

SLOUGH BOROUGH COUNCIL

REPORT TO: Cabinet **DATE:** 18th January 2016

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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

- 1.1 For Cabinet to note the latest financial position and recommend a way forward for closing the 2016-17 financial gap following the draft Local Government Finance Settlement on the 17th December. This paper also contains a summary of a recent consultation with schools in respect of changes to the schools funding formula.

2 Recommendation(s)/Proposed Action

The Cabinet is requested to resolve:

- (a) That option 3 for changes to school funding, as detailed in paragraphs 5.7 to 5.17, be approved.
- (b) That the latest financial planning assumptions contained within the report 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	In respect of school's funding, the minimum funding guarantee from Government is intended to prevent reductions to budgets year on year of more than 1.5%	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		

(c) 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

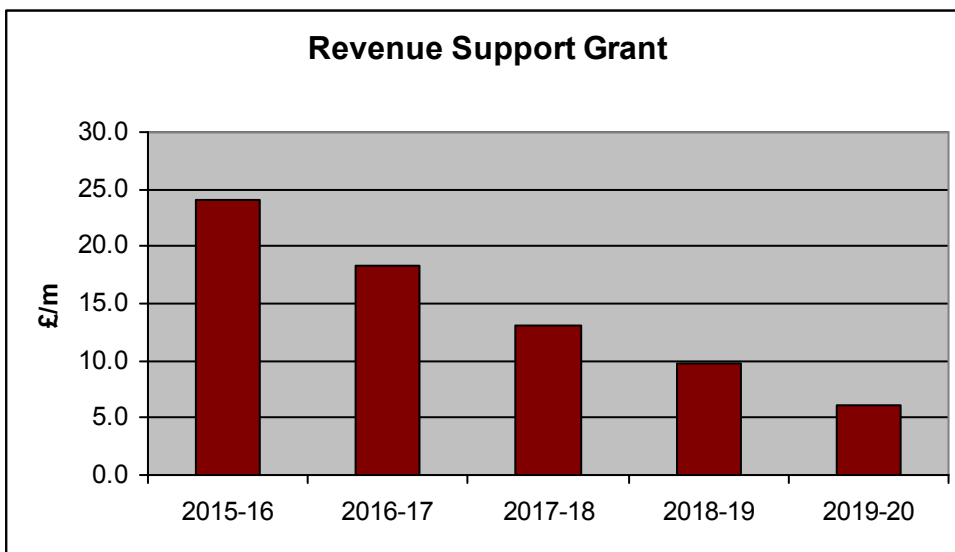
To deliver schemes in line with the strategic asset purchase strategy, the Slough Urban Renewal and utilisation of the Asset Challenge process.

5 **Supporting Information**

Background

5.1 The Local Government Finance Settlement was announced on the 17th December. A summary is included at appendix B. One of the key changes, as well as a shift in the redistribution mechanism, was the timing of the funding reductions compared to the Spending Review last month, see the below. Appendix A highlights the Council's position compared to other unitary Councils. Though the RSG reduction is comparatively lower than other Councils and close to the national average, it is still a very significant number with the Council's main Government grant declining from £24m to £6m in the next four years (and it stood at £40m in 2013-14).

Chart 1.1: Revenue Support Grant reductions



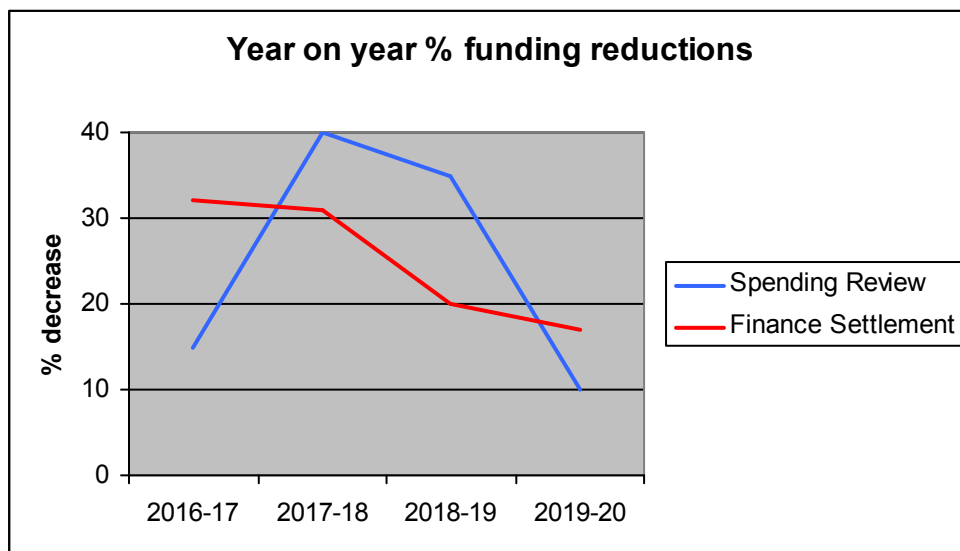
5.2 The overall funding to Council will be further reduced compared to previous forecasts from the Spending Review and reported to Cabinet in December. The deterioration for 2016-17 was a further £1.5m with additional loss of separately identified grants for Adult Social Care Act and the previous Council Tax Freeze, as well as a further reduction to the Housing Benefit Administration Grant. All of these put a further pressure into the next financial year of up to £1m.

