

SLOUGH BOROUGH COUNCIL

REPORT TO: Cabinet **DATE:** 14th July 2014

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WARD(S): All

PORTFOLIO: Cllr. Rob Anderson, Leader and Finance and Strategy

PART I NON-KEY DECISION

MEDIUM TERM FINANCIAL PLANNING: 2015-19

1 **Purpose of Report**

To provide Cabinet with an update of the financial planning assumptions for future years and the required savings levels for the Council between 2015-19.

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

The Cabinet is requested to resolve that the report be noted.

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.

This report sets out the financial planning for the council over the next four years and assists in delivering the Council Plan primarily through theme 6 'promote economic growth and protect the council's finances'. However, the report cuts across all themes as it is about ensuring sufficient resources to deliver the Council's strategies going forward.

4 **Other Implications**

(a) Financial

All details contained within the report.

(b) Risk Management

Risk	Mitigating action	Opportunities
Legal	None	
Property	None	
Human Rights	None	

Health and Safety	None	
Employment Issues	None	
Equalities Issues	None	
Community Support	None	
Communications	None	
Community Safety	None	
Financial	Detailed in the report	Detailed in the report
Timetable for delivery	Finance working with senior management to detail savings in line with budget setting timescales	Any early delivered savings will have a one-off benefit in the current year
Project Capacity	None	
Other	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. 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.

