

SLOUGH BOROUGH COUNCIL

REPORT TO: Cabinet **DATE:** 17 December 2018

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PORTFOLIO: Cllr Swindlehurst: Cabinet Member for Regeneration & Strategy and Leader of the Council

PART 1 **KEY DECISION**

2019/20 MEDIUM TERM FINANCIAL STRATEGY – TRANCHE 1 SAVINGS PROPOSALS

1 Purpose of Report

The aim of the Medium Term Financial Strategy (MTFS) is to model income, expenditure and resource requirements, over a four year period (2019/20 to 2022/23). The MTFS informs officer and member discussions regarding the Council's future financial position and the forthcoming Revenue Budget 2019/20.

The assumptions and figures within the MTFS will change during the course of the year as further information is released by government and detailed work is undertaken by officers. This update highlights the latest MTFS position as at December 2018.

2 Recommendations

The Cabinet is requested to resolve that:

- a) The Medium Term Financial Strategy and the associated figures and projections contained within the report be noted.
- b) The savings listed in Appendix A be approved in principle, to allow officers sufficient time to plan and ensure they are able to be implemented, if agreed at Full Council on 21 February 2019, from the start of the next financial year.

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

The report indirectly supports all of the Council's strategic priorities and cross cutting themes by ensuring sufficient financial resources are available to allow the Council to function and fulfil its statutory obligations.

3b Five Year Plan Outcomes

The report helps achieve the Five Year Plan outcomes by contributing to the Council's financial planning and ensuring the five outcomes are adequately resourced.

4 Other Implications

(a) Financial

The financial implications are contained within this report

(b) Risk Management

Risk	Mitigating action	Opportunities
Legal	N/A	N/A
Property	N/A	N/A
Human Rights	N/A	N/A
Health and Safety	N/A	N/A
Employment Issues	A number of posts may be affected by changes proposed during the revenue budget process 2019/20 to ensure the Council adheres to its Medium Term Financial Plan. If necessary these will be managed through the council's restructure, redundancy and redeployment policy and procedure.	N/A
Equalities Issues	Equalities Impact Assessments will be undertaken and considered as budget growth and savings options are identified during the course of this financial year.	N/A
Community Support	N/A	N/A
Communications	N/A	N/A
Community Safety	N/A	N/A
Financial	Detailed within the report	N/A
Timetable for delivery	N/A	N/A
Project Capacity	N/A	N/A
Other	The MTFs is not a fixed set of numbers and is necessarily based on various financial forecasts and assumptions that will inevitably change during the year. Regular MTFs	N/A

	updates have been provided to Cabinet during the course of 2018/19.	
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(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 2019/20 do 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. All the savings proposals included within this report, if ultimately agreed by Council, will be closely monitored throughout the financial year and reported to Cabinet via the quarterly Financial Monitoring reports.

(d) Equalities Impact Assessment

Equalities Impact Assessments will be reported as part of the overall revenue budget setting report to be presented at full Council in February 2019.

(e) Workforce

Where necessary the Council has a number of measures to minimise compulsory redundancies including;

- Developing staff skills to redeploy to alternative roles.
- Obtaining staff savings from deletion of vacant posts.
- Opportunities for Voluntary Redundancies.

The Revenue Budget is built on the assumption that there will be no significant impact on staffing.

5 Supporting Information

5.1 Summary

5.1.1 Local authorities in England are facing unprecedented challenges with regards to financial resilience and ongoing stability. The Local Government Association (LGA) has warned that councils in England face an overall funding gap of £5.8bn by 2020. In addition, local authorities are experiencing substantial pressures on social care and housing services. There is, therefore, a great deal of public concern and scrutiny regarding the financial resilience of all local authorities and Slough BC is most certainly not immune.

5.1.2 Unprecedented challenges require robust responses. Ever since the age of public sector austerity was introduced, by central government following the financial crash in 2008, local authorities have been seeking to manage increasing demand for statutory services within ever reducing levels of funding. Going forward, Slough Borough Council must ensure it has both the method and the financial means to continue to serve its local residents and businesses. It must be clearly stated at the outset of this report that this is not an easy process – the majority of quick financial

wins the Council could make were made over the past ten years, and still government funding levels have continued to fall.

