

SLOUGH BOROUGH COUNCIL

REPORT TO: Cabinet **DATE:** 16th November 2015

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WARD(S): All

PORTFOLIO: Councillor Anderson; Leader and Commissioner for Finance & Strategy

PART I KEY DECISION

MEDIUM TERM FINANCIAL PLANNING UPDATE INCLUDING SAVINGS PROPOSALS FOR THE 2016-17 FINANCIAL YEAR

1 Purpose of Report

To summarise the latest financial planning assumptions and the proposals for delivering a balanced budget in the 2016-17 financial year.

2 Recommendation(s)/Proposed Action

The Cabinet is requested to resolve:

- (a) That the savings set out in Appendix A be included in the Revenue Budget 2016-17 to be approved by Council in February, subject to the final Local Government Finance Settlement, taxbase papers any further adjustments.
- (b) That the latest financial planning assumptions and the impact of these on future service delivery be noted.

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

3a. Slough Joint Wellbeing Strategy Priorities

This report sets out the financial planning for the council over the next four years and assists in delivering the objectives of the SJWS. The report cuts across all themes as it is about ensuring sufficient resources to deliver the Council's strategies going forward.

3b Five Year Plan Outcomes

This report delivers against all of the Five Year Plan (5YP) outcomes. The move this year to outcomes based budgeting has enabled a very close link between financial planning for the Council and the deliver of the 5YP.

All financial planning has been based around the 5YP outcomes and budgets have been re-aligned to reflect their contribution to the respective outcomes. Furthermore, the detail below highlights the trajectory of financial resource over the next 4 years.

4 **Other Implications**

(a) Financial

The proposals included within this report have financial implications, once they have final approval from full Council. Before then EIAs need to be considered in advance.

(b) Risk Management

Risk	Mitigating action	Opportunities
Legal	n/a	
Property		
Human Rights		
Health and Safety		
Employment Issues	To be determined through savings proposals	
Equalities Issues	EIAs must be completed by full Council	
Community Support		
Communications		Utilisation of the budget simulator
Community Safety		
Financial	Assumed 45% real terms cut on current Government funding. If Government include Business Rates income and put a notional reduction on this funding then the position will worsen for the Council	If reduced reduction in funding then the position will improve.
Timetable for delivery		Approval will allow for better preparation of programmes into future financial years
Project Capacity	Significant programmes of work are included to deliver the savings. These should take into account programme resources. The creation of a programme management office to support major capital and other projects should assist capacity.	
Other		

Human Rights Act and Other Legal Implications

There are no Human Rights Act Implications.

(d) Equalities Impact Assessment

Individual savings items will have an EIA completed, where appropriate, in time for the final Council decision on 25th February 2016.

(e) Workforce

There will be workforce implications but these will be finalised within final budget proposals.

(f) Property

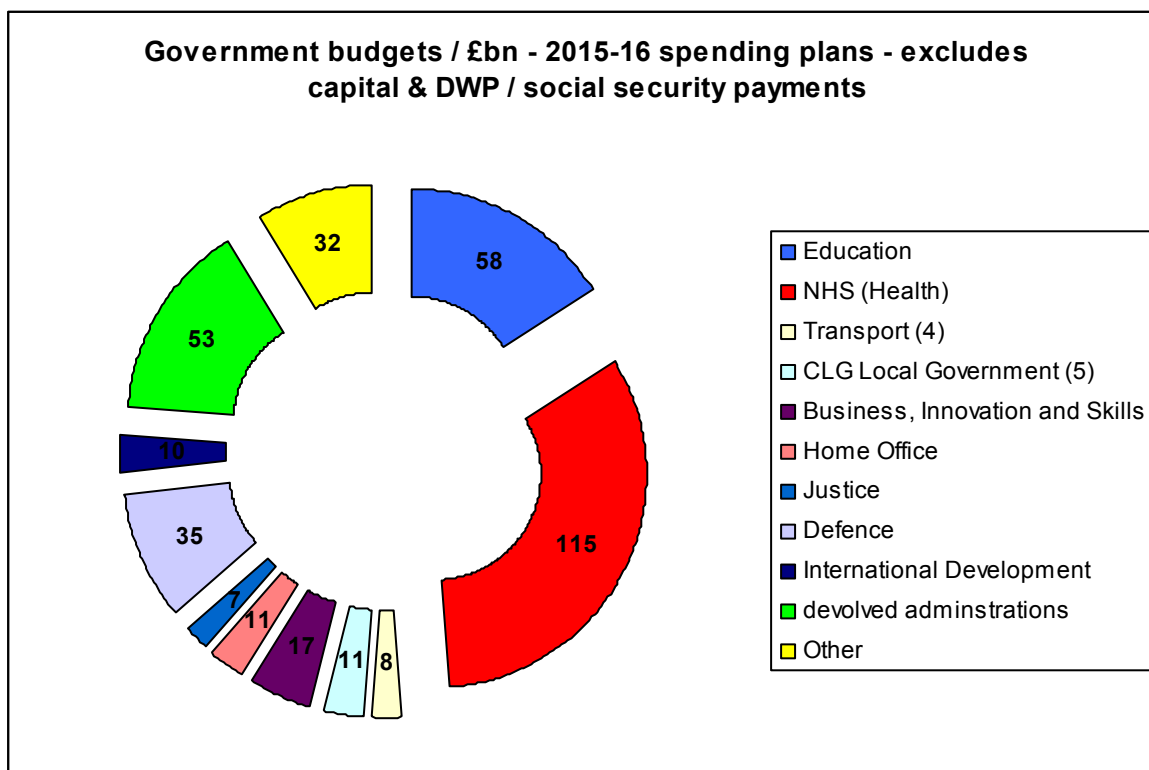
To deliver schemes in line with the strategic asset purchase strategy, the Slough Regeneration Partnership and utilisation of the Asset Challenge process. .

