SLOUGH BOROUGH COUNCIL

REPORT TO:	Cabinet	**DATE:** 14th December 2020
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PART I
KEY DECISION

MEDIUM TERM FINANCIAL STRATEGY 2021/22 – 2023/24

1. Purpose of Report

1.1. This report sets out an interim position in relation to the Council's Medium-Term Financial Strategy (MTFS) and associated spending plans for the three years 2021/22 to 2023/24, prior to the Local Government Finance Settlement, which is due to be published mid-December 2020. This report focusses on the General Fund revenue budget whereas the final MTFS will include the Housing Revenue Account, Dedicated Schools Grant, Capital Programme and Flexible Capital Receipts Strategy to deliver future transformation and savings.

1.2. The Council is working to close its budget gap and present a balanced budget for 2021/22 and over the Medium-Term to 2023/24. However, due to the significant financial pressure and economic uncertainty created by the COVID-19 pandemic; central government only issuing a one year spending review which contains a lack of clarity in relation to certain aspects of its implications for local government; and the Provisional Local Government Finance Settlement not being announced until mid-December 2020 this is proving extremely challenging. Consequently, this report sets out the interim position and the draft proposals to date. Further savings proposals are expected to be presented by Services and the Slough Children's Services Trust, supported by robust business cases, and these will be included in the February 2021 Revenue Budget Report to Council. The revenue impact of any new capital schemes has not been included in this interim position.

1.3. All local authorities are facing significant financial challenges, given the current COVID-19 national emergency, and Slough Borough Council is no exception. The Council is continuing to manage the pressures it faces in-year; however, it must also recognise the material impact COVID-19 has had on its medium-term financial plans. This reassessment of impact is primarily due to lower revised estimates in respect of core income streams (i.e. Council Tax and Business Rates); and savings that have been identified as non-deliverable in the short-term due to the reprioritisation of resources to tackle COVID-19.

1.4. The impact of this lost income, for a Council that has invested heavily in regeneration over the past three years to facilitate both economic and housing growth, means a consequent delay in funding available to cover the costs of capital going forward. It must also be acknowledged that income streams may not recover to previous levels due to the impact of the pandemic on employment levels and business viability. There is also significant anticipated growth in demand for children's and adult social care arising from the pandemic.

1.5. The latest Medium-Term Financial Strategy indicates that there remains a budget gap, between the Council's expected income and expenditure levels, of £8.615m in 2021/22 rising to £19.804m by 2023/24 (set out in Appendix F). The current gap in 2021/22 is partially caused by a one-off pressure of £5.4m, mostly arising from a one-off repayment of Business Rates, to a company situated in Slough, following a re-evaluation exercise undertaken by the Valuation Office Agency (VOA), an executive agency sponsored by HM Revenue & Customs. This is partially covered by an anticipated £4.5m general fund in projected underspend in 2020/21.

1.6. The Section 151 officer, in the Revenue Budget report to Full Council in February 2020, highlighted the low level of general reserves in Slough and Members had agreed a strategy to increase reserves substantially over the medium-term. The COVID-19 pandemic, and current financial position of Slough Children's Services Trust, has meant it may not be possible to implement this strategy in the short-term and, at the current time, the Council's available reserves are insufficient to cover the projected funding shortfalls in 2021/22 and beyond. Uncertainty around future levels of central government funding and the Department for Education (DfE), still to agree to fund the accumulated £5.5m deficit in Slough Children's Services Trust adds to the scale of this risk.

1.7. The Council therefore needs to consider the affordability of its services and ensure that, where they can afford to do so, service users meet the cost of the services they receive, as is the case in other councils. This report includes potential savings for reducing the Council's costs and it is essential that the Council is committed to transforming its services to keep within the ever tighter financial constraints it is likely to face in future.

