

## **SLOUGH BOROUGH COUNCIL**

**REPORT TO:** Overview and Scrutiny Committee

**DATE:** 9<sup>th</sup> January 2020

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**WARD(S):** All

**PORTFOLIO:** Cllr Swindlehurst – Leader of the Council

### **PART I** **FOR COMMENT AND CONSIDERATION**

#### **MEDIUM TERM FINANCIAL STRATEGY (2020/21 to 2022/23) AND INITIAL 2020/21 BUDGET CONSIDERATIONS**

##### **1. Purpose of the Report**

This report updates the Overview and Scrutiny Committee on the Council's latest medium term financial strategy forecasts for the years 2020/21 to 2022/23, including the targeting of resources to meet the Council's priorities in 2020/21 and proposals for a range of savings required to balance the budget. Together, these form the basis for Members to begin to consider 2020/21 budget options.

##### **2. Recommendations / Proposed Action**

The Overview and Scrutiny Committee is requested to note that:

- a. the revised Medium Term Financial Strategy (MTFS) was approved by Cabinet on 16<sup>th</sup> December 2019, as the basis for considering 2020/21 budget options;
- b. the 2020/21 budget was modelled on the basis of a Council Tax increase of 3.99% for 2020/21 (which includes the Government's 2.00% adult social care precept), for resource planning purposes; the 3.99% is for modelling purposes only at this time. The decision on the Council Tax to be set for 2020/21 will be made by members in February 2020 and may not be at the maximum figure included in the MTFS once the budget work has been finalised.
- c. the ongoing uncertainty is noted, regarding the extent to which the Authority may retain a share of business rates growth and the way that central government assesses the Authority's need to spend in the future. This makes medium term financial planning more difficult than usual;

- d. the timing of the provisional local government finance settlement is noted, as it will be announced later than normal (due to the General Election), so the time for scrutinising budget proposals will be less than usual;
- e. the initial savings proposals (and additional income generation proposals) are noted, as they are designed primarily to fund some of the additional 2020/21 spending pressures from Slough Children’s Services Trust (SCST)

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

This report indirectly supports all of the strategic priorities and cross cutting themes. The maintenance of excellent governance within the Council helps to ensure that it is efficient, effective and economic in everything it does. It helps to achieve the corporate objectives by detailing how the Council is delivering services to its residents within the financial parameters of the approved budget.

**4. Other Implications**

(a) Financial

The financial implications are contained within this report.

(b) Risk Management

| <b>Risk</b>       | <b>Mitigating action</b>   | <b>Opportunities</b> |
|-------------------|--|----------------------|
| Legal             | None   | none                 |
| Property          | None   | None                 |
| Human Rights      | None   | None                 |
| Health and Safety | None   | None                 |
| Employment Issues | A number of posts may be affected by changes proposed during the revenue budget process 2020/21 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. | None                 |
| 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.  | None                 |

|                        |  |      |
|------------------------|--|------|
|                        |  |      |
| Community Support      | None   | None |
| Communications         | None   | None |
| Community Safety       | None   | None |
| Financial              | Detailed within the report   | None |
| Timetable for delivery | None   | None |
| Project Capacity       | None   | None |
| 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 | None |

## **5. Revenue Budget Framework**

- 5.1 The Council needs to set a balanced budget each year and ensure it is financially sustainable in the medium term. This includes maintaining adequate reserves. To achieve this and ensure scarce resources are directed towards strategic priorities it produces a Medium Term Financial Strategy (MTFS).
- 5.2 Effective financial planning sits at the heart of the Council's management of its public services. The MTFS brings together all known factors affecting the Council's financial position and its financial sustainability into one place. It thereby provides a clear and concise view of future sustainability and the key decisions that need to be made address to any resource gaps and ensure scarce resources are in the right place to deliver on the ambitions of the Council, as articulated in the Five Year Plan. It translates the Council's ambitions and constraints into deliverable options for the future.
- 5.3 The Council set its latest budget and Medium Term Financial Strategy (MTFS) in February 2019. Cabinet was provided with an update to the MTFS in September. The MTFS integrates strategic and financial planning over a three year period. It translates the Strategic Plan priorities into a financial framework that enables Members and officers to ensure policy initiatives can be delivered within available resources, and can be aligned to priority outcomes.
- 5.4 The drivers for the Council's financial strategy are:
- To set a balanced budget over the life of the MTFS whilst protecting residents from excessive Council Tax increases, as defined by the government, through the legislative framework covering Council Tax referenda.
  - To fund priorities agreed within the Five Year Plan, ensuring that service and financial planning delivers these priorities.