5 Supporting Information

Background

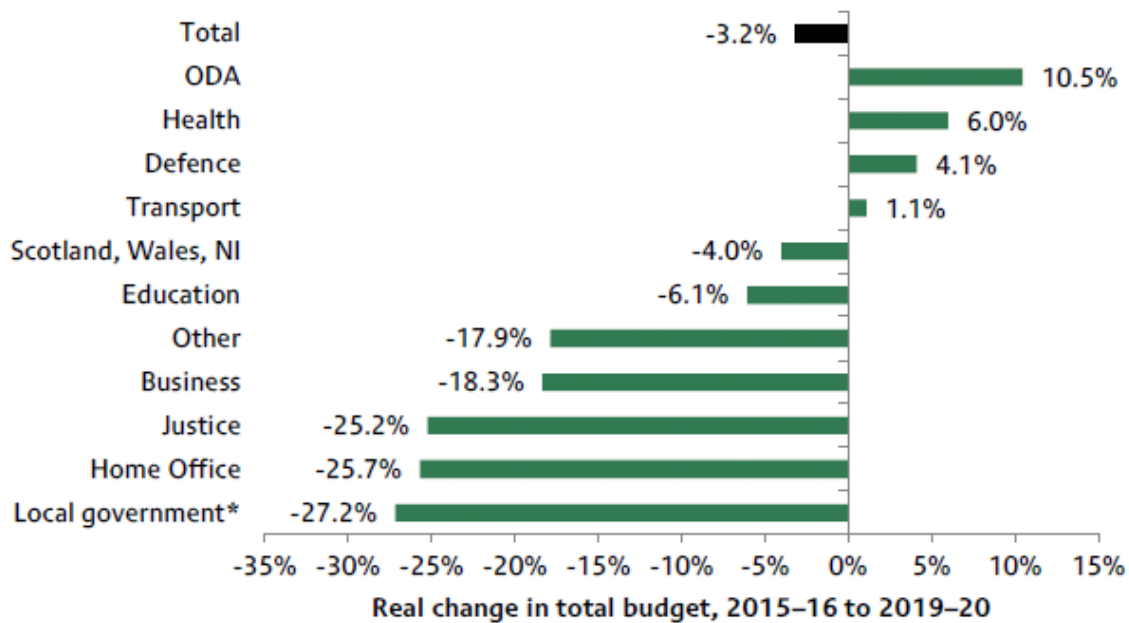
- 5.1 This paper sets out the latest financial planning assumptions over the next four years, 2016 to 2020, and the draft proposals to deliver a balanced budget over this period where these exist.
- 5.2 Since the previous report to the Cabinet, there has been the Government's first budget, in July 2015, as well as a summary of the Comprehensive Spending Review (CSR) which will report on the 25th November, and some key announcements at the Conservative Conference in October 2015. The CSR is key to the Council's financial planning going forward. The CSR should detail the level of funding reductions to Local Government in the next four years through to 2020. All Government departments, apart from Education, Health, Overseas Aid and Defence, have been requested to set out the implications of a 25% and a 40% funding reduction over the next four years. Aside from the Department for Work & Pensions savings through welfare reform, the Government has set out that it requires £20bn of savings over the next four years. To put Local Government spend into context, the latest Treasury summary of departmental budget is included below. This represents under half of all Government spend as it excludes annual spend through benefits, pensions, capital etc. Local Government receives £10.5bn of spend. As noted above, Government has already put various protections in place for certain Government departments (and the devolved administrations' funding is in part tied to these decisions) leaving about £84bn of spending on which to make the £20bn reductions.