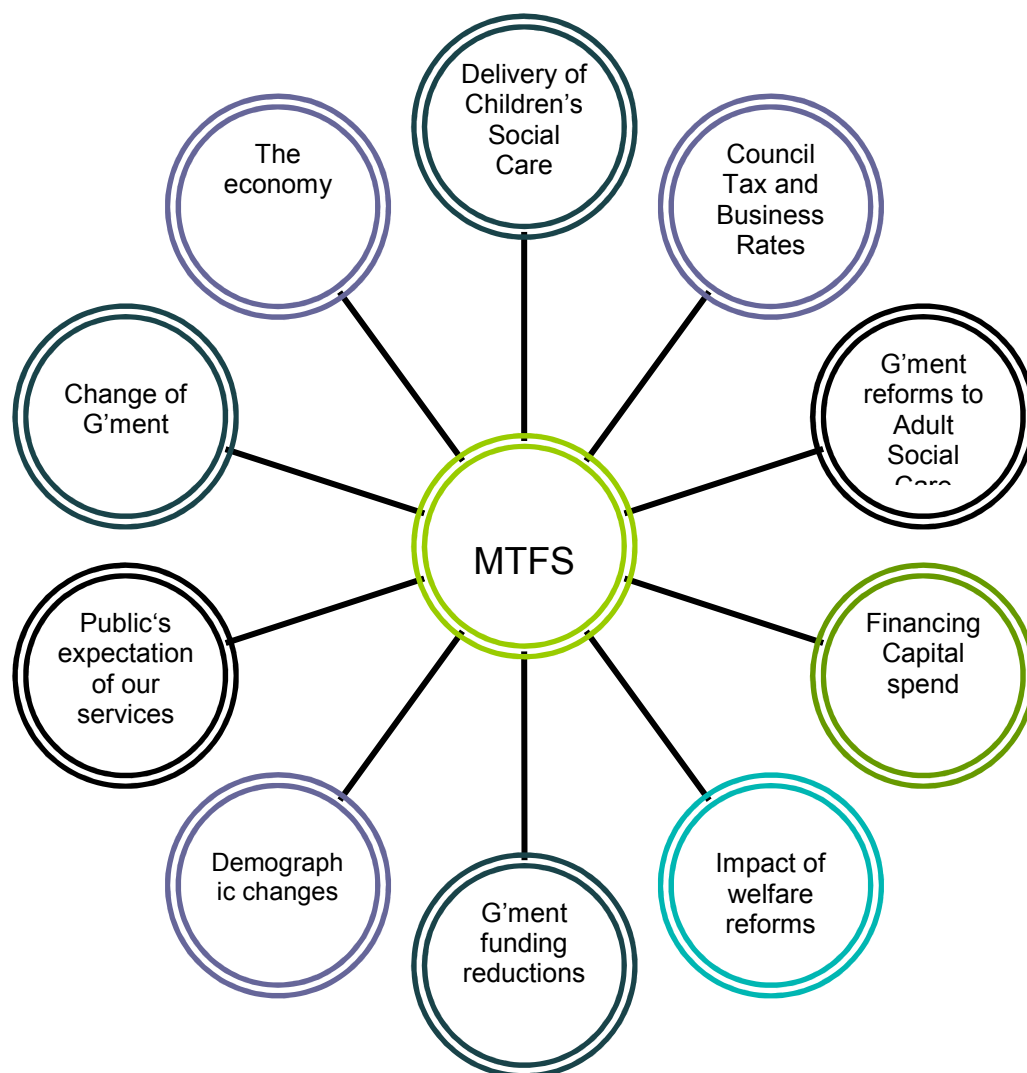
(e) Workforce

The scale of the savings is likely to have significant workforce implications and may lead to a reduction in the numbers of staff directly employed by the council

5 Supporting Information

- 5.1 Local Government continues to see a sustained reduction in finances coming from Central Government. The 2015-16 financial year alone will see a reduction to the Council's general grant (Revenue Support Grant, RSG) of almost 30%, with the RSG forecast to shrink by 63% or over £20m over the period of the Medium Term Financial Strategy (MTFS).
- 5.2 The Council needs to ensure that it has sufficient financial resilience to enable it to meet the financial challenges over the period of the MTFS. There are also a number of non financial events occurring which will have a significant financial impact over the period of the MTFS.

Chart 1.1: Key considerations over the MTFS



5.3 The context above, needs to be considered in light of the financial challenge that the council faces. The table highlights some of the interaction between these challenges and the financial position:

Challenge	Impact
Delivery of Children's Social Care	Not clear at present; any new arrangements are likely to have a financial cost and any inability to make savings in this area puts much greater pressure on all other Council services to make further savings.
Council Tax and Business Rates	By the end of the MTFS, income through these sources will represent over 80% of the Council's income. In 2010-11 the Council relied on Government for over half of its income. This puts additional importance on the Council's ability to collect Council Tax and Business Rates and also to increase the tax base to generate more income to collect.

Government reforms to Adult Social Care	The Government is currently undertaking significant reforms to Adult Social Care through further integration of the NHS and Council, and also through the Better Care Act. This latter reforms is likely to see a greater number of individuals being brought to the Council's attention and an associated increase in the costs to the Council.
Financing Capital expenditure	The Council has a number of infrastructure commitments that will need to be financed into the future e.g. maintaining highways, education, ICT development etc. Financing this expenditure will need to be done through either internal or external borrowing, both of which have a revenue impact
Impact of Welfare Reforms	The implementation of Universal Credit, and the Government's wider welfare reforms, could have an impact on a range of Council services, especially housing and education.
Government Funding Reductions	This is detailed further below; clearly, if the pace of funding reductions continue through, and beyond, the current MTFS period then the Council ability to provide certain services will be severely constrained.
Demographic Changes	Changes to the demography of the town such as a rising population overall, and specific changes in the number of Adults over 65 or young people, will place their own demand pressures on Council services
Public expectation of services	It is unlikely that demand for Council services will drop over the life of the MTFS, making it even more important that the Council delivers its services as effectively as possible utilising the benefits of the latest technology to assist
Change of Government	There is a strong chance that the existing coalition Government will not remain in place from May 2015. Whatever the make up of the new Government, the reductions in funding to Local Government are likely to continue, but this could be at an enhanced or a reduced rate. A10% rather than 20% reduction would reduce the Council's savings requirement by approximately £2m in 2016-17.

- 5.4 The summary model and chart below sets out the significant savings level required by the Council over the next four years. The savings total £37m or **33%** of the Council's current net budget. This does not take into account any additional costs

through the creation of new arrangements for the provision of Children’s Social Care (see later in the paper). Any cost associated with this will have a compensatory increase in the savings requirement for the respective year. The respective Cabinet / Overview & Scrutiny meetings will be updated with any information if this is known at the time of the meeting.

