

## **SLOUGH BOROUGH COUNCIL**

**REPORT TO:** Overview & Scrutiny Committee **DATE:** 10<sup>th</sup> September 2013

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**WARD(S):** All

**PORTFOLIO:** Cllr Rob Anderson – Commissioner for Finance & Strategy

### **PART I** **FOR CONSIDERATION & COMMENT**

#### **THE IMPACT OF THE GOVERNMENT SPENDING REVIEW 2013 ON SLOUGH BOROUGH COUNCIL**

##### **1 Purpose of Report**

To consider and comment on the latest financial planning assumptions for the Council in light of the Government's latest Spending Review.

##### **2 Recommendation(s)/Proposed Action**

The Overview & Scrutiny Committee is requested to consider the approaches the Council has in respect of the impact of the Government's Spending Review.

##### **3 The Sustainable Community Strategy, the JSNA and the Corporate Plan**

###### **3.1 Sustainable Community Strategy Priorities**

The report indirectly supports all of the Community Strategy priorities and cross cutting themes. The maintenance of good governance within the Council to ensure that it is efficient, effective and economic in everything it does is achieved through the improvement of corporate governance and democracy by ensuring effective management practice is in place.

###### **3.2 Corporate Plan 2013/14**

The report helps achieve the Corporate Plan objectives by outlining the potential financial resources available to the Council when setting its budget in 2014-15 and beyond.

##### **4 Other Implications**

###### **(a) Financial**

Detailed within the report

(b) Risk Management

<b>Risk</b>	<b>Mitigating action</b>	<b>Opportunities</b>
Legal	n/a	n/a
Property	n/a	n/a
Human Rights	n/a	n/a
Health and Safety	n/a	n/a
Employment Issues	n/a	n/a
Equalities Issues	n/a	n/a
Community Support	n/a	n/a
Communications	n/a	n/a
Community Safety	n/a	n/a
Financial	n/a	n/a
Timetable for delivery	n/a	n/a
Project Capacity	n/a	n/a
Other	n/a	n/a

(c) Human Rights Act and Other Legal Implications

There are no Human Rights Act Implications relating to this report.

(d) Equalities Impact Assessment

There is no identified need for the completion of an EIA relating to this report.

**5 Supporting Information**

**5.1 Background**

- 5.1.1 The Government announced its Spending Round 2013 in late June 2013. The purpose of the Spending Round is to set out the choices Government has made concerning its priorities for spending over the remaining period of the Parliament (i.e. to 2015-16).
- 5.1.2 This paper seeks to detail some of the impacts arising from the Government Spending Round on the Council's financial position going forward. As a result of the Spending Round the Government has launched a number of consultations concerning changes to Local Government funding over the Summer 2013. The outcome from these consultations will help inform the Local Government Finance Settlement anticipated to be announced in Autumn 2013 (in previous years this has been in the middle of December). The Local Government Finance Settlement clarifies the funding that the Council will receive from Central Government for the coming year. Up until this point, the Council's Medium Term Financial Strategy is based upon assumptions of Central Government funding levels.

**5.2 Spending Round 2013**

- 5.2.1 The Spending Round 2013 highlighted a number of areas that would impact upon Slough Borough Council (SBC) and these are highlighted with commentary in the table below:

**Table 1.1: Impact of the Spending Review 2013**

Item	Impact on SBC
Local Government Departmental Expenditure Limit reduced by 10% for 2015-16	<p>At a very high level this is very similar to the 20% reduction modelled into SBC's revised MTFS.</p> <p>The key thing will be how this is distributed around in the LG Finance Settlement in the Autumn</p> <p>Unsure how much of this might be required for the NHS pooled budget (see below)</p> <p>CSR is clear this <i>excludes</i> Council Tax freeze</p>
Education Services Grant <sup>1</sup>	<p>To be further reduced by £200m – DfE to consult later on how “realise efficiencies and enable Local authorities to focus on their core role on schools”.</p> <p>If this was applied uniformly across the country this is a reduction of 25%. SBC MTFS assumes a reduction of 28%</p>
Capital - Education	Flat in cash terms – little commentary
Council Tax freeze	<p>Funding available for CTX freezes in 2014-15 &amp; 2015-16</p> <p>Referendum bar set at 2% through to 2015-16</p> <p>Spending Review states “<i>making funding available, in addition to the settlement, in 2014-15 and 2015-16 for local authorities who choose to freeze CTX</i>”.</p> <p>No assumption has been made around CTX freeze grant for 2014-15 so this would add £420k of income if applied</p>
Schools spending protected	More benchmarking information for reducing back office costs in schools
National Schools formula	To be in place for 2015-16 – this could have a significant impact on winners and losers across schools nationally and locally
Conditions (for Government departments, teachers etc)	<p>1% pay rise to 2015-16 as announced previously</p> <p>Cease automatic incremental uplift for Government workers</p>