Graph 1.1: Government expenditure summary



- 5.3 The Institute of Fiscal Studies (IFS) have set out what they believe the outcome of the spending review might be based on previous policy announcements.

Graph 1.2: IFS summary of the Spending Review.

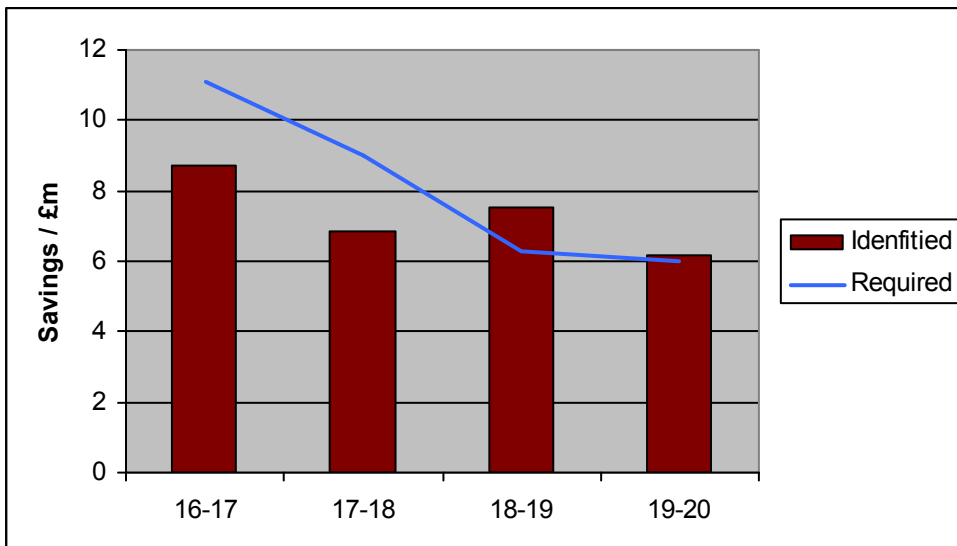


The Council’s approach to closing the financial gap

5.4 The Council has changed its approach this year to budgeting to focus on the delivery of the 5 Year Plan (5YP) outcomes. This outcomes based budgeting has enabled the Council to look at more cross cutting budgets that deliver outcomes rather than the same provision of existing services.

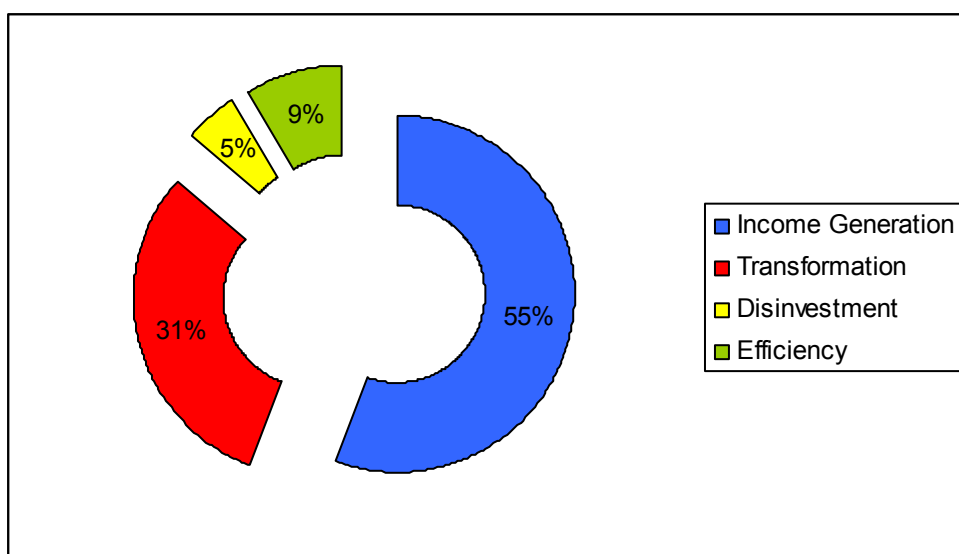
5.5 The outcome of the work undertaken so far has been to identify savings of twenty nine million pounds profiled per the below. A significant amount of these are presented to Cabinet in this paper, with further savings to be presented at future Cabinet meetings. All of these will be subject to review at the February Cabinet and Council, whereby the savings for 2016-17 will be presented for approval, with indicative figures for future financial years.