Chart 1.2: Savings profile over the MTFS period

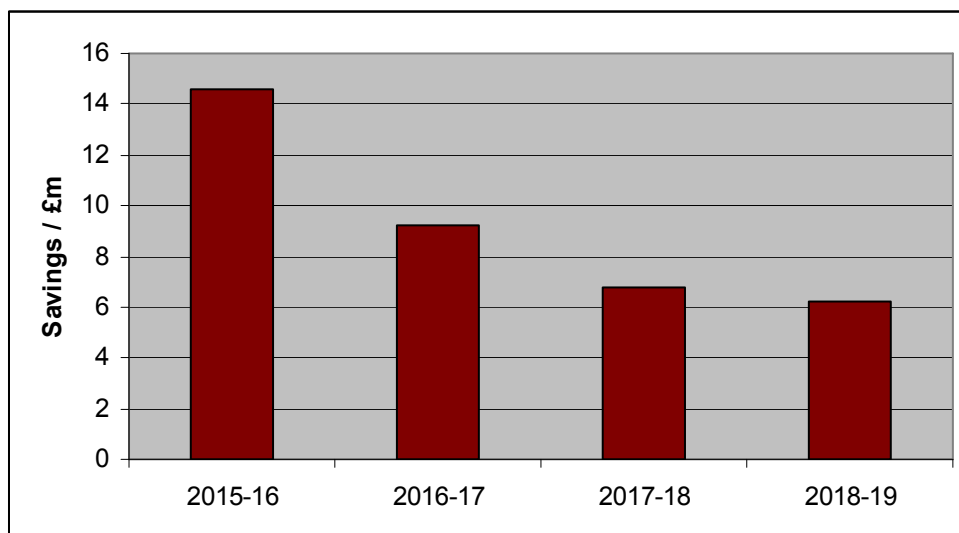


Table 2.1: MTFS 2015-19

No.	2014-15	Funding	2015-16	2016-17	2017-18	2018-19
1	43.85	Council Tax	44.73	45.63	46.55	47.49
2	27.13	Retained Business Rates	28.15	29.00	29.87	30.76
3	32.47	Revenue Support Grant	23.20	18.56	14.85	11.88
4	1.96	Education Services Grant	1.25	1.06	0.90	0.77
5	2.36	NHS monies to support Social Care	2.36	2.36	2.36	2.36
6	2.01	New Homes Bonus	2.61	3.21	3.21	3.21
7	1.03	Other non-ringfenced grants	0.90	0.50	0.50	0.50
8	1.30	Collection Fund				
9	112.11	Total Budgeted income	103.21	100.32	98.24	96.97
10	114.25	Prior year baseline	112.11	103.21	100.32	98.24
11	3.54	Base budget	2.90	2.90	2.90	2.90
12	8.20	Directorate Pressures	2.13	2.92	1.86	2.00
13		Revenue impact of Capital investment	0.60	0.60	0.00	0.00
14	-1.34	Other adjustments	0.09	-0.05		
15	-12.53	Savings requirement	-14.63	-9.25	-6.84	-6.17
16		Savings identified	0.00	0.00	0.00	0.00
16	112.11	Net Expenditure	103.21	100.32	98.24	96.97

5.5 The model highlights the largest amount of savings being required for the 2015-16 financial year. This is driven mainly because of the reduction in Central Government monies (the Revenue Support Grant) which falls by almost 30% between the present year and 2015-16. Beyond this point, the assumption is for a reduction of 20%.

5.6 There are much lower levels of investment through directorate pressures than in previous years, and it is expected that the only pressures of any significance will relate to Children’s and Social Care services.

5.7 There are also a variety of key assumptions:

- Council Tax rises by 1% throughout
- Revenue Support Grant is per the 2015-16 provisional figure from Government and then decreases by 20% per annum
- Education Support Grant declines by 15% p.a. with a further 25% drop in 2015-16 due to the Government's consultation on this
- Growth on the Council Tax base is 1% per annum with growth in Business Rates flat
- New Homes Bonus rises broadly by 1% of taxbase growth until it gets to the end of the sixth year of the scheme when it stabilises
- All savings are ongoing throughout the MTFS
- Significant reduction in Directorate pressures is maintained

Savings identified to date and the distribution of savings

5.8 To ensure that savings are delivered across the Council over the four years, the Council has allocated Directorate Budget Levels (DBLs) across the Council's directorates between 2015-19. The rationale to have a longer time frame is to enable longer term transformation across the Council in response to the significant funding reductions highlighted in the above. The Council will use the Medium Term Financial Volatility Reserve to smooth out any potential re-profiling of savings in order to deliver the largest amount savings.

