

## SLOUGH BOROUGH COUNCIL

**REPORT TO:** Cabinet                      **DATE:** 16 September 2019

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**WARD(S):** All

**PORTFOLIO:** Cllr Hussain: Cabinet Member for Governance and Customer Services

### PART I NON-KEY DECISION

#### THE COUNCIL'S MEDIUM TERM FINANCIAL STRATEGY 2019/20- 2022/23

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

- 1.1 The medium term financial strategy (MTFS) is a four-year forward projection of service revenue budgets based on reported decisions and unavoidable commitments, with the current and next year budgets reconciled to detailed cost-centre level budgets. These budgets are reported in budget monitoring reports used by service managers for business planning and budgetary control.
- 1.2 In February 2019 the Council agreed its budget for 2019-20 and set out a Medium Term Financial Strategy (MTFS) covering the period 2019-2022. This included additional savings of £20.314m to be delivered over the extended MTFS period thereby setting a balanced budget for 3 years.
- 1.3 The Council continues to implement an Outcomes Based approach to deliver its MTFS. At the heart of its financial planning and decision making process, the Council aims to link its financial resources to the Five year plan.
- 1.4 This report aims to update Cabinet on the progress to date since the MTFS was agreed in February 2019, highlights any new developments and government announcements since then; and summarises the next steps to update the MTFS by extending it to 2022-23.
- 1.5 The Council is under a duty to set a balanced and sustainable budget and maintain adequate reserves such that it can deliver its statutory responsibilities and priorities.
- 1.6 A Medium Term Financial Strategy (MTFS) covering the entirety of the resources available to the Council is considered to be the best way that resource prioritisation and allocation decisions can be considered and agreed in a way that provides a stable and considered approach to service delivery and takes into account relevant risks and uncertainty.

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

Cabinet is requested to resolve that:

1. The updated MTFS for 2020/23 be noted.

2. The need for Council to set a balanced budget for 2020/21 be noted; and
3. The issues and actions set out in this report which inform the development of the Council's MTFS for 2020 to 2023 be noted.

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

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

4 **Other Implications**

(a) Financial

The financial implications are contained within this report.

(b) Risk Management

<b>Risk</b>	<b>Mitigating action</b>	<b>Opportunities</b>
Legal	None	None
Property	None	None
Human Rights	None	None
Health and Safety	None	None
Employment Issues	A number of posts may be affected by changes proposed. If necessary these will be managed through the council's restructure, redundancy and redeployment policy and procedure.	None
Equalities Issues	An EIA will be produced for each proposed saving	None
Community Support	None	None
Communications	None	None
Community Safety	None	None
Financial	Detailed within the report	None
Timetable for delivery	Risk of overspend and making further savings elsewhere	Decisions that could bring savings proposals forward
Project Capacity	None	None
Other	None	None

(c) Human Rights Act and Other Legal Implications

None.

(d) Equalities Impact Assessment

There is no identified need for the completion of an EIA.

## 5. GENERAL REVENUE BUDGET FRAMEWORK

- 5.1 When the council tax for 2019/20 was set in February 2019 Slough Borough Council's element of the average Band D charge was £1,366.98.
- 5.2 The last Medium Term Financial Strategy (MTFS) was approved in February 2019 and assumed a mix of council tax increases, efficiency savings and income generation to balance the budget between now and 2022. That projection has now been extended into 2022/23 to cover a four year period and has been updated to include latest approved budgets and other income assumptions. It is worth noting that there are ongoing budget pressures particularly in Slough Children's Services Trust (SCST), Temporary Accommodation and Adults services during 2019/20. These are highlighted in the Quarter 1 Revenue Monitoring report also on this evening's Cabinet agenda.
- 5.3 The medium term financial planning process is an essential part of the Council's resource allocation and strategic service planning framework. The Medium Term Financial Strategy (MTFS) integrates strategic and financial planning over a three year period. It translates the Strategic Plan priorities into a financial framework that enables members and officers to ensure policy initiatives can be delivered within available resources, and can be aligned to priority outcomes.
- 5.4 The drivers for the Council's financial strategy are:
- To set a balanced budget over the life of the MTFS whilst protecting residents from excessive Council Tax increases, as defined by the government, through the legislative framework covering Council Tax referenda.
  - To fund priorities agreed within the Five Year Plan, ensuring that service and financial planning delivers these priorities.
  - To deliver a programme of planned reviews and savings initiatives designed to keep reductions to service outcomes for residents to a minimum.
  - To maintain and strengthen the Council's financial position so that it has sufficient contingency sums, reserves and balances to address any future risks and unforeseen events without jeopardising key services and delivery of service outcomes for residents.
  - Ensuring the Council maximises the impact of it's spend to deliver priority outcomes in the context or reducing resources.