1.8. While every attempt will be made to protect key services, it is important to highlight, and for Members to recognise, the level of savings required will inevitably impact on service levels in some areas. All impacts will be assessed and considered during the budget setting process. It is also important to highlight that the Council is required to make these savings in order to match its expenditure to its level of expected income from council tax, business rates and central government which is being severely reduced due to the COVID-19 pandemic. The Council will therefore be taking all actions necessary to ensure a balanced budget is delivered for 2021/22, as required by legislation. Members are also aware the Council has a strong history of balancing its revenue budget by year-end; and the Period 6 monitoring indicates significant in-roads have been made in reducing the Council's overspend from that reported to Cabinet at the end of Quarter 1.

1.9. Members and Officers are taking steps to reshape the Medium Term Financial Strategy as a result of the reduction in income growth due to Covid-19 to avoid the prospect of the possibility of the Council not being able to set a balanced budget in 2021/22 in February 2021. Thus avoiding the prospect of the Council's Section 151 Officer being required to issue a Section 114 notice.

1.10. Members are asked to note for information: there has been a change of central government guidance due to Covid-19. Now if the Section 151 officer within a local authority believes a Section 114 notice is required, he or she would need to write a formal report to their Council's Cabinet and Management team. Such an action would not result in more funding being provided by central government. Members are aware, the Council must always contain its expenditure within the level of its available resources. This overarching principle has not changed due to COVID-19.

1.11. Even by implementing the measures outlined in this report and with further work over the coming weeks it appears unlikely the Council will be able to identify and implement enough measures to eliminate the current budget gap in 2021/22. As such it will, like many other Councils, need to apply to MHCLG for a one-off capitalisation directive to temporarily bridge the gap until additional savings are identified for future years when hopefully the impact of Covid-19 has subsided and the economic growth anticipated is achieved. If approved this would enable the Council to capitalise an element of revenue expenditure by using capital receipts or further borrowing to balance the budget as a one-off until income levels return.

2. Recommendations/Proposed Action

Members are recommended to:

Note:

2.1. The budget gap and the actions being taken to bridge it for 2021/22 – 2023/24. Note that the Housing Revenue Account, Dedicated Schools Grant, Capital Programme and the Flexible Capital Receipts Strategy to deliver future transformation and savings will be included in the February 2021 Budget and MTFS Report.

2.2. The need to set a balanced budget, each year, across the whole of the MTFS period

Approve:

2.3. The Council will apply for a capitalisation directive to enable it to balance the 2021/22 and 2022/23 budgets, allowing time to identify further savings whilst tackling the impact of COVID-19.

2.4. The Council repays its minimum revenue provision by using further capital receipts in 2021/22 and 2022/23; and creates full provision for these costs in the revenue budget by 2023/24.

2.5. The Council increase:

2.5.1. Its general band D Council Tax by 1.99% the maximum permitted without a referendum as previously planned; and

2.5.2. Its Adult Social Care Precept by 3.00% as assumed by Government in the recently announced spending review to cover the rise in demand and more complex needs arising from the pandemic including a growth in mental health issues.

2.6. The proposed service savings and efficiencies of £12.392m for 2021/22 to 2023/24, of which £9.067m relates to 2021/22 as set out in Appendix C be submitted to Full Council in February for approval.

3. Appendices

3.1. The following appendices are attached to this report:

Appendix A Summary of General Fund Revenue Budget 2021-22
Appendix B Growth, Pressures and Unachieved Savings
Appendix C Savings
Appendix D Reserves Forecast to 2023/24
Appendix E Budget Movements since October 2020 Report
Appendix F Summary of MTFS 2021/22 to 2023/24

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

4.1. 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.

5. Other Implications

(a) Financial

The financial implications are contained within this report.

(b) Risk Management

Risk	Mitigating action	Opportunities
Legal	None	None
Property	None	None
Human Rights	None	None
Health and Safety	None	None
Employment Issues	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

Services will need to complete an EIA for every proposal that has been put forward.