5.9 The DBL are based on four key areas:

- Relative size of budget (50%)
- Value for Money (10%)
- Corporate priority (15%)
- Savings delivered in previous years (25%)

5.10 The outcome of the above methodology shows net budget changes per the below. It is then for directorate, in conjunction with their respective commissioner, to propose savings for the Cabinet to approve over the coming months.

Table 2.2: DBLs 2015-19 – Net changes to budgets

Directorate	2015-16	2016-17	2017-18	2018-19	Total (DBLs)	Salami Slice
Wellbeing	-6.3	-3.7	-2.3	-2.0	-14.3	-17.1
CCS	-1.7	-1.2	-0.7	-0.7	-4.4	-4.5
RHR	-3.3	-2.5	-1.5	-1.3	-8.6	-7.4
CEX	-0.4	-0.4	-0.2	-0.2	-1.2	-1.2
Corporate	-1.0	0.5	-0.5	-0.5	-1.4	0.2
Total	-12.7	-7.3	-5.2	-4.7	-29.9	-30.0

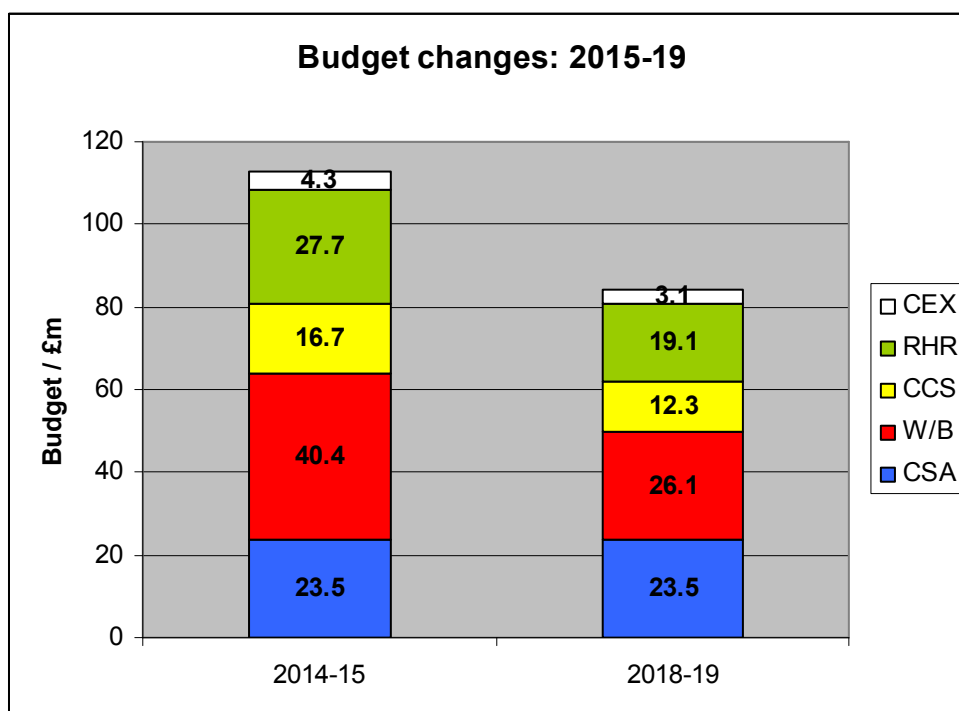
Table 2.3: DBLs 2015-19 – Gross savings and investment