- 5.1.3 The Council must also maintain an appropriate level of easily accessible financial reserves to protect the Council against future budgetary impacts and the continued financial pressures and constraints that the Council faces. The Council must also manage the risks surrounding its budget estimates to ensure that they are robust and to ensure that the budgets ultimately agreed are managed and delivered in year.
- 5.1.4 Given the scale of ongoing reductions in central government funding for local authorities and the current restrictions on increasing council tax (whereby any increases over 3% require a local referendum), continuing to modernise and reform services; find more efficient ways of working and more efficient methods and models of delivering our services remains important. Further, the Council is currently facing numerous significant financial challenges: the demand for services is increasing (particularly with regard to Adult's Social Care, Children's Services and Homelessness/Temporary Accommodation).
- 5.1.5 This Medium Term Financial Strategy requires the Council to take a more commercial approach to its finances and the significantly increase its financial reserves to ensure SBC is financially resilient for the future. The Council can only operate within its financial means. The implications of this approach are set-out, in more detail, later in this report.
- 5.1.6 Officers and Members believe the Council is well prepared to meet the financial challenges that lie ahead, whilst recognising that the necessary response is not easy and will require difficult choices to be made. SBC has a strong history of ensuring a balanced budget is delivered each year; has successfully delivered a number of change and transformation projects in recent years; whilst being at the forefront of many local authority innovations, for example setting up James Elliman Homes to start addressing Temporary Accommodation issues and the Council's partnership with Morgan Sindall Investment Limited – Slough Urban Renewal (SUR). At the same time, the Council has maintained investment in its infrastructure through the approval of capital budgets to deliver a variety of programmes, including the substantial enhancement of the borough's leisure facilities.
- 5.1.7 This Medium Term Financial Strategy (MTFS) sets out the updated Council's future financial plans and the context for the 2019/20 revenue budget. The guiding principles behind the MTFS are as follows:
 - 1) The Council will operate within its financial means.
 - 2) The Council will seek to increase its financial reserves to the unitary average over the next four years (approximately £30m).
 - 3) The Council will use Slough Urban Regeneration (SUR) profits to firstly increase reserves and then to fund one off growth initiatives.
- 5.1.8 Slough Council accepted the offer of a four year grant settlement from the Government in 2016/17 to ensure predictability of funding. The MTFS is, therefore, based on this expected level of funding.

5.1.9 Although the four year deal did provide the Council with some certainty regarding its future funding levels; the agreement also resulted in central government reducing the amount of funding it provided the Council by £26.448m over the same period. It can be seen in Table 1 below that the Council will, from 2019/20, receive £12.355m less per annum from central government than it did three year's previously in 2016/17.

Table 1: Central Government Funding for SBC 2016/17 to 2019/20

Revenue Support Grant	
Year	£m
2016/17	18.477
2017/18	13.181
2018/19	9.680
2019/20	6.122

5.1.10 The Government has recently announced the Provisional Local Government Finance Settlement 2019/20 will be published after 11 December 2018. This Provisional Settlement will provide further certainty regarding:

- Slough BC's New Homes Bonus allocation;
- Whether Slough's joint bid with other Berkshire authorities to continue as a Business Rate Pooling Scheme pilot in 2019/20 will be accepted;
- Whether there is any relaxation concerning the Government's Council tax Capping Rules.

5.1.11 An update on the main items arising from the Provisional Local Government Finance Settlement 2019/20, if published in time, will be provided at the Cabinet meeting.

5.1.12 For the current year (2018/19) the general revenue budget was set at £101.112m with a Band D council tax of £1,331.89. Council tax was increased by 4.5% which included the government's 3% precept for Adult Social Care.

5.2 Updates to Medium Term Financial Strategy since October 2018

5.2.1 Cabinet last reviewed the Medium Term Financial Strategy for 2019/20 to 2022/23 at its meeting on 15 October 2018. At this time a funding gap, between what the Council estimates it is required to and the funding available for 2019/20 was projected to be £3.244m.

