

SLOUGH BOROUGH COUNCIL

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

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WARD(S): All

PORTFOLIO: Cllr Munawar (Commissioner for Finance & Strategy)

PART I **KEY DECISION**

FINANCIAL PLANNING UPDATE: 2016-21

1 Purpose of Report

The report sets out the latest financial planning assumptions for future years as well as highlighting the risks associated with the 2016-17 budget proposals.

2 Recommendation(s)/Proposed Action

The Cabinet is requested to resolve:

- (a) That the latest financial planning assumptions contained within the Medium Term Financial Strategy be noted.
- (b) That the creation of an efficiency statement be noted, with final sign off to approve delegated to the Section 151 Officer following consultation with the Commissioner for Finance & Strategy before the 14th October following a further cabinet update.

3. The Slough Joint Wellbeing Strategy, the JSNA and the Five Year 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 is a for information report so the contribution to the priorities is not explicit

3b Five Year Plan Outcomes

- All

4 **Other Implications**

(a) Financial

These are all detailed in the report as this is a purely financial 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	None	None
Equalities Issues	None	None
Community Support	None	None
Communications	None	None
Community Safety	None	None
Financial – income pressure of £150k plus	Regularly monitoring Items to be reviewed once the financial statements are completed at the end of June 2016.	Any upturn in business rates income against the estimate will improve the overall financial position
Financial - savings delivery	Monthly monitoring of the financial position and savings proposals	Potential for over-delivery on a small number of savings items
Timetable for delivery Agreement by October 2016	This paper to cabinet; allows future decision either tonight or at September cabinet and potential recommendation to full Council	None
Project Capacity	None	None
Other	None	None

(c) Human Rights Act and Other Legal Implications

There are no legal or Human Rights implications through this paper as it is a 'for information' report on items already agreed by full Council.

(d) Equalities Impact Assessment

There is no identified need for the completion of an EIA as this is a 'for information' report on items already agreed by full Council.

5 Supporting Information

5.1 The Council approved the Medium Term Financial Strategy: 2016-20 (MTFS) at the Full Council meeting in February 2016. This document set out the financial planning assumptions for the four years ahead.

5.2 This paper sets out the latest financial planning assumptions contained within the MTFS and adjusts for any one-off nature of budget savings applied for the 2016-17 financial year.

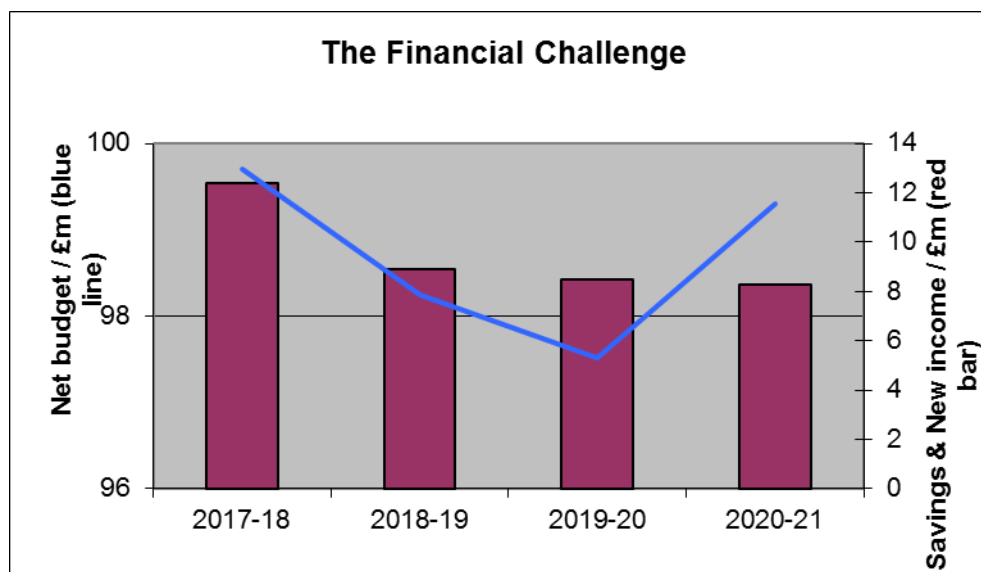
Table 1.1: Medium Term Financial Strategy Summary: 2017-21