5.5 The revised projection is shown below:

19/20 £'000		Latest position		
		20/21 £'000	21/22 £'000	22/23 £'000
101,521	<b>Base Position (Excluding Parish Precepts)</b>	105,001	110,457	115,654
3,694	Base Budget Changes	4,640	3,140	3,140
8,099	Directorate Growth	3,918	1,725	725
0,000	SCST – Proposed Growth Bid	2,705	0	0
1,321	Revenue Impact of Capital Programme	1,011	656	656
2,739	Slough Urban Renewal	750	750	0
(12,373)	Savings Identified	(4,945)	(2,996)	(100)
<b>105,001</b>	<b>Total Forecast Expenditure</b>	<b>113,080</b>	<b>113,732</b>	<b>120,075</b>
58,493	Council Tax Income	61,423	64,704	68,068
42,395	Retained Business Rates	45,340	47,648	48,626
2,717	New Homes Bonus	2,298	1,906	2,100
1,396	Additional Social Care Grant	1,396	1,396	1,396
<b>105,001</b>	<b>Total Estimated Funding Available</b>	<b>110,457</b>	<b>115,654</b>	<b>120,190</b>
<b>0</b>	<b>CURRENT FUNDING SURPLUS/(DEFICIT)</b>	<b>(2,623)</b>	<b>1,922</b>	<b>115</b>

## 6 Council's Financial Projections

### Growth and Savings

- 6.1 The growth and savings items currently included in the MTFs are set out as Appendices A and B to this report. These items will be reviewed as part of the Revenue Budget Setting process 2020/21.
- 6.2 Slough Children's Services Trust (SCST) has recently informed the Council that it is preparing a growth bid for 2020/21. Members will recall £1.4m growth was provided to SCST by the Council in 2019/20. The latest 'indicative' bid received from SCST requests £1.072m for pay inflation and £1.633m for staffing, legal, placements and care leavers demand pressures (£2.705m in total). The Director of Finance and Resources at SCST has stated that this growth bid "will be worked up in more detail with the assistance of the LGA Review [due to commence in September 2019], if timings allow". It has been included, in full, in the current MTFs and its assumptions reviewed on a monthly basis.

### Government Funding

- 6.3 Slough Borough Council agreed to participate in the government's guaranteed funding settlement which, for the period to 2020, indicates that Government grant in the form of Revenue Support Grant (RSG) will continue to diminish, which has decreased from £14.85m in 2017-18 to £5.53m in 2020/21.
- 6.4 The 4 year settlement ends after 2019-20 after which there is significant uncertainty from the 2019 Spending Review, changes from the introduction of new formula for distributing resources following the Fair Funding review, and changes to the national business rate retention scheme.

6.5 The 2019 Spending Review (SR19), was announced on 4 September 2019, and confirmed the Government's level of overall local government resourcing for 2020/21. The SR19 included the following announcements:

#### General funding

- The Local Government Departmental Expenditure Limit will increase by £1.1bn nationally, with Local Government Core Spending Power (including Government funding and Council Tax) estimated to increase by £2.9bn in 2020-21;
- The Chancellor pledged £1bn for social care through a new grant. The Government will consult on a 2% precept that councils might use to access a further £500m for adult social care;
- There is over £700m extra funding to support children and young people with special educational needs compared to 2019-20. Separately, each year the Government will provide almost £1.5bn to compensate schools for the increased cost of employer pensions contributions;
- Local Government's business rate baseline funding levels will also increase in line with inflation; and
- The Spending Round document shows that the DfE's capital budget (which includes buildings) will fall by 10% in 2020/21.

