SLOUGH BOROUGH COUNCIL

REPORT TO: Overview & Scrutiny Committee

DATE: 23rd February 2023

SUBJECT: 2023/24 Budget

CHIEF OFFICER: Steven Mair, Executive Director of Finance and Commercial (s151 Officer)

CONTACT OFFICER: Steve Muldoon, Deputy Director Financial Management
Liton Rahman, Deputy Director Corporate and Strategic Finance

WARD(S): All Wards

EXEMPT: No

APPENDICES: The following appendices accompany this report:

Appendix	Description
A1	2023/24 General Fund Budget Summary
A2	2023/24 Directorate Budget Summaries
A3	2023/24 Growth and Pressures
A4	2023/24 Proposed Savings by Directorate
B	2023/24 Council Tax Resolution
C	2023/24 Dedicated Schools Grant
D	Expenditure Control
E	Equalities Impact Assessments
G	Insights into Slough
H	Summary of 2023/24 Budget Scrutiny

1 Summary and Recommendations:

This report sets out the final revenue budget for 2023/24 and final Medium Term Financial Strategy (MTFS) for 2024/25 to 2028/29.

Recommendations:

The Overview & Scrutiny Committee is requested to scrutinise this report and make any comments to Cabinet.

1.1. The Cabinet is being requested to:

1.2. Recommend to full Council the following:

1. Approval of the 2023/24 budget to enable the Council Tax for 2023/24 to be set;

2. Approval of the Model Council Tax Resolution 2023/24 as set out in Appendix B;

3. Delegate authority to the Executive Director of Finance and Commercial, to place a notice in the local press of the amounts set under recommendation 2 within a period of 21 days following the Council's decision;

4. Approve the Medium-Term Financial Strategy (MTFS) as based on the estimated financial deficit in the Capitalisation Direction and to be funded by capitalisation of:

   a. £267.1m up to 2022/23
   b. £31.6m for 2023/24
   c. £58.4m for beyond 2023/24

5. Approve the overall General Fund revenue budget of £143.4m, to include:

   a. growth for pressures of £12.2m
   b. proposed savings by Directorates of £22.4m

6. Approve measures to control spending and improve the finances of the Council at Appendix D

1.3. To note the following:

7. The balanced budget position for 2023/24 requiring savings of £22.4m and the projected financial deficit between 2024/25 to 2027/28

8. The intention to increase Council Tax by 7.99% in 2023/24

9. The intention to increase Council Tax by a further 2% in 2023/24 in respect of the Adult Social Care Precept

10. The assumed funding for the protection of social care 2023/24 through the Better Care Fund

11. That due regard has been had to the s.25 report by the Executive Director of Finance and Commercial

12. The minutes from the 2023/24 Budget Scrutiny Sessions at Appendix H

13. Approve the process for access to contingency as set out in paragraphs 2.16.57 to 2.16.62

Reason:

This report is required to enable the Council to set a legally balanced budget for 2023/24 which is set out in the context of the overall capitalisation direction.

Commissioner Review

The Commissioners welcome this report and note the key elements of it including the ongoing need for a capitalisation direction, albeit at significantly lower levels than predicted this time last year, and the incorporation of significant savings.

The external environment is challenging – and therefore, there is much risk in the budget. Attention is drawn to the S25 report which outlines this environment, which must be considered by Cabinet and then Council in conjunction with this report.

It is important that members and officers understand the budget and are accountable for the delivery of it, including the savings. The budgets set are cash limited and all budget holders will therefore need to manage in-year pressures within the allocated limits. Clear transparent reporting is needed to identify issues as they arise and take corrective action

2 Report

1.1. Policy Context

1.1.1. The financial and other issues facing Slough Borough Council are of a largely unprecedented magnitude and face a Council that is one of the smallest unitary councils in England and which does not therefore have the critical mass needed to be financially sustainable without radical action.

1.1.2. Having identified its issues and set out a strategy to seek to resolve them, this is now coming to fruition with considerable progress being demonstrated in respect of the financial strategy. However, the magnitude of the issues is such that exceptional additional support is needed to ensure the financial sustainability of the Council through a capitalisation direction in each of the years 2018/19 through to 2027/28.

1.1.3. While extensively reported, the circumstances that the Council faces are set out below by way of reminder and as background.

1.1.4. The **problems arose** because the Council:

- borrowed £760m at its peak which was the 3rd largest borrowing of all unitary councils and well beyond what it could afford;
- did not make any effective budgetary provision to make the necessary principal repayments on this extreme level of debt;
- borrowed half of these monies from other Local Authorities who are all now seeking their funds back as they fall due and are not willing to lend again to Slough. Thus, exposing the Council to a major risk of increases in interest costs as rates rise and are fed through the only source of borrowing now available to the Council i.e., PWLB;
- failed to budget properly, utilising capital funds for revenue expenditure when it should not have done so by way of example;
- likewise, did not build up or maintain proper levels of reserves or provisions;
- allowed the Dedicated Schools Grant to head for a forecast over spend of £40m+ while taking no action to address this;
- failed to produce annual accounts from 2018/19; and
- did not have a capable professional financial service able to direct and support high quality financial management

1.1.5. The combination of the issues identified meant that at one stage the Council was facing a capitalisation direction (CD) of £782m which it would have had to finance, and annual revenue savings of £20m pa for two years and £14m thereafter. This was based on an estimated £474m CD to 2028/28, a further additional capitalisation of £176m to enable the Council to balance the budget post 2028/29 and the necessary additional MRP Impact on the latter of £132m. This combination of circumstances required very robust and continuous action to seek to resolve them. The Council has sought to take this necessary action so that it can as far as it can deal with its own challenges.

1.1.6. From a broader perspective staff capability and capacity was also an issue in delivering some of the wider repair work across the Council for a significant period.

1.1.7. Having identified the issues, the Council adopted the following **strategy**:

- addressing the identified problem, this began in July 2021
- selling assets to reduce borrowings and thus reduce MRP/interest costs and finance the CD – agreed September 2021
- reducing net revenue expenditure, both general fund and the dedicated schools grant – ongoing since July 2021
- producing annual accounts – ongoing since July 2021

- obtaining an audit opinion on the annual accounts – ongoing since July 2021. We received an opinion on the 2018/19 accounts in February 2023

- operating proper and rigorous budgeting and building up reserves – from July 2021

- designing and implementing a permanent structure for the Council's finance service – now complete and currently being filled through recruitment

- all to an appropriate standard and in an appropriate manner and with an understanding that this will take up to 5 years

1.1.8. The Council's **strategy is starting to come to fruition** although there is a great deal of work still to do and risks to be managed before stability can be achieved, the position throughout this paper is of course at a point in time and will undoubtedly change. The key developments have been:

- achieving asset sales of £173m to date during this financial year expected to exceed £200m by 31 March 2023 and already planning for a further £200m in 2023/24. This is greatly in excess of the budget and means that the Council will have generated sufficient capital receipts to fully fund the Capitalisation Direction and that those capital receipts can be applied to finance the Capital Financing Requirement 2-3 years earlier than originally forecast and thus significantly reduce MRP over the period 2022/23-2025/26 compared with original forecasts

- an overall reduction in the capitalisation direction from £782m to £357m

- projecting a budget which for 2022/23 is currently showing a reduction of £27m in the capitalisation direction for this year

- planning for savings of c£22.4m in 2023/24 and currently forecasting the savings requirement to be £12.9m from 2024/25 to 2028/29

- agreeing with the DfE, subject to formal approval, a DSG recovery plan that achieves an in year balanced position by 2025/26 from what was a previously forecast £7m annual increase in the overspend and should see the Council's historic deficit of £27m financed by the DfE

- producing annual accounts, two so far produced and submitted for audit, one in progress

- starting to build up reserves as indicated in the CD

- designing and having approved a new finance service structure which is currently being advertised, interviewed and appointed to.

- proposing a revised capital programme of £165m with no external borrowing

1.1.9. Across the Council with a Chief Executive and a full Executive Director tier now recruited, the pace, scope and scale of other recovery work has also started to accelerate.

1.1.10. Despite the current success of the financial strategy there remains a very long way to go and **many challenges to face**:

- while the Council is well on track to raising sufficient capital receipts to fund the capitalisation direction, the Council faces major challenges in becoming financially sustainable due to its very low taxbase which makes it very challenging to fund the services which it is statutorily required to provide. Increasing council tax above the maximum permitted without a referendum is the only way to be confident that the Council can stay on track to be financially sustainable in the long-term

- linked to the above the medium-term financial strategy is predicated on the Council achieving £12.9m revenue savings per annum. Prior to 2022/23 the Council did not have a track record of achieving this magnitude of saving. While 2022/23 is forecasting a significant underspend because the original estimates of the CD have proven to not all be needed and 2023/24 is now planned to the amount required with contingencies being prepared, sustaining a further 5 years of very significant additional revenue savings is going to be extremely challenging

- the core spending power of the Council for 2023/24, as announced as part of the provisional local government settlement, is going up by less than the average nationally, and less than inflation (7.71% v 9.17%). Adding £3.2m for the extra 5% increase to Council Tax would bring this up to 10.4%, only just about in line with inflation. However, the proposed CTSS requires half of this in the first year, adding only £1.6m net, so the impact is 9.1%.

- with the Council projecting to spend in the region of £32m more than it has funding to cover in 2023/24, this being financed in the short term by the CD, the Council's exposure to pressures such as inflation will be much greater than the average council as the ability to cover this through growth and inflation on receipts will be limited

- the Council has a need to focus on recovery and improvement whilst dramatically cutting costs, meaning those tasked with delivering improvement will also be focussing on delivering services. The pressure on senior managers to deliver on all fronts is not to be underestimated and will be far greater than for virtually every other council

- a significant element of the improvement in the CD to date has come from the benefit of selling assets and reducing MRP. This is a one-off exercise and further savings will have to come majorly from service reductions which become increasingly difficult to identify and deliver when there are core statutory requirements to deliver on Adults and Children's social care, temporary accommodation among many others

- while the asset sales programme is progressing well to date, the Council faces the risk that the market will not continue to support the sales assumptions the Council is making

1.2. Insights into Slough

1.2.1. Separate to the pressures from the Covid-19 pandemic and the issues referred to above, Slough operates in a unique environment that presents a challenge to providing services. Appendix G presents some highlights to contextualise the ongoing challenge for the Council resulting from a growing population and the population structure.

1.3. Corporate Plan Update

1.3.1. In May 2022, the council approved its new corporate plan for 2022-25 - 'Doing Right by Slough', which incorporated the recovery and improvement plan the council was required to produce in accordance with the Government's directions.

1.3.2. This new corporate plan included a new set of strategic priorities for the council, that described the outcomes to be delivered for the communities of Slough. These were determined by the Council's political priorities, as well as an interrogation of data on Slough including the Joint Strategic Needs Assessment, Index of Multiple Deprivation, service level data on people and place, survey data and engagement feedback.

1.3.3. The Plan included an updated recovery framework of seven themes to deliver the 'Right Council for Slough'

- Leadership & Culture
- Financial recovery and onward sustainability
- Business planning and performance management
- Governance
- Organisational capability, capacity and resilience
- Technological capability, capacity and resilience
- Resident engagement

1.3.4. An annual review and potential revision of a corporate plan is what would normally happen in councils not in intervention. For Slough, a refreshed plan recognises that that a year in to the government intervention the Council now knows much more about what it needs to do to cement recovery and deliver for Slough's residents. Significant progress has been made in some areas, but other issues have moved less quickly and need greater focus.

1.3.5. Doing Right By Slough was also written to engage the whole council in the recovery. The Council did no consultation and little communication with our residents and partners about the corporate plan and our recovery and the challenges and opportunities it presents for the services we deliver and the way we deliver them.

1.3.6. Since the council will need to deliver fewer services and deliver some services in different ways, it is important to engage residents and partners on its corporate priorities and how these will be measured.

1.3.7. The corporate plan will reflect the budget priorities reflected in this report, provide a framework for a new operating model – work that is under way, and show how Slough Borough Council will meet the government directions.

1.4. Finance Action Plan Update

1.4.1. The range and extent of the financial issues facing the Council have been well documented and reported to Cabinet in the last 20 months.

1.4.2. The Cabinet, auditors and commissioners expect regular reports to evidence progress made. A separate report is being presented to Cabinet and summarises the overall key issues, including:

- capitalisation direction
- progress being made on generating capital receipts
- budgets
- MRP
- the Council's borrowing levels
- accounts
- the dedicated schools grant
- the finance structure
- revenues and benefits
- Council accounting, HR and procurement system (ERP)
- commercial and procurement improvements
- internal audit actions
- company governance and actions

1.4.3. It also includes a summary of the progress made in respect of the recommendations in the various reports from external agencies during 2021/22. These recommendations provide the basis of the financial improvement agenda and assist in framing the scale of the financial challenges facing the council.

1.5. National Context

December 2022: Policy Statement

1.5.1. As with all local authorities, the Council's planning is heavily reliant on policy and decisions from Central Government such as for funding settlements and wider reforms. The withdrawal process from the European Union and the onset of the Covid-19 pandemic disrupted business-as-usual processes for the Government and so since 2019 local authorities have faced increased uncertainty, particularly on funding.

1.5.2. In December 2022, The Government published a Policy Statement outlining the principles that will be applied in the 2023/24 provisional local government finance settlement. The announcement of the settlement principles covered both 2023/24 and 2024/25. The next two years will essentially be two rollover settlements, with the overall funding envelope set In Novembers Autumn Statement. In practice, though, it looks more like firm figures for 2023/24 and principles for 2024/25. There are some issues that ministers have not yet finalised for 2024/25.

1.5.3. Any funding reforms or changes in funding distribution will not be implemented until 2025/26 at the earliest. This means a further delay to the Fair Funding Review and the business rates baseline reset. These reforms are unlikely to be implemented until 2026/27.

1.5.4. The main building blocks for the provisional settlement were announced in the Autumn Statement (AS22) in November 2022. Local authorities were given higher-than expected Band D thresholds, and there was significant additional grant funding for social care.

1.5.5. Broadly, the settlement principles are line with expectations. Both Baseline Funding Levels (BFL) and Revenue Support Grant (RSG) will be increased in line with CPI inflation (10.1%). The Autumn Statement signalled a very large increase in funding for adult social care, which will give social care authorities 9%+ cash-terms increase in Core Spending Power (CSP).

1.5.6. The main features of the settlement principles:

- **"Core" Band D council tax** (2.99% maximum increase, or £5 for shire districts and for ALL fire authorities if higher). £20 maximum for Greater London Authority (GLA), and £15 for policy and crime commissioners (previously announced as £10). Same principles in 2024/25. No referendum principles for Mayoral Combined Authorities or town and parish councils.

- **Adult social care (ASC) precept** (2% in 2023/24 and again in 2024/25), with no option for deferring any increase from 2023/24 into 2024/25.

- **Baseline Funding Level (BFL) and Revenue Support Grant (RSG)**. Local authorities' BFL and RSG allocations will be uplifted in line with the Consumer Price Index in 2023/24, and 2024/25. "Negative RSG" continues to be abolished.

- **Cap compensation**. From 2023/24 onwards, cap compensation will be paid based on the CPI rather than Retail Price Index (RPI). Our view is that there will be no change in the cap compensation fraction in 2023/24 (it will remain at 51/499).

- **Adult social care grants**. Funding for the ASC charging reforms will be re-purposed to fund ongoing pressures (£1.265bn in 2023/24, and £1.877bn in 2024/25). There will be further funding distributed through the Better Care Fund (local government's 50% share is £300m in 2023/24 and £500m in 2024/25). A new "ringfenced" grant "to support capacity and discharges" will be paid to local government (£400m in 2023/24 and £683m in 2024/25).

- **Social care grant distribution**. The repurposed ASC reform funding (£1.265bn in 2023/24 and £1.877bn in 2024/25) will be distributed based on the Adult RNF and full equalisation of the ASC precept. Other new ASC grants will also use the Adult RNF (but there is no requirement for any further precept equalisation in these grants). The continuing Fair Cost of Care grant (£162m) will use a new distribution formula "to reflect progress" on these reforms.

- **3% Funding Guarantee**. This new feature ensures every authority has a 3% increase in government funding (this essentially measures the change in Core Spending Power excluding Band D). It will be funded from "a proportion of" NHB legacy payments and the current Lower Tier Services Grant.

