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Borough Council
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Date of despatch: Wednesday, 1 March 2023

To the Members of Slough Borough Council

Dear Councillor,

You are summoned to attend an extraordinary Meeting of the Council of this Borough which will be held in the Council Chamber - Observatory House, 25 Windsor Road, SL1 2EL on **Thursday, 9th March, 2023 at 7.00 pm,** when the business in the Agenda below is proposed to be transacted.

Yours faithfully

STEPHEN BROWN
Chief Executive

AGENDA

Apologies for Absence

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1.	Declarations of Interest	-

All Members who believe they have a Disclosable Pecuniary or other Interest in any matter to be considered at the meeting must declare that interest and, having regard to the circumstances described in Section 9 and Appendix B of the Councillors' Code of Conduct, leave the meeting while the matter is discussed.

Members are reminded that under the Code, a general dispensation has been provided to all members of the Council (who do not otherwise have a Disclosable Pecuniary Interest) to take part and vote on items on the Council agenda for 9th March 2023 in relation to setting the Council Tax or a precept under the Local Government Finance Act 1992.

Recommendations of Cabinet and Committees

[*Notification of Amendments required by 10am on Wednesday 8 March 2023]*

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- Pay Policy Statement update 2023/24

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Recommendations of the Cabinet from its meeting held on 27th February 2023

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Press and Public

Attendance and accessibility: You are welcome to attend this meeting which is open to the press and public, as an observer. You will however be asked to leave before any items in the Part II agenda are considered. For those hard of hearing an Induction Loop System is available in the Council Chamber.

*** Notice of Meeting:** In accordance with the relevant provisions of the Local Audit and Accountability Act 2014 relating to the publicity for meetings at which Statutory Recommendations are to be considered, a separate Notice has been published on the Council website: Document Public Notice - Local Audit and Accountability Act 2014 - 1st March 2023 (slough.gov.uk)

Webcasting and recording: The public part of the meeting will be filmed by the Council for live and/or subsequent broadcast on the Council's website. The footage will remain on our website for 12 months. A copy of the recording will also be retained in accordance with the Council's data retention policy. By entering the meeting room and using the public seating area, you are consenting to being filmed and to the possible use of those images and sound recordings.

In addition, the law allows members of the public to take photographs, film, audio-record or tweet the proceedings at public meetings. Anyone proposing to do so is requested to advise the Democratic Services Officer before the start of the meeting. Filming or recording must be overt and persons filming should not move around the meeting room whilst filming nor should they obstruct proceedings or the public from viewing the meeting. The use of flash photography, additional lighting or any non hand held devices, including tripods, will not be allowed unless this has been discussed with the Democratic Services Officer.

Emergency procedures: The fire alarm is a continuous siren. If the alarm sounds Immediately vacate the premises by the nearest available exit at either the front or rear of the Chamber and proceed to the assembly point: The pavement of the service road outside of Westminster House, 31 Windsor Road.

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SLOUGH BOROUGH COUNCIL

REPORT TO: Council

DATE: 9th March 2023

CONTACT OFFICER: Surjit Nagra – AD HR
(For all enquiries:)

WARD(S): All

PART I
FOR DECISION

RECOMMENDATION OF THE EMPLOYMENT AND APPEALS COMMITTEE FROM ITS MEETING HELD ON 22 DECEMBER 2022: PAY POLICY STATEMENT UPDATE 2023/2024

1. Purpose of Report

To provide Members with an update of the revisions to the Pay Policy Statement for the year 2023/24 as required by the Localism Act 2011.

2. Recommendation

Council is requested to approve the Pay Policy Statement 2023/24, as attached at Appendix A, for publication.

3. Other Implications

(a) Financial

The expected costs of all Council salaries are included within the annual revenue budget.

(b) Risk Management

None arising from this report.

(c) Human Rights Act and Other Legal Implications

Local Authorities are required by section 38 of the Localism Act 2011 (the Act) to prepare a pay policy statement and have regard for any guidance issued under section 40 of the Act and the Supplementary Guidance (on openness and accountability) released in February 2013. The policy statement should cover several matters concerning the pay of the authority's staff, principally Chief Officers.

The Pay Policy Statement appended to this report has been reviewed and meets the requirements of the Localism Act.

(d) *Equalities Impact Assessment*

None arising from this report.

4. **Supporting Information**

4.1 Council is required to approve the Pay Policy Statement and publish the Pay Policy Statement as required annually.

4.2 The Pay Policy Statement enables residents to understand the Council's pay policy for senior staff and how it relates to the salaries of the lowest paid. It provides transparency and enables residents to assess whether salaries paid represent value for money.

4.3 The Pay Policy Statement covers the financial year 2023/24.

4.4 When the national cost of living award for 2023/24 is agreed and implemented the pay scales, as attached at Appendix B, will be updated according to the increase in pay levels.

4.5 Once approved the Pay Policy Statement, as attached at Appendix A will be published on the Council's website.

5. **Comments of other Committees**

The Pay Policy Statement was considered at the meeting of the Employment and Appeals Committee held on 22 December 2022 and it was agreed that it be recommended to Council for approval. It was also agreed that delegated authority be given to the Monitoring Officer to make amendments to the pay policy, prior to submission to Council, to reflect any new appointments to Chief Officer roles and Appendix A has been updated to reflect these changes.

6 **Conclusion**

Members are requested to approve the Pay Policy Statement for 2023/24 as attached at Appendix A.

7. **Appendices Attached**

Appendix A - Pay Policy Statement 2023/2024 (to follow)
Appendix B - Slough Borough Council Salary Scales

8. **Background Papers**

None.

NJC Local Government pay agreement 2022

SCP	Pay Level	Basic Pay Apr-22	FTE Local Weighting	Inclusive Annual Pay	Inclusive Hourly Rate
2	Level 2	20441	1002	21443	11.11
3	Level 2	20812	1002	21814	11.31
4	Level 2	21189	1002	22191	11.50
5	Level 3	21575	1002	22577	11.70
6	Level 3	21968	1002	22970	11.91
7	Level 3	22369	1002	23371	12.11
8	Level 4	22777	1002	23779	12.33
9	Level 4	23194	1002	24196	12.54
10	Level 4	23620	1002	24622	12.76
11	Level 4	24054	1002	25056	12.99
12	Level 4	24496	1002	25498	13.22
13	Level 5	24948	1002	25950	13.45
15	Level 5	25878	1002	26880	13.93
17	Level 5	26845	1002	27847	14.43
19	Level 5	27852	1002	28854	14.96
21	Level 5	28900	1002	29902	15.50
23	Level 5	30151	1002	31153	16.15
24	Level 6	31099	1002	32101	16.64
25	Level 6	32020	1002	33022	17.12
26	Level 6	32909	1002	33911	17.58
27	Level 6	33820	1002	34822	18.05
28	Level 6	34723	1002	35725	18.52
29	Level 6	35411	1002	36413	18.87
30	Level 7	36298	1002	37300	19.33
31	Level 7	37261	1002	38263	19.83
32	Level 7	38296	1002	39298	20.37
33	Level 7	39493	1002	40495	20.99
34	Level 7	40478	1002	41480	21.50
35	Level 7	41496	1002	42498	22.03
36	Level 8	42503	1002	43505	22.55
37	Level 8	43516	1002	44518	23.07
38	Level 8	44539	1002	45541	23.61
39	Level 8	45495	1002	46497	24.10
40	Level 8	46549	1002	47551	24.65
41	Level 8	47573	1002	48575	25.18
42	Level 9	48587	1002	49589	25.70
43	Level 9	49590	1002	50592	26.22
44	Level 9	50600	1002	51602	26.75
45	Level 9	51625	1002	52627	27.28
46	Level 9	52650	1002	53652	27.81
47	Level 9	53683	1002	54685	28.34
48	Level 10	54776	1002	55778	28.91
49	Level 10	55866	1002	56868	29.48
50	Level 10	56964	1002	57966	30.05
51	Level 10	58063	1002	59065	30.61
52	Level 10	59150	1002	60152	31.18
53	Level 10	60240	1002	61242	31.74

Slough Borough Council
Senior management pay scales

GRADE	SALARY RANGE 2022
SML111	£62,379
SML112	£65,152
SML113	£67,924
SML114	£70,698
SML121	£73,413
SML122	£76,130
SML123	£78,846
SML124	£81,562
SML131	£84,254
SML132	£88,586
SML133	£93,146
SML134	£97,948
SML141	£100,617
SML142	£105,811
SML143	£111,280
SML144	£114,779
SML151	£113,101
SML152	£116,660
SML153	£122,698
SML154	£129,056
SML161	£121,481
SML162	£127,773
SML163	£134,399
SML164	£141,371

CHIEF EXECUTIVE OFFICER FOR LOCAL AUTHORITIES

GRADE	**SALARY RANGE**
	2022
CE0001	**£147,179**
CE0002	**£155,751**
CE0003	**£165,346**
CE0004	**£176,232**

SLOUGH BOROUGH COUNCIL

REPORT TO:	Council
DATE:	9th March 2023
SUBJECT:	Recommendation of the Audit & Corporate Governance Committee from its meeting held on 22 February 2023 - Accounts and Audit Update
CHIEF OFFICER:	Steven Mair, Executive Director of Finance and Commercial (s151 Officer)
CONTACT OFFICER:	Peter Worth, Finance Lead Technical Advisor Liton Rahman, Deputy Director Corporate and Strategic Finance
WARD(S):	All Wards
EXEMPT:	No

APPENDICES: The following appendices accompany this report:

Appendix	Description
A	Restated 2018-19 Accounts
B	Grant Thornton Audit Findings Report
C	Key areas of the Statement of Accounts reviewed and changes made
D	Prior period adjustments and in-year adjustments made
E	Summary of key changes to the core statements

1. Summary and Recommendations:

1.1. This report presents the audited Statement of Accounts for 2018-19 subject to the issue of the audit opinion and provides an update on the preparation of the Council's 2019/20, 2020/21 and 2021/22 accounts. This report also includes Grant Thornton's audit findings report for 2018/19 which is set out at Appendix B. Because of the difficulties encountered during the audit which are set out below, Grant Thornton, as the Council's external auditors, have indicated that is highly likely that the audit opinion which they will issue for the 2018/19 statement of accounts will be a disclaimer of opinion.

1.2. The Council is also required to carry out an annual review of the effectiveness of its system of internal control and to publish the outcomes of this review in an Annual Governance Statement (AGS) as part of the Annual Statement of Accounts. The AGS should reflect any changes up to the point that the Annual Accounts are approved.

Recommendations:

1.3. a) That the 2018/19 accounts be approved.
b) That the issues arising from the preparation and audit of the statement of accounts, as set out in sections 2.3 to 2.9, be noted in order to ensure that the findings are taken into account by Council when making decisions and that any recommendations made by the external auditors are addressed.

Reason:

1.4. Under the Accounts and Audit Regulations 2015 the Statement of Accounts must be approved by either full Council or a committee with delegated authority to approve the accounts. Once approval has been given, the Chair of the meeting is required to sign and date the Statement of Accounts.

Commissioner Review

1.5. This report sets out the serious errors discovered with the 2018/19 accounts. The extent of the errors and the magnitude of them is unprecedented. Whilst the current finance team have spent considerable time, effort and expertise to correct the figures and present the adjusted statements the Committee has before them, the lack of proper records, the poor procedures and practices in place across the authority at that time have meant the auditors have no alternative other than to disclaim them. As far as the Commissioners are aware, this rating has never been given to a local authority accounts before.

1.6. It is almost certain that given the issues, the same errors will be found in the 2019/20 and 2020/21 accounts, as the new team were not in place until 2021/22, and proper practices were not introduced until they arrived.

1.7. The Improvement and Recovery Plan, which includes the Financial Improvement Plan, includes actions to rebuild proper processes and procedures – it is essential that this is implemented in full.

2. Report

2.1. <u>Background</u>

2.1.1. The Accounts and Audit Regulations 2015 contain detailed provisions as follows:

- the requirement for local authorities to conduct an annual review and report on the effectiveness of their systems of internal control;
- rules and expectations about the preparation, approval and publication of the annual statement of accounts,
- arrangements for local electors and other interested persons to exercise their rights of inspection, objection and to question the local auditor.

2.1.2. The Regulations require local authorities to publish accounts showing how they have spent taxpayers' money each year. These accounts should be prepared in accordance with proper accounting practices, cover one financial year[1], must be certified by the Chief Finance Officer (s151 Officer) and published by specific deadlines[2] following the end of each financial year. Once published, local authorities are required to provide local electors and other interested persons an opportunity to inspect the published accounts along with any related documents.

2.1.3. Following publication, the accounts will be subject to inspection by external auditors who have a right to access all relevant documents and records necessary to allow them to conduct their audit. Once the audit has been completed, the auditors are required to provide an opinion on whether the accounts comply with reporting requirements and are free from material errors. Auditors must also consider whether the local authority has adequate arrangements to secure value for money. The authority must then prepare and publish a set of audited accounts, taking into consideration any feedback from the auditor, within the specified deadlines[2].

2.1.4. Proper accounting for public funds is central to democratic accountability and the external audit process provides assurance about the accuracy of the Council's published financial statements.

2.1.5. Timely financial reporting also helps to support informed decision making.by confirming the level of balances and reserves the Council is taking into the next financial year. This informs the budget setting process, therefore, the time taken to prepare and audit the accounts affects the relevance of

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[1] A financial year runs from the 1st of April to the 31st of March each year

[2] See table 1 for deadlines

budget-setting information and the pace at which behaviours can be influenced in the new financial year.

2.1.6. Over the last few years there has been a significant deterioration in the number of audits being completed within the prescribed deadlines. This report explores the main reasons for the delay at a national and local level and outlines a plan of action for getting the Council's accounts and audit cycle back on track. Other local authorities have demonstrated that it is possible to deliver high quality accounts with no material errors which can be fully audited within six months of the financial year end. Slough Borough Council is a very long way from that as is the sector as a whole. However, if the actions set out in the Finance Improvement Plan separately reported Improvement and Recovery Board can be implemented then long-term improvements can be achieved.

2.2. National Context and Sector Issues

2.2.1. There has been widespread coverage of the state of local government audit and the issues currently being experienced by local authorities and audit firms. The main issues include the following:

- **Audit contract** – In July 2016 Public Sector Audit Appointments Ltd (PSAA) was appointed by the Government to take on the role of Appointing Person for principal local government and police bodies. Under the Local Audit and Accountability Act 2014 (LAAA), local bodies had the option to opt-in to the appointing person regime and the appointing person would then appoint a private sector audit firm to conduct the external audit of the local body.
- As well as making auditor appointments, the PSAA is also responsible for setting fees and managing contracts with the audit firms. Whilst the PSAA is responsible for managing audit contracts, once an audit firm has been appointed, neither the PSAA nor the opted in body has any influence over how or when the audit is conducted or completed. The key deliverable for the audit firms is to ensure that a quality audit is carried out but operational matters regarding how this is achieved are solely managed by the audit firm.
- **Reduced fees** – Over the initial five-year opt-in period, commencing in 2018/19, 98% of public bodies opted into the scheme and an aggregate saving of £30m in audit fees was anticipated through economies of scale for participating bodies. This means audit firms were expected to carry out audits of an increasing complexity at a fee significantly less than what had been charged in the past.
- **Shorter deadline** – From 2017/18 onwards the timescale for Local Authority accounts was shorter, with the accounts needing to be prepared by the Council by the 31 May (previously 30 June) and the audit completed on these accounts by the end of July (previously September). This meant that local authorities had to publish their unaudited accounts one month earlier and audit firms had two months less to complete their audit.

- **Resourcing** –It is widely known that there is a shortage of appropriately skilled and experienced auditors across all business sectors, which means that these resources have to be shared across most of the audit firms clients and therefore audit partners only have access to these resources for specified periods of time. Any delays in completing audit work or providing information can easily lead to delays of several weeks or months.
- **Regulation** – Audit firms are regulated by the Financial Reporting Council (FRC). The oversight of the FRC is intended to confirm compliance with auditing standards and the Code of Audit Practice. Following a number of significant financial failures in the audit sector, there is greater pressure on firms to deliver higher quality audits by requiring auditors to demonstrate greater professional scepticism when carrying out their work. This has meant that audit firms are applying greater focus in areas such as valuation of assets, IAS 19 pensions figures, related party disclosures and group accounts, which has resulted in additional work for local authorities and audit firms.
- **COVID-19** – The pandemic put pressure on the audit process by challenging normal ways of working. It posed practical challenges in terms of producing accounts and supporting evidence, and made it difficult for auditors to carry out on-site testing. Staff had to work remotely, and the second national lockdown came at a critical point in the audit cycle. Concern over the potential implications of the pandemic for some councils meant that auditors had to pay particular attention to the financial position of each audited body, thereby extending and complicating the audit work that needed to be done. As a result, the publication dates for the 2019/20 accounts were amended such that authorities were needed to publish unaudited accounts by 31 August 2020 and audited accounts by 30 November 2020. Despite the extension, 55% principal authorities' accounts remained open on 1 December 2020.

2.2.2. The issues highlighted above have resulted in a significant deterioration in the percentage of audits being completed within the prescribed deadlines. In response to this issue, the Government extended the deadlines for the 2020/21 and 2021/22 financial years (Accounts and Audit (Amendment) Regulations 2021). The 2021 Regulations amend the date for publication of the draft accounts from 1 June to the 1 August and the date for publication of the final accounts from the 31 July to 30 September for 2020/21 and 2021/22. The table below provides a summary of the deadlines over the last few years and the percentage of audits completed within these deadlines.

Table 1: Publication deadlines and audit completion

Financial Year	Draft accounts	Audited accounts	% Completed by deadline
2016/17	30/06/2017	30/09/2017	95%
2017/18	31/05/2018	31/07/2018	87%

2018/19	31/05/2019	31/07/2019	57%
2019/20	31/08/2020	30/11/2020	45%
2020/21	31/07/2021	30/09/2021	9%
2021/22	31/07/2022	30/09/2022	12%

2.2.3. The 2021 Regulations also include a new requirement for all local authorities to post a notice if they fail to publish their draft accounts by the deadline. The notice must state the reasons why it has not been possible to commence the period for the exercise of public rights. The draft accounts must be published as soon as reasonably practicable thereafter.

2.2.4. With effect from 2022/23, the date for local authorities to publish their draft accounts reverts to 31 May, but the audit deadline remains at 30 September for the years through to 2027/28.

2.3. The Council's Accounts as Originally Drafted up to and including May 2021

2.3.1. The Council's previous s.151 officer published the first draft of 2018/19 Statement of Accounts on the Council website on 10 June 2019 – 10 days after the statutory deadline of 31 May 2019.

2.3.2. Four weeks after publishing the accounts on the Council website on 10 June 2019, a second version of the statement of accounts was provided to the auditors together with a revised trial balance on 5 July 2019.

2.3.3. A lack of working papers supporting the Council's accounts combined with the resourcing issues mentioned above, meant that the audit was not able to commence until 16th July 2019.

2.3.4. When the audit commenced in July 2019 it soon became apparent that the accounts had been issued without supporting working papers in many areas and had not been subject to any quality assurance before issue. Furthermore, there were still significant delays experienced by the auditors in obtaining working papers to support the financial statements throughout summer 2019, causing the audit to be delayed further.

2.3.5. In particular, there were material errors in the opening balances for property, plant and equipment (PPE). To try to address this a third version of the statement of accounts was issued to the auditors on 6 January 2020, but this time including the PPE restatements and a third balance sheet.

2.3.6. By July 2020, the auditors had undertaken a significant amount of fieldwork which identified a number of major issues with both the evidence supporting the financial statements and the presentation of the accounts. Consequently, the auditors suspended the audit while these issues were addressed and a revised statement of accounts produced.

2.3.7. A fourth revised Statement of Accounts was issued by the previous s.151 officer on 3 March 2021 almost two years after the financial year-end.

However, the covering report noted that there was a material overstatement of income due from one of the Council's companies and that the statement of accounts presented did not include the group accounts. In other words, this version still contained material errors and was still not a complete statement of accounts in line with financial reporting requirements.

2.3.8. The previous s.151 officer presented a fifth revised Statement of Accounts on 7 May 2021. Whilst the auditors were not in a position to issue an opinion on these accounts, they did present two reports, based on the work carried out to date, to the Audit and Corporate Governance Committee in May 2021. Both reports contained extensive criticism of the Council's arrangement for preparing the accounts and related matters which encompass seventeen recommendations and four statutory recommendations.

2.3.9. In particular, the statutory recommendations report highlighted a number of key internal control deficiencies in the preparation of the five versions of the accounts presented hitherto including:

- Poor quality and incomplete financial statements presented for audit in July 2019;
- Poor quality of working papers to support the financial statements;
- Lack of audit trail to explain the link between the financial statements and the financial ledger and other supporting evidence;
- Lack of review of the accounts and working papers before submission to audit;
- Inadequate arrangements for routine reconciliation and review of debtors, creditors, and other balance sheet items;
- Inadequate arrangements for bank reconciliations;
- Inadequate maintenance of the fixed asset register resulting in material errors in capital accounting entries in 2018/19 and previous years; and
- Poor governance, oversight and financial reporting in relation the Council's group accounts and group relationships.

2.3.10. The draft audit findings report dated 9 May 2021 also stated that the issues preventing an audit opinion at that stage were:

- a business rates appeal which had not been provided for.
- impairment of a loan to Slough Children's Trust;
- outstanding work to support bank reconciliations and debtor and creditor system reconciliations.

