The MTFs assumptions generally reflect an overall uplift in prices inflation at the level of the Consumer Price Index (CPI), the Government's preferred measure of inflation. CPI currently stands at 4.2%. This assumption will be subject to regular review.
- 3.38 It should be noted that there is a risk that inflation rates may increase significantly in the short and medium term. The Medium Term Financial Strategy will be modified to take into account any new information as it arises. However, if rates increase sharply in the short term the Council may need to take action in year to address this, which inevitably may result in future service reductions if the financial impact cannot be managed.

### Previous outturn

- 3.39 The latest monitoring report suggests the general fund is currently forecasting an underspend of £2.578m in 2011/12. However, there is continuing pressure on the

budget in Children and Families due to the number of looked after children which has begun to stabilise, but is still subject to volatility. The MTFs assumes a break-even revenue position for 2011/12. If an over spend were to arise, additional savings options would need to be found.

### Income Generation

#### *Council Tax Referendums*

- 3.40 The Government have effectively announced the demise of a Council tax capping regime and replaced it with local referendums. The Parliamentary Under-Secretary of State for Communities and Local Government, Bob Neill MP, said in his written statement at the time of the provisional local government finance settlement 2012/13:

*“The Localism Act also includes powers to abolish Whitehall capping in England and instead allow local residents to veto excessive council tax rises. I can confirm that we are moving ahead with introducing arrangements for council tax referendums if an authority sets a council tax which exceeds principles endorsed by Parliament (i.e. is “excessive”). These provisions will be implemented for 2012-13 and I am also today giving an indication of the principles I am minded to propose for that year. I propose that local authorities will be required to seek the approval of their local electorate in a referendum if, compared with 2011-12, they set council tax increases that exceed:*

*3.5% for most principal authorities;*

*3.75% for the City of London;*

*4% for the Greater London Authority, police authorities, and single purpose fire and rescue authorities.*

*I am proposing that no equivalent principles will apply for town and parish councils for 2012-13, although they may in future years.”*

- 3.41 For the purposes of the Medium Term Financial Strategy, officers are assuming a council tax freeze in 2012/13; a 3% annual increase, per annum, for 2013/14 and 2014/15; and a 2.5% annual increase for 2015/16. This profile is intended to reflect the one-off nature of the Council Tax freeze grant funding in 2012/13 and ensure the Council is not ultimately financially penalised by accepting this funding for 2012/13. However, Members may ultimately decide a different council tax level is required.

#### *Collection Rate*

- 3.42 Members will be aware the Council has entered into a partnership with an external organisation for the provision of transactional services from 2012/13. As part of this arrangement, the external partner has agreed to improve SBC's council tax collection processes. Officers have therefore assumed, in the MTFs, that the collection rate will increase by 0.5% (to 98.5%) in 2013/14 and a further 0.5% (to 99.0%) from 2014/15.



### *Taxbase*

- 3.43 The MTFs assumes, based on historic trends, that the council taxbase (i.e. the number of domestic properties from which council tax is levied each year) will increase by 1.0% per annum. Officers will keep this assumption under regular review.

### Revenue Reserves and Balances

- 3.44 Reserves are funds set aside to provide for specific spending needs that may arise in future financial years. Whilst reserves and balances are not new money, they can be used to fund spending on services and so form part of the council's overall sources of funding.
- 3.45 There is no specific obligation on councils to have reserves or balances, and consequently, no legislation specifies maximum or minimum level of funds that a council should hold in its reserves and balances. Therefore, each authority should determine for itself as part of its overall financial planning what level of reserves it needs to maintain, and what its minimum level of balances should be.
- 3.46 The Local Government Act 2003 specifically requires the Responsible Financial Officer (known as the "Section 151 Officer") to make specific reference to whether reserves and balances are robust in the annual budget report that agrees the budget and Council Tax for the forthcoming financial year. The Strategic Director of Resources and Regeneration's report can be found at Appendix G.
- 3.47 Based on the Strategic Director of Resources and Regeneration's report, and the current economic climate, the Council is asked to approve the following Policy for Reserves in 2012/13:

### Earmarked Reserves

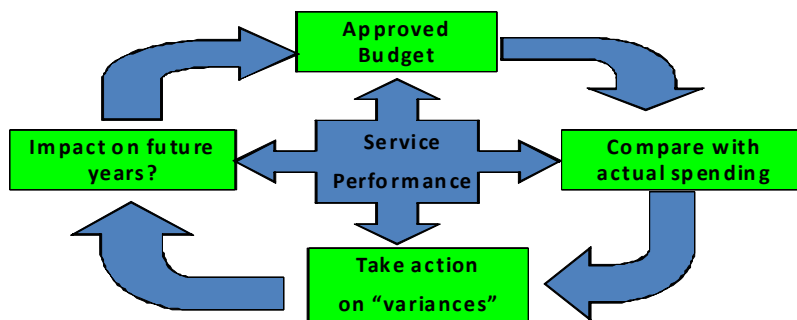
- a) Sufficient sums should be set aside in earmarked reserves as is considered prudent.
- b) The Strategic Director of Resources and Regeneration (SDR&R) will be authorised to establish such reserves as are required.
- c) The SDR&R will review the Earmarked Reserves for both adequacy and purpose on a regular basis and report her findings to Cabinet.

### General Reserves

- d) To commence the financial year with general reserves at a level of at least £5m to cover exposure to known risks.
- e) If the level of general reserves is reduced to lower than £5m, the SDR&R will ensure the Medium Term Financial Strategy clearly identifies how the general reserves will be replenished back to the required £5m in the medium term.
- f) The Medium Term Financial Strategy will include a contingency sum for demand led pressures.
- g) The SDR&R will review the level of General Reserves on a regular basis and report her findings to Cabinet.

## Measuring Delivery

- 3.48 Frequent monitoring of Council expenditure against the budget is important to ensure financial stability is maintained throughout the year. Consequently, regular monitoring reports are submitted to the various Senior Management Teams (SMTs) within Directorates, the Corporate Management Team (CMT), Cabinet and to the Overview and Scrutiny Committee. Service Directors are also fully aware of their duty to control their departmental budgets within the cash limits that are set for them.
- 3.49 Slough Borough Council's budget monitoring process is illustrated in the following diagram:



- 3.50 Budget monitoring is the continual process of comparing actual income and expenditure with the budget and forecasting the likely expected out turn at the end of the year. Over or under spending (variances) will be addressed as they arise with the aim of ensuring that the council ends the year within its budget. The budget monitoring process will also inform future updates of the MTFs where changes in expenditure and / or income patterns impact on future years.
- 3.51 Slough has very pro-active arrangements for monitoring and control to deliver at a high level of financial management, ensuring the Council manages within its resources.

## **4. The Revenue Budget 2012/13 and Council Tax**

- 4.1 In determining the level of budgets for each Directorate, the Council must take into account the following factors:
- The level of funding it receives from Central Government.
  - Inflationary requirements and commitments.
  - New statutory responsibilities and/or transfers of function away from Council.
  - Changes in demographics and levels of service demand.
  - Growth requirements arising from the Corporate Plan.
  - Changes in levy and precepting bodies requirements.

- 4.2 Each of these factors has a major impact on the level of resources required or available to the Council.

### The Local Government Finance Settlement

- 4.3 Local authorities receive a large part of their funding in the form of grants from central government. While some of this is in the form of specific grants (funding streams with a specific set of rules, intended to give authorities the resources to provide a particular service or achieve a particular outcome), in 2012/13 over £23.6 billion of funding is in the form of “formula grant”. This is intended to be general funding with no restrictions on what local authorities can spend it on.
- 4.4 On 8 December 2011, the Parliamentary Under Secretary of State for Communities and Local Government, Bob Neill MP, published a written statement announcing the provisional local government finance settlement for 2012/13. The provisional settlement provides local authorities with their expected general, non-schools, funding allocations for 2012/13; and represents the second year of a two year multi-year settlement (covering 2011/12 and 2012/13). Each local authority’s actual allocation is expected to be confirmed in January 2012. Officers are expecting little, if any, change in the figures; however, this assumption will be kept under review.
- 4.5 The key headline funding figures for Slough are as follows:

**Table: Slough BC’s Formula Grant Allocation 2012/13**

<b>Formula Grant Change</b>			
<b>2012/13 Provisional Settlement (Excluding Council Tax Freeze Grant)</b>	<b>2011/12</b>	<b>2011/12</b>	<b>2012/13</b>
	<b>Cash £m</b>	<b>Adjusted £m</b>	<b>Cash £m</b>
Formula Grant (£m)	57.247	56.837	52.123
% change (2011/12 adjusted to 2012/13 cash)			-8.3%

- 4.6 The cash amount is the amount of funding SBC will actually receive in 2011/12 and 2012/13 as general funding for non-schools services. The adjusted figures are used to enable ‘like-for-like’ comparisons to be made across years (this is considered in further detail below).
- 4.7 A comparison of the funding figures for Slough and other local authorities is set out below:

<b>Formula Grant Change Comparison</b>	
<b>Change in Formula Grant Comparison (Based on adjusted figures) - Excludes Council Tax Freeze Grant</b>	<b>2012/13</b>
Slough	-8.3%
Inner London Boroughs incl. City	-7.4%

Outer London Boroughs	-7.9%
Metropolitan Districts	-7.6%
Shire Unitaries	-7.6%
Shire Counties	-7.9%
Shire Districts	-11.5%
England	-7.3%
<i>Note: England figure includes Police and Fire authorities</i>	

- 4.8 As noted above, cash funding comparisons across years can be misleading, due to the fact that the Government make funding transfers between years. In order to enable like-for-like comparisons to be made, the Department for Communities and Local Government (DCLG) produce an adjusted funding baseline for individual local authorities, which identifies the main funding transfers that have occurred. The transfers for Slough are set out, in the Table below:

<b>2011/12 Formula Grant Adjusted Baseline</b> <i>This represents the baseline for future years' comparisons</i>	
	<b>2011/12 £m</b>
<b>2011/12 Formula Grant</b>	<b>57.247</b>
Private Sewers	(0.044)
Academies	(0.366)
<b>2011/12 Adjusted Formula Grant</b>	<b>56.837</b>

#### Private Sewers

- 4.9 The Government has removed £20.1m in 2012/13 from the national formula grant control total to reflect the transfer of responsibility for “private sewers” to sewerage and water companies – local authorities have historically been involved in dealing with issues and solving problems with private sewers, either in relation to their own properties or in some cases on behalf of local residents. No adjustment has been made in the MTFS to reflect this transfer.

#### Academies

- 4.10 The Government has transferred away £114.5m in 2012/13 to reflect the expected growth in academies and to provide funding for those functions carried out at LEA level funded from Formula Grant. The deduction from formula grant was a straightforward top-slice, as opposed to removing funding at an individual local authority level, as the Department for Education (DfE) have stated they do not know where future academies may be established. No adjustment has been made in the MTFS to reflect this transfer.

## Formula Grant Floors

- 4.11 The cost of guaranteeing a maximum reduction in formula grant, for all individual local authorities, continues to be paid for by scaling back the increase in grant any authority was due to receive above the funding floor. As in previous years, the floor damping system is self-financing within each group of authorities i.e. authorities in one group will not cross-subsidise the floor for authorities in another group.
- 4.12 From 2011/12, the Government placed individual local authorities into one of the relevant four floor levels based on an overall ranking, determined by grant dependency, which is defined as the proportion of the 2010/11 budget requirement that was funded through the 2010/11 formula grant; and ensuring there are an equal number of authorities in each of the four bands. Band 1 authorities are deemed 'most dependent on formula grant' and Band 4 authorities are deemed 'least dependent on formula grant'.
- 4.13 Each Band has a maximum 'floor' i.e. no authority in each Band can receive greater reductions in formula grant than the maximum floor for its Band, as follows:

	2010/11		2011/12		2012/13	
	Floor	Scaling	Floor	Scaling	Floor	Scaling
<b>Education / PSS authorities</b>	1.5%	(71.7%)	(11.3%) (12.3%) (13.3%) (14.3%)	(71.4%)	(7.4%) (8.4%) (9.4%) (10.4%)	(71.7%)
<b>Police Authorities</b>	2.5%	(86.2%)	(5.1%)	(99.98%)	(6.7%)	(99.98%)
<b>Fire &amp; Rescue Authorities</b>	0.5%	(57.9%)	(9.5%)	(34.0%)	(3.4%)	(32.1%)
<b>Shire Districts</b>	0.5%	(59.1%)	(13.2%) (14.2%) (15.2%) (16.2%)	(99.7%)	(11.2%) (12.2%) (13.2%) (14.2%)	(75.1%)

- 4.14 SBC is deemed to be a Band 2 authority and is therefore 'protected' from any funding reductions of more than 8.4% in 2012/13.
- 4.15 However, as noted above, the cost of guaranteeing the minimum increase in grant continues to be paid for by scaling back the increase in grant for authorities above the floor. In 2012/13, SBC contributes £0.152m towards the cost of the funding floor (£1.908m was paid back in 2011/12).

## Schools Funding

- 4.16 The funding for schools continues to be through the DSG (Dedicated Schools Grant), a ring-fenced grant from the Department for Education rather than through the local Government finance system.
- 4.17 The Guaranteed Unit of Funding (GUF), for 2012/13 remains exactly the same as 2011/12 (£5,540 per pupil). The estimated Dedicated School Grant for Slough Borough Council based upon 22,026 pupils for 2012/13 is £122.0 million. The final

allocations of grant will not be announced until May 2012 after the start of the financial year.

- 4.18 The DSG will provide for the same items that were previously resourced through the Schools Formula Spending share within the local government finance system, and covered by the Schools Budget set by local authorities. The Schools Budget consists of delegated budgets allocated to individual schools, and a budget for other provision for pupils which local authorities fund centrally, such as some special educational needs provision and grants to independent and voluntary providers of early years education. The DSG is completely ring-fenced and therefore provides the funding for the Schools Budget.
- 4.19 The pupil premium was introduced in 2011-12. In 2012-13, schools will receive £600 for each Slough child from low income families who has been eligible for free school meals at any point in the last 6 years and also for any child who has been looked after continuously for more than six months. The deprivation pupil premium is estimated at £3.225m and the looked after children at £56.4k, a total of £3.282m
- 4.20 A proposed Schools Budget will be presented to the Schools Forum on 6th March 2012 for consideration.

Budget Reductions 2012/13 to 2015/16

- 4.21 All Service Directorates have been asked to make, wherever possible, efficiency savings. Further, during the budget process, Service Departments were required to only put forward savings options that they thought professionally acceptable. The total savings proposals put forward for 2012/13 amount to £8,329m. Further detail for the proposed 2012/13 to 2015/16 reductions is provided at Appendix E (ii).

Service Growth 2012/13 to 2015/16

- 4.22 The total growth outlined for all Service budget areas amounts to £2,845m for the financial year 2012/13. Proposed growth over the period 2012/13 to 2015/16 is outlined at Appendix E (i).

Budget 2012/13

- 4.23 The following table shows the main changes from the 2011/12 Revenue Budget.

**Table: Change in Budget to 2012/13**

	<b>£000</b>	<b>£000</b>
2011/12 Base Budget		<b>105,107</b>
Specific Grant Transfers	223	
Inflation (Excluding Schools)	2,949	
Non-Schools Growth	2,622	
Savings	(8,329)	
CT Freeze & New Homes Bonus	(2,112)	
= Net increase (decrease) in Budget		<b>(4,647)</b>
2012/13 Revenue Budget		<b>100,460</b>

### Council Tax calculation

- 4.24 Council Tax billing authorities are required, under section 30(2) of the Local Government Finance Act 1992, to set their budget and Council Tax by 11<sup>th</sup> March prior to the start of the new financial year on 1<sup>st</sup> April. Precepting authorities have the slightly earlier deadline of 1<sup>st</sup> March, to enable information to be included on the overall bill prepared by the billing authority. Additional supplementary Council Tax demands designed to raise additional funding during the year are illegal, and so it is essential that the council ensures that the annual budget adequately funds services as mid-year financial pressures will largely have to be addressed within the overall total funding generated at the time the budget was set.

### The Collection Fund

- 4.25 The Collection Fund accounts for all monies relating to the receipt of Council Tax and the old Community Charge, and for payments made to the precepting authorities, the Thames Valley Police Authority and the Royal Berkshire Fire Authority, and to fund the Council's own demand to meet its budget requirement.
- 4.26 Whatever balance remains on the fund in respect of the over/under recovery of Council Tax or Community Charge must be added to or subtracted from the following year's Council Tax bills. Adjustments in respect of Community Charges are added to the Council's part of the bill only, while Council Tax adjustments are shared with the Thames Valley Police Authority and the Royal Berkshire Fire Authority.
- 4.27 In setting the 2012/13 Council Tax, the Council must therefore separately estimate any surpluses or deficits on the Collection Fund for 2011/12 for both the Council Tax and Community Charge.
- 4.28 The Section 151 Officer has now approved the estimate for the Collection Fund for 2011/12, which shows the fund to be in balance. Therefore no adjustment has been made to the revenue budget when calculating SBC's local council tax for 2012/13.

### The Council Tax Base

- 4.29 Cabinet agreed, on 21 November 2011, a taxbase of 41,981.5 equivalent Band D properties for 2011/12. This figure assumes a collection rate of 98.0% (98.0% for 2011/12) will be achieved in respect of all charges raised for 2012/13.
- 4.30 The calculation of Slough's share of the Council Tax is relatively straightforward. Slough's budget requirement plus any surplus or deficit on the collection fund, less the amount received in formula grant is divided by the taxbase to give the tax per Band D property. This is illustrated below:

**Table: – Council Tax Band D Property**

	<b>£'000</b>
Slough Budget Requirement 2012/13	100,460
Collection Fund in Balance	-
Less:	
Formula Grant	(52,123)
Total to be met from Council Tax	<u>48,337</u>
Taxbase	41,981.5
Council Tax at Band D – 2012/13	<b>£ 1,363.01*</b>

- **Based on latest estimates from Fire and Police**

#### Parish Precepts

- 4.31 Slough's parishes have requested total precepts for 2012/13 of £268,050, (£263,600 was requested in 2011/12). There will be slight movements in the actual amount of precept requested from local council tax payers within each parish between 2011/12 and 2012/13 due to changes in their taxbases across these years and/or the total amount of funding requested.