- **Services Grant** will continue to operate in the same way in 2023/24 (with £200m top-sliced from the Services Grant to claw-back funding for the National

Insurance Contributions increase that was reversed).

- **New Homes Bonus (NHB)** will continue in 2023/24 and will be paid on the same basis as in 2022/23. The legacy payments, which will end in 2022/23, will be used to fund the new 3% funding guarantee. NHB's future in 2024/25 is unclear: ministers have promised to issue a new consultation before the 2024/25 settlement.

- **Rural Services Delivery Grant (RSDG)** will continue unchanged.

- **100% business rates pilots** will continue for another year, but ministers will review their contribution policy objectives for 2024/25. **Business rates pooling** will be available in both 2023/24 and 2024/25.

Economic Forecasts

1.5.7. A lower growth rate for Gross Domestic Product (GDP) is the driving factor behind the UK's worsening economic prospects. In March 2022, the Office for Budget Responsibility (OBR) forecast that the UK would recover from the economic impact of the pandemic, and then continue to grow at around 1.7% per year from 2023 onwards.

1.5.8. Things have worsened sharply since then. The Bank of England forecast in its November Monetary Policy Committee (MPC) report that the economy will contract by 0.75% in the second half of 2022, and then continue to fall during 2023 and into the first half of 2024.1 The OBR is not quite as pessimistic but still forecasts a recession starting in the second half of 2022, and extending into 2023

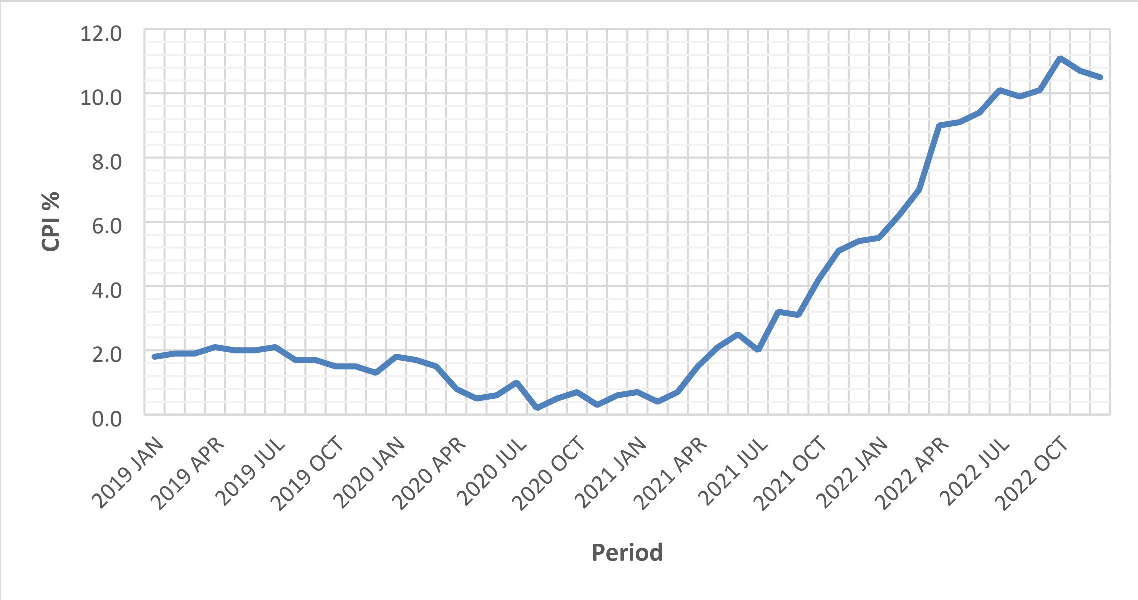
1.5.9. Contrasts between the relatively benign GDP forecasts in March 2022 and the more recent forecasts show the impact that inflation and supply-side constraints (e.g. labour force) is having on the economy.

1.5.10. The spike in inflation is behind the cost-of-living crisis (higher energy prices) and the increase in debt interest payments (increase in interest rates). The peak in the Consumer Price Index (CPI) is now expected to be around the 9.4% for 2022, a good deal higher than the forecast of 7.5% last March, and then 7.4% in 2023. The ONS has announced that the October 2022 CPI is 11.1%.

1.5.11. The OBR still expects inflation to return to its target level by 2027 – but before that, the OBR is now forecasting that inflation will be much lower, and potentially even negative (2025). Ministers will be hoping that the OBR is correct in its forecasts. Most independent forecasters take the same view as the OBR about inflation – but there are still serious risks that higher levels of inflation persist into 2024 and beyond.

Inflation and Cost of Living

1.5.12. Inflation peaked at 11.1% in October 2022 and was running at 10.5% as at the end of December 2022:



1.5.13. A higher rate of inflation would put further pressure on council expenditure through rising energy bills and through the potential for wage demands to increase (these are mitigated to some extent in the budget setting assumptions).

1.5.14. High prices for goods and services will put further pressure on household finances, with individuals and families paying more for food, energy, housing costs, and other essentials. Many households in Slough will struggle to absorb those higher prices for a sustained period, which risks a reduction in savings and an accumulation of debt.

1.5.15. Households will experience lower levels of disposable income, which in turn will reduce consumption that drives local business and employment. Local businesses that have absorbed losses through the pandemic may find that the level of demand for their services does not pick up at a sustainable rate and some businesses may be forced to scale back or close.

1.5.16. These pressures on household and business finances could have a significant knock-on effect to council finances through a greater level of requests for emergency support, such as welfare payments and emergency accommodation requests, as well as households and businesses having a decreased ability to pay existing monies owed and accumulating new monies owed.

1.5.17. The outlook for inflation remains uncertain, with both the possibility that higher prices are sustained for a long period of time and that higher prices are a transitory feature of economic shocks caused by the pandemic. Regardless, higher prices are a reality now and the effects will be felt by households, businesses and the council during the year ahead.

1.6. Local Context

February 2023: Final Local Government Finance Settlement

1.6.1. The Secretary of State for the Department for Levelling Up, Housing and Communities (DLUHC) released the released the Final Local Government Finance Settlement for 2023/24 on 6th February 2023.

1.6.2. The announcements within the settlement are broadly in line with the Autumn Statement 2022. The headlines of the settlement are:

- A £59.5bn funding package for councils, a £5bn/9% increase on the previous year
- All councils will receive at least at 3% increase year on year
- £2bn of this in additional grant funding for adult and children's social care
- £100m of additional funding for LA's to support the most vulnerable households receiving council tax support (allocations to be confirmed)

1.6.3. There are two main issues to be aware of from the settlement and related consequences:

1. from the information available at this time the Council has additional funding of £5.629m in 2023/24 above its 2022/23 allocations. Some of this may not be recurrent and may then be an issue for beyond 2023/24.

2. this does not mean we have this amount of additional resource to spend. This is because as has been regularly advised deliverability of the planned savings is key and some of the savings will be at risk of delayed deliverability. It is also inevitable that issues will arise from future years accounts etc

1.6.4. It is therefore the case that we should hold these additional resources as a contingency against non/delayed delivery of savings until we have proven progress.

1.6.5. A summary of the impact of the settlement is provided in the table below.

Breakdown of funding	2022/23	2023/24	(Increase) / Decrease (£m)	(Increase) / Decrease (%)
Settlement Funding Assessment	36.732	38.717	1.985	5.4%
Compensation for under-indexing the business rates multiplier	3.095	5.351	2.256	72.9%
New Homes Bonus	1.422	0.005	-1.417	-99.7%
Lower Tier Services Grant	0.292	0.000	-0.292	-100.0%
Services Grant	2.088	1.225	-0.863	-41.3%
Grants rolled in	0.509	0.000	-0.509	-100.0%
Improved Better Care Fund	3.989	3.989	0.000	0.0%
Social Care Grant	4.661	7.760	3.099	66.5%
Market Sustainability and Fair Cost of Care Fund	0.348	0.000	-0.348	-100.0%
ASC Market Sustainability and Improvement Fund	0.000	1.207	1.207	NEW
ASC Discharge Fund	0.000	0.559	0.559	NEW
Total	**53.136**	**58.813**	**5.677**	**10.7%**

Settlement Funding Assessment (SFA)

1.6.6. The SFA compromises Baseline Funding from Retained Business Rates and the Revenue Support Grant (RSG).

Settlement Funding Assessment	2022/23	2023/24	(Increase) / Decrease (£m)	(Increase) / Decrease (%)
Revenue Support Grant	6.451	7.302	0.852	13.2%
Baseline Funding Level	30.281	31.415	1.133	3.7%
Total	**36.732**	**38.717**	**1.985**	**5.4%**

1.6.7. The Revenue Support Grant can be used to finance revenue expenditure on any service.

1.6.8. The Baseline Funding Level is the amount of the SFA provided through the local share of business rates.

Compensation for under-indexing the business rates multiplier

1.6.9. Each year the government sets a multiplier, which represents the number of pence in each pound by which the rateable value is multiplied to arrive at the amount of business rates payable for the year. The government reviews the multiplier each year to reflect changes in inflation.

1.6.10. In 2023/24 the government decided to freeze the multiplier. However, Local Government will receive full compensation will be paid via a combination of an uplift in Baseline Funding Level (BFL) (3.74%) and cap compensation grant for under-indexing the business rates multiplier (the remaining 6.36%).

New Homes Bonus

1.6.11. SBC's allocation reduces from £1.422m in 2022/23 down to just £0.005m in 23/24, with no further funding expected in 2024/25 and beyond.

1.6.12. The NHB allocations for 2023/24 do not include legacy payments, nor will new legacy payments be made in subsequent years based on these allocations. As was previously announced, the 2022/23 settlement was the last year to include legacy payments.

Abolished Grants

1.6.13. Lower Tier Services Grant (LTSG) has been abolished from 2023/24 onwards.

Services Grant

1.6.14. This was a new one-off grant for 2022/23 funded by the additional resources announced in the SR2021 and is to fund general responsibilities. It was distributed using the existing SFA.

1.6.15. Although this was clearly stated to be a one-off grant, since it was funded from the extra resources announced in the SR2021, it will now continue beyond 2023/24 but its future distribution is to be consulted upon and this funding will be excluded from any proposed baseline for transitional support as a result of any proposed system changes.

1.6.16. For 2023/24, the Council will receive £1.225m, a reduction of £0.863m. The reduction includes removal of funding for the National Insurance Contribution increase and the funding increase for Supporting Families.

Rolled in grants

1.6.17. Certain grants that were previously provided outside of the settlement have been rolled into the settlement in 2023/24. For SBC these include the Local Council Tax Support Administration Subsidy grant and the Independent Living Fund.

1.6.18. In 2023/24, the Local Council Tax Support Administration Subsidy grant has been rolled into the RSG and the Independent Living Fund has been rolled into the Social Care Grant.

Social Care

1.6.19. The 2023/24 settlement announced the following social-care related grants:

Social Care Related Grants	2022/23	2023/24	(Increase) / Decrease (£m)	(Increase) / Decrease (%)
Improved Better Care Fund	3.989	3.989	0.000	0.0%
Social Care Grant	4.661	7.760	3.099	66.5%
Market Sustainability and Fair Cost of Care Fund	0.348	0.000	-0.348	-100.0%
ASC Market Sustainability and Improvement Fund	0.000	1.207	1.207	NEW
ASC Discharge Fund	0.000	0.559	0.559	NEW
Total	**8.998**	**13.515**	**4.517**	**50.2%**

Social Care Grant

1.6.20. There is additional funding for the Social Care grant and nationally this is an increase of £3.852m. The Council's allocation for 2023/24 totals £7.760m which is £3.099m higher than 2022/23.

1.6.21. This allocation rolls forward the 2021/22 grant with an amount for equalisation to reflect that some authorities such as the Council cannot raise as much through the ASC Precept as well as an element for new funding for social care.

Improved Better Care Fund (iBCF)

1.6.22. The iBCF grant has been rolled forward, the council will receive £3.989m in 2023/24 as in 2022/23.

ASC Market Sustainability and Improvement Fund
(was Market Sustainability and Fair Cost of Care Fund)

1.6.23. The Market Sustainability and Fair Cost of Care Fund has now been subsumed into the new ASC Market Sustainability and Improvement Fund. Across England the grant in total is increasing from £162m in 2022/23 to £562m in 2023/24.

1.6.24. For Slough, the grant is rising from £0.348m in 2022/23 to £1.207m in 2023/24, which is in line with the national increase, distributed using the existing Adult's Relative Needs Formula.

Council Tax Referendum Limits

1.6.25. As per the Autumn Statement announcement, the Council Tax referendum thresholds are as expected:

- 2.99% maximum "core" increase,
- 2.00% adult social care precept,

1.6.26. Due to the exceptional challenges faced by the Council, which are discussed throughout this report, a request was made to Government to allow the Council to increase Council Tax above the referendum principles mentioned above. This request has been granted by Government, meaning that the Council is able to increase by 9.99% without a local referendum.

1.6.27. For every 1% increase to Band D Council Tax, the Council generates approximately £0.600m of funding.

Schools Funding

1.6.28. In 2020, the Government introduced a statutory override for a period of three years (up to end of March 2023) that meant that local authorities' DSG deficits could be separated from their wider accounts. The Government has agreed to extend the DSG statutory override by a further three years. In the case of Slough, the DSG is forecast to reach a cumulative deficit of over £27m by March 2023 and so having a separation of this from the council's own reserves is critical.

1.6.29. The Autumn Statement announced that the core schools budget will increase by £2.0bn in 2023/24 and £2.0bn in 2024/25, over and above totals announced at Spending Review 2021. In recognition of the pressures being faced by local authorities, £400m of the additional funding will be allocated to high needs budgets, with the rest being allocated to schools' budgets.

Energy Support Scheme

1.6.30. The Government has also announced a new scheme to provide help with energy bills this winter (2022/23) to households that use alternative fuels like heating oil. The Alternative Fuel Payment (AFP) amounts to £200 per household and will be paid automatically via their electricity supplier. For households without a relationship with an electricity provider (e.g. care home residents, residents of park homes or caravan sites). Application will be through a .GOV web portal and may require payment through the local authority in the case of non-direct customers. This will not benefit the local authority in any way.

Conclusion

1.6.31. Whilst the additional funding for 2023/24 is welcome news, Local Government needs more clarity on the proposed reforms and future funding streams including New Homes Bonus and the funding cannot be assumed to be available.

Levelling Up

1.6.32. The Levelling Up and Regeneration Bill is progressing through Parliament. The Bill makes provision for the setting of levelling up missions, local democracy, town and country planning and regeneration.

1.6.33. Following the UK's exit from the European Union, the government committed to continued funding to replace the loss of EU funding. The UK Shared Prosperity Fund (UKSPF) was announced providing allocations across the UK 2022/3 to 2024/25 replacing European Structural and Investment Funds providing £2.6bn over the next three years and is expected to be a key part of the delivery of the Levelling Up ambition for the UK. The LGA has raised concerns that funding will need to increase beyond 2024/25 if government is to meet its commitment to match the quantum of the EU programme.

1.7. Key Service Updates

Place & Community

Nature of the service

1.7.1. The Place & Communities directorate includes housing regulation, ASB enforcement, trading standards, CCTV, licencing, food safety, public protection, community safety, waste management, street cleansing, grounds maintenance, parks management, crematorium services, highways design, maintenance & network management, car parking, transport, home to school transport, adult learning, employability and the Creative Academy, libraries, leisure services and community development/wellbeing.

Current service pressures

1.7.2. The key issues facing the directorate in 2023/24 include:

- Downsizing our library service as we transition further to a self-service operational model
- Ensuring the quality of private sector housing let to tenants through Housing Regulation while not undermining the provision of such housing in a market where demand far outstrips supply
- Managing the discontinuation of our CCTV service and collaborating with Thames Valley Police for them to provide an alternative
- Contractual negotiations to optimise our entitlement to a Management Fee from our leisure services provider

- Restructuring our waste collection service to deliver alternate weekly collection
- Sustaining adequate visual amenity within the borough with a ground’s maintenance and street cleansing team which was reduced by 40% in 2022/23
- Reducing our units of energy consumed to mitigate cost pressures in energy markets and to further our Carbon agenda
- Managing interrelated transport projects for the improvement of the A4 arterial road running through Slough with outcomes to include, improving safety, encouraging alternative modes of transport to the car, and enabling the economic development of the town
- Enabling the skills and employability initiatives needed to drive the economic development of the town and improve the lives of Slough residents
- Restructuring the directorate management team and rebuilding teams notably:
    - Housing Regulation
    - Crematorium
    - Transport
    - Highways

Covid impacts, recovery and lasting impact of Covid on the service

1.7.3. The most significant remaining covid impact is the re-setting of the business plan for our Leisure Services provider who is rebuilding the number of sports centre memberships following the market impact resulting from covid lockdowns. This commercial recovery influences the contractual mechanism which sees payment of a management fee from the provider to the Council to repay the investment made in the facilities by the Council in the period before the current contract was let.