5.2.2 The latest financial projection indicates that this funding gap has substantially reduced to £1.657m. However, it is important to note that, in order to set a balanced budget as required by legislation, this funding gap will need to be closed by the time Full Council agrees the Revenue Budget 2019/20 at its meeting on 21 February 2019.

5.2.3 The latest MTFS projection, as at 5 December 2018, is set out in Table 2 below

Table 2: MTFS 2019/20 to 2022/23 – Latest Projection

	December 2018 Cabinet			
	19/20	20/21	21/22	22/23
	£'000	£'000	£'000	£'000
<i>Ctax Increase Assumption</i>	3.00%	3.00%	3.00%	3.00%
Base Position (Excluding Parish Precepts)	101,002	101,643	102,816	105,654
Base Budget Changes	3,694	3,140	3,140	3,140
Directorate Growth	725	725	725	725
Estimated Pressures	5,976	1,000	1,000	1,000
Revenue Impact of Capital Programme	1,321	711	656	656
SUR Income	(1,500)	(750)	0	0
SUR Income (Previous Year)	4,239	1,500	750	0
Savings Identified	(7,649)	(934)	(270)	(100)
Transformation Fund Savings	(5,010)	(4,040)	(2,600)	0
10% TF Contingency	501	404	260	0
Total Forecast Expenditure	103,300	103,399	106,477	111,075
Council Tax Income	58,983	62,081	65,482	68,996
Retained Business Rates	32,793	33,535	34,142	34,865
Revenue Support Grant	6,122	5,527	4,920	4,920
New Homes Bonus	2,445	1,673	1,110	1,110
Additional Adult Social Care Grant	1,300	0	0	0
Total Estimated Funding Available	101,643	102,816	105,654	109,891
CURRENT FUNDING GAP	(1,657)	(583)	(823)	(1,184)

5.2.4 Since the October 2018 Cabinet meeting the projection has changed as follows:

Table 3: Change to MTFS Projection (October to December Cabinet)

	19/20	20/21	21/22	22/23
	£'000	£'000	£'000	£'000
Base Position	0	1,100	2,965	2,965
Estimated Pressures and Growth	1,346	(75)	0	0
Savings Identified	(1,958)	(489)	(70)	(100)
Transformation Fund Savings	124	379	720	0
Forecast Expenditure	(487)	915	3,615	2,865
Estimated Funding Receipts	(1,100)	(2,965)	(2,965)	(2,965)
Total Change (Better) / Worse	(1,587)	(2,050)	650	(100)

5.2.5 The main changes in the MTFs projection, since the report to Cabinet in October 2018, are set out below.

Estimated Pressures and Growth

5.2.6 The MTFs includes an estimate of growth required to address a number of Directorate pressures arising in-year and reflected in the Council’s Revenue Budget Monitor. A final decision on the pressures that will require addressing in the 2019/20 Revenue Budget will be decided following the publication of the Council’s Quarter 3 Revenue Monitoring report.

5.2.7 The current estimated pressures, for 2019/20, are as follows:

ESTIMATED PRESSURES	£'000
Temporary Accommodation	1,000
Schools PFI	700
CLS - Demographic Growth (including efficiencies)	1,400
Educational Psychologists	100
Waste Contract - Contractual Price Increase	1,400
Home to School Transport	500
Contractual Growth	876
	<u>5,976</u>

5.2.8 A provision of £1m has been included in the MTFs projection, per annum, to recognise future Directorate pressures from 2020/21 to 2022/23.

5.2.9 Growth, previously agreed by Council, totalling £0.725m has also been included in the MTFs projection. As follows:

Directorate	19/20	20/21	21/22	22/23
	£'000	£'000	£'000	£'000
Adults and Communities Demand Demographic Growth	700	700	700	700
Adults and Communities Demand Care Act Responsibilities	25	25	25	25
	<u>725</u>	<u>725</u>	<u>725</u>	<u>725</u>

Savings Identified

5.2.10 Officers have continued to work on developing savings proposals to ensure the Council is able to set a balanced budget (i.e. where all expenditure is matched by income). All savings are ultimately agreed, by Council, at the Full Council meeting in February each year. However, in order to obtain the full-year effect (ie savings will commence from 1 April at the start of the new financial year) it is useful for officers to commence planning for implementation as soon as possible.

