

SLOUGH BOROUGH COUNCIL

REPORT TO: Overview & Scrutiny Committee **DATE:** 6th February 2014

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WARD(S): *All*

PORTFOLIO: *Cllr. Rob Anderson; Commissioners for Finance & Strategy*

PART I KEY

REVENUE BUDGET 2014-15

1 Purpose of Report

To detail the overall Revenue Budget for 2014-15, and the decisions required for the Council to achieve a balanced budget for the year ahead.

The paper demonstrates the levels of Council Tax proposed, the Government grant assumptions and estimations required for the next financial year's budget.

To approve a Council Tax freeze for the year ahead, and the associated Council Tax notices and resolutions required as per various Local Government Finance Acts as detailed in Appendix G.

To approve the Discretionary and Hardship Relief Policy for 2014/15 (as detailed in appendix J) and to note the policy will be amended for 2015/16 to reflect that no charity or non profit making bodies receives more than 80% charity relief.

To approve the proposed increase in Housing Revenue Account rents and service charges for inclusion in the Budget Report for Council as detailed in Appendix K.

2 Recommendation(s)/Proposed Action

The Committee is requested to scrutinise and comment on this budget report which Cabinet is requested to recommend to full Council.

3. The Slough Joint Wellbeing Strategy, the JSNA and the Corporate Plan

The Slough Joint Wellbeing Strategy (SJWS) is the document that details the priorities agreed for Slough with partner organisations. The SJWS has been developed using a comprehensive evidence base that includes the Joint Strategic Needs Assessment (JSNA). Both are clearly linked and must be used in conjunction when preparing your report. They have been combined in the Slough Wellbeing Board report template to enable you to provide supporting information highlighting the link between the SJWS and JSNA priorities.

3a. **Slough Joint Wellbeing Strategy Priorities –**

This paper assists in the achievement of the all of the Sustainable Community Strategy’s priorities.

Priorities:

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

3b. **Corporate Plan 2013/14**

The Plan’s objectives are:

1. *Improve customer experience*
2. *Deliver high quality services to meet local needs*
3. *Develop new ways of working*
4. *Deliver local and national change*
5. *Develop a skilled and capable workforce*
6. *Achieve value for money*

The Plan includes targets for each of the objectives. This report helps achieve all of the above objectives by providing an overall financial strategy to support the delivery of the Corporate Plan.

4 **Other Implications**

(a) Financial

Detailed within the report

(b) Risk Management

Risk	Mitigating action	Opportunities
Legal	None	none
Property	None	None
Human Rights	None	None
Health and Safety	None	None
Employment Issues	A modest number of posts will be affected by changes proposed. These will be managed through the council’s restructure, redundancy and redeployment policy and procedure	None

Equalities Issues	To be assessed per each proposed saving	None
Community Support	None	None
Communications	None	None
Community Safety	None	None
Financial	Detailed within the report	None
Timetable for delivery	April 2014	Decisions that could bring savings proposals forward
Project Capacity	None	None
Other	None	None

(c) Human Rights Act and Other Legal Implications

The Council has a number of statutory functions to perform. Any savings must not undermine the Council's responsibilities to provide minimum levels of provision in key areas. The set of savings proposals for 2014 – 2015 does not recommend any savings that will affect the council's ability to carry out its statutory functions. However, Members should be mindful of the cumulative year on year effects of savings and reductions in services and continue to make assessments of the impact on statutory functions.

(d) Equalities Impact Assessment

Equalities Impact Assessments will require completion prior to final agreement of savings proposals. Proposals which are 'disinvestment' or a genuine reduction in service will require careful examination to ensure no group is disproportionately affected.

Members may have to consider making provision to fund any mitigation arising from detailed analysis of Equalities Impact Assessments.

(e) Workforce

The proposed savings have a relatively low impact on staffing, with fewer than 20 staff affected. The Council has a number of measures to mitigate against compulsory redundancies including;

Developing staff skills to redeploy to alternative roles.

Obtaining staff savings from deletion of vacant posts.