Financial recovery and future direction of service

1.7.4. The Place & Communities directorate is much smaller in 2022/23 than it was in 2021/22 and alternative funding has been obtained for several services which we provide, examples include:

- Grounds maintenance teams and street cleansing teams have been reduced by 30% with alternative operational practices introduced to enable a safe environment and an acceptable visual amenity to be sustained
- Charges have been introduced for the collection of garden waste and for receipt of DIY and certain other wastes at our Chalvey Household Waste and Recycling Centre
- A 2022/23 Libraries operating model was implemented to deliver budget savings of £400k
- Our Community Development, Active Communities and Community Learning teams are now entirely grant funded
- The Place & Community Directorate was restructured into a new Place & Communities Directorate and a new Housing & Property Directorate on 7 October 2022. Group Manager portfolios were realigned to fit with the new structure. Further realignment of management portfolios will continue into 2023/24 for both directorates as services continue to reshape and resize.

1.7.5. Detailed and intensive work has been carried out jointly with finance colleagues throughout 2022/23 to recalibrate budgets across the directorate to improve understanding and to set up the detailed budgets for 2023/24. This will help support and monitor the commercial recovery of the Place & Communities directorate in 2023/24. Directorate Expenditure Control Panels will continue to ensure that cost centre managers, Group Managers, ADs and the ED understand and are in full control of their budgets and expenditure in collaboration with finance colleagues.

MTFS update

1.7.6. Place and Communities is projecting the delivery of £5.624m of savings in 2022/23 and has identified further savings opportunities of £3.700m for delivery in 2023/24. Savings include:

- Reduction in library staff by increasing self-service and collaborating with staff from other services who will increasingly provide oversight of library areas within buildings
- Moving to fortnightly waste collection with reductions in staff, vehicles and waste disposal costs
- Passing responsibility for public space CCTV monitoring within Slough to Thames Valley Police
- Dimming street and park lamps to reduce spend on electricity
- Increasing fees and charges to ensure that they fully recover all costs,
- Optimal use of grants to support core outcomes
- Removal of optional operational budgets by detailed scrutiny of whether work is essential or is optional
- Directorate restructure to deliver a right size fit for purpose operating model

1.7.7. The Directorate will be reduced in size to reflect the reduced number of services that are to be provided and the reduced volume of activity required from remaining services. Income generating teams will be sized so that they are fully supported by income, wherever practicable, through monitoring of performance metrics and management of productivity.

1.7.8. Where possible, displaced staff will be redeployed to realigned services and activities and branding of teams will be simplified so that it is easily understood and communicated what they do and who does it. Unnecessary tasks and services will be stripped out to focus on doing the basics well.

1.7.9. Budget holders will be provided with accurate accounts and will be held to account for controlling costs, delivering savings and achieving income targets. Costed savings plans will be monitored to ensure that they are delivered with alternative plans implemented where we encounter previously unknown issues or experience demand pressures from these or other areas.

Housing, Property & Planning (HP&P)

Nature of the service

1.7.10. HP&P Directorate comprises of Housing, Property and Planning Divisions. The Housing Division delivers housing management services (including tenancy management, resident engagement) and accommodation services (including allocations and lettings, temporary accommodation, rough sleeping) on behalf of the Council. The Property Division delivers property management services (includes property sales and purchases, office accommodation strategy, property construction) and building management services (includes letting of buildings, corporate repairs, facilities management). The Planning Division delivers building control services, physical planning services and the local plan on behalf of the Council.

Current service pressures

1.7.11. The key issues faced by the directorate are multi-faceted and include: staffing, high caseloads, high placement costs for temporary accommodation, recovery of costs chargeable to benefit, backlog in repairs and maintenance of housing stock, low staff morale, and delivery of financial savings.

1.7.12. The staff pressure faced by the divisions cuts across several service areas. For instance, the Housing Management and Accommodation services are both understaffed and have experienced difficulties recruiting new staff. This has resulted in existing staff carrying unmanageable caseloads leading to poor tenant satisfaction. The Property division has also struggled with recruiting staff and has only recently managed to recruit a property professional to manage the service.

1.7.13. Due to the shortage of temporary accommodation, the Accommodation service is faced with high placement costs. Also, recovery of costs chargeable to housing benefit has not always been possible due to poor processes. A robust client regime is to be put in place to address the backlog of repairs and maintenance issues within the housing stock. Despite the pressures faced by the directorate, it still has to do its part by delivering financial savings like other council departments, but this is compounded with the low morale experienced by staff.

Covid impacts, recovery and lasting impact of Covid on the service

1.7.14. Covid impacted the council departments differently. Within HP&P, it severely impacted on the repairs and maintenance of the housing stock as only emergency repairs were prioritised. The backlog due to covid is still being worked through.

1.7.15. The new ways of working (hybrid) has impacted on the income / rental projections made on some Council owned commercial properties as letting some of these properties has become challenging as most organisations now operate a flexible working policy and no longer require as much space compared to pre-covid times.

Financial recovery and future direction of service

1.7.16. The Housing division, which was broken up under a previous reorganisation with various services and posts managed in different parts of other directorates, has now been brought together under HP&P directorate. New appointments are being made across the various divisions to ensure tried and tested professionals are responsible for running the services.

1.7.17. Partners across the Council are being consulted to assist with the recovery journey. For instance, procurement colleagues are being engaged regularly to assist with the procurement of services and suppliers and to ensure rates offered are competitive. HR colleagues are also being called upon to assist with the recruitment of temporary staff on market salaries and bringing in interim management capacity.

1.7.18. The issue of uncompetitive salaries has been identified within the Housing division as one of the reasons why it has struggled to recruit qualified and experienced staff. The proximity to London has meant these potential staff will rather travel to London to earn competitive salaries. A recruitment strategy is to be developed that will reflect the salaries, skills shortages, and demand for staff in the London areas.

MTFS update

1.7.19. HP&P Directorate has identified savings opportunities of £0.750m for delivery in 2023/24.

1.7.20. The savings to be delivered by HP&P directorate relate to efficiencies around the Facilities Management function. This will be achieved as a result of the reduction in facilities management costs as some of the Council owned buildings have been earmarked for disposal so will not require facilities management once sold. Other savings include the plan to reduce spend on repairs and maintenance at corporate buildings.

<u>Strategy & Improvement</u>

Nature of the service

1.7.21. The Strategy and Improvement directorate comprises the following service areas:

- Strategy – setting the strategic direction of the organisation through the Corporate Plan and strategic framework; managing key strategic partnerships including the Slough Leaders Group; providing insight through analysis of data and evidence and managing key performance information.

- Transformation – leading change through programme management of the Recovery and Improvement agenda, ensuring robust evidence is provided to Commissioners and other interested stakeholders, in relation to addressing Government Directions and other transformational activities.

- Communications and Resident Engagement – leading on internal and external communications and engagement with staff, members, residents, partners, external agencies etc.

- Customer and Business Services –including face to face customer services and the call centre, registration services, corporate complaints and FOI requests, PA and Executive Assistant support, logistics and the post room.

- ICT & Digital – provision of ICT and Digital services for the organisation, residents and partners, and leading on a modernisation programme to ensure technology is available for future needs including enabling more digital interaction with Council services.

- HR – managing all people management issues for the Council including recruitment, Payroll, employee relations, learning and development, health and safety, emergency planning. policies and procedures.

- Democratic and Electoral Services – coordination and support to Council meetings including Cabinet, Council and Scrutiny and management of all elections including local and general elections (note: this area reports direct to the Chief Executive).

Current service pressures

1.7.22. The directorate faces a number of key issues.

1.7.23. The continued pressure on budgets and the need to deliver ongoing savings needs to be balanced with the need and ability to invest in long-term solutions and improvements. For example, the need to invest in ICT to provide improved services for staff and residents in the medium to long-term is constrained by the need to deliver immediate savings.

1.7.24. Rising demand from residents is increasing pressure on customer services and on services across the Council.

1.7.25. A lack of capacity due to vacant posts in key corporate services is putting pressure on existing staff and this is exacerbated by the challenges to recruit additional staff as a result of a highly competitive jobs market in Berkshire and outer London.

1.7.26. As services across the Council reduce in size as a result of savings requirements there is additional pressure on corporate teams, for example, strategy and data, to provide backfill support to fulfil statutory and management information needs.

1.7.27. There are lasting impacts of the failed Our Futures transformation programme and restructure which are still providing legacy problems particularly in relation to staffing changes.

1.7.28. There are further issues, but it is important to note that these, and those mentioned above, are being addressed. Recent restructures and recruitment have ensured capacity and capability are being brought into the organisation to manage the challenges faced by the Council.

Covid impacts, recovery and lasting impact of Covid on the service

1.7.29. Covid affected the directorate's services in a number of specific ways.

1.7.30. All front facing customer services were closed. Local Access points are now operating in Britwell, Langley, Chalvey and Cippenham, but resource levels to operate these face to face services are limited. There is a dependence on other services such as libraries to be able to operate to avoid lone working. A remote contact centre was established during Covid. Since then there has been a partial onsite contact centre.

1.7.31. The vast majority of staff worked at home during Covid. A small number of colleagues were directed into the Covid Operations support team and came into the office on a regular basis. Since lockdown restrictions were lifted there has not been a full return to the workplace with hybrid working being the norm. This is not uncommon across the local authority sector.

1.7.32. There is now a hybrid contact centre with some staff on site and some working from home. An online booking system is in place for face to face appointments and a digital assist offer is in place for customers who need support navigating online services.

Financial recovery and future direction of service

1.7.33. The Directorate has experienced a number of changes over the past 18 months with combinations of services at various times reporting to Finance and Corporate Resources, Chief Operating Officer and now Strategy and Improvement. With a new Directorate bringing together these corporate functions there is now the opportunity to provide greater strategic oversight of core services and manage these within the context of recovery and the financial situation of the Council.

1.7.34. In essence, the new Directorate is focussed on aligning service delivery with the Council's Recovery agenda. The refresh of the Corporate Plan in 2023 will provide the means to ensure that Service Delivery Plans enable the active monitoring and managing of change.

1.7.35. The future of the services in the Directorate will be reviewed to ensure best value is delivered and the extent to which greater efficiencies can be achieved through alternative means of service delivery.

MTFS update

1.7.36. The Directorate has a 2022/23 budget (as at period 6 / September 2022) of a net £20.261m, comprised of a gross controlled expenditure budget of £23.757m and a gross income budget of £3.496m. The quoted figures for the Strategy and Improvement Directorate includes Business Services which is soon to transfer across to the Housing & Property Directorate.

1.7.37. The Directorate (including Business services) is projecting the delivery of £1.772m of savings in 2022/23 and has identified further savings opportunities of £1.823m for delivery in 2023/24.

1.7.38. The types of savings include reductions in staff, cessation of some corporate outdoor events, termination and / or reduction in licenses and re-procurement of some IT contracts at lower costs and reduction in telephony costs from reprocuring.

1.7.39. The focus of the Directorate will be on reviewing all its services to align activities where possible and stop unnecessary tasks and services. Budget holders will be accountable for controlling costs and managing the delivery of savings action plans.

Finance & Commercial

Nature of the service

1.7.40. The Finance & Commercial directorate comprises the following service areas:

- Strategic Finance – setting the strategic direction of the organisation through planning the finances of SBC to meet its strategic goals. Production of financial statements. Responsible for Treasury Management and investment/borrowing decisions.

- Financial Management – Responsible for assisting services to achieve their service objectives through decision support analysis, budget monitoring, budget setting and tracking delivery of savings targets.

- Revenues & Benefits – maximising and distributing revenue from council tax and business rates. Reducing fraud and ensuring eligible claimants receive timely payments. Also includes the Transactions team which manages accounts payable, receivable and debt management.

- Internal audit – presenting independent, objective assurance to add value and improve on SBC's operations by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

- Commercial services – strategic oversight of the process of purchasing goods and services for SBC services, oversight and guidance of contract management to ensure value for money.

- Risk, insurance, counter fraud – Procurement and management of Insurance policies; identifying, assessing and controlling financial, legal, strategic and security risks to and to reduce risk, and to apply resources to minimize, monitor and control the impact of negative events while maximizing positive outcomes.

- Financial systems - responsible for installing and maintaining a financial system that upholds the integrity of gathering, storing and analysis of financial information for informed decision making.

Current service pressures

1.7.41. The directorate has faced a number of key issues:

- Grossly inadequate records and professional standards in the production of previous years' (2018/19, 2019/20, 2020/21, 2021/22 (part)) accounts and budgets

- Inadequate reserves to cover any incidental costs that are common to an organisation of this Council's size

- Very poor professional standards

- Inadequate finance service structure to support the successful outcomes of the Corporate plan

- Inadequate design and operation of the systems resulting in loss of integrity in data and information held, as well as potential loss of income generation due to systems isolation and inadequate integration of relevant systems

- Grossly inadequate initial capitalisation direction for 21/22 budget as a result of poor historical records and processes / procedures.

- Effects and impact of S114 on all aspects of services and delivery

- A Council facing at one stage a potential total Capitalisation Direction of £782m, unprecedented in local government, with the addition of a forecast major DSG overspend of £40m plus

1.7.42. Further issues which need to be managed include:

- Achieving asset sales on time and at the estimated price

- Dealing with the local government financial settlement

- Dealing with related cost pressures due to interest rates, energy costs etc

- Challenge in attracting skilled personnel on permanent contract with the current SBC offer seemingly lower than other neighbouring boroughs

- Transitioning from current interim staffed service to permanent staff with minimum disruption to key deliveries

Covid impacts, recovery and lasting impact of Covid on the service

1.7.43. Covid affected the directorate’s services in a number of specific ways.

1.7.44. Substantial working from home, now a commonplace across the department has created to a certain extent, a challenge in managing and monitoring staff remotely.

1.7.45. Recruitment of permanent staff has become a challenge after covid as a number of other local authorities offer more remote working with the added incentive of London weighting package, and at some levels there is increased demand/limited supply of both permanent and temporary applicants. This has led to an increase in the rates needing to be paid to secure staff to fill vacancies.

1.7.46. The impact of covid has created much higher debts on Council tax due to the payment holidays offered during the covid period. Recovery of Council Tax debts are returning slowly, but there is still a long way to go.

1.7.47. The investment in IT infrastructure has allowed the hybrid working model to work better which has promoted a more flexible, collaborative and balanced work environment.

Financial recovery and future direction of service

1.7.48. The Directorate has experienced changes over the past year with other services such as Revenues & Benefits and Counter Fraud becoming part of the directorate.

The department is working on getting the basics right across all the Directorate's functions through the continuing rectification of the significant historical challenges with poor basic financial control processes and procedures. Continuing action will be taken to improve the basic financial systems and processes through the upgrade and development of all relevant and related systems.

1.7.49. The Finance & Commercial directorate is aimed at dealing and completing all the recommendations from various reports issued by CIPFA, DLUHC, Grant Thornton and the Directions (finance only) issued by the Government during 2021/22. 69 per cent of all recommendations have been completed or are continuously ongoing with good progress with the remainder on track to complete during 2022/23. The remaining recommendations will be implemented in the medium to longer-term due to their nature although a vast majority are expected to progress during 2022/23 and 2023/24.

1.7.50. The performance and improvements of our key services will be reviewed and monitored regularly by the agreed service plan for each service and their responsibility for delivery. Each service has a clear agreed objectives, key performance indicators and key improvement actions for the current 2022/23 and beyond.