#### Other Precepts

- 4.32 The current figures used in this report for other precepts from Thames Valley Police Authority and Royal Berkshire Fire and Rescue are estimated and may be subject to change. We expect to obtain final figures from both TVPA and RBFR on the 17<sup>th</sup> February 2012.
- 4.33 The Thames Valley Police Authority has indicated that, for 2012/13, it is likely to freeze its precept at the same level it set in 2011/12 (£154.30). Further updates will be provided on these figures as information is released by the Police Authority.
- 4.34 The Royal Berkshire Fire Authority has also indicated that, for 2012/13, it is likely to request a 3.5% increase on the 2011/12 precept providing a figure of £57.31 (2011/12 £55.38). Further updates will be provided on these figures as information is released by the Fire Authority.
- 4.35 The implications of these precept requirements for Slough's Council Tax payers are given in Appendix D.
- 4.36 It should be noted these precepts are yet to be formally agreed and, if there are changes, an update will be provided at the meeting where this report is considered.

#### Setting the Tax

- 4.37 The Council is required to make certain calculations under sections 31A, 31B, 34 and 36 of the Local Government Finance Act 1992. These calculations are:



- The basic amount of Council Tax for both Slough and the preceptors.
- The basic amount of Council Tax for each valuation band for both Slough and the preceptors.
- The aggregate amount of Council Tax for each valuation band, which includes the basic amount for the Council and the basic amount for the preceptors and parishes.

- 4.38 In accordance with these requirements, Members are asked to agree the calculations set out Appendix C. The Council Tax for a Band D property under these calculations is £1,363.01 (£1,361.07 in 2011/12) including police and fire but excluding any parish precepts. The full Council Tax for each Band is included within the recommendations. Further detail can be found at Appendix D.
- 4.39 Any amendments proposed to the budget will require a recalculation to be undertaken for the revised figures within the statutory framework.

## **5. Service Budgets**

- 5.1 This section of the report is intended to highlight Service department issues that will need to be kept under review during 2012/13, and may have an impact on the Medium Term Financial Plan. The proposed cash limits are provided at Appendix F.

### Corporate Departments

- 5.2.1 Slough Borough Council is committed to protecting front line services as a priority during this period of financial challenge. To support this, securing efficiencies in back office and support functions is of paramount importance. As a result, all support functions were reviewed and savings proposals submitted in 2010/11. Further savings have continued to be submitted submitted to Members during 2011/12 for their approval.

Following agreement by Members regarding working with an external partner to establish a regional Transactional Services Hub in Slough a partner has been selected and the Council looks forward to working with Arvato to deliver savings and efficiencies through the new Transactional Service.

### Community & Wellbeing

- 5.4 The integration of Public Health Services from the health authority is a major challenge. There will be a steep learning curve for the department as it seeks to be ready for the full integration of this major service area from April 2013.

Effective monitoring, forecasting and financial planning for demand led services to mitigate the risks associated with increased demand for social care is key area of challenge and focus in the coming year.

The proposed integration of adults and children's services may create capacity pressures during the transition period which will need to be carefully managed

Delivering and improving effective corporate procurement, supporting the delivery of cross cutting savings is key to the financial well being of the council during the coming year.

#### Education and Children's Services

- 5.5 The number of children on child protection plans and those who are looked after continues to be volatile as demand remains high locally, echoing the national picture of increasing numbers of children on children protection plans and looked after children.
- 5.6 Children looked after in a range of settings by Slough increased during 2011-12, significant investment in base budget allocation alongside 2 Gold projects has been agreed in order to provide better outcomes for children as well as to address the current and projected financial pressures. Successful delivery of the Gold project outcome milestones during the year is a critical success factor for the service. The numbers of looked after children in Slough will be monitored closely again in 2012-13.
- 5.7 The senior management reorganisation will require careful management to ensure that improvements to service delivery continue to be secured, including the re-shaping of children's social care to reflect the Safeguarding Improvement Plan and the recommendations of the Munro report on child protection.
- 5.8 Successfully supporting a comprehensive review of services to schools is critical to the delivery of the council's statutory and non-statutory education functions and the future financial wellbeing of the Council
- 5.9 Reviews of Sure Start and Integrated Youth Support Services will also take place during 2012/13 as part of reshaping early intervention services

#### Customer & Transactional Services

- 5.10 Successful and timely integration of previously separate services to secure planned efficiencies over the medium term is key to the wider financial well being of the organisation.

#### Resources and Regeneration

- 5.11 Managing the HRA to ensure the new borrowings to buy out subsidy are serviced with no risk to the wider general fund balances, whilst maintaining and continuing to improve services to tenants is a key area of challenge and focus for the coming year.
- 5.12 Resilient corporate finance services providing accurate forecasting and modelling support will be critical to the wider financial well being of the council.

## **6. Capital Investment Programme**

### Introduction

- 6.1 Capital expenditure is more explicitly defined in legislation and accounting practice. The Local Government Act 2003 requires local authorities to separate capital income and expenditure from revenue income and expenditure and Section 21 of the 2003 Act requires all authorities to follow “proper practice” in their accounting for the capital income and expenditure and drawing up their annual financial statements.
- 6.2 The current accounting practice defines capital expenditure as “all expenditure on the acquisition, creation or enhancement of a tangible fixed asset” and “expenditure on the acquisition of a tangible asset, or expenditure which adds to, and not merely maintains, the value of an existing asset, should be capitalised as a tangible fixed asset, provided that it yields benefits to the authority and the services it provides are for a period of more than one year”.
- 6.3 Therefore, any expenditure on the purchase and enhancement of assets is defined as capital expenditure. Any expenditure that does not add to the value or the substantially increase the useful life of the asset is not capital expenditure and so must be treated as revenue. Expenditure on repairing and maintaining assets is therefore classified as revenue expenditure.
- 6.4 Whilst most items of expenditure can be classified as either revenue or capital without significant problem, the definition is not absolute and so “grey areas” do occur. In such instances it is the responsibility of the Section 151 Officer possibly with advice from the authority’s external auditor, to ensure that the item is correctly classified in the accounts.
- 6.5 Authorities receive funding to pay for their capital and revenue expenditure from a variety of sources which will be considered in more detail below. However, the overall rule is that an authority can use revenue income to pay for capital expenditure, but cannot use capital income to pay for revenue expenditure. For example, a council could, at least in theory, fund building a new library using savings in staff costs, but could not fund staff salaries through the proceeds of sale of the library building.
- 6.6 Cabinet approved the current capital programme on 18<sup>th</sup> July 2011 (Agenda item 26). The programme has since been further reviewed by the Capital Strategy Group (CSG) in light of:
- a) Affordability in the context of the Council’s Revenue Budget and funding projections.
  - b) The Comprehensive Spending Review announcement and the Revenue Support Grant settlement and its impact on the General Fund (GF) revenue budget.
  - c) Progress on delivering current year’s capital programme and the budget scrutiny process.

d) Overall capital resource requirement to fund the capital programme at a prudent and sustainable level.

6.7 In preparing the proposed revised capital programme, Capital Strategy Group has considered the overall capital strategy and service priorities to enable delivery of the Council's business plans at a level of capital and revenue resources estimated to be available to ensure the proposed programme is financially prudent and sustainable.

6.8 The proposed capital programme will be subject to further review during 2012/13 to ensure continued affordability in future years.

6.9 General Fund Capital Programme 2010-11 to 2016-17

6.10 The general fund capital programme is restricted by the resources available to fund the expenditure. The major sources of funding are external grants and contributions, useable capital receipts and prudential borrowing

6.11 As part of the Comprehensive Spending review, the government also announced that from 2011/12, supported borrowing will be replaced with non-ring fenced capital grants. The following capital grant allocation to the Council for 2011/12 and 2012/13 has been announced so far. Further capital grant allocation announcement in respect of Education is expected soon.

	<b>2012/13</b>
	<b>£'000</b>
Department of Health	266
Department of Transport	1,836
	<b>2,102</b>

6.12 Schemes supported by grants and contributions have been included in the programme to the extent that those grants are estimated to be available. In addition to the above grants these include Education Targeted Capital Fund, Education Devolved Formula Grant and Private sector Improvement Grants and S106 contributions.

6.13 The Council is currently considering the option of procuring a partner to enter into a Local Asset Backed Joint Venture (LABV) with. The procurement process has started however the decision to proceed will be taken subject to the LABV offering value for money to the Council. If a decision is made to enter a LABV then significant capital projects in future years will be delivered via this route.

6.13 The use of borrowing to fund the Capital programme is restricted by the capacity for the cost of the borrowing to be funded from the Revenue Budget. These costs comprise not just the interest but also the requirement to make a Minimum Revenue Provision to repay the principal sum.

6.14 As part of the Treasury Management Strategy, it was agreed in 2008 that 2009/10 and 2010/11 capital borrowing requirement would be funded by reducing the level of treasury management deposits. In view of the current interest rate differential

between the investment rate that could be achieved and the current borrowing costs, it is proposed that the current funding policy of reducing the level of deposits is extended to at least 2012/13.

### Expenditure

- 6.15 In light of the estimated resources available the process for this year's capital programme meant that no additional schemes were considered except for those with full funding from external grants and contributions with exception of schemes required due to statutory obligations.
- 6.16 All current schemes have been reviewed to ensure that these schemes were still required to deliver the Council's business plan and also to ensure that the total costs were correct and the profile of the expenditure reflects the pattern of spend.
- 6.17 The overall revised capital programme and resources are summarised in the attached Appendix I.
- 6.18 The Capital Strategy Group will monitor the capital resources at its regular monthly meetings and will recommend individual new bids for funding as and when new capital resources are identified. However this is likely to be restricted only to those schemes with external funding sources. The group will also monitor those schemes dependant on grants and contributions to ensure they only proceed when the grants are certain to be received. Capital Strategy Group will also further review the proposed capital programme during 2011/12 in light of the decisions on the Asset Management Strategy review reported elsewhere on the agenda to ensure the capital programme is adjusted not just to enable the Council to deliver future business plans but also generate efficiencies.

### Capital Expenditure on Schools

- 6.19 The Schools Standards and Framework Act 1998 transferred assets (and liabilities) of former Grant Maintained schools from the LEA and vested them in the governing bodies of individual foundation schools. The Land and school buildings of foundation schools are therefore not assets of the LEA but of the individual governing bodies. Similar treatment applies to Voluntary aided/controlled schools and the Academies.
- 6.20 Capital funding from DCSF is allocated to the Council and not to the individual schools within the LEA. This funding is mainly in the form of capital grants.
- 6.21 The Education and Children's Services department allocate capital funding to individual schools based on the overall departmental asset management plans. The department does not discriminate against non-controlled schools on the basis that school places need to be provided for the Council's children and if these schools were not able to provide that provision, then the Council would have to find alternative provision. Whilst this may reflect the Council's overall policy in terms of provision of education within the borough, it does not contain explicit Council approval for incurring and financing capital expenditure and consequent revenue

budget implications in the form of debt charges on assets that do not belong to the Council.

- 6.22 The Education and Inspections Act 2006 amended Schedule 22 of the Schools Standards and Framework Act under which “where a school owns its own land (through its governing body, foundation body or trustees) wishes to sell surplus non-playing field land, it must inform the local authority, which can object to the disposal, to the reinvestment proposal, and/or claim a share of proceeds which are attributable to public investment”. It is necessary for the school governors to confirm that the Council is entitled to a share of their assets if a subsequent sale was to happen.
- 6.23 The proposed capital programme contains the following provisional funding for the foundation, voluntary aided/controlled schools and the Academies, which the Cabinet is recommended to approve. This will be updated and reported back to the Cabinet during the year once final funding allocations have been received.

### Estimated Capital Expenditure

Foundation Schools	2011-12 £'000	2012-13 £'000	2013-14 £'000	Total £'000
Baylis Court	3,823	462	0	
Castleview Primary	57	0	0	
Cippenham Junior	490	0	0	
Herschel Grammar	60	0	0	
Lynch Hill School	30	0	0	
Pippins Primary	433	0	0	
Priory Primary	344	0	0	
Ryvers Primary	36	0	0	
Westgate	4,193	1,584	75	75
<b>Total Foundation Schools</b>	<b>9,466</b>	<b>2,046</b>	<b>300</b>	<b>75</b>
<b>Voluntary Aided Schools</b>				
Iqra Slough Islamic School	44	0	0	0
Khalsa Sikh Primary	183	0	0	0
St Josephs	200	0	0	0
<b>Total Voluntary Aided Schools</b>	<b>427</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Voluntary Controlled Schools</b>				
Colnbrook CE Primary	60	0	0	0
Slough & Eton	277	0	0	0
St Mary's	205	0	0	0
<b>Total Voluntary Controlled Schools</b>	<b>542</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Academies</b>				
Langley Grammar	409	0	0	0
Slough Grammar	354	0	0	0
<b>Total Academies</b>	<b>763</b>	<b>0</b>	<b>0</b>	<b>0</b>

## HRA Capital Programme

- 6.24 The Housing Investment Strategy over the past 4 years has primarily focused on meeting the requirements of the Governments Decent Homes Standard partly funded by government HRA supported borrowing of £45.4M allocated after the ALMO was awarded the audit commission 2 star quality standard in October 2007. Following the transfer of ALMO function back to the Council's in-house team during 2010, the 5 year Housing Investment Programme has been reviewed and re-prioritised to ensure tenants priorities are met e.g. kitchen, bathroom and entrance door replacement.
- 6.25 The proposed HRA capital programme for 2012-13 is included in Appendix 1 and sets out the required funding to deliver a scheme of internal elemental improvements to meet decent homes compliance plus other essential capital investment works in line with the 30 year housing investment plan. The majority of the proposed capital programme will be funded from revenue contributions and capital receipts during 2012-13 following the commencement of self-financing for council dwellings. Under this new regime, the Major Repairs Allowance will no longer be a source of financing for the HRA Capital Programme.

## Pooling of Capital Receipts

- 6.26 Under the capital finance regulations, all housing capital receipts are subject to the pooling arrangements under which 75% of RTB and 50% of non-RTB housing receipts have to be paid over to the Secretary of State. However, for the non-RTB receipts, a "Capital Allowance" which includes expenditure incurred or planned to be incurred on affordable housing and regeneration projects can reduce the amount. In order to qualify the above expenditure for the capital allowance, the Council is required to pass a resolution approving the amount that can be spent on affordable housing and regeneration projects.

## Financial Risks

- 6.27 Any budget plan is likely to encounter risks. Some of the risks that have been identified that could impact on the proposed capital programme are:
- Slippage in the timing of capital receipts, especially as the revised programme is heavily reliant on this source. Any slippage or timing of delivery will incur additional capital financing costs;
  - Economic and market conditions, current estimates for receipts reflect current market conditions, but changes in this could adversely affect the programme. Higher than allowed for inflation will increase the capital costs;
  - Overspending against agreed budgets. The capital programme will be monitored on a regular basis;
  - Timing of capital grants and contributions;

- Unexpected call on the capital resources from unforeseen events;
- Change in legislation or Accounting Regulations, resulting in adverse impact on the revenue budget.

Whilst these risks cannot be completely removed, the following consideration has been given to mitigate the risks:

- i. In addition to stringent monitoring, capital receipts are only included where assets for disposals are identified with a realistic timetable for disposal;
- ii. Capital monitoring arrangements currently in place should identify any problems at an early stage. Slippages in capital spend are no longer automatically carried forward into the following year;
- iii. Proposed changes to Accounting regulations are reviewed by the officers and assessed for their potential impact on the Council's accounting policies and if necessary responded to as part of the consultation process.

### Conclusions and Recommendation

- 6.28 The proposed capital programme and the associated Prudential Indicators, outlined in the next section, have been prepared within the context of the Council's capital strategy with a view to help enable the Council to deliver its business plan. The revised capital programme recommended for approval is summarised in the attached Appendix I.
- 6.29 We are awaiting final confirmation of Capital Financing Requirement from our Treasury Advisors and therefore the MTFs may need to be adjusted for an additional contribution to Minimum Revenue Provision. At this stage this is not thought to materially impact the MTFP.

## **7. Treasury Management Strategy Statement and Investment Strategy 2012-13**

### Introduction

- 7.1 The Treasury Management Strategy sets out the expected activities of the treasury management function for 2012-13. The strategy has been prepared with due regard to the Council's Medium Term Financial Strategy, the CIPFA Code of Practice, the statutory requirement under the Local Government ACT 2003, the investment guidance issued by the Secretary of State and advice from Arlingclose Limited, the Council's advisors.
- 7.2 The contents of treasury management strategy are:
- Background
  - Balance Sheet and Treasury Position
  - Borrowing and Rescheduling Strategy
  - Outlook for Interest Rates
  - Investment Policy and Strategy
  - Balanced Budget Requirement
  - 2012/13 MRP Statement



- Reporting
- Other Items

### Background

- 7.3 The Treasury Management Strategy has been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2009, which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the forthcoming financial year.
- 7.4 The Code also recommends that members are informed of Treasury Management activities at least twice a year. This report therefore ensures this authority is embracing Best Practice in accordance with CIPFA's recommendations.
- 7.5 Treasury management is defined as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 7.6 In addition to reporting on risk management related to treasury activities, the Treasury Management Code, revised by CIPFA in November 2011, also requires the Council to report on any financial instruments entered into to manage treasury risks.

### Economic Background

- 7.7 The current quarter was dominated by the escalation of the sovereign debt crisis in the Eurozone which, despite several summits by heads of state, avoided tough decisions and workable plans desperately required to address their fundamental fiscal, economic and financial problems of overburdened sovereign balance sheets.
- 7.8 Growth: The lack of growth in the major economies was problematic for central bankers, not helped by the Eurozone sovereign debt crisis. Growth in the UK registered just 0.5% for the twelve months to September 2011 as domestic demand was depressed by low wage growth, high inflation and the fiscal policy measures taken by the coalition government to address the deficit and high level of debt.
- 7.9 Inflation: Inflation remained stubbornly high. Annual CPI for November 2011 was 4.8%; CPI had remained above MPC's 3% upper limit for 23 consecutive months and required the Bank of England's Governor to write his eighth open letter to the Chancellor. In fact the rise in the September CPI to 5.2% was as expected in response to the rise in energy prices pre-signalled by the energy companies. However, with CPI running at broadly double the level of the yield on a 10 year gilt it also gives an indication of the outlook for inflation in the medium term, i.e. lower.