2.4. Progress Update on Accounts Preparation since May 2021

2.4.1. A new leadership and Finance team was put in place to replace the previous finance team. The new Finance team, appointed in 2021, has considerable financial expertise and experience of working with or for other local authorities in the sector. The team has been responsible for reviewing the financial arrangements at the Council and overseeing the production of a revised set of accounts for 2018/19 since May 2021.

2.4.2. As can be seen from the issues reported above and the many fundamental issues uncovered by the new Finance team summarised in Appendix C, finalising the 2018/19 statement of accounts has been extremely difficult. The issues identified were of a quantum and scale rarely seen which has taken considerable time and effort to address. This has impacted timelines as reported at section 2.9 below.

2.4.3. The new Finance team have followed up the issues highlighted in the draft May 2021 audit findings report resulting in:

- the business rates appeals provision being increased by £4.5m in 2018/19;
- the loan to Slough Children's Trust being impaired by £2.4m; and
- work has been undertaken to re-perform bank reconciliations and ensure that debtor and creditor system reconciliations at 31 March 2019.

2.4.4. In addition to these previously reported issues, the new Finance team carried out an extensive review of the accounts and underlying processes and implemented changes as set out in Appendix C. In summary there were 22 key areas reviewed and corrected, 20 prior period adjustments and 7 material in-year adjustments made to the accounts.

2.4.5. The issues highlighted set out in Appendix C are interlinked, extensive and very complex in nature. Resolving the issues has resulted in the AGS, all of the core statements, the group accounting statements and 80% of the notes being amended. A list of prior period adjustments and in-year adjustments is set out Appendix D.

2.4.6. Whilst a considerable amount of work has gone into producing a statement of accounts which is fit for purpose, the initial starting position contained several underlying legacy issues. The new Finance team has had to undertake detailed reviews of the financial systems, attempt to re-create records held within and outside the financial management systems and conclude whether the information was available or not.

2.4.7. In addition, members of the previous Finance team who were involved in preparing the initial drafts of the accounts or posting accounting transactions were no longer employed by the Council by the time the new Finance team was put in place. Therefore, it has been difficult to obtain supporting evidence or explanations for transactions posted in 2018/19 and prior periods.

2.4.8. It should be emphasised that this is not to say that there was no supporting evidence when those transactions were initially processed or even that those accounting transactions were incorrect. However the absence of a clear audit trail and poor quality working papers mean that it has not been possible for the new Finance team nor the auditors to locate the evidence. These issues have clearly increased the complexity of preparing the accounts and the work required to correct errors.

2.4.9. In addition to the errors in the accounts, the new Finance team identified significant weaknesses in financial management, processes and systems of internal control. The most significant issues relate to the statement of accounts are listed below and these are likely to be encountered during the preparation and audit of the accounts for at least the following two financial years:

- ➢ Inadequate processes and controls over journals posted by the previous finance team, i.e. lack of supporting evidence and explanations for journal entries posted in the general ledger and adjusting entries to the trial balance.
- ➢ Inadequate record keeping and audit trails, lack of good working papers and appropriate reconciliations, mapping issues within the financial statements.

2.5. Capitalisation Direction

2.5.1. The Council has been in discussion with DLUHC since June 2021 about the potential for a significant Capitalisation Direction request and have provided them with regular updates as to the arising issues.

2.5.2. A final request was made in February 2022 that was agreed with the Council’s DLUHC Best Value Commissioners. In response, Kemi Badenoch MP, the then Minister of State for Equalities and Levelling Up Communities wrote to the Council on 7 March 2022, stating that she was minded to issue Capitalisation Directions for the period between 2018/19 to 2022/23.

2.5.3. The “minded to” Capitalisation Direction issued in March 2022 for the period up to 2022/23 totalled £307m, of which £62m related to issues identified as part of the Council’s review of the 2018/19 accounts.

2.5.4. Table 2 below provides a comparison of the original estimate for the Capitalisation Direction against the actual request following finalisation of the 2018/19 accounts. Whilst the final amount is higher than originally estimated, the issues identified are historical in nature and were not mentioned in any reports or working papers prepared by the previous Finance team. In addition, as these issues have now been addressed, they are unlikely to re-occur in future years. The Capitalisation Direction model has been updated to reflect these changes and future years have been amended accordingly.

Table 2: Pre-2019/20 Capitalisation Direction

Issue	Estimate £000s	Actual £000s	Difference £000s
Capitalisation of Agresso Support	4,234	3,018	(1,216)
Capitalisation of Property Staff	3,448	7,205	3,757
Transformation Funding	14,056	15,504	1,448
MRP	32,871	32,871	0
Capitalisation of Overage Income	7,100	3,633	(3,467)
Inadequate provisions		2,540	2,540
Write-off unsubstantiated debtors & creditors		8,530	8,530
Revenue outturn		4,714	4,714
Total	**61,709**	**78,015**	**16,306**

2.5.5. Therefore in addition to the other adjustments identified above, the 2018/19 accounts have had to be amended retrospectively to reflect this additional Government support.

2.6. Summary of Key Changes 2018-19

2.6.1. Key changes made to the accounts are summarised below in terms of their impact on the Council's usable and unusable balances at 31 March 2019. More detail on those adjustments are provided in Appendix E. In total these adjustments have reduced usable reserves by £7.469m and unusable reserves by £166.347m since the financial statements were initially prepared in June 2019 as set out in Table 3 below.

2.6.2. This represents a 43% reduction in the Council's net worth at 31 March 2019 and the accounts as they currently stand present a much more realistic assessment of the Council's financial position at that time and reflect the additional Government support which was obtained after the accounts were originally prepared.

Table 3 Impact of the accounts changes to the reserves of the Council

	Version 1 issued 10 June 2019 £000s	Last version issued by previous Finance team 7 May 2019 £000s	June 2022 version produced by new Finance team £000s	Audited version February 2023 £000s
Usable reserves	83,144	71,238	70,176	75,675
Unusable reserves	322,055	265,613	178,861	155,708
Net Assets	**405,199**	**336,851**	**249,037**	**231,383**

2.7. External Audit Progress Update

2.7.1. The draft Audit Completion Report contains matters raised by the auditor, their recommendations on those issues and the management response provided by officers. A further update on the progress of the audit will be given verbally at the meeting.

2.7.2. Due to the scale and size of the issues discussed above, the auditors were unable gain assurance that the accounts are free from material errors and are fairly stated for them to provide an unqualified opinion. Therefore, this means the audit opinion for 2018/19 will be a modified opinion. There are three types of opinions external auditors can issue depending on the circumstances:

Qualified

2.7.3. Is issued when the audit team having obtained sufficient audit evidence, concludes that:

- misstatements, individually or in aggregate, are material (disagreement), but not pervasive to the financial statements or
- the audit team is unable to obtain sufficient appropriate audit evidence (limitation of scope) but the engagement team concludes that the possible effects on the financial statements of undetected misstatement, if any could be material but not pervasive.

Adverse Opinion

2.7.4. Is issued when the audit team, having obtained sufficient appropriate audit evidence, concludes that material misstatements, individually or in aggregate, are both material and pervasive to the finance statements. Therefore, an unqualified opinion is not justified.

Disclaimer of opinion

2.7.5. A disclaimer of opinion is only issued when the possible effects of undetected misstatements due to the lack of audit evidence (a scope limitation) could be both material and pervasive to the financial statements. This is the opinion that will be applied to Slough’s 2018/19 accounts. As far as is known it is the first time this has happened to a local authority and it reflects the serious weaknesses in financial processes during 2018/19.

2.8. Implications for approving the statement of accounts

2.8.1. Whilst the shortcomings in the preparation of the accounts up to May 2021 are undoubtedly serious and have led the auditors to determine that they will have to issue a modified audit report in the form of a disclaimer opinion, Members of the Council are still obliged to approve the Statement of Accounts as required under the Accounts and Audit Regulations 2015. This effectively discharging Members' obligations with regard to stewardship of public funds on behalf of local taxpayers.

2.8.2. The current Finance team have conducted a extensive re-write of the statement of accounts and made significant changes to the accounts as highlighted in sections 2.4 to 2.6 of this report. The pervasive issue which the auditors refer to in the disclaimer opinion relates to the inability of both the current Finance team and the auditors to locate the evidence supporting journals processed by the previous Finance team. As explained at paragraph 2.4.8 above, it does not mean that because this evidence cannot be found, the accounting entries are incorrect – just that it cannot be evidenced due to the poor quality of the audit trail and working papers.

2.8.3. In terms of the impact of the auditor's opinion on Members' understanding of the accounts, it does not mean that the accounts are necessarily materially misstated , but rather that the auditors have been unable to obtain sufficient, appropriate audit evidence to conclude with sufficient certainty whether or not the accounts are materially stated in a number of areas. It is this absence of sufficient evidence that has led to the auditors issuing a disclaimer opinion.

2.8.4. In relation to the statement of accounts as currently presented by the new Finance team, the impact is as follows:

- Comprehensive Income and Expenditure Statement – the line items in the Cost of Services level are uncertain, but evidence exists to support the remaining corporate items and other comprehensive income and expenditure;

- Movement in Reserves Statement – the adjustments made between usable and unusable reserves in 2018/19 have all been confirmed by the current Finance team;

- Balance Sheet – the balances on the face of the balance sheet have confirmed as follows:

    - Property, plant and equipment – ownership and existence have been checked, asset classification has been corrected and all assets are subject to revaluation over a five year period as appropriate to the asset classes;

    - Investment property – ownership and existence have been checked, asset classification has been corrected and all assets subject to independent valuation at 31 March 2019;

    - Long-term investments – ownership, existence, classification and valuation have been corrected and confirmed by the current Finance team;

- Long-term debtors – ownership, existence, classification and valuation have been corrected and agreed back by the current Finance team to loans records and contracts;
- Short-term investments – ownership, existence, classification and valuation have been agreed to Treasury records and counterparty evidence;
- Short-term debtors and creditors – extensive work has been undertaken by the current Finance team prove balances to underlying records and after year-end movements which has resulted in writing off £4.8m of debtors which could not be substantiated;
- Cash and cash equivalents – extensive work has been undertaken by the current Finance team which has agreed the balances reported;
- Short-term and long-term borrowing – ownership, existence, classification and valuation have been agreed to Treasury records and counterparty evidence;
- Short and long-term provisions – the current Finance team has undertaken extensive work to confirm liability and re-estimate provisions;
- Long-term creditors – the balance was restated as a result of the work undertaken to correct the accounting for s.106 contributions;
- Other long-term liabilities – the balance has been proved to third party evidence in respect of the pension liability and the PFI contract;
- Unusable Reserves:
    - whilst there are underlying uncertainties in the balances on the Capital Adjustment Account and the Revaluation Reserve arising from the incorrect capitalisation of property services salaries, these compensate each other;
    - the pension reserve has been restated and agreed to third party evidence in the form of the actuary's IAS19 report;
    - the Collection Fund Adjustment Account has been restated as part of the work on the Collection Fund and short-term debtors;
    - the financial instruments and pooled investments adjustment accounts have been agreed to underlying Treasury records and counterparty evidence;

    - the Accumulated Absences Adjustment Accounts has been restated; and

    - the remaining unusable reserves were unchanged.

- Cash Flow Statement – whilst the uncertainties highlighted by some of the line items in the CIES will affect lines within the cashflow statement, the statement itself reconciles in total to the cash and cash equivalents in the balance sheet;

2.8.5. Therefore, based on the extensive reworking of the statement of accounts summarised above, on balance, there is sufficient evidence to be assured that the balance sheet presents fairly the financial position of the Council as at 31 March 2019. Whilst there is some uncertainty over specific line items within the CIES, the cashflow statement and some of the supporting disclosure notes, management is satisfied that the overall General Fund balance is not materially misstated and can be used as a reliable basis for setting Council budgets going forward.

2.8.6. Furthermore the work undertaken by the new Finance team on the 2019/20 and 2020/21 statement of accounts has not highlighted any further material errors in relation to the balances brought forward from 2018/19. This provides additional assurance that debtors and creditors, in particular, were fairly stated at 31 March 2019 as such balances have a 12 month maturity.

2.8.7. On this basis, the statement of accounts is recommended to be approved by full Council.

Accounts and Audit Timeline

2.8.8. Whilst the focus has been on finalising the 2018/19 accounts, officers have been working on preparing the accounts for the years from 2019/20 to 2021/22 at the same time.

2.8.9. The 2019/20 accounts were prepared and submitted to the auditors by 30 November 2022. However, these will need to be updated to reflect any final adjustments to the 2018/19 closing balances.

2.8.10. The 2020/21 accounts are also now nearing completion and are expected to be finalised by 28 February 2023.

2.8.11. With the most complicated issues now having been resolved, it is anticipated that the preparation of the accounts for the remaining 2021/22 and 2022/23 financial years will be much easier, and officers are aiming to complete both sets of accounts by the end of June 2023.

2.9. Annual Governance Statement

2.9.1. The Council is required by the Accounts and Audit Regulations 2015 to prepare and publish an Annual Governance Statement. Preparation and publication of an Annual Governance Statement in accordance with the CIPFA/SOLACE publication *Delivering Good Governance in Local Government: Framework* (2016 edition) meets the statutory requirement for a local authority to conduct a review at least once in each financial year of its systems of internal control and to include a statement reporting on the review with the Statement of Accounts as required by the Accounts and Audit Regulations 2015.

2.9.2. In this document the Council is required to:

- acknowledge its responsibility for ensuring that there is a sound system of governance;
- summarise the key elements of the governance framework and the roles of those responsible for the development and maintenance of the governance environment;
- describe how the Council has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period;
- provide details of how the Council has responded to any issue(s) identified in last year's governance statement;
- report on any significant governance issues identified from this review and provides a commitment to addressing them.

2.9.3. The Annual Governance Statement reports on the governance framework and the effectiveness of the systems of internal control in place at the Council in the financial year and up to the date of approval of the statement of accounts.

2.9.4. Annual Governance Statements had already been completed for 2018/19 and 2019/20 and these were reviewed and approved by the Audit and Corporate Governance Committee in July 2019 and August 2020 respectively. These documents have had to be updated to reflect changes up to the point that the Annual Accounts for those years are approved. An addendum to the AGS for 2018/19 has been included in the restated accounts for approval.

3. Implications of the Recommendation

3.1 Financial implications

3.1.1 There is a need to improve the processes and procedures for the completion of the annual Financial Statements. A detailed action plan is set out in the Finance Action Plan separately reported to Members.

3.2 Legal implications

3.2.1 The Local Audit and Accountability Act 2014 governs the work of auditors appointed to audit local authority accounts. There are also duties under regulations made under the Act, including the Accounts and Audit Regulations 2015. Public access to accounting information is governed by the Local Audit (Public Access to Documents) Act 2017.

3.2.2 Section 3 of the 2014 Act requires authorities to keep adequate accounting records. Adequate accounting records is defined as records that are sufficient

(a) to show and explain the relevant authority's transactions,

(b) to disclose at any time, with reasonable accuracy, the financial position of the authority at that time, and

(c) to enable the authority to ensure that any statements of accounts required to be prepared by the authority comply with the requirements imposed by or under this Act.

3.2.3 The Accounts and Audit Regulations 2015 require Category 1 authorities to prepare a statement of accounts in accordance with the Regulations and proper practices. The accounts must include a narrative statement including comment by the authority on its financial performance and economy, efficiency and effectiveness in its use of resources over the financial year.

3.2.4 Under the Regulations the responsible financial officer must sign and date the statement of accounts and confirm that they are satisfied that it presents a true and fair view of:

(i) the financial position of the authority at the end of the financial year and

(ii) that the authority's income and expenditure for that financial year.

Following this there is a period for the exercise of public rights. There is a separate report on the agenda detailing the outcome of an objection by one member of the public.

3.2.4 Following the period of public rights, the responsible finance officer must re-confirm that they are satisfied that the statement of accounts presents a true and fair view of the financial position of the Council at the end of the relevant financial year and the income and expenditure. This should happen before the Council approves the accounts. The Council or delegated committee must consider the statement of accounts, approve the statement of accounts by way of resolution and ensure they are signed and dated by the person presiding at the committee or meeting at which approval is given.

3.2.5 Due to issues with historic record-keeping in particular, the Council’s current responsible financial officer, who was not in post in 2018/19 has been unable to state that the statement of accounts are free from material error on an individual line by line basis, but can confirm that they are a true and fair presentation of the Council’s overall financial position at 31 March 2019 to the best of his knowledge and belief and based on the records available. The accounts will therefore have to be considered taking account of that position.

3.3 Risk management implications

3.3.1 The improvement in financial reporting is a positive move for the Council and mitigates the risks on non-compliance with statutory responsibilities associated with failure to compete the annual financial statements. The AGS sets out the issues identified in the original 2018/19 AGS and an updated position as at January 2023. Many of the issues are marked as ongoing, although they are being worked on. Whilst improvements have been made, Council officers and elected members must keep these improvements under review to ensure that the issues seen in the 2018/19 accounts have been addressed in the new systems. This will be a key focus for the new permanent Executive Director of Finance and Commercial.

3.4 Environmental implications

3.4.1 There are no direct environmental implications arising from this report.

3.5 Equality implications

3.5.1 There are no direct equality implications arising from this report.

3.6 Procurement implications

3.6.1 There are no procurement implications arising from this report.

4. Comments of Other Committees

The Audit and Corporate Governance Committee considered the accounts and audit update report at its meeting held on 22 February 2023 and agreed that it be recommended to Council for approval.

Slough Borough Council

Draft
Statement of Accounts
2018/19

www.slough.gov.uk

CONTENTS

SECTION – 1

ANNUAL GOVERNANCE STATEMENT

ANNUAL GOVERNANCE STATEMENT - YEAR ENDED 31 MARCH 2019

Addendum to 2018-19 Annual Governance Statement

Background

The Accounts & Audit (England) Regulations 2015 requires all local authorities to complete a number of key governance processes each financial year:

- carry out an annual governance review
- prepare and publish an annual governance statement, and
- include this statement (or a summary version) in the annual statement of accounts.

The Annual Governance Statement for 2018-19 was produced and approved by the Audit and Corporate Governance Committee in July 2019. At that time and since then the Annual Accounts for the years 2018-19, 2019-20 and 2020-21 had yet to be completed and audited. Consequently, the Annual Governance Statements (AGS) have not been published. At this point in time the 2018/19 accounts have now been completed and consequently this addendum to the previously approved AGS has been produced to reflect the current position at the Council at the time of approving the accounts. The Council is required to report significant events or developments relating to the governance system, which have occurred between the reporting date and the date on which the Statement of Accounts is signed by the responsible financial officer. This document adds to that approved by the Audit and Corporate Governance Committee in July 2019 and is designed to update for the material changes that have impacted the governance of the Council since that date and up to the date of signing the accounts for 2018-19. This is being scheduled for February 2023.

Improving the Governance process

Notwithstanding the events that have taken place there remains a need to improve the governance process. Most importantly:

- assurance statements provided by Departmental Directors have not been routinely completed and reviewed in recent years
- published Annual Governance Statements do not include all the statutory requirements and have lacked detailed improvement action plans
- previous statements have not recognised significant weaknesses in our Governance Framework.

A revised process will be put in place for the 2022-23 AGS process to ensure the statutory requirements and best practice is met in the future.

Key Issues and Events since July 2019

Since the approval of the AGS in July 2019 the Council and the environment in which it, and the rest of society, is operating has changed massively. This has included the economic impact and changes following Brexit, the increasing demands for children’s and adults services, the on-going restrictions on financial resources, the need to develop the local economy and housing provision, but, perhaps most significantly as a result of the COVID-19 Pandemic.

On top of these challenges, in early 2021, the Council found itself with unprecedented financial difficulties resulting in an application to Government for a capitalisation direction. The scale of the financial problems resulted in the Section 151 Officer issuing a s114 notice in July 2021. During the remainder of 2021 and into early 2022 the scale and depth of these issues have been subject to further analysis and have resulted in the largest ever application for support to government from a Council in the region of a base case of £478m. Without this support the Council will be unable to set a balanced budget or sustainable medium term financial plan. During 2022 the financial strategy that was agreed in 2021 has begun to reap benefits with the sale of a significant amount of assets with a value of up to £208m forecast by 31 March 2023. Whislt these sales impact the debt position in a positive manner there still remains a need to make substantial savings on an annual basis to achieve overall long term financial sustainability. This remains a challenge despite good progress in respect of identifying savings for 2023-24 and 2024-25.

Government Intervention

On 30 June 2021 the Secretary of State announced an external assurance review of Slough Borough Council's financial position and the strength of its wider governance arrangements. The two elements of the external assurance review were published on 25 October 2021. They provided evidence that Slough Borough Council had failed in numerous ways to comply with its Best Value Duty. Also on 25 October 2021, Minister Kemi Badenoch confirmed in a Written Ministerial Statement that after due consideration, the Secretary of State was minded to use his powers under the Local Government Act 1999 to intervene at the council.

In light of the conclusions and evidence in the Governance Report and the Finance Review the Secretary of State put in place an intervention package with a particular focus on the areas of weakness identified. The Secretary of State's proposals reflect the main findings of the Report: that there have been "years of inadequate corporate governance and action" and "sustained and systematic failure across some functional processes, governance and certain services".

The Secretary of State's intervention is designed to make sure that the Authority has made sufficient improvement within the next three years to be able to comply with its best value duty on a sustainable basis. The Secretary of State is mindful of the scale of the financial challenge facing the Authority and considers it likely that financial sustainability will not be possible without more fundamental changes.

The intervention package involves putting in place Commissioners who between them will have experience to work closely with the Authority on the functions within scope of the Report's recommendations. The Secretary of State will also seek advice from the Commissioners to help determine whether financial sustainability is possible or if more fundamental changes will need to be considered. The Secretary of State proposes that his Directions to the Authority should be in place for an initial period of 3 years. The Commissioners began work at the Council on 1 December 2021 and report publicly on progress on a quarterly basis. The Commissioners received additional powers in September 2022 most notably the power to recruit senior employees. The Commissioners issued their first report in December 2022.