1.7.51. The department is working on bringing back in-house some outsourced functions by implementing and consolidating some of the key changes for which some have been almost completed such as the Contract Management and Procurement functions. Work continues to get the agreed remaining services in-house by the beginning of next financial year. This is a key area for further development and improvement for the current year and beyond. This is crucial to the Council's ability to achieve value for money.

1.7.52. A considerable amount of work is ongoing to improve company governance with a wide variety of changes. These changes have a significant impact on the Council's financial position over the next few years, reducing borrowing requirements, MRP and the Council's exposure to financial risk. The improved governance arrangements will also enable the Council to make timely informed decisions on key strategic and financial matters that are critical to the Council's capitalisation direction.

1.7.53. The Directorate is guided on improving its key functions by positioning service delivery and performance with the Council's Recovery agenda through the 2023 Corporate Plan to achieve greater efficiencies and effectiveness.

MTFS update

1.7.54. The Directorate has a 2022/23 operating budget (as at period 9 / December 2022) of a net £9.096m, comprised of a gross controlled expenditure budget of £25.908m and a gross income budget of £16.812m.

1.7.55. The Directorate is projecting the delivery of £1.051m of savings in 2022/23 and has identified further savings opportunities of £7.506m for delivery in 2023/24. There are further savings of £2.150m which are cross-council in nature (e.g. fees and charges and support service savings) which will be allocated to the relevant service areas in due course.

1.7.56. The types of savings to be delivered by the Directorate include reductions in staff and in the use of agency staff, increased taxbase and collection rate, reduction in audit fees, pension contribution discounts, budgeted overhead cleanse, reduction in fraudulent claims on the single persons discount and reduction in the minimum revenue provision.

1.7.57. Another pertinent focus of the Directorate will be on replacing the majority (if not all) of the interim staff to deliver a more permanent team, especially at the senior level, and the continuous effort to stabilise the finances of the Council and set out a clear way forward in the very unique and challenging circumstances facing SBC. This will include reviewing and monitoring the delivery of all 2023/24 savings across the Council, as well as co-ordinating the drive towards identifying future years' budget savings.

<u>People (Adults)</u>

Nature of the service

1.7.58. The directorate comprises of Adult Social Care Operations, Mental Health, People Strategy & Commissioning, and Public Health.

1.7.59. **Adult Operations** provides multi-disciplinary social care Assessment & support for some of the most vulnerable people in Sough, including from:

- Hospital Discharges
- Social Work
- Occupational Therapists (OT)
- Care & Support planning
- Reablement & Safeguarding
- Also support for people in their own home

1.7.60. **Mental Health -** provides mental health services to residents in Slough and surrounding areas. Community Mental Health Team (CMHT) works with the local NHS, Berkshire Health Care NHS Trust (BHFT) to provide joint resources by way of Service Level Agreement (SLA), to avoid duplications in service provision, jointly purchase services to meet clients' needs or combine staffing resources to effect efficient mental health outcomes

1.7.61. **People, Strategy & Commissioning -** manage the care market, provide Quality Assurance, procurement & management of contracts, and Brokerage of Support Packages

1.7.62. **Public Health -** Supports Strategic Management of services in place to address wider determinants of Health and Wellbeing in Slough.

Current service pressures

1.7.63. Current Service pressures and risks include:

- Ongoing requirements around the local "Cost of Care" reform and Market Sustainability Plan - significant effort went into the Government required proposal in 22/23, which could have an adverse effect on the Provider market – with significant risk of above inflation expectations of price uplifts from providers

- There is significant ongoing pressure on local National Health Services, resulting in a critical incident being declared across the Frimley Health and Care Integrated Care System in Dec 2022.

- Delivery of the Transformation program and associated financial efficiencies in a market with excessively inflating cost above affordability

- Clients with increasing complexities, resulting in more expensive specialist provision.

- The introduction of CQC assurance and inspection regime for Social Care in Local Authorities putting additional pressure on staff undertaking preparatory works.

- Cost of living crisis and impact on underlying cost of care provision, including vulnerable clients with limited scope to increase their income

- Difficulties recruiting in highly competitive market

Covid impacts, recovery and lasting impact of Covid on the service

1.7.64. There are significant risks and operational challenges post pandemic for adult social care in Slough. These include:

- a reduction in the social care workforce – with people choosing to leave the workforce for better pay and less stressful work and recruitment into social care becoming harder for the same reasons

- staff across all parts of adult social care in Slough have worked hard and tirelessly over the last few years but the workload continues to be demanding and creates a risk of burnout in staff.

- more people needing support than planned as people's health and mental health has been impacted by the pandemic. Greater understanding of the impact of long covid on adult social care demand is required.

- Although there has been some temporary funding provided for the discharge to assess programme through the NHS, the long-term impact of the numbers of people discharged from hospital both during the pandemic and current crisis could leave the council with increased costs.

Financial recovery and future direction of service

1.7.65. Delivering the adult social care transformation programme will support both the adult social care and corporate strategy of operating within its budget, whilst continuing to meet its statutory responsibilities, against the backdrop of an ongoing financial recovery.

1.7.66. Promoting people's independence, supporting them to live at home with as much choice and control over their lives as possible, as well as ensuring people are safe will remain the key direction of travel for adult social care. Enabling this to happen in an integrated way with the local Integrated Care System as well as opportunities for more joint working across East Berkshire Councils will provide options to support this delivery whilst maximising value for money for stakeholders.

MTFS update

1.7.67. People - Adults is projecting the delivery of £5.900m of savings in 2022/23 and has identified further savings opportunities of £5.688m for delivery in 2023/24.

1.7.68. The Directorate began a three-year transformation journey in 2021/22, aiming to deliver efficiencies as part of a wider integrated vision for harnessing community assets, promoting a strength-based approach and targeting interventions to achieve greatest impacts.

1.7.69. The programme aims to achieve a robust and sustainable approach to delivering ASC, which supports recovery from the pandemic, containing a number of projects aimed at delivering financial savings and supporting the service to become sustainable and more efficient. This will be in the context of changed ways of working, whilst continuing to deliver better outcomes for residents with social care needs.

<u>People (Children)</u>

Nature of the Service

1.7.70. The directorate covers all education related services, including statutory and some non-statutory responsibilities to schools. The services are:

- Admissions (Including Home to School Transport)
- Attendance (including Elective Home Education and Children Missing Education)
- SEND
- Education Psychology
- Children's Centres
- Early Years
- School Effectiveness
- Music

Current Service Pressures

1.7.71. The service has operated with one AD instead of two since November 2021. This has meant a directorate operating with a lack of real capacity and ability to strategically deliver on council objectives. This was identified in an LGA review in September 2022. A restructure is planned that will be able to address the issues and ensure a sustainable service going forward.

1.7.72. There is a SEND Green Paper and an Education White Paper impending, outlining responsibilities on LAs to deliver services. Whilst the Schools Bill, which sought to put the priorities in the White paper on a statutory footing has been scrapped the DfE have stated they remain committed to the Attendance element which may mean additional statutory responsibilities in the Attendance service

1.7.73. There are several key pressures in each area identified briefly below:

- **Admissions (Including Home to School Transport)** – The new statutory Admissions Code 2021 introduced three main changes relating to in-year admissions, looked after and previously looked after children and fair access protocols. The service is addressing what it needs to do to ensure compliance and working with schools to achieve this. Home to School Transport is funded from the General Fund but a new home to school transport policy should support the aim for more independent travel for young people and a reduction in cost.

- **Attendance (including Elective Home Education and Children Missing Education)** – New statutory responsibilities may be made around attendance of children and young people at schools, regarding Children Missing Education and Elective Home Education. Until then the service is dealing with additional demand following the pandemic. The pandemic saw a rise in children being Electively Home Educated. There are signs this is coming down. The service will continue to monitor this closely and work with schools and the DfE on effective practise.

- **SEND** – The SEND service is subject to a Written Statement of Action following an inspection from Ofsted and this is being monitored by the DfE. As such it is a high corporate risk. Regular reporting on the progress on the WSOA and wider service improvements is required at Cabinet. Additional staffing has been recruited to in the SEND service and will support capacity and improvements in this area.

- **Education Psychology** – The service has suffered with high turnover of staff. There is a shortage in recruitment. However, this is a national issue. The SEND service has a high dependency on the EP service as reports are needed from EPs to complete the EHCP process. There are locums in place to support the short term, but permanent recruitment is planned and ongoing.

- **Children's Centres** – Consultation has been launched on changes to the service, utilising a smaller number of buildings and more targeted services. A report will be presented to Cabinet for a final decision, including the outcome of the consultation.

- **Early Years** – The service has been operating well but has some and staff vacancies. These roles are being recruited to.

- **School Effectiveness** – The Group Manager for School Effectiveness role is vacant and being covered by the Associate Director. This role does all the school visits for maintained schools. The LA has statutory duties around school effectiveness for maintained schools in order to ensure educational standards are high and to risk assess school that may be at risk of failing. The vacancy has created capacity issues. However, the role and approach to school effectiveness will be revisited in the impending restructure of the directorate. Alternative ways of monitoring and delivery are being explored and present a good opportunity to approach school effectiveness in a different way.

- **Music** – This service is fully funded externally by the Arts Council. Budgetary pressures are contained within the service.

Covid impacts, recovery and lasting impact of Covid on the service

1.7.74. Schools are getting back to business as usual following a very challenging two years through the pandemic. However, the biggest effect is on the young people that had their education disrupted for two years. This is likely to have affected the most vulnerable, e.g. children with SEND and those that are disadvantaged.

1.7.75. The LA services play a vital role in the support structure for schools and young people as outlined above and will need to be strengthened to meet demand and challenge.

Financial recovery and future direction of service

1.7.76. The service has proposed savings as far as currently possible. Most services are fully or at least part, externally funded.

1.7.77. Action plans are in place for each service area in order to ensure and maintain a good level of service delivery, notwithstanding the issues and challenges outlined above.

1.7.78. Key to recovery and good service delivery is an impending restructure of the directorate, as recommended in the LGA review.

MTFS update

1.7.79. The People – Children Directorate has a 2022/23 budget (as at period 6 / September 2022) of a net £8.091m, comprised of a gross controlled expenditure budget of £16.065m and a gross income budget of £7.974m. This excludes DSG and Slough Children First. Also £7.273m of gross expenditure and £6.042m of gross income relates to the schools PFI project and is therefore ringfenced.

1.7.80. As part of the budget for 2022/23, the directorate set a savings target of £1.109m. The current projected achievement against this target is £0.832m (75%)

1.7.81. The forecast outturn for 2022/23 as at period 6 is an overspend of £0.035m

1.7.82. The directorate is proposing £1.013m of savings towards the Council’s overall target for 2023/24 for review by the Scrutiny Committee

1.7.83. The key issues currently faced by the directorate are as follows:

- Current structure in People Children is not fit for purpose. At present the service is being led by one AD but is designed for two ADs. 3 of 7 Group Managers are acting up and one GM post is vacant. A restructure is being presented for approval which is also planned to achieve savings.

- The SEND service is currently a high corporate risk following a SEND area inspection by Ofsted in September 2021. Additional staffing capacity in SEND which has already been approved and recruited to, will support improvements in that area.

1.7.84. The following savings proposals have been put forward for delivery to contribute towards the 2023/24 budget target:

- **Proposal 1 - Home to School Transport - £0.800m over two years** – As part of a drive to ensure the efficient and economic delivery of services Slough Children's Services have identified savings of £0.800m (2023/24: £0.595m; 2024/25: £0.205m) in their Home to School Transport (HTST) Assistance offer that is in addition to previous savings in this area.

- **Proposal 2 - Staff Restructure - £0.263m over two years** – A restructure was recommended by the LGA to make the service fit for purpose. A draft restructure has since been proposed and seen by the LGA. Of the above saving, £0.210m is projected in 2023/24.

1.7.85. A restructure will ensure a better and fit for purpose directorate able to better meet the demands and needs of young people. It will lay the foundations for a more resilient future.

Slough Children First

Nature of the Service

1.7.86. Slough Children First provides Children's Social Care and Early Help Services to the Council through a service contract.

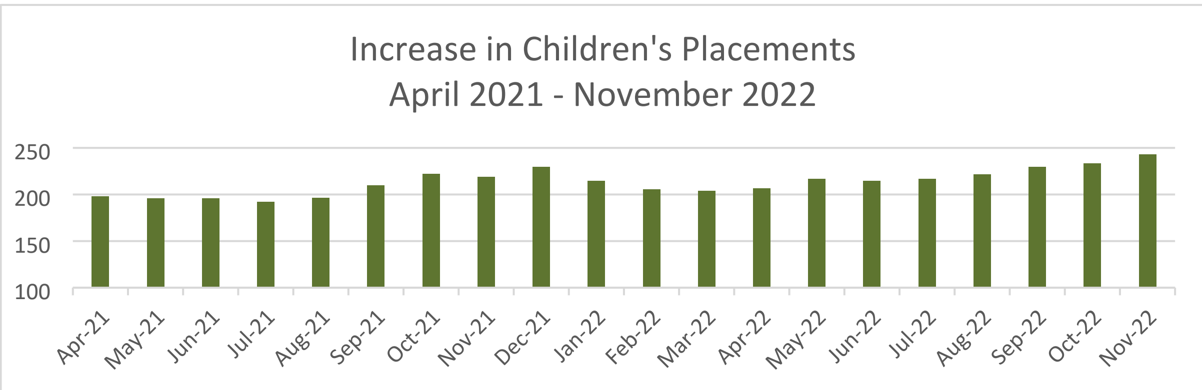
1.7.87. The company was previously Slough Children's Services Trust and the contractual arrangement has been in place since October 2015, under the direction of the DfE when Slough Children's Services were judged as Inadequate. Services are now judged to be Requires Improvement.

Current service pressures

1.7.88. The company faces five main pressures:

Increase in Children's Placements

1.7.89. A growing number of children looked after and requiring support. This appears to be a national issue with the after effects of Covid, the cost of living crisis and increasing numbers of Unaccompanied Asylum Seekers all having an impact on numbers.



1.7.90. Although numbers vary seasonally the graph shows an increasing trend of placement numbers. From November 2021 – November 2022 placements have increased from 219 to 243, an increase of 11%. This not only has an impact on the cost of placements but staffing as well.

1.7.91. The company are planning to reduce the numbers of placements by improving early intervention. They are doing this be investing in their Early Help and Edge of Care Services.

Increased costs of external placements

1.7.92. Children looked after are placed with internal fostering services, independent fostering agencies and residential placements. There is a shortage of fostering places in Slough, partly due to those fostering having limited capacity to take more than one child and SCF needing to place a number of children from the same family. Increased inflation and a shortage of staff in Residential Homes has increased costs and the increasing demand, not just in Slough but regionally has meant a shortage of places increasing costs of places.

Increased Staffing Costs

1.7.93. The company has struggled to retain permanent Social Workers with annual turnover of approximately 34%. This has led to a significant number of agency staff with resulting higher costs. In 2022/23 these costs are forecast to be £6m out of a total staffing spend of £19m.

1.7.94. There is also a need to have more Social Workers to manage the increasing number of cases. The plan in 2023/24 is to mitigate the increases in costs of additional staff by recruiting more permanent staff and reducing the number of agency workers.

Increased Legal Costs

1.7.95. The budget for legal services in the 2023/24 business plan are forecast to increase from £1.5m to £2.1m to reflect current spending levels.

Loss of DfE Running Costs Grant

1.7.96. The DfE have historically provided the company a grant to help pay for some of its senior staff of £2.2m p.a. They have indicated for a while that they would be making significant reductions in the grant and in December 2022 confirmed the grant would reduce to £0.8m, a reduction of £1.4m. The staffing paid for by the grant are for essential staff, including Social Work team managers and support staff that would be required if the Council, rather than the company provided the service. The remaining £0.8m represents the costs of additional staff and board members required to run an independent company.

Covid impacts, recovery and lasting impact of Covid on the service

1.7.97. Covid and the resulting lockdown had an impact on the number of cases, there were particular surges in numbers when children went back to school and became more visible to partners. Social Workers continued to work through Covid although lockdown restrictions made this difficult. They have now returned to normal working practices.

MTFS Update

2022/23

1.7.98. The budget set for 2022/23 incorporated a £2.7m net reduction in funding, against a backdrop of a £2.0m overspend in 2021/22 pre Covid funding with planned savings of £4.7m.