Opportunities for Voluntary Redundancies.

5 Supporting Information

5.1 Summary

5.1.1 2014-15 is set to be another difficult year financially for the Council, with a continued reduction in Government funding, as well as an increased demand for Council services. The Council has managed to, wherever possible, protect Council services whilst ensuring that there is sufficient budget for the next financial year to

deliver its key outcomes. This has been achieved whilst delivering a freeze for Council tax for the third time in the past four years.

5.1.2 There remain many difficult years ahead for the Council due to the financial pressures that it faces, but the budget for the 2014-15 ensures that the Council's finances are based on solid footings for the future.

5.1.2 This paper sets out the revenue budget for 2014-15 and the associated plans and assumptions contained within it. The Medium Term Financial Strategy, which accompanies this paper for approval, details the longer term financial challenges that the Council faces into the future years, whilst the capital strategy sets out the wider financial implications of decisions made in investing in the borough's infrastructure. The Treasury Management Strategy details how the Council will undertake transactions concerning investments and borrowings and this is contingent on the capital strategy as well as having an impact on the revenue budget savings proposals for 2014-15.

5.1.3

2013-14	Funding	2014-15
42.29	Council Tax	43.85
26.23	Retained Business Rates	27.13
39.76	Revenue Support Grant	32.47
2.11	Education Services Grant	1.96
1.84	NHS monies to support Social Care	2.36
1.76	New Homes Bonus	2.01
0.26	Other non-ringfenced grants	1.03
	Collection Fund	1.30
114.25	Total Budgeted income	112.11
	Prior year baseline	114.25
	Base budget	3.54
	Directorate Pressures	8.20
	Revenue impact of Capital investment	
	Other adjustments	-1.34
	Savings identified	-12.53
	Savings to be identified	0.00
0	Net Expenditure	112.11

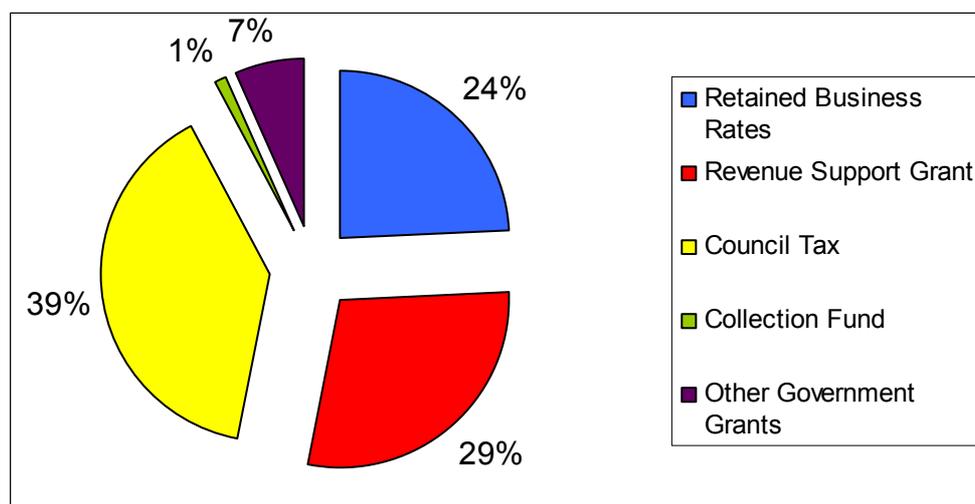
5.2 Income

5.2.1 The Council has three main sources of income, as highlighted in the chart below:

5.2.2 The amount of retained Business Rates is determined by the Council setting its estimation of Business Rates for the year ahead to central Government. The Government then allows the Council to retain 49% of this income, subject to a further tariff that the Council must pay Central Government. For 2014-15 the tariff has been set at **£18.1m**. The Government sets the tariff based on the historical average of business rates collected set against the level of spend the Government believes the Council should have. If Business Rates growth compared to the estimate, the Council retains 30% of this growth. If Business Rates drop, the Council is liable for 50% of the drop.