5.2.11 The current list of possible savings proposals, put forward by Directorates, is listed as Appendix A. In order to allow for savings to be achieved with a full-year impact, if agreed by Council in February 2019, Cabinet is requested to agree these savings, in principle, at the current time.

Transformation Funding

5.2.12 Officers continue to review the current ‘invest to save’ proposals that utilise the Government’s Direction regarding the flexible use of capital receipts. In particular to

assess whether the savings targets remain achievable. A 10% contingency has been included in the MTFs to allow for the slippage of some of these savings proposals. Full Council will be asked to agree the Flexible Use of Capital Receipts Strategy at its meeting in February 2019. Appendix A clearly highlights those savings that are deemed to be 'Transformation Funding'.

Estimated Funding Receipts

- 5.2.13 Estimated revenue funding receipts have increased since the last MTFs was produced. The £1.1m increase in 2019/20 predominantly relates to Slough BC's share of the Government's additional Adult Social Care Grant for 2019/20.
- 5.2.14 Further, from 2020/21 onwards the additional income relates to Business Rates income. Changes planned to the local government funding system from 2020/21 will see revised collection targets for local authorities' under the Business Rates Retention Scheme. This process will see a proportion of business rates income growth taken from individual authorities and re-distributed across all authorities, according to a measure of need. It is not possible to exactly forecast the extent to which Slough will gain or lose from this process at this stage, as neither the methodology for taking the growth or distributing it have been determined. However, external advisors have modelled the likely impact of this change on Slough BC and the MTFs includes these projections.
- 5.2.15 Members will be aware that another main source of Council income is derived from Council Tax receipts. The overall amount raised is based on the Council Taxbase (i.e. the number of properties in the borough). There is a report elsewhere on this agenda outlining the Taxbase position for 2019/20, based on a count undertaken on 30 November 2018. The previous MTFs assumption regarding the expected taxbase increase between 2018/19 and 2019/20 (2.6%) is exactly in line with the actual final position. The MTFs currently assumes a Council Tax increase of 3%, leading to an assumed Council Tax income of £58.983m for the Council in 2019/20.
- 5.2.16 The total income available to the Council for its 2019/20 net revenue budget is therefore currently projected as £101.643m.

5.3 Next Steps

- 5.3.1 Work continues, within Directorates, to develop savings proposals that will allow the Council to set a balanced budget following Full Council's agreement at its meeting on 21 February 2019.
- 5.3.2 In addition, all funding pressures and growth proposals are being scrutinised to ensure they are both required and not over-inflated.
- 5.3.4 The Council has also, over the past year, embarked on an extensive Transformation Programme that seeks to put the Borough's residents, its customers, at the heart of the Council's service delivery. By utilising new technologies and reviewing service provision to enhance and improve the customer experience the Council intends to transform the way it operates for the benefit of all its residents. Lead Members and Directors are utilising this programme as an opportunity to undertake a review of all functions across the Council and are looking to develop strategic budget proposals which will feed in to the ongoing MTFs.

6. Conclusion

- 6.1 The latest update of the Medium Term Financial Strategy, as at 5 December 2018, indicates there remains a projected budget gap of only £1.657m to be closed before the start of the 2019/20 financial year.
- 6.2 The MTFS is currently projecting a total income for the Council's net Revenue Budget 2019/20 as £101.643m.
- 6.3 Cabinet is asked to agree, in principle, the savings proposals (outlined as Appendix A) to enable officers to undertake additional work to ensure, if agreed by Full Council in February 2019, that the full-year impact of the savings will be realised.