1.7.99. Slough Children First (SCF) are projecting a £5.6m overspend in 2022/23 compared to its original budget due to an increase in the number of children taken into care, higher than anticipated inflation and some savings and income targets not being achieved.

1.7.100. Like other councils, the company has struggled to retain social workers with turnover at 34% which has meant a reliance on agency staff, further adding to the overspend.

1.7.101. The overspend has been partly mitigated by two in-year funding requests totalling £1.5m reducing this to £3.8m, approved by Cabinet in September and December 2022.

1.7.102. SCF will submit a further in year funding request in 2022/23 to cover their remaining pressures in parallel to the 2023/24 budget approval process.

2023/24

1.7.103. SCF has produced a draft five-year Business Plan 2023/24 – 2027/28, however the Board have not agreed this plan for submission to the Council. A separate report provides more detail on this.

1.7.104. The draft Business Plan had originally requested a net increase in funding from the Council for 2023/24 of £10.3m compared to 2022/23, meaning if agreed the budgeted core contract payment would increase from £31.4m to £41.7m an increase of 33%. This request incorporated growth and inflation of £11.4m and assumed savings of £1.1m.

1.7.105. A Contract Sum of £36.1m is recommended for approval in a separate cabinet report, an increase of £4.6m, or 15%. This is set to take account of the in-year funding pressures submitted for 2021/22 and 2022/23 and increased demand. This amount ensures SCF remains solvent through the course of 2023/24 and gives the new DCS the opportunity to review the Business Plan and submit revised proposals later in 2023/24, taking into account the Council's overall financial position. Any future proposals will be considered alongside other Council priorities..

2023/24 – 2027/28 Business Plan

1.7.106. SCF should have submitted its Business Plan to the Council by 30 September 2022 in accordance with the requirements set out in the Articles of Association to allow sufficient time for this to be considered by Overview and Scrutiny Committee as part of the budget setting process. The previous year's plan was only approved on an interim basis and the re-submitted plan was subject to a DfE commissioned review by Mutual Ventures.

1.7.107. SCF have requested additional time to submit a new business plan taking account of the recent Ofsted inspection and the arrival of a new executive leadership team. This will be submitted to Cabinet in the second quarter of 2023/24.

1.8. Financial Context

Foundation

1.8.1. An authority's Medium-Term Financial Strategy (MTFS) integrates strategic and financial planning over a defined period e.g. four years. It translates Strategic Plan priorities into a financial framework to enable Members and Officers to ensure policy initiatives can be delivered within available resources which are aligned to priority outcomes.

1.8.2. The Council's last approved MTFS from March 2022 Full Council for 2023/24 estimated a shortfall to a balanced budget of £66.190m. Substantial work has been undertaken over the intervening year in order to address outstanding years of financial statements, embark upon the asset disposal strategy and understand more fully the risks and pressures inherent in the Council's budgets and operations. This has enabled the Council to better clarify the budget deficit position in respect of prior years, reduce substantially the MRP impact in light of projected asset sales and refine other assumptions within the Capitalisation Direction modelling. A request was also made to DLUHC for an increased level of council tax without referendum which has been approved. As a consequence of all this work, the projected shortfall for 2023/24 has been reduced to just under £32m.

2023/24 MTFS and Budget Build

1.8.3. The total savings requirement 2023/24 amounted to £22.4m. This is higher than originally planned due to the economic shocks which came to light through the year in terms of higher than expected inflation, interest rates, and cost of living implications. The saving enables the Council to fund the unavoidable pressures on the Council's budgets from inflation, demands on services and changes to the Council's overall funding envelope from Council Tax, Business Rates and Government grants.

1.8.4. The Council is facing continued uncertainty on future funding, from a future planning perspective, after making reasonable provision for growth, inflation and Council Tax increases it is projecting that it will need to make savings of £12.9m per annum from 2024/25 until 2028/29 at which point it will no longer need a capitalisation direction.

1.8.5. The capitalisation direction is discussed in more detail below and specifically its impact on the Council's budget and funding.

Financial Deficit & Capitalisation Direction

1.8.6. The Capitalisation Direction is broken down into three elements:

- up to 2022/23 financial deficits
- 2023/24 budget deficit
- post 2023/24 projected deficits until a balanced budget is achieved

1.8.7. The estimated base case for the financial deficit that the Council is seeking a capitalisation direction from DLUHC is now estimated at £357.1m (last year's estimate: £478.7m):

Capitalisation Direction Breakdown	Up to 2022/23 £'000	2023/24 £'000	Projected Post-2023/24 £'000	Total CD £'000
Estimated Financial Deficit	267,073	31,575	58,422	**357,070**

1.8.8. The estimated deficit for the period up to 31 March 2023 of £267.1m includes historic errors and prior period accounting adjustments which without financial support from DLUHC would result in the Council having a negative level of balances and reserves.

Up to 2022/23 financial deficit

1.8.9. The financial deficit of £267.1m for the period to 31 March 2023 is broken down as follows:

Breakdown of Capitalisation Direction	Pre-2019/20 £'000	2019/20-2021/22 £'000	2022/23 £'000	Total £'000
Forecast Outturn Position	13,244	26,084	(1,601)	**37,727**
Minimum Revenue Provision (MRP)	32,871	24,467	17,673	**75,011**
Companies & Subsidies	0	1,161	8,773	**9,934**
Original Capitalisation Direction	0	12,200	0	**12,200**
Incorrect capitalisation of staff costs	29,360	19,488	1,000	**49,848**
Increase Reserve Levels	0	20,000	1,000	**21,000**
Additional Growth for new years of MTFS	0	1,065	4,773	**5,838**
Emerging Pressures, Contingencies, and Provisions	2,540	27,979	17,496	**48,015**
Fund redundancy costs	0	0	7,500	**7,500**
Total	**78,015**	**132,444**	**56,614**	**267,073**

1.8.10. The majority of the financial deficit up to 31 March 2023 can be attributed to:

- inadequate minimum revenue provision – the single biggest amount within the capitalisation direction is due to the incorrect accounting for Minimum Revenue Provision for many years. The amount undercharged from 2008/09 to 2021/22 is £57m, with a further £18m needed for 2022/23. The benefit of the asset sales does not impact significantly until 2023/24 and 2024/25.

- Emerging pressures, contingencies and provisions of £48m, consisting of

- inadequate provisions and historical budgeting issues estimated at £39m in a range of areas including bad debts such as adults social care, sundry debts and insurance;
- £15m to rebuild resilience and enable transformation;
- offset by £6m in a more recent improved settlement.

➢ incorrect capitalisation of revenue costs totalling £50m, the majority of this is for the period to 2021/22 (£49m) which includes £24m of costs incorrectly capitalised relating to transformation funding, £4m for incorrectly recognised overage costs and £21m for incorrectly capitalised costs of property and IT staff to projects

➢ non receipt of expected dividends from Company investments and potential liabilities in respect of winding up some of these companies totalling c£10m

➢ inadequate budget estimation, inaccurate accounting and reporting and failure to deliver planned cost savings, leading to adjustments to prior year outturns of circa £39m.

➢ In order to rebuild more robust financial resilience for the council, £21m has been built back into reserves in order to protect the council from future shocks once the CD has been reduced and repaid, and money has also been invested to fund increased inflation and energy costs in 2022/23.

2023/24 Budget Deficit

1.8.11. After accounting for inflationary and demand pressures on services discussed above which are funded from proposed savings, the Council has identified that a deficit of £31.6m will be left for the Council to resolve through capitalisation. The issues which result in this projected deficit were presented to DLUHC as part of a recent update on the capitalisation direction and refined as follows:

Breakdown of Capitalisation Direction	2023/24 £'000
Pressures:	
Budget Pressures Brought-Forward	56,614
Pressures, growth and contingency	10,935
Additional Growth for new years of MTFS	9,718
Prior year outturn not ongoing	1,601
Subtotal	**78,868**
Reduction in previous pressures:	
Minimum Revenue Provision (MRP)	(3,895)
Companies & Subsidiaries	(3,009)
Redundancy Costs	(7,500)
Subtotal	**(14,404)**
Offset by:	
Settlement – grants	(5,677)
Council tax – at 4.99% incl. social care levy	(3,200)
Further council tax at 5% less cost of support scheme increases	(1,590)
Savings proposals	(22,422)
Subtotal	**(32,889)**
Total Capitalisation Request for 2023/24	**(31,575)**

1.8.12. The majority of this estimated budget deficit for 2023/24 is attributed to the budget deficit implicit in the prior year carried forward (£56.6m), plus:

- Inflation on staff costs and contracts of £9.7m

- Contingency for known risks and pressures of £12.5m, less £1.5m due to the end of time-limited budgets, reductions in commercial rent income through the asset disposal strategy and the release of collection fund receipts identified to smooth over subsequent years.

- a reduction in Minimum Revenue Provision of £3.9m as a result of action taken and planned to dispose of investment properties and surplus land and buildings in order to finance the Capitalisation Direction

- removal from base budget and pressures brought forward (i.e., one-off funding only) the £7.5m for redundancy costs in 2022/23, elements of the projected outturn relating to 2022/23 of £1.6m, and £3m originating from Council owned companies such as prior year impairments on loans and running costs.

- Offset by the impact of an increase in Government grants, council tax at 9.99% less increased support scheme costs totalling £11m.

- £22m in new revenue savings put forward by Directorates.

2023/24 Budget Deficit and Capitalisation Direction

1.8.13. In proposing the 2023/24 revenue budget for the Council it is important to make a distinction between the funds available from Council Tax, Business Rates and Government grants i.e. the “base budget” and the final budget requirement which incorporates all the costs the Council needs to meet. The difference between the base budget and the budget requirement forms the deficit which has to be funded by the Capitalisation Direction.

1.8.14. The Council’s base budget for 2023/24 is £143.4m and reflects changes for:

- growth for pressures and inflation which are funded by proposed savings
- virements to adjust for time-limited budgets and agreed movements between directorates
- realigning specific grants to services from “below-the-line”

1.8.15. The Council’s budget requirement for 2022/23 is £143.4m compared to available funds of £111.8m therefore resulting in a budget deficit of £31.6m which will need to be funded by the capitalisation direction.

	2022/23 Working Budget	Growth and Pressures	Net Savings	Corporate Adjustments	Net Funding Changes	Reduction in Capitalisation Direction	2023/24 Proposed Budget	Capitalisation Direction	2023/24 Budget excluding Capitalisation Direction
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net Expenditure	189,410	12,218	(22,422)	(31,760)	(4,068)	0	143,377	(31,575)	111,802
GF Funding	(189,410)	0	0	343	(6,790)	52,480	(143,377)	31,575	(111,802)
Net GF Position	**0**	**12,218**	**(22,422)**	**(31,417)**	**(10,858)**	**52,480**	**0**	**0**	**0**

Key Components of 2023/24 Budget

1.8.16. It should be noted that to deliver the Council's policy priorities and a balanced budget which is currently projected to be achieved by 2028/29, very significant savings to the Council's net base budget will be required year on year. The level of these savings has been determined to be £12.9m from 2024/25 through to 2028/29, which is significantly reduced from a level of £20m projected a year ago.

1.8.17. The key components of the 2023/24 proposed budget by Directorate are:

- Growth for Pressures and Inflation:

Directorate	Growth and Pressures £'000
People (Adults)	0
People (Children)	615
Slough Children First	4,632
Place & Community	529
Housing, Property & Planning	5,812
Strategy and Improvement	130
Finance & Commercial	0
Corporate Budgets	500
Total	**12.218**

- Savings proposed by Directorate:

Directorate	Savings Proposed £'000
People Adults	5,688
People Children	805
Place & Communities	3,700
Housing, Property & Planning	750
Strategy and Improvement	1,823
Finance & Commercial	7,506
Cross-Council	2,150
Total	**22.422**

1.8.18. Appendices A1 to A4 present the proposed budgets and changes for 2023/24 in more detail.

Equalities Impact Assessments

1.8.19. It is important to note that the budget is the financial expression of the strategic plan and our operational intent, and where known, the equality impact of change is disclosed. There are also a number of individual decisions that will arise over the period of the 2023/24 budget and these will continue to be the subject of specific and more detailed equality impact assessments in line with the Council's Equality Impact Assessment (EIA) guidance. Political decisions will only be taken once effective and meaningful engagement has taken place on a need-by-need basis. In making any decisions we must have regard to the Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010.

1.8.20. Part of the equalities governance is to ensure that equality impact assessments are undertaken when considering new and/or revised policies to inform and underpin good decision-making processes. This also helps us pay due regard to our equality obligations.

1.8.21. Attached to this report as Appendix E is a set of Equalities Impact Assessments that discusses the most significant equality pressures for each service area, informed by an equality analysis. This includes a review of proposed budget changes for 2023/24 e.g. proposed savings and what positive or negative impacts, if any there are from these on groups in the Slough.

Post 2023/24 Projected deficit to balanced budget

1.8.22. The financial deficit is projected to extend beyond 2023/24 and requires additional support through further Capitalisation Directions of existing expenditure to assist the Council to reach a stable position with a balanced budget.

1.8.23. This projection assumes that that the Council will be able to deliver year on year savings of £12.9m per year and that the ongoing support described above will be agreed by DLUHC.

1.8.24. Based on current estimates and known information, the Council's deficit in 2024/25 after assumed funding from Council Tax, targeted savings and additional capitalisation of existing costs would be £23.1m reducing to £0m by 2028/29. Over the period from 2024/25 to 2047/48 the net estimated deficit is expected to be £58.4m:

Breakdown of Capitalisation Direction	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 to 2047/48	Total
Roll forward of budget pressures	31,575	23,078	16,917	12,159	6,268	(0)	0	89,997
Emerging Pressures, Contingencies, and Provisions	(1,976)	400	2,100	(5,000)	3,700	1,300	0	524
Additional Growth for new years of MTFS	14,000	11,400	11,400	11,400	11,400	11,400	205,200	276,200
Companies	(1,230)	(700)	(1,113)	4,580	(5,000)	0	0	(3,463)
Minimum Revenue Provision (MRP)	(2,871)	(745)	(434)	36	734	411	(1,047)	(3,916)
Settlement	80	84	89	93	98	0	0	444
Council Tax	(3,600)	(3,700)	(3,900)	(4,100)	(4,300)	(4,600)	(134,800)	(159,000)
Savings Required	(12,900)	(12,900)	(12,900)	(12,900)	(12,900)	(8,511)	(69,353)	(142,364)
Net Estimated Deficit	**23,078**	**16,917**	**12,159**	**6,268**	**0**	**0**	**0**	**58,422**

Reserves and Balances

1.8.25. Local authorities hold balances such as the General Fund and Housing Revenue Account balance as well as earmarked reserves for different reasons but typically as a means to:

a. **Cover unforeseen spending pressures** – for example a major flood or other incident could have a big, uninsurable, impact on Council services. This would place undue pressure on the budget.

b. **Manage general risk and uncertainty** – councils operate in very uncertain times, where there can be significant changes to in year funding. This means that councils need to hold reserves to protect themselves against big funding shifts and buy them time to bring their budget into balance.

c. **Meeting known risks and future commitments** – often these are known as earmarked reserves. These are reserves held for a specific purpose, for example an insurance reserve,

d. **Holding monies on behalf of other bodies** – the schools revenue balances are an example of this.

1.8.26. As at 31 March 2022, the Council's estimated General Fund balance is £21.5m, of which £20m comes from the Capitalisation Direction. As the work on completing the statutory Statement of Accounts for 2018/19, 2019/20 and 2020/21 continues, historic accounting errors are being identified and addressed through the Capitalisation Direction which would otherwise be incurred against the Council's General Fund (or Housing Revenue Account balances) and earmarked reserves.

1.8.27. The estimated earmarked reserves held by the Council at the end of March 2022 totalled £29m. The majority of these funds were accumulated during 2020/21 and 2021/22 as part of the Government's covid response measures to be used for specific purposes such as helping local business and managing the outbreak of covid and must be repaid to DLUHC. In addition, school balances amount to £10.3m and cannot be used for general purposes.

	£m
Repayable to Government	17.0
School balances excluding DSG	10.3
Other	1.8
Total	**29.1**

1.8.28. As a means to build resilience for the Council, the medium-term financial plan also expects at least £1m per annum to be put in reserves from revenue balances. This is the bare minimum position and will be subject to on-going review and risk assessment.