- To deliver a programme of planned reviews and savings initiatives designed to keep reductions to service outcomes for residents to a minimum.
- To maintain and strengthen the Council's financial position so that it has sufficient contingency sums, reserves and balances to address any future risks and unforeseen events without jeopardising key services and delivery of service outcomes for residents.
- Ensuring the Council maximises the impact of its spend to deliver priority outcomes in the context of reducing resources.

5.5 To support the financial strategy highlighted above, the rest of this report covers the following:

- National funding context
- Impact of Slough Children's Services Trust financial position
- Outcome from Star Chamber deliberations
- Review of existing growth and savings
- Revised financial projections

### **National Funding Context**

5.6 The Chancellor of the Exchequer announced in August that there would be a one-year Spending Review covering 2020-21, with a multi-year Spending Review held in 2020. Further details on the one year Spending Review were announced on 4 September. In terms of local government, there was a primary focus on additional resources for Authorities with social care responsibilities (a social care grant of £1 billion). The announcement of £54m to address homelessness and rough sleeping and £241m to help regenerate town centres' high streets was also welcome.

5.7 A consultation paper by the Ministry for Housing, Communities & Local Government (MHCLG) was published on 3 October. It announced powers for local authorities to raise Council Tax by up to 2% plus an additional 2% adult social care "precept", before a local referendum has to take place. The MTFs assumes that these tax raising powers are fully utilised, as does the government's planning figures.

5.8 The precise distributional details of the additional resources implied by these announcements for individual Local Authorities are not yet known. The announcement of the General Election on 12 December also means that the provisional local government settlement announcement will be delayed. This is not helpful in terms of making important, timely decisions. However, a basic one year Spending Review "rollover" gives some greater predictability to the 2020/21 financial settlement and the MTFs has been updated for this.

5.9 There is much less certainty regarding 2021/22 and 2022/23. The expectation is that New Homes Bonus (NHB) will be phased out, as the Government seeks alternative ways of incentivising housing growth, but the mechanisms for this are not yet known.

The MTFs assumes that any NHB “savings” nationally will be redistributed, leaving the Authority with access to broadly the same level of resources. The current retained business rates system will be redesigned, with a “reset” now expected in 2021/22. This will set a baseline beyond which the Council will need to grow before it can retain additional resources locally. However, the details of these mechanisms are not known. The MTFs assumes a loss of business rates income in 2021/22 as the reset “bites” (because the levels of business rates growth in the borough is already high and ongoing growth will need to exceed this to benefit the Council). Finally, the results of the Fair Funding review, which will reflect central Government’s assessment of the Authority’s need to spend (and hence additional grant to support this need to spend) is not known either. So, years 2 and 3 of the MTFs is only a scenario for planning purposes and needs to be heavily caveated, given this considerable ongoing uncertainty.

### **Impact of Slough Children’s Services Trust Financial Position (SCST)**

- 5.10 The MTFs report to Cabinet in September noted that SCST had informed the Council of a growth bid for 2020/21. This was in addition to the £1.400m growth provided by the Council in 2019/20. The growth bid totalled £2.705m. This was in excess of any available resources and as reported in September’s MTFs report to Cabinet, resulted in the forecast 2020/21 budget being in deficit by £2.623 million. The Council then initiated a series of “Star Chamber” meetings designed to identify further savings within directorates to fund the Trust’s growth bid (as well as to scrutinise other growth bids).
- 5.11 As part of the Star Chamber process the Trust then provided a substantively different set of bids, which are summarised below