### Employment / Consumer Confidence:

- 7.10 Labour market data continued to disappoint. The ILO unemployment rate remained unchanged in October at 8.3%, but the number unemployed rose to 2.63million, the highest level since August 1994. Youth unemployment (16-24 year olds) climbed above the psychological 1 million mark. The small chink in an otherwise gloomy outlook was that service sector employment showed growth. There was little sign of

wage pressures as average weekly earnings increased just 2%. Real wages (i.e. after inflation) have been negative for over three years resulting in lower disposable income, further damaging already fragile consumer confidence.

- 7.11 Monetary Policy: Central bankers' policies were once again driven by the feeble growth outlook rather than the upward trend in inflation. The slowdown in the global economy, a deterioration in the economic outlook, the severe strains in the bank funding markets and a continued lack of supply of credit were the reasons given by the Monetary Policy Committee's decision at its meeting in October to increase asset purchases (QE) by £75bn whilst maintaining the Bank Rate at 0.5%.
- 7.12 The European Central Bank also opted for unconventional monetary policy by substantially increasing its refinancing operations. The ECB reintroduced year-long loans for banks and its main refinancing programme would be made available until at least July 2012, both of which are intended to provide much-needed liquidity for its banking sector.
- 7.13 With politics trumping economics and fundamental reform, the impasse in the Eurozone threatened to derail peripheral nations and it was not surprising that the rating agencies' warnings became more strident. Moody's said that it would review the ratings of all European Union sovereigns in the first quarter of 2012 after December's summit failed to produce decisive policy measures. Fitch placed the ratings of several sovereigns including Italy, Spain, Belgium and Ireland on rating watch negative based on its view that a comprehensive solution to the crisis is technically and politically beyond reach.
- 7.14 Gilt yields and money market rates: The very poor outlook for global growth has pushed back expectations for a rise in the UK bank rate to 2014/2015. Gilts once again benefited from their safe haven status and yields, which had already fallen to lows in the previous quarter, fell further. 5-year gilt yields fell to 1.13%, 10-year yields to 2.1% and 20-year yields to 2.85%.
- 7.15 PWLB borrowing rates fell commensurately (the Board maintained the +0.90% margin above the equivalent gilt yield for new borrowing).
- 7.16 There was very little change to Libor and Libid rates as at 31/12/2011, the differential 0.1% to 0.2% for maturities up to 12 months, although the differential widened with respect to overnight rates.

### **Balance Sheet and Treasury Position**

- 7.17 The underlying need to borrow for capital purposes, as measured by the Capital Financing Requirement (CFR), together with Balances and Reserves, are the core drivers of Treasury Management Activity. CFR measures the underlying need to borrow for capital purposes. The estimates, based on the current Revenue Budget and Capital Programmes, are:

	31/03/2011 ACTUAL £m	31/03/2012 Estimate £m	31/03/2013 Estimate £m	31/03/2014 Estimate £m
General Fund CFR (incl IFRS Adjust.)	110.782	116.375	117.540	122.333
HRA CFR	23.130	159.732	159.732	159.732
<b>Total CFR</b>	<b>133.912</b>	<b>276.107</b>	<b>277.272</b>	<b>282.065</b>

7.18 The Council's level of physical debt and investments is linked to these components of the Balance Sheet. The current portfolio position is set out at **Annex A**. Market conditions, interest rate expectations and credit risk considerations will influence the Council's strategy in determining the borrowing and investment activity against the underlying Balance Sheet position. The Council will ensure that net physical external borrowing (i.e. net of investments) will not exceed the CFR other than for short term cash flow requirements. This is a key indicator of prudence as the CFR represents the level of borrowing for capital purposes, and revenue expenditure cannot be financed from borrowing other than for short term cash flow requirements.

#### **Estimates of Capital Expenditure:**

7.19 It is a requirement of the Prudential Code to ensure that capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax and in the case of the HRA, housing rent levels.

Capital Expenditure	2011/1 Approved £m	2011/12 Revised £m	2012/13 Estimate £m	2013/14 Estimate £m
Non-HRA	50.799	<b>40.599</b>	31.634	17.726
HRA	9.699	<b>141.278</b>	13.052	7.273
<b>Total</b>	<b>60.498</b>	<b>181.877</b>	<b>44.686</b>	<b>24.999</b>

Capital expenditure is expected to be financed as follows:

Capital Financing	2011/12 Approved £m	2011/12 Revised £m	2012/13 Estimate £m	2013/14 Estimate £m
Capital receipts	2.760	<b>2.139</b>	8.297	0.250
Grants & Contributions	33.760	<b>29.835</b>	12.525	9.522
Major Repairs Allowance	5.020	<b>4.676</b>	0.344	0
Revenue contributions	4.818	<b>0.183</b>	19.324	7.024
<b>Total Financing</b>	<b>46.358</b>	<b>36.833</b>	<b>40.490</b>	<b>16.795</b>
Supported borrowing	0.000	<b>0.000</b>	0.000	0.000

Unsupported borrowing	14.140	<b>145.044</b>	4.196	8.203
<b>Total Funding</b>	<b>14.140</b>	<b>145.044</b>	<b>4.196</b>	<b>8.203</b>
<b>Total Financing and Funding</b>	<b>60.498</b>	<b>181.877</b>	<b>44.686</b>	<b>24.999</b>

### Incremental Impact of Capital Investment Decisions:

- 7.20 As an indicator of affordability the table below shows the impact of capital investment decisions on Council Tax and Housing Rent levels. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme. For HRA, the capital programme is funded from either supported ALMO borrowing, Major Repairs Allowance or HRA revenue balances and therefore does not impact the average weekly housing rent.

<b>Incremental Impact of Capital Investment Decisions</b>	<b>2010/11 Approved £</b>	<b>2011/12 Estimate £</b>	<b>2012/13 Estimate £</b>	<b>2013/14 Estimate £</b>
Increase in Band D Council Tax	-9.20			
Increase in Average Weekly Housing Rents	0.00			

### Reform to the Council Housing Subsidy System:

- 7.21 During Q3 2011 the Localism Bill received Royal Assent, and as a consequence draft self-financing determinations were issued by CLG. Self-financing involves a removal of the housing subsidy system by offering a one-off reallocation of debt. The settlement of the reallocation is expected to take place in Q4 on 28th March 2012 and will result in the Authority having an increase in debt to fund the settlement of £136m. The specific borrowing amount and terms have been determined by the Authority in conjunction with the advice of its treasury advisers.
- 7.22 The estimate for external interest payments in 2012-13 is £2.7m and for interest receipts is £0.9m. The ratio of financing costs to the Council's net revenue stream is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. The ratio is based on costs net of investment income.

<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>2010/11 Actual %</b>	<b>2011/12 Approved %</b>	<b>2011/12 Revised %</b>	<b>2012/13 Estimate %</b>	<b>2013/14 Estimate %</b>
Non-HRA	8.62	5.95	5.95	<b>6.41</b>	6.67
HRA	7.34	6.85	18.96	<b>17.80</b>	19.82

## Borrowing and Rescheduling Strategy

7.23 The Council's balance of actual external debt (gross borrowing plus other long-term liabilities) is shown in Annex A. The fall in PWLB repayment rates enlarges the premium / diminishes the residual discounts on the premature repayment of debt, reducing the attractiveness of debt rescheduling.

7.24 The **Authorised Limit** sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) and is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

<b>Authorised Limit for External Debt</b>	<b>2010/11 Approved £m</b>	<b>2011/12 Revised £m</b>	<b>2012/13 Estimate £m</b>	<b>2013/14 Estimate £m</b>	<b>2014/15 Estimate £m</b>
Borrowing	96.0	246.0	<b>246.0</b>	246.0	246.0
Other Long-term Liabilities	0.0	54.0	<b>54.0</b>	54.0	54.0
<b>Total</b>	<b>96.0</b>	<b>300.0</b>	<b>300.0</b>	<b>300.0</b>	<b>300.0</b>

7.25 The **Operational Boundary** links directly to the Council's estimates of the CFR and estimates of other cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

<b>Operational Boundary for External Debt</b>	<b>2010/11 Approved £m</b>	<b>2011/12 Revised £m</b>	<b>2012/13 Estimate £m</b>	<b>2013/14 Estimate £m</b>	<b>2014/15 Estimate £m</b>
Borrowing	91.2	238.0	<b>238.0</b>	238.0	238.0
Other Long-term Liabilities	0.0	54.0	<b>54.0</b>	54.0	54.0
<b>Total</b>	<b>91.2</b>	<b>292.0</b>	<b>292.0</b>	<b>292.0</b>	<b>292.0</b>

7.26 The Strategic Director of Resources and Regeneration has the delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the next meeting of the Cabinet.

7.27 In conjunction with advice from its treasury advisor, Arlingclose Ltd, the Council will keep under review the following borrowing options:

- PWLB loans
- Borrowing from other local authorities

- Borrowing from institutions such as the European Investment Bank and directly from Commercial Banks
- Borrowing from the Money Markets
- Local authority stock issues
- Local authority bills
- Structured finance

- 7.28 The PWLB remains an attractive source of borrowing for the Council as it offers flexibility and control. The large downward move in gilt yields during the quarter three 2011 has resulted in PWLB rates falling very nearly to the pre-CSR levels of October 2010. However affordability and the “cost of carry” remained an important influence on the Council’s borrowing strategy alongside the consideration that for any borrowing undertaken ahead of need, the proceeds would have to be invested into a distressed financial market (credit risk) at rates of interest significantly lower than the cost of borrowing.
- 7.29 Alternative Sources: Whilst there are several claims that a competitive, comparable equivalent to PWLB is readily available, the Council will continue to adopt a cautious and considered approach to funding from the capital markets. The Council’s treasury advisor, Arlingclose, is actively consulting with investors, investment banks, lawyers and credit rating agencies to establish the attraction of different sources of borrowing, including bond schemes, loan products and their related risk/reward trade off.
- 7.30 For the Council the use of internal resources in lieu of borrowing has, therefore, continued to be the most cost effective means of funding capital expenditure. This has lowered overall treasury risk by reducing both external debt and temporary investments. However, the Council acknowledges that this position will not be sustainable over the medium term and the Council expects it will need to borrow £14m for capital purposes over the next couple of years. Borrowing options and the timing of such borrowing will continue to be assessed in conjunction with the Council’s treasury advisor.
- 7.31 PWLB variable rates are expected to remain low as the Bank Rate is maintained at historically low levels for an extended period. Exposure to variable interest rates will be kept under regular review. Each time the spread between long-term rates and variable rates narrows by 0.50%, this will trigger a formal review point and options will be considered in conjunction with the Authority’s Treasury Advisor and decisions taken on whether to retain the same exposure or change from variable to fixed rate debt.
- 7.32 The Council has £13m loans which are LOBO loans (Lender’s Options Borrower’s Option) none of which are currently in or will be in their call period in 2012/13. An important change in the guidance to the Prudential/TM Code now requires LOBO loans to be treated as having a maturity date in the year where lenders’ options exist. This is so that an understanding, independent evaluation and reporting of the potential refinancing risk remains an important element of the overall management of risk within the Council’s treasury management portfolio. The Prudential Indicators relating to the maturity structure of Council’s borrowing will henceforth reflect this revised requirement

- 7.33 The rationale for rescheduling would be one or more of the following:
- Savings in interest costs with minimal risk
  - Balancing the volatility profile (i.e. the ratio of fixed to variable rate debt) of the debt portfolio
  - Amending the profile of maturing debt to reduce any inherent refinancing risks. As opportunities arise, they will be identified by Arlingclose and discussed with the Council's officers.

7.34 Borrowing and rescheduling activity will be reported to the Cabinet.

7.35 The following Prudential Indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments. The Council's existing loans are at a fixed rate of interest.

	2010/11 Approved %	2011/12 Estimate %	2012/13 Estimate %	2013/14 Estimate %
Upper Limit for Fixed Interest Rate Exposure	100%	100%	100%	100%
Upper Limit for Variable Interest Rate Exposure	50%	50%	50%	50%

7.36 The Council will also limit and monitor large concentrations of fixed rate debt needing to be replaced. Limits in the following table are intended to control excessive exposures to volatility in interest rates when refinancing maturing debt.

Maturity structure of fixed rate borrowing	Existing level at 31/03/11 %	Lower Limit for 2011/12 %	Upper Limit for 2011/12 %
under 12 months	0.05	0.00	50.00
12 months and within 24 months	0.03	0.00	50.00
24 months and within 5 years	28.54	0.00	50.00
5 years and within 10 years	10.52	0.00	75.00
10 years and within 20 years	27.82	25.00	90.00
20 years and within 30 years	27.03	25.00	90.00
30 years and within 40 years	6.01	25.00	90.00
40 years and within 50 years	0.0	25.00	90.00
50 years and above	0.00	25.00	90.00

### Investment Policy and Strategy

7.37 Guidance from CLG on Local Government Investments in England requires that an Annual Investment Strategy (AIS) be set.

7.38 The Council's investment priorities are:

- security of the invested capital;

- liquidity of the invested capital;
- an optimum yield which is commensurate with security and liquidity.

7.39 Investments are categorised as ‘Specified’ or ‘Non Specified’ investments based on the criteria in the CLG Guidance. Potential instruments for the Council’s use within its investment strategy are contained in Annexes B1 and B2. The Strategic Director of Resources, under delegated powers, will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements and Prudential Indicators. Decisions taken on the core investment portfolio will be reported to the Cabinet on a regular basis.

7.40 The Council’s current level of investments is presented at Annex A.

7.41 Cash Flow Management – Unless required by statutory or regulatory requirements, all monies in the Council’s bank accounts will be under the control of the Strategic Director of Resources and will be aggregated for cash flow and investment purposes. The current exceptions being:

- Funds held in bank accounts for school disbursements and managed by officers in schools that have exercised their right to use different bankers from the Council.
- Funds held as cash and as bank balances and managed by officers of Social Services Care Establishments for small items of expenditure and on behalf of residents.

7.42 The Cash flow will be monitored on a regular and timely basis by the Treasury Management Panel to ensure liquidity risk is managed.

7.43 The Council’s in-house investments are made with reference to the outlook for the UK Bank Rate and money market rates.

7.44 In any period of significant stress in the markets, the default position is for investments to be made with the Debt Management Office or UK Treasury Bills. (The rates of interest from the DMADF are below equivalent money market rates, but the returns are an acceptable trade-off for the guarantee that the Council’s capital is secure.)

7.45 The Council selects countries and the institutions within them (see Annex B1), for the counterparty list after analysis and careful monitoring of:

- Credit Ratings (minimum long-term A for counterparties; AA+ for countries. The rating for counterparties has been reduced from A+ in 2011/12 to reflect a softening of ratings across counterparties generally, due to the current economic climate rather than increasing the Authority’s risk exposure. This is in-line with other Authorities and other customers of Arlingclose Limited.) The Council receives timely information from its advisors on credit ratings and will adjust its counterparty list to reflect the latest advice.
- Credit Default Swaps (where quoted)
- GDP; Net Debt as a Percentage of GDP



- Sovereign Support Mechanisms/potential support from a well-resourced parent institution
- Share Prices (where quoted)
- Macro-economic indicators
- Corporate developments, news and articles, market sentiment.

7.46 The Council and its Treasury Advisors, Arlingclose, will continue to analyse and monitor these indicators and credit developments on a regular basis and respond as necessary to ensure security of the capital sums invested.

7.47 The UK Bank Rate has been maintained at 0.5% since March 2009, and is anticipated to remain at low levels throughout 2012-13. Short-term money market rates are likely to remain at very low levels for an extended period which will have a significant impact on investment income.

7.48 To protect against a lower for longer prolonged period of low interest rates and to provide certainty of income, 2-year deposits and longer-term secure investments will be considered, in conjunction with Arlingclose advice on such and within the limits the Council has set for Non-Specified Investments (see Annex B2). The longer-term investments will be likely to include:

- Term Deposits with counterparties rated at least A (or equivalent)
- Supranational Bonds (bonds issued by multilateral development banks): Even at the lower yields likely to be in force, the return on these bonds will provide certainty of income against an outlook of low official interest rates.

7.49 The Council has placed an upper limit for principal sums invested for over 364 days, as required by the Prudential Code. This limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

Upper Limit for total principal sums invested over 364 days	2011/12 Estimate £m	2012/13 Estimate £m	2013/14 Estimate £m	2014/15 Estimate £m
	10.00	10.00	10.00	10.00

### Outlook for Interest Rates

7.50 The economic interest rate outlook provided by the Council's treasury advisor's indicated that as this point in time, given the precarious outlook for global growth and fears of a double-dip recession it is believed the Bank of England would only raise rates after there was firm evidence that the economy had survived the fiscal consolidation. Therefore, the outlook is for official interest rates to remain low for an extended period, as shown below.

7.51 The Council will reappraise its strategy from time to time and, if needs be, realign it with evolving market conditions and expectations for future interest rates

## **Balanced Budget Requirement**

- 7.52 The Council complies with the provisions of S32 of the Local Government Finance Act 1992 to set a balanced budget.

## **2012/13 MRP Statement**

- 7.53 The Local Authorities (Capital Finance and Accounting)(England)(Amendment) Regulations 2008 (SI 2008/414) place a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to “have regard” to such Guidance under section 21(1A) of the Local Government Act 2003.

- 7.54 The four MRP options available are:

- Option 1: Regulatory Method
- Option 2: CFR Method
- Option 3: Asset Life Method
- Option 4: Depreciation Method

NB This does not preclude other prudent methods.

- 7.55 MRP in 2012 -13: Options 1 and 2 may be used only for supported expenditure. Methods of making prudent provision for self financed expenditure include Options 3 and 4 (which may also be used for supported expenditure if the Council chooses).

- 7.56 The Cabinet is requested to consider and recommend to the Council to approve the annual MRP Statement as follows. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement will be submitted to Council at that time.

- The Council will apply Option 1/Option 2 in respect of supported capital expenditure and Option 3/Option 4 in respect of unsupported capital expenditure.
- MRP in respect of leases brought on Balance Sheet under the IFRS-based Code of Practice will match the annual principal repayment for the associated deferred liability.