The 2018-19 ANNUAL GOVERNANCE STATEMENT

This Annual Governance Statement has been updated in the light of the increased public scrutiny of the Council following the outcomes of the Government's Review. Its content reflects the material issues identified and the failure to resolve historical governance and financial challenges. The five-year plan which set out the corporate objectives for the Council has since been replaced by an Improvement and Recovery Plan, whilst the underpinning objectives remain important there is a crucial requirement to ensure financial sustainability in order to ensure the Council remains viable. The AGS for 2020/21 sets out in detail the recommendations made in the Governments review, external and internal audit recommendations and reports from any other sources. These are not repeated here but are stated in broad terms below:

Governance (17 recommendations)

Culture and Leadership (3 recommendations)

Financial Governance (7 recommendations)

Service Reform (2 recommendations)

Capacity and Capability (1 recommendation)

Other Governance Matters Not Specifically Referenced in the Government Report

- Brexit
- COVID -19 Impact
- Information Governance
- Integrated Care Services

ANNUAL GOVERNANCE STATEMENT - YEAR ENDED 31 MARCH 2019 (continued)

The table below gives an updated position on the improvement actions identified in the original 2018/19 AGS.

IMPROVEMENT ACTION PLAN 2018-19 GOVERNANCE ISSUES

What the issue was?	Updated Position January 2023
Inadequate rating for the safeguarding services and safeguarding outcomes for children and young people.	**Issue Remains** – although an improved rating was received from OFTSED in January 2019 and further improvements have continued to be made circumstances remain challenging as demand continues to increase and financial capacity becomes stretched. Slough Children First has: • introduced new ways of delivering social work underpinned by its Safe, Secure and Successful model; • appointed a new Board of Directors in August 2021; • reviewed and updated its Business plan in October 2021; and • is developing a new Children's Plan to take forward to 2025. The service has seen a significant and sustained increase in demand for its services which is placing further signficant pressure on its finances.
Weaknesses in the Council's Contract management and procurement arrangements.	**Issue Remains but is being worked on** - The Council has started to improve the Council's business acumen and obtain better value for money. Procurement function and contract management functions being brought in-house. Recruitment has begun with the appointment to the Head of Commercial post in October 2022. Recruitment to the remainder of the team is currently underway. Improvements have been made to data and business cases as part of improved reporting to the Procurement Board. The Council's Procurement Strategy and Procurement Operating Procedures have been reviewed and revised. The Council's Contract Procedure Rules have been updated and simplified to make them more effective. In addition work has commenced on development of a comprehensive contracts register.
Internal audit raised concerns about the adequacy of the governance and financial arrangements relating to major partnerships.	**Issue Remains** – As a response to the Government's reports the Council has put in place a fundamental review of its key partnerships and company relationships. This reported in March 2022 and remains an ongoing piece of work. Six of the ten companies previously owned by Slough BC have been closed and the remaining four are under review with a view to optimising the value from them during 2023 and beyond.
Business Continuity arrangements are weak and in need of improvement.	**Issue Remains but work is ongoing** - An interim Emergency Planning and Business Contiuity Manager has developed the approach during 2022. Business Impact Analyses for service areas have been completed and have been followed up by detailed Business Recovery Plans for all areas to provide robust arrangements to secure business continuity following any disruptive events. The testing of these arrangements remains an area for further development.
Voids Management impacting service standards and ability to re-let properties.	**Issue Remains** - The Council entered into a new long-term contract with Osborne in December 2017 for the management and development of its housing stock and this service is now in place. The procurement specifically sought to deal with this issue and its now being managed by the new contractor although issues remain with the quality and standards currently being provided.

ANNUAL GOVERNANCE STATEMENT - YEAR ENDED 31 MARCH 2019 (continued)

What the issue was?	Updated Position January 2022
Health and Safety – weaknesses identified in the scope and completeness of health and safety compliance.	**Issue Remains but work is ongoing** - A dedicated team has been and is continuing to work through examining this portfolio for compliance on these issues to enable the Council's management team to obtain assurance in this area. A follow-up IA review in 2022 showed some improvement but still identfied areas for improvement that are currently being addresssed in response to the recommendations made.
Failure to implement IA Recommendations	**Issue Remains but work is ongoing** – significant progress has been made in implementation rates, with additional short-term resource being recruited to accelerate progress in 2022. This continues to be monitored closely. Progress has been made in closing down pre 2021/22 recommendations and responding to audit reports but further improvement is on-going.
Significant deficiencies in the Annual Accounts preparation and working papers: -Quality of Working Papers -Critical review of the draft financial statements -Mapping of debtors and creditors. -Bank reconciliations -Maintenance of the fixed asset register -Password Security -Review of source data provided to the valuers	**Issue Remains but work is ongoing** - External Audit deficiencies are being responded to in the Finance Action Plan as part of the delivery of quality financial statements for 2018-19, 2019-20 and 2020-21.
Significant Deficiencies highlighted by Internal Audit reports: -Debtors -Council Buy Backs -Contract Procedure rules -Temporary Accommodation strategy -Creditors -Conflicts of interest	**Issue Remains but work is ongoing** -Internal Audit deficiencies are being addressed through the Finance Action Plan and the project to get recommendations implemented. Progress is being made but there is still work to do to improve controls in all the areas identified by Internal Audit. Further system control weaknesses have been highlighted in subsequent years. It should be noted that the Head of Internal Audit Opinion for 2018/19 was postive and stated that the Council had an adequate framework for risk management, governance and internal control.
Continued Economic Instability and Turbulence at a national level impacting the Council's ability to balance its budget.	**Issue Remains but work is ongoing** - Failure to deliver a balanced budget remains a key risk for the Council, as recognised by the issuing of a s114 notice by the Director of Finance in July 2021. A capitalisation direction was agreed by Government in March 2022 in order to enable the council to remove its historical deficit and approve a balanced budget for 2022/23 and a MTFS for the future. Further capitalisation directions will be required in 2023/24 and future years to enable a balanced budget to be achieved.
Weaknesses in governance identified in the Local Government Peer Challenge undertaken in February 2019 and again in February 2020. These included: - Gaps in the governance framework - Lack of understanding of good governance - Lack of opportunities for members to engage in briefings and agenda setting - External audit not completed - Importance of the Audit Committee not understood - Need for a member training programme - Scrutiny is not enabled and supported to address the key issues facing the authority	**Issue Remains but work is ongoing** – these items have been highlighted in the reports undertaken by the Secretary of State following the issue of a s114 notice in July 2021. They are picked up in more detail in the analysis in the main body of the 2020/21 AGS report. However the Council has now put in place a new senior management team including a new Chief Executive who are driving forward responses to the various Government reports and Directions in a positive and holistic manner. The process is now subject to strong programme and project management allwoing the improvements that are being made to be captured and shared in a comprehensive manner.

ANNUAL GOVERNANCE STATEMENT - YEAR ENDED 31 MARCH 2019 (continued)

Other Matters

Following a review by the executive directors in May 2022 it has been identified that there are a range of other matters that should have been included in the 2018/19 Annual Governance Statement that have either been omitted or not described accurately in the version of the AGS approved by the Audit and Corporate Governance Committee. These matters are shown below and also need consideration as part of the on-going improvement agenda:

Page 6 – there is reference to a policy statement on corporate governance. The Council’s policy statement on corporate governance did not in 2018/19 reflect the CIPFA guidance from 2016 and had not been reviewed or updated since that date. It has since been considered and approved by the Audit and Corporate Governance Committee on 14 September 2021 and approved by full council on 23 September 2021.

Page 7 - Principle B - "all meetings are open to the public ...". This is factually incorrect as a number of significant decisions around companies and commercial deals were made at meetings that were held in private with reports that were wholly exempt. In addition, decisions were made by a "Strategic Acquisition Board" that included officers and members but which was not a properly constituted decision-making body. During 2018/19 this Board also started making disposal decisions as well as acquisition decisions.

Page 15/16 Principle D - transformation programme. There is reference to "governance of the programme will be reviewed as required to ensure effective oversight" – the AGS could be improved by including a clearer statement about the governance process, including the role for scrutiny, for such a significant programme.

Principle D - LGA peer review - whilst it was reasonable to refer to a future action plan, the report should have set out in more detail where the responsibility for the action plan and recommendations lay i.e. role of cabinet, scrutiny and A&CG Committee. Whilst the report went to A&CG Committee, it did not go to full council or cabinet who were responsible for some of the recommendations.

Page 18/19 Company subsidiaries – there is no mention of Development Initiatives for Slough Housing Ltd.   There is reference to the Strategic Acquisition Board having "control" of the new entity Slough Asset Management Limited. This is a wholly inappropriate governance arrangement without more explanation as to what "control" meant. There is reference to terms of appointment agreements for directors, but no reference to skills audit or training for directors or arrangements for managing conflicts of interest, which would be standard assurance considerations.

Insourcing of Arvato services – there is no mention of the early termination process or how the assurance for managing he transition will be managed to ensure success. There should have been a comment about the Council’s governance processes to assure a successful transition of such critical services when a decision had been taken to terminate the contract early.

The narrative under "Council subsidiaries and other entities" is a confused collection of issues. There should be a separate section on connected entities with a clear list, then separate references to significant partnerships and possibly major contractors.

There is no reference to shared service arrangements despite the arrangement with Harrow Council for delivery of legal services being in place. Other arrangements for sharing public health services across East Berks was in place then and Reading BC continued to provide some legal services to the Council (and the Children’s Trust) under a delegation of function. There should be a clear list of all shared service/inter-authority arrangements where there is a host authority and formal partnership arrangement in place.

Page 22 - risk management - this is a significant area of weakness and the narrative is very brief bearing in mind the diagram indicating the potential risks. The diagram in the original AGS shows high needs block, termination of Arvato contract, school transport budget, procurement processes as significant risks, but no detail on how these are being managed.

ANNUAL GOVERNANCE STATEMENT - YEAR ENDED 31 MARCH 2019 (continued)

Conclusion

Slough Borough Council acknowledges its responsibility for ensuring that there is a sound system of governance. The council has developed a Local Code of Corporate Governance that defines the principles that underpin the governance of the organisation. The Code can be accessed on the Council's website at :

https://democracy.slough.gov.uk/documents/s65523/5.9%20-%20Policy%20Statement%20on%20Corporate%20Governance.pdf

or can be obtained by writing to the Council's Monitoring Officer.

The principles upon which it is based are summarised in this Statement. The Council also recognise that the system of governance hasn't operated as it should have in 2018/19 and significant weaknesses have subsequently been identified since the approval of the original 2018/19 Annual Governance Statement. The Council is committed to resolving the issues but recognises it is not a 'quick fix' and the Council is realistic that it faces continuing challenges but is determined to meet and resolve these in the best interests of its customers and all residents across the borough.

Good governance ensures that an organisation is doing the right things, in the right way and for the right people. With the significant challenges arising from the Government's Review, the Council's financial position, continued significant reductions in funding, coupled with increasing demand on critical services this has never been more important. The need to recognise governance weaknesses is an essential element of responding effectively. This governance statement along with the issues raised in the 2019-20 and 2020-21 Annual Governance Statements will provide a focus for improvement across the spectrum of Council services and operations.

The Leader and Chief Executive have been advised of the implications of the results of the review of the effectiveness of the Council's governance framework and have wholeheartedly accepted the analysis and the scale of the actions needed to improve the governance of the Council in the coming years alongside the Commissioners put in place by Government.

Signed on behalf of Slough Borough Council:

Cllr James Swindlehurst	**Stephen Brown**
Leader of Slough Borough Council	Chief Executive of Slough Borough Council
Date:	Date:

SECTION – 2

REVIEW AND STATUTORY CERTIFICATIONS

Director’s Narrative Report

1. SLOUGH AS A PLACE

Since the 1930s people from around the UK and across the world have made Slough their home, drawn by the town’s industry and location. The town is excellently served by road and rail links to London and is less than 10 miles away from Heathrow International Airport.

Slough has a growing reputation as a regional economic centre with high productivity and one of the largest trading estates in Europe. A lack of available land for development, combined with Slough’s growing population, has led to a significant demand for housing.

Educational attainment in Slough is good but the Borough has pockets of deprivation and demands on children’s and adults’ social services are growing in scale and complexity. Some families remain under pressure and the town has high rates of preventable ill health amongst both children and adults.

Overall employment levels are good, but some groups are under-represented in the labour market, and the average wage of some residents remains low.

About the town

- Population of 149,000
- One of the most ethnically diverse towns in the UK
- Third smallest local authority in England
- Rated as best place to work in the UK for two years running
- On the Elizabeth Line and Western Rail Link to Heathrow (due to open 24 May 2022)

Steven Mair, Executive Director of Finance and Corporate Operations (Section 151 Officer)

Director’s Narrative Report (continued)

2. ACHIEVEMENTS IN 2018/19

During 2018/19 the Council has:

- Reduced the attainment gap between disadvantaged children and others at Key Stage Two
- Opened a new Special Educational Needs and Disabilities (SEND) resource base
- Refurbished and expanded its pre-school nurseries and created new early years places
- Reduced the proportion of young people not in Education, Employment or Training (NEET)
- Supported over 550 people to manage their care needs via a direct payment, to help them personalise and control their support
- Completed and opened new leisure facilities and held the town’s first half marathon for over 18 years
- Improved levels of street cleanliness
- Founded a new Town Team, delivering rapid improvements to our public realm
- Planted 1 million bulbs and 200 trees across Slough, with the support of community groups
- Delivered 846 new, permanent homes and invested £18 million in affordable housing for Slough residents
- In partnership with others, the Council has introduced a mass rapid transport scheme on the A4, trialling the use of electric buses
- Invested over £2 million in improvements to our highway network
- Installed 17 cycle hire points and 22 electric vehicle charging points
- Supported the regeneration of Slough High Street

Director's Narrative Report (continued)

3. THE CURRENT FINANCIAL POSITION

Since the original preparation of these financial statements in 2019 the Borough has experienced unprecedented financial challenges. Slough Council was one of a small number of local authorities to request exceptional financial support during the COVID-19 pandemic. The Government agreed to this in principle but on 30 June 2021 announced that an external assurance review would take place, examining both the Council's financial position and the strength of its wider governance arrangements. These two reports were published on 25 October 2021 and led to the appointment of independent Commissioners for a period of three years, to:

- ensure that the Council responded to the criticisms in the various reports, and
- help to put the Council on a more sustainable financial footing

During 2021 the Council responded to these findings by appointing a new Finance team and recruiting additional interim support from staff with experience of dealing with similar issues at other local authorities. Work undertaken by this new team identified significant financial challenges that could only be resolved through a combination of:

- substantial ongoing financial support from central government
- scaling-back ambitious regeneration and capital investment plans
- disposing of surplus assets to save revenue costs and generate capital receipts
- efficiency savings, and
- improved budget management

After a detailed and comprehensive process of engagement with the Government, in March 2022 the Council received agreement, in principle to a Capitalisation Direction totalling £307m. This Direction will allow the Council to use capital resources to finance revenue costs, thereby reducing pressure on General Fund balances and budgets. The Council has also put plans in place to sell up to £600m of assets and has significantly curtailed ambitious capital investment plans. Since July 2021, all non-essential expenditure is subject to detailed scrutiny.

A revised corporate plan and medium-term financial strategy are being developed which will outline revised, more sustainable, ambitions for the future. These plans will be underpinned by evidence-based and more transparent decision-making. The Council is making rapid improvements in financial management and is committed to achieving value for money for residents but there are still significant challenges to overcome:

- revenue savings of £20m per annum will be required in each of the next five years
- a further Capitalisation Direction of £178m has been requested to cover new spending pressures up to 2027/28, and
- the importance of Council Tax and Business Rate growth and collection rates will continue to escalate.

Going forward, the Council will focus on delivering core services in a cost-effective manner and on successfully managing key financial risks.

Director’s Narrative Report (continued)

Since the 2018/19 Statement of Accounts was initially presented to members, issues identified by both the Council’s external auditors and the new Finance team have required a substantial re-draft of these financial statements. Some of these changes relate to 2018/19 transactions and balances but others relate to previous financial years. Note 39 sets out all of these adjustments in detail, but key issues arising have been summarised below:

Prior period adjustments:

- misstatement of Property, Plant and Equipment balances due to multiple inaccuracies in the Fixed Asset Register
- failure to adequately recognise all creditors and accruals at 31 March
- inadequate set aside for General Fund debt charges relating to unsupported borrowing (MRP)
- misclassification of capital receipts as revenue income
- misclassification of loans and equity investments on the Balance Sheet
- dividend income recognised in the incorrect financial year
- infrastructure assets not depreciated and de-recognised correctly
- unsubstantiated debtors/creditors migrated from the previous financial system

In-year adjustments:

- Increased provisions for Business Rate appeals, bad debts, refunds and impairments
- Incorrect capitalisation of staff costs
- Incorrect classification of investment property
- Incorrect identification and disclosure of grant income
- unsubstantiated debtors/creditors relating to the collection fund

The total impact of these adjustments has been to reduce the net value of the Council’s assets in the Balance Sheet by £96m and £174m at 31 March 2018 and 31 March 2019 respectively.

As well as errors in the financial statements themselves, the new Finance team has identified significant weaknesses in financial management, financial processes and systems of internal control. The Annual Governance Statement, on pages 03 to 09 of the Statement of Accounts, has been revised and updated to reflect these shortcomings in more detail. However, the most significant issues relate to the accounts audit are:

- Inadequate processes and controls over journals posted by the old finance team , i.e. lack of supporting evidence and explanations for journal entries posted in the general ledger or adjusting entries on the trial balance.
- Inadequate record keeping and audit trails, lack of good working papers and appropriate reconciliations, mapping issues within the financial statements.

Director’s Narrative Report (continued)

Action plans are now in place to tackle these weaknesses so that the Council can manage its finances more effectively in future. Key areas covered by these action plans, and steps taken since they were introduced in 2021, are summarised below:

FINANCE ACTION PLANS 2021/22

Area	Actions taken to date
Decision-making	The format of reports to members has been reviewed and all decisions now require s151 and Monitoring Officer input. This supports transparent and evidence-based decision making which does not expose the Council to undue financial risks.
Financial management	Improved financial modelling ensures that financial decisions are based on accurate and up to date information. New budget management processes ensure that actual spend against budget is accurately monitored, managed and reported.
Direct Schools Grant (DSG) deficits	Spending on High Needs Block services has exceeded grant funding for several years. New arrangements are now in place to manage demand for these services and to improve value for money.
Limited company investments	Work is ongoing to wind up or dissolve all dormant companies, and to develop appropriate exit strategies for the Council’s investments in James Elliman Homes and Slough Urban Renewal LLP.
Statement of accounts and working papers	The format of the Statement of Accounts has been amended, new closedown processes have been implemented and the quality of supporting information has been improved. Regular liaison with the Council’s local audit team now helps to identify and resolve material issues. Comprehensive technical training has been provided to all staff involved in closedown work.
Financial systems	Controls over journal postings have been improved and all feeder systems are now reconciled to ledger balances at least once a month. Suspense and holding accounts are cleared out regularly and improved processing controls are being put in place.
Fixed Asset Registers and asset valuations	A major data cleansing exercise has been completed to ensure that all entries on the fixed asset register are accurate and up-to-date with evidence of Council ownership. Training on how to use the system has been provided to relevant members of staff and assets are being re-valued in line with Code requirements.
Treasury Management	New Treasury Management policies have been put in place which fully comply with statutory and professional guidance. Bank reconciliation processes are being improved and work is underway to close bank accounts not in regular use.
Debtors and Creditors	All year-end debtor and creditor balances are being reviewed so that uncollectable debtors and out-of-date creditors can be written off. Bad debt provisions have been realistically re-assessed and year-end closedown processes have been improved to ensure that all material accruals and prepayments are identified and reflected in the accounts.
Revenue Recognition (IFRS15)	IFRS 15 requirements have now been properly implemented, for example to differentiate between revenue and capital income and to correctly identify and account for conditional grant income or funding received in advance.
Provisions and Contingencies	An exercise has been undertaken to ensure that all provisions and contingent liabilities have been identified and that these are correctly reflected in accounting records and in the Council’s future financial plans.
Leases	Work has been initiated across all spending departments to identify all leases and lease type arrangements across the Council and to replace the current spreadsheet-based records with asset management software.

Director’s Narrative Report (continued)

4. FINANCIAL PERFORMANCE 2018/19

This section of the Narrative Report provides a summary of the Council’s financial performance and the costs of delivering Council services.

Key performance indicators

The key indicators for financial performance are set out in the table below:

Key performance indicator	Outcome
Maintain General Fund (GF) spending within approved budget levels overall	Net overspend of only £50,000 (0.5%) on budgets in excess of £100m (see below)
Maintain Housing Revenue Account (HRA) in balance each year	The HRA balance as at 31st March 2019 is £16.3m; a planned reduction of £1.6m in the year.
Maintain adequate levels of GF working balances and reserves	The General Fund working balance at 31st March 2019 is £0.6m. In addition, earmarked reserves have been set aside to cover identified financial risks, or for particular purposes. These total £4.8m.
Deliver savings targets set out in approved budget reports each year	91.2% of the £6.4m savings programme was either successfully delivered or alternative efficiencies were found during the year.
Deliver the approved Capital Budget within available resources	74% of the approved Capital Programme was delivered, with a total of £177.4m spent during 2018/19 compared to a budget of £240m.
Maintain 95% collection rates for Council Tax and Business Rates	The in-year collection rate for both Council Tax (96%) and Business Rates (97%) exceeded 95% in 2018/19.