#### Specific grants

- £241m Towns Fund to support regeneration of high streets, town centres and local economies;
- An additional £54m to help reduce homelessness and rough sleeping.
- A real terms increase in Public Health Grant and through the NHS contribution to adult social care; and
- The Spending Round includes funding for programmes supporting councils in delivering children's social care services to support and protect children.

A further update will be provided to Cabinet as more details are made available.

#### Business Rates Retention Scheme

- 6.6 An increasing proportion of the Council's services are funded through locally generated resources such as Business Rates and Council Tax.
- 6.7 In 2018/19, the Council participated in the 100% Berkshire Business Rates Pilot and gained a one off sum of £1m reflecting its share of the growth in business rates income. For 2019/20, the Secretary of State confirmed the continuation of this pilot for a further year. The Council is estimated to receive a further one off sum of £0.7m in 2019-20 for its share of the growth. This is in addition to the sum of £44.64m built into the budget for the Councils share of core Business Rates income.
- 6.8 This report begins to explore the challenges facing the Council in the context of a number of forthcoming fundamental changes to the financial environment in which Local Authorities operate. In particular it outlines a process that will deliver a balanced budget position over the course of the MTFS period; taking into account the views of residents, business rate payers and other interested stakeholders.

## Council tax

- 6.9 The Localism Act 2011 replaced the capping regime for excessive council tax increases with local referenda, and the Government confirmed the council tax referendum threshold for 2019/20 as 3%. However, the Government has also allowed social care authorities the flexibility to increase council tax in respect of the social care precept which will provide funds to protect adult social care spending.
- 6.10 Council Tax continues to be an important source of revenue for the Council with £61.423m estimated from that source in 2020/21. The government has not to date announced any indication of an Adult Social Care (ASC) precept for 2020-21.
- 6.11 The Council continues to face a number of financial challenges, including demographic growth and inflationary pressures, and the continuing effect of reductions in government support. There is, therefore, a need to increase the income generated from local sources including Council Tax.
- 6.12 The revised assumption included in the MTFs is that Council Tax will be increased up to the government imposed referendum level (currently expected to be at 3%). As well as this 2.99% assumed increase in Council Tax, the MTFs also assumes an increase in the tax base of around 2% based on a 2 year rolling average. No assumption has been made regarding any Adult Social Care precept for 2020-21 as we await the Government's consultation following the Spending Review 2019.

## **7 Other Government Grants**

- 7.1 In addition to Revenue Support Grant, the Council is in receipt of a number of other grants to support specific service priorities. Current assumptions for each of these are summarised in the table below:

### **Summary of other government grants 2019-23**

<b>19/20</b>		<b>20/21</b>	<b>21/22</b>	<b>22/23</b>
<b>£'000</b>	<b>Other Government Grants</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
2,717	New Homes Bonus	2,298	1,906	2,100
1,396	Additional Social Care Grant	1,396	1,396	1,396
7,363	Public Health Grant	7,363	7,363	7,363
3,357	Better Care Fund	3,357	3,357	3,357
312	Independent Living Fund	315	315	315
166	LCTS Admin Support Grant	166	166	166
486	Housing Benefit Admin Support Grant	486	486	486
<b>15,797</b>	<b>Total Estimated Funding Available</b>	<b>15,381</b>	<b>14,989</b>	<b>15,183</b>

### New Homes Bonus

- 7.2 The New Homes Bonus, introduced in 2011/12, provides a Government grant equivalent to the increase in council tax revenues that would otherwise be generated from new housing stock but calculated using the national average council tax. Originally payable on cumulative growth in housing stock for six years, the Government subsequently amended this to be five years' growth in 2017/18 and four years for 2018/19 onwards and introduced a national baseline for housing growth below which NHB will not be paid.