<sup>1</sup> Currently just over £2m to SBC

Capital – Dept. for Transport	Capital spend increasing by 5.5% but little detail on impact for SBC
Free Schools	Funding for up to 180 per year
NHS and Social Care Budgets	<p>£3.8bn pooled budget created between health and social care – unsure how this would be funded or contributed to</p> <p>£350m announced for capital to support this</p> <p>£200m nationally for 2014-15 to invest in new ways of working that benefit both services.</p> <p>Putting an additional £2bn from NHS to Local Government into a pooled budget based on an agreed plan between both<sup>2</sup></p>
Troubled Families	Additional £200m for this scheme
Police & Local Government	Creating a £50m ‘innovation fund’ to encourage joined up working between police & Councils
Dilnot Reform	£335m to provide for the delivery of the capped costs system in 2015-16
Welfare reform	<p>Cap on large areas of welfare spend from 2015-16 – more details to be announced</p> <p>Wait for certain claimants (including the unemployed) of seven days before becoming eligible for financial support</p> <p>Sanctions for those claimants who do not attend mandated English language skills courses</p>
Shared Services	<p>£100m ‘collaboration and efficiency fund’ available to cover initial costs of working together e.g. IT costs.</p> <p>Government to establish a centre of excellence to reduce complexity of sharing data between services &amp; will look to enact legislation around this</p>

### 5.3 The impact of the Spending Review 2013 on the Medium Term Financial Strategy (MTFS)

5.3.1 The impact of the Spending Review 2013 on the MTFS concerns the income section of the MTFS. This is highlighted below with explanatory commentary as per the July Cabinet paper on the MTFS. Also included is the total savings requirement for the Council over the period of the MTFS. The Council is currently in the process

<sup>2</sup> SBC already receives £1.84m via this. Implication is around how this money will become ring-fenced into the pooled budget that would need ministerial approval

of reviewing all savings proposals and growth items as well as adjusting for known budget pressures such as the impact of pay changes or inflationary pressures.

**Table 1.2: The current MTF5 model (income)**

<i>CTX assumption</i>	<i>0.00%</i>	<i>1.90%</i>	<i>1.00%</i>	<i>1.00%</i>
<b>Funding</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
Council Tax	42.71	43.96	44.84	45.74
Retained Business Rates	27.10	27.91	28.75	29.61
Revenue Support Grant	32.82	26.25	21.00	16.80
Education Services Grant	1.79	1.52	1.29	1.10
NHS monies to support Social Care	1.84	1.84	1.84	1.84
New Homes Bonus	2.36	2.96	3.56	3.56
Other non-ringfenced grants	-0.45			
Collection Fund				
<b>Total Budgeted income</b>	<b>108.16</b>	<b>104.44</b>	<b>101.28</b>	<b>98.65</b>

5.3.2 At the above level of income, the savings requirement for the Council would be as follows:

	2014-15	2015-16	2016-17	2017-18
Savings required	-11.56	-6.93	-7.52	-4.99

(1) Council Tax

This line assumes the Council Tax rises indicated at the top of the model and a 1% increase to the Council Taxbase (i.e. the number of properties in the district).

(2) Retained Business Rates

This assumes a nil growth figure in each of the years over the MTF5. This is on the basis that the Council only started to retain an element of Business Rates from the 1<sup>st</sup> April 2013 under the new financing scheme. Until this scheme has been in place for a longer period, it is very difficult to make accurate predictions upon whether there will be any growth, or loss, in Business Rate income over the coming months and years. There is an assumption that inflation will remain at approximately 3% across the MTF5 and this leads to a very minor increase in Business Rate income.

(3) Revenue Support Grant

The Revenue Support Grant (RSG) is now the primary method for the Government to redistribute funds to Local Government. The RSG is based on a central Government formula concerning local needs and demography. This is also the primary area where the Government can reduce Council funding in line with its current deficit reduction strategy as articulated by the Comprehensive Spending Review and the Local Government Finance Settlement. The assumptions within this line are that the 2014-15 finance settlement is per the Government's statement in December 2012 and that in future years, the Council will receive 20% less RSG each year over the period of the MTF5.

(4) Education Services Grant (ESG)

This was a new Grant for 2013-14, though replaced elements of the old Formula Grant in previous years so does not represent 'new' monies to the Council. The ESG is based primarily upon the number of pupils in Council maintained schools, though the Council

will receive £15 per Academy school pupil for retained education services. It is assumed that there is a 15% reduction in the number of pupils in maintained schools in each of the years of the MTFS. This grant is non-ringfenced.