Non-financial performance indicators were not routinely collected and measured during 2018/19, however improved performance management arrangements are now being put in place with a clearer focus on efficiency, risk management and value for money.

Director’s Narrative Report (continued)

4. FINANCIAL PERFORMANCE 2018/19

This section of the Narrative Report provides a summary of the Council’s financial performance and the costs of delivering Council services.

General Fund balances

Key financial requirements for local authorities are to maintain General Fund spending within approved budget levels, and to maintain adequate levels of working balances and reserves. Financial statements initially prepared for the financial year ended 31 March 2019 indicated that these objectives had been achieved, reporting a net overspend of only 0.5% (£40,000) against revenue budgets and General Fund working balances of £8.2m at 31 March 2019.

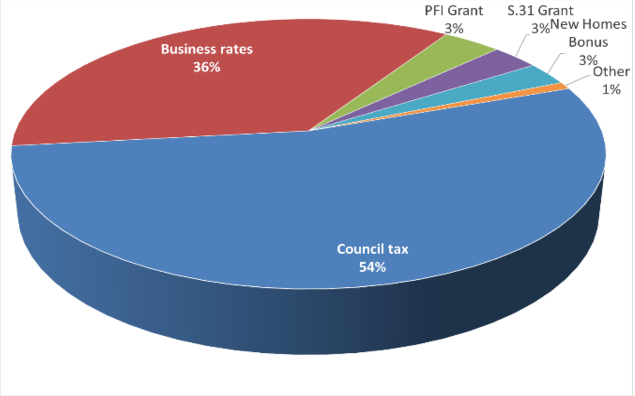
However, the errors subsequently identified and set out above have had a significant impact on the Council’s financial position, and without a Capitalisation Direction the impact of correcting these errors would have resulted in a General Fund deficit of £28m at 31 March 2017, increasing to a £64m deficit by 31 March 2019. Using part of the Government’s in principle Capitalisation Direction retrospectively has enabled the Council to reinstate General Fund balances as shown below:

	General Fund balances as originally reported (£m)	General Fund balances currently reported (with CD) (£m)	General Fund balances currently reported (without CD) (£m)
31 March 2017	8	7	(29)
31 March 2018	8	2	(48)
31 March 2019	8	1	(77)

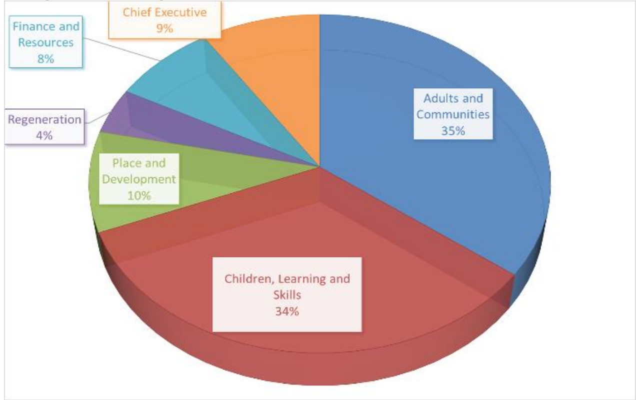
Spending on revenue services

The graphs below highlight where the Council received its revenue income from in 2018-19 and how this has been allocated to service areas. Graph 1 demonstrates the reduction in government grant funding over recent years and the reliance on local taxation to deliver core services.

Graph 1: Key income streams



Graph 2: Net expenditure on General Fund Council Services



Director’s Narrative Report (continued)

Capital expenditure and financing

Capital investment in property, plant and equipment was £99m in 2018/19. Major items of expenditure included the purchase of new Council accommodation at Observatory House and the acquisition of the Thames Valley university site for regeneration purposes as well as improvements to Council dwellings, leisure facilities and schools.

In addition, the Council spent £27m on new investment properties and advanced new loans totaling £23m to its subsidiary company, James Elliman Homes.

The Council has funded this expenditure through a combination of grant funding, section 106 contributions from developers and short-term borrowing. Resources currently available to fund future investment are limited, therefore in future years capital spending will be limited to essential items only. In future years significant asset disposals are anticipated and these capital receipts will be used to repay external borrowing.

Assets and Liabilities

A comparison of 2018/19 and previous years’ Balance Sheets is set out below:

BALANCE SHEET SUMMARY			
Directorate	**At 31 March 2019 (£m)**	**At 31 March 2018 (£m)**	**At 31 March 2017 (£m)**
Property Plant and Equipment and other long term assets	1,057	963	874
Current assets (short term investments, debtors, cash)	87	67	72
Current liabilities (creditors, borrowing and receipts in advance)	(276)	(214)	(110)
Long term liabilities (borrowing, PFI liabilities, provisions and pensions)	(636)	(508)	(500)
Net assets	**231**	**308**	**337**

Over recent years the Council has significantly increased its asset base by investing in operational land and buildings, limited companies and commercial property. These changes are matched however by significant increases in short and long-term borrowing.

The Council’s other financial liabilities relate mainly to leasing contracts (£7m), school PFI schemes (£35m) and pension liabilities (£273m). Provisions totalling £11m relate mainly to insurance claims and Business Rates appeals. No significant contingent liabilities have been identified at 31 March 2019.

Treasury Management

The overall objective of Treasury Management is to:

- ensure that the Council has sufficient money to pay staff and suppliers, and to meet its other costs and liabilities as they fall due
- borrow at a competitive rate when necessary to finance capital spending plans, and
- investment surplus funds in a way that realizes the best possible low-risk returns.

During 2018/19 the Council’s total of cash balances and short-term investments increased from £29m to £68m. However, current levels of short and long-term borrowing are amongst the highest, per head of population, of all unitary councils in the UK. This level of borrowing is unsustainable and reducing external borrowing by at least £200m over the next 2-3 years is a key component of the Council’s recovery plan. It will be achieved through a combination of asset sales, efficiency savings and managing accumulated cash balances and short-term investments down to the level of working balances held by the Council.

Director's Narrative Report (continued)

Housing Revenue Account

The Housing Revenue Account is a separate ring-fenced account showing the expenditure and income relating to the management and maintenance of the Council's social housing stock of some 6,400 dwellings The HRA balance as at 31st March 2019 was £11m, a reduction of £4.2m in the year. This planned use of balances helped to finance £11m of improvements to existing council dwellings and a further £9m of new housing acquisitions. 31 units of housing were sold under the national Right to Buy scheme in 2018/19, but 23 new dwellings were brought into the Council's housing stock.

Collection Fund

The Collection Fund is another ring-fenced account which shows the amount of Council Tax and Business Rates collected and the redistribution back to Slough Borough Council, local police and fire services, and (for Business Rates only) back to central government. The Collection Fund shows an overall deficit of £6.538m for 2018/19, which will be recovered from participating authorities in future years.

Group Accounts

Group accounts consolidate the Council's single entity financial statements with those of its wholly-owned subsidiary, James Elliman Homes, and its 50% share of Slough Urban Renewal LLP. Accumulated trading profits attributable to these entities at 31 March 2019 was £102,000, compared to £367,000 at 31 March 2018. To limit its financial exposure in this respect, the Council is developing exit strategies which should enable it to wind up these two companies over the course of the next two years, and in the meantime has significantly improved its governance and oversight arrangements.

Director's Narrative Report (continued)

5.EXPLANATION OF ACCOUNTING STATEMENTS

The Statement of Accounts set out on pages xx to xx sets out the Council's Income and Expenditure for the 2018/19 financial year and its financial position at 31 March 2019. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, which in turn is underpinned by International Financial Reporting Standards.

The Core Statements are:

- The Movement in Reserves Statement is a summary of the changes to reserves and working balances over the course of the year. Useable reserves can be invested capital projects or service initiatives, unusable reserves must be set aside for specific legal or accounting purposes.
- The Comprehensive Income and Expenditure Statement (CIES) records the Council's revenue income and expenditure for the year. The top half of the statement provides an analysis of income and expenditure by service area and the bottom half deals with corporate transactions and funding.
- The Balance Sheet is a snapshot of the Council's assets, liabilities, cash balances and reserves at the year-end date.
- The Cash Flow Statement sets out the movements in cash balances during the year and whether that change is due to operating activities, new investment or financing activities (such as repayment of borrowing and other long term liabilities).

The Supplementary Financial Statements are:

- The Annual Governance Statement sets out the governance structures of the Council and its key internal controls.
- The Housing Revenue Account (HRA) identifies income and expenditure relating to the Council's landlord function as a provider of social housing
- The Collection Fund summarises the income collected from Council Tax and Business rates, and the redistribution of that money to the Council, local fire and police services, and central government.
- Group Accounts report the full extent of the transactions, assets and liabilities of the Council together with the transactions, assets and liabilities of limited companies and similar entities under Council control.

Notes to the Financial Statements provide more detail about the Council's accounting policies and individual transactions and balances. Note 7 (the Council's Expenditure and Funding Analysis) compares the CIES to outturn reports presented to elected members and senior management prior to the preparation of financial statements at the year end.

A Glossary of technical terms and abbreviations used in the financial statements has been provided on pages 143 to 150

Note 39 sets out the changes made to these financial statements since they were initially prepared and published, as explained in section 4.

Director's Narrative Report (continued)

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers (the section 151 officer) has the responsibility for the administration of those affairs. At Slough Borough Council this officer was during 2018/19 the Director of Finance and Resources, Neil Wilcox. Mr Wilcox was replaced during 2021 by Executive Director Finance and Commercial, Steven Mair, who has taken on responsibility for completing the 2018/19 financial statements.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the statement of accounts.

The Executive Director Finance and Commercial's Responsibilities

1) As Section 151 Officer, the Executive Director Finance and Commercial is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

2) I became the Section 151 officer on 20 May 2021. The auditors had previously made a number of statutory recommendations concerning the preparation of and evidence to support the Statement of Accounts for 2018/19 which was published by my predecessor. In response I engaged a completely new Finance team who identified significant weaknesses in financial management, financial processes and systems of internal control.

3) Based on the detailed work undertaken since my appointment, the statement of accounts has been completely re-written with material transactions and balances either confirmed or restated as necessary. Whilst I cannot comment on the quality of the financial processes in operation prior to my appointment, I am satisfied that sufficient evidence has been obtained to support the overall Balance Sheet and the overall year-end position on General Fund balances and reserves. Within this overall position there may be material errors on a line by line basis.

4) In preparing the revised statement of accounts, I have:
    - selected suitable accounting policies and applied them consistently;
    - made judgements and estimates that were reasonable and prudent; and
    - complied with the Code.

Certification by the the Section 151 Officer

5) Within the context of paragraph 3) above I therefore certify that to the best of my knowledge and belief so far as is possible in the circumstances, that this statement of accounts presents a true and fair view of the overall financial position of the authority and the income and expenditure for the year ended 31 March 2019. Within this overall position there may be material errors on a line by line basis.

Steven Mair

Executive Director of Finance and Corporate Operations (Section 151 Officer)

Date

Approval of the Statement of Accounts

The Statement of Accounts was approved by the Slough Borough Council Audit and Corporate Governance Committee.

Cllr Paul Kelly

Chair of the Audit and Corporate Governance Committee

Date

INDEPENDENT AUDITOR’S REPORT

Independent Auditor’s report to the members of Slough Borough Council Opinion on the financial statements

Opinion

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SECTION – 3

CORE FINANCIAL STATEMENTS

Comprehensive Income and Expenditure Statement

The **Comprehensive Income and Expenditure Statement (CIES)** records all of the Council's revenue income and expenditure for the year. Expenditure represents a combination of statutory duties and discretionary spend focussed on local priorities and needs.

2017/18 Restated*				**2018/19**			
Gross Expenditure	**Gross Income**	**Net Expenditure**		**Gross Expenditure**	**Gross Income**	**Net Expenditure**	
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**	*Note*
80,873	(23,693)	57,180	Adults and Communities	85,800	(26,546)	59,254	
130,110	(85,119)	44,991	Children, Learning and Skills	139,242	(83,127)	56,115	
46,262	(8,671)	37,591	Place and Development	24,506	(7,588)	16,918	
4,645	(4,107)	538	Regeneration	17,857	(10,463)	7,394	
103,102	(74,950)	28,152	Finance and Resources	88,681	(73,621)	15,060	
1,630	-	1,630	Chief Executive	16,539	(1,171)	15,368	
24,928	(36,483)	(11,555)	Housing Revenue Account	29,370	(36,052)	(6,682)	
391,550	**(233,023)**	**158,527**	**Cost of Services**	**401,995**	**(238,568)**	**163,427**	
		24,838	Other operating expenditure			41,617	*6*
		13,387	Financing and investment income and expenditure			36,444	*7*
		(121,294)	Taxation and non-specific grant income and expenditure			(103,850)	*8*
		75,458	**(Surplus)/deficit on provision of services**			**137,638**	
		(448)	(Surplus) or deficit on financial assets measured at FVOCI			-	
		-	Impairment losses of non-current assets charged to Revaluation Reserve			1,271	
		(24,744)	(Surplus) or deficit on revaluation of property, plant and equipment assets			(54,900)	*30a*
		(20,630)	Remeasurement of the net defined benefit liability			(7,875)	*32*
		(45,822)	**Other Comprehensive income and expenditure**			**(61,504)**	
		29,636	**Total Comprehensive income and expenditure**			**76,134**	

** The 2017/18 comparators were restated, see Note 39 for more details.*

Movement in Reserves Statement

The **Movement in Reserves** Statement shows the movement in year on reserve balances held by the Council.

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	*Note*
Balance at 1 April 2018	**(2,450)**	**(6,318)**	**(15,192)**	**(38,691)**	**(15,107)**	**(19,269)**	**(97,027)**	**(210,474)**	**(307,501)**	
Restatement of opening balances*	-	-	-	-	-	-	-	(17)	(17)	
Restated balance 1 April 2018	**(2,450)**	**(6,318)**	**(15,192)**	**(38,691)**	**(15,107)**	**(19,269)**	**(97,027)**	**(210,491)**	**(307,518)**	
Movement in reserves during 2018/19										
(Surplus)/deficit on provision of services	120,446	-	17,193	-	-	-	137,639	-	137,639	
Other Comprehensive income and expenditure	-	-	-	-	-	-	-	(61,504)	(61,504)	
Total Comprehensive Income and Expenditure	**120,446**	**-**	**17,193**	**-**	**-**	**-**	**137,639**	**(61,504)**	**76,135**	
Adjustments between accounting basis and funding basis	(85,357)	-	(17,281)	(2,229)	2,650	14,130	(88,087)	88,087	-	*15*
Capitalisation Direction	(28,200)	-	-	-	-	-	(28,200)	28,200	-	
Increase or (decrease) before transfers to earmarked reserves	**6,889**	**-**	**(88)**	**(2,229)**	**2,650**	**14,130**	**21,352**	**54,783**	**76,135**	
Transfer to/(from) reserves	(5,899)	5,899	-	-	-	-	-	-	-	
Balance at 31 March 2019	**(1,460)**	**(419)**	**(15,280)**	**(40,920)**	**(12,457)**	**(5,139)**	**(75,675)**	**(155,708)**	**(231,383)**	

** The 2017/18 comparators were restated, see Note 39 for more details.*

Movement in Reserves Statement

The **Movement in Reserves** Statement shows the movement in year on reserve balances held by the Council.

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	*Note*
Balance at 1 April 2017	**(8,123)**	**(7,156)**	**(23,710)**	**(23,675)**	**(14,025)**	**(50,680)**	**(127,369)**	**(285,802)**	**(413,171)**	
Restatement of opening balances*	36,646	-	2,646	(4,132)	-	11,854	47,014	29,020	76,034	
Capitalisation Direction	(35,933)	-	-	-	-	-	(35,933)	35,933	-	
Restated balance 1 April 2017	**(7,410)**	**(7,156)**	**(21,064)**	**(27,807)**	**(14,025)**	**(38,826)**	**(116,288)**	**(220,849)**	**(337,137)**	
Movement in reserves during 2017/18										
(Surplus)/deficit on provision of services	63,288	-	10,850	-	-	1,320	75,458	-	75,458	
Other Comprehensive income and expenditure	-	-	-	-	-	-	-	(45,822)	(45,822)	
Total Comprehensive Income and Expenditure	**63,288**	**-**	**10,850**	**-**	**-**	**1,320**	**75,458**	**(45,822)**	**29,636**	
Adjustments between accounting basis and funding basis	(43,609)	-	(4,978)	(10,884)	(1,082)	18,237	(42,316)	42,316	-	*15*
Capitalisation Direction	(13,881)	-	-	-	-	-	(13,881)	13,881	-	
Increase or (decrease) before transfers to earmarked reserves	**5,798**	**-**	**5,872**	**(10,884)**	**(1,082)**	**19,557**	**19,261**	**10,375**	**29,636**	
Transfer to/(from) reserves	(838)	838	-	-	-	-	-	-	-	
Balance at 31 March 2018	**(2,450)**	**(6,318)**	**(15,192)**	**(38,691)**	**(15,107)**	**(19,269)**	**(97,027)**	**(210,474)**	**(307,501)**	

** The 2017/18 comparators were restated, see Note 39 for more details.*

Balance Sheet

The **Balance Sheet** is fundamental to the understanding of the Council's financial position at the year end. It shows the value as at the Balance Sheet date of assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by reserves held by the Council.

01/04/2017 Restated*	31 March 2018 Restated*		31 March 2019	
£'000	£'000		£'000	Note
802,648	874,869	Property, Plant and Equipment	933,361	17
35,998	55,835	Investment Property	66,124	19
457	550	Intangible Assets	969	
26,470	17,670	Long-term Investments	25,057	23
8,628	13,893	Long-term Debtors	31,208	27
874,201	**962,817**	**Total Long-term Assets**	**1,056,719**	
24,053	18,808	Short Term Investments	48,545	23
-	1,276	Assets Held for Sale	-	
3	6	Inventories	1	
28,549	36,949	Short term debtors	18,425	27
19,800	9,900	Cash and Cash Equivalents	19,879	26
72,405	**66,939**	**Current Assets**	**86,850**	
(67,559)	(152,760)	Short-term Borrowing	(214,682)	23
(38,754)	(56,622)	Short-term Creditors	(58,850)	28
(1,508)	(2,447)	Short-term Provisions	(2,165)	29
(2,100)	(2,100)	Grants Receipts in Advance – Capital	-	14
(109,921)	**(213,929)**	**Current Liabilities**	**(275,697)**	
(11,854)	(21,636)	Long-term Creditors	(6,060)	
(4,157)	(4,157)	Deferred Capital Receipts	(4,157)	
(223)	(223)	Long-term Provisions	(9,372)	29
(170,370)	(170,341)	Long-term Borrowing	(304,216)	
(312,944)	(311,969)	Other Long-Term Liabilities	(312,684)	
(499,548)	**(508,326)**	**Long-term Liabilities**	**(636,489)**	
337,137	**307,501**	**Net Assets**	**231,383**	
(116,288)	(97,027)	Usable Reserves	(75,675)	
(220,849)	(210,474)	Unusable Reserves	(155,708)	30
(337,137)	**(307,501)**	**Total Reserves**	**(231,383)**	

** The 2017/18 comparators were restated, see Note 39 for more details.*

Certification by the Chief Financial Officer

I certify that the statement of accounts gives a true and fair view of the financial position of the authority as at 31 March 2019 and its income and expenditure for the year ended 31 March 2019.

Steven Mair

Executive Director of Finance and Corporate Operations (Section 151 Officer)

xxth xxx 2022

Cash Flow Statement

The ***Cash Flow Statement*** shows the changes in cash and cash equivalents of the Council during the reporting period.

The Statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council.

2017/18 Restated*		**2018/19**	
£'000		**£'000**	*Note*
75,458	Net (surplus) or deficit on the provision of services	137,638	
(100,307)	Adjustment to (surplus) or deficit on the provision of services for non-cash movements	(160,263)	*33*
31,393	Adjustment for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	25,159	*33*
6,544	**Net cash flows from operating activities**	**2,534**	
85,363	Investing Activities	178,140	*34*
(82,007)	Financing Activities	(190,654)	*35*
9,900	**Net (increase) or decrease in cash and cash equivalents**	**(9,980)**	
19,800	Cash and cash equivalents at the beginning of the reporting period	9,900	
9,900	**Cash and cash equivalents at the end of the reporting period**	**19,880**	*26*

** The 2017/18 comparators were restated, see Note 39 for more details.*

SECTION – 4

NOTES TO THE CORE FINANCIAL STATEMENTS

SECTION – 4

NOTES TO THE CORE FINANCIAL STATEMENTS

Notes to the Core Financial Statements

Note 1: Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Authority’s transactions for the 2018/19 financial year and its position at the year-end 31 March 2019.

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which requires accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1.2 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

- The Authority adopted IFRS15 Revenue Recognition from Contracts with Customers from 1 April 2018, such that revenue from contracts with service recipients, whether for services or the provision of goods , is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract. Revenue recognition is now based on the transfer of control over goods and services to a customer rather than the risks and rewards, which may result in changes to the pattern of revenue recognition. In local government the generation of revenues from, charges to service recipients is only a minor funding stream and contracts with customers tend to be accounted for and delivered within the year.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Revenue relating to Council Tax and Business Rates is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council’s cash management.

Note 1: Accounting Policies (continued)

1.4 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid monthly and reflected as expenditure in the relevant service line in the Comprehensive Income and Expenditure Statement (CIES).