5.3 To assist Councils, the Government is allowing an additional Council Tax precept, in respect of Adult Social Care, of 2%, meaning that Council's with Adult Social Care functions can increase Council Tax by up to 4% before a referendum would occur, subject to conditions contained within the Adult Social Care precept. The

Government is also allowing Capital receipts to be utilised for transformation activities that will generate further savings and efficiencies.

- 5.4 The four year settlement figures included in the MTFS for Revenue Support Grant are draft and indicative at present. The Government is indicating that if Councils wish for these to remain at this level then they need to complete an efficiency statement and accept these figures, though details on this have yet to be released at the time of writing. The key issue for the Council is that the year one reductions are far greater than expected.

Chart 1.2: Changes in funding reductions – November assumptions vs Finance Settlement



- 5.5 The latest MTFS position is summarised in the below

Chart 1.3: MTFS assumptions

		<i>CTX assumption</i>				
		2.94%	1.00%	1.00%	1.00%	
No.	2015-16 <i>adj</i>	Funding	2016-17	2017-18	2018-19	2019-20
1	45.13	Council Tax	48.31	49.53	50.77	52.05
2	29.13	Retained Business Rates	29.70	30.00	30.30	30.60
3	24.01	Revenue Support Grant	18.48	13.18	9.68	6.12
4	1.46	Education Services Grant	1.37	0.82	0.49	0.30
5		NHS monies through BCF			1.40	2.60
6	2.6	New Homes Bonus	3.64	3.64	2.30	2.20
7	1.08	Other non-ringfenced grants	0.80	0.60	0.40	0.20
8	1.9	Collection Fund	1.12			
9	105.31	Total Budgeted income	103.42	97.77	95.34	94.07
10	109.98	Prior year baseline (adj.)	106.58	103.42	97.77	95.34
11	3.72	Base budget changes	2.30	2.90	2.90	2.90
12	1.89	Directorate Pressures	5.75	2.00	2.00	2.00
13		Revenue impact of Capital investment	0.33	0.25	0.25	0.25
14	-0.5	Other adjustments	0.50			
15		Savings requirement o/s (-) / contribution to reserves	-2.59	-3.79	0.41	0.17
16	-9.79	Savings identified	-9.45	-7.01	-7.99	-6.59
17	105.3	Net Expenditure	103.42	97.77	95.34	94.07

5.6 Options

Below are a range of options for Cabinet to consider.

1) Further savings attributed across the organisation

To help close the gap the Council needs to be look at what further savings can be identified from existing budgets. Given the very late nature of the Government's spending review and the substantial shift in further reductions to Council budgets, there is little time to identify these savings. The Council need to consider the risk of any further substantial savings against the ability for the Council to deliver a balanced budget in the new year, as well as have the appropriate time to consult on proposals for the new year.

2) Council Tax

The model currently assumes a 2.94% Council Tax rise. This is different to the previous Cabinet report and there is a modelling assumption the Council takes up the Council Tax Adult Social Care Precept. A 3.99% Council Tax rise would yield just under a further £0.5m. Any decision on Council Tax is for the Council to decide in February.

3) Use of capital receipts to fund revenue expenditure

The finance settlement has proposed that Council's can use Capital Receipts to fund revenue expenditure in future years where this money is used for transformation / invest to save / shared service proposals. During 2016-17 the Council is likely to receive Capital Receipts of at least £3m and so could set these aside to fund revenue expenditure. A minority proportion of this could be for costs that would be offset in 2016-17.

4) Reserves

As part of the ability to use capital to fund one off revenue expenditure, the Council could utilise capital receipts to fund restructuring costs. The Council currently has a restructuring reserve of just over £1m that was set aside to fund restructuring over the next four years. This fund could be utilised to fund part of the gap in 2016-17 as all restructuring costs could be funded through capital receipts instead as highlighted above.

5.7 16/17 Budget for Schools, Academies and Free schools.