## **Monitoring and Reporting on the Treasury Outturn and Prudential Indicators**

- 7.57 The delegation and reporting on treasury management activities will be as follows:

### **i. The Council -**

- Approve annual borrowing limits and interest rate exposure as required by the Local Government Act 2003 and CIPFA’s Prudential Code for Capital Finance.
- Approve and take ownership of the Treasury Management Policy statement via the Cabinet

- ii. **The Cabinet**
  - Receive annual report in February/March on the proposed Treasury Management activities including relevant information with regard to Treasury Management policy and Strategy;
  - Receive mid-year report on treasury management activities
  - Receive an annual report on Treasury Management activity for the preceding financial year.
  - The Cabinet will make necessary resolutions, when required, upon item contained within the reports.
  
- iii. **Overview and Scrutiny Committee**
  - Receive and review the treasury management policy and procedures and make recommendations to the Cabinet and the Council.
  
- iv. **Audit Committee**
  - Receive at least an annual report from the Strategic Director of Resources on compliance of the Council's investments with this document.
  
- v. **Treasury Management Panel consisting of** Strategic Director of Resources (Section 151 Officer), Assistant Director of Finance and the Treasury Manager (or equivalent).

**The terms of reference for the Treasury Management Panel being:**

- To oversee overall control and management of all monies in the hands of the Council and monitor the cash flow to ensure security and liquidity risk is managed.
  - To receive, review and recommend treasury management policies and practices for approval and monitor compliance.
  - To ensure regular treasury management reports including budgets and budget variations are received, reviewed and submitted to the Cabinet and Committees. As a minimum, the Council's budget monitoring process report any significant variations or emerging issues as appropriate.
  - To ensure that the organisation of treasury management function is fit for purpose to meet current demands and review performance of the treasury management function.
  - To authorise long term borrowing to meet the Council's borrowing requirements.
  - To approve and recommend appointment of external service providers and monitor their performance.
  - Balance effective risk management with performance i.e. debt cost vs. sustainability
- 
- vi. **Financial controller**
    - Ensuring that day to day activities accord with the Treasury Management Policy
    - Execution of transactions
    - Managing the overall day to day Treasury Management function including cash flow forecasting and monitoring, training of staff, dealing

procedures and maintaining and reviewing the Treasury Management System Document.

- Production of regular performance monitoring reports to the Treasury Management Panel.
- Identifying and recommending opportunities for improved practices

## **Training**

- 7.58 CIPFA's Code of Practice requires the responsible officer to ensure that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities. It is intended to arrange training sessions during the course of the year.
- 7.59 There will be changes to the Council's treasury management staff during 2012-13, the person with treasury responsibilities will be retiring. However, extensive handover and training arrangements are already in place to develop a qualified accountant in to this role. Staff involved will continue to attend regular workshops arranged by the CIPFA Treasury Management Forum and the Council's treasury management advisors, Arlingclose Limited, to update their treasury management knowledge. Treasury management activity is regularly monitored and reported to the Assistant Director of Finance with responsibility for treasury matters.

## **Consultants & Brokers**

- 7.60 The Council appointed Arlingclose Limited as its advisors from 1<sup>st</sup> January 2011. Arlingclose provide information and advice on a range of treasury issues including advice on the investment and capital borrowing strategy, detailed information about counterparties and limits to ensure a balanced portfolio with an acceptable level of risk. The Strategic Director of Resources and the Assistant Director of Finance will periodically consider and review whether Arlingclose continue to provide a satisfactory service under their mandate and discuss directly with them any concerns.

## **Money Market Brokers**

- 7.61 In the course of transacting treasury business, the Council utilises the services of money market brokers. These brokers when performing business on behalf of the Council are acting merely as intermediaries and advice on the security of dealings is not sought from them. A range of brokers is used to ensure accurate market information and competitiveness of bidding. The currently approved brokers utilised by the Council are as follows:
- Exco Inter Capital Plc
  - Prebon
  - City Deposit Brokers
  - Sterling Brokers Ltd
  - RP Martin

- 7.62 It is also proposed that no more than 50% of investment business is placed in the hands of any one broker at any one time. Direct dealing with counter parties is also undertaken. The direct dealing can be either via the phone or other electronic means such as the internet secure site.
- 7.63 **Money Laundering** has the objective of concealing the origin of money generated through criminal activity. In summary, it is an offence to assist anyone suspected of laundering money generated by any crime and it is a defence for an individual if they have reported knowing or suspecting at the first available opportunity. In carrying out the treasury management activities, the Council will maintain procedures for verifying the identity of clients and record keeping procedures for evidence of identity and transactions. Treasury Management staff will be provided with relevant training on procedures including reporting suspicions to relevant officer.

### **Local Authority Mortgage Interest Rate 2012-13**

- 7.64 Under the Housing Act 1985, the Council is required to charge the higher of standard notional rate, which is set by the Secretary of State and is currently 3.93%, or the local rate based on the Council's own borrowing costs, estimated at 4.10% for 2012-13. Under the Housing Act 1985, the Council is allowed to add 0.25% to the borrowing rate to cover administrative costs. The Council's Mortgage Interest Rate for 2012-13 will therefore be 4.35%, the same rate in place for 2011/12.

### **Annexes to Treasury Management Strategy Statement**

Annex A - Current and Projected Portfolio Position  
Annex B - Specified Investments for use by the Council  
Annex B1 - Limits for New Specified Investments  
Annex B2 - Limits for New Non Specified Investments

## **8. Changes to Accounting Policies and Disclosure**

- 8.1 This budget strategy requests the approval of two changes to Accounting Policies and Disclosure by members of the Council.
- 8.2 Note, under the recently enacted Localism Act 2011, Councils are now required to prepare a pay policy statement for the financial year 2012/2013 and each subsequent financial year.
- 8.3 The pay policy statement must set out the authority's policies for the financial year relating to:
- the remuneration of its chief officers,
  - the remuneration of its lowest-paid employees, and
  - the relationship between—
    - (i) the remuneration of its chief officers, and
    - (ii) the remuneration of its employees who are not chief officers.

- 8.4 The statement must state—
- the definition of “lowest-paid employees” adopted by the authority for the purposes of the statement, and
  - the authority’s reasons for adopting that definition.
- 8.5 The statement must include the authority’s policies relating to—
- (a) the level and elements of remuneration for each chief officer,
  - (b) remuneration of chief officers on recruitment,
  - (c) increases and additions to remuneration for each chief officer,
  - (d) the use of performance-related pay for chief officers,
  - (e) the use of bonuses for chief officers,
  - (f) the approach to the payment of chief officers on their ceasing to hold office under or to be employed by the authority, and
  - (g) the publication of and access to information relating to remuneration of chief officers.
- 8.6 A pay policy statement for a financial year may also set out the authority’s policies for the financial year relating to the other terms and conditions applying to the authority’s chief officers.
- 8.7 The pay policy is provided within Appendix K.

### Debt Strategy

- 8.8 As part of the budget strategy members are being requested to approve a new Income and Collection policy in relation to the collection of the council’s debts.
- 8.9 The key features of the policy are:
- It recognises the Council’s responsibility to protect Council Tax payers by collecting debt whilst at the same time recognising the need to support vulnerable debtors.
  - The Council will, where it is permitted and practical, seek to obtain payment prior to or at the point of service delivery to reduce the number of debts to be collected.
  - Invoices will be issued on a timely basis and will clearly set out the amount to be paid, the deadline for payment and the means of payment available.
  - The Council will treat vulnerable debtors professionally and compassionately and will offer an assessment of entitlement to benefits where appropriate.
  - Payment methods will be clearly explained to customers and direct debit will be offered for the payment of recurring debts.
  - The Council will use all permitted means to enforce payments including the county court process.
- 8.10 The debt policy is provided at Appendix L.

## **9. Fees and Charges**

- 9.1 Local councils are able to charge users for the provision of a wide variety of services. It is important to ascertain the legal position prior to introducing or varying

charges as Councils are obliged to provide some services by law (known as mandatory services). For example, currently legislation prevents a local council from making a charge for its domestic refuse collection service and for borrowing a library book, but does allow a charge to be made for a special collection of bulk domestic refuse and for borrowing a DVD from a library.

- 9.2 Where there is no specific legislation relating to the service, the Local Government Act 2003 provides all councils with a power to charge for all discretionary services, where users have a choice whether to use the service or not. Also the 2003 Act states that income generated by individual services, or groups of similar services, must not exceed the cost of providing the service, taking one year with another. Finally, the 2003 Act enables councils to create charging structures to provide different levels of charge to different groups of users, including offering the service free to certain individuals or groups.
- 9.3 The usual definition of a discretionary service is one where the council has the power to provide the service, possibly under the powers of well being provided in the Local Government Act 2000, but where the service is not specifically required to be provided by law. It should be noted, however, that for the purposes of charging, the 2003 Act also enables charges to be made if a council provides a mandatory service above the level of quality required by legislation, as the additional service is defined as discretionary within the provisions of the Act. For example, legislation requires local planning authorities to consider planning applications (an example of a mandatory service where legislation requires a charge to be made), but does not require such authorities to provide pre-planning advice to householders and developers. Where a council does provide such advice, it may charge for the advice under the 2003 Act as it falls within the definition of a discretionary service.
- 9.4 The Council raises approximately £18m of its total income from general fees and charges. Therefore these charges are a crucial funding source for the provision of services and in maintaining the council tax at a reasonable level.
- 9.5 The Council is currently undertaking a detailed review of all fees and charges to ensure that as a Council we understand where full cost recovery is in place for the fees and charges for services we provide. Any significant proposed changes to the charging structure from this review will be reported and seek Cabinet approval.
- 9.6 Under Delegated powers for 2011/2012 Strategic Directors can, in consultation with the Strategic Director of Resources and Regeneration and the appropriate Commissioner, set rent, fee charges and other income levels provided the change does not:
- Exceed inflation by more than 3% and/or
  - Involve a change in policy, or
  - Potentially have significant political implications.
- 9.7 It is proposed that during 2012/2013 a comprehensive review of fees and charges will be undertaken. Thereafter annual increases to fees and charges will form part of the budget setting process and decided by members.
- 9.8 Any exceptions to this general policy will require specific Cabinet approval.

## EXISTING PORTFOLIO PROJECTED FORWARD

	Current Portfolio £m	%	31 Mar 11 Actual £m	31 Mar 12 Estimate £m	31 Mar 13 Estimate £m	31 Mar 14 Estimate £m
<b>External Borrowing:</b>						
Fixed Rate – PWLB	43.557	65.4	43.592	43.557	43.537	45.533
Fixed Rate – Market *	23.000	34.6	23.000	23.000	23.000	13.000
Variable Rate – PWLB						
Variable Rate – Market						
<b>Total External Borrowing</b>	66.557	100	66.592	66.557	66.537	58.533
<b>IFRS Long Term Liabilities:</b>						
- PFI	39.163		40.119	39.163	38.115	37.096
- Operating/Finance Leases	**		**	**	**	**
<b>Total Gross External Debt</b>	105.720		106.111	105.720	104.652	95.629
<b>Investments:</b>						
<i>Managed in-house</i>						
- Short-term monies (Deposits/ monies on call /MMFs)	97.590	96.5	78.325	45.759	34.829	28.329
- Long-term investments	0.000	3.5	0.000	0.000	0.000	0.000
<i>Managed externally</i>	0.000		0.000	0.000	0.000	0.000
<b>Total Investments</b>	97.590 ***	100	78.325	45.759	34.829	28.329

\* - includes LOBO loans totalling £13M

\*\* - Operating leases are currently being reviewed as part of IFRS and will be reported as part of budget outturn report.

\*\*\* - See Annex A1



## Annex A1

<b>DEPOSITS OUTSTANDING AS AT 20th January 2012</b>							
Approved Counter Party	Sovereign Risk	Fitch		Moody's		Approved Limit [£M]	Deposit O/Stand [£M]
		LT	ST	LT	ST		
<b>BANKS</b>							
Australia & New Zealand Banking Group	Australia	AA-	F1+	Aa2	P1	5.00	0.00
Bank of Montreal	Canada	AA-	F1+	Aa2	P1	5.00	0.00
Bank of Nova Scotia	Canada	AA-	F1+	Aa2	P1	5.00	0.00
Canadian Imperial Bank	Canada	AA-	F1+	Aa2	P1	5.00	0.00
Commonwealth Bank of Australia	Australia	AA	F1+	Aa1	P1	5.00	0.00
HSBC	UK	AA	F1+	Aa2	P1	25.00	0.00
NAB	Australia	AA	F1+	Aa2	P1	5.00	5.00
Royal Bank of Canada	Canada	AA	F1+	Aa1	P1	5.00	0.00
Westpac Banking Group	Australia	AA	F1+	Aa1	P1	5.00	0.00
UK Debt Management Office	UK	AAA				no limit	10.00
<b>Sub Total</b>							<b>15.00</b>
<b>LOCAL AUTHORITIES</b>							
Birmingham City Council	UK			AAA		no limit	6.00
Cornwall County Council	UK			AAA		no limit	2.00
Leeds City Council	UK					no limit	9.00
Lancashire County Council	UK					no limit	2.00
Thurrock Borough Council	UK					no limit	3.00
Salford City Council	UK					no limit	6.50
<b>Sub Total</b>							<b>28.50</b>
<b>MONEY MARKET FUNDS</b>							
Blackrock	IRE			Aaa	MR1+	20.00	5.00
Prime Rate	UK	AAA mmf		AAAm		20.00	5.00
RBS Global Funds	IRE	AAA mmf		AAAm		20.00	7.20
<b>Sub Total</b>							<b>17.20</b>
<b>Banks and Building Societies no longer meeting current rating criteria of A+</b>							
<b>BANKS</b>							
Barclays Bank	UK	A	F1	aA3	P-1	0.00	9.00
Co-op Bank	UK	A-	F2	A3	P-1	0.00	5.00
Heritable Bank						0.00	0.89
Lloyds TSB	UK	A	F1	A1	P-1	0.00	15.00
<b>Sub Total</b>							<b>29.89</b>
<b>Building Societies</b>							
Nationwide Group	UK	A+	F1	A2	P-1	0.00	7.00
<b>Sub Total</b>							<b>7.00</b>
<b>Total Deposits</b>							<b>97.59</b>
Note: a) In addition to above deposit limits, the Council may invest £10M in Gilts. b) Non UK Banks - these will be restricted to a maximum exposure of 25% per country.							

## Specified and Non Specified Investments

### **Specified Investments identified for use by the Council**

Specified Investments will be those that meet the criteria in the CLG Guidance, i.e. the investment

- is sterling denominated
- has a maximum maturity of 1 year
- meets the “high credit quality” as determined by the Council or is made with the UK government or is made with a local authority in England, Wales, Scotland or Northern Ireland or a parish or community council.
- the making of which is not defined as capital expenditure under section 25(1)(d) in SI 2003 No 3146 (i.e. the investment is not loan capital or share capital in a body corporate).

“Specified” Investments identified for the Council’s use are:

- Deposits in the DMO’s Debt Management Account Deposit Facility
- Deposits with UK local authorities
- Deposits with banks and building societies
- \*Certificates of deposit with banks and building societies
- \*Gilts: (bonds issued by the UK government)
- \*Bonds issued by multilateral development banks
- Treasury-Bills (T-Bills)
- Local Authority Bills (LA Bills)
- AAA-rated Money Market Funds with a Constant Net Asset Value (CNAV)
- AAA-rated Money Market Funds with a Variable Net Asset Value (VNAV)
- Other Money Market Funds and Collective Investment Schemes– i.e. credit rated funds which meet the definition of a collective investment scheme as defined in SI 2004 No 534 and SI 2007 No 573.

1. *\* Investments in these instruments will be on advice from the Council’s treasury advisor.*
2. *The use of the above instruments by the Council’s fund manager(s) will be by reference to the fund guidelines contained in the agreement between the Council and the individual manager.*

For credit rated counterparties, the minimum criteria will be the lowest equivalent short-term and long-term ratings assigned by Fitch, Moody’s and Standard & Poor’s (where assigned).

*Long-term minimum: A(Fitch); A (Moody’s); A (S&P)*

*Short-term minimum: F1 (Fitch); P-1 (Moody’s); A-1 (S&P)*

The Council will also take into account information on corporate developments of and market sentiment towards investment counterparties.

**New specified investments will be made within the following limits:**

Instrument	Country/ Domicile	Counterparty	Maximum Counterparty Limit £m	Maximum Group Limit (if applicable) £m
Term Deposits	UK	DMADF, DMO	No limit	
Term Deposits/Call Accounts	UK	Other UK Local Authorities *	No limit	
Term Deposits/Call Accounts	UK	Counterparties rated at least A Long Term and F1 Short Term (or equivalent)	See Individual C/Party Limits	
Gilts	UK	DMO	No limit	
T-Bills	UK	DMO	No limit	
LA Bills	UK	Other UK Local Authorities *	No Limit	
Bonds issued by multilateral development banks	EU	European Investment Bank/Council of Europe	£10M/Institut ion	
AAA-rated Money Market Funds	UK/Ireland/ Luxembourg domiciled	CNAV MMFs	£10M	
Term Deposits/Call Accounts	UK	Counterparties with a credit rating of A or equivalent	£10M	£20M
Term Deposits/Call Accounts	UK	Counterparties with a credit rating of A+ or equivalent	£15M	£30M
Term Deposits/Call Accounts	UK	Counterparties with a credit rating in excess of A+ or equivalent	£20M	£40M
Term Deposits/Call Accounts	Australia	Counterparties with a credit rating of A or equivalent	£5M	£10M
Term Deposits/Call Accounts	Australia	Counterparties with a credit rating in excess of A+ or equivalent	£10M	£20M
Term Deposits/Call Accounts	Canada	Counterparties with a credit rating of A or equivalent	£5M	£10M
Term Deposits/Call Accounts	Canada	Counterparties with a credit rating in excess of A+ or equivalent	£10M	£20M
Term Deposits/Call Accounts	US	Counterparties with a credit rating of A or equivalent	£5M	£10M
Term Deposits/Call Accounts	US	Counterparties with a credit rating in excess of A+ or equivalent	£10M	£20M

## NOTE:

- a) Any existing deposits outside of the current criteria will be reinvested with the above criteria on maturity.
- b) Non-UK Banks - These will be restricted to a maximum exposure of 25% per country.
- \*c) Local Authorities - as defined by Section 23 of the Local Government Act 2003

### Non-Specified Investments determined for use by the Council

Having considered the rationale and risk associated with Non-Specified Investments, the following have been determined for the Council's use:

	In-house use	Maximum maturity	Max % of portfolio	Capital expenditure?
<ul style="list-style-type: none"> <li>▪ Co-operative Bank Plc (for cash flow purposes only) *</li> </ul>	✓	N/a	£15M	No
<ul style="list-style-type: none"> <li>▪ Deposits with banks and building societies</li> <li>▪ CDs with banks and building societies</li> </ul>	<ul style="list-style-type: none"> <li>✓</li> <li>✓</li> </ul>	2 years	25% in aggregate	No
<ul style="list-style-type: none"> <li>▪ Gilts</li> <li>▪ Bonds issued by multilateral development banks</li> <li>▪ Bonds issued by financial institutions guaranteed by the UK government</li> <li>▪ Sterling denominated bonds by non-UK sovereign governments</li> </ul>	✓ (on advice from treasury advisor)		£10M	No
Money Market Funds and Collective Investment Schemes, which are not credit rated	✓ (on advice from treasury advisor)			No

Note: In determining the period to maturity of an investment, the investment should be regarded as commencing on the date of the commitment of the investment rather than the date on which funds are paid over to the counterparty.