Termination Benefits

Termination benefits are payable following a decision by the Authority to terminate an officer's employment before their normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. Costs are recognised as a charge to the respective Service line in the CIES at the earlier of when the Authority can no longer withdraw the offer of redundancy or when the Authority recognises costs of restructuring.

Where termination benefits include the enhancement of pensions benefits, regulations require the General Fund to be charged with the amount payable to the pension fund or pensioner in the year, rather than the amount calculated under accounting standards. Entries are made in the Movement in Reserves Statement (MiRS) to transfer the accounting standards based entries to the Pension Reserve and replace these with the amount payable to the pension fund.

Post-employment Benefits

Employees of the Authority are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE) and
- The Berkshire Local Government Pension Scheme, administered by Royal Borough of Windsor and Maidenhead.

Both schemes provide defined benefits to members (e.g. retirement lump sums and pensions), earned as employees worked for the Authority or related parties.

However, the arrangements for the Teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet.

The Children Learning and Skills Directorate line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Berkshire pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method
- The assets of the Berkshire pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price

The change in the net pensions liability is analysed into the following components:

Note 1: Accounting Policies (continued)

Service cost comprising:

- current service cost and past service cost are recognised as charges to the CIES to the services for which the employees worked
- net interest on the net defined benefit liability is charged to the Financing and Investment Income and Expenditure line of the CIES. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements comprising:

- the return on plan assets (excluding amounts included in net interest on the net defined benefit liability) are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

The Authority’s contributions to the Berkshire pension fund are charged to the General Fund by a transfer to the Pension Reserve via the MiRS in accordance with statutory requirements

Discretionary Benefits

The Authority provides discretionary post-employment benefits which arise from additional service for early retirements. These benefits are unfunded, with costs met directly from the General Fund.

1.5 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument. They are classified based on the business model for holding the instruments and their cashflow characteristics.

For the Authority’s borrowings, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest). Interest charged to the CIES is the amount payable for the year according to the loan agreement.

The fair value of Public Works Loans Board (PWLB) loans is calculated using the certainty rate published by the PWLB on 31 March 2019.

For non-PWLB loans the fair value is deemed to be the standard new loan rate also published by the PWLB on 31 March 2019.

Financial Assets

The Authority has reviewed the classification of all its financial assets based on the business model for holding the assets and concluded that they are either:

- assets at amortised cost;
- fair value through other comprehensive income (FVOCI);or
- fair value through profit or loss (FVPL).

The authority’s business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Note 1: Accounting Policies (continued)

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are initially measured at fair value and subsequently carried at amortised cost. For the Authority this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus accrued interest. Interest credited to the CIES is the amount receivable for the year under the loan agreement.

Financial Assets Measured at Fair Value through Other Comprehensive Income

Financial assets are measured and carried at fair value. All gains and losses due to changes in fair value are accounted for through a reserve account (the Financial Instruments Revaluation Reserve) and the balance debited or credited to the CIES when the asset is disposed of.

Income from FVOCI assets is recognised when the right to receive the payment is unconditional. Income is reported in the Financing and Investment Income and Expenditure line in the CIES.

Financial Assets Measured at Fair Value through Profit of Loss (FVTPL)

Financial assets that are measured at FVTPL are initially measured and subsequently carried at fair value. All movements in the fair value of the instrument (both realised and unrealised) are recognised as they occur in the Surplus or Deficit on the Provision of Services.

Impairment Losses

Allowances for impairment losses have been calculated for assets at amortised costs and FVOCI, applying the expected credit losses model.

The Authority recognises expected credit losses either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Authority.

1.6 Government Grants and Contributions

Government grants and third party contributions and donations are recognised when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments, and
- that the grants or contributions will be received.

Where conditions attached grants or contributions have not been satisfied, monies received to date are carried in the Balance Sheet as creditors and credited to the CIES when the conditions are satisfied.

Ringfenced grants and contributions are credited to the relevant service within the CIES. Non-ringfenced grants are credited to the Taxation and Non-specific Grant Income line within the CIES.

Capital grants credited to the CIES, are transferred out of the General Fund Balance via the MiRS. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Note 1: Accounting Policies (continued)

1.7 Interests in Companies and Other Entities

The authority has material interests in one subsidiary (James Elliman Homes Ltd) and one joint venture (Slough Urban Renewal LLP), which have been consolidated into the Council's Group Accounts:

- on a line by line basis for the subsidiary; and
- the equity method for the joint venture, after first re-aligning accounting policies with the Authority where appropriate and eliminating intra-group transactions.

In the Authority's single entity accounts, interests in the above companies are classified as long-term investments and measured at cost less provision for any losses.

All other interests in subsidiaries and an associate are not material to the Authority and are thus reported as financial instruments. As the business model is to hold for the long-term rather than trade such interests, they are classified as FVOCI subject to any impairment allowance.

1.8 Investment Property

Investment properties are measured initially at cost and subsequently at fair value. Investment properties are not depreciated but are revalued annually according to market conditions at the year-end.

Revaluation gains and losses on revaluation are recognised in the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal. However, regulations do not permit unrealised or realised gains and losses to impact the General Fund balance. Therefore, gains and losses are transferred to the Capital Adjustment Account via an entry in the MiRS.

Net rental income together with any revaluation gains and losses or impairments are recognised in the Financing and Investment Income and Expenditure line within the CIES.

1.9 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

<u>Finance Leases</u>

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower).

The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Note 1: Accounting Policies (continued)

Lease payments are apportioned between:

- the principal element which applied to write down the lease liability, and
- the interest element which is charged to the Financing and Investment Income and Expenditure line in the CIES.

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

Operating Leases

Rentals paid under operating leases are charged to the CIES as an expense of the services benefitting from use of the leased assets. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period or a premium payable at the commencement of the lease).

The Council as Lessor

Operating Leases

Where the Council grants an operating lease over an asset, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

1.10 Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

1.11 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Property, plant and equipment is recognised where the initial cost or value exceeds £10,000.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Note 1: Accounting Policies (continued)

Assets are then carried in the Balance Sheet using the following measurement bases:

Asset type	Measurement basis
Vehicles, plant and equipment, infrastructure, community assets	Depreciated historical cost
Council dwellings	Current value, determined using the basis of existing use value for social housing (EUV–SH)
Assets under construction	Cost
Surplus assets	Fair value
School buildings and other specialised assets	Depreciated replacement cost which is used as an estimate of current value
All other assets	Current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Note 1: Accounting Policies (continued)

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Deprecation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer (housing dwellings and flats – 54 years)
- Vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer (between 1-35 years)
- Infrastructure – straight-line allocation over 10-40 years.
- Other operational buildings – straight-line allocation over the useful life (1-60 years) as estimated by the valuer
- Car parks – straight-line allocation over the useful life (60 years) as estimated by the valuer

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. This will only be applied where the omission to recognise and depreciate a separate component may result in a material difference to the depreciation charge.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Gains and losses on disposal comprise the following:

- The capital receipt from the proceeds of the sale. Only receipts over £10,000 are classed as capital receipts. The capital receipt element of the gain/loss on disposal is transferred to the Capital Receipts Reserve via the MiRS;
- The carrying value of the asset disposed of or decommissioned, which is transferred to the Capital Adjustment Account via the MiRS;
- Any costs of administering the disposal.

Any revaluation gains accumulated for the asset in the Revaluation Reserve are written out to the Capital Adjustment Account.

A proportion of capital receipts relating to housing disposals is payable to the Government.

1.12 Service Concessions

Service concessions (also known as PFI and similar contracts) are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the contractor. The Authority recognises the assets used under the contracts in the Balance Sheet within Property, Plant and Equipment, because it both controls the services provided under these contracts and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Note 1: Accounting Policies (continued)

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of services received during the year – debited to the relevant service in the CIES;
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the FIIE line in the CIES;
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the FIIE line in the CIES;
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease); and
- Lifecycle replacement costs – a proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

1.13 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are recognised where the Authority has a legal or constructive obligation arising from a past event that will probably require settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the CIES when the Authority has an obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

A provision for the best estimate of the amount that businesses have been overcharged up to 31st March 2019 in relation to Business Rates. The estimate has been calculated using the latest Valuation Office (VOA) ratings list of appeals and an analysis of successful appeals to date when providing the estimate of the total provision up to and including 31st March 2019.

Contingent Liabilities

No liability is recognised is an outflow of economic resources as a result of present obligations is not probable. Instead, such situations are recognised as contingent liabilities in a note to the accounts, unless the outflow of resources is remote.

Contingent Assets

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Note 1: Accounting Policies (continued)

1.14 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance in the MiRS. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

1.15 Revenue Expenditure Funded from Capital under Statute

Legislation requires defined items of revenue expenditure charged to services within the Comprehensive Income and Expenditure Statement to be treated as capital expenditure. All such expenditure is transferred from the General Fund Balance to the Capital Adjustment Account via the MiRS and is included in the Capital Expenditure and Financing disclosure.

1.16 Schools

Under the Code, local authority maintained schools are considered to be separate entities with the balance of control lying with the Authority. The Code requires that the income, expenditure, assets and liabilities of maintained schools be accounted for within the single entity accounts of the Authority.

Schools within the Council's group fall into the following categories:

- Community – 12 schools
- Nursery – 5 schools

Academies, Voluntary Aided, Voluntary Controlled and Free Schools are outside the Council's control.

1.17 VAT

The CIES excludes amounts relating to VAT. VAT is only recognised as an expense if it is not recoverable from Her Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income.

1.18 Minimum Revenue Provision (MRP)

The Council is not required to use Council Tax to fund depreciation, revaluation and impairment losses or amortisation of non-current assets. However, it is required to make an annual contribution from revenue towards provision for the reduction in its overall borrowing requirement equal to either an amount calculated on a prudent basis or as determined by the Council in accordance with statutory guidance. MRP has been charged in line with the Council's MRP Policy.

1.19 Fair Value Measurement

The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Note 1: Accounting Policies (continued)

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

1.20 Capital commitment

The Council has included those projects which it believes it is committed to based on its capital strategy programme, which is approved by the capital strategy board, although not all of these projects are subject to contractual agreements at year end.

Note 2: Accounting Standards that have been Issued but Not Yet Adopted

At the balance sheet date the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United

- **IFRS 16 Leases** will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2021.
- ***Amendments to IAS40 Investment Property – Transfers of Investment Property*** , which restricts transfers to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The Council already follows this approach therefore the change in the standard would have no effect on the accounts;
- ***Annual Improvements to IFRS Standards 2014-2016 cycle*** , which make changes to IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures. These amendments have not impact on the Council
- **IFRIC 22 Foreign Currency Transactions and Advance Consideration** does not apply to the Council as it does not engage in foreign currency transactions;
- **IFRIC 23 Uncertainty over Income Tax Treatments** does not apply to the Council because it does not have taxable profits or losses in its accounts;
- **Amendments to IFRS 9 Financial Instruments: Prepayment features with Negative Compensation**, which requires prospective remeasurement of gains and losses arising from debt restructuring exercises undertaken in previous years where they met the modification test. The Council does not hold any such instruments.

Note 3: Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1 (Accounting Policies), the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

- **Future funding** – there is currently a high level of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be materially impaired as a result of a need to close facilities and substantially reduce levels of service provision.

- **School service concession** – the Council is deemed to control the services and the residual assets created under the contract for Penn Wood School, which is recognised on the Balance Sheet at £14.3m. The remaining two schools under the service concession contract, Beechwood School and Arbour Vale Special School have converted to academies and are therefore not under the control of the Council. Consequently the assets for these two schools have been derecognised from the Balance Sheet. However, contractual liability remains with the Council and is reported in the Other Long-Term Liability balance on the Balance Sheet. Under the terms of the academisation, both schools make annual contributions to the Council for their shares of the unitary charge payable.
- **Recognition of schools** – the Council has completed a school by school assessment across the different schools operated within the Borough in order to determine the individual accounting treatments. Judgements have been made to determine the arrangements in place and the accounting treatment of the Non-Current Assets. As a result, the Council recognises school assets for Community schools and Voluntary Aided Schools on the Balance Sheet. The Council does not recognise assets relating to Academies or Free Schools as the view has been adopted that these entities were deemed to be owned by the relevant Dioceses or Trust following consultation and review.

- **Interests in Council-owned companies** – the Council has a number of interests in other entities which fall within the group accounting boundary on the grounds of control and significant influence in line with the Code. However, only the interests in James Elliman Homes Ltd and Slough Urban Renewal LLP are material in aggregate and thus warrant consolidation into the Council’s Group Accounts. The remaining interests are not material and have been treated as financial instruments in the Balance Sheet.

- **Business Rates Pooling** – Slough Borough Council (SBC) participated in the Berkshire-wide business rate pooling pilot for 2018/19 [and 2019/20] which allowed for 100% retention of growth. The participating authorities have set out arrangements to share the rewards and risks of this pooling arrangement. This includes clauses for a “local no detriment” policy that:
  - Prevents any single authority benefiting from gains until all authorities realise the level of resources that they would have received under 50% retention
  - Sets a safety net mechanism (97% of Baseline funding level) to cover risks associated with the pilot
  - Prioritises use of the strategic economic investment funds to manage individual authority losses before anything else.

- **Infrastructure assets** – The Council has revised the accounting for infrastructure assets compared with previous years. The Council has amended its accounting policy for depreciating infrastructure assets from a blanket 40 years to a policy reflecting the differing asset lives of the components of infrastructure. Ordinarily this would be treated as a change in estimation procedure in the year of account (i.e. 2018/19). However there were material errors in previous years’ accounts arising from the failure to write out accumulated depreciation at 1 April 2007 in line with paragraph 4.1.2.12 of the Code of Practice on Local Authority Accounting in the United Kingdom. Therefore the Council has taken the view that as this is a material error, the appropriate accounting approach is to correct via a prior period adjustment rather than an in-year adjustment.

- **Provisions for business rates appeals and bad debts –**The Council made refunds for business rates appeals totalling £4.5m in 2019/20 and 2020/21 against the 2010 valuation list. The Council has used this information as after year-end evidence to support increasing the business rates appeals provision in 2018/19 by £4.5m. In addition, the Council engaged external consultancy advice to review the adequacy of the bad debt provision for business rates and council tax resulting in an increase to the provision of £4.7m, of which the Council’s share is £4.1m.

Note 4: Assumptions made about the future and other sources of estimation uncertainty

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment - depreciation	Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate the value of it non-current assets. The Council's external valuers, Wilks, Head and Eve LLP, provided valuations as at 31 March 2019 for all the Council's investment property portfolio and approximately 20% of its operational portfolio. The remaining balance of operational properties was also reviewed to ensure values reflect current values. The estimated remaining useful lives of all operational assets was reported by the Council's external valuers as part of the above valuation exercise.	A reduction in the estimated valuation would result in reduction the Revaluation Reserve and/or an impairment loss charged to the Comprehensive Income and Expenditure Statement (CIES). If the value of the Council's operational properties were to reduce by 10% this would result in a valuation loss of £88m. An increase in estimated valuations would result in increased revaluation gains to the Revaluation Reserve and/or reversals of impairments charged to the CIES in previous years. If estimated useful lives increase by one year this would reduce the depreciation charge of £22m by £0.5m. If estimated useful lives decrease by one year this would increase depreciation by £0.6m.
Fair value	The Council's external valuers use valuation techniques to determine the fair value of investment property and surplus property. This involves developing estimates and assumptions consistent with how market participants would price the property. The valuers base their assumptions on observable data as far as possible, but this is not always available, in which case, the valuers use the best information available.	Estimated fair values may differ from the actual prices that could be achieved in an arms-length transaction at the reporting date.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The Council has engaged Barnett Waddingham, as its consulting actuaries, to provide the Council with expert advice about the assumptions to be applied.	Variations in the key assumptions will have the following impact on the net pension liability: (a) a 1% reduction in the discount rate will increase the net liability by £103m (b) an 1% increase in life expectancy will increase the liabiity by £20m.
Valuation of council dwellings	Council dwellings are valued on a beacon methodology. This uses comparable sales evidence from the local area for the relevant property adjusted for floor area, local house price movement and regional indices.	A 10% reduction in the estimated value of HRA dwellings would be a revaluation loss of £54m. If estimated useful lives are overstated by 5% this would increase depreciation by £0.5m
Impairment allowance for doubtful debts	At 31 March 2019, the Council had an impairment allowance of £17m against gross short-term debtor balances totalling £41m. It is not certain that this impairment allowance would be sufficient as the Council cannot assess with certainty which debts will be collected or not.	If collection rates deteriorate by 5%, this would require an increase in the impairment allowance of £2m.
Provisions	The Council has made a number of provisions for the estimated cost of settling liabilities in respect of insurance claims, legal disputes and business rates appeals. The provisions are based on the Council's best estimate of the amount required to settle the obligations.	If provisions were valued at a more conservative outcome, this would increase provisions by £5m.

Note 5: Material Items of Income and Expense

For the purpose of this note the Council considers material items to be around £6m. The Council has two material items of expenditure which relate to service contracts in 2018/19:

1. £10.62m (2017/18 £10.59m) to Arvato for running the Council's IT, Customer Services and Transaction Finance functions. The expenditure was charged to Finance and Resources within the Comprehensive Income and Expenditure Statement (CIES).

2. £24.59m (2017/18 £24.41m) to Slough Children's Services Trust for children's and young people services. The expenditure was charged to Children and learning Skills within the CIES.

In March 2022 the Department for Levelling Up, Housing and Communities (DLUHC) provided an "in principle" Capitalisation Direction of the £307m to the Council under the Department's Extraordinary Financial Support programme. The Capitalisation Direction was issued in response to the S.114 Notice issued by the s.151 officer to the Council in July 2021. The s.114 Notice highlighted that the Council faced a significant unfunded financial deficit arising from financial challenges which have arisen over a number of years.

The Capitalisation Direction permits the Council to charge to capital, expenditure which would otherwise be revenue expenditure and then to finance the capitalised revenue expenditure from capital resources, namely by applying usable capital receipts and in the short-term setting aside minimum revenue provision.

The Capitalisation Direction covers the period to 31 March 2023. It has been used as follows:

	pre 1 April 2017	2017/18	2018/19	Total
	£'000	£'000	£'000	£'000
To correct incorrect capitalisation of staff costs for Agresso Support	477	1,416	1,125	3,018
To address expenditure incurred by Slough Children's Service Trust Ltd incorrectly classed as Transformation Funding	3,123	3,300	2,558	8,981
To address expenditure incurred by the Council incorrectly classed as Transformation Funding	1,009	1,517	3,997	6,523
Understatement of Minimum Revenue Provision	21,661	5,136	6,074	32,871
To correct the incorrrect treatment of Overage Income as revenue income to the General Fund	2,203	1,430	-	3,633
Additional costs in relation to the revenue outturn	4,128	-	12,690	16,818
To correct incorrect capitalisation of Property Staff	3,332	1,082	1,756	6,170
Total	**35,933**	**13,881**	**28,200**	**78,014**

Note 6: Other Operating Expenditure

2017/18 Restated*		2018/19
£'000		£'000
223	Precepts	224
1,072	Payments to the Government Housing Capital Receipts Pool	874
23,543	Gains/Losses on the Disposal of Non-Current Assets	43,050
-	Other	(2,531)
24,838	**Total**	**41,617**

** The 2017/18 comparators were restated, see Note 39 for more details.*

Note 7: Financing and Investment Income and Expenditure

2017/18 Restated*		2018/19
£'000		£'000
9,532	Interest payable and similar charges	11,735
7,656	Net interest on the net defined benefit liability (asset)	6,678
(2,609)	Interest receivable and similar income	(2,208)
(1,192)	Income and expenditure in relation to investment properties and charges in their fair value	16,908
-	Movements in fair value of financial instruments	74
-	Other investment income and expenditure	3,258
13,387	**Total**	**36,445**

Note 8: Taxation and Non-Specific Grant Income

2017/18 Restated*		2018/19
£'000		£'000
(52,328)	Council tax income	(53,343)
(31,320)	Non-domestic rates income and expenditure	(35,484)
(21,870)	Non-ringfenced government grants	(10,319)
(15,776)	Capital grants and contributions	(4,555)
-	Other tax or non-specific grant income / expenditure	(150)
(121,294)	**Total**	**(103,851)**

Note 9: Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how the Council has used available funding for the year (i.e. government grants, rents, council tax and business rates) in providing services, in comparison with those resources that the Council has consumed or earned in accordance with generally accepted accounting practices. It also shows how the Council has allocated this expenditure for decision making purposes between the Council's departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2017/18 Restated*					**2018/19**			
Net Expenditure in the Comprehensive Income and Expenditure Statement	**Capitalisation Direction**	**Adjustments between Funding and Accounting Basis**	**Net Expenditure Chargeable to the General Fund and HRA Balances**		**Net Expenditure in the Comprehensive Income and Expenditure Statement**	**Capitalisation Direction**	**Adjustments between Funding and Accounting Basis**	**Net Expenditure Chargeable to the General Fund and HRA Balances**
57,180		(12,689)	44,491	Adults and Communities	59,254		(21,338)	37,916
44,991		(22,072)	22,919	Children, Learning and Skills	56,115		(34,557)	21,558
37,591		(6,472)	31,119	Place and Development	16,918		(5,929)	10,989
538		(729)	(191)	Regeneration	7,394		(4,440)	2,954
28,152		(15,296)	12,856	Finance and Resources	15,060		(21,969)	(6,909)
1,630		(256)	1,374	Chief Executive	15,368		(4,114)	11,254
(11,555)		(4,978)	(16,533)	Housing Revenue Account	(6,682)		(17,280)	(23,962)
158,527	**-**	**(62,492)**	**96,035**	**Net Cost of Services**	**163,427**	**-**	**(109,627)**	**53,800**
(83,069)	(13,881)	13,905	(83,045)	Other Income and Expenditure	(25,789)	(28,201)	6,970	(47,020)
75,458	**(13,881)**	**(48,587)**	**12,990**	**(Surplus)/Deficit**	**137,638**	**(28,201)**	**(102,657)**	**6,780**
			(28,474)	General Fund and HRA balance brought forward**				(17,642)
			(2,158)	Plus Transfers to / from Earmarked Reserves**				(5,899)
			(17,642)	**General Fund and HRA balances carried forward****				**(16,761)**

** The 2017/18 comparators were restated, see Note 39 for more details.*

*** For analysis of split between General Fund and by HRA, see Movement in Reserves Statement.*

Note 9a: Expenditure and Funding Analysis (continued)

2017/18 Restated*					2018/19			
Adjustments for Capital Purposes	**Net Change for Pension Adjustments**	**Other Adjustments**	**Total Adjustments**		**Adjustments for Capital Purposes**	**Net Change for Pension Adjustments**	**Other Adjustments**	**Total Adjustments**
£'000	**£'000**	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**	**£'000**
(8,178)	(4,511)	-	(12,689)	Adults and Communities	(18,532)	(2,463)	(343)	(21,338)
(14,329)	(7,743)	-	(22,072)	Children, Learning and Skills	(30,075)	(3,935)	(547)	(34,557)
(4,122)	(2,350)	-	(6,472)	Place and Development	(5,293)	(558)	(78)	(5,929)
(470)	(259)	-	(729)	Regeneration	(3,857)	(512)	(71)	(4,440)
(9,803)	(5,493)	-	(15,296)	Finance and Resources	(19,154)	(2,471)	(344)	(21,969)
(165)	(91)	-	(256)	Chief Executive	(3,572)	(476)	(66)	(4,114)
(4,644)	(436)	102	(4,978)	Housing Revenue Account	(17,025)	(357)	102	(17,280)
(41,711)	**(20,883)**	**102**	**(62,492)**	**Net Cost of Services**	**(97,508)**	**(10,772)**	**(1,347)**	**(109,627)**
13,201	-	704	13,905	Other income and expenditure from the Funding Analysis	12,192	-	(5,222)	6,970
(28,510)	**(20,883)**	**806**	**(48,587)**	**Difference between (Surplus)/Deficit and the CIES Statement (Surplus)/Deficit on Provision of Services**	**(85,316)**	**(10,772)**	**(6,569)**	**(102,657)**

** The 2017/18 comparators were restated, see Note 39 for more details.*

Note 9b: Expenditure and Funding Analysis (continued)

Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

This column adjusts for the net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:

- **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For **Financing and investment income and expenditure –** the net interest on the defined benefit liability is charged to the CIES.