- 5.2.3 The Council also receives Revenue Support Grant (RSG). RSG is determined, and comes from, Central Government and consists of Government's expectation of what the Council should spend in line with the Government's deficit reduction plans. For 2014-15, the amount of RSG announced in the provisional Local Government Finance Settlement is **£32.5m**. The finalised settlement is unlikely to be announced until just before the Cabinet meeting in early February
- 5.2.4 The final main sources of Council income is Council Tax. This is based on the Council Taxbase (i.e. the number of properties in the borough) as per the report to Cabinet in December 2013 multiplied by the average band D Council Tax amount. For 2014-15 the Council Tax levels across the borough will be frozen for the Slough Borough Council element at £1,173.27 for a band D equivalent. This leads to an assumed Council Tax income of **£43.9m** for the Council in 2014-15.
- 5.2.5 The other sources of Government grant income are clarified as per the Local Government Finance Settlement. Any variation from these in the finalised settlement will be reported to the Cabinet and Council. The total amount of non-ring-fenced Government Grants anticipated for 2014-15 is **£7.4m**. The main items included are the New Homes Bonus (£2.1m), NHS Monies to support Social Care (£1.9m), and Education Services Grant (estimated at £1.6m).
- 5.2.6 The final source of income is the Collection Fund. This is a statutory account which details the actual income received in respect of Council Tax and retained business rates compared to the estimates made in January 2013 for the 2013-14 budget. At present this is anticipated to produce a surplus of **£1.3m**.
- 5.2.7 The total income available to the Council for the 2014-15 for its net budget is therefore **£112.1m**.

Chart 1.1: Council income sources



- 5.2.8 The Council also receives income from specific Government grants and these are included in appendix I. The Council budgets for an anticipated nil net cost on these specific grants; i.e. that all expenditure will be contained within the income received from Government and that the local Taxpayer does not fund these activities.
- 5.2.9 By far the largest specific grant the Council receives is the Dedicated Schools Grant (DSG). The majority of this is pass-ported through to Slough Schools via a formula

mechanism developed through the Schools Forum. The expected level of DSG for Slough is **£136.6m**.

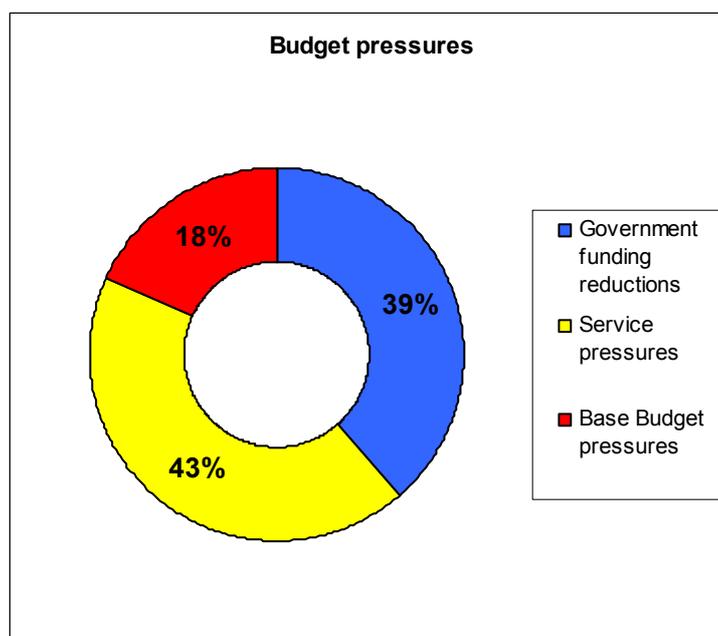
5.3 Expenditure

5.3.1 The Council's base budget for 2013-14 stood at £114.25m and it is against this figure that all adjustments are completed. The adjustments included:

- (1) Base budget **£3.5m** – these are movement due to inflationary pressures, pay award (assumed at 1% for 2014-15), incremental rises and other adjustments related to previous years and virements. Appendix B has further details.
- (2) Directorate Pressures **£8.2m** – these are the totals of increased pressures on the council for 2014-15. Appendix C provides details of these. The two main items of pressure relate to the Children's Social Care increased staffing and growth in the number of Looked After Children, and the adjustment for rebalanced the phase one transactional services budget.
- (3) Savings of **£12.5m**. The items above combined with the reduced overall income to the Council leave a savings target that needs to be closed. Appendix A details the proposals behind the savings

5.3.2 The savings target is driven by the increases to the base budget, i.e. the structural costs of operating an organisation the size of the Council with its current conditions, service pressures and the reduction to RSG. These overall cost rises are offset by any growth in Council Tax income and / or retained Business Rates as well as any movements from other non-ringfenced grants and the Collection Fund. The main pressures are highlighted below, and are detailed further in appendices B and C:

Chart 1.2: Council wide pressures



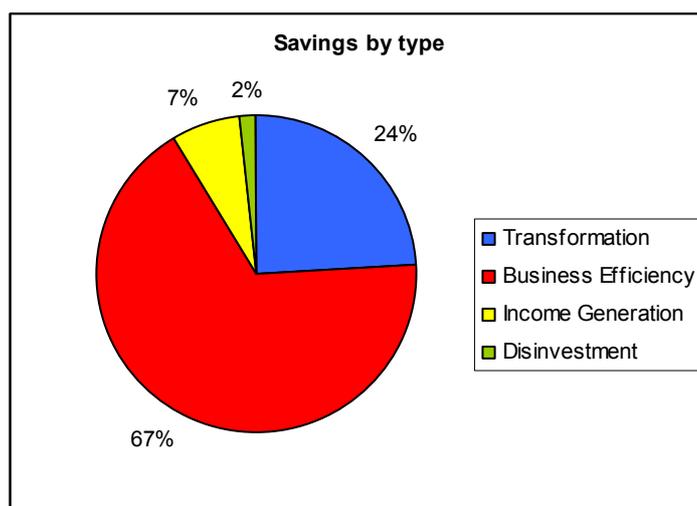
5.3.3 As can be seen from the above, the two main cost pressures come from reduction RSG from Government and from service pressures within the Council. The Council has little influence over the former as this is driven by the Government priorities. The latter costs are more controllable from the Council but are often due to demand

led pressures. The one largest pressure being from Children's Social Care of £3.3m in total (with a further potential £2.4m of one-off monies required during the year; these would be funded, to begin with, from an earmarked reserve, see appendix D). There are also some budget corrections that are required, as previously highlighted in the summer, in respect of the phase 1 transactional services budget, plus some pressures from reviewing the business rate classification on which the Council pays, demand in Adult Social Care and through the introduction of auto-enrolment.

5.4 Strategy

- 5.4.1 The council has been regularly monitoring the levels of savings required for the year ahead, and reports have been presented to Cabinet in July and November detailing the levels of savings required and providing an early sight of the savings proposals themselves. In November, the Cabinet approved for £9m of savings to be included in the 2014-15 Revenue Budget, and these are contained within appendix A to this report.
- 5.4.2 The Council has approached the budget round for 2014-15 utilising four main areas of challenge to deliver a balanced budget. Firstly, to ensure that any pressures are included within the budget setting process, but that these are supported by a strong evidence base. The second approach has been to ensure that business efficiency has been paramount throughout the savings approach; though this element of savings proposals will dwindle over the scale of the Medium Term Financial strategy, it is vital that the council continues to ensure that efficiencies are driven out of the organisation at every opportunity. The third element is delivering transformation programmes and changing how the Council operates and delivers services to its populations. Finally, and though these have been mitigated wherever possible, is a reduction in the service availability either internally to the Council or to our residents.