No.	2016-17 <i>adj</i>	Funding	2017-18	2018-19	2019-20	2020-21
1	48.7	Council Tax	52.29	53.87	55.49	57.17
2	30.0	Retained Business Rates	30.30	30.60	30.91	31.22
3	18.5	Revenue Support Grant	13.18	9.68	6.12	6.12
4	1.4	Education Services Grant	0.00	0.00	0.00	0
5		NHS monies through BCF		1.40	2.60	2.6
6	3.6	New Homes Bonus	3.64	2.30	2.20	2.2
7	0.8	Other non-ringfenced grants	0.60	0.40	0.20	0
8	0.8	Collection Fund	-0.30			
9	103.9	Total Budgeted income	99.71	98.25	97.52	99.31
10	106.6	Prior year baseline (adj.)	107.36	102.01	100.35	101.92
11	2.3	Base budget changes	2.90	2.90	2.90	2.90
12	5.8	Directorate Pressures	2.00	2.00	2.00	2.00
13	0.3	Revenue impact of Capital investment	0.33	0.25	0.75	0.75
14	-1.1	Other adjustments	-0.50			
15	-10.0	<i>Savings required</i>	-12.38	-8.91	-8.48	-8.26
16	103.9	Net Expenditure	99.71	98.25	97.52	99.31

5.3 The table above sets out the financial planning assumptions for the years ahead. Council Tax levels are for members to decide upon annually. For the purpose of this paper, Council Tax for the next financial year has assumed to be the same for 2016-17 (a 3.75% rise) and then reverts to the previous modelling assumption of 1%. A summary chart has also been included in the chart below setting out that the level of savings is expected to decrease over the MTFS as income starts to decline at a slower rate and eventually rise. There are some major risks facing the Council including:

- Lack of clarity over the future of business rate income due to Government proposals on its future for Local Government
- The Government's proposals to look at overall Government funding to Local Government and changes to Revenue Support Grant and New Homes Bonus and how these will interact with Business Rates
- Risks around Business Rate income and especially the conversion of offices to flats
- The performance of the macro-economy
- The impact of welfare reforms and any additional costs through this to the Council

Chart 2.1: Income and Savings – 2017-21



5.4 The key items included within the above summary include:

- That the Maximum Council Tax can increase is 4%; 2% for the general fund and 2% for an Adult Social Care precept
- The Council Tax base grows by 3.5% then drops to a growth of 2% for the rest of the MTFS
- Business Rates growth is constrained to inflation
- That the Council accepts the Revenue Support Grant figures as set out by the Government as part of the Final Local Government Settlement in February 2016
- That New Homes Bonus drops in 2018-19 in line with the Government's intention at the Local Government Finance Settlement
- That directorate pressures are constrained to £2m per annum
- That savings of over £12m are required for next year. Officers are reviewing proposals and have identified circa £7.5m and these proposals will be worked upon and presented to members for consideration later in the financial year. There is a gap of at least £4m for the next financial year where further savings or income generation are required to prepare a balanced budget

Efficiency Statement

5.5 As part of the Local Government Finance Settlement, the Government established a new financial offer to Local Government. The Government will set out the minimum levels of Revenue Support Grant (RSG), subject to the caveat below, for Councils for the four years ahead. For Slough Borough Council these are the figures in the MTFS above, and for clarity these are:

Year	2016-17	2017-18	2018-19	2019-20
Amount	18.48	13.18	9.68	6.12

For those Councils who do not accept this offer, the level of RSG will fluctuate year on year.