6. Policy Context

6.1. Despite COVID-19, the Council will still be spending over one hundred million pounds in 2021/22 delivering services to the residents of Slough and investing in the future of the borough through major capital schemes.

6.2. It is important that the Council considers how best it can continue to meet its policy objectives within the tighter financial constraints that it now faces.

6.3. This will undoubtedly require a level of prioritisation and the budget plans will focus on the following key policy outcomes, as set out in the Council's five-year plan:

- Slough children will grow up to be happy, healthy and successful;
- Our people will be healthier and manage their own care needs;
- Slough will be an attractive place where people choose to live, work and stay;
- Our residents will live in good quality homes;
- Slough will attract, retain and grow businesses and investment to provide opportunities for our residents.

6.4. These policy outcomes are not achievable without sustainable council finances. The proposals within this report have been developed to help make the Council more financially resilient in the future.

6.5. The Council always considers the affordability of the services it provides, so council tax-payers do not have to subsidise non-core council services.

7. Financial Context

7.1. The current Medium-Term Financial Strategy (MTFS) was approved by Council in February 2020 and assumed a mix of council tax increases, efficiency savings and income generation to balance the budget between 2020/21 to 2022/23. However, there were still un-identified, ongoing savings required of £4.680m over the period. That projection has now been extended by a further year, into 2023/24, and has been updated to include the latest assumptions.

7.2. The MTFS approved in February 2020 assumed, via the Capital Strategy, that the cost of providing for the Minimum Revenue Provision (MRP) element, required to repay the capital element capital spending would be funded each year from new capital receipts. MRP is £5.425m in 2021/22 rising to £6.215m in 2023/24.

7.3. In addition, the MTFS also approved £5.8m of transformation spend in 2020/21 and 2021/22 from capital receipts.

7.4. In the current financial year £10m of HRA capital receipts on the balance sheet can be used as an alternative funding source to fund MRP and transformation. The Council will sell more of its assets to fund MRP costs in 2021/22 and 2022/23 and transformation costs as a one-off until further savings or additional income is identified. The Strategic Acquisition Board is currently undertaking a root and branch review of all the Council's assets (including commercial assets) with a view to ensuring the Council has a flexible asset base suitable for delivering quality customer-focussed services. Assets deemed surplus to requirements will be disposed of as necessary.

7.5. Alongside other authorities, the Council has reviewed its use of capital receipts to fund MRP as an ongoing strategy. It is recognised this legal mechanism is not sustainable in the long-term as it requires the continual disposal of assets. Both CIPFA and MHCLG have made public announcements, following discussions with Peterborough City Council, that they have concerns regarding this approach whilst recognising that this approach is legal. To date, the current financial regulations remain unchanged.

7.6. It should be recognised that to completely withdraw from using capital receipts to fund MRP with immediate effect would increase the budget gap and force the Council to make significant and "unnecessary" service cuts at a time of national emergency or apply for a higher capitalisation directive which would achieve the same result. Therefore, the MTFS proposes withdrawing from the use of this strategy on a reducing basis over the medium term (by 1 April 2023). If this strategy is adopted, the Council will identify approximately £8m of assets for disposal, from an asset base of over £1bn which includes over £243m of land and buildings and £97m of investment property, over the next two years. If commercial assets are identified for disposal a further financial balance needs to be struck as they are currently being used to generate additional income for the general fund.

7.7. 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.

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

7.9. Like many councils, Slough faces considerable financial challenges, particularly increasing numbers, and costs of supporting vulnerable people and children in care. However, it has routinely been recognised that the Council's level of reserves are relatively low, in comparison to other Unitary Authorities, which means that it has less time and potentially fewer options than others to bring its budget into balance.

7.10. Slough has made a substantial commitment to regeneration, the provision of affordable homes and the development of the local economy. To fund this important investment borrowing has substantially increased which has an associated impact on the revenue budget.