1.9. Council Tax

2022/23 Council Tax

2022/23 Council Tax Base (No. of Band D Equivalent Dwellings)

1.9.1. The calculation of the Council Tax base is a key variable to setting the basic amount of Council Tax for the Council, parishes and major preceptors. The 2022/23 Council Tax Base was approved at Cabinet on 16th January 2023. This was calculated as 43,160.1 (Band D equivalents).

1.9.2. Within the borough, there are three parish councils who set a precept for their respective areas that are billed alongside Council Tax for Slough and the major Preceptors, Police and Fire. The precept is based on the approved tax-base for that specific area, the breakdown of which is:

Band D Equivalent Dwellings	2022/23	2023/24	Change	% Change
Parish of Britwell	836.4	841.0	4.6	0.55%
Parish of Colnbrook with Poyle	1,811.3	1,842.2	30.9	1.71%
Parish of Wexham	1,393.9	1,402.4	8.5	0.61%
Slough (unparished)	38,244.6	39,074.5	829.9	2.17%
Council Tax Base	**42,286.2**	**43,160.1**	**873.9**	**2.07%**

1.9.3. The Council is required to calculate its Council Tax requirement for 2021/22 in accordance with the Local Government Finance Act 1992. These calculations are set out in Appendix B

Council Tax Insight

1.9.4. The Council has a responsibility to set a level of Council Tax that ensure that it has adequate resources to meet its statutory obligations and priorities. When Council Tax is increased, this preserves an authority's ability to generate funding locally for services and provides some measure of resilience against funding reductions from Central Government.

1.9.5. It is recognised that increases to Council Tax contribute to pressures on some household's finances. However, increasing Council Tax is necessary to optimise the funding and provision of services in the Borough. For 2022/23, the Council had the 3rd lowest rate of Band D within Berkshire and will continue to do so in 2023/24 if neighbouring authorities increase their Council Tax by the maximum permissible increase as expected.

1.9.6. To support the Council's improvement plan, the Council needs to maximise funding to support front-line services and mitigate pressures. Therefore, the Council must:

- consider all opportunities for increasing Council Tax annually
- continue to promote growth to its tax-base including bringing empty homes back into use, reviewing discounts awarded e.g. Single Person Discount
- prioritise collections to maintain a prudent collection rate.

2023/24 Council Tax Precepts

1.9.7. The Council acts as an "agent" and is also required to bill residents in the borough for a precept on behalf of the Office of the Police and Crime Commissioner (OPCC) for Thames Valley and Royal Berkshire Fire & Rescue.

1.9.8. The Council does not have any control or influence on the amount of precept set by these authorities, nor does it benefit from this financially. For 2023/24, these precepts are:

Precepting Authority	OPCC Thames Valley	Royal Berkshire Fire & Rescue
Approved 2022/23 Band D (£) Precept	241.28	73.95
Change	15.00	5.00
Proposed 2023/24 Band D (£) Precept	**256.28**	**78.95**

2023/24 Band D Council Tax and Requirement

1.9.9. For 2022/23, DLUHC confirmed that local authorities would be permitted to increase Council Tax by 2.99% without a local referendum and for those authorities with social care responsibilities a further 2.00%.

1.9.10. Due to the exceptional challenges faced by the Council, which are discussed throughout this report, a request was made to Government to allow the Council to increase Council Tax above the referendum principles mentioned above. This request has been granted by Government, meaning that the Council is able to increase by 9.99% without a local referendum.

1.9.11. The Council proposes to increase its element of Council Tax in 2023/24 by a total of 9.99%, of which 7.99% is for the general element of Council Tax and 2.00% for the Social Care Precept to derive a Band D rate of £1,688.19. The breakdown is as follows:

Slough Borough Council	Band D (£)
Approved 2022/23 (£)	1,534.86
7.99% General Increase	122.63
2.00% Adult Social Care Precept	30.70
Proposed 2023/24 (£)	**1,688.19**

1.9.12. Unfortunately, this increase is unavoidable and vital in helping meet the exceptional challenges the Council is facing. Support will be provided to those who will be most seriously impacted by this increase, with the current council tax reduction scheme changing to provide additional support for the over 9,000 households currently in receipt and for anyone who makes a new application from April. This scheme will have a maximum Council Tax reduction of 100%, and it is estimated that some 3,500 (around 38%) of the households with the lowest incomes and currently paying 20% will not need to pay any Council Tax in 2023/24 should their circumstances remain the same. Further details on the Council Tax Reduction Scheme for 2023/24 have been presented in separate on this agenda.

1.9.13. The table below summarises the proposed 2023/24 Council Tax Requirement to be billed to residents in Slough and how it is derived:

Budget	2023/24 Proposed (£'000)
Net Service Budget	111,802
Estimated Financial Deficit	31,575
Budget Requirement	**143,377**
Sources of Funding:	
Net Retained Business Rates	(38,429)
Revenue Support Grant	(7,302)
Business Rates (Surplus)/Deficit	7,838
Council Tax Surplus	(1,578)
Other Non-Specific Grants	(914)
Capitalisation Direction	(31,575)
Council Tax Requirement: Slough Borough Council	**71,417**
Precept: Office of the Police and Crime Commissioner Thames Valley	11,061
Precept: Royal Berkshire Fire & Rescue	3,407
Total Council Tax Requirement to be Billed	**85,885**
Funded by:	
Slough Borough Council Band D (£)	1,688.19
Office of the Police and Crime Commissioner Thames Valley Band D (£)	256.28
Royal Berkshire Fire & Rescue Band D (£)	78.95
Total Band D (£)	**2,023.42**
Council Tax Base (No. of Band D Equivalent Dwellings)	43,160.10
Sub-Total: Billable Council Tax (£'000)	**85,721**
Local Parish Precept Income (£'000)	164
Total Billable Council Tax including Parish Precepts (£'000)	**85,885**

1.9.14. If the proposed increase in the Council Tax for 2023/24 of 9.99% for the Council is approved, along with the major preceptors in Berkshire, the total amount payable by Slough's residents will be:

Band	Slough	Office of the Police and Crime Commissioner (OPCC) for Thames Valley	Royal Berkshire Fire Authority	Total
	(£)	(£)	(£)	(£)
A	1,125.46	170.85	52.63	1,348.94
B	1,313.04	199.33	61.41	1,573.78
C	1,500.62	227.8	70.18	1,798.60
D	**1,688.19**	**256.28**	**78.95**	**2023.42**
E	2,063.35	313.23	96.49	2,473.07
F	2,438.50	370.18	114.04	2,922.72
G	2,813.65	427.13	131.58	3,372.36
H	3,376.39	512.56	157.90	4,046.85

*Note: Some residents will pay an additional precept as approved by their local parish council, details are included in Appendix B.

1.10. Business Rates

1.10.1. The next largest funding stream relates to Business Rates. Total business rates income for 2023/24 has been estimated as £110.956m. This is distributed as follows:

	Central Government £'000	Slough Borough Council £'000	Berkshire Fire Authority £'000	Total £'000
Gross Share of Rates	**55,478**	**54,368**	**1,110**	**110,956**
% Share	50.00%	49.00%	1.00%	**100.00%**

1.10.2. In theory, as the business rates income is derived from local businesses, the Council has a valid claim to retain all of its 49% allocation. However, Business Rates are redistributed across the country based on assumed need and a top-up and tariff system equalises business rate income across the country.

1.10.3. The Council's share of business rates (£54.368m) reduced for the tariff and other adjustments to reach a final budgeted amount of Business Rates of £30.591m, as follows:

2023/24 Business Rates Funding:	£'000
Gross Business Rates	**110,956**
Slough's share (49%) of total NNDR Income	**54,368**
S31 Grant to compensate reliefs and indexation	10,671
Tariff	(25,564)
Levy	(1,047)
Sub-Total	**38,429**

Total Deficit on Business Rates Recognised in 2023/24	(7,838)
Net Budgeted Funding from Business Rates	**30,591**

1.10.4. Businesses were given some protection by Government, in 2020/21, via grants, Business Rate reliefs and the furlough scheme. Unfortunately, the pandemic has resulted in continued hardships for local businesses, and some are not sustainable. This and the application of expanded reliefs for retail, hospitality and leisure businesses has resulted in reduced Business Rates income against what was expected to be collected for 2022/23, leading to an estimated deficit that under accounting rules must be recognised in 2023/24.

1.10.5. In addition, there has been a historic under-provision for the level of appeals against Business Rates bills in the borough. This manifested in a bottom-line impact against the GF in previous years.

1.10.6. In addition, Government are implementing a revaluation of rateable properties which will take effect from 1 April 2023. Whilst transitional protection will be provided to businesses to ensure that any changes are implemented gradually, the gross rates for rateable properties have increased in 2023/24. This is likely to result in an increase in the number of appeals and therefore the position above (the estimated deficit to be recognised in 2023/24) includes the effect of an increase to the provision for appeals in respect of this.

1.10.7. In general, Business rates income can be subject to significant volatility; one or two empty properties or a higher than provided level of appeals or bad debt can have a substantial impact on the level of business rates collected.

1.11. <u>Flexible Use of Capital Receipts Strategy</u>

1.11.1. With effect from 1 April 2016, the Secretary of State under section 15(1) (a) of the Local Government Act 2003, allowed local authorities to use capital receipts to fund revenue expenditure on projects which generate ongoing savings or reduce demand for services. The Local Government Finance Settlement 2021/22 extended this directive for a further three years to 2024/25.

1.11.2. For 2023/24, it is proposed that capital receipts from the disposal of assets are used to reduce Councils borrowing and potentially finance the pension fund deficit.

1.12. <u>Housing Revenue Account</u>

1.12.1. Each year the council updates the business plan for the Housing Revenue Account, which looks at the I&E and capital programme over a 30-year period to ensure that it is a sustainable plan. The HRA is ringfenced and surpluses cannot be used to cross-subsidise the general fund budget. From this plan, a more detailed budget for the coming year, 2023/24, is produced, along with a view of the more immediate 5-year period. The HRA is projected to remain in surplus across the whole life of the plan, with reserves being built up from a level of £19m as at the start of 2022/23 and remaining above the minimum level set of 10% of turnover, or £4m.

1.12.2. Tenant income from rent and service charges is set to increase by 7% in 2023/24, in line with Government directions to all housing authorities, which is less than would have otherwise been permitted under the prevailing government rent setting guidance of CPI+1%. A surplus of £0.800m is expected in 2023/24 on the revenue budget, while a capital budget of £10.093m is set for the year, and a total £52.7m over the five years to 2027/28.

1.12.3. A separate budget report with appendices for the HRA has been produced with recommendations for member approval and noting, and can be found elsewhere in the agenda for the council budget setting process.

1.13. Capital Programme and Treasury Management Strategy

Capital Programme

1.13.1. A separate report is presented to Cabinet for recommendation to Full Council to approve, which sets out the capital strategy to underpin the Council's revised Capital Programme.

1.13.2. The revised Capital Programme has been prepared in the light of the debt reduction strategy approved by Council as part of the Treasury Management Strategy 2022/23 - 2026/27. Consequently, the schemes which have been prioritised are those where there is a health and safety or a statutory obligation, and to focus on schemes which can be funded without external borrowing.

1.13.3. In addition to the proposed capital budgets and revenue implications, the report sets out:

- The Council's asset base
- Delivery strategies
- Governance
- Capital funding and
- Risk management

1.13.4. The revised capital programme sets out total spend for the General Fund and Housing Revenue Account of £165m with the following sources of financing:

	General Fund £m	HRA £m	Total £m
Spend	102	63	165
Funded by			
Government Grant	(83)	0	(83)
Capital Receipts	(18)	(12)	(30)
Developer contributions (s.106)	(1)	0	(1)
Major Repairs Reserve	0	(51)	(51)
Revenue contributions	0	0	0
Capitalisation Direction	0	0	0
Total external funding	**(102)**	**(63)**	**(165)**
Total borrowing requirement	**0**	**0**	**0**
Total funding including borrowing	**(102)**	**(63)**	**(165)**

1.13.5. The previous capital programme approved 9th March 2022, envisaged spending £219m (including 21/22) with a borrowing requirement of £34m. This year the size of the capital programme is £165m, with no new external borrowing needed. The programme is fully funded from grants, S106 contributions and capital receipts from the asset disposal programme. This is the first time in a number of years that the entire capital programme can be financed without recourse to external borrowing. This ensures the Council lives within its means in respect of the capital programme.

1.13.6. A key element to achieving this is the generation of capital receipts from the Asset Disposal programme, which is on track to deliver £210m of capital receipts by 31 March 2023 and is forecast to deliver £200m in 2023/24. Should there be slippage in the Asset Disposal programme, this will have a knock-on impact on the financing of the capital programme, and the Council will need to consider whether re-phase projects, cancel projects or seek alternative funding.

Treasury Management Strategy

1.13.7. The Council approved the Treasury Management Strategy (TMS) on 9 March 2022 as part of the budget setting process for 2022/23. A key feature of the TMS approved last year was the adoption of a Debt Reduction Strategy to reduce the Council's exposure to interest rate risk from an excessive exposure to temporary borrowing.

1.13.8. The TMS for 2023/24 - 2027/28 is presented to Cabinet for recommendation to Full Council to approve in a separate report. The TMS continues with the same overall Debt Reduction Strategy, and reports that the Council is on target to repay £204m of temporary borrowing by 31 March 2023 and the remaining £133m by September 2023. This has been achieved by the accelerated programme of asset sales under the Asset Disposal programme.

1.14. Dedicated Schools Grant

1.14.1. The Dedicated Schools Grant provides funding for schools and is split into four blocks. Allocations for 2023/24 were published on 16th December 2022. Details of the 2023/24 DSG allocation are included in Appendix C and are summarised in the table below:

Dedication Schools Grant Breakdown	2023/24 Allocation £'000
Schools Block	168,190
Central Schools Services Block	785
High Needs Block	34,597
Early Years Block	15,532
Total	**219,104**

1.14.2. The **Dedicated Schools Grant** deficit for 2021/22 has been reduced from a forecast of £7.2m to £4.9m, and for 2022/23 is now forecast at £2.1m. The management plan has now been finalised and secures an in-year balance by 2025/26. With a potential historic deficit write off by the DfE of £27m.

1.14.3. The Council has been participating in the DfE's Safety Valve programme and has been engaging with the DfE on a bi-monthly basis and in doing so the DfE has been offering challenge and support to the process of recovery. The meetings have been focused on providing an effective service and achieving financial sustainability rather than simply reducing expenditure. Feedback from the meetings have been positive, the DfE have been very complimentary and pleased with the progress made by the Council. In particular, the commissioning work and the financial modelling. They have commented positively on the pro-active and comprehensive nature of the Council's responses to queries all of which is taking the DSG issue forward.

1.14.4. The Council submitted its initial proposal to the DfE on 13th January 2023 with a feedback session held on 23rd January 2023. The feedback session was very positive, and the Council submitted a final proposal on the 3rd February 2023.

1.14.5. If the proposals are agreed to by the Secretary of State, they will form the basis of a published agreement in early 2023. The agreement will require the Council to implement reforms to the agreed timetable, alongside maintaining an agreed savings profile. It will also set out additional funding which the department will release to support the reduction of the cumulative deficit.

1.14.6. A separate report is to be presented to Cabinet with a more detailed update on the DSG's deficit and management plan.

1.15. <u>Assurance</u>

Chief Financial Officer's Section 25 Robustness Report

1.15.1. The Section 151 Officer's report is presented as a separate item on this agenda. The report has to be taken into account by Council when setting the budget, the key points are summarised below.