Chart 1.3: Council Savings by type - 2014-15



5.5 Reserves

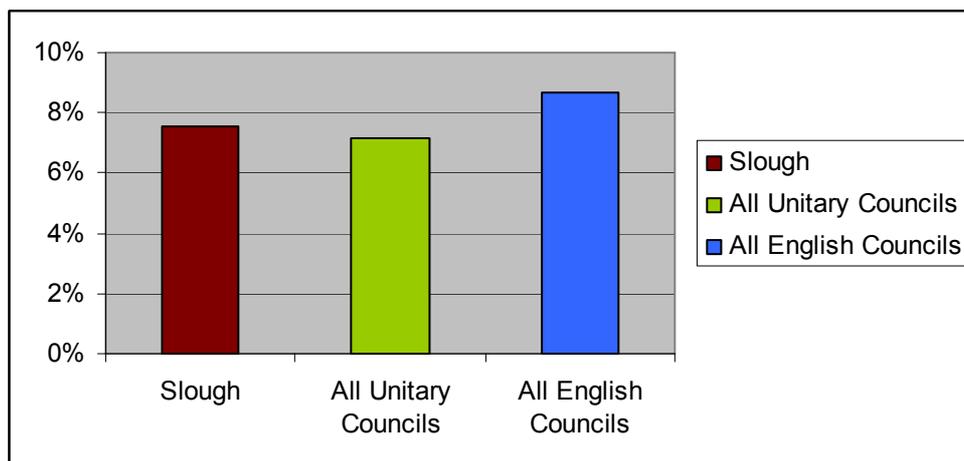
- 5.5.1 The Council holds a variety of reserves, and these are detailed further in appendix D. It is vital for the Council to hold a minimum level of reserves to ensure that if there is an overspend in the financial year due to demand pressures or emergencies, that the Council can cover this without going out to residents

immediately requesting additional Council Tax; the general reserve gives the Council more time to deal with impact of overspends on the services that are delivered.

5.5.2 As per this report, the minimum level of recommended General Fund reserve has been set at 5% of the Council's net revenue budget plus 10% of the net Children's services budget. This is because it is in children's services that the greatest level of risk is coming from at present. This would mean a minimum level of **£7.5m** at the proposed budget figures. The current level of general reserves as at 31.3.2013 is £8.1m.

5.5.3 Below is chart showing the current position (i.e. as at 31.3.2013) of General Reserves compared to the Government's definition of net budget. This shows Slough's general reserves slightly above the average for all unitaries and beneath that for the average English Council. This indicates that the level of general reserve is not an outlier for being either too excessive or being too low and unable to protect the Council's position to deal with any in-year shocks.

Chart 1.4: Slough Council's general reserves vs. other unitary Councils and all English Councils



5.5.4 It is also important to note that as part of the Children's Social Care pressures, there are up to £2.4m of additional one-off costs from the staffing pressure that need to be provided for. This would be on the basis that as at the start of the financial year, the service recruiting into the newly established additional social worker and related posts with agency staff (which are more expensive than permanent members of staff), and the existing posts are also fully recruited to. The £2.4m would be funded from a combination of the 'contingency-demography' earmarked reserve along with any general fund reserve above the minimum level required.

5.6 Risk Management

5.6.1 Given the level of savings for 2014-15, it is vital to ensuring the long term stability of the Council that these are delivered to enable a balanced budget, but also that the savings package as a whole is considered across the Council and that the sum of the savings do not create difficulties for other parts of the Council when delivering services for its residents.

5.6.2 During the 2014-15 financial year, as has been the case in 2013-14, there will be monthly monitoring of the savings proposals to identify which are green, i.e. on

track to be deliver, amber or red (not expected to be delivered in year). This will enable the Council to adjust it's future budget position for any unmet savings as well as ensure that it can take appropriate in year steps to rectify any growing overspends that arise.