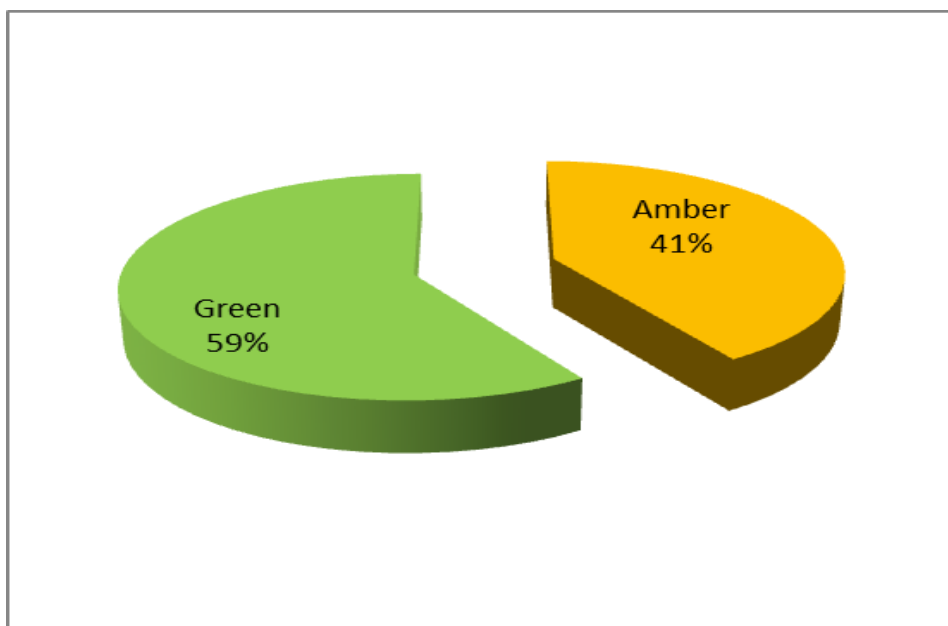
In practice, the final determination of the local government finance settlement for any given year cannot be made until calculations are completed taking account of the business rates multiplier, which is based on the Retail Price Index in September each year. The Government will also need to take account of future events such as the transfer of functions to local government, transfers of responsibility for functions between local authorities, mergers between authorities and any other unforeseen events. However, barring exceptional circumstances and subject to the normal statutory consultation process for the local government finance settlement, the Government expects these to be the amounts presented to Parliament each year

- 5.6 The offer is related only to RSG for the Council. For other Councils it does include Transitional Grant (of which Slough receives £0; Bracknell Forest received £0.93m, Reading £0.41m, RBWM £1.28m, West Berkshire £1.39m and Wokingham £2.11m) and Rural Services Delivery Grant (of which Slough receives £0). To approve the offer, the Council needs to complete an efficiency statement and return this to the Department for Communities and Local Government (DCLG) by the 14th October. This document for Slough Borough Council will be formed by the Medium Term Financial Strategy, Revenue Budget and supporting appendices, Treasury Management Strategy (all approved at Full Council in February 2016) and the Five Year Plan. This report recommends that the final document is delegated to the s151 officer and lead commissioner to review and that this is based on previous information presented to members setting out the Council's financial plan.
- 5.7 The Government expects that by providing clarity over future funding, this will enable Councils to plan their finances better which lead to improved long term financial planning. Though having this stability should be welcomed, it is important to note that the Council's RSG will drop from £40m in 2013-14 to £6m by 2019-20, and that in the coming months, the Government will be consulting to fundamentally change the system of Local Government finance through business rates retention and a review of the Local Government finance methodology and allocations.
- 5.8 In light of the Chancellor of Exchequer's announcement to relax the requirement for a budget surplus by 2020, there could be a change to Local Government finance in the coming weeks. Therefore, Cabinet are advised to make a decision on the acceptance of the 'offer' until closer to the October deadline.