5.8 The School Forum jointly with the Council commissioned an independent consultant to examine what the average cost of a Primary and Secondary school are in Slough.

5.9 After reviewing the report produced by the independent consultant, the Council carefully reviewed the information and produced a table of 7 areas of spend comparing Primary costs to Secondary costs, which the independent consultant updated with the data collected from schools.

5.10 Please see table below summarising the cost of provision:

Table 2.1: Cost of provision summary

No.	Description	Primary	Secondary	Ratio
1	Leadership costs	546	535	
2	Teaching staff costs	1,737	2,821	
3	Education support staff	908	384	
4	Administration costs	312	404	
5	Staff related costs	153	135	
6	Occupation	182	362	
7	ICT equipment	47	135	
	Total Costs	3,885	4,779	1:1.23
	Key stage 4 exam costs	0	95	
	Cost Per pupil	3,885	4,871	1:1.25

5.11 Three Options were proposed

1. Do nothing.
2. Use the information.
3. Use the information and increase the lump sums and give Secondary's more to compensate for any loss in funding.

5.12 The ratio of total budget funding changes from Primary and Secondary from 1:1:38 to the council's preferred option (option 3) to 1:1:33.

5.13 With any changes to the funding formula, all schools need to be consulted and all 44 schools, academies and free school has been. The deadline of the 18th December 2015 has now passed, please see below for the following results:

5.14 As at 24th December 57% (25 schools) responded, please see the following:

Description	Non of Option	Option 1	Option 2	Option 3
Number of Schools preferred options	1	8	0	16
Percentage of replies	4%	32%		64%

5.15 At the end of the consultation 64% of schools agree with the Council's preferred option.

5.16 As part of the Finance Settlement from the Dept. for Education (DEF) the DFE has updated the way they calculate deprivation and reclassified areas of deprivation. These now state that Slough is not as deprived as it was in 2010 when the last updates were done. These are the 'IDACI' band factors.

5.17 The result of this is that some schools will lose funding; however, all schools are protected by the Minimum Funding Guarantee and will not lose more than 1.5% from one year to the next. Slough Borough Council is still keeping a similar level of funding as last year with some technical adjustment to minimise the impact.

6 Comments of Other Committees

None.

7 **Conclusion**

- 7.1. To consider the way forward on achieving a balanced budget against the financial gap for 2016-17. This could be a blend of all four options above.
- 7.2 For Cabinet to approve the option 3 of the School Funding proposals.