7 Appendices Attached

A List of savings for approval at this Cabinet

8 Background Papers

None

Appendix A – SAVINGS PROPOSALS

Denotes Transformation fund

			19/20	20/21	21/22	22/23
			£'000	£'000	£'000	£'000
Savings Identified						
A&C	Accounting	Utilise Public Health Funds for Active Slough	79			
A&C	Accounting	Seek additional funding from Better Care Fund	150			
F&R	Accounting	Minimum Revenue Provision Adjustment	750			
F&R	Accounting	Review of HRA recharges	500			
Regen	Accounting	Asset Management Team - 1% Charge	750			
Regen	Accounting	Property Management Team (Delivery & PM Fee)	500			
			2,729	0	0	0
ALL	Commercial	Customer & Accommodation	0	1,500	1,500	0
A&C	Commercial	Leisure Services - Leisure Contract Management savings	184	1,489		
A&C	Commercial	Recommission floating support services	100	100		
A&C	Commercial	Regulatory services being fully self funded	0	300		
F&R	Commercial	Arvato contract novation	250			
F&R	Commercial	TMP advertising contract	65			
F&R	Commercial	Increased Treasury Returns	50			
F&R	Commercial	Recommissioning of major contracts	500	300	300	
Regen	Commercial	Planning- discretionary work	8			
Regen	Commercial	Planning - pre application and increased numbers	11			
Regen	Commercial	Regeneration - Income generation	200	100	0	0
Regen	Commercial	Sponsorship of Town Centre Assets/Advertising	200			
Regen	Commercial	Commercial Rental Income	1,650			
			3,218	3,789	1,800	0

			19/20 £'000	20/21 £'000	21/22 £'000	22/23 £'000
F&R	SUR	Wexham - Delay return of Capital	340	(340)		
Regen	SUR	ESFA - One off funding for school on TVU site	1,000	(1,000)		
			1,340	(1,340)	0	0
Chief Exec	DSO / Teckal	DSO - Fees on Total Highways Capital Programme	1,200			
Chief Exec	DSO / Teckal	Environmental services - work for other local authorities (Line Painting etc.)	100	150		
Chief Exec	DSO / Teckal	DSO Traded Services	50	135	270	
			1,350	285	270	0
ALL	Efficiency	Mobile Telephony	100			
F&R	Efficiency	Insurance contract	130			
F&R	Efficiency	HouseKeeping savings	50			
F&R	Efficiency	Legal Subscriptions	15			
F&R	Efficiency	Audit fee reductions	35			
Regen	Efficiency	Maximise use of office space	10			
Regen	Efficiency	FM contracts review	5			
Regen	Efficiency	Emergency Planning/Business Continuity	25			
			370	0	0	0

			19/20 £'000	20/21 £'000	21/22 £'000	22/23 £'000
Regen	Housing	Impact of James Elliman Homes	200			
Regen	Housing	Housing Regulations Team - Business Development Manager	100	50	50	
Regen	Housing	Private Sector Acquisition Team (Housing)	100	100		
			400	150	50	0
F&R	Income	Council Tax and NNDR Collection	400	200		
F&R	Income	Counter-Fraud Invest to Save	100	500		
CLS	Income	School Effectiveness Review	0	180		
Regen	Income	Car Park TVU	100	0	0	(100)
Regen	Income	Bus Lane Cameras	350			
			950	880	0	(100)
A&C	Proactive	Extra Care Housing	0	0	0	200
A&C	Proactive	Mental Health - Extension of Hope House Services	100	100		
A&C	Proactive	Support move to more supported living (LD Residential)	77			
CLS	Proactive	Review of Early Help	0	150		
			177	250	0	200

			19/20 £'000	20/21 £'000	21/22 £'000	22/23 £'000
A&C	Staffing	Leisure Restructuring	125			
A&C	Staffing	No appointment to commissioning team QA manager post	40			
ALL	Staffing	3rd & 4th Tier Restructures & Administration Review	1,000			
ALL	Staffing	Slough Academy - Reduce Agency Spend	500	750	750	
CLS	Staffing	Directorate Management Restructure	170			
ALL	Staffing	Electric Vehicle Initiatives	290	210		
			2,125	960	750	0
			12,659	4,974	2,870	100

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