Chart 1.3: Draft savings proposals 2016-20



5.6 The rationale for outcomes based budgeting was also to drive more innovation in the delivery of Council services and to take a more strategic look over the life of the MTFS to commence schemes that will re-shape services or deliver significant income in future financial years. The chart below highlights the themes of the main savings contained over the next four years as they are currently envisaged. These will need to be approved on an annual basis per the Council revenue budget setting process, but this provides a clear trajectory for where the Council is seeking to make change in the future. As can be seen from the chart, there are significant new income streams that the Council will be pursuing to enable the delivery of the 5YP but also to protect other services areas from even further reductions in budgets due to overall reduction in Government funding.

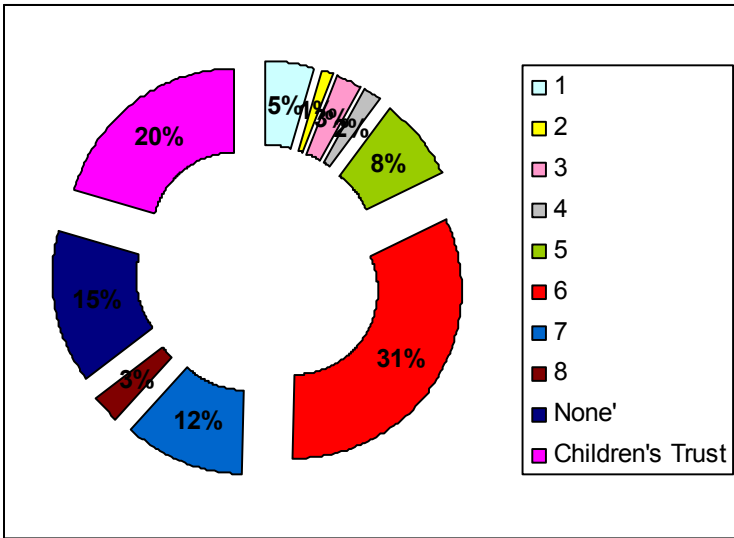
Chart 1.4: Indicative savings proposals by type 2016-20



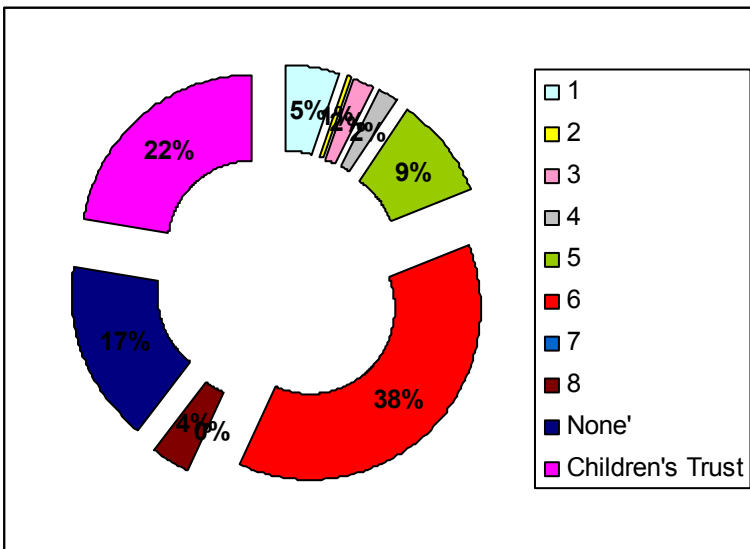
5.7 The chart below highlights where the change will be on the respective outcomes compared to the current position and 2020 (clearly depending on which options members decide to make over the coming 4 years).

Chart 1.5: Shift in financial resource across outcomes (% change to comparative outcome budget 2015-20)

2015-16 Budget by outcomes (% of total budget)



2019-20 Indicative budget by outcomes (% of total budget)



The current position and financial planning assumptions

5.8 The Council's Medium Term Financial Planning assumptions are contained within the below:

Table 2.1: MTFS summary

<i>CTX assumption</i>		<i>1.00%</i>	<i>1.00%</i>	<i>1.00%</i>	<i>1.00%</i>
2015-16	Funding	2016-17	2017-18	2018-19	2019-20
45.13	Council Tax	47.04	48.22	49.44	50.68
29.13	Retained Business Rates	29.35	29.64	29.94	30.24
24.01	Revenue Support Grant	21.13	18.59	16.36	14.40
1.46	Education Services Grant	1.24	1.05	0.90	0.76
2.36	NHS monies through BCF	2.36	2.36	2.36	2.36
2.6	New Homes Bonus	3.64	3.64	3.64	3.64
1.08	Other non-ringfenced grants	0.80	0.70	0.60	0.50
1.9	Collection Fund	1.11			
107.66	Total Budgeted income	106.67	104.21	103.23	102.58
112.34	Prior year baseline (adj.)	108.94	107.45	104.31	103.33
3.72	Base budget changes	2.90	2.90	2.90	2.90
1.89	Directorate Pressures	5.00	2.00	2.00	2.00
	Revenue impact of Capital investment	0.25	0.25	0.25	0.25
-0.5	Other adjustments	1.01	0.78	0.10	0.10
-9.79	Savings requirement	-11.43	-9.17	-6.33	-6.00
107.66	Net Expenditure	106.67	104.21	103.23	102.58