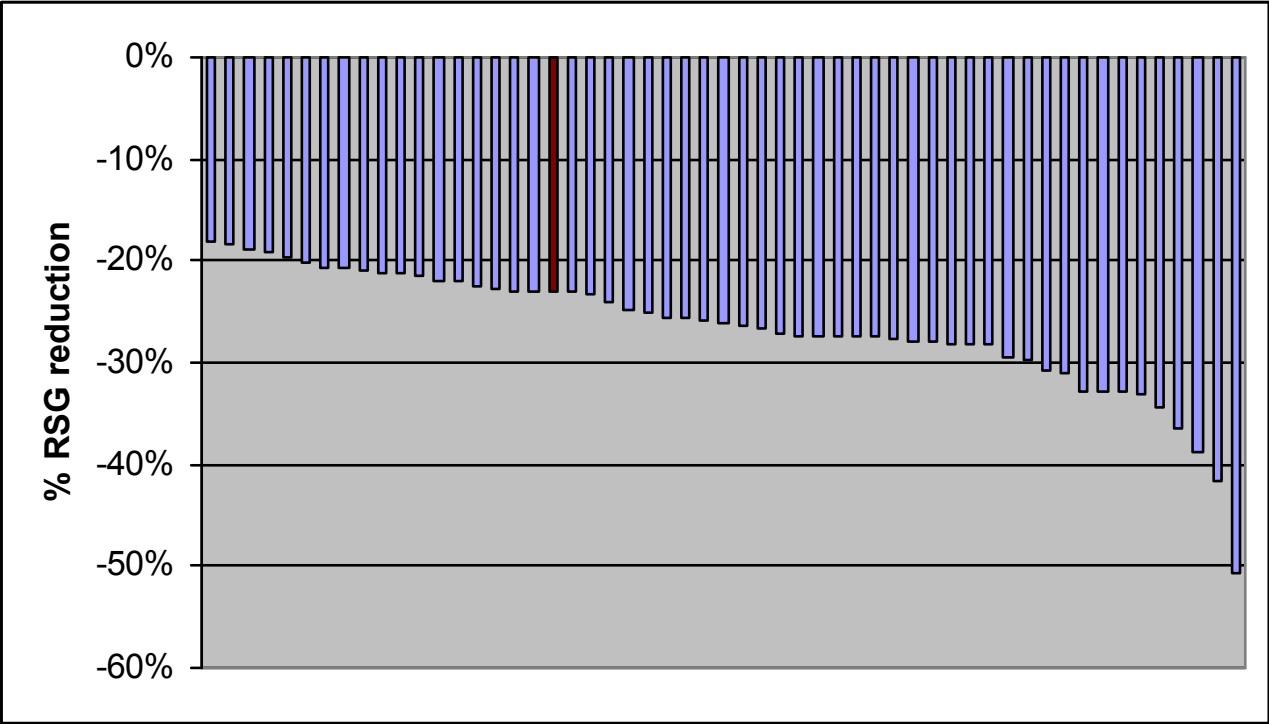
8 **Appendices Attached**

- 'A' - Comparative RSG reduction for 2016-17
- 'B' - Summary of key items in the Local Government Finance Settlement

9 **Background Papers**

- '1' 2015-16 Full Council Budget papers
- '2' HM Treasury – Budget 2015 and Comprehensive Spending Review overview
- '3' November Cabinet – appendix A – savings proposals
- '4' Schools funding 'cost of provision' report

Appendix A – comparative cuts to RSG, 2015-16 vs. 2016-17



n.b. SBC highlighted in Red (23%). The average English authority reduction is 24.5%.

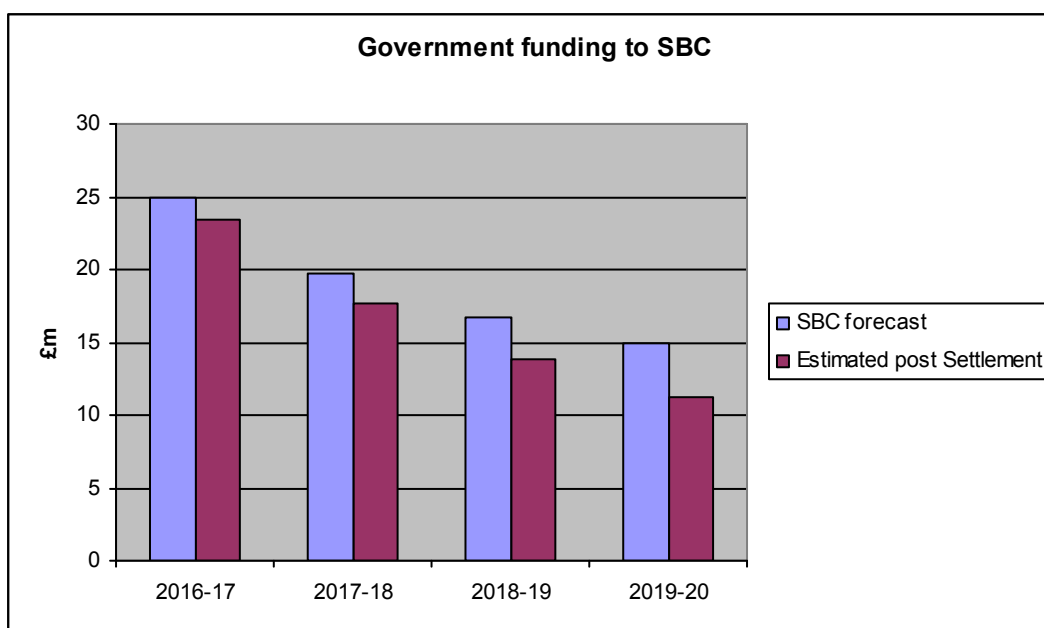
Appendix B

Local Government Finance Settlement and the impact on SBC

Below is a briefing on the outcome of the draft Local Government finance settlement and the impact for SBC. Please note that this is an initial summary; there are a number of consultations that support the finance settlement and further detail will be announced in due course from DCLG on the outcomes of these.

A summary of the key impact for the Council financially is in the summary below with further detail on finance policy announcements in the supporting paragraphs.

A summary of Government funding of the Council is included below – please note that this is very draft as a) not all announcements have been provided and b) the final settlement is not due until early February 2016.



Revenue Spending Power

This is a proxy used by the Government to compare the funding of Local Councils from one year to the next. It includes a number of funding sources such as:

- Council Tax
- Business Rates income
- Revenue Support Grant
- New Homes Bonus

The proxy for SBC would be the change from our net income from one year to the next. For 2015-16 this is a £105.3m and for 2016-17 as a result of this settlement it is **£103.6m¹**. A drop of **1.6%**

The Government's figures show a decline in spending power of **2.3%**. The variation is due to our CTX base rising faster than Government's predictions *if* the Council increase Council Tax by 4%.