7.11. In the current year Council spending has come under considerable pressure due to Covid-19. This has meant the Council has also found it harder to deliver savings than it had expected, which has meant that some savings targets have not been achieved with a knock-on impact in future years. These additional pressures are reflected in the 2021/22 budget proposals.

8. Proposed Budget 2021/22 – Interim Position

The proposed budget for Slough Borough Council is set out in the table below, with further detail provided in the Directorate budgets in Appendix A. Changes are analysed in Appendix E.

	Approved Budget 2020-21 £'000	Other Movements £'000	Savings £'000	Proposed Budget 2021-22 £'000
Adults and Communities	51,424	3,446	(1,671)	53,199
Children, Learning and Skills	40,632	1,705	(194)	42,143
Finance and Resources	10,826	3,408	(375)	13,860
Place and Development	20,947	307	(1,535)	19,719
Regeneration	(886)	332	(953)	(1,507)
Chief Executive	1,123	0	0	1,123
Total Service Budgets	**124,066**	**7,781**	**(4,053)**	**127,794**
Capital Financing	917	1,750	0	2,667
Other Corporate Budgets	0	2,481	(4,340)	(1,859)
Contingency for Covid-related costs	0	7,500	0	7,500
Net Council Spend[1]	**124,983**	**20,929**	**(9,067)**	**136,865**
Financed by:				
Council Tax	(60,921)	(326)	0	(61,247)
Business Rates	(33,869)	121	0	(33,748)
Collection Fund (surplus)/ deficit	(1,970)	8,443	0	6,473
Revenue Support Grant	(6,222)	(201)	0	(6,423)
New Homes Bonus	(2,261)	514	0	(1,747)
Covid Support Grants	0	(7,500)	0	(7,500)
Other Government Grants	(18,970)	(568)	0	(19,538)
Movement (to)/from Reserves	(771)	(3,729)	0	(4,500)
Total Financing	**(124,983)**	**(3,247)**	**0**	**(128,230)**
Budget Gap	0	17,682	(9,067)	8,615

[1] Note Net Council Spend was shown as £124,212K in the February 2020 Budget Report. It has been correctly adjusted here to show the £771K movement from reserves in the Financing section.

8.1. Budget assumptions currently include:

a) Revenue Support Grant from Government (£6.423m for 2021/22 increasing to £6.552m in 2023/23);

b) New Homes Bonus Grant of £1.298m in 2021/22 and £0.547m in 2022/23

c) A general Council Tax increase of 4.99% in 2021/22 (1.99% general and 3% Adult Social Care Precept); and 2.99% in the following two years;

d) The Council will continue to receive a share of the £1bn of extra government funding for Adult Social Care in 2021/22 and a share of the additional £300m announced in the Spending Review.

e) The Adult Social Care budget also relies on £3.873m of Better Care Funding (BCF) via the NHS.

f) £12.392m of savings across the period of the MTFS;

g) A contingency provision of £7.5m has been included for Covid related costs and is also assumed to cover any savings slippage. A further £1.1m contingency is built in for 2022/23 and 2023/24;

h) Following central government's recent announcements concerning a public sector pay freeze, there is no allowance for a general pay award in 2021/22, although a provision has been included of £0.200m for staff on the lowest pay.

9. Budget Pressures

9.1 In 2021/22, budget pressures including pay, contract inflation and other corporate adjustments are expected to amount to approximately £17.682m. These are driven by a number of factors:

a) **COVID -19 -** in particular a substantial reduction in the income provided to the Council via Council Tax and Business Rates
b) **Spending pressures on Children's Services and Adult Care** are placing increased pressure on council budgets.
c) **Demographic changes** – as the population of Slough increases, demands on its services will also increase. To an extent this will be matched by additional council tax income.
d) **External changes beyond the council's control**, such as changes to grant allocations from central government.
e) **Previous spending decisions**– for example the borrowing costs associated with capital investments made by the council.
f) **Under-delivery of savings –** some of the savings identified for 2020/21 have not been delivered and therefore have an impact on the 2021/22 budget.
g) **Under-achievement of income targets** – in some cases it has not been possible to deliver increased income even by setting higher charges.