5.9 The savings lines total approximately £33m over the next four years. This is similar level to that experienced by the Council over the past few years since the previous Coalition Government came to power in 2010.

5.10 The assumptions contained within the specific lines are summarised below

Council Tax

Assumed a 1% Council Tax rise through the period of the MTFS and on recent experience this would then be funded by the Government through a Council Tax Freeze Grant. Over time, this erodes the Council's tax base in real terms. Assumed collection rates are 98.4% over the four years. Also assumed a 3% Council Tax base growth for 2016-17.

Business Rates

Assumed a small level of growth based on the latest Business Rates figures on the net collectable debit.

Revenue Support Grant

Assumed a real terms reduction of @45%. This figure will be clarified further once the Comprehensive Spending review is announced on the 25th November and then Slough's final figures are released in mid to late December as part of the Local Government Finance Settlement.

Education Services Grant

Assumed a continued reduction to this grant as more schools convert to academy status during the period of the MTFS.

NHS monies through the BCF

This figure will be removed in the final MTF5; this is a legacy of income coming through the Better Care Fund to Adult Social Care. This will be subsumed within the overall Adult Social Care budget and the comparative figures changed.

New Homes Bonus

This is monies received in respect of Council's promoting new homes being build and is tied to any increases in the Council Tax Base. As growth has been strong in the past 12 months, this is the estimated figure for Slough.

Other non-ringfenced grants

Residual Council Tax Freeze grant levels from previous years and other smaller non ringfenced grants.

Collection Fund

This is the surplus of Council Tax and Business Rates when comparing the budget that was set for 2015-16 compared to the actual Council Tax and Business Rates received. This figure is only an estimate, but is primarily driven through the increases to the Council Tax base.

Baseline

This is the brought forward budget figure from the previous year adjusted for any one-off amendments made for the 2015-16 budget.

Base budget changes

A forecast of the additional costs through contractual inflation changes, pay award (assumed at 1% and increases to the LGPS employer contributions of 0.5%) and incremental rises.

Directorate Pressures

There are some significant unavoidable pressures required for 2016-17 and these include:

- The additional funds for the Children's Trust per the Cabinet and Council reports in September of circa 2.8m
- Adult Social Care demography
- The on-going revenue costs of the Curve building
- Additional costs through the Government's pensions and NI reforms of circa 1m
- Considerations for members concerning the Local Welfare Provision scheme

Revenue Impact of Capital Investment

As the Capital strategy relies heavily on General Fund internal balances / future borrowing, the Council needs to set aside an increase to the Minimum Revenue Provision to mitigate the future cost pressures of the capital strategy.

Other Adjustments

Movements to / from reserves in respect of the transformation fund and for one-off monies to support the re-commissioning contract works across the Council.

Savings requirement outstanding

This is the level of savings still required assuming all of the above assumptions are correct at the time of the Local Government Finance Settlement

Savings identified

The first tranche of these are detailed in appendix A. Further updates will be brought to Cabinet in its upcoming meetings. The appendix A totals over £4.6m in the 2016-17 with £16m of further savings and income across the four year period.

Business Rates

Until the spending review, the full details of the new scheme are unlikely to be released. Until this point, no further financial benefits have been included in the model.

6 Comments of Other Committees

The Medium Term Financial Strategy and revenue budget 2016-17 are included on the Overview & Scrutiny Work Programme for February 2016 prior to the Cabinet making its final recommendations to full Council on 25th February 2015.

7 Conclusion

The Cabinet are requested to approve the savings programmes going forward and to assess whether these are in line with the 5YP. The final decision on these will come through to Cabinet in February 2016 and then full Council for the ultimate decision. However, by detailing the key plans for 2016-17 and beyond, and gaining Cabinet approval, then this enables officers to commence programmes of work to enable these savings to be delivered from April 2016.

8 Appendices Attached

'A' - Savings proposals

9 Background Papers

'1' 2015-16 Full Council Budget papers

'2' HM Treasury – Budget 2015 and Comprehensive Spending Review overview