\* Arlingclose recognises that many Local Authorities bank with the Co-op and are happy for the bank to be used for overnight/weekend deposits.

## Savings mitigating cuts to public sector funding

Area of Activity	Notes	Progress	Savings Banked						
			for 2011/2012			for 2012/2013		for 2013/14	for 2014/15
			EOI's	Other	Total	Target	Value		
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
1. Reviewing the Council's approach to income generation, cash and debt management.	3 elements : Management of Old Debt, Processes to improve collection rate (both of these enable us to reduce bad debt provision). 3rd element is an invest to save project (fixed investment costs of £40k) seeking to improve our revenue generating opportunities.	<b>Management of old debt:</b> debt policy change to apply from 10/11 end of year accounts. Sale of old debt clarity needed. Change to processes update needed		(1,081)	(1,081)	0	467		
2. Maximising Revenue		<b>RIO : As detailed on separate summary sheet</b>	0	0	0	(795)	(395)	(435)	
3. Service & organisational Transformation, models (operational services work from last year to secure up to 30% overall cost reduction.)	Provision made to fund repeated EOI exercise with similar assumptions as to costs, alongside phase 2 of org changes	TBC				(3,602)	(2,350)	(1,650)	
4. FYE's previous years changes	areas of recurring under-spending					(600)	(600)		
5. Final stage of senior management/support services reshaping						(500)	(200)	(300)	

Area of Activity	Notes	Progress	Savings Banked						
			for 2011/2012			for 2012/2013		for 2013/14	for 2014/15
			EOI's	Other	Total	Target	Value		
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
6. Reviewing our assets. Reducing the cost of office accommodation requirements, ensuring value for money in running costs of all Council buildings.	original target not yet met, OTH site further savings and NNDR savings old children's centre					(342)	(425)		
7. Reviewing all major contracts and all commissioned services seeking a minimum 4% saving and securing a change to the basis of inflationary increases.	Includes all cross cutting corporate contracts negotiations and supplier e.g energy/utilities, telephony, catering.	Current year concluded, open book negotiation process for 11/12 savings involving changes to significant contracts underway.				(745)	(150)	(595)	
8. Reducing, reshaping and changing, where possible, the way we finance our capital programme to reduce borrowing costs.	Linked to reduction in capital programme, and repackaging of existing debt.	Awaiting the outcome of the asset review/cap programme review.				(500)	(250)	(250)	
9. Increase in commissioned services from the voluntary sector						(253)	(253)		
10. Anticipated savings form the set up of the transactional services centre						(1,700)	(1,250)	(450)	

Area of Activity	Notes	Progress	Savings Banked						
			for 2011/2012			for 2012/2013		for 2013/14	for 2014/15
			EOI's	Other	Total	Target	Value		
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
11. Closure of Wexham Nursery						(56)	(56)	0	
12. Reduce Agency Spend						(570)	(570)		
13. Increase part-time opportunities						(337)	(337)		
14. Investing in a healthy workforce						(125)	(125)		
15. Phase 2 transactional services						(1,000)			(1,000)
16. Review Education, skills & Schools services						(1,000)			(500)
17. Phase 2 Accommodation						(1,000)			(1,000)
			0	(1,081)	(1,081)	(13,125)	(6,494)	(3,680)	(2,500)

## Draft Five Year Revenue Budget (Requirements &amp; Resources)

## Slough BC Medium Term Financial Model – 2011/12 to 2015/16

Details	Provisional Settlement		CSR 2010		
	11/12 £'000	12/13 £'000	13/14 £'000	14/15 £'000	15/16 £'000
Opening Budget	103,979	<b>105,107</b>	100,460	102,105	100,857
Inflation: Pay	(150)	<b>0</b>	1,000	1,200	
Inflation: Prices	1,300	<b>2,949</b>	1,400	1,000	2,000
<u>Growth:</u>					
Previously agreed growth	2,538	<b>332</b>	689	22	0
New Growth (TBA)	50	<b>770</b>	115	0	0
Total Grant Impact	10,674	<b>133</b>	56	0	0
Specific Grant & Transfer Adjustments	0	<b>90</b>	206	0	0
Impact of Localisation of Council Tax Benefit		<b>0</b>	1,000	0	0
Contingency – Economic Risk	500	<b>(305)</b>	34	0	0
Total Pensions Adjustments	475	<b>0</b>	0	0	0
Capital Programme Adjustments	(508)	<b>0</b>	0	0	0
LAC Permanent Allocation of Reserve Provision		<b>645</b>			
Carbon Emissions Levy		<b>380</b>			
Community Investment	0	<b>800</b>	727	(49)	605
Total Growth	13,729	<b>2,845</b>	2,827	(27)	605
<u>Savings:</u>					
Total Previously Agreed Savings	(4,423)	<b>(1,835)</b>	(200)	0	0
Total New Savings Mitigating Cuts to Public Sector Spending	(8,011)	<b>(6,494)</b>	(3,680)	(2,500)	0
Savings to be found					
Total savings	(12,434)	<b>(8,329)</b>	(3,880)	(2,500)	0
<u>Income:</u>					
Council Tax Freeze Grant	(1,187)	<b>(1,209)</b>	1,209	0	0
New Homes Bonus (estimate)	(130)	<b>(903)</b>	(912)	(921)	(930)
Taxbase					
BUDGET REQUIREMENT	105,107	<b>100,460</b>	102,105	100,857	102,531
SPECIFIC GRANTS ROLLING INTO FORMULA GRANT	5,524	<b>5,476</b>		0	0
FORMULA GRANT	51,723	<b>46,647</b>	51,563	48,280	48,375
COUNCIL TAX REQUIREMENT	47,860	<b>48,337</b>	50,542	52,577	54,156
TOTAL ESTIMATED FUNDING AVAILABLE	105,107	<b>100,460</b>	102,105	100,857	102,531
SURPLUS / (DEFICIT)	BALANCED	<b>BALANCED</b>	BALANCED	BALANCED	BALANCED
Cumulative impact of cuts to public spending secured	(8,011)	<b>(14,505)</b>	(18,185)	(20,685)	(20,685)



**Statutory Determination of Council Tax**

**Council Tax Resolution**

In relation to the Council Tax for 2012/13 Cabinet is requested to resolve:

(a) That in pursuance of the powers conferred on the Council as the billing authority for its area by the Local Government Finance Act 1992 (the Act), the Council Tax for the Slough area for the year ending 31 March 2013 be as specified below and that the Council Tax be levied accordingly.

(b) That it be noted that at its meeting on 21 November 2011 Cabinet calculated the following Tax Base amounts for the financial year 2012/13 in accordance with Regulations made under sections 31B(3) and 34(4) of the Act:

- (i) 41,981.5 being the amount calculated by the Council, in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992 (the Regulations) as the Council Tax Base for the whole of the Slough area for the year 2012/13, and
- (ii) The sums below being the amounts of Council Tax Base for the Parishes within Slough for 2012/13:

a)	Parish of Britwell	1,809.5
b)	Parish of Colnbrook with Poyle	1,959.1
c)	Parish of Wexham	1,497.6

(c) That the following amounts be now calculated for the year 2012/13 in accordance with sections 31A to 36 of the Act:-

- (i) £388,287,820 being the aggregate of the amounts which the Council estimates for the items set out in section 31A(2)(a) to (f) of the Act. (Gross Expenditure)
- (ii) £339,802,291 being the aggregate of the amounts which the Council estimates for the items set out in section 31A(3) (a) to (d) of the Act. (Gross Income)
- (iii) £48,217,479 being the amount by which the aggregate at paragraph c (i) above exceeds the aggregate at paragraph c (ii) above calculated by the Council as its council tax requirement for the year as set out in section 31A(4) of the Act. (Council Tax Requirement).
- (iv) £1,157.77 being the amount at paragraph c(iii) above divided by the amount at paragraph b(i) above, calculated by the Council, in accordance

with section 31B(1) of the Act, as the basic amount of its Council Tax for the year, including the requirements for Parish precepts.

(v) That for the year 2012/2013 the Council determines in accordance with section 34 (1) of the Act, Total Special Items of £268,050 representing the total of Parish Precepts for that year.

(vi) £1,151.39 being the amount at paragraph c (iv) above less the result given by dividing the amount at paragraph c (v) above by the relevant amounts at paragraph b (i) above, calculated by the Council, in accordance with section 34 (2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special item relates.

(vii) Valuation Bands

Band	Slough Area	Parish of Britwell	Parish of Colnbrook With Poyle	Parish of Wexham Court
	£	£	£	£
A	767.59	44.06	31.80	24.48
B	895.53	51.41	37.10	28.56
C	1,023.46	58.75	42.40	32.64
D	1,151.39	66.10	47.70	36.72
E	1,407.25	80.79	58.30	44.89
F	1,663.12	95.47	68.90	53.05
G	1,918.98	110.16	79.50	61.21
H	2,302.78	132.19	95.40	73.45

Being the amounts given by multiplying the amounts at paragraph c (iv) and c (vi) above by the number which, in the proportion set out in section 5 (1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with section 36 (1) of the Act, as the amount to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

(viii) That it be noted that for the year 2012/13 the Thames Valley Police Authority have provisionally stated the following amount in precept issued to the Council, in accordance with section 40 of the Act, for each of the categories of dwellings shown below:

**ESTIMATE- Update provided when confirmed.**

<b>BAND</b>	<b>Thames Valley Police Authority £</b>
<b>A</b>	102.87
<b>B</b>	120.01
<b>C</b>	137.16
<b>D</b>	154.30
<b>E</b>	188.59
<b>F</b>	222.88
<b>G</b>	257.17
<b>H</b>	308.60

- (ix) That it be noted that for the year 2012/13 the Royal Berkshire Fire Authority has provisionally stated the following amount in precept issued to the Council, in accordance with section 40 of the Act, for each of the categories of dwellings shown below:

**ESTIMATE – Update provided when confirmed**

- (x) Note that arising from these recommendations, and assuming the major precepts are agreed, the overall Council Tax for Slough Borough Council including the precepting authorities will be as follows:

<b>BAND</b>	<b>Royal Berkshire Fire Authority</b>
A	38.21
B	44.58
C	50.94
D	57.32
E	70.05
F	82.79
G	95.52
H	114.63

<b>Band</b>	<b>Slough</b>	<b>Thames Valley Police Authority</b>	<b>Royal Berkshire Fire Authority</b>	<b>TOTAL</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>A</b>	767.59	102.87	38.21	908.67
<b>B</b>	895.53	120.01	44.58	1060.12
<b>C</b>	1,023.46	137.16	50.94	1211.56
<b>D</b>	1,151.39	154.30	57.32	1363.01
<b>E</b>	1,407.25	188.59	70.05	1665.89
<b>F</b>	1,663.12	222.88	82.79	1968.79
<b>G</b>	1,918.98	257.17	95.52	2271.67
<b>H</b>	2,302.78	308.60	114.63	2726.01

- (xi) That the Section 151 Officer be and is hereby authorised to give due notice of the said Council Tax in the manner provided by Section 38(2) of the 1992 Act.
- (xii) That the Section 151 Officer be and is hereby authorised when necessary to apply for a summons against any Council Tax payer or non-domestic ratepayer on whom an account for the said tax or rate and arrears has been duly served and who has failed to pay the amounts due to take all subsequent necessary action to recover them promptly.
- (xiii) That the Section 151 Officer be authorised to collect (and disperse from the relevant accounts) the Council Tax and National Non-Domestic Rate and that whenever the office of the Section 151 Officer is vacant or the holder thereof is for any reason unable to act, the Chief Executive or such other authorised post-holder be authorised to act as before said in his or her stead.

# Schedule of Basic Amount of Council Tax for All Areas (Including Police & Fire)2012/13

Tax Bands	Fractions	SLOUGH	THAMES VALLEY POLICE	THE ROYAL BERKSHIRE FIRE	SLOUGH PLUS POLICE & FIRE	LOCAL PARISHES + SLOUGH + POLICE + FIRE					
						BRITWELL		COLNBOOK WITH POYLE		WEXHAM COURT	
		Council Tax	Council Tax	Council Tax	Council Tax	Parish Element	Total Council Tax	Parish Element	Total Council Tax	Parish Element	Total Council Tax
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
					a+b+c		d+e		d+g		d+i
		£	£	£	£	£	£	£	£	£	£
A	6/9	767.59	102.87	38.21	908.67	44.06	952.73	31.80	940.47	24.48	933.15
B	7/9	895.53	120.01	44.58	1,060.12	51.41	1,111.53	37.10	1,097.22	28.56	1,088.68
C	8/9	1,023.46	137.16	50.94	1,211.56	58.75	1,270.31	42.40	1,253.96	32.64	1,244.20
D	9/9	1,151.39	154.30	57.32	1,363.01	66.10	1,429.11	47.70	1,410.71	36.72	1,399.73
E	11/9	1,407.25	188.59	70.05	1,665.89	80.79	1,746.68	58.30	1,724.19	44.89	1,710.78
F	13/9	1,663.12	222.88	82.79	1,968.79	95.47	2,064.26	68.90	2,037.69	53.05	2,021.84
G	15/9	1,918.98	257.17	95.52	2,271.67	110.16	2,381.83	79.50	2,351.17	61.21	2,332.88
H	18/9	2,302.78	308.60	114.63	2,726.01	132.19	2,858.20	95.40	2,821.41	73.45	2,799.46

## Schedule of Basic Amount of Council Tax for All Areas (Excluding Police & Fire)

### 2012/13

Tax Bands	Fractions	LOCAL PARISHES						
		SLOUGH	BRITWELL		COLNBOOK WITH POYLE		WEXHAM COURT	
		Council Tax (a)	Precepts (b)	Council Tax (c) a+b	Precepts (d)	Council Tax (e) a+d	Precepts (f)	Council Tax (g) a+f
		£	£	£	£	£	£	£
A	6/9	767.59	44.06	811.65	31.80	799.39	24.48	792.07
B	7/9	895.53	51.41	946.94	37.10	932.63	28.56	924.09
C	8/9	1,023.46	58.75	1,082.21	42.40	1,065.86	32.64	1,056.10
D	9/9	1,151.39	66.10	1,217.49	47.70	1,199.09	36.72	1,188.11
E	11/9	1,407.25	80.79	1,488.04	58.30	1,465.55	44.89	1,452.14
F	13/9	1,663.12	95.47	1,758.59	68.90	1,732.02	53.05	1,716.17
G	15/9	1,918.98	110.16	2,029.14	79.50	1,998.48	61.21	1,980.19
H	18/9	2,302.78	132.19	2,434.97	95.40	2,398.18	73.45	2,376.23

- Based on Total Council Tax Requirement including parishes of £48,605,129

- Council Tax Requirement excluding parishes of £48,337,079

## Appendix E(i) – Investment Items

		2012/13	2013/14	2014/15	2015/16
		£'000	£'000	£'000	£'000
		<b><u>Community and Wellbeing</u></b>			
G7 CWB	2 Reviewing officers to reduce care packages	0	(120)	0	
G8 CWB	Project Manager to achieve service redesign	0	(113)	0	
	Alley Gating	30	30	30	
	Organic Income Shortfall	35			
	Improving Play Provision	85			
	Replacement Refrigeration Unit at the Ice Arena	32			
	LD Growth (Transition Clients)	80	78	0	
		262	(125)	30	0
		<b><u>Education and Childrens Services</u></b>			
	ECS Independent Reviewing Officers	77			
	LAC Permenant Allocation of Reserve Provsion	645			
		722	0	0	0
		<b><u>Resources and Regeneration</u></b>			
G1 GBE	Civil Parking Enforcement	10			
G2 GBE	Joint Arrangements - Coroners Service	22	22	22	
	Client transactional services mgmt	133			
	Inhouse bailiff (to be reduced)	120			
	Waste disposal	150	150		
	Building control surveys	150	50		
	Town Centre Management	60			
	Traffic Signal (Electricity)	65			
	Concessionary Fares	100			
		810	222	22	0
		<b><u>Customer and Transactional Services</u></b>			
	Information Governance Officer	50			
	GIS Mapping System	75			
	GIS Mapping System	75	(35)		
	IT maintenance of contracts	43			
		243	(35)	0	0
		<b><u>Corporate</u></b>			
G01 COR / EG01 COR	Capital Financing / MRP	300	900	0	
	Contingency - Economic Risk	(305)	34		
	Carbon Emissions Levy	380			
	Impact of Localisation of Council Tax Benefit	0	1,000	0	0
	Community Investment	800	727	(49)	604
		1,175	2,661	(49)	604
<b>Total</b>		<b>3,212</b>	<b>2,723</b>	<b>3</b>	<b>604</b>
<b>Revenue Budget Impact</b>		<b>2,622</b>	<b>2,565</b>	<b>(27)</b>	<b>604</b>