- 7.3 The Council will receive £2.717 million in 2019/20. Whilst the Government still intends to incentivise housing growth, 2019/20 is the last year of the scheme in its current form and it is unclear at this stage how a revised mechanism will work. For budgeting purposes a reduced level of grant has therefore been reflected in future years.
- 7.4 Estimated NHB reward is based on the average national band D and calculated using the increase in dwellings above the baseline. If the growth in the number of dwellings nationally is higher than expected then it is likely MHCLG will increase this threshold to manage the overall cost of the NHB scheme.

#### Better Care Fund

- 7.5 As part of the governments 2015 Spending review, an initial tranche of Better Care Fund was allocated; with another tranche in the Chancellors 2017 Spring Budget. This funding has been utilised to support continued investment in adult social care.
- 7.6 The future of this fund and its treatment under the Fair Funding review is not known. The MTFs assumes funding up to 2022-23 at the level of the initial BCF allocation in 2019-20 which assumes continuation in some form and is therefore a potential risk due to uncertainty.

#### Public Health Grant

- 7.7 The previous three year allocation of the Public Health grant was for the period 2017-18 to 2019-20. In that time the Public Health grant reduced by 2.6% per year. This was in line with the government forecast real terms reduction. There has been no confirmation of future allocations from the Department of Health. The current estimate of the grant for 2020/21 is £7.363m with no further decreases.
- 7.8 The future uncertainty as to specific grants is therefore a factor considered before recommending new commitments and growth. In the current economic climate there continues to be no presumption that non-ring-fenced grants will be spent on the purposes for which they were nominally provided.

### **8 Balancing the budget**

- 8.1 The Council has a statutory duty to balance the budget year on year which can include the use of reserves. In the S25 statement within the Revenue Budget report presented to full Council, in February 2019, the Section 151 Officer noted that the *“current level of General Fund reserve is ...considered to be the absolute minimum on the basis that the budget balances in 2019/20”*.
- 8.2 The Q1 monitoring report, elsewhere on tonight’s Cabinet Agenda, clearly sets out the impact on the Council’s available reserves if current pressures are not managed. If General Fund reserves fall below a level the Section 151 officer deems prudent, the Council will be required to make an immediate repayment, as part of the 2020/21 revenue budget process, to return the general reserves to an appropriate level.
- 8.3 Officers are currently estimating the Council will have a collection fund surplus of £1.177m available for 2020/21. This surplus arises from over achievement of collecting council tax income compared to expectations and can be used by the Council to fund revenue expenditure and/or replenish general fund reserves. Based on the Council’s current financial position, as set out in the Q1 monitoring report on tonight’s Cabinet agenda, it is assumed that any collection fund surplus will be used to increase the Council’s general fund reserves.

## **9 Budget Consultation 2020/21**

- 9.1 The council must undertake statutory budget consultation with Business Rate payers in the borough and it is also good practice to consult with Council Tax payers and a broad range of other stakeholders. In addition, meaningful consultation must take place with service users before any changes to service provision are implemented.
- 9.2. The Cabinet are asked to note that the Council's budget consultation will be carried out from September through to December.

Budget Consultation - October 2019 – December 2019

Budget Meeting Cabinet - 3<sup>rd</sup> February 2020

Budget Setting Council - 20<sup>th</sup> February 2020

## **10 Conclusions**

- 10.1 This report sets out the Council's Medium Term Financial Strategy based on the latest information available at 31 August 2019. A further update will be provided to Cabinet in November 2019.