9.2. All budget pressures are set out in Appendix A and specific growth and unachieved savings are further detailed in Appendix B.

10. Proposed Savings

10.1 The Council approved £2.370m of savings for 2021/22 in February 2020. These savings have been reviewed and additional savings identified. These are currently in draft and business cases are being prepared to ensure that the amounts can be delivered in the time assumed. Savings are currently forecast as £9.067m for 2021/22. As such the amounts and phasing will change in the final budget report. These are summarised by Directorate below and set out in detail in Appendix C.

10.2 The estimated budget gap reported to Cabinet on 12th October was £15m. Despite identifying further savings and adding the impact of increasing Council Tax by the maximum permitted of 4.99%, further pressures have also been identified. The net result is a current budget gap of £8.615m including a one-off pressure of

£5.4m, mostly arising from a one-off backdated payment for a business rate re-evaluation that due to how this needs to be accounted for will impact in 2021/22. This can be partly funded by a projected £4.5m underspend in 2020-21 that will put aside as a reserve for this purpose.

10.3 The table setting out the movements since the budget gap was reported to Cabinet in October is set out in Appendix E.

10.4 The Council's challenge over the next three years is set out in the table below:

Budget Gap 2021/22 to 2023/24

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Expenditure	124,212	136,845	138,214	149,519
Income	(124,212)	(128,230)	(125,290)	(129,715)
Budget Gap	**0**	**8,615**	**12,294**	**19,804**

10.5 The increases in 2022/23 and 2023/24 are partly related to planning to stop using capital receipts to fund MRP by the end of the MTFS period.

11. Funding

11.1 The Council relies on approximately £95m of Council Tax and Business Rates income to fund its net budget of £128m.

Council Tax

11.2 If people lose jobs, due to the pandemic, and cannot find alternative employment they will be entitled to Council Tax support which covers up to 80% of their Council Tax bill. If house building and home sales slow the Council's tax-base will grow at a much lower rate than previously anticipated. This has a direct adverse impact on the amount of income the Council is likely to receive in the future. The Bank of England has assumed an increase in unemployment from the October position of 4.8% to 6.8% in April 2021. It has therefore been assumed that the number of claimants will increase by 50% in 2021/22.

Business Rates

11.3 The next largest funding stream relates to Business Rates. 50% of Business Rates collected is returned to Government and 1% passed to the Fire Authority, leaving 49% to fund Council services.

11.4 In theory, as the business rates income is derived from local businesses, the Council should retain the remaining 49%. However, Business Rates are re-distributed across the country based on assumed need and a top-up and tariff system equalises business rate income across the country.

11.5 Businesses have been given some protection by central government, in 2020/21, via grants, Business Rate reliefs and the furlough scheme. Unfortunately, it is anticipated some businesses will become unviable due to COVID-19. This will undoubtedly mean a reduction in Business Rates income. As such it has been assumed there will be a reduction of £0.121m in 2021/22.

11.6 Business rates income can be subject to significant volatility; one or two empty properties or appeals can have a substantial impact on the level of business rates collected. This makes it difficult to predict with accuracy the level of business rate income.

12. Public Sector Spending Plans

12.1 The 2021/22 Spending Review announcement, on 25th November 2020, included the following matters that are pertinent to the Council's finances and the wider environment in which it operates:

- The ability to levy an adult social care precept of up to 3% for a further year;
- A proposed general Council Tax referendum limit of 2%;
- Public sector pay increases, excluding NHS workers, will be paused in 2021/22 except for those workers earning less than £24,000 who will receive a minimum £250 increase
- Increasing Revenue Support Grant in line with inflation
- Maintaining the existing New Homes Bonus scheme for a further year with no new legacy payments
- £300 million of new grant funding for adult and children's social care, in addition to the £1bn announced as part of the Spending Review 2019 that is being maintained in 2021/22
- £1.55bn to meet additional expenditure pressures as a result of COVID-19
- £670 million of additional grant funding to help local authorities support (an estimated 4 million) households that are least able to afford council tax payments
- £0.8bn of funding for tax revenue losses; this is intended to cover 75% of irrecoverable Collection Fund losses in 2020/21 that would otherwise need to be funded through local authority budgets in 2021/22 and later years
- Extending the existing COVID-19 sales, fees and charges reimbursement scheme for a further three months until the end of June 2021
- The business rates multiplier will be frozen for 2021/22
- Additional financial support will also be available to local authorities facing the highest ongoing restrictions. This will support local public health initiatives through the Contain Outbreak Management Fund

12.2 Full details of the Local Government Finance Settlement and implications for the Council are due to be announced in mid-December by the Ministry of Housing, Communities and Local Government (MHCLG).

12.3 The Council have used this information in helping with its budget assumptions, set out below. However, the Local Government Finance Settlement, where the impact on Slough can be more accurately determined will not be announced until w/c 14th December 2020 and is subject to potential delays. This information will be used to update our budget assumptions in the budget report to Council in February 2020.

13. Reserves

13.1 Councils hold reserves for the following reasons:-

a) **Covering 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 current year's 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.

13.2 Slough has total reserves of £15.799m at 31.03.20, which are split between general reserves of £8.173m and earmarked reserves of £7.626m. £5.72m of the reserves are committed leaving a remaining £2.154m could be released for general use in exceptional circumstances. Unallocated reserves are set out in the table below and in appendix D:-

	£m
General Reserves – minimum level	8.173
Available earmarked reserves	2.154
Total	**10.327**
Projected 2020/21 surplus	4.500
Total	**14.827**

13.3 It has been assumed that the £4.5m surplus will be used as a one-off to balance the 2021/22 budget.

13.4 The Slough Children's Services Trust (SCST) has an accumulated trading deficit of £5.5m covered by advance payments from the Council for services. Senior officers and DfE officials have entered into negotiations regarding the treatment of this deficit and how it will be treated at the end of the contract, or if as planned the Trust become a Local Authority Company in April 2021. The Council is clear that it should not be expected to fund this deficit as SCST was established as an independent organisation outside of the Council's control. Therefore, this deficit is not reflected in the table above, however it remains a significant risk of default.

13.5 Reserves play an important role in managing risks and uncertainty and help councils adjust their financial position to manage sudden changes in funding, without having an immediate and adverse impact on service users. Although they can only be used once.

13.6 If any unforeseen expenditure arises in year requiring the use of reserves, if the minimum level is breached this will need to be topped up in the next financial year causing further pressures. It is recommended to hold a reasonable level of earmarked reserves to cover specific risks.

13.7 There is no mathematical formula for assessing the level of reserves but clearly the financial risks that the council faces can provide a guide as to the level of reserves that the council should maintain.

13.8 The projected level of reserves are close to the minimum level assessed by the Section 151 officer and CIPFA's resilience index highlights the level of reserves in Slough as being high risk. Slough's reserves compared to other Unitary Authorities were amongst the lowest in the Country prior to the Covid-19 pandemic. As noted previously, pre-Covid-19, Members had agreed a strategy to significantly increase the level of these reserves.

13.9 Given the financial challenges that the council faces, it will not be possible to continue to rebuild reserves within the short term, although it is important that the Council looks to rebuild reserves, in line with Full Council's agreement in February 2020, across the medium to long term.

14. Strategy to Reduce Costs

14.1 Directorates are reviewing the following areas to reduce costs although the impact has not been fully identified in the current budget but will need to be worked on in 2021 to produce a more sustainable budget going forward.

a) A review of contracts – the council delivers a large share of its services through third party contracts. This includes a review of existing council contracts to ensure that they provide value for money and that the service level within them is affordable, whilst maintaining quality service provision.

b) A review of services. This means that there is a need to challenge current service provision and consider a range of delivery options and service levels.