Other Statutory Adjustments

Other statutory adjustments between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

Note 9b: Expenditure and Funding Analysis (continued)

- For **Financing and investment income and expenditure** the other statutory adjustments column recognises adjustments to the General Fund for the timing differences for premiums and discounts
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

Other Non-statutory Adjustments

Other non-statutory adjustments represent amounts debited/credited to service segments which need to be adjusted against the ‘Other income and expenditure from the Expenditure and Funding Analysis’ line to comply with the presentational requirements in the Comprehensive Income and Expenditure Statement:

- For **financing and investment income and expenditure** the other non-statutory adjustments column recognises adjustments to service segments, e.g. for interest income and expenditure and changes in the fair values of investment properties.
- For **taxation and non-specific grant income and expenditure** the other non-statutory adjustments column recognises adjustments to service segments, e.g. for unringfenced government grants.

Note 9c: Expenditure and Funding Analysis (continued)

Expenditure and income analysed by nature

2017/18 Restated*		2018/19
£'000		£'000
	Expenditure	
95,805	Employee Benefit Expenses	102,624
240,706	Other Service Expenses	246,797
51,238	Depreciation, Amortisation, Impairment	50,727
17,188	Interest Payments	18,413
223	Precepts and Levies	224
1,072	Payments to the Housing Capital Receipts Pool	874
23,543	Losses on disposals	43,050
429,775	**Total expenditure**	**462,709**
	Income	
(74,319)	Fees, charges and other service income	(67,496)
(3,801)	Interest and investment income	(2,208)
(83,648)	Income from council tax, non-domestic rates	(88,827)
(192,549)	Government grants and contributions	(166,540)
-	Other income	-
-	Gains on Disposals	-
(354,317)	**Total income**	**(325,071)**
75,458	**(Surplus) or Deficit on the Provision of Services**	**137,638**

** The 2017/18 comparators were restated, see Note 39 for more details.*

Note 10: Partnership Arrangements

The Council has entered into two pooled budget arrangements, the Better Care Fund and Berkshire Community Equipment Store.

Better Care Fund (BCF)

The Council began hosting the Better Care Fund from the 1st April 2015. This is part of a national initiative to pool health and social care funding of services to achieve better health and care for the local community. The Better Care Fund is a partnership between NHS England, the Ministry of Housing, Communities and Local Government, the Department of Health and Social Care and the Local Government Association

The Better Care fund is a pooled budget agreement and operates according to an agreement made under section 75 of the National Health Act 2006 between Slough Borough Council and East Berkshire Clinical Commissioning Group.

In 2018/19 the fund comprised 32 schemes (as in 2017/18) grouped under thefollowing headings:

- Proactive Care
- Single Point of Access & Integrated Care
- Strengthening Community Capacity
- Enablers, Governance & Social Care Protection

In 2018/19 Slough Borough Council funding included £2.842m of improved better care fund (BCF) grant (£2.182m in 2017/18). In accordance with the section 75 agreement, NHS funded services that are commissioned directly by the clinical commissioning group, do not require transactions to be via the Council. Consequently, the actual transfer of funding from the CCG to the Council as a result of the fund is £5.852m.

Berkshire Community Equipment Store

The Berkshire Community Equipment Store (BCES) is provided jointly by six Berkshire local authorities and the NHS in Berkshire. for the effective procurement and provision of a joint store of health and social care equipment within the region in conjunction with the South Central Ambulance NHS Trust. In 2015/16 West Berkshire Council took over as the lead Council and the accountable body (previously Slough Borough Council in 2014/15). Slough Borough Council are charged for the amount of equipment that they use.

2017/18			2018/19	
BCF	BCES		BCF	BCES
£'000	£'000		£'000	£'000
(3,494)	(305)	Authority Funding	(4,232)	(431)
(8,407)	(7,001)	Partner Funding	(8,567)	(8,946)
(11,901)	**(7,306)**	**Total Funding**	**(12,799)**	**(9,377)**
3,494	415	Authority Expenditure	4,232	431
7,756	7,141	Partner Expenditure	8,203	8,946
11,250	**7,556**	**Total Expenditure**	**12,435**	**9,377**
(651)	**250**	**Net (Surplus)/Deficit on the Pooled Budget**	**(364)**	-
(191)	**10**	**Authority Share of the Net (Surplus) / Deficit**	**(364)**	**-**

Note 11: Members' Allowances

The Council paid allowances to its members in 2018/19 of £0.490 million (£0.482 million in 2017/18).

Note 11a: Exit packages and termination benefits

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below.

Exit package cost band (including special payments)	**Number of compulsory redundancies**		**Number of other departures agreed**		**Total number of exit packages by cost band**		**Total cost of exit packages in each band**	
	2017/18	**2018/19**	**2017/18**	**2018/19**	**2017/18**	**2018/19**	**2017/18**	**2018/19**
£0 - £20,000	2	**10**	4	**3**	6	**13**	84	**125**
£20,001 - £40,000	1	**5**	1	**3**	2	**8**	58	**215**
£40,001 - £60,000	-	**-**	2	**-**	2	**-**	102	**-**
£60,001 - £80,000	-	**2**	-	**-**	-	**2**	-	**129**
£80,001 - £100,000	-	**-**	1	**-**	1	**-**	99	**-**
£100,001 - £150,000	-	**-**	-	**1**	-	**1**	-	**101**
£150,001 - £200,000	-	**1**	-	**-**	-	**1**	-	**160**
£350,001 and over	1	**-**	-	**-**	1	**-**	466	**-**
Total	**4**	**18**	**8**	**7**	**12**	**25**	**809**	**730**

Note 11b: Officers' Remuneration

The remuneration of senior employees, defined as those who are members of Management Board, or those holding statutory posts is as follows:

2018/19	**Salary including fees and allowances**	**Taxable Expenses**	**Total Remuneration excluding Pension costs**	**Employers Pension Contributions**	**Total Remuneration including Pension**	
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	*Note*
Post holder information						
Chief Executive - J Wagg	68	-	68	9	78	*1*
Interim Chief Executive - N Pallace	214	-	214	-	214	*2*
Director of Children,Learning and Skills Services	131	-	131	18	149	*4*
Interim Director of Place and Development - M England	154	-	154	-	154	*4*
Director of Finance and Resources (S151 Officer)	118	-	118	15	134	*4*
Director of Adults and Communities	131	-	131	17	148	*4*
Director of Regeneration	118	-	118	16	134	*4*
Director of Public Health	32	-	32	-	32	*6*

Note 11b: Officers' Remuneration (continued)

2017/18	Salary including fees and allowances	Compensation for loss of office	Total Remuneration excluding Pension costs	Employers Pension Contributions	Total Remuneration including Pension contributions	Note
	£	£	£	£	£	
Post holder information						
Interim Chief Executive - N Palace	30	-	30	-	30	2
Interim Chief Executive - R Parkin	113	142	255	340	595	3
Director of Children,Learning and Skills Services	61	-	61	8	69	4
Interim Director of Place and Development - M England	87	-	87	-	87	4
Director of Finance and Resources (S151 Officer)	55	-	55	7	63	4
Director of Adults and Communities	63	-	63	8	71	4
Director of Regeneration	55	-	55	7	63	4
Strategic Director of Regeneration, Hsg & Resources	75	-	75	-	75	5
Assistant Director Finance and Audit (S151 Officer)	42	-	42	6	48	5
Interim Director of Childrens Services	57	-	57	8	65	5
Assistant Director-Adult Social Care	56	-	56	8	64	5
Director of Public Health	35	-	35	-	35	6

Notes

1. 2018/19 Not full year. Start date 01/10/2018
2. 2018/19 and 2017/18 Not full years costs
3. Postholder left 19/12/17. The pension contribution amount above includes a capital payment as compensation for loss of office
4. 2017/2018 Posts created as a result of the senior management restructure implemented 02/10/2017
5. Not full year costs for 2017/18. Posts deleted as a result of the senior management restructure implemented 02/10/2017
6. The Director of Public Health costs were shared between the Berkshire Authorities. The total cost of the post in 2018/19 was £160k (£189k in 2017/18) with Slough Council's share being £32k

Note 11b: Officers' Remuneration (continued)

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration band	2017/18			2018/19		
	Number of employees			Number of employees		
	Schools	Non Schools	Total	Schools	Non Schools	Total
£50,000 - £55,000	16	19	35	23	15	38
£55,000 - £60,000	16	10	26	14	20	34
£60,000 - £65,000	10	11	21	8	4	12
£65,000 - £70,000	8	5	13	6	10	16
£70,000 - £75,000	-	2	2	3	4	7
£75,000 - £80,000	4	3	7	3	6	9
£80,000 - £85,000	2	-	2	1	1	2
£85,000 - £90,000	2	-	2	2	1	3
£90,000 - £95,000	2	1	3	-	1	1
£95,000 - £100,000	2	-	2	4	1	5
£100,000 - £105,000	-	-	-	1	-	1
£105,000 - £110,000	-	-	-	-	1	1
£110,000 - £115,000	-	-	-	-	-	-
£115,000 - £120,000	-	1	1	-	-	-
£120,000 - £125,000	-	-	-	-	-	-
£125,000 - £130,000	-	-	-	-	-	-
£130,001 - £135,000	-	-	-	-	-	-
£135,001 - £140,000	1	-	1	-	-	-
£140,001 - £145,000	-	1	1	-	-	-
Total	**63**	**53**	**116**	**65**	**64**	**129**

The figures do not include staff employed by academies.

Note 12: External Audit Fees

The Council’s external auditors for the audit of the Statement of Account in 2018/19 are Grant Thornton LLP (BDO LLP in 2017/18). The Council’s external auditors for the certification of grant claims are Grant Thornton LLP (BDO LLP in 2017/18). The Authority has incurred the following expenditure for services provided by the external auditors for the relevant year:

2017/18		2018/19
£'000		**£'000**
128	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	516
35	Fees payable to external auditors for the certification of grant claims and returns for the year	108
-	Fees payable in respect of other services provided by external auditors during the year	13
163		**637**

** The 2018/19 fee noted above is an estimate provided by Grant Thornton. Due to ongoing work, the final fee is subject to change.*

Note 13: Dedicated Schools Grant (DSG)

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the council's area. DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the Schools and Early Years Finance (England) Regulations 2017. Schools Budget includes elements for a range of educational services provided on an authority-wide basis and the Individual Schools Budget, which is divided into a budget share for each maintained school, funding for early years providers, and high-needs payments to providers.

2017/18			Schools budget funded by Dedicated Schools Grant	2018/19		
Central expenditure	**Individual Schools budget (ISB)**	**Total**		**Central expenditure**	**Individual Schools budget (ISB)**	**Total**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
		160,419	Final DSG before Academy recoupment			165,744
		(92,468)	Academy figure recouped			(97,835)
		67,951	**Total DSG after recoupment**			**67,909**
		2,387	Brought forward DSG			(5,388)
		-	Less carry forward agreed in advance			-
31,378	**38,960**	**70,338**	**Agreed Initial budgeted distribution**	**27,686**	**34,835**	**62,521**
(329)	-	(329)	In year adjustments	(368)	-	(368)
31,049	**38,960**	**70,009**	**Final Budgeted Distribution**	**27,318**	**34,835**	**62,153**
(36,437)		(36,437)	less Actual central expenditure	(34,651)	-	(34,651)
-	(38,960)	(38,960)	less Actual ISB deployed to schools	-	(34,700)	(34,700)
-	-	-	plus local authority contributions for the year	-	-	-
(5,388)	**-**	**(5,388)**	**Carry Forward**	**(7,333)**	**135**	**(7,198)**

Note 14: Grant Income

The authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement

2017/18 Restated*		2018/19
£'000		£'000
	Credited to Taxation and non-specific grant income	
	Non-ringfenced government grants	
(13,181)	Revenue Support Grant	-
(3,678)	PFI Grant	(3,678)
(989)	Section 31 Grant	(3,020)
(3,195)	New Homes Bonus Grant	(2,749)
(827)	Other grants	(872)
(21,870)	**Total of Non-ringfenced government grants**	**(10,319)**
(15,776)	Capital grant and contributions	(3,346)
(37,646)	**Total credited to Taxation and non-specific grant income**	**(13,665)**
	Credited to services	
(62,460)	Dedicated Schools Grant	(67,541)
(69,301)	DWP Subsidy	(63,852)
(7,763)	Public Health Grant	(7,563)
(2,360)	Pupil Premium	(1,926)
(1,899)	YPLA Post 16 Funding	(1,714)
(1,018)	Schools grant	(1,312)
(648)	Children Services Grant	(795)
(603)	DWP Subsidy - Administration	(549)
(500)	Access Fund Grant (DFT)	(499)
(299)	Flexible Homelessness Grant	(476)
(1,082)	Skills Funding Agency	(463)
(6,970)	Other grants	(6,185)
(154,903)	**Total of Government Grant credited to Net Cost of Services**	**(152,875)**
(192,549)	**Total of grants and contributions to the Comprehensive Income and Expenditure Statement**	**(166,540)**

** The 2017/18 comparators were restated, see Note 39 for more details.*

Note 15: Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure.

2018/19	**General Fund Balance**	**Housing Revenue Account**	**Capital Receipts Reserve**	**Major Repairs Reserve**	**Capital Grants Unapplied**	**Movement in Unusable Reserves**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (transferred to (or from) the Pensions Reserve)	(10,415)	(357)	-	-	-	10,772
Financial instruments (transferred to the Financial Instruments Adjustments Account)	165	102	-	-	-	(267)
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	(5,367)		-	-	-	5,367
Holiday pay (transferred to the Accumulated Absences Reserve)	297		-	-	-	(297)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	(80,483)	(31,344)	-	-	(7,730)	119,557
Adjustments between Revenue and Capital Resources:						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	3,710	5,073	(8,783)	-	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserves	(371)	(30)	401	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(874)		874	-	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve		8,776		(8,776)	-	-
Capital receipts applied to repayment of debt				-	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	8,173			-	-	(8,173)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,554	500	-	-	-	(2,054)
Adjustments to Capital Resources:						
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	10,192	-	-	(10,192)
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	12,069	-	(12,069)
Application of capital grants to finance capital expenditure	-	-	-	-	13,133	(13,133)
Cash payments in relation to deferred capital receipts	-		(5,554)	-	-	5,554
Other adjustments	(1,746)	(1)	641	(643)	8,727	(6,978)
Total Adjustments	**(85,357)**	**(17,281)**	**(2,229)**	**2,650**	**14,130**	**88,087**

Note 15: Adjustments Between Accounting Basis and Funding Basis Under Regulations (continued)

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure.

2017/18 Restated*	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (transferred to (or from) the Pensions Reserve)	(20,448)	(436)	-	-	-	20,884
Financial instruments (transferred to the Financial Instruments Adjustments Account)	170	102	-	-	-	(272)
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	534	-	-	-	-	(534)
Holiday pay (transferred to the Accumulated Absences Reserve)			-	-	-	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	(37,330)	(29,399)	-	-	(13,782)	80,511
Adjustments between Revenue and Capital Resources:						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	6,642	8,095	(14,737)	-	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserves	(308)	(48)	356	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(1,072)		1,072	-	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	11,708		(11,708)	-	-
Capital receipts applied to repayment of debt	-			-	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	6,503			-	-	(6,503)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,700	5,000		-	-	(6,700)
Adjustments to Capital Resources:						
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	5,625	-	-	(5,625)
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	10,626	-	(10,626)
Application of capital grants to finance capital expenditure	-	-	-	-	32,019	(32,019)
Cash payments in relation to deferred capital receipts	-		(3,200)	-	-	3,200
Total Adjustments	**(43,609)**	**(4,978)**	**(10,884)**	**(1,082)**	**18,237**	**42,316**

Note 16: Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure.

Movement in Earmarked reserves	1st April 2017	Transfers Out	Transfers In	Balance at 31st March 2018 Restated*	Transfers Out	Transfers In	Balance at 31st March 2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital Fund	(352)	-	352	**-**	(527)	506	(21)
Building Control	(24)		**-**	**(24)**	(98)	**-**	(122)
Specific Grants (Revenue)	(167)		-	**(167)**	-	-	(167)
MTFS Reserve	(4,266)	(1,901)	1,421	**(4,746)**	(456)	1,335	(3,867)
Housing Renewals Reserve	(89)		-	**(89)**	(2)	-	(91)
General Fund earmarked reserves	**(4,898)**	**(1,901)**	**1,773**	**(5,026)**	**(1,083)**	**1,841**	**(4,268)**
Dedicated Schools Grant	-		3,226	**3,226**		3,970	7,196
Schools - Other	(2,258)	(3,405)	1,145	**(4,518)**	(3,568)	4,739	(3,347)
Schools total	**(2,258)**	**(3,405)**	**4,371**	**(1,292)**	**(3,568)**	**8,709**	**3,849**
Total Earmarked reserves	**(7,156)**	**(5,306)**	**6,144**	**(6,318)**	**(4,651)**	**10,550**	**(419)**

Name	**Purpose**
Capital Fund	To provide funding for the capital programme.
Building Control	To hold any (surpluses)/deficits arising from the separate rolling trading account as required under statutory requirements.
Specific Grants	To hold revenue grant income received for which there are no conditions but which are earmarked for specific projects.
MTFS Reserve	To assist with the future sustainability of the Council.
Dedicated Schools Grant	To hold the ring-fenced Dedicated Schools Grant balance which is currently in deficit.
Schools resefves	To hold unused balances of budgets delegated to individual schools, which are not available to the Council for general use.

Note 17: Property, Plant and Equipment

Values as at 31 March 2019

The tables on the following pages show a breakdown of the opening and closing values of PPE assets and summarise the transactions during the year, for each class of asset.

Movements in 2018/19	Operational assets					Non-operational assets		Total
	Council dwellings	Other land and buildings	Vehicles, plant and equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Property, plant and equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation								
At 1 April 2018	**499,657**	**193,955**	**63,700**	**105,462**	**9,419**	**17,008**	**49,230**	**938,431**
Adjustments to cost/value & depreciation/impairment	(8,768)	(3,256)	(15)	-	-	(12)	-	(12,051)
Additions	12,798	56,759	1,132	6,345	54	496	19,498	97,082
Revaluation increases/(decreases) recognised in the revaluation reserve	47,474	18,924	(1,808)	-	-	(10,030)	189	54,749
Revaluation increases/(decreases) recognised in the surplus/(deficit) on the provision of services	(11,805)	(16,619)	(3,495)	-	-	(6,651)	(1,280)	(39,850)
Derecognition – disposals	(2,862)	(24,345)	(5,276)	-	-	(570)	(173)	(33,226)
Other transfers/movements	3,572	8,288	408	482	-	16,919	(28,274)	1,395
At 31 March 2019	**540,066**	**233,706**	**54,646**	**112,289**	**9,473**	**17,160**	**39,190**	**1,006,530**
Accumulated depreciation and impairment								
At 1 April 2018	**(6,459)**	**(1,991)**	**(14,366)**	**(40,543)**	**(26)**	**(174)**	**(3)**	**(63,562)**
Adjustments to cost/value & depreciation/impairment	8,768	3,256	15	-	-	12	-	12,051
Depreciation charge	(8,696)	(3,142)	(3,764)	(6,614)	-	(16)	-	(22,232)
Depreciation written out to the revaluation reserve	-	-	-	-	-	-	-	-
Depreciation written out to the surplus/(deficit) on the provision of services	-	-	-	-	-	-	-	-
Derecognition – disposal	108	352	109	-	-	2	-	571
Other transfers/movements	6	(1)	-	-	-	(2)	-	3
At 31 March 2019	**(6,273)**	**(1,526)**	**(18,006)**	**(47,157)**	**(26)**	**(178)**	**(3)**	**(73,169)**
Net book value at 31 March 2018	**493,198**	**191,964**	**49,334**	**64,919**	**9,393**	**16,834**	**49,227**	**874,869**
Net book value at 31 March 2019	**533,793**	**232,180**	**36,640**	**65,132**	**9,447**	**16,982**	**39,187**	**933,361**

Note 17: Property, Plant and Equipment (continued)

Values as at 31 March 2018

The tables on the following pages show a breakdown of the opening and closing values of PPE assets and summarise the transactions during the year, for each class of asset.