## Appendix E(ii) – Committed and Approved Savings

Ref	Details	2012/13 £'000	2013/14 £'000	2014/15 £'000
<b><u>Community and Wellbeing</u></b>				
S1 CWB	Develop re-enablement of in house services	(200)	0	0
S4 CWB	Continue to provide alternative care to further enhance independence	(100)	0	0
S15 S25 CWB	Commissioning TBC by Strat. Director CWB	(100)	(100)	0
S18/S26 CWB	Additional Savings to be Found	(375)	0	0
S22 CWB	Make Community Centres Self funding	(100)	(100)	0
ES3b CWB	Reprovision of Central Library	(80)	0	0
App A (3)	Service & organisational transformation	(529)	(784)	0
App A (9)	Increase in commissioned services from the voluntary sector	(253)	0	0
		(1,737)	(984)	0
<b><u>Education and Childrens Services</u></b>				
S07 ECS	Strategic review of youth Service	(140)	0	0
	DECS - Savings now determined	(910)	0	0
App A (3)	Service & organisational transformation	(822)	0	0
App A (16)	Review Education, skills & Schools services	0	0	(500)
		(1,872)	0	(500)
<b><u>Resources and Regeneration</u></b>				
S03 GBE	Recharges to HRA/Capital	20	0	0
S39 GBE	Sale of Trade Waste Collection service	200	0	0
ES2 GBE	Highways Maintenance	250	0	0
S03 RES	VFM review of legal services	(100)	0	0
999 RES	Review of Property Services (should be a B saving)	(50)	0	0
App A (3)	Service & organisational transformation	(999)	0	0
App A (4)	FYE's previous years changes	(395)	0	0
App A (6)	Reviewing our assets. Reducing the cost of office accommodation requirements, ensuring value for money in running costs of all Council buildings.	(425)	0	0
App A (11)	Closure of Wexham Nursery	(56)	0	0
App A (13)	Increase part-time opportunities	(112)	0	0
		(1,667)	0	0
<b><u>Customer and Transactional Services</u></b>				
S09 I&D	CSC - reduced costs in line with grant	(150)	0	0
App A (10)	Anticipated savings from the set up of the transactional services centre	(1,250)	(450)	0
App A (15)	Phase 2 transactional services	0	0	(1,000)
		(1,400)	(450)	(1,000)
<b><u>Corporate</u></b>				
App A (1)	Reviewing the Council's approach to income generation, cash and debt management.	467	0	0
App A (2)	Maximising Revenue	(395)	(435)	0
App A (3)	Service & organisational transformation	0	(866)	0
App A (4)	FYE's previous years changes	(205)	0	0
App A (5)	Final stage of senior management/support services reshaping	(200)	(300)	0
App A (7)	Reviewing all major contracts and all commissioned services seeking a minimum 4% saving and securing a change to the basis of inflationary increases.	(150)	(595)	0
App A (8)	Reducing, reshaping and changing, where possible, the way we finance our capital programme to reduce borrowing costs.	(250)	(250)	0
App A (12)	Reduce Agency Spend	(570)	0	0
App A (13)	Increase part-time opportunities	(225)	0	0
App A (14)	Investing in a healthy workforce	(125)	0	0
App A (17)	Phase 2 Accommodation	0	0	(1,000)
		(1,653)	(2,446)	(1,000)
		(8,329)	(3,880)	(2,500)



Appendix F – Directorate Cash Limits

**SLOUGH BOROUGH COUNCIL**  
**Cash Limits**  
**2011/12 to 2013/14**

	2010/11 Revised Budget £'000	2011/12 Base Budget £'000	2012/13 Budget £'000	2013/14 Budget £'000
Education & Childrens Services *	24,534	27,789	26,719	26,719
Community & Wellbeing	36,990	35,983	34,965	34,532
Green & Built Environment	26,243	25,473	25,859	25,881
Central Directorates	22,679	17,662	16,956	16,956
Corporate	(83)	(201)	(203)	(203)
Inflation to be allocated		1,300	1,050	1,100
<b>Total Service Directorates</b>	<b>110,363</b>	<b>108,007</b>	<b>105,347</b>	<b>104,986</b>
Treasury Management	3,334	2,179	4,082	4,099
Earmarked Contingencies & Other	1,382	(5,079)	(4,582)	(6,927)
Area Based Grant	(11,100)	0	0	0
Transfer to/(from) Balances	0	0	0	0
<b>Budget Requirement excluding Parishes</b>	<b>103,979</b>	<b>105,107</b>	<b>104,847</b>	<b>102,158</b>
<b>Funding Available</b>	<b>103,979</b>	<b>105,107</b>	<b>100,940</b>	<b>98,789</b>
<b>Budget Gap</b>	<b>0</b>	<b>(0)</b>	<b>(3,907)</b>	<b>(3,369)</b>

\* The apparent increase in ECS cash limit is due to a prescribed change in the accounting treatment relating to the new Early Intervention Grant. For comparison purposes the true position for ECS is:

Education & Childrens Services *	24,534	22,918	21,848	21,848
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**Statement on the Robustness of Budget Estimates, and the Adequacy of Reserves and the Key Budget Risks**

**SECTION 25 REPORT  
2011/12 ROBUSTNESS OF BUDGET AND LEVEL OF RESERVES AND  
BALANCES**

**1. Introduction and Purpose of Report**

- 1.1 To review the Council's General Fund Budget, Capital Programme, Earmarked Reserves and General Fund Balances to ensure the robustness of the estimates included.

**2. Executive Summary**

- 2.1 Under Section 25 of the Local Government Act 2003, the Strategic Director of Resources as the Council's Chief Financial Officer ( the Council's 151 Officer) is required to report to the Council on:

- 1) The robustness of the estimates included within the budget
- 2) The adequacy of the reserves and balances

- 2.2 Under the Act, Members must have regard to the contents of this report when making their decisions on the budget.

**3. Proposals**

- 3.1 It is proposed that Members consider the contents of this report when making their decisions on the Council's budgets at this meeting.

**4. Recommendation**

- 4.1 The Council is recommended: to consider the contents of this report in approving the General Fund and Capital Programme 2011/12 budgets and that the Section 25 report on the robustness of the budget be noted.

*"The Strategic Director of Resources & Regeneration reports that the estimates of income and expenditure forming the Council's General Fund Revenue Budget for 2011/12 have been prepared on the basis of existing plans, known current and future commitments and the financial implications of the proposals for service development, improvement and efficiencies.*

*Where it has been necessary to do so, in the case of certain budgets (e.g. pay, investment income and income from fees and charges), robust and prudent assumptions have been used for inflation, interest rates and service take-up that, on the basis of current and predicted levels of activity, are considered to be reasonable and prudent.*

*However, Members will appreciate that some budgets are more sensitive and responsive to changes in demand, often caused by factors outside of the Council's control. In the event of any unanticipated changes it may be necessary to take corrective action and the effectiveness of this relies on good systems of budgetary control, monitoring and risk management.*

*It is important, therefore, to review actual performance against budget on a regular basis in order to ensure budgets remain on track, particularly the realisation of savings/efficiency proposals as well as being proactive in identifying emerging risks and responding accordingly, taking remedial action where this is appropriate.*

*Set within this wider control framework and the adequacy of the Authority's financial arrangements generally, the Chief Financial Officer considers the Council's budget estimates for 2012/2013 to be robust although challenging in the medium term.*

*With regard to the medium term, Members will be aware of a number of pressures facing the Council. These need to be considered in the context of the national framework being applied to local government, which, amongst other things, requires increasing efficiencies and restrictions on council tax increases. Against this backdrop the expectation is that, future years' budgets will come under increasing pressure with a growing emphasis on prioritisation, efficiency, innovation and collaboration in service delivery. Members may therefore face difficult decisions in later years in order to sustain a balanced budget over the medium term*

### **Statement on the Adequacy of Financial Reserves**

- 4.2 The Council is asked to consider the following statement in respect of the adequacy of the Council's proposed financial reserves:-

*"The Strategic Director of Resources reports that, having conducted a review of the Council's requirement for the minimum working balance, taking into consideration various matters including:-*

- the Council's spending plans for 2012/13 and the medium term financial position;*
- adequacy of estimates of inflation, interest rates;*
- treatment of demand led and demographic pressures;*
- impact of external partnerships;*
- the need to respond to emergencies.*
- Capital programme variations.*

*an amount of £7.5m is considered adequate for this purpose.*

*The level of general fund balances has steadily increased over the past year in line with expectations and is planned to continue to do so.*

*This statement is made on the understanding that any use of reserves and balances is undertaken in accordance with the Council's existing Financial Procedure Rules”*

## **5. Supporting Information**

- 5.1 The conclusion is that the processes followed have been generally sound and similar to those that have produced robust estimates in the past. In the light of information made available during the budget process, there is sufficient capacity in the proposed budget and available reserves and balances to cope with the financial risks the Authority faces in 2012/13.
- 5.2 The strength of the service and financial planning processes supported by a professional finance team, with the involvement of Service Management Teams, Directorate Management Teams, Strategic Directors and Corporate Management Team, and elected Members; the extensive consultation; the assessment of risk; the rigorous challenge; the inclusion of a central contingency; and the way in which it is underpinned by adequate balances; means that the draft budget is robust, comprehensive and geared to the delivery of the Council's key objectives and service priorities.
- 5.3 Section 25 of The Local Government Act 2003 includes a specific personal duty on the Chief Financial Officer (“CFO”) to make a report to the authority when it is considering its budget and Council Tax. Also, Section 26 of the Act gives the Secretary of State power to set minimum level of reserves for which an authority must provide in setting its budget. The Secretary of State stated that “the provisions are a fallback against the circumstances in which an authority does not act prudently, disregards the advice of its CFO and is heading for serious financial difficulty”.
- 5.4 The Local Government Finance Act 1992 also requires that authorities have regard to the level of reserves needed for meeting estimated future expenditure when calculating the next budget requirement.
- 5.5 There are also a range of safeguards to ensure authorities do not over-commit themselves financially. These include:
- The CFO ‘S114’ powers, which require a report to all members of the authority if there is or is likely to be unlawful expenditure or an unbalanced budget
  - The Prudential Code which applied to capital financing from 2004/05.
- 5.6 These safeguards are reinforced by the Use of Resources Assessment by the Audit Commission which includes a methodology to assess the financial performance and standing of the authority.

## **6. Guidance on Evaluation of the Estimates**

- 6.1 The Local Government Act 2003 does not provide any specific guidance on how to evaluate the robustness of the estimates. The explanatory notes to the

Act do, however, stress that decisions on the appropriate level of reserves should not be based on a rule of thumb, but on an assessment of all the circumstances considered likely to affect the authority. In addition reference is also made to the CIPFA guidance on reserves and balances.

6.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) states that the following factors should be taken into account when the CFO considers the overall level of reserves and balances:

- Assumptions regarding inflation
- Estimates of the level and timing of capital receipts
- Treatment of demand led budgets (i.e. budgets where expenditure or income are to some extent beyond the Council's control)
- Treatment of efficiencies
- Risks inherent in any new partnerships etc
- Financial standing of the authority (level of borrowing, debt outstanding etc)
- The authority's track record in budget management (including the robustness of the Medium Term Financial Strategy)
- The authority's capacity to manage in-year budget pressures
- The authority's virement and year-end procedures in relation to under- and over- spends
- The adequacy of insurance arrangements.

The above issues are also of relevance when evaluating the robustness of the budget.

## **7. Reserves**

7.1 The estimated level of reserves as at 31 March 2012 are shown in Appendix F(i). The rationale for each of these reserves and the level required in each has been reviewed. The remaining reserves are considered to be both necessary and at adequate levels. In addition to the various earmarked reserves, the Council will have an estimated General Fund Balance of approximately £7m at 31st March 2013. The General Fund balance materially meets the recommended 'good practice' minimum of 5% of the budgeted net operating expenditure for the financial year 2012/13.

7.2. Reserves can be held for three main purposes:

- general reserves to meet the potential costs of emergencies or unexpected events, including a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing
- a contingency to meet the costs of events that are possible but whose occurrence is not certain – this also forms part of general reserves.
- earmarked reserves to meet known or predicted liabilities over a period of time usually of more than one year. These earmarked reserves

protect the Council against specific financial risks and this is a factor to be taken into account when assessing the adequacy of the totality of balances and reserves and the level of the General Fund Balance.

## **8. Strategic Budget Issues to Evaluate for Robustness**

### **8.1 Inflationary pressures**

An assumption on staff turnover savings recruitment costs etc is made on a zero based basis departmentally. Budgets have been prepared at out-turn prices (i.e. again on an individual zero based basis to take account of known or expected increases in the prices of goods and services). This is a tried and tested approach, although in the unusual economic situation currently being experienced, an Economic Factors Reserve has also been set up as outlined above.

### **8.2 Capital Programme Revenue Effects and Financing**

The revenue budget includes all revenue effects of capital schemes. Particular emphasis has been placed on the major schemes such as the Council's Heart of Slough project. Assumptions of new capital receipts in 2011/12 are based on realistic estimates received from the relevant officers in the Council.

### **8.3 Treatment of demand led pressures and efficiencies**

Particular care has been taken in compiling the key Council budgets which are often described as 'demand led' because their achievement is to some degree outside the Council's control. These types of budgets, are likely to contribute significantly to any overall variation of actual achievement against budgets particularly so given the sensitivity of some services to demographic pressures – an issue resultant in considerable under funding for the Borough. Some of these budgets could be further affected by the prevailing economic recession and in all cases a prudent approach has been adopted in the estimates prepared.

### **8.4 Savings Identified**

Savings proposals for 2012/13 total approximately £8.3m. The main priority in achieving these savings was to protect front line priority services. Each of these efficiency proposals was evaluated for feasibility of achievement and found to be realistic. Each expenditure efficiency has been removed from the relevant budget and each agreed increase in income added to the relevant budget. Both expenditure and income efficiencies will be profiled on the Council's Financial Management System to make it clear that efficiencies are expected to be realised from the agreed date. Prior to the commencement of the financial year 2012/13 the identified savings areas will be removed from the budget and cash limits will only be allocated on the basis of available resources. Monthly financial information will then be provided to help monitor progress, and any significant variations will be reported to both the Corporate Management Team and the Cabinet. These reports will contain proposals for corrective action where necessary.

8.5 Any one-off costs of achieving ongoing efficiencies have been built into rationale and projections of use of provisions.

## **9. Investment Income**

9.1 The 2012/13 revenue budget for investment income is based on ensuring security of investment, liquidity and income yield.

9.2 The Council's investment income budget for 2012/13 has been compiled on the basis of close tracking of actual and likely interest rates and with the help of external information sources and the treasury advisors. The emphasis will be on the least risky places to invest the Council's money and this, along with the trend in interest rate reductions and the agreed use of existing cash deposits to fund the capital borrowing requirement has led to a significant reduction in both the investment income and borrowing costs which have been built into the budget. In budgetary terms this is prudent and places the Council at less risk of exposure in-year.

## **10 Capacity to Manage in-year Budget Pressures**

10.1 The Authority has a record of maintaining good financial and budgetary discipline in the face of mid-year pressures, including virement procedures that allow funds to be moved to areas of pressure. Although underspends and overspends are not automatically carried forward, the Authority does have an approved carry forward scheme.

10.2 For a number of years, year-end out-turn has been within approved budget levels, although the trend to early overspends remains visible, this trend is reducing considerably and the discipline to remain within overall budgeted levels is well established. This is a welcome change, although it does mean, quite rightly, that further development on accurate budgeting, profiling and forecasting is required and this is a major area of agreed focus for the Council's corporate management team.

10.3 Managers with budgetary responsibility receive ongoing financial training and support.

10.4 Budget holders receive regular information from their relevant finance lead and regular Financial Management System (FMS) reports. Both budget profiling and commitment accounting are used to assist the budgetary control process.

10.5 The Cabinet receives monthly budgetary performance reports, including proposed actions to deal with any variances from budget and early consideration of the of potential pressures.

## **11. Risk Management and Insurance Arrangements**

11.1 The Council has continued to improve its risk management approach which regularly updates the key risks and identifies actions which can reduce the

likelihood and impact of those risks. The risks identified are fed into the budgetary process as appropriate.

- 11.2 In recent months the economic recession has featured as a key risk for several of the Council's income budgets and appropriate budgetary provision has been made in respect of these.
- 11.4 Specific service based and demand led budget risk considerations are identified and considered within the main budget report.
- 11.5 The Authority has a very low record of claims against its insurance policies. A comprehensive range of insurance policies are held, although these are subject to regular review to ensure that this is the most appropriate response to the risks faced.

## **12. Longer Term Considerations**

- 12.1 Although this report has the 2012/13 budget as its focus it is worthwhile considering briefly some of the key longer term financial issues facing the Council so that it can be established that no hidden issues could affect the forthcoming budget year.
- 12.2 The Council has a robust Medium Term Financial Strategy which is regularly updated and gives multi-year projections of the Council's revenue and capital position.
- 12.3 The Council makes contributions to the Berkshire Pension Fund on behalf of staff. The next actuarial review of the fund will be based on the position as at 31 March 2013.

## **13. Key Issues for Consideration and Options**

- 13.1 The key issues are whether:
  - the base budget is realistic
  - the expenditure efficiencies are achievable
  - the additional income will be received
  - the reserves are adequate to deal with any shortfall in the budget
- 13.2 It is considered that these requirements are in fact met.
- 13.3 The Full Council can of course make changes to the budget even at this late stage, although it is advised that any such changes, if significant, could adversely affect the robustness of the budget if a full appraisal of their likely consequences is not undertaken.