5.7 Impact on directorate budgets

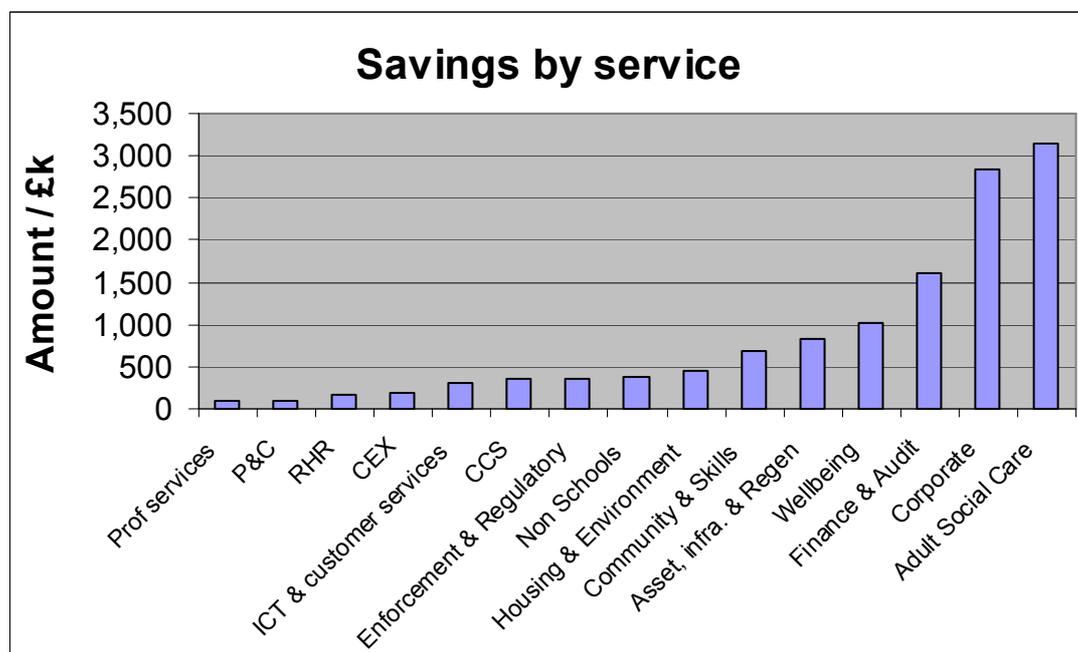
5.7.1 The table below highlights the changes to directorate budgets as a result of all of changes detailed in the budget and associated papers.

Table 2.1: Impact on directorate budgets (n.b. not all savings have been allocated through)

	2013-14 / £	2014-15 / £	Variance	% variance
Wellbeing	61,784,700	64,328,504	2,543,804	4.1
CCS	19,058,710	21,255,671	2,196,961	11.5
RHR	23,647,930	23,191,393	(456,537)	(1.9)
Chief Executive	4,462,930	4,297,450	(165,480)	(3.7)
Corporate	5,632,083	(579,787)	(6,211,870)	(110.3)

n.b. This table includes internal restructures as well as a result of all of the increase in costs from pressures and base budget adjustments and reduced by savings items. This table highlights how budgets are changing in their entirety rather than where savings are being made.

Chart 1.5: Total savings proposed by service area



6 Comments of Other Committees

None

7 **Conclusion**

- 7.1. This report underlines a 0% Council Tax rise for the local taxpayer for 2014-15, and the delivery of this is based on a variety of savings measures that are geared towards minimising the impact on service users. These savings measures need to be considered in light of the risks that they represent and in line with any impact assessments that are required.
- 7.2. This report also contains a subsequent number of Council Tax resolutions for approval to enable the Council to bill residents in appropriate time.

8 **Appendices Attached**

- 'A' - Savings proposals
- 'B' - Base budget assumptions
- 'C' - Service pressures
- 'D' - Reserves position
- 'E' - Collection Fund
- 'F' - Fees & Charges
- 'G' - Council Tax Resolution
- 'H' - Section 151 officer statement
- 'I' - Specific Grants
- 'J' - Revised Discretionary and Hardship Relief policy
- 'K' - HRA Rents and Service Charges

9 **Background Papers**

- '1' - Local Government Finance Settlement 2014-15
- '2' - Council Taxbase report (December 2013 Cabinet)
- '3' - Medium Term Finance Strategy update paper to Cabinet – November 2013 and January 2014.