Savings				
Directorate	2015-16	2016-17	2017-18	2018-19
Wellbeing	-7.9	-4.8	-3.9	-3.7
CCS	-1.9	-1.3	-1.0	-0.9
RHR	-3.5	-2.5	-1.8	-1.7
CEX	-0.5	-0.3	-0.2	-0.2
Corporate	-1.0	-0.5	-0.5	-0.5
Total	-14.7	-9.4	-7.4	-7.1
Growth				
Directorate	2015-16	2016-17	2017-18	2018-19
Wellbeing	1.5	1.5	1.5	1.5
CCS	0.2	0.2	0.2	0.2
RHR	0.2	0.2	0.2	0.2
CEX	0.0			
Corporate		1.0		
Total	1.9	2.9	1.9	1.9

The impact of new Children’s Social Care arrangements

- 5.11 The actual costs associated with the new arrangements for Children’s Social Care can only be estimated at present; until there are further developments and notifications from the Department for Education.
- 5.12 The fundamental impact is on the level of savings required going forward for the non CSA element of the Council’s budget. If it is assumed that the CSA budget remains fixed, but that all DBLs are achieved over the life of the MTFs, the resulting outcome for the Council would be per the below

Chart 1.3: Budget changes 2015-19

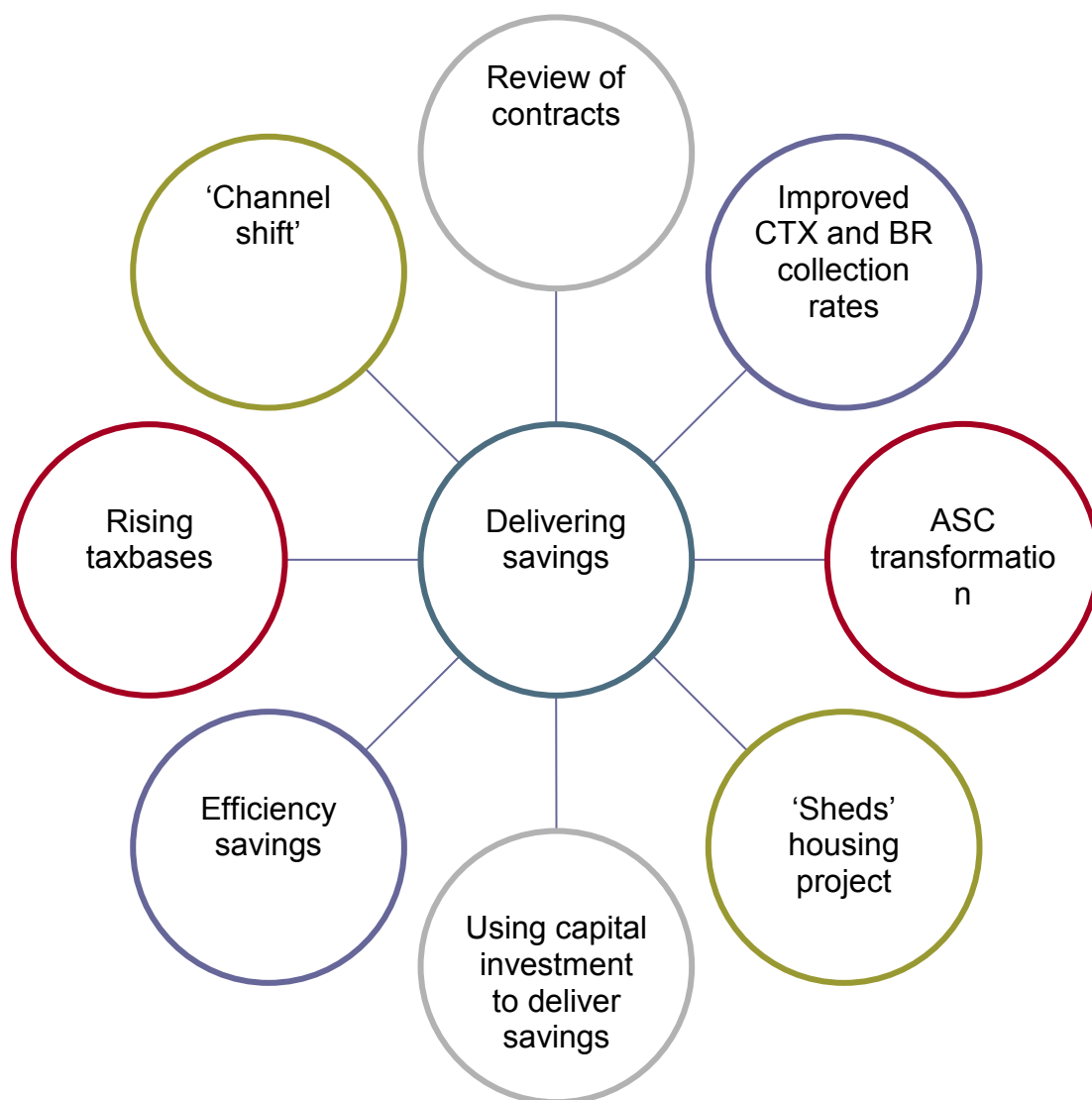


5.13 It is clear from the above the new CSA cannot be exempt from savings. The model above assumes a flat budget in the CSA delivered by the end of the MTFS; though the implications of the DfE are unknown. If these are known by the meeting date, then the report will be updated. The level of investment ongoing is going to need to reduce, or the Council will need to ensure that further savings are delivered through the new CSA.