# SLOUGH BOROUGH COUNCIL

## General Fund Reserves

					*Subject to review in Nov 2012	
	2011/12			2012/13	2013/14	2014/15
	Committee Approved	Jan 12 Position	Projected Position	Projected Position	Projected Position	Projected Position
	£'000	£'000	£'000	£'000	£'000	£'000
<b><u>General Fund Balance</u></b>						
Balance as at 1st April	5,388	6,384	7,500	8,000	8,000	8,000
Planned Contribution to/(from) Revenue Account						
<b>Balance as at 31st March</b>	<b>5,388</b>	<b>6,384</b>	<b>7,500</b>	<b>8,000</b>	<b>8,000</b>	<b>8,000</b>
<b><u>Earmarked Reserves</u></b>						
<b><u>Miscellaneous Reserves:</u></b>						
LABGI	0	192	192	0	0	0
Contingencies	1,000	730	1,000	750	500	500
Berkshire Liabilities	400	440	400	200	100	0
Future Debt & Cap reqmnts	3,096	4,016	3,497	3,000	1,500	1,500
Stat Prop Funct & Landlord duties	300	605	300	300	300	300
Financial System Upgrade	200	300	400	0	0	0
PFI Unitary	1,407	1,498	1,498	1,498	1,498	1,498
Harmonisation	250	400	50	0	0	0
LSP Management	0	16	16	0	0	0
Economic Risk	500	2,699	4,000	3,000	2,000	1,000
Learning Disability Transfer	0	113	113	750	1,500	0
Organisational Change	0	750	1300	750	750	750
ECS Social Workers Laptop	0	30	30	0	0	0
Berkshire SRG	0	156	156	156	0	0
School Places	300	530	530	530	530	0
Looked After Children	0	646	0	0	0	0
Heathrow rail link reserve	0	30	105	105	105	105
Events	0	30	30	30	30	30
Community Cohesion	0	75	0	0	0	0
Safeguarding and Adoption	0	0	190	190	0	0
<b>Total Miscellaneous Reserves</b>	<b>7,453</b>	<b>13,257</b>	<b>13,257</b>	<b>11,259</b>	<b>8,813</b>	<b>5,683</b>
<b><u>Grants Reserves:</u></b>						
Community & Wellbeing	0	148	0	0	0	0
Ed & Ch Schools - Oracle	0	0	0	0	0	0
Education & Children	0	314	0	0	0	0
Green & Built	0	360	0	0	0	0
Resources & Regeneration	0	285	0	0	0	0
Improvement and Development	0	34	0	0	0	0
<b>Total Grants Reserves</b>	<b>0</b>	<b>1,141</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

	2011/12			2012/13	2013/14	2014/15
	Committee Approved	Jan 12 Position	Projected Position	Projected Position	Projected Position	Projected Position
	£'000	£'000	£'000	£'000	£'000	£'000
Housing Benefits	0	394	394	394	394	394
Department Services	0	0	0	0	0	0
Capital Reserves	0	1,287	1,053	1,053	1,053	1,053
Insurance Reserves	375	516	750	750	750	750
<b>Total Earmarked Reserves</b>	<b>7,828</b>	<b>16,595</b>	<b>15,454</b>	<b>13,456</b>	<b>11,010</b>	<b>7,880</b>
Trading Accounts	85	0				
<b>Total General Fund Reserves</b>	<b>13,301</b>	<b>22,978</b>	<b>22,954</b>	<b>21,456</b>	<b>19,010</b>	<b>15,880</b>

**SUMMARY OF CAPITAL PROGRAMME 2011/12 to 2017/2018**

<b>Summary</b>	<b>2011/2012 Budget</b>	<b>2012/2013 Budget Estimate</b>	<b>2013/2014 Budget Estimate</b>	<b>2014/2015 Budget Estimate</b>	<b>2015/2016 Budget Estimate</b>	<b>2016/2017 Budget Estimate</b>	<b>2017/2018 Budget Estimate</b>
<b>EXPENDITURE</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>GENERAL FUND PROGRAMME</b>							
Community and Wellbeing	1,086	938	0	0	0	0	0
Education and Children's Services	21,314	10,506	8,276	4,883	0	0	0
Customer & Transactional	500	0	0	0	0	0	0
Resources & Regeneration	9,607	11,035	1,450	2,150	3,835	797	0
Heart of Slough	16,122	9,155	8,000	0	0	0	0
	<b>48,629</b>	<b>31,634</b>	<b>17,726</b>	<b>7,033</b>	<b>3,835</b>	<b>797</b>	<b>0</b>
<b>HOUSING REVENUE ACCOUNT</b>							
Housing Revenue Account	9,699	13,052	7,273	7,323	8,793	9,240	7,014
	<b>9,699</b>	<b>13,052</b>	<b>7,273</b>	<b>7,323</b>	<b>8,793</b>	<b>9,240</b>	<b>7,014</b>
<b>TOTAL CAPITAL PROGRAMME</b>	<b>58,328</b>	<b>44,686</b>	<b>24,999</b>	<b>14,356</b>	<b>12,628</b>	<b>10,037</b>	<b>7,014</b>
<b>SOURCE OF FINANCING</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>GENERAL FUND PROGRAMME</b>							
Capital Grants	-31,116	-10,095	-8,032	-6,137	-2,484	-354	0
Revenue Contributions	-183	-9,100	0	0	0	0	0
S106	-3,254	-2,430	-1,250	0	0	0	0
Capital Receipts	-1,639	-7,440	0	0	0	0	0
Borrowing	-12,437	-2,569	-8,032	-896	-1,351	-443	0
	<b>-48,629</b>	<b>-31,634</b>	<b>-17,726</b>	<b>-7,033</b>	<b>-3,835</b>	<b>-797</b>	<b>0</b>
<b>HOUSING REVENUE ACCOUNT</b>							
Capital Grants	0	0	0	0	0	0	0
Revenue Contributions	0	-7,292	-7,023	-7,073	-8,543	-8,990	-6,764
Major Repairs Allowance	-5,020	-344	0	0	0	0	0
Borrowing	-2,000	-1,484	0	0	0	0	0
HRA Balances	-2,195	-2,932	0	0	0	0	0
Capital Receipts	-484	-1,000	-250	-250	-250	-250	-250
	<b>-9,699</b>	<b>-13,052</b>	<b>-7,273</b>	<b>-7,323</b>	<b>-8,793</b>	<b>-9,240</b>	<b>-7,014</b>
<b>TOTAL FINANCING</b>	<b>-58,328</b>	<b>-44,686</b>	<b>-24,999</b>	<b>-14,356</b>	<b>-12,628</b>	<b>-10,037</b>	<b>-7,014</b>

### Glossary

**Balances:** Unallocated reserves which are essentially retained to cover uncertainties and risks which may require funding in the future.

**Billing authority:** The council that bills and collects both Council Tax from local residents and Business Rates from local business premises. For Council Tax, the bill issued will include the precepts from other authorities operating in the area. Slough BC is a billing authority.

**Budget Requirement:** The amount the authority estimates as its planned spending for the forthcoming financial year, after deducting income it raises from fees and charges, specific grants and funding from reserves.

**Capital:** Income received and funding spent on the creation and enhancement of the council's assets (e.g. land, buildings, infrastructure, equipment). What counts as capital has to meet specific criteria set out in legislation and accounting practice. Councils cannot use capital income for revenue purposes.

**Cash Limits:** An amount of money agreed by the Administration within which a Directorate sets its budget, and subsequently within which it is expected to contain its net expenditure.

**Collection Fund:** The Collection Fund accounts for all monies relating to the receipt of Council Tax and the old Community Charge, and for payments made to the precepting authorities, the Thames Valley Police Authority and the Royal Berkshire Fire Authority, and to fund the Council's own demand to meet its budget requirement. Whatever balance remains on the fund in respect of the over/under recovery of Council Tax or Community Charge must be added to or subtracted from the following year's Council Tax bills.

**Comprehensive Spending Review:** The central government mechanism for establishing four-year expenditure plans for all public spending, resulting in multi-year funding settlements for local councils. The CSR 2010 covers the financial years 2011/12, 2012/13, 2013/14 and 2014/15.

**Council Tax Requirement:** The amount the authority estimates will be required to be raised through council tax based on its planned spending for the forthcoming financial year, after deducting formula grant, income it raises from fees and charges, specific grants and funding from reserves.

**Discretionary Services:** Services where the council has the power to provide a service, but has no specific legal obligation (e.g. leisure and cultural services). Under the Local Government Act 2003, enhancements to statutory service provision which are over and above what is required by law (e.g. pre-planning advice) is defined as a discretionary service, thus allowing the council to levy a charge.

**Formula Grant:** The funding provided to local authorities by central government as part of the Local Authority Financial Settlement. Formula Grant is made up of Revenue Support Grant plus an allocation from the National Non Domestic Rate (NNDR) pool.

**General Fund / General Fund Services:** All services provided by the local authority, with the exception of the provision of council housing are defined as General Fund services.

**Hereditament:** Essentially meaning property, but used in local government to mean houses and other living accommodation, such as flats.

**Housing Revenue Account (HRA):** All councils that own and manage council housing are required by law to budget and account for the resulting income and expenditure separately. The separate account is known as the Housing Revenue Account (HRA)

**Housing Revenue Account Subsidy:** The government grant for the provision of council housing. The grant is calculated via a formula which allocates grant to some local councils to support their HRA. It is a national redistribution formula and as such, individual authorities can receive funding via grant or be in “negative subsidy”, meaning funding has to be returned to central government from the local council.

**Local Government Financial Settlement:** The process, and announcement, of the amount of funding local councils will receive in Formula Grant. The Settlement is announced annually, but is now linked to the government’s Comprehensive Spending Review process, meaning that local councils receive notice of funding over a multi-year period.

**Local Strategic Partnership (LSP):** Non statutory bodies comprising of representatives all bodies delivering public services (including the health and voluntary sectors) in a local area.

**Mandatory Services:** Services which a local authority is required to provide specifically by law.

**Negative Subsidy:** The Housing Revenue Account Subsidy grant models income and expenditure in a council’s Housing Revenue Account. If the model calculates that income is greater than expenditure, the council is said to be in negative subsidy, and has to pay over this sum to central government.

**National Non-Domestic Rates (NNDR):** Also known as Business Rates, they are the means by which local businesses contribute towards the cost of local authority services. The rates are pooled by central government and redistributed to local councils according to the number of people living in the area. This money, together with revenue support grant forms each individual local authority’s Formula Grant allocation.

**Non domestic rating multiplier:** Business rates are calculated by multiplying the rateable value of the business premises by an amount set annually by central government, known as the Non domestic rating multiplier. For 2011/12 the multiplier is 43.3p in the £. For small business with rateable values below £6,000, this is reduced to 42.6p in the £.

**Precepting authority:** A local council that levies Council Tax but does not directly bill local residents. Precepting authorities include county councils, police authorities, fire and rescue authorities, parish and town councils and other local bodies such as the Norfolk Broads Authority. Precepts are added to the overall Council Tax bill produced by the Billing authority(ies) in the local area.

**Prudential Indicators:** The Prudential Framework introduced by the Local Government Act 2003 requires local authorities to prepare information on planned capital expenditure, borrowing and treasury management over a three year period, known as the prudential indicators. Detailed requirements are set out in the Prudential Code for Capital Finance prepared by CIPFA.

**Rateable value:** The rateable value is the annual rent a property would command if it was available on the open market at a set date. The business rate levied on a business property is calculated by multiplying the rateable value by the non domestic rate multiplier. Rateable values are determined by the Valuation Office Agency (VOA), an executive agency of HM Revenue & Customs. Revaluations are carried out every 5 years. The current rateable values are as at 1 April 2008.

**Revenue:** Income received and expenditure allocated to support the general running costs of the council.

**Rent Restructuring:** A long term Government initiative commenced in 2002/03 to require all social landlords to have a single approach to setting rent levels, based on a single formula. All local authorities are required to calculate housing rents for their HRA properties in accordance with the nationally determined Formula Rent system.

**Revenue Support Grant (RSG):** A government grant, forming part of the Formula Grant that is provided to local councils to support their general revenue expenditure.

**Section 151 Officer:** Section 151 of the Local Government Act 1972 requires that every local authority in England and Wales should "...make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs." In most authorities the Strategic Director of Resources & Regeneration (or equivalent) is designated as the Section 151 Officer to fulfil this statutory role. At Slough Borough Council this role is carried out by the Strategic Director of Resources.

**Schools Forum:** Schools forums were set up by the government to give schools greater involvement in the distribution of funding for education in the local authority. Forums have a consultative and advisory role on key aspects of strategy and budget while having regard to wider education issues. The forum is made up of members representing primary, secondary and special schools, including schools governors and Head Teachers.

**Statement of Recommended Practice (SORP):** The Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (more generally known as the SORP), defines proper accounting practice for local authorities in the UK. Accordingly, it informs all local councils on various technical accounting matters, including the structure of their annual financial statements. It is prepared by a joint committee of the Chartered Institute of Public Finance and the Accountancy / Local Authority (Scotland) Accounts Advisory Committee (CIPFA/LASAAC).

## SLOUGH BOROUGH COUNCIL

### INCOME COLLECTION AND DEBT RECOVERY POLICY

#### 1. Objectives

- 1.1 This policy seeks to set best practice with consistent and effective processes for the maximisation of income and the management of the Council's debt. It should be read in conjunction with the Financial Regulations set out in the Council's Constitution.
- 1.2 The specific aims of the policy are:
- To develop a corporate approach towards sharing debtor information across collection teams and managing multiple debts owed to the Council.
  - To use cost effective and fair collection and recovery practices in the pursuance of all debts owed to the Council, ensuring that those with the means to pay do pay to protect the interests of Council Tax payers.
  - To ensure a professional, consistent and timely approach to recovery action across all of the Council's functions.
  - To fully consider the debtor's circumstances and ability to pay.
  - To treat individuals consistently and fairly regardless of age, sex, race, gender disability and sexual orientation and to ensure that the individual's rights under the Data Protection Act and Human Rights legislation are protected.

#### 2. Debts Covered by this Policy

- 2.1 The debts covered by this policy are as follows:
- Accounts Receivable (Sundry Debts)
  - Former Tenant Arrears
  - Commercial Rents
  - Adult Social Care Fees & Charges
  - Penalty Charge Notices
- 2.2 Debts for Council Tax, National Non Domestic Rates, current rent arrears and overpaid housing benefits are collected in accordance with their own specific income management policies.
- 2.3 The policy will apply to all departments of the Council and focus on collecting the charge set rather than how the charge is arrived at. Ability to pay is a key concern when considering debt recovery.

### **3. Fair Debt Collection**

3.1 This policy aims to adopt fair debt collection and recovery practices including:

- Ensuring that bills are accurate, timely and clear.
- Providing appropriate and easy payment methods.
- Encouraging people who fall into arrears to contact us and agree to payment arrangements appropriate to their circumstances.
- Helping to reduce the effect of debt on people on low incomes by informing them of the general availability of income-related benefits and by trying to ensure that maximum benefit take-up occurs.
- Advising people where they can get independent advice with financial problems
- Identifying deliberate non-payers or those who delay payment and taking timely and effective enforcement action.

### **4. Prepayment for Goods and Services**

4.1 Where permitted by law the Council will seek payment in advance of supplying goods and services under statute. For commercial services the Council will seek payment in advance wherever it is practical to do so.

### **5. Raising Invoices**

5.1 No invoice will be raised without full and accurate debtor information and supporting documentation including the name of the party to be invoiced, postal address, email address and telephone number.

5.2 Before supplying requested goods and services to a new commercial customer which amount to £10,000 or more, officers must carry out a company search and credit check through the Accounts Receivable team.

5.3 The Council will not normally raise invoices for a value of £20 or less unless required to do by statute or to protect the Council's interests.

5.4 Where a charge is for a low value, repeated service, an invoice will be raised on a periodic basis (quarterly as a minimum) whenever possible.

5.5 All invoices will be despatched within two days of generation.

5.6 The Council will aim to develop a facility so that invoices will be sent electronically where the debtor is able to receive such invoices.



## **6. Payment Methods**

6.1 The Council will promote payment by the following methods:

- Direct Debit (to be implemented)
- Standing Order for regular fixed payments
- Debit/ Credit Card
- Direct Bank Payments

6.2 Payments by cheque will be accepted by post. Cash payments will only be accepted at the My Council office or other Council offices with cash receipting facilities and will be subject to review in accordance with Money Laundering Regulations.

6.3 Further details of acceptable payment methods and locations are set out below.

### **6.4 Available Methods of Payment**

#### **Direct Debit**

This is the preferred method of payment for Council Tax, Business Rates and Housing Rents since it is the easiest and most cost effective method of collection. The Council is working to offer direct debit as a payment method for other types of debt but not one off charges or parking fines.

#### **Debit Card/ Credit Card**

Debit/ credit card payments are accepted for all Council debts, rent, charges and parking fines.

#### **24 Hours a Day**

Payment can be made 24 hours a day, 7 days a week by debit/ credit card by:

- Telephone: 0845 303 9488
- Online at: [www.slough.gov.uk](http://www.slough.gov.uk)

Internet banking payments can be made directly to the Council's bank account:

- Sort code 08-90-16
- Bank Account No. 61038422

Any internet banking payment should include a transaction reference such as the Council Tax reference number, invoice number etc.

#### **Payment Card**

A payment card can be used to pay Council Tax or rent at any post office or at My Council.

**Post**

Cheques made payable to Slough Borough Council can be posted to:

Slough Borough Council  
My Council  
Landmark Place  
High Street  
Slough  
SL1 1JL

Posted payments should quote the transaction reference such as the Council Tax reference number, invoice number etc.

**In Person**

Payment can be made in person at the Customer Service Centre between 9am (10am on Thursdays) and 4.45pm Monday to Friday:

My Council  
Landmark Place  
High Street  
Slough  
SL1 1JL

Parking fines can also be paid at the Parking Shop between 9am and 5pm Monday to Friday:

Parking Shop  
Unit 5  
Shaftesbury Court  
Chalvey Park  
Slough  
SL1 2ER

**Disputed Invoices**

Debtors wishing to dispute invoices will be encouraged to promptly contact the Council. Contact may be made by telephone, letter, email, fax and in person. Contact details are set as below:

**6.5 Sundry Debt Invoice Queries**

Sundry debt invoice queries can be made:

By telephone to 01753 875511 for payment issues and to the number shown on the invoice for anything else.

By fax to 01753 875371 quoting the invoice number

By post to Slough Borough Council  
Landmark Place  
High Street  
Slough  
SL1 1JL

By email to [enquiries@slough.gov.uk](mailto:enquiries@slough.gov.uk) quoting the invoice number

In person at: Slough Borough Council  
Landmark Place  
High Street  
Slough  
SL1 1JL

Opening Hours are Monday 9am to 6.30pm. Tuesday, Wednesday and Friday 9am to 5.30pm, Thursday 10am to 5.30pm and Saturday 9am to 1.30pm.

- 6.6 The Council will respond to disputed invoice queries as soon as possible. Investigation of any query raised by a debtor will commence within seven days of its receipt. The Accounts Receivable team will acknowledge the query and provide timescales to the debtor for its resolution. The Accounts Receivable team will notify the cost centre manager of the dispute. Where a cost centre manager becomes aware of a dispute before the Accounts Receivable team, the cost centre manager will provide details to the Accounts Receivable team as soon as possible.
- 6.7 Where a debt is deemed by the cost centre manager to have been raised in error, the cost centre manager will immediately arrange for its cancellation. This will only apply where the goods or services were not supplied to the debtor. Where the quantity or price shown on the invoice is incorrect, the cost centre manager will instruct the Accounts Receivable team to issue a credit note.