*Table: Summary of the Trust's Growth Bids & Savings Proposals (November 2019)*

|   | £'000        |
|---|--------------|
| Growth in demand on placements                    | 2,984        |
| Increase in staffing to meet demands on services  | 795          |
| Legal fees required to ensure right decisions     | 237          |
| Employer pension contributions                    | 304          |
| Other growth pressures                            | 379          |
| Savings – restructure                             | -603         |
| Savings - mallards closure                        | -538         |
| Savings - permanent recruitment                   | -274         |
| Savings - fostering recruitment                   | -287         |
| Savings - CHC contributions & Home Office support | -204         |
| Savings – other                                   | -80          |
| <b>TOTAL</b>                                      | <b>2,713</b> |

- 5.12 More work is required to understand the assumptions behind aspects of the revised bid and, currently, the recommendation is that resources are only granted to fund placements less savings and a lower figure for employer pension contributions (£0.190 million), pending a final actuarial revaluation. It is suggested that legal costs could be better managed; staffing should be fundamentally reviewed before any increase to the establishment and that other growth pressures need to be absorbed as efficiencies within the Trust's overall budget of £30 million. This leaves a provisional growth bid of £1.188 million, plus inflation of £0.425 million, which would be funded from within the Council's overall inflation allowance.
- 5.13 The latest MTFS model is predicated on these assumptions, whilst further work in undertaken in partnership with the Trust to better understand some of the assumptions and rationale behind the revised bid. Any further increase in funding for the Trust will require additional compensating cuts elsewhere within the Authority, pending the impact of the local government finance settlement.

### **Outcome from Star Chamber Deliberations**

- 5.14 As highlighted earlier, the in-year overspend and budget bid from the Trust meant that additional savings needed to be found. A series of meetings were held with Service Leads, in which the Corporate Management Team scrutinised opportunities for savings, as well as the need for any growth bids over and above those already committed in the MTFS. As such, they provide a starting reference point from which Elected Members may consider amendments to formulate the final budget (subject also to the provisional government finance settlement), noting that any rejected savings will require either compensating savings or reductions in spending bids. These are detailed in Appendices C and D and are summarised in the tables below:

*Table: STAR CHAMBER - SUMMARY OF SPENDING BIDS*

|                                   | £'000        |
|-----------------------------------|--------------|
| Children's Trust                  | 1,188        |
| SEND Home to School transport     | 1,000        |
| Adult Social Care demography      | 572          |
| Housing - Temporary accommodation | 870          |
| Planning & Economic Development   | 522          |
| Coroner Costs                     | 40           |
| Building & Infrastructure costs   | 608          |
| Additional support service costs  | 417          |
| <b>TOTAL</b>                      | <b>5,217</b> |

Table: STAR CHAMBER - SUMMARY OF SAVINGS PROPOSALS

|   | £'000        |
|---|--------------|
| Efficiencies from redesigned support services | 1,510        |
| Income generation                             | 1,296        |
| Service change – waste disposal initiatives   | 412          |
| <b>TOTAL</b>                                  | <b>3,218</b> |

### Existing Growth and Savings

5.15 The growth and savings items currently included in the MTFs (prior to the Star Chamber considerations) are set out as Appendices A and B to this report. The primary changes here since the MTFs was last considered by Cabinet in September are as follows:

- The previous growth allocation for the street homelessness initiative (£270k) has been removed, as the increased focus on temporary accommodation (highlighted in the new bids above) should contribute towards reducing the pressure on the overall housing service, meaning this bid is no longer necessary
- The Slough App for residents will now form part of a wider review of how best to use existing I.T resources and the website to deliver information to residents. All resident offers currently available via the Slough App will be available direct once the updated SBC website is in place so the additional planned allocation of £48k for the Slough App will no longer be required and has been removed.
- Additional income from improved council tax and business rates collection (£200k) has been removed, as these resources are reflected in the overall assessment of total Council Tax and Business Rates income and latest taxbase assumptions
- The invest to save saving of £500k to cover fraud recovery has been removed as it is unlikely that such a target could be delivered on a recurring basis