2016-17 savings update

- 5.8 A summary of the 2016-17 savings that have been approved and are being monitored is included in appendix A, with a summary below. These savings have been reviewed to consider the likelihood of them being delivered in the current financial year.

Chart 2.2: Summary of 2016-17 savings proposals¹



5.9 Some of the key areas of savings risk include:

- Delivery of the Adult Social Transformation programme – some savings that were expected in 2015-16 were not delivered in full and expect to be in 2016-17
- Ensuring a full year effect of the Strategic Asset Purchase scheme

5.10 It is also important to note risks to the sources of income per the below:

Table 1.2: Income projections

Item	Budget income	Expected income	Comments
Council Tax	48.7	48.7	Income notionally fixed; any surplus or deficit moves into the following year's collection fund
Retained Business Rates	30.0	30	This is a key risk area. Business Rates income has been very volatile in the past two years.
Revenue Support Grant	18.5	18.5	Confirmed at the LG finance settlement
Education Services Grant	1.4	1.4	Dependent upon the number of schools that convert to Academy status during the year
New Homes Bonus	3.6	3.6	Confirmed at the LG finance settlement
Other non-ringfenced grants	0.8	0.8	Based on s31 refunds from Government in respect of Business Rates exemptions
Collection Fund	0.8	0.65	Draft outturn indicates a reduced Council Tax collection Fund surplus; the financial statements have not been closed yet though and there are further adjustments to occur
Transfer from Reserves	1	1	
Flexible Use of Capital Receipts	0.3	0.3	

¹ Green = project on track for full delivery

Amber = project in place but risks to full delivery

Red = project has major risks that mean savings delivery is highly unlikely

- 5.11 There are some risks in the above; the three main areas being Business Rates income, Education Services Grant and the Collection Fund. These will need to be closely monitored during the financial year.

6 **Comments of Other Committees**

This report has not been considered by any other committees.

7 **Conclusion**

For members to note the latest financial planning assumptions and the risks contained within the current budget.

For members to approve the acceptance of the Government's offer of funding stability in respect of Revenue Support Grant over the period 2016-20.

8 **Appendices Attached**

'A' - Summary of 2016-17 savings proposals

9 **Background Papers**

'1' - Budget papers to full Council – February 2016

'2' - Local Government finance settlement (DCLG) – February 2016

Appendix A – 2016-2017

No.	Service	Directorate	Value 2016-17	Item	Risk Rating	Comments
1	Highways	RHR	104	Transformation programme to deliver greater efficiencies through the redesign of the highways and transport service. Highways proportion of £1m savings in 16/17, remainder of £2.5m savings in 17/18	Green	
2	Transport	RHR	69	Transformation programme to deliver greater efficiencies through the redesign of the highways and transport service. Transport proportion of £1m savings in 16/17, remainder of £2.5m savings in 17/18	Green	
3	Learning & Communities	CCS	11	Work based learning (apprenticeship scheme) to reduce	Green	
4	Learning & Communities	CCS	7	Adult learning and skills - reduction in data and performance information	Green	
5	Public Protection	CCS	10	Additional income from TVP for CCTV - part of a funding package for the borough wide provision	Green	
6	Public Protection	CCS	5	Cost Recovery of Regulatory Advice with extension of Primary Authority partnerships(PA)	Amber	
7	Transport	RHR	524	Transport - 2016/17 Pause.	Green	
8	Housing	RHR	19	HRA/GF split on OT post	Green	
9	Housing	RHR	13	HRA/GF split on Home Improvement Officers	Green	
10	Housing	RHR	37	Reduction in support for RSLs and shared equity schemes	Amber	
11	Asset Management	RHR	150	Increased recharges to capital/income from strategic acquisitions	Amber	Depends upon suitable sites and ability to charge full costs vs the 4% cap on charges
12	Highways (RHR)	RHR	165	Transformation programme to deliver greater efficiencies through the redesign of the highways and transport service. Highways proportion of £1m savings in 16/17,	Green	
13	Transport (RHR)	RHR	85	Transformation programme to deliver greater efficiencies through the redesign of the highways and transport service. Transport proportion of £1m savings in 16/17,	Green	