1.15.2. Slough's budget deficit:

a) has moved from an initially submitted one year request of £15.2m to a 10 year £357m problem, potentially rising well beyond this if £12.9m of additional, recurrent annual savings are not delivered from 2024/25

b) has changed continuously and will continue to do so as work has been undertaken

c) will continue to change throughout the next 12 months while the accounts up to 31/3/23 are prepared and audited and the budget for 2024/25 worked up in detail

d) is of a magnitude which had not previously been seen before across the UK and is accompanied by a range of issues that are likewise extremely wide ranging, unique in their appearance and size at one Council, and, of a significance that will take several years to correct in full

e) is successfully being reduced as the financial strategy starts to come to fruition

1.15.3. In these circumstances it is impossible to give an assurance that is normally required within a S25 report. However what can be said is that:

a) the Council has a well-developed, rigorous and extensively reported financial strategy that is starting to come to fruition – particularly successfully in asset sales, borrowing reduction, revenue budget management, DSG budget management, preparation of accounts and restructuring of the finance service

b) has an increased awareness of financial management's importance, requirements and the necessity of preparing and living within budget, taking appropriate financial decisions and operating sound governance

c) is better equipped to meet its budgetary challenges given the focus it has applied to this work since May 2021 and will continue to do so in future years

d) has kept DLUHC fully involved in all aspects of its financial situation and will continue to do so in the future

1.15.4. given the above, the contingency built into the budget estimates, the assumption that DLUHC will support the Council in full as it continues its work on the accounts, estimates and financial processes and that managers will manage within their allocated budgets it should be able to manage within these estimates for 2023/24.

Internal Audit Update

1.15.5. In March 2022 an options paper was agreed by Cabinet and the Audit and Corporate Governance Committee to bring the Internal Audit function back in-house. The preferred option included setting up a broader team covering financial governance, counter fraud, risk and insurance alongside internal audit. This option was part of the wider restructure of the department that concluded at the end of July 2022. Recruitment to the new posts took place during December 2022. The current internal auditors have had their contract extended to cover the 23/24 audit work.

1.15.6. Work has taken place during the year to strengthen the approach to the monitoring and completion of internal audit actions. This remains a very important area as the Council's response to agreed internal audit actions will lead to the strengthening of internal controls and the control environment. In turn this will contribute to the achievement of the organisation's objectives and assist the Council in managing its risks. In recent years there has been a lack of pro-active management of internal audit recommendations. However, action has been taken during 2022 to reduce the historic internal audit actions and to focus on bringing these up to date. During 2022 this is being addressed by:

a. regular monthly meetings of the senior officer risk and audit board which monitors outstanding actions, through representative across directorates and is attended by internal audit, risk and insurance, business continuity and emergency planning teams;
b. frequent reporting to executive directors, the Corporate Leadership Team, Finance Board, Audit and Corporate Governance Committee, Improvement and Recovery Board and the Risk and Audit Board;
c. pro-active management and closure of recommendations by Departmental Leadership Teams, ensuring that evidence is received of actions closed, that is quality assured by a senior officer.

1.15.7. During 2022/23, the number of historic recommendations have reduced to 8 from a total of 257 during the year. All 2021/22 internal reports have now been completed and the Head of Internal Audit Opinion was reported to the Audit and Corporate Governance Committee in January 2023. As at the end of November 2022 12 internal audit reports have been issued and a further 16 reviews in progress or due to complete before the end of 31 March 2023.

1.15.8. Officers are working with Internal Audit to ensure that reports are finalised within two weeks of issuing the draft report. The process for monitoring and evidencing closure of recommendations has been strengthened by prioritising the closure of actions that are due or overdue, and receiving appropriate documentation as evidence of an action being completed.

1.15.9. The overall position as at 30th November 2022 is as follows on internal audit:

Totals	Total	High	Medium	Low
Not Due	89	10	53	26
Overdue	135	20	74	41
Complete*	368	57	155	156
Total	**592**	**87**	**282**	**223**

*includes actions that are no longer relevant or closed as duplicates

1.15.10. The Officer Risk and Audit Board monitors outstanding internal audit actions and has representation across directorates who take responsibility for ensuring actions are implemented and closed in a timely way.

Risk Management

1.15.11. Risk Management is a critical part of good governance and the effective delivery of Council services. It provides a consistent and comprehensive framework for identifying, comparing and managing issues which, although different in nature, all have a significant impact on the organisation and may prevent or affect achievement of agreed priorities.

1.15.12. Risk Management is also a core component of:

- the Annual Governance Review which must be undertaken by all local authorities in order to comply with the requirements of the Accounts and Audit Regulations 2015:

- statutory requirements included in the Local Government Acts 1992, 2000 and other legislation for local authorities to maintain adequate processes for internal control.

1.15.13. The Council's previous approach to risk management was to take a "bottom up" approach to identification of risks for the corporate register by escalating risks on directorate registers up to the corporate register. This resulted in a register that did not take into account strategic level risks the Council is facing, for example in light of recent challenges in relation to finance and Covid.

1.15.14. This existing "bottom up" approach is now supplemented by a "top down" approach i.e. identification of new and emerging risks by the Corporate Leadership Team, Senior Officers and Audit and Corporate Governance Committee.

1.15.15. New risks are identified using a revised template. This template is based on best practice and includes guidance on identifying and assessing risks. Membership of the Council's Officer Risk and Audit Board has been reviewed and refreshed. A schedule of monthly meetings has been established so that the Board can review the contents of the Council's risk register before it is issued to senior officers and elected members.

1.15.16. The refreshed register is updated on a monthly basis by the Officer Risk and Audit Board and reported to the Council's senior leadership team each month. This register will be sent to Council's Audit and Corporate Governance Committee for review, on a quarterly basis to enable the Committee to consider the effectiveness of the Council's risk management arrangements, to review the Council's risk profile and to ensure that actions are being taken on risk related issues, including partnerships with other organisations.

1.15.17. The Risk Register includes strategic level risks associated with:

Risk
Risk 1: Safety of Children and Young People
Risk 2: Delivery of the Adult Social Care (ASC) Transformation Programme
Risk 3: Special Educational Needs and Disability (SEND) Local Area Inspection
Risk 4: Impact of the cost of living crisis on Slough's residents
Risk 5: Risk of the failure of statutory duty for provision of temporary accommodation
Risk 6: Service delivery risk due to workforce recruitment and retention issues
Risk 7: The Council does not take adequate mitigation to reduce the risk of injury or death from incidents within the Council
Risk 8: Business Continuity and Emergency Planning
Risk 9: Cyber Security
Risk 10: Financial sustainability
Risk 11: Pace and evaluation of the disposal of assets
Risk 12: Governance and financial implications of the council companies
Risk 13: Recovery and Renewal Plan
Risk 14: Failure to explore opportunities for more efficient operating models

1.15.18. The risk associated with financial sustainability focusses on the risk of failure to improve the Council's financial and contract management and reporting will leave it in breach of its statutory responsibilities and acting illegally.

1.15.19. There are a number of controls which have been put in place to mitigate the risk including:

a. the Council has employed an experienced S151 officer to stabilise the finance function and set out and begin the delivery of the key elements of a medium term financial strategy.

b. additional specialist resources have been brought in to respond to the myriad of issues that led to the issues highlighted in s114 Report and other external reports.

c. the Council has agreed to invest significant additional resource into the finance service as recommended by the external auditors and agreed by Council

d. finance action plan has been reported to full Council and to Cabinet AND the Finance Board throughout 2022.

e. finance and commercial service business plan was developed to ensure future sustainability of the service.

1.15.20. However, there are a number of actions required to further mitigate the risk including:

a. continuing to complete the outstanding accounts from 2018/19 to 2021/22. The 2018/19 and 2019/20 accounts have been delivered and in the process of being audited

b. completing the 2020/21, 2021/22 and 2022/23 accounts during 2023.

c. completing the verification of savings for 2022/23 and 2023/24 by January 2023 and continuously beyond

d. companies review, continuous work through to March 2023 and beyond

e. completing the finance staffing restructure

f. delivering the Agresso project plan by March 2023

g. continuous programme of designing and embedding good financial practise

h. identification of long-term financial savings by February 2023

i. Member and officer training programmes

1.16. Other Updates

Fees and Charges

1.16.1. A report on the fees and charges applied by the Council for chargeable services was laid before Cabinet on 16 January 2023. The report sets out the context for this year's annual review of fees and charges. The main focus of the approach to fees and charges is to ensure full cost recovery and adherence to the relevant statutory charging regime, to ensure that charges remain in line with the cost of delivering services and are reviewed and set in a transparent way. The income from fees and charges helps to cover costs for providing services, and to manage demand in some cases.

1.16.2. The fees and charges review undertaken this year proposed a starting principle that all charges adopt an inflationary increase where appropriate and applicable. The September 2022 Consumer Price Index (CPI) annual increase of 10.1% (10% rounded) has been applied to all fees and charges where this inflationary rise is supported and appropriate. In some cases, it has been recommended that a different approach is taken and that fees and charges remain the same or increase at a rate above or below inflation where there is evidence that the cost of the service is not covered by an inflationary increase, the statutory regime does not justify this approach or there is a clear rationale for subsidising the service. A full list of the proposed fees and charges is set out in Appendix 1 to the Cabinet report **here**.

1.16.3. All proposed licence fees will be considered by the Licencing Committee on 6th February 2023. These can be found on the Council's external website under the committee details for the Licensing Committee **here.**

1.16.4. The application of the service recommendation increases could result in total additional income of circa £1.048m in a full year, to offset the costs of service provision. £0.148m have their own budget savings proposals, thus the additional potential income that may be generated in 2023/24 excluding those proposals is £0.900m. This is indicative only as it is not possible to model whether demand for services will be materially affected by the proposed increases.

1.16.5. This report provides the charging details of Council services. The fees and charges framework can be found at this link: **Slough Fees and Charges Framework**. The Cabinet report on fees and charges for 2023/23 can be found at this link: **Cabinet Report**.

Royal County of Berkshire Pension Fund

1.16.6. In line with the Local Government Pension Scheme Regulations 2013, the liabilities of the Berkshire Pension Fund have been revalued as at 31 March 2022 and a provisional Rates and Adjustment certificate circulated to scheme employers within the Fund, by the fund actuary, Barnett Waddingham.

1.16.7. The preliminary results for Slough BC show a significant improvement in the funding level increasing from 77.3% at 31 March 2019 to 86.3% at 31 March 2022 as set out in Table 1 below.

Table 1

		31 March 2019	31 March 2022	31 March 2023
Funding deficit	£m	73.8	51.1	48.6
	%	77.3%	86.3%	87.0%

1.16.8. The actuary has provisionally certified that contributions for the next triennial period should be as set out in bold below:

Table 2

Year ending	Previously certified 31/03/2023	Provisionally certified 31/03/2024	31/03/2025	31/03/2026
Total contributions	15.0% + £5.04m	**17.2% + £4.53m**	**17.2% + £4.70m**	**17.2% + £4.89m**
consisting of:				
Primary rate (of pay p.a.)	15.0%	17.2%	17.2%	17.2%
Secondary rate (% of pay plus £ p.a.)	£5.04m	£4.53m	£4.70m	£4.89m

1.16.9. The increase in the primary contribution rate is offset by the reduction in the secondary contribution and will result in a slight increase in total employers contributions of £0.665m to £13.715m in 2023/24.

Possibility to pay off the funding deficit

1.16.10. The secondary contributions are calculated to pay off the funding deficit of £51.1m over the recovery period of 12 years. Because the deficit is being repaid over a period of time, interest is also charged by the actuary. The total contributions required to fund the deficit are £70.6m which comprises the funding deficit of £51.1m plus interest of £19.5m.

1.16.11. The actuary has provided an update of the total deficit at 31 March 2023 (based on the 31 March 2022 triennial valuation estimates) which reports the deficit reducing slightly to £48.6m as reported in Table 1 above.

1.16.12. The actuary reports that a payment in October 2023 of £51.08m would settle the deficit in full. This is higher than the £48.6m due to accrued interest up to October 2023.

1.16.13. Using the updated information, if the Council made a lump sum contribution in October 2023 of £51.08m to Berkshire Pension Fund this would save the Council £14.48m in interest over the 12 year deficit recovery period.

1.16.14. Normally employers pension contributions are a revenue charge. Making use of the revised Flexible Use of Capital Receipts for Transformation Projects Direction issued by DLUHC on 1 August 2022 would permit the Council to treat the one-off contribution as revenue expenditure funded from capital under statute and fund the payment from capital receipts.

1.16.15. Provided that the Asset Disposals Strategy continues to generate the forecast capital receipts in 2023/24, the Council will be in a position to not only repay all temporary borrowing by September 2023, it will also potentially be able to pay off the funding deficit in 2023/24. This proposal is set out in more detail in paragraphs 95 to 105 of the TMS which seeks approval to authorise the Director of Finance to enter into agreement with Berkshire Pension Fund to make a one-off payment to Berkshire Pension Fund to pay off the pension fund deficit, subject to there being sufficient capital receipts available after repaying all temporary borrowing and obtaining independent investment advice to mitigate any investment risk associated with the transaction. Should the capital receipts not materialise to the value assumed then this payment will be a first sum that could be not taken forward as a mitigation to offset such a shortfall

Companies update

1.16.16. The Council has acquired or established various companies over several years. The Council currently has four operating companies, excluding Slough Children First Ltd, that are wholly owned, partly owned, or are guaranteed by the Council. The companies are:

- Ground Rent Estates 5 Limited (“GRE5”) – 100% subsidiary of the Council;
- James Elliman Homes Limited (“JEH”) – 100% subsidiary of the Council;
- Slough Urban Renewal LLP (“SUR”) – 50% Joint Venture with Muse; and
- Development Initiative Slough Homes Limited (“DISH”) – a company limited by guarantee (the Council provides the guarantee).

1.16.17. Six companies have been closed down in FY22/23 in order to simplify the Council structure and reduce the related administration burden.

1.16.18. The following sections provide a brief summary on each of the four trading companies. Separate business plans are available and new/updated agreements are being produced and will be provided to Cabinet for approval in the near future. A new scrutiny and oversight framework has been approved by Cabinet and will become operational in FY 23/24. It is anticipated that the updated and new agreements will be approved by the responsible Committee.

1.16.19. In the last two years, a series of internal reviews, internal audit reports and external reviews highlighted a range of issues across the Council's companies in relation to governance, oversight, reporting, financial planning, operations and decision making. In addition, the Council's financial challenges necessitated a deeper review into the companies' commercial and financial arrangements to ensure that they remain aligned to the Council's strategic objectives and can support the Council in meeting its wider financial objectives. In several cases, this has required stopping and restructuring existing projects/programmes/services to reduce capital and revenue costs and considering exiting from existing arrangements and structures.

1.16.20. Significant changes have been made to strengthen the Council's arrangements with its companies including the management and operations within those companies, with activity prioritised on the highest risk areas/companies. These were considered to be SUR and GRE5 in FY 22/23, followed by JEH and DISH in FY 23/24. Budgets for FY 23/24 have been informed by the outcome of work to date and reflect plans to stop or significantly reduce the scale of activities across the Council's companies.

SUR

Overview

1.16.21. SUR, a JV between the Council and Muse, has been the Council's most successful company to date (in terms of dividend income to the Council and progress against its core strategic objectives). It has provided the Council with a regular source of income following the completion of schemes and housing sales. For example, dividends of £2.6m and £2.4m have been received on the Ledgers Road and Wexham Green schemes respectively.

1.16.22. The SUR Partnership Agreement (PA) sets out the key governance, management and operational framework for the Partnership. SUR is required to produce an annual business plan, which is approved by both partners, which sets out the work programme, future financial commitments and associated outputs. The business plan would typically include details of sites to be drawn down (under the terms of an Option Agreement between SUR and the Council) and the corresponding capital requirements from each partner.

1.16.23. The last SUR Business Plan to be approved by the Council related to the FY 21/22. Following the s114 notice, all new capital development activity within SUR was suspended pending the outcome of an Options Review. Following the SUR Options Review in September 2021, it was agreed that no further schemes would be developed by SUR and that decisions would be taken on site by site basis by SUR, in conjunction with the SUR partners. As a result, a disposal strategy was agreed for Montem, NWQ and Stoke Wharf in Summer 2022.

1.16.24. As reported in the FY 22/23 Budget Report, both partners agreed to restructure the operating model for SUR to reduce annual ongoing operating costs and these are in the region of £0.2m per annum and represent a significant cost saving to both partners (before any exit/closure costs). it is anticipated that SUR will be wound up in FY24/25 although plans have not yet been finalised due to the ongoing disposals as set out here.

Montem Lane Site

1.16.25. The Council owns this site with planning permission for 212 homes, although it is optioned to SUR. Cabinet approved a disposal strategy (via SUR) in July 2022 and, following a marketing and procurement exercise, the Cabinet approved the disposal of Montem in October 2022. The sale is expected to exchange in March 2023 and complete in August 2023. With planning permission already secured, it is anticipated that the site can progress quickly and deliver a range of homes.