### Revised Financial Projections

5.16 Consolidating the impacts of the recent national announcements on local government funding, the Trust's financial position, the outputs from the Star Chamber deliberations and the review of existing growth and savings proposals results in the following financial position (see table overleaf):

| 19/20<br>£'000 |  | Latest position |                |                |
|----------------|--|-----------------|----------------|----------------|
|                |  | 20/21<br>£'000  | 21/22<br>£'000 | 22/23<br>£'000 |
|                |  |                 |                |                |
| 101,521        | <b>Base Position (Excluding Parish Precepts)</b> | 120,499         | 124,300        | 124,615        |
| 15,498         | Government Grants Included below                 |                 |                |                |
| 3,694          | Base Budget Changes                              | 3,140           | 3,140          | 3,140          |
| 8,099          | Directorate Growth - Brought Forward             | 1,550           | 1,725          | 725            |
|                | Growth - 2019/20 Star Chamber                    | 5,217           |                |                |
| 1,321          | Revenue Impact of Capital Programme              | 1,011           | 656            | 656            |
| 2,739          | Slough Urban Renewal                             | 750             | 750            | 0              |
| (12,373)       | Savings Identified - Brought Forward             | (4,649)         | (2,996)        | (100)          |
|                | Savings - 2019/20 Star Chamber                   | (3,218)         |                |                |
| <b>120,499</b> | <b>Total Forecast Expenditure</b>                | <b>124,300</b>  | <b>127,575</b> | <b>129,036</b> |
|                |  |                 |                |                |
| 58,493         | Council Tax Income                               | 61,009          | 64,444         | 67,934         |
| 42,395         | Retained Business Rates                          | 42,061          | 39,296         | 39,825         |
| 2,717          | New Homes Bonus                                  | 2,261           | 1,905          | 2,100          |
| 1,396          | Additional Social Care Grant                     | 3,399           | 3,399          | 3,399          |
| 7,363          | Public Health Grant                              | 7,569           | 7,569          | 7,569          |
| 3,678          | PFI Grant  | 3,678           | 3,678          | 3,678          |
| 3,357          | Better Care Fund                                 | 3,357           | 3,357          | 3,357          |
| 312            | Independent Living Fund                          | 315             | 315            | 315            |
| 158            | LCTS Admin Support Grant                         | 166             | 166            | 166            |
| 630            | Housing Benefit Admin Support Grant              | 486             | 486            | 486            |
|                |  |                 |                |                |
| <b>120,499</b> | <b>Total Estimated Funding Available</b>         | <b>124,300</b>  | <b>124,615</b> | <b>128,829</b> |
|                |  |                 |                |                |
| <b>0</b>       | <b>CURRENT FUNDING GAP</b>                       | <b>0</b>        | <b>(2,960)</b> | <b>(207)</b>   |

5.17 This indicates that, subject to the local government finance settlement later this year, the Council has a broadly balanced outline budget proposition for 2020/21, against which to consider any changes. Additional savings for 2021/22 and 2022/23 may be required, but as pointed out earlier in this report, there is considerable uncertainty regarding the impact of the national reviews of business rates retention and fair funding, which make these projections very provisional.

## 6. Comments of Other Committees

None.



## **7. Conclusions**

- 7.1 The Council has a statutory duty to balance the budget year on year which can include the use of reserves. The financial projections in the table above provide a base point from which to build a balanced budget for 2020/21. In the Section 25 statement within the Revenue Budget report presented to full Council, in February 2019, the Section 151 Officer noted that the “*current level of General Fund reserve is ...considered to be the absolute minimum on the basis that the budget balances in 2019/20*”. Therefore, it is recommended that any additional one-off income that may be received or generated is considered for use initially to replenish general reserves. This is particularly important given the potential shortfall in the MTFS for 2021/22 and 2022/23.

## **8. Appendices**

‘A’ – Current Savings Identified (from existing MTFS)

‘B’ – Current Growth Identified (from existing MTFS)

‘C’ – Proposed Additional growth items (from the Star Chamber process)

‘D’ - Proposed Additional savings items (from the Star Chamber process)

## **9 Background Papers**

None.