Movements in 2017/18	Operational assets					Non-operational assets		Total
	Council dwellings	Other land and buildings	Vehicles, plant and equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Property, plant and equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation								
At 1 April 2017	**486,946**	**190,681**	**54,580**	**118,933**	**8,200**	**27,421**	**29,128**	**915,889**
Prior period adjustment	(2,072)	(6,362)	(15,600)	(25,769)	-	(4,989)	(771)	(55,563)
Restated at 1 April 2017	**484,874**	**184,319**	**38,980**	**93,164**	**8,200**	**22,432**	**28,357**	**860,326**
Adjustments to cost/value & depreciation/impairment	(9,007)	(5,496)	(1,591)	-	-	(131)	-	(16,225)
Additions	8,390	36,490	6,567	12,298	308	1,335	50,850	116,238
Revaluation increases/(decreases) recognised in the revaluation reserve	19,165	3,886	411	-	-	1,322	(40)	24,744
Revaluation increases/(decreases) recognised in the surplus/(deficit) on the provision of services	(9,829)	(17,325)	3,553	-	-	(113)	(212)	(23,926)
Derecognition – disposals	(6,773)	(5,463)	(648)	-	-	(4,913)	(3,029)	(20,826)
Other transfers/movements	12,837	(2,456)	16,428	-	911	(2,924)	(26,696)	(1,900)
At 31 March 2018	**499,657**	**193,955**	**63,700**	**105,462**	**9,419**	**17,008**	**49,230**	**938,431**
Accumulated depreciation and impairment								
At 1 April 2017	**(6,400)**	**(3,271)**	**(29,031)**	**(21,618)**	**(16)**	**(558)**	**-**	**(60,894)**
Prior period adjustment	4	317	15,600	(12,714)	**-**	9	**-**	3,216
Restated at 1 April 2017	**(6,396)**	**(2,954)**	**(13,431)**	**(34,332)**	**(16)**	**(549)**	**-**	**(57,678)**
Adjustments to cost/value & depreciation/impairment	9,007	5,496	1,591	-	-	131	-	16,225
Depreciation charge	(9,185)	(4,675)	(3,098)	(6,211)	-	(77)	-	(23,246)
Depreciation written out to the revaluation reserve	-	-	-	-	-	-	-	-
Depreciation written out to the surplus/(deficit) on the provision of services	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Derecognition – disposal	121	199	506	-	-	308	-	1,134
Other transfers/movements	(6)	(57)	66	-	(10)	13	(3)	3
At 31 March 2018	**(6,459)**	**(1,991)**	**(14,366)**	**(40,543)**	**(26)**	**(174)**	**(3)**	**(63,562)**
Net book value at 31 March 2017	**478,478**	**181,365**	**25,549**	**58,832**	**8,184**	**21,883**	**28,357**	**802,648**
Net book value at 31 March 2018	**493,198**	**191,964**	**49,334**	**64,919**	**9,393**	**16,834**	**49,227**	**874,869**

Note 17: Property, Plant and Equipment (continued)

Revaluations

The Council undertakes a rolling programme that ensures that all relevant property, plant and equipment required to be measured at current value is measured at least every five years. The valuations for 2018/19 have been undertaken by external valuers 'Wilkes Head and Eve'.

Valuations of land and buildings have been carried out in accordance with the methodologies and bases of estimation, as set out in the professional standards of the Royal Institute of Chartered Surveyors. Currently we do not re-value vehicles, plant, furniture or equipment assets as these tend to be of a finite (short term) life.

Specialised properties are assumed to have no active market but the land element could potentially be sold at its market value. It is assumed the building costs would be in line with the published indices.

The following table shows the progress of the Council's rolling programme for the revaluation of council dwellings, land and buildings as at 31st March 2019:

	2018/19
	£'000
Council Dwellings	533,793
Land and Buildings	232,180
Surplus	16,982
Assets subject to valuation	**782,955**
Infrastructure	65,132
Community	9,447
Vehicles, Plant and Equipment	36,640
Assets under Construction	39,187
Assets not subject to valuation	**150,406**
Total value of assets	**933,361**

Note 17: Property, Plant and Equipment (continued)

Assets that are Revalued – by Category

	Council dwellings	Other land and buildings	Surplus assets	Total
	£'000	£'000	£'000	£'000
Carried at historical cost Valued at current value as at:	2,746	44,834	-	47,580
31/03/2019	535,670	184,899	16,425	736,994
31/03/2018	-	1,533	1,115	2,648
31/03/2017	-	2,682	-	2,682
31/03/2016	-	-	-	-
31/03/2015	-	1,405	-	1,405
31/03/2014	-	-	-	-
Total Cost or valuation	**538,416**	**235,353**	**17,540**	**791,309**

- Council dwellings - the assumption is that the Beacon assets are typical of their asset class and that all properties will continue to be let for social housing purposes.
- Surplus assets - Are valued and assumed that they are comparable to similar assets in the local market with planning permission. This is a level 2 valuation under the Fair Value Hierarchy.
- For other property, plant and equipment it is assumed that local market conditions provide an accurate guide as to the appropriate valuations.

Note 18: Capital Commitments

At 31st March 2019, the Council has committed to projects for the construction or enhancement of Property, Plant and Equipment in 2019-20 and beyond. The budgeted cost of these commitments is expected to cost £250.405m (31st March 2018 £271.963m).

The major commitments at 31st March 2019 (these represent the approved budgets rather than actual contractual commitments) are:

	Commitments in 2019-20	Commitments in Future Years	Total Commitments
	£'000	£'000	£'000
SEN Resources Expansion	3,955	1,750	5,705
Special School Expansion- Primary,Secondary & Post 16	10,877	0	10,877
Secondary Expansion Programme	13,178	5,850	19,028
James Elliman Homes	10,700	32,800	43,500
IT Infrastructure Refresh	3,345	1,050	4,395
Hub Development	5,100	10,000	15,100
New Corporate Headquarters	7,591	0	7,591
Capital Works following stock condition	3,799	7,200	10,999
Strategic Acquisitions	26,303	0	26,303
TVU development	9,031	0	9,031
Hotel development	17,271	10,000	27,271
Nova House Capital Loan	6,045	0	6,045
Affordable Housing	24,384	11,017	35,401
Fire Risk Assessment Works	5,000	0	5,000
Stoke Road LEP Scheme	4,349	6,540	10,889
MRT Phase 2 LEP Scheme	13,270	0	13,270
Total	**164,198**	**86,207**	**250,405**

Note 19: Investment Property

Investment properties are measured initially at cost and subsequently at fair value. Investment properties are not depreciated but a revalued annually according to market conditions at the year-end.

The following table summaries the movement in the fair value of investment properties over the year.

2017/18 Restated*		2018/19
£'000		£'000
38,141	**Balance at 1 April**	**55,835**
(2,407)	Restatement of opening balance	-
35,734	**Restated balance at 1 April**	**55,835**
22,240	Additions	17,143
187	Enhancement	10,168
(4,693)	Disposals	-
612	Transfers (to)/from PPE	(113)
1,755	Gains/(losses) in fair value	(16,908)
55,835	**Balance at 31 March**	**66,125**

** The 2017/18 comparators were restated, see Note 39 for more details.*

2017/18	As originally stated	Restatement	Restated
	£'000	£'000	£'000
Balance at 1 April	**38,141**	**-**	**38,141**
Additions	33,485	(11,245)	22,240
Other movement	-	-	-
Enhancement	186	1	187
Disposals	(3,800)	(893)	(4,693)
Gains/(losses) in fair value	(356)	2,111	1,755
Transfers (to)/from PPE	-	612	612
Balance at 31 March	**67,656**	**(9,414)**	**58,242**

The following items have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

2017/18		2018/19
£'000		£'000
(1,307)	Rental income from investment property	-
717	Direct operating expenses arising from investment property	-
(590)	**Total**	**-**

Note 20: Leases

The Authority has acquired has entered into a number of deemed finance leases in order to acquire Buildings, Information Technology, vehicles and Equipment.

Council as lessee

Finance leases

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

2017/18		2018/19
£'000		£'000
7,443	Other Land and Buildings	5,362
364	Vehicles, Plant, Furniture, Equipment and Other	287
7,807		**5,649**

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

2017/18		2018/19
£'000		£'000
	Finance lease liabilities (net present value of minimum lease payments):	
998	- current (not later than one year)	1,009
6,604	- non-current (later than one year)	6,017
411	Finance costs payable in future years	321
8,013		**7,347**

No contingent rentals were recognised as an expense in the Comprehensive Income and Expenditure Account, during the year, and no future sub lease income is expected to be received, as all assets are used exclusively by the Council.

2017/18			2018/19	
Minimum lease payments	Finance lease liabilities		Minimum lease payments	Finance lease liabilities
£'000	£'000		£'000	£'000
1,090	998	Not later than 1 year	1,090	1,009
3,066	3,217	Later than 1 year and not later than 5 years	2,771	2,592
3,857	3,593	Later than 5 years	3,486	3,419
8,013	**7,808**		**7,347**	**7,020**

Note 20: Leases (continued)

Operating Leases

The Council enters into operating lease agreements to acquire the use of plants, vehicles and equipment. The future minimum lease payments are made up of the following amounts:

2017/18		2018/19
£'000		£'000
757	Not later than 1 year	578
1,026	Later than 1 year and not later than 5 years	578
1,228	Later than 5 years	1,099
3,011		**2,255**

Council as lessor

Operating Leases

The future minimum lease payments receivable under non-cancellable leases in future years are:

2017/18		2018/19
£'000		£'000
3,399	- current (not later than one year)	3,123
11,886	- non-current (later than one year)	11,534
29,333	Finance costs payable in future years	26,455
44,618		**41,112**

Note 21: Service Concession Arrangements

Service concession arrangement and Private Finance Initiative (PFI), are an outsourcing method between a public sector body (Slough Borough Council), and a private sector organisation to often design and build a facility which can then be used to deliver public services.

A PFI arrangement in essence transfers responsibility, but not accountability to theprivate sector organisation. For Slough all of the PFI contracts relate to buildings

Each PFI scheme is unique and is designed and build to facilitate the specific needs of the council. A detailed contract is entered into which will set out the specification of the service to be provided, how long the agreement is for and will usually have very specific clauses in that specify exactly who received services provided and will furthermore give the Council the ability to restrict who the operator provides services to.

Under a PFI contract the operator is obliged to hand over the facility at the end of the contract in a specified condition at no additional cost to the Council

Schools PFI Scheme

The final business case for the Council’s PFI project was approved by Department for Education & Schools in August 2006. The PFI contract was signed on 3rd August 2006 for the provision and replacement of three schools, which was a long term commitment for the provision of accommodation and facilities management for a period of 28 years. 35% of the payment to the contractor over the life of the contract (“the unitary charge”) is adjusted annually in line with the Retail Price Index. The monthly payment is subject to scrutiny and adjustment for the level and quality of service provided. During 2006/07, the Council entered into a Private Finance Initiative contract for the design, build and operation of three schools Penn Wood, Beechwood and Arbour Vale. The contract is for a period of 28years.

- Penn Wood became operational on 26th February 2007
- Beechwood and Arbour Value schools both became operational from 3rd September 2007

Under International Financial Reporting Standards (IFRS) the PFI assets recognised as Property Plant and Equipment on the Balance Sheet and are subject to revaluation every five years (as part of the normal valuation cycle of non-current assets. The assets are subject to depreciation and impairment as normal assets.

The initial cost under the contract for the design and build element is recognised on the Balance Sheet. This is being written down over the life of the contract as payments are made under the contract. The Council is committed to make total payments of circa £229.3m over the life of the contract. The monthly payments to the contractor are often refered to as a Unitary payment which incorporates the three distinctive elements of the scheme (Capital repayment, Interest and Service charge). The capital cost is set against the liability for the purchase cost, the interest element is charged against interest payable in the accounts, and the service elements is charged to 'Children's Learning and Skills' expenditure in the Comprehensive Income and Expenditure account.

Movement in PFI Assets

PFI Schools		PFI Schools
£'000		£'000
34,637	**Opening balance**	**41,090**
-	Adjustments to cost/value & depreciation/impairment	-
182	Additions	4
-	Revaluation increases/(decreases) recognised in the revaluation reserve	3,279
(714)	Depreciation charge	(234)
6,985	Derecognition - disposals	(32,148)
41,090		**11,991**

Note 21: Service Concession Arrangements (continued)

Beechwood / Arbour Vale

In 2016/17 Beechwood School transferred to an Academy and Arbour Vale transferred in 2018/19.

Under International Financial Reporting Standards (IFRS) the PFI assets are recognised as Property Plant and Equipment on the Balance Sheet and are subject to revaluation every five years (as part of the normal valuation cycle of non-current assets). The assets are subject to depreciation and impairment as normal assets.

However as these two schools have converted to Academies the Council lost control and is not entitled to recognise the Schools as assets on the Councils Balance Sheet, they have therefore been de-recognised as assets in the Council's accounts (removed from).

The full element of the liability to the operator is still shown in the books of the Council, as the Council is ultimately responsible for the payment of the Complete Unitary Charge

Both schools are now making contributions to the Council to cover their elements of the Unitary Charge (net of all associated PFI credits the Council received)

Payments

The Council makes payments to the PFI operators which cover the charge for services provided, repayment of the liability in respect of each contract and interest on those liabilities. Payments remaining to be made under the three contracts at the year-end are set out below.

2017/18					2018/19			
Service cost	Repayment of liability	Interest	Total		Service cost	Repayment of liability	Interest	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
(2,264)	(1,262)	(2,794)	(6,320)	within 1 year	(2,316)	(1,379)	(2,696)	(6,391)
(12,085)	(4,603)	(10,175)	(26,863)	within 2-5 years	(12,730)	(4,809)	(9,818)	(27,357)
(16,307)	(8,441)	(10,347)	(35,095)	within 6-10 years	(16,896)	(9,080)	(9,691)	(35,667)
(16,597)	(13,141)	(6,499)	(36,237)	within 11-15 years	(17,043)	(14,233)	(5,478)	(36,754)
(8,463)	(8,516)	(1,118)	(18,097)	within 16-20 years	(5,063)	(5,200)	(456)	(10,719)
(55,716)	**(35,963)**	**(30,933)**	**(122,612)**	**Closing balance**	**(54,048)**	**(34,701)**	**(28,139)**	**(116,888)**

Note 21: Service Concession Arrangements (continued)

Movement on the value of the liabilities

Although the payments made to each contractor are described as unitary payments, they have been calculated to compensate each contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to be paid to the contractors for capital expenditure is set out below.

2017/18		2018/19
£'000		£'000
(35,816)	**Balance at 1 April**	**(35,963)**
847	Repayment	1,262
(994)	Other movements	-
(35,963)	**Balance at 31 March**	**(34,701)**

Note 22: Capital Expenditure and Financing

The capital financing requirement (CFR) is a Prudential Code indicator which shows the underlying need for the Council to borrow to fund its non current assets. The requirement is increased by capital expenditure financed from borrowing and decreased by revenue or capital resources put aside for the repayment of debt. An explanation of the movement in the year ended 31 March 2019 is shown in the table below.

Total expenditure incurred on improvement, enhancement and acquisition of non-current assets in 2018/19 was £166.252m (£168.580m in 2017/18). This is made up of £150.103m of capital expenditure and £16.149m of REFCUS expenditure. The financing sources used are shown below and include amounts used to finance REFCUS expenditure.

2017/18 Restated*		2018/19
£'000		£'000
356,313	**Opening capital financing requirement**	**484,213**
18,530	Restatement of opening balance*	-
374,843	**Restated opening capital financing requirement**	**484,213**
	Capital investment	
117,273	Property, plant and equipment	97,082
22,427	Investment Properties	27,311
188	Intangible Assets	419
14,654	Revenue expenditure funded from capital under statute	9,676
6,724	Loans to James Elliman Homes Ltd	23,200
13,881	Capitalisation Direction	28,201
175,147	**Total capital investment**	**185,889**
	Sources of finance	
(5,625)	- Capital receipts	(10,192)
(36,323)	- Government grants and other contributions	(18,686)
(10,626)	- Major repairs reserve	(12,069)
	Sums set aside from revenue	
(6,700)	- Direct revenue financing	(2,054)
(6,503)	- Minimum revenue provision	(8,173)
(65,777)	**Total sources of finance**	**(51,174)**
484,213	**Closing capital financing requirement**	**618,928**
	Explanation of movements in year:	
(6,503)	Minimum revenue provision	(8,173)
13,881	Capitalisation Direction	28,201
101,992	Increase/decrease in underlying need to borrow	114,687
109,370	**Increase/(decrease) in CFR for the year**	**134,715**

** The opening balance was restated to reflect changes to the balance sheet at 1 April 2017, and the expenditure on property, plant and equipment was oncreased by £16.138m to reflect the creditor for the purchase of the Thames Valley University site, which had been omitted from te 2017/18 accounts. For more details see Note 39 Prior Period Adjustments*

Note 23: Financial Instruments

Following the adoption of IFRS 9 Financial Instruments with effect from 1 April 2018, financial assets have been reclassified into the new classifications based on IFRS 9

	Balance at 1 April 2018						New classifications at 1 April 2018		
	Carrying amount brought forward	Correction to exclude equity and loans to James Elliman Homes Ltd	Correction to exclude loan notes to SUR	Correction to reclassify trade debtors	Restatement	Restated balance brought forward	Amortised cost	Fair value through other comprehensive income	Fair value through profit and loss
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
		Note 1	Note 2		Note 3				
Previous classification									
Long-term									
Loans and receivables									
Investments									
Debtors	12,196	(4,034)			471	8,633	8,633		
Cash and cash equivalents									
Available for sale assets									
Investments	18,895	(2,689)				16,206			16,206
Short-term									
Loans and receivables									
Investments	16,113	(47)	(10,986)			5,080	5,080		
Debtors	19,422			(10,762)		8,660	8,660		
Cash and cash equivalents	9,900					9,900	9,900		
Available for sale assets									
Investments	2,695					2,695			2,695
Original amounts at 1 April 2018	**79,221**	**(6,770)**	**(10,986)**	**(10,762)**	**471**	**51,174**			
Reclassified amounts at 1 April 2018							**32,273**	**-**	**18,901**

There were no gains or losses arising from remeasurement as a result of reclassification.

Notes

The opening balances at 1 April 2018 have been restated for the following reasons:

1. the equity in and loans to James Elliman Homes Ltd have been excluded from the financial instrument disclosures as the Council's interests in the company are consolidated in the Group Accounts.
2. the loan notes to SUR LLP have been excluded from the financial instrument disclosures as the Council's interests in SUR LLP are consolidated in the Group Accounts.
3. the balance of long-term debtors was restated as part of the Prior Period Adjustment in relation to overage.

Note 23: Financial Instruments (continued)

Analysed by Category

2017/18				2018/19		
Non-Current	**Current**	**Total**		**Non-Current**	**Current**	**Total**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
			Financial Assets			
			Loans and receivables			
-	5,080	5,080	Investments	-	-	-
8,633	8,660	17,293	Finance lease	-	-	-
-	9,900	9,900	Cash and cash equivalents	-	-	-
			Available for Sale assets			
16,206	2,695	18,901	Investments	-	-	-
24,839	**26,335**	**51,174**		**-**	**-**	**-**
			Amortised cost			
-	-	-	Investments	-	44,019	44,019
-	-	-	Trade Debtors	7,277	10,633	17,910
-	-	-	Cash and cash equivalents	-	19,879	19,879
24,839	**26,335**	**51,174**		**7,277**	**74,531**	**81,808**
			Fair Value Through Profit and Loss			
-	-	-	Investments	19,684	163	19,847
49,678	**52,670**	**102,348**	**Total financial assets**	**26,961**	**74,694**	**101,655**
			Financial Liabilities			
			Amortised cost			
(170,341)	(152,760)	(323,101)	Loans outstanding	(304,216)	(214,682)	(518,898)
(34,701)	(1,262)	(35,963)	PFI contracts	(33,322)	(1,379)	(34,701)
(6,810)	(998)	(7,808)	Finance leases	(6,011)	(1,009)	(7,020)
(21,636)	(48,936)	(70,572)	Trade creditors	(6,060)	(39,197)	(45,257)
(233,488)	**(203,956)**	**(437,444)**	**Total financial liabilities**	**(349,609)**	**(256,267)**	**(605,876)**

Classification of financial assets

The classification of financial assets in 2017/18 follows the IAS39 classification, while the classification in 2018/19 follows the IFRS9 classification which the Code adopted prospectively with effect from 1 April 2018

Note 23: Financial Instruments (continued)

Out of scope assets

In addition to the above financial instruments, the Council has:

a. an equity interest in James Elliman Homes Ltd;
b. advanced loans to James Elliman Homes Ltd; and
c. advanced loan notes to SUR LLP

These have been excluded from the financial instrument disclosures as they are scoped out of the Code's financial instrument reporting requirements, because the Council consolidates both James Elliman Homes Ltd and SUR LLP into its group accounts.