1.16.26. There will be no further capital and revenue commitments in relation to the Montem site following the disposal. The receipt to the Council will be after the payment of all development costs, SUR loans, disposal costs and Muse's profit share.

North West Quadrant (NWQ) Site

1.16.27. The Council owns this site although it is optioned to SUR. It is one of Slough's key strategic sites and is expected to be critical to its long-term growth plans providing new offices, homes, leisure facilities and green space. Cabinet approved a disposal strategy in July 2022 and negotiations are in the final stages to agree the sale of the site to a preferred buyer. There is a small chance that exchange and completion may be at the start of FY 23/24. The Council's budget is based upon a FY 22/23 receipt.

1.16.28. This is a complex transaction which includes a land sale, the novation of the option agreement and a series of corporate transactions to take into the work in progress (WIP) costs that have been incurred to date. Under the terms of the PA, the Council is liable to pay 50% of WIP and interest (c£1.0m), should the scheme not progress. The Council may be required to pay this amount should Muse be unable to agree a Development Agreement with the purchaser within 12 months from the completion date.

Old Library Residential Site (OLS)

1.16.29. The OLS Resi Scheme, also known as the Novus apartment development, is a new development of 64 apartments with a value of c.£17m. The development is fully built and all apartments are now fully sold/reserved. As a result, the Council's loan facility has now been fully repaid (reduced from £10m to £nil) by the end of FY 22/23.

1.16.30. As reported last year, the scheme is expected to generate a small loss compared to the original appraisal and the final scheme operating position will be reported to the Cabinet via the new Company Scrutiny arrangements that have been approved by Cabinet.

1.16.31. The Council has outstanding loan notes of £2.8m (interest bearing) which will be repaid in tranches as apartment sales are completed. These payments will continue in FY 23/24.

Other Sites

1.16.32. Cabinet has approved a disposal strategy for Stoke Wharf and a disposal is expected in FY 23/24 (subject to market). Stoke Wharf is expected to deliver more than 300 new homes and significantly improve the area around the canal area. This will require Cabinet approval following the outcome of the marketing and procurement exercise which is expected to take place in Summer 2023. Strategies for Wexham South and Haymill have not yet been agreed although they will also require a Cabinet decision.

1.16.33. In summary, the Council:

- has no further capital commitments in relation to SUR sites;
- may receive net disposal receipts in relation to future site sales which will be agreed by Cabinet and SUR on a case by case basis;
- no longer has a loan facility in place with SUR – the OLS Residential scheme facility has been fully repaid (was £10m);
- has an ongoing annual revenue cost in relation to SUR operating costs (c.£0.1m) which are expected to remain in place up to FY 24/25 (plus exit/winding up costs);
- has some small scale WIP exposure on the key sites that have not been sold or developed.

GRE5

Overview

1.16.34. Nova House is a block of 68 apartments in the town centre which failed flammability tests following the Grenfell fire and further survey work revealed additional structural defects within the building which are required to be undertaken before the cladding can be replaced.

1.16.35. GRE5 Ltd owns the freehold lease of Nova House and, in 2018, the Council approved the acquisition of the shares of the company for £1 due to concerns about the capacity of GRE5 to undertake the substantial remediation works required and concerns about the safety of residents at that time.

1.16.36. A separate GRE5 update paper will be provided to Cabinet in March 2023 with a programme, cost and legal claim update.

JEH

Overview

1.16.37. JEH was incorporated in 2017 with the primary objective of supporting the Council in its aim to improve affordable housing supply and provide good quality affordable temporary accommodation for key workers as well as homeless families and individuals.

1.16.38. The decision to establish JEH was underpinned by a business plan which assumed that JEH would acquire properties (financed via a loan facility with the Council) over a five-year period and that properties would be rented at a mix of market rents (c.60% of tenancies) and Local Housing Allowance ("LHA") rent (c.40% of tenancies). On this basis, the business plan was financially viable. However, this housing mix has never been pursued, or achieved, and the proportion of properties rented at LHA levels and below, is over 80% of properties.

1.16.39. This has had an impact on the financial performance of the company which has operated at a small loss for several years, although JEH is expected to generate a small operating surplus in FY 22/23 (£0.2m) with a similar operating surplus in FY 23/24 (based upon existing operations and a similar property base). A "stabilisation" strategy has been adopted by the JEH Board which has improved services, financial performance and management although further improvements are required, especially in relation to tenancy management.

1.16.40. The small operating profit is stated before interest payable to the Council of c. £1.6m per annum. Based on current operations, JEH cannot cover the full interest payable to the Council. This is not a financially sustainable position for JEH.

1.16.41. All services relating to the management and maintenance of properties is undertaken by the Council's housing team under the terms of a Service Level Agreement (SLA). This was updated in FY 22/23 and includes the placing and management of tenants. JEH does not have any employees.

1.16.42. Since JEH was established, it has adopted an aggressive property acquisition strategy which has been fully funded by debt provided by the Council. The Council approved a loan facility of £65.9m in 2018. As at the end of FY 21/22 and 22/23, the loan facility stood at £51.7m. All property acquisitions were stopped in early FY 21/22 when the Council announced its S114 notice and the Council has informed JEH that it will not provide any further loan finance. As at March 2023, JEH has c.170 street properties and 46 temporary accommodation units (including Pendeen Court and 81-88 Hight Street).

1.16.43. The properties owned by JEH are currently valued at just over £55.0m (assuming Vacant Possession) against which the Council has provided funds of £51.7m. The loan to value ratio is very high and there is no loan repayment strategy with the loan facility due for repayment by October 2028.

1.16.44. In 2022, Local Partnerships (LP) undertook a JEH Options Review which has considered the original and ongoing rationale for JEH, its performance against strategic objectives, an assessment of the housing stock and a high level market analysis. LP recommended a full/partial disposal of properties to enable JEH to repay its debt to the Council, improve service delivery provided by the housing team and to simplify operations. Before a JEH strategy and action plan can be developed, LP recommended that further financial, legal and commercial analysis should be undertaken to consider the wider revenue implications to the Council, review existing tenancies and tenancy management matters and undertake market testing with potential buyers such as RSLs.

1.16.45. A Cabinet Paper will be produced in early FY 23/24 with options and recommendations for JEH.

1.16.46. The capitalisation direction includes £0.2m per annum for annual operating losses/cash flow requirements for JEH although this will be dependent the long-term strategy for JEH. A full or partial asset disposal will enable JEH to repay its loans to the Council although this needs to be balanced against tenants/housing needs and the wider revenue implications of a reduced housing stock. The Cabinet Paper will also set out plans for an exit strategy which will be dependent upon the preferred option solution.

DISH

1.16.47. Development Initiative Slough Housing Company Limited ("DISH") was incorporated in 1988 and was created to increase the supply of affordable housing in the Borough to residents who might not otherwise be able to access it.

1.16.48. DISH has a lease with the Council over 54 properties off Long Readings Lane and the properties are let at affordable rents on an assured shorthold tenancy basis. The original lease ran until 2019 and this was extended to January 2027, at which point the properties will transfer back to the Council.

1.16.49. In accordance with the lease, the properties are managed and maintained by the Council on the same basis as the Council's housing stock. The lease requires that the Council offers the provision of these services to DISH and that the Council can, but is not obliged to, provide them at reasonable cost. Services continue to be provided by the Council in line with the details as set out in the lease.

1.16.50. The lease payable by DISH to the Council is set at a level to result in £nil profit in the company. This lease arrangement is considered to be lower risk compared to the Council's other companies as it has been in place for 30+ years, no significant concerns have been raised, there is a low churn on properties, low financial risk and costs. The Companies workplan for FY 23/24, includes a DISH strategic review to consider options that can further simplify the Council's companies, including exploring options to exit from/wind up DISH, in advance of the current lease expiry. A separate Cabinet paper will be produced to agree on a preferred solution.

1.16.51. There are no adjustments in the capitalisation direction in relation to DISH.

Pay Policy Statement

1.16.52. Under the Localism Act, all public authorities must publish annual pay policy statements. The statement must set out the Authority's policies for the financial years relating to:

- Remuneration of Chief Officers
- Renumeration of its lowest paid employees
- The relationship between the remuneration of its Chief Officers and the remuneration of those employees who are nor Chief Officers.

1.16.53. The proposed statement will be brought forward separately.

Expenditure Control Panel

1.16.54. Spending controls were implemented that would prevent any new agreements for any expenditure without explicit written consent from the s151 officer. Measures were introduced to stop all non-essential expenditure prior to the meeting of Full Council in July 2022, where Members were asked to approve measures to control spending and improve the finances of the Council.

1.16.55. To support recovery of the Council, it is proposed to continue with the expenditure control panels into 2023/24. Appendix D sets out the process with a summary below.

1.16.56. The expenditure control panel applies to all expenditure irrespective of funding source and requires completion of a business case that requires the following:

- justification for how the submission meets criteria for approval
- detailed budgetary information
- confirmation if procurement support is required
- sign off from the appropriate service director

Contingency against pressures and other issues

1.16.57. As a general principle, directorate budgets should be structured to cover business as usual, investment and efficiency programmes that have been agreed as part of the budget and service planning round and administration priorities. Contingency budgets should not be included in financial planning as part of a service's annual operational revenue budget.

1.16.58. The contingency held by the Council is very limited and is there to deal with unforeseen/exceptional items which occur during the financial year.

1.16.59. Contingency funds will not be used where there has been a failure to deliver planned savings (except where this is due to the outcome of consultation) or properly managing spending.

1.16.60. Use of the contingency will be subject to the following process:

- Full business case submitted to Executive Director of Finance and Commercial and the Chief Executive
- Business case will be subject to review and challenge

- Consultation with the Leader, Lead Member for Financial Oversight and Assets and the Lead Finance Commissioner

1.16.61. If the business case is approved, it will be reported in the next budget monitor.

1.16.62. If there is an under spend at the end of the year a contribution to general balances will be considered with regard to the size of the under spend, the underlying strength of the balance sheet and the need to support other priorities.

3 Implications of the Recommendation

1.17. Financial Implications

1.17.1. The financial implications are discussed throughout this report

1.18. Legal implications

1.18.1. Section 31A of the Local Government Finance Act 1992 requires billing authorities to calculate their Council Tax requirements in accordance with the prescribed requirements of that section. The function of setting the Council Tax is the responsibility of Full Council. This requires consideration of the Council's estimated revenue expenditure for the year in order to perform its functions, allowances for contingencies in accordance with proper practices, financial reserves and amounts required to be transferred from general fund to collection fund. The Council is required to make estimates of gross revenue expenditure and anticipated income, leading to a calculation of a budget requirement and the setting of an overall budget to ensure proper discharge of the Council's statutory duties and to lead to a balanced budget.

1.18.2. Local authorities owe a fiduciary duty to Council taxpayers, which means it must consider the prudent use of resources, including control of expenditure, financial prudence in the short and long term, the need to strike a fair balance between the interests of Council tax payers and ratepayers and the community's interest in adequate and efficient services and the need to act in good faith in relation to compliance with statutory duties and exercising statutory powers.

1.18.3. Section 25 of the Local Government Act 2003 require that, when the Council is making the calculation of its budget requirement, it must have regard to the report of the Chief Finance Officer as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. It is essential, as a matter of prudence that the financial position continues to be closely monitored.

1.18.4. Full Council is responsible for setting the overall budget framework. However, some of the proposed savings will be subject to further analysis and decision making and as such the savings are an estimate. Individual service decisions will be subject to officer or Cabinet approval, taking account of the statutory framework, any requirement to consult and consideration of overarching duties, such as the public sector equality duty. A contingency has been set aside to deal with a risk that when Cabinet considers these proposals it does not agree that the savings can be met within the specific statutory framework. In an extreme case, Cabinet may have to refer the budget to Full Council to reconsider the overall budget framework.

1.18.5. On 1 December 2021 the Secretary of State for Levelling Up, Housing and Communities made a statutory direction requiring the Council to take prescribed actions and that certain functions be exercised from this date by appointed Commissioners, acting jointly or severally. The functions to be exercised by the Commissioners include the requirement from section 151 of the Local Government Act 1972 to make arrangements for the proper administration of the Council's financial affairs, and all functions associated with the strategic financial management of the Council, including providing advice and challenge to the Council in the setting of annual budgets and a robust medium term financial strategy, limiting future borrowing and capital spending. The Explanatory Memorandum to this Direction confirms that in practice most decisions are expected to the taken by the Council, however the Directions are designed to give the Commissioners the power to tackle weaknesses identified to ensure the Council is better equipped to meet the best value requirements.

1.18.6. Cabinet and full Council should have regard to the advice and comments of the Commissioners contained in this report.

1.18.7. In preparing the 2023/24, the Council's scrutiny panels and overview and scrutiny committee have scrutinised the proposals and feedback from these meetings is summarised in this Appendix H. Cabinet and full Council should take account of all relevant information, including scrutiny feedback, s.25 report, equalities impact assessment and other implications. Cabinet and full Council should take account of this information when making a decision. Further, some savings proposals have been subject to a separate cabinet decision where further information was considered and some proposals are due to be considered by Cabinet in the future. Full details of implications will be provided to Cabinet at that point. Due to the fact that some savings proposals are in their infancy and due to be considered by Cabinet and officers in the future, a contingency has been set in case some proposals are not capable of delivery. However, the contingency is relatively small and the Council needs to consider its longer term financial strategy and make significant savings decisions in order to become a more financially sustainable authority in the future.

1.1.1. The Council has submitted a capitalisation direction to DLUHC to allow it to treat as capital expenditure certain types of revenue expenditure. The Secretary of State only permits the Council to capitalise expenditure when it is incurred, minimum revenue provision must be charged and the Council must comply with the conditions set out by DLUHC. It should be noted this the capitalisation direction is not a grant. The Council needs to fund the revenue expenditure from disposing of assets and utilising the sale proceeds of such assets.

1.2. <u>Risk management implications</u>

Category	**Risks/Opportunities**	**Controls**	**Residual Risk Score (1 (Low) to 10 (high)**	**Additional Controls**
Financial	Given the level of financial uncertainty and current service pressures, there is clearly a risk that the current budget may prove difficult to deliver	This risk has been mitigated by trying to ensure that budget estimates are realistic and reflect current activity, along with known demographic and economic pressures. Including:	6	Budget monitoring process and regular reporting on achievement of budget and savings

Category	Risks/Opportunities	Controls	Residual Risk Score (1 (Low) to 10 (high)	Additional Controls
		The ability to contain demographic demand pressures; The speed of recovery and buoyancy of the general and local economy from COVID 19; Adverse interest rate movements; Increased inflationary pressures; Impact of Brexit on the Economy Future local government financing settlements from central government and potential impacts from changes to the Fair Funding Review; The capacity of Officers to deliver the savings and income projections in line with assumptions whilst still managing the impact of the pandemic.		
Financial	A key risk for the Council is that its finances are not sustainable in the long-term and it does not have sufficient reserves to enable it to effectively manage the financial risk that it faces in the medium term	Risk assessment of the level of reserves and the building of contingency into the base budget to protect future volatility.	8	Regular assessment and review of new and existing areas of volatility or uncertainty.
Financial	The Council's 2018/19 accounts are still being audited and the 2019/20 and 2020/21 accounts have are still being prepared which may mean there could be some movement in the assumed baseline level of reserves.	High risk areas have been reviewed and the financial implications have been built into the capitalisation direction. Risk assessment of the level of reserves and the building of contingency into the base budget to protect future volatility. Regular assessment and review of new and existing areas of volatility or uncertainty.	6	Regular assessment and review of new and existing areas of volatility or uncertainty.

1.3. <u>Environmental implications</u>

1.3.1. Not Applicable

4. Background Papers

- Revenue Budget Report to Full Council – March 2022
- Capital Strategy to Full Council – March 2023
- Treasury Management Strategy to Full Council – March 2023
- Council Tax Bases 2023/24 to Cabinet - January 2023
- Housing Revenue Account Business Plan 2023/24 and 30-Year Housing Investment Plan to Cabinet - February 2023
- Section 25 Report to Cabinet – February 2023
- Council Tax Reduction Scheme 2023-24 to Cabinet – February 2023