14	Wellbeing and Community Services	CCS	17	Increased income + service efficiencies (@10%)	Green	
15	Public Protection	CCS	25	Additional income from TVP for CCTV as part of a funding package for the borough wide provision and in recognition of the support provided to TVP by CCTV	Green	
16	Transport	RHR	10	Reduction in revenue budget for ETP in 2016/17 and £13 income from charging for VAS use and providing service to schools	Green	
17	Neighbourhood Services	RHR	50	Reshaped provision of community warden service	Amber	
18	Young People's Service (W&C)	CCS	300	Reduce commission of locality based youth provision & Reduce staffing within Young People's Service	Amber	Consultation started; some delay in achieving the full amount for 2016-17
19	Leisure (W&C)	CCS	5	TVAC management fee	Green	
20	L&CS	CCS	6	Reduction in purchasing children's books for Slough's 4 main libraries & 3 satellite libraries	Green	
21	L&CS	CCS	4	Phased reduction in support to a series of activities that include summer and half term activities for all ages in targeted neighbourhoods delivered through a number of community centres.	Green	
22	Other Education	Wellbeing	16	Various small savings totalling £16k from a review of cost centres and includes school audit fees, school library recharge, and a small amount from a staff restructure	Green	
23	Cambridge Education Contract	Wellbeing	300	tbc	Amber	Part of the re-commissioning of the contract
24	ASC	Wellbeing	300	Service reform of internal LD services	Amber	
25	ASC	Wellbeing	1,800	Reform of social care 1 - Redesign of models of support	Amber	
26	L&CS	CCS	9	Library - Reduction in purchasing of adult stock, spoken word and large print resources.	Green	
27	Finance & Audit	RHR	10	Increased recharges to the SRP	Green	
28	AIR	RHR	1,250	Asset Purchase Strategy - assume a maximum of £25m investment portfolio with net 5%	Green	
29	AIR	RHR	15	SRP commercial and small sites	Green	

30	AIR	RHR	150	Asset Challenge - more effective utilisation of Council assets	Amber	
31	Finance & Audit	RHR	100	Increased treasury mngt. Returns & repayment of £4m loan in 2016-17.	Green	
32	Finance & Audit	RHR	60	Mortgages deposits being offered with rental (@4%). Assumed 20, then 75 then 133.	Amber	Scheme due to launch in June - timing of scheme completions might mean non delivery of full savings in this year
33	Finance & Audit	RHR	1,818	One-off interest on loan notes from existing SRP schemes	Green	
34	Building Control	CCS	8	At least a 35% reduction in subsidy through additional income from discretionary work, expected increase in application numbers off the back of local plan review/growth agenda and review of fees and charges.	Amber	Requires some enablement through outcome 8 - the Council will be a leading digital transformation organisation
35	Development Management	CCS	11	Reduction in subsidy through additional income from pre-application and increased planning application numbers off the back of the local plan review/growth agenda.	Amber	Some linkage to local plan review under Outcome 1
36	Environmental Quality	CCS	4	Savings from reducing specialist consultancy support by training existing staff to undertake both petroleum licensing and environmental permitting.	Amber	Phased training programme and some reallocation of work within the team
37	Finance & Audit	RHR	300	Moving MRP (Minimum Revenue Payments) to a long asset life period (60 years as opposed to 40 years)	Green	
38	Facilities	RHR	100	Additional income - Maximise Use of Office Space	Green	
39	Facilities	RHR	100	Additional Income - Corporate Landlord & Accommodation Strategy Initiatives	Green	
40	Facilities	RHR	20	FM Contracts Review	Green	
41	Public Protection Trading Standards	CCS	5	TS consultancy service with Slough based traders who are regarded as being Importers into the EU	Amber	Identify these traders via tradeinfo website, visit and offer paid for consultancy service to assess 'sample'/prototype products before order to ensure compliance with various TS Regulations. Will require some training of officers