## **7. Hardship**

- 7.1 Debtors (excluding business debtors) seeking help due to financial difficulties will, where appropriate:
- be offered an assessment of their ability to pay to be undertaken by the Finance Business Partner for the relevant Council service.
  - be invited to provide details of their means to pay by listing their income and expenditure with supporting evidence if necessary
  - be encouraged to use appropriate money advice services
  - be given access to the Council's interpretation service if required
  - be encouraged to seek benefit advice where appropriate
- 7.2 If it is found that the debtor is suffering severe financial hardship or has difficulty in managing their own affairs, the following will be considered:

- Can the debt be reduced? Is there any entitlement to relevant benefits, discounts, exemptions and reductions to minimise the potential for further debts to accrue?
- Does the debtor owe money to other Council services? If so, the debtor will be advised that, with their consent, all their Council debts may be taken into consideration when deciding on an arrangement.

7.3 Where a debtor agrees that all their Council debts can be considered collectively, officers from the relevant services will exchange information and seek to identify an appropriate payment arrangement and the basis on which payments will be allocated. Debts will be prioritised in accordance with government guidelines.

7.4 Where payment arrangements are made with a debtor, these will be confirmed in writing to the debtor and will be regularly monitored. Should the payment arrangement be breached, further recovery action will be taken. Debtors subject to a payment arrangement will be advised to contact the Council should they experience a change of circumstances affecting their ability to pay.

7.5 Where the amount to be subject to a payment arrangement is less than £200, the maximum time period for the arrangement will not normally exceed 12 months but this may be overridden where the debtor does not have the ability to pay within this period.

## **8. Enforcement**

8.1 All debts will be allocated to a named officer. Typically this will be the originator of the invoice or their cost centre manager. All debtor accounts will be allocated to a specific debt recovery officer by the Transactional Finance Service Manager.

8.2 The debt recovery officer will coordinate an effective and timely debt recovery process and ensure close monitoring and a proactive approach to debt collection.

8.3 For sundry debts and commercial rent accounts managed in-house:

- Automated reminder letters will be sent to the debtor 28 and, if still unpaid, 35 days after an invoice has been issued.
- Regular case review meetings will be held between debt recovery officers and the originators of invoices or their cost centre manager to review debts outside of the Council's payment terms and determine appropriate recovery actions. In contentious cases, decisions may be referred to the Transactional Finance Service Manager and the relevant Assistant Director for the service area.
- Telephone contact with the debtor by the debt recovery officer may commence 14 days after an invoice has been issued and will continue for as long as considered appropriate. Where required a Council representative will visit the debtor.
- Where contact by the Council fails to recover the debt in a reasonable timescale, it will be referred to a debt collection agency or the in-house bailiffs team unless inappropriate due to the vulnerability of the customer or if other collection methods are likely to be more successful.

- The Council may use all appropriate means (including the use of tracing agencies) to locate a debtor who moves without providing a new contact address.
- The Council will seek recovery of unpaid debts through the court where appropriate and, at the earliest opportunity, secure a debt by placing a legal charge on a debtor's property. Where a legal charge is inappropriate, other enforcement actions will be taken including the use of bailiffs to seize and sell debtors' goods. This process will normally be followed when dealing with rent and service charge arrears but may be supplemented by proceedings to possess the property and an approach to a leaseholder's mortgage company.
- As a last resort, the Council will, subject to a risk assessment, issue a bankruptcy petition (or a winding up petition for limited companies) where a debtor refuses to pay and other methods of enforcement fail.

8.4 Fees, charges and contributions for adult social care will be collected in accordance with the process for sundry debtors described in paragraph 9.3 above with the following variations:

- New service users will receive a personal visit from a Financial Assessment and Benefits Officer in order to complete a financial assessment. This will include a full benefits check and assistance with the completion of associated forms.
- If payment is not received after the initial reminder letter has been issued, the debt recovery officer will discuss the most appropriate method of collection with the social worker or occupational therapist responsible for the service user.
- The Council will make full use of its enforcement powers under Section 21 of the Health and Social Services and Social Security Adjudications Act (HASSASSA) (1983). If a service user gifts an asset within the six months before the service commences, the recipient of the gift becomes liable for the social care charges.
- The Council will make full use of its enforcement powers under Section 22 of HASSASSA (1983). Where a service user fails to pay an assessed charge for accommodation but has a beneficial interest in land, the Council will place a charge against a solely owned property and a caution against a jointly owned property.
- Debts for non-residential services are recovered under Section 17 of HASSASSA (1983).

8.5 Council tax debts will be recovered in accordance with the Council Tax (Administration and Enforcement) Regulations Act (1992) and subsequent amendments. National Non-Domestic Rates will be recovered in accordance with the Local Government Finance Act (1998) and subsequent regulations and amendments. Slough Borough Council appoints bailiffs to recover local taxation arrears in accordance with its own code of conduct. Only certificated bailiffs can

levy “distress” for local taxation and fees charged to the debtor are governed by legislation.

- 8.6 Housing benefit overpayments will be recovered in accordance with Regulations 99-108 of the Housing Benefit (General) Regulations (2006) as amended. Slough Borough Council has debt recovery procedures in place where Housing Benefit has been overpaid but the debtor is no longer in receipt of the benefit.
- 8.7 Rent arrears are collected by the Housing Service in accordance with its Income Management Procedure.
- 8.8 Arrears on externally managed commercial tenancies are recovered in accordance with the procedures specified in each contract.
- 8.9 The Council’s debt recovery standards are set out below:

### 9. Debt Recovery Standards

- 9.1 The debt recovery standard is to ensure that all customers are treated in a consistent way across the whole Council and to ensure prompt payment and recovery action is taken no matter what the invoice is for.

Timescale	What will happen	What this means
0 Days	Invoice / invoice sent to the customer	The money is now owed to the Council
14 days	Reminder	The payment is overdue
28 days	<b>Final reminder</b>	The payment is significantly overdue and will affect the ability of the Council to continue providing services.
35 days	Letter Before Claim (This needs to be better clarified)	The Council will now take legal action if the invoice is not paid
46 days	Summons issued to the court	Legal action is now in process
60-67 days	County Court Judgments (CCJ)	The Council will apply to the court for a CCJ. The debtors credit rating will be affected
<p><b>Any or some of the following options are now available:</b></p> <p><b>Note – all these options below will add additional administration and court costs to the debt</b></p>		
81 days +	Charging Order obtained	This will put the charge on a debtor’s property. When the property is sold the debt will be recovered from the proceeds.

81 days +	Bailiffs Instructed	Bailiffs can seize debtor's possessions to the value of the debt plus costs.
81 days +	Debt Collection Agencies Instructed	Life becomes uncomfortable for the debtor until the debt has been paid i.e. night time phone calls etc
81 days +	Possession proceedings commence	If the debtor is leaseholder they will lose their home
81 days +	Eviction proceedings commence	If a Council tenant they will lose your home
81 days +	Deduction from benefits commences	This will ensure that money will be recovered direct from a claimants benefits at source
81 days +	Attachment of Earnings arranged	This will ensure that money will be recovered directly from a debtor's wages via the employer.
81 days +	Third Party Debtor Order obtained	Money will be taken directly from a debtors bank account(s)
81 days +	Liability Orders (Business Rates) obtained	Referral to a Bailiff or Imprisonment
81 days +	Bankruptcy proceedings initiated	Forced closure of debtors business
81 days +	Liquidation proceedings initiated	Forced closure of debtors business
81 days +	Committal to prison proceedings	Debtor sent to prison

## **10. Exceptions to the agreed debt recovery standards**

10.1 The recovery of outstanding debt in some Council sections is governed by legislation, and this will take precedence over the debt recovery standard.

## **11. Debt Write Off**

11.1 Irrecoverable debts will be written off in accordance Part 4, Section 4.6 of the Council's constitution.

11.2 Debts will normally only be written off if the debtor is:

- Deceased with no assets
- Bankrupt with no assets
- In an Individual Voluntary Arrangement and the arrangement is adhered to
- Gone away and no trace
- After a custodial sentence for non-payment of Council tax if so instructed by the court
- Dissolved limited company

Following a review, it may also be determined that a debt is uneconomical to collect.

## **12. Performance Monitoring and Reporting of Debt**

12.1 The Council will set separate performance targets for income and cash collection.

12.2 A detailed sundry aged debt report will be issued to cost centre managers on a monthly basis. A summarised report, highlighting trends, will be issued to Corporate Management Team, Assistant Directors and the Head of Finance on a monthly basis.

12.3 The Council will provide against specific debts where there is a significant risk of non-payment. It will also apply a general provision to debts outside of the Council's payment terms. Bad debt provision movements will be credited to or charged to the relevant cost centre and will be monitored on a monthly basis. Cost centre managers will therefore be accountable both for their income budgets and also for the collection of outstanding debt.

## **13. Bad Debt Provision**

Provisions are made for bad and doubtful debts and these are charged to the appropriate revenue account. In accordance with the CIPFA guidelines, for Council Tax and Business Rate debts, the older the debt the greater the provision, although depending on specific circumstances this may not be applied. All HRA related debts and sundry debts over £250 are analysed and a provision made depending on individual circumstances. All other debts are subject to a range of specified percentages depending on validity of the existing debt, age and possibility of further recovery action.



## Slough Borough Council

### DRAFT Pay Policy Statement 2012-13

#### 1. Background

The recently enacted Localism Act 2011, requires Councils to approve a pay policy statement for the financial year 2012/2013 and each subsequent financial year thereafter. The pay policy statement sets out the authority's policies for the financial year relating to:

- the remuneration of its chief officers,
- the remuneration of its lowest-paid employees, and
- the relationship between —
  - (i) the remuneration of its chief officers, and
  - (ii) the remuneration of its employees who are not chief officers.

#### 2. Definitions

The Council defines its “lowest –paid Employees” as the FTE inclusive salary of those employees on pay band 1 of the approved independently administered HAY pay-scale (15 people).

This definition applies as it is the lowest pay grade on which any member of staff can be employed within the approved pay bands. The pay band values were reviewed and agreed by council for non chief officers as part of the Job Evaluation Harmonisation exercise in 2009.

Chief Officers are defined as Assistant Directors and Strategic Directors are paid on the approved independently administered HAY SML pay bands 12 – 16 (approved September 2007) and the Chief Executive is paid on CE band approved November 2006.

This statement includes the authority's policies relating to —

- (a) the level and elements of remuneration for each chief officer,
- (b) remuneration of chief officers on recruitment,
- (c) increases and additions to remuneration for chief officers,
- (d) the use of performance-related pay for chief officers,
- (e) the use of bonuses for chief officers,
- (f) the approach to the payment of chief officers on their ceasing to hold office under or to be employed by the authority, and
- (g) the publication of and access to information relating to remuneration of chief officers.

## **1. Definition and Scope**

This Pay Policy Statement sets out the Council's policies towards a range of issues relating to the pay of the workforce, in particular Chief Officers and the lowest paid staff.

In accordance with the requirements of the Localism Act 2011, the Pay Policy Statement will be agreed by Borough Council for each financial year and will be published on the Council's website. This statement can be amended during the financial year, providing any changes are approved by full Council.

All decisions on pay and reward for Chief Officers will comply with this pay policy statement.

At a time when the Council and the wider economy is facing considerable financial pressure and uncertainty, it is understandable that there are high levels of interest in, and scrutiny of, the Council's senior management pay and reward structures.

In the context of managing scarce public resources, remuneration at all levels needs to be adequate to secure and retain high-quality employees dedicated to the service of the public, but at the same time needs to avoid being unnecessarily generous or otherwise excessive (and seen as such).

## **2. Determination of Pay Levels**

Following a job evaluation and benchmarking exercise conducted under the Hay Group Job Evaluation Scheme ('Hay Scheme') in September 2007, the Council formally adopted a salary scale for Chief Officers (SML grades 12 – 16). The 'Hay Scheme' is a systematic process for ranking jobs logically and fairly by comparing job against job or against a pre-determined scale to determine the relative importance of jobs to an organisation. This chief officers' salary scale is published on the Council's website.

All new posts will be evaluated using the Hay Scheme and paid in accordance with the published salary scale.

## **3. Determination of individual pay levels within grade**

### **(a) On Appointment**

The appointments process for Chief Officers incorporates independent evaluation of a detailed job description and person specification to determine approved pay band.

The specific point at which officers are appointed to the scale is determined when the offer is made by the appointing officer and or the Chairman of the Panel. Factors taken into account are:

- Skills and experience
- Current salary
- Market factors

Where the conditions of the approved scheme are met, new appointments may also access financial support for relocation up to the amount specified within the policy which is published on the Council's website.

(b) Progression through the pay scales

Progress through the pay scale each year is subject to satisfactory performance as recorded by the Council's performance management systems. Failure to achieve a satisfactory rating may lead to increments being withheld.

(c) Additional pay

Chief Officers do not receive any bonus payments.

A Chief Officer may be appointed as Returning Officer. The Chief Executive was appointed the Council's Returning Officer in 2010. The Returning Officer's fee is paid separately from and in addition to the salary. The Returning Officer's fee is not set by the Council but determined according to national guidelines. It reflects the very significant additional duties and accountabilities over and above normal contractual responsibilities.

Additional fees for Chief Officers in respect of any local election duties they may perform are paid separately from salary at levels determined by the Returning Officer in the context of the national guidelines. This reflects the additional duties undertaken by staff volunteering to carry out election duties over and above their normal contractual council responsibilities. In setting fee levels, the Returning Officer takes into account a range of factors, including levels of responsibility and expertise required.

Detailed remuneration tables for the last financial year can be found on the Council's website; <http://www.slough.gov.uk/aboutus/articles/2225.aspx>

Chief Officers may be required to cover 24hour emergency phone for which an allowance of £112 per week is paid. Directors and the Chief Executive do not receive this allowance.

The Director of Education and Children's Services receives an on call allowance of £112 per week for fulfilling the duties of the Social Work emergency rota.

Chief Officers are eligible to claim expenses incurred according to the same scales applicable to all employees.

#### **4. When employment ends**

A Chief Officer who ceases employment with the Council may be entitled to a severance payment if they are being dismissed either on grounds of redundancy or on grounds of efficiency of the service. The procedure applicable in these circumstances is governed by the Council's Organisational Change Policy.

The Council's Pensions Discretion Policy sets out the discretions which the Council is able to exercise in the case of Chief Officers (and all other employees). The procedure for approving the application of any pension discretion is contained within this policy.

Officers who have received a redundancy payment and/or early access to their pension may not be engaged by the Council on any consultancy basis.

## **5. Terms and conditions of employment**

Chief Officers' terms and conditions of employment are in accordance with the Scheme of Conditions of Service for the Joint Negotiating Committee (JNC) for Local Authorities' Chief Officers as supplemented by the Council's Employment policies. These may be amended from time to time by the Council and agreements made with employee representative bodies.

## **6. Remuneration of the lowest paid employees**

The remuneration of the lowest-paid employees at Slough Borough Council is determined by the application of the Hay Scheme. Its aim is to operate grading arrangements based on principles of fairness, transparency, and consistency.

The lowest paid employee is on Band L1 of the scheme. The current rate of pay for this post is £13,161 - £14,723 per annum.

The average rate of pay is £22,840.

The pay multiple (that is the ratio between the highest paid earner and the average mean earnings of the whole workforce) is 7.02.

## **7. Relationship between the remuneration of the Council's chief officers and other officers**

The Council's policies in respect of Chief Officer pay vary only as follows:

- There is no application of overtime: Chief Officers are expected to work the number of hours required to properly perform their duties.
- The direct satisfactory performance link to annual increments.

**PROPOSED CHIEF OFFICERS SALARY W.E.F. 1.4.12**

<b>LEVEL OF POST</b>	<b>JOB TITLE</b>	<b>GRADE</b>
<b>Chief Executive</b>	Chief Executive	CE
<b>Strategic Directors</b>	SD, Resources, Housing & Regeneration	SML 16
	SD, Wellbeing	SML 16
	SD, Customers & Communities	SML 16
	SD, Education & Children's Services to 30.9.12	SML 16
<b>Assistant Directors</b>	AD, Enforcement & Regulatory Services	SML 14
	AD, Leisure Communities & Skills	SML 13
	AD, Customer Services & IT	SML 13
	AD, Corporate Resources	SML 13
	AD, Professional Services	SML 13
	AD, Estates & Regeneration	SML 13
	AD, Housing & Environment Services	SML 14
	AD, Children & Families	SML 14
	AD, Adult Social Care	SML 14
	AD, Commissioning etc to be considered in early 2012/13 in the light of changes to Public Health provision	SML TBC 13/14
	AD, Achievement & Inclusion (post to be reviewed during 2012/13)	SML 13

This new structure achieves a further net saving of £500,000 over 2 years.

### CURRENT CHIEF OFFICERS SALARIES

LEVEL OF POST	JOB TITLE	GRADE
<b>Chief Executive</b>	Chief Executive	CE
<b>Strategic Directors</b>	SD, Resources & Regeneration	SML 16
	SD, Community & Wellbeing	SML 16
	SD, Education & Children's Services	SML 16
	SD, Customer and Transactional Services	SML 15
<b>Assistant Directors</b>	AD Finance and Audit	SML 13
	AD Housing	SML 13
	AD Property	SML 13
	AD Professional Services	SML 13
	AD Transport & Planning	SML 13
	AD Environmental Services	SML 13
	AD Personalisation, Commissioning & P'ship	SML 13
	AD Community Adult Social Care	SML 13
	AD Culture & Skills	SML 13
	AD Commissioning & Procurement	SML 12
	AD Public Protection	SML 13
	AD Commercial & Transactional Services	SML 13
	AD Customer Services & IT	SML 13
	AD Children & Families	SML 13
	AD Achievement & Inclusion	SML 13

This structure was adopted in early 2011 achieving an annual saving of c £750,000 and superseding an earlier structure of 5 Directors and more than 25 second tier posts. This in turn superseded the structure in place in 2007 of 7 first and more than 25 second tier posts.

**SLOUGH BOROUGH COUNCIL  
SENIOR MANAGEMENT GRADE RANGES**

CX	Grade Range £131,232 - £157,479
SML16	Grade Range £108,015 - £125,983
SML15	Grade Range £98,232 - £114,575
SML14	Grade Range £87,202 - £101,709
SML13	Grade Range £72,743 - £84,843