¹ Assuming a 4% Council Tax rise as per Government's assumptions on spending power

The Government shows that if we were to increase CTX to the maximum throughout then we would have a 0.1% increase in spending power by 2020. When running these figures through the MTFs, this looks like a 2.5% decrease so there must be other taxbase and Business Rate assumptions that the Government are making.

Revenue Support Grant – the main non-ringfenced grant from Government

This is proposed at £18.5m. This is a 23% reduction year on year and is larger than the forecast reduction. By 2019-20 this will be reduced by nearly 80% compared to current value.

New Homes Bonus – non ringfenced funding provided to Councils equivalent to Band D Council Tax on new homes for a cumulative period of 6 years. This will reduce down by £1.5m by the end of the MTFs as the Government propose using a four year period for the grant.

A consultation on future years is due out but the figure for 2016-17 has been confirmed at £3.64m as forecast and will also be this level for 2017-18.

Education Services Grant – non ringfenced grant provided to Councils from the Dept. for Education in respect of Councils functions for education services

A review on future years is due out but the figure for 2016-17 has been confirmed at £1.37m which is just over £0.1m higher than forecast.

Council Tax Referendum

Confirmed as 4% including the ASC element set out below.

Adult Social Care Precept

Government confirmed the ability to increase Council Tax by up to 2% for those Council with ASC responsibilities. This must be done in line with the principles below:

In each year of the Parliament (subject to the approval of the House of Commons), Adult Social Care authorities ("ASC authorities") can increase their council tax by up to 2% more than the core referendum principle applying to them¹, on the following basis:

1. Spending on ASC in 2016-17 is £x higher than it would otherwise have been, where X = revenue from the additional ASC council tax flexibility. This will be confirmed by the following steps:

a. Following the publication of referendum principles alongside the provisional Local Government Finance Settlement in December, Section 151 officers in ASC authorities will be asked to write to the Secretary of State indicating whether they intend to use the additional flexibility.

b. Following the House of Commons' approval of the Local Government Finance Report and council tax referendum principles for 2016-17 in early 2016, the Secretary of State will issue a Notice under Section 52ZY of the Local Government Finance Act 1992². This will require Section 151 officers in ASC authorities to provide information demonstrating that an amount equivalent to the additional council tax has been allocated to adult social care.

Council Tax Freeze Grant

2015-16 freeze grant confirmed that we will receive the benefit in future years but that this has been rolled into the overall figures for RSG

Business Rates retention

Awaiting the consultation document on this

Better Care Fund

Awaiting further information on this. Included is a further £1.4m in 2018-19 and then £2.6 in 2019-20 for the Council though no commentary on its use has been provided yet.

The flexible use of capital receipts for transformation

The Government has set out the qualifying expenditure and mechanism below. We will need to consider this and include a strategy document within the annual revenue budget for members to approve in February 2016 and it will need to include where capital receipts have been deployed to fund revenue expenditure. This strategy will be updated annually and will set out in retrospect where funds have been spent.

The use of capital receipts for revenue expenditure is time limited from 2016 to 2020. This cannot be used to fund ongoing revenue expenditure.

Types of qualifying expenditure

4.1 Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs or to improve the quality of service delivery in future years. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility.

4.2 Set up and implementation costs of any new processes or arrangements can be counted as qualifying expenditure. The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure.

Examples of qualifying expenditure

4.3 There are a wide range of projects that could generate qualifying expenditure and the list below is not prescriptive. Examples of projects include:

- Sharing back-office and administrative services with one or more other council or public sector bodies
- Investment in service reform feasibility work, e.g. setting up pilot schemes
- Collaboration between local authorities and central government departments to free up land for economic use
- Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation
- Sharing Chief-Executives, management teams or staffing structures

- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible
- Aggregating procurement on common goods and services where possible, either as part of local arrangements or using Crown Commercial Services or regional procurement hubs or Professional Buying Organisations
- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training
- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others)
- Integrating public facing services across two or more public sector bodies (for example children’s social care, trading standards) to generate savings or to transform service delivery.

Specific Grants – awaiting information on these

- Public Health Grant – to be announced by the end of January
- PFI credits
- Domestic Abuse Grant – confirmed at £44k
- Adoption Reform Grant – looks to be removed
- Local Services Support Grant – looks to be rolled into RSG
- Housing Benefits Administration – further reduced. This has fallen by 45% in recent years
- Adult Social Care new burdens funding – appears to be included in RSG

Capital Grants

Awaiting further information on this