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c) Review of the council property portfolio. A substantial and increasing share of the council's budget is taken up with servicing debt. The council is identifying assets for disposal to reduce the heavy burden of debt repayments and to cover the cost of the capitalisation directive and MRP in 2021/22. The impact of Covid-19 has meant more staff working from home, questioning the need for overall office space. A rationalisation would lead to reducing the revenue costs of the operating buildings.

d) Review of Agency Staffing. The Council is spending circa £12m pa on agency staffing, not all funded by the general fund. Although a significant proportion of these staff are vital in covering hard to fill posts in services; Directors are reviewing the impact of deleting these posts, which can be done at short notice.

e) Transport, the council spend £7m pa, including Home to School Transport. Directors are reviewing options for savings.

f) Income, review of fees and charges to ensure they at least match neighbouring boroughs and wider consideration of parking charges.

14.2 The Council also needs to make its case to the Government for more assistance to enable it to manage the increased pressures that it faces. This includes:

a) Protecting existing council funding in the form of government grants and business rates

b) Lobbying government to ensure that central funding better reflects the demographic pressures that Slough is facing around Children's and Adult Social Care

15. Capitalisation Directive

15.1 Like many local authorities, Slough BC has taken the opportunity to hold informal discussions with MHCLG about seeking permission for a Capitalisation Directive to help balance their budget in 2021/22 and 2022/23. Other Councils that have been harder hit by Covid-19 have also requested support using this means in 2020/21.

15.2 A capitalisation directive permits a council to capitalise revenue expenditure if it is unable to set a balanced budget and has considered all other options, has limited reserves, and is increasing its Council Tax by the maximum permitted. The direction will only be granted in exceptional circumstances. In order to be successful in the application Slough will need to demonstrate the reasons for requesting the exceptional support. The capitalisation would ideally be funded by using capital receipts but maybe in the form of further borrowing, although both will add to ongoing pressures. Only the Secretary of State can permit this action legally.

16. Legal Implications

16.1 The provisions of the Local Government Finance Act 1992 (LGFA 1992) set out what the council has to base its budget calculations upon and require the council to set a balanced budget with regard to the advice of its Chief Finance (section 151) Officer. The setting of the budget is a function reserved to Full Council which will consider the draft budget which has been prepared by the Cabinet. Once the budget has been agreed by Full Council the Cabinet cannot make any decisions which conflict with it, although virements and in-year changes can be made in accordance with the council's Finance Procedure Rules (set out in Part 8 of the council's Constitution).

16.2 Section 30(6) LGFA 1992 provides that the council must set its budget before 11 March in the financial year preceding the one in respect of which the budget is set.

16.3 The provisions of section 25, 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 (section 151) 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.

16.4 Members must satisfy themselves that sufficient mechanisms are in place to ensure both that savings are delivered as agreed and that new expenditure is contained within available resources.

17. RISK MANAGEMENT

17.1 Given the level of financial uncertainty and current service pressures, there is clearly a risk that the current budget may prove difficult to deliver.

17.2 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:

- 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
- Delivery of capital receipts to fund MRP and the flexible use for transformation purposes and avoid prudential borrowing charges;
- 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.

17.3 A key risk for the council is that its finances are not sustainable in the long term and it does not have enough reserves to enable it to effectively manage the financial risk that it faces in the medium term.

17.4 Additionally, the Council's 2018/19 and 2019/20 accounts are still being audited which may mean there could be some movement in the assumed baseline level of reserves.

18. BACKGROUND PAPERS

- Revenue Budget Report to Full Council – February 2020
- Capital Strategy to Full Council – February 2020
- Treasury Management Strategy to Full Council – February 2020
- Q2 Revenue Monitoring Report to Cabinet – November 2020
- MTFS Report to October 2020 Cabinet