#### (5) NHS monies to Support Social Care

This is another non ringfenced grant from Government. The numbers in the MTFS reflect the 2013-14 finance settlement and it is assumed that these numbers are flat across the MTFS.

#### (6) New Homes Bonus

The Council is currently in the third year of receiving New Homes Bonus (NHB) monies. The NHB scheme works by rewarding Councils with the equivalent Council Tax for every new property build in the district to encourage housing numbers. The scheme works over a 6 year period (year 6 being 2016-17 hence why this figure is flat from then on in the MTFS) so that by year 7, the Council receive monies in respect of this year but not in respect of the first year. If more houses are built in the district in year 7 than year 1 the Council will benefit, but the reverse is also true. It is also important to note that the Government has restricted the monies set aside to fund the NHB and that once the level set is breached, additional funding will come from RSG.

#### (7) Other non-ringfenced grants

This is a working assumption that the Government might further reduce the 2014-15 settlement to the Council in light of the Comprehensive Spending review.

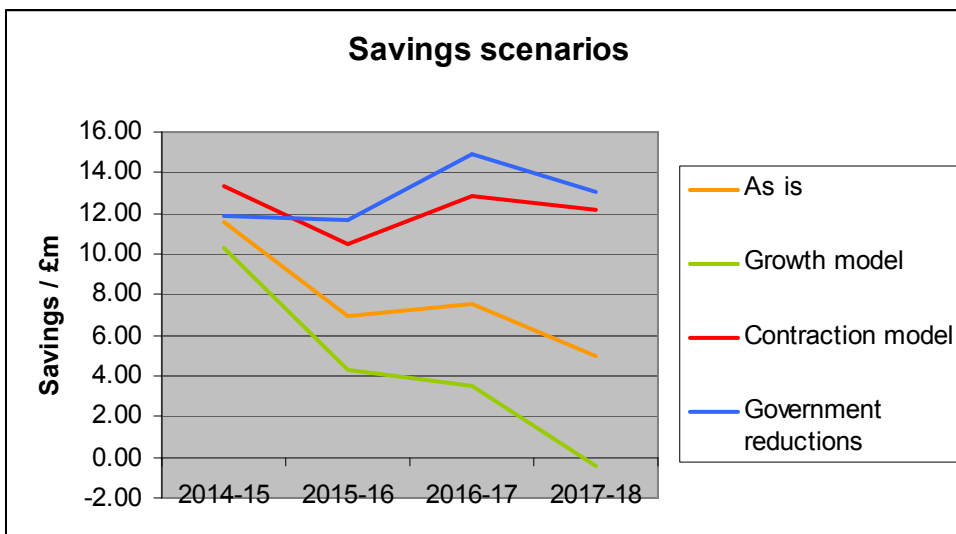
- 5.3.3 As can be seen from the above table 1.2, the Council's income is reducing over the period of the MTFS and this is leading to the implementation of a period of sustained savings to be made by the Council. The Council's current net budget can be presented as per the chart 2.1. It is within these budgets that the Council will need to make the savings identified in the summaries in table 1.2.

Chart 2.1: SBC net budget 2013-14



5.3.4 Below is some sensitivity analysis around different scenarios that could occur and how they would impact upon the Council's savings programme for the years ahead:

Chart 2.2: Potential Scenarios



Assumptions:

As is – per the model above

*Growth model – 3% increase p.a. throughout the model in Business Rates growth, increase of 0.5% in Council Tax base and associated New Homes Bonus increase*

*Contraction model – 3% decrease p.a. throughout the model in Business Rates growth, decrease of 0.5% in Council Tax base and associated New Homes Bonus decrease*

*Government reductions – 30% fall each year in Revenue Support Grant, New Homes Bonus removal of 33% to fund Local Enterprise Partnerships, 30% reduction in Education Services Grant.*

5.3.5 It is important to note that none of these models will be 100% accurate, and there are likely to be different blends of these throughout the period of the MTFS. What this chart does highlight though is the significant impact on savings that changes in Business Rate growth or contraction have on the Council's financial model.

## 6 **Conclusion**

The Council faces some significant savings levels in future financial years and will need to clearly identify and articulate these in the coming months to ensure that there is a balanced budget for 2014-15 and over the period of the Medium Term Financial Strategy.

## 7 **Background Papers**

- 1 - Local Government Finance Settlement 2013-14 & 2014-15
- 2 - Financial planning assumptions 2014-15 and beyond