## **11 Appendices**

- 'A' - Future Savings Identified  
'B' - Future Growth Identified



**APPENDIX A - FUTURE SAVINGS IDENTIFIED**

Directorate	Type	Savings Description	20/21 £'000	21/22 £'000	22/23 £'000
Adults and Communities	Commercial	Leisure Services - Leisure Contract Management savings	1,489		
Adults and Communities	Commercial	Recommission floating support services	100		
Adults and Communities	Commercial	Regulatory services becoming fully self funded	300		
ALL	Commercial	Customer & Accommodation - Transformation Savings	1,500	1,500	0
Chief Executive	Commercial	Environmental services - work for other local authorities (Line Painting etc.)	150		
Chief Executive	Commercial	DSO Traded Services	135	270	
Finance & Resources	Commercial	Recommissioning and reviews of major commercial contracts	300	300	
Finance & Resources	Commercial	Wexham - Additional interest following delayed return of Capital	(340)		
Finance & Resources	Commercial	Increased income from Treasury Management	75	100	
Regeneration	Commercial	ESFA - One off funding for school on TVU site	(1,000)		
Regeneration	Commercial	Regeneration - Income generation target	100	0	0
			2,809	2,170	0
Adults and Communities	Efficiency	Mental Health - Extension of Hope House Services	100		
Adults and Communities	Efficiency	Reduced costs following increased Extra Care Housing provision	0	0	200
Place and Development	Efficiency	Housing Regulations Team - Business Development Manager	50	50	
Place and Development	Efficiency	Private Sector Acquisition Team (Housing)	100		
			250	50	200
Children, Learning and Skills	Income	School Effectiveness Review	180		
Finance & Resources	Income	Increased income from Council Tax and NNDR Collection	200		
Finance & Resources	Income	Counter-Fraud Invest to Save	500		
Regeneration	Income	Income from Car Park on TVU	0	0	(100)
			880	0	(100)
ALL	Staffing	Slough Academy - Reduce Agency Spend	750	750	
ALL	Staffing	Electric Vehicle Initiatives	210		
			960	750	0
Adults and Communities	Strategic Review	Review Provider Services and Personalisation opportunities	150		
A&C / CLS	Strategic Review	Transformation of Early Help	300	0	
A&C / CLS	Strategic Review	Transformation of Early Help phase 2	0	150	
			450	150	0
		Savings from UCR Contingency	(404)	(124)	0
			<b>4,945</b>	<b>2,996</b>	<b>100</b>
Adults and Communities			2,139	0	200
Children, Learning and Skills			480	150	0
Place and Development			150	50	0
Regeneration			(900)	0	(100)
Finance & Resources			735	400	0
Chief Executive			285	270	0
ALL			2,460	2,250	0
Savings from UCR Contingency			(404)	(124)	0
			<b>4,945</b>	<b>2,996</b>	<b>100</b>

## APPENDIX B - FUTURE GROWTH IDENTIFIED

Directorate	Type	Growth Description	20/21 £'000	21/22 £'000	22/23 £'000
Adults and Communities	Demand	Care Act Responsibilities	25	25	25
Adults and Communities	Demand	Demographic Growth	700	700	700
			<b>725</b>	<b>725</b>	<b>725</b>
Finance & Resources	Governance	Budgeted Increase of General Reserve	750	0	0
Finance & Resources	Governance	Additional Pressures	2,000	1,000	0
Finance & Resources	Governance	Creation of Brexit Reserve	(200)	0	0
Finance and Resources	Governance	Training Budget for Employees and Members	50	0	0
			<b>2,600</b>	<b>1,000</b>	<b>0</b>
Chief Executive	Loss of Income	Local Welfare Provision	75	0	0
			<b>75</b>	<b>0</b>	<b>0</b>
Adults & Communities	Service Improvements	Employment Opportunities for Slough Residents	25	0	0
Finance and Resources	Service Improvements	Slough Academy - Ongoing Costs	175	0	0
Housing	Service Improvements	Street Homelessness Initiatives	270	0	0
Regen	Service Improvements	Introduction of Slough APP for Residents	48	0	0
			<b>518</b>	<b>0</b>	<b>0</b>
			<b>3,918</b>	<b>1,725</b>	<b>725</b>