Progress against the 2015-16 savings

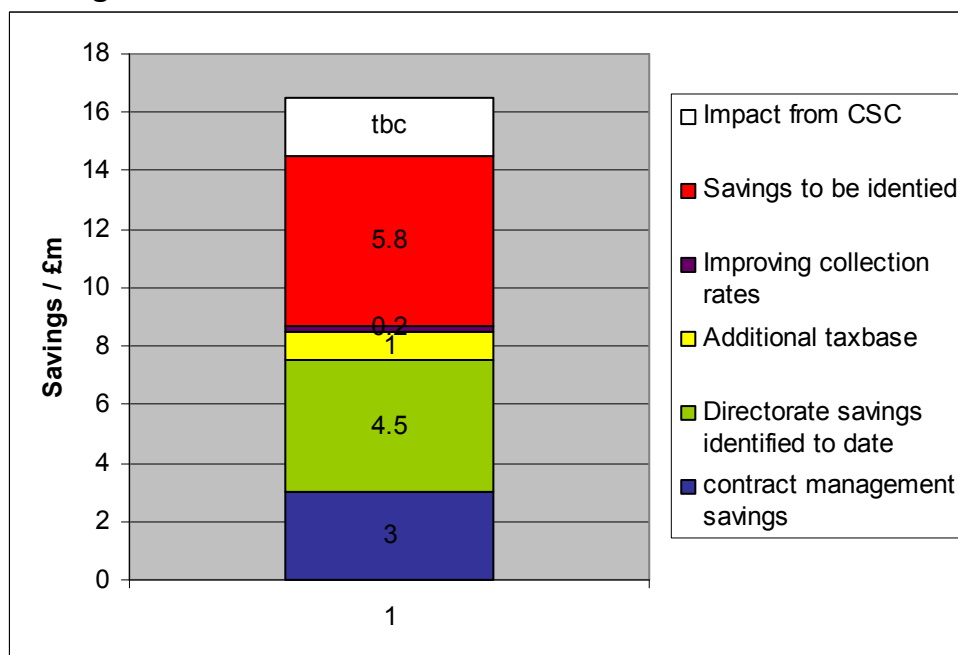
5.14 The Council has already identified a number of savings areas that will support the delivery of the savings above

Chart 1.4: Key savings areas 2015-16 and beyond



5.15 The current savings proposals / assumptions that are available at present total approximately £9m under the following areas:

Chart 1.5: Savings identified to date – 2015-16



5.16 Further savings need to be identified over the summer to enable members to have an oversight of these for Cabinet in the Autumn.

6 Comments of Other Committees

n/a

7 Conclusion

7.1 This paper highlights the financial challenge that the Council faces, and some of the key themes in which the Council anticipates meeting this challenge and delivering a balanced financial position from which to deliver its services.

7.2 The Council has a strong history of delivering balanced budgets through identifying savings from across its services and delivering services more efficiently. A further paper will be brought to Cabinet in the Autumn outlining some of the detail behind the savings proposals.

8 Background Papers

'1' Medium Term Financial Strategy 2014-18

'2' Local Government Finance Settlement 2014-15 and provisional figures for 2015-16