						prior to ensure consistency of advice.
42	Public Protection Trading Standards	CCS	3	Additional Income through commercial advertising on TS website. TS as a brand is very valuable and sort after for businesses and we could encourage advertising through our specific site. Nevertheless this model should be explored for the council as a whole.	Amber	
43	Public Protection Trading Standards	CCS	1	Restorative justice training. Where non compliance can be evidenced via Test Purchase/Inspection and the gravity of that contravention is serious we could insist on training (for a fee) taking place to ensure knowledge and skills are at a level to accommodate future compliance.	Amber	In house via established TS team. Rooms to be booked at council offices for training to take place. Leicestershire TS have adopted this model already. Will require benchmarking with existing models.
44	Public Protection Trading Standards	CCS	5	The Redress Schemes for Letting Agency Work and Property Management Work(Requirement to Belong to a Scheme etc(England) Order 2014	Amber	Development scheduled for Q3 and delivery anticipated within Q4'
45	Public Protection	CCS	5	SBC Legal to not have only delegation of authority on all court cases. Allow individual business units to either take the cases to magistrates themselves under S222 and S223 of the Local Government Act or allow them to instruct their own counsel/solicitors as the case befits.	Amber	Low-Medium. The actual preparation of legal docs, although prescriptive is time consuming and needs specialist in house legal knowledge.
46	Public Protection Trading Standards	CCS	2	Via SBC Business Engagement Strategy TS should be introduced to new and emerging SME who have IP. We could advise and support the expansion of their IP including protecting it and further ensuring registration of designs and patents in the appropriate manner.	Amber	
47	Finance & Audit	RHR	280	Savings through the Agresso system and more effective external audit / internal audit procurement	Green	
48	Finance & Audit	RHR	10	Internal audit savings - current contract	Green	
49	Corporate Procurement	CCS	10	Reduced involvement in tender evaluations	Amber	

50	Corporate Procurement	CCS	10	Additional income through HRA cross charges for major projects e.g. RM&I	Green	
51	Corporate Procurement	CCS	10	Additional income for HRA cross charges for BAU projects	Green	
52	Corporate Procurement	CCS	5	Additional income through providing procurement support to other LAs e.g tendering for Frameworks	Amber	
53	Corporate Procurement	CCS	5	Reviewing compliant tender processes for schools	Amber	
54	Environmental Quality	CCS	2	Re-negotiate landfill monitoring contract and reduce scope to statutory minimum for Kennedy Park.	Green	
55	Transactional Services	CCS	114	Arvato savings due to implementation of Agresso	Amber	Service realignment discussions not concluded / later roll out of HR/Payroll element
56	strategy and Engagement	CE	3	Removal of media support at council meetings	Green	
57	strategy and Engagement	CE	15	Interim restructure of Democratic Services	Green	
58	strategy and Engagement	CE	6	Democratic Services housekeeping, delete unused budgets	Green	
59	L&CS	CCS	111	By bringing the library service "in house" from 1st July 2016 there will be a saving in management fees charged by Essex County Council.	Green	
60	L&CS	CCS	29	Essex County Council currently charge for payroll and HR, legal, finance support.	Green	
61	L&CS	CCS	10	Through the library service coming back in house the service will no longer be required to fund any content insurance (assuming the council's own insurance arrangements will cover the library service contents cover.	Green	
62	L&CS	CCS	8	Ceasing buying in the libraries Plus survey.	Green	
63	Transport	RHR	50	Potential surplus budget following change to concessionary fare start times	Green	
64	Trust	Trust	635	Reduced spending in line with contract and negotiations on the budget - per the Cabinet and Council paper in September.	Green	
65	All	All	812	Savings allocated across all directorates	Amber	
Total			10,133			