The sums involved are:

2017/18	Long-term debtors	2018/19
£'000		£'000
13,893	Long-term debtors balance per the Balance Sheet	31,209
	LESS out of scope assets	
(5,260)	Loan to James Elliman Homes Ltd	(23,932)
8,633	**Remaining long-term debtors classified as financial instruments:**	**7,277**
8,633	Loans and receivables in 2017/18	-
-	Assets at amortised cost in 2018/19	7,277
8,633		**7,277**

2017/18	Short-term investments	2018/19
£'000		£'000
18,808	Short-term investments balance per the Balance Sheet	48,545
	LESS out of scope assets	
(10,986)	Loan to SUR	(4,363)
(47)	Interest accrual on loan to James Elliman Homes Ltd	
7,775	**Remaining short-term investments classified as financial instruments:**	**44,182**
5,080	Loans and receivables in 2017/18	-
2,695	Available for sale assets in 2017/18	-
-	Assets at amortised cost in 2018/19	44,019
-	Fair value through profit and loss in 2018/19	163
7,775		**44,182**

Note 23: Financial Instruments (continued)

2017/18 £'000	Long-term investments	2018/19 £'000
17,670	Long-term investments balance per the Balance Sheet	25,056
	LESS out of scope assets	
(1,464)	Equity in James Elliman Homes Ltd	(5,372)
16,206	**Remaining long-term investments classified as financial instruments:**	**19,684**
16,206	Available for sale assets in 2017/18	-
-	Fair value through profit and loss in 2018/19	19,684
16,206		**19,684**

Income, Expense, Gains and Losses

2017/18				2018/19		
Financial Liabilities	Financial Assets			Financial Liabilities	Financial Assets	
Liabilities at amortised cost	Loans and Receivables	Available for Sale		Liabilities at amortised cost	Loans and Receivables	Fair value through profit and loss
£'000	£'000	£'000		£'000	£'000	£'000
			Expense:			
9,532	-	-	Interest expense	11,735	-	-
-	-	-	Loss on financial assets at FVTPL	-	-	46
9,532	**-**	**-**	**Net expense in (Surplus)/Deficit on the Provision of Services**	**11,735**	**-**	**46**
			Revenue:			
-	(1,166)	-	Interest income	-	(1,089)	-
-	-	-	(Gain) on financial assets at FVTPL	-	-	(24)
-	-	(607)	Distributions from Available for Sale assets	-	-	-
-	-	-	Distributions from FVTPL assets	-	-	(701)
-	**(1,166)**	**(607)**	**Total income in (Surplus)/Deficit on the Provision of Services**	**-**	**(1,089)**	**(725)**
			Unrealised (gains) and losses			
-	-	(488)	Gains on revaluation	-	-	-
-	**-**	**(488)**	**(Surplus)/Deficit arising from revaluation of financial assets in Other Comprehensive Income and Expenditure**	**-**	**-**	**-**

Note 23: Financial Instruments (continued)

Fair value through Other Comprehensive Income instruments

The Council has two wholly owned subsidiaries which are not consolidated into the Group Accounts, namely Ground Rent Estates 5 Ltd and Development Initiative for Slough Housing Ltd.

Because the business model is to hold the companies for the long-term rather than to trade, they are classed as fair value through other comprehensive income.

However the carrying values of the two companies are negligible at £11,000 combined. Therefore no further disclosure is made.

Out of scope assets

In addition to the above financial instruments, the Council has:

a. an equity interest in James Elliman Homes Ltd; and
b. advanced loans to James Elliman Homes Ltd; and
c. advanced loan notes to SUR LLP

Both of which generate interest receivable to the Council.

These have been excluded from the financial instrument disclosures above as they are scoped out of the Code's financial instrument reporting requirements, because the Council consolidates both James Elliman Homes Ltd and SUR LLP into its group accounts, but is disclosed below:

2017/18		2018/19
£'000		£'000
(2,609)	Interest income per Note 12	(2,126)
	LESS income from out of scope assets:	
105	Interest on Loan to James Elliman Homes Ltd	(423)
731	Interest on Loans to Slough Urban Renewal LLP	759
(1,773)	**Income from financial instruments analysed:**	**(1,790)**
(1,166)	Interest income	(1,089)
(607)	Distributions from Available for Sale Assets in 2017/18	-
-	Distributions from Fair Value through Profit and Loss Assets in 2018/19	(701)
(1,773)		**(1,790)**

Note 23: Financial Instruments (continued)

Material soft loans made by the Authority

Loan to James Elliman Homes Ltd

The loan to James Elliman Homes Ltd to acquire and redevelop housing in the borough is deemed to be a material soft loan.

Interest is charged at 3%.

	2017/18	2018-19
	£	£
Opening balance	**-**	**5,259,896**
Nominal value of new loans granted in the year	6,723,610	23,200,000
Fair value adjustment on initial recognition	(1,558,066)	(4,892,202)
Loans repaid	(63,875)	(486,051)
Impairment losses	-	-
Increase in discounted amount	158,226	850,408
Other changes	-	-
Closing balance	**5,259,895**	**23,932,051**
Nominal value of loans	6,723,610	29,923,610

Valuation assumptions

The interest rate at which the fair value of the soft loan has been made is arrived at by taking the PWLB rate prevailing at the date of each loan drawdown and adding an allowance for credit risk based on advice from the Council's treasury advisors.

Note 24: Nature and Extent of Risks Arising from Financial Instruments

General procedures for managing risk

The Council's overall risk management procedures focus on the unpredictability of financial markets and seeks to minimise potential adverse risks on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy and the annual investemnt strategy. The Council provides written principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk is the possibility that other parties might fail to pay amounts due to the Council.

Credit risk arises from deposits placed with banks and other institution, as well as credit exposures to Council customers. This risk is minimised through the annual investment strategy available on the Council website.

Key controls are:

a. Investments are only placed with commercial entities with a minmimum long-term credit rating of A-, and with other local authorities without credit ratings. Recognising that credit ratings are imperfect predictions of default, the Council has regard to ther measures including credit default swap and equity prices when selecting commercial organisations for investment.

b. placing a limit on the amount of money which can be invested with a single counterparty; and

c. placing an overall limit of £40m which can be invested for more than one year.

The table below summarise the credit exposures of the Council's treasury investment portfolio by credit rating:

2017/18		**Fitch Rating**	**2018/19**	
Non-current	**Current**		**Non-current**	**Current**
£'000	**£'000**		**£'000**	**£'000**
-	4,754	AAA MMF	-	7,262
-	-	AA-	-	10,031
-	5,060	Unrated local authorities	-	44,019
16,206	2,695	Unrated pooled funds	19,684	163
8,633	8,660	Unrated debtors	7,277	10,633
-	326	Unrated investments	-	-
-	4,840	Unrated cash and cash equivalents	-	2,586
24,839	**26,335**		**26,961**	**74,694**

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies. The estimated loss is negligible as the majority of investments mature within 12 months. There has been no history of default on the pooled funds, therefore no loss allowance is deemed necessary.

Note 24: Nature and Extent of Risks Arising from Financial Instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Council will have insufficient funds in its bank account to make the payments necessary to meet its financial obligations.

The Council operates a cashflow forecasting system which seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowing at favourable rates from the Public Worlks Loans Board, the and other local authorities, and at higher rates from banks and building societies. There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

The Council is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of high interest rates, as it has a substantial amount of money borrowed temporarily from other local authorities. This risk also extends to market lender option borrower option loans (LOBOs) where the lender can exrcise its option to vary the rate of interest payable, thereby triggering the Council's option to either accept the new rate or re-finance from elsewhere. The LOBOs have remaining terms of up to 47 years and interest rates of 3.75% to 3.99%.

Risk is managed by maintaining a spread of fixed rate loans and ensuring that no more than 30% of the Council's fixed term borrowing matures in any one financial year.

2017/18		2018/19
£'000		£'000
152,760	less than one year	214,682
-	between 1 and 2 years	5,083
14,000	between 3 and 5 years	29,250
29,000	between 6 and 10 years	54,417
25,500	between 11 and 15 years	50,916
28,000	between 16 and 20 years	57,792
60,841	between 21 and 25 years	70,008
-	between 26 and 30 years	3,750
13,000	more than 30 years	33,000
323,101	**Total**	**518,898**

Interest rate risk

Interest rate risk is the possibility that financial loss might arise as a result of changes in interest rates.

The Council is exposed to to interest movements on its borrowings and investments. Movements on interest rates have a complex effect on the Council depending on how variable and fixed interest rates move across differing financial instruments. For instance, a rise in interest rates would have the following effects:

Borrowings at variable rates	The interest expense charged to the Comprehensive Income and Expenditure Statement will rise
Borrowings at fixed rates	The fair value of the borrowing will fall (no impact on revenue balances)
Investments at variable rates	The interest income credited to the Comprehensive Income and Expenditure Statement will rise
Investments at fixed rates	The fair value of the assets will fall (no impact on revenue balances)

Note 24: Nature and Extent of Risks Arising from Financial Instruments (continued)

Investments measured at amortised cost and loans borrowed are not carried at fair value on the Balance Sheet, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement.

The Treasury Management Strategy aims to itigate these risks by setting upper limts of 50% on external debt than can be subject to variable interest rates. At 31 March 2019 96% of the debt portfolio was held in fixed rate instruments and 4% in variable rate LOBOs.

If interest rates had been 1% higher (with all other variables held constant), the financial effect would be:

2017/18		2018/19
£'000		£'000
100	Increase in interest payable on variable rate borrowings	50
(209)	Increase in interest receivable on receivable rate investments	(258)
(109)	**Impact on surplus/deficit on the provision of services**	**(208)**

2017/18	Impact on other comprehensive income and expenditure	2018/19
£'000		£'000
-	Decrease in fair value of fixed rate investment assets	-
20,904	Decrease in fair value of fixed rate borrowings liabilities	37,263

Price risk

The Council holds some financial instruments in pooled property funds of which the capital value may fluctuate as a result of market conditions. While fluctuations in the capital value are a charge to the Comprehensive Income and Expenditure Statement, all such movements are transferred to the Pooled Instruments Adjustment Account in reliance on the statutory override provided by Regulation 30K of The Local Authorities (Capital FInance and Accounting) (England) Regulations 2003, as amended. Consequently any temporary fluctuations in price have no impact on the Council's finances.

Market risk

The Council recognises an allowance for expected credit losses on financial assets measured at amortised cost, lease receivables and trade debtors. The amount of expected credit losses is update at each reporting date to reflect chnages in credit risk since initial recognition of the respective financial instruments.

Trade receivables

For trade receivables the Council applies a simplified approach permitted under IFRS9 and recognises a loss allowance equal to to lifetime expected losses. The expected credit losses on these financial assets are estimated using a provision matrix based on historical credit loss experience, adjusted for general economic conditions and an assessment of both current and forecast diection of conditions at the reporting date. A loss allowance for expected credit losses is not recognised on a financial asset where the counterpartry is central governmnet or a local authority for which relevant statutory provisions prevent default.

In measuring the expected credit losses, significant trade receivable balances are assessed individually for impairment where specific information regarding recoverability of the debt is available. Trade receivables not assessed individually have been assessed on a collective basis based on shared risk characteristics and days past due.

Note 24: Nature and Extent of Risks Arising from Financial Instruments (continued)

At 31 March 2019	Not past due 0-29 Days	30-59 days	60 - 89 Days	90 - 119 Days	120 - 365 Days	More than one year	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Debtors individually assessed	-	-	-	-	-	-	-
Expected credit loss (individually assessed)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Debtors collectively assessed	3,409	97	58	22	325	774	4,685
Loss rate	0%	5%	25%	25%	50%	100%	
Expected credit loss (collectively assessed)	**-**	**5**	**15**	**6**	**163**	**774**	**961**
Total Lifetime Expected Credit Losses	**-**	**5**	**15**	**6**	**163**	**774**	**961**

At 31 March 2018	Not past due 0-29 Days	30-59 days	60 - 89 Days	90 - 119 Days	120 - 365 Days	More than one year	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Debtors individually assessed	-	-	-	-	-	-	-
Expected credit loss (individually assessed)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Debtors collectively assessed	6,891	173	62	120	399	395	8,040
Loss rate	0%	5%	25%	25%	50%	100%	
Expected credit loss (collectively assessed)	**-**	**9**	**16**	**30**	**200**	**395**	**649**
Total Lifetime Expected Credit Losses	**-**	**9**	**16**	**30**	**200**	**395**	**649**

The closing balance of the trade receivables loss allowance at 31 March 2019 reconciles with trade receivables loss allowance opening balance as follows:

2017/18		2018/19
£'000		£'000
511	Loss allowance at 31 March calculated under IAS 39	649
-	Amounts adjusted through opening reserves	-
511	**Opening loss allowance at 1 April**	**649**
138	Loss allowance recognised during the year	312
-	Receivables written off during the year	-
-	Loss allowance unused and reversed during the year	-
649	**Loss allowance at 31 March**	**961**

Other receivables measured at amortised cost (Long-term debtors)

For long-term debtor balances, recognition of 12-month expected crdit losses or lifetime expected credit losses is dependent on whether there has been a significant increase in credit risk of these items since initial recognition.

At 31 March 2019 the gross carrying amount of long-term debtors measured at amortised cost was £7.277m (£8.633m at 31 March 2018)

Note 24: Nature and Extent of Risks Arising from Financial Instruments (continued)

The balance due from Slough Children's Services Trust of £5.983m at 31 March 2019 (£4.182m at 31 March 2018) has been impaired by £2.4m following agreement in February 2021 with the Department fo Education for a new loan to the Trust.

The closing balance of the loss allowance for other other receivables at 31 March 2019 reconciles with the opening balance as follows:

2017/18		2018/19
£'000		£'000
-	Loss allowance at 31 March calculated under IAS 39	-
-	Amounts adjusted through opening reserves	-
-	**Opening loss allowance at 1 April**	**-**
-	Loss allowance recognised during the year	2,400
-	Receivables written off during the year	-
-	Loss allowance unused and reversed during the year	-
-	**Loss allowance at 31 March**	**2,400**

Non-IFRS9 financial assets that are either past due or impaired

An analysis of the age of non-IFRS9 financial assets, comprising Council Tax, business rates and housing rents that were either past due at the balance sheet date or imapired is set out in the following table

2017/18					2018/19			
Council Tax	Business Rates	Housing Rents	Total		Council tax	Business Rates	Housing Rents	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
1,946	2,179	532	4,657	Past due less than 12 months	2,227	2,560	577	5,364
10,904	1,556	1,743	14,203	Past due more than 12months	11,482	1,701	1,979	15,162
12,850	**3,735**	**2,275**	**18,860**		**13,709**	**4,261**	**2,556**	**20,526**

A summary of the loss allowance at the balance sheet date analysed by class of debtor is shown below - all have been assessed on a collective basis.

2017/18		2018/19
£'000		£'000
(5,735)	Council Tax	(10,426)
(2,004)	Business Rates	(3,122)
(1,808)	Housing Rents	(2,032)
(8,761)	Housing Benefits Overpayments	(11,220)
(18,308)		**(26,800)**

Note 25: Fair value of assets and liabilities

The following tables combine information about:

(a) classes of financial instruments and non-financial assets based on their nature and characteristics;

(b) the carrying amounts of financial instruments and non-financial assets;

(c) fair values of financial instruments and non-financial assets; and

(d) fair value hierarchy levels of financial instruments and non-financial assets for which fair value is disclosed.

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

Level 1 - measurement based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - measurement is based on inputs other than quoted prices included in Level 3 that are observable for the asset lor liability, either directly or indirectly

Level 3 - measurement is based on unobservable inputs for the asset or liability.

The basis of valuation of each class of financial instrument and non-financial asset is set out below. There has been no change in the valuation techniques used during the year. All items have been valued using fair value techniques based on the characteristics of the financial instrument or non-financial asset, with the overall objective of maximising the use of market-based information.

Description of asset or liability	Valuation hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Cash and cash equivalents, trade debtors, trade creditor and cash-based investments (long and short-term)	Level 1	Carrying value is deemed to be fair value, because of the short-term nature of the instruments	Not Required	Not required
Non-current debtors	Level 2	Discounted cashflows for the instrument using an equivalent market rate	Council accounting records	Not required
Finance leases and PFI liabilities	Level 2	The fair values have been estimated by discounting the contractual cashflows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.	Observable inputs are the bond yields. Unobservable inputs are the remaining cashflows.	Not required
Loans outstanding	Level 2	The fair values have been estimated by discounting the remaining cashflows of the borrowing using the appropriate rate for local authority loans	Observable inputs are the PWLB rates. Unobservable inputs are the remaining cashflows.	Not required
Investments in pooled funds	Level 2	Forward pricing	NAV-based pricing set on a forward pricing basis	Not required
Investment property	Level 2	Investment method of valuation.	Assumed void periods Estimated Rental Value (ERV) Capitalisation Rate (Equivalent Yield)	Not required

Note 25: Fair value of assets and liabilities (continued)

2018/19	Carrying value				Fair value			
	Financial and non-financial assets		Financial liabilities	Total	Level			Total
	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost		1	2	3	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets								
Loans and receivables								
Investments	-	44,019	-	44,019	44,019	-	-	44,019
Debtors	-	19,837	-	19,837	8,660	7,045	-	15,705
Cash and cash equivalents	-	19,879	-	19,879	19,879	-	-	19,879
Fair value through profit and loss	-	-	-	-	-	-	-	-
Investments	19,847	-	-	19,847	-	19,847	-	19,847
Total financial assets	**19,847**	**83,735**	**-**	**103,582**	**72,558**	**26,892**	**-**	**99,450**
Non-financial assets								
Investment property	69,246	-	-	69,246	-	69,246	-	69,246
Surplus assets	17,540	-	-	17,540	-	17,540	-	17,540
Assets held for Sale	-	-	-	-	-	-	-	-
Total Financial and non-financial assets	**106,633**	**83,735**	**-**	**190,368**	**72,558**	**113,678**	**-**	**186,236**
Financial Liabilities								
Liabilities at amortised cost								
Loans outstanding	-	-	(518,898)	(518,898)	(214,682)	(353,189)	-	(567,871)
PFI contracts	-	-	(34,701)	(34,701)	-	(53,559)	-	(53,559)
Finance leases	-	-	(7,020)	(7,020)	-	(6,342)	-	(6,342)
Trade creditors	-	-	(35,953)	(35,953)	(35,953)		-	(35,953)
Total financial liabilities	**-**	**-**	**(596,572)**	**(596,572)**	**(250,635)**	**(413,090)**	**-**	**(663,725)**

Note 25: Fair value of assets and liabilities (continued)

2017/18	Carrying value					Fair value			
	Financial and non-financial assets			Financial liabilities	Total	Level			Total
	Fair value through profit and loss	Available for Sale	Loans and Receivables	Liabilities at amortised cost		1	2	3	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets									
Loans and receivables									
Investments	-	-	5,080	-	5,080	-	5,080	-	5,080
Debtors	-	-	17,293	-	17,293	8,660	8,169	-	16,829
Cash and cash equivalents	-	-	9,900	-	9,900	9,900	-	-	9,900
Fair value through profit and loss	-	-	-	-	-	-	-	-	-
Investments	-	18,901	-	-	18,901	-	18,901	-	18,901
Total financial assets	**-**	**18,901**	**32,273**	**-**	**51,174**	**18,560**	**32,150**	**-**	**50,710**
Non-financial assets									
Investment property	58,242	-	-	-	58,242	-	58,242	-	58,242
Surplus assets	16,834	-	-	-	16,834	-	16,834	-	16,834
Assets held for Sale	1,276	-	-	-	1,276	-	1,276	-	1,276
Total Financial and non-financial assets	**76,352**	**18,901**	**32,273**	**-**	**127,526**	**18,560**	**108,502**	**-**	**127,062**
Financial Liabilities									
Liabilities at amortised cost									
Loans outstanding	-	-	-	(323,861)	(323,861)	(153,520)	(205,566)	-	(359,086)
PFI contracts	-	-	-	(35,963)	(35,963)	-	(54,309)	-	(54,309)
Finance leases	-	-	-	(7,808)	(7,808)	-	(5,691)	-	(5,691)
Trade creditors	-	-	-	(70,572)	(70,572)	(70,572)	-	-	(70,572)
Total financial liabilities	**-**	**-**	**-**	**(438,204)**	**(438,204)**	**(224,092)**	**(265,566)**	**-**	**(489,658)**

Note 26: Cash and Cash Equivalents

2017/18		2018/19
£'000		£'000
5,146	Cash and bank balances	2,587
4,754	Short-term deposits	17,292
9,900	**Total**	**19,879**

Note 27: Debtors

These balances represent the amount of money owed to the Council at year end. Debtors include individuals, central government departments, other local authorities, NHS and other bodies. An analysis is given below.

2017/18*	Short-term debtors	2018/19
£'000		£'000
2,167	Prepayments	1,469
19,791	Central Government bodies	-
2,863	Trade debtors	9,150
3,755	VAT	5,059
6,303	Council Tax	10,929
1,517	NNDR receivable	4,671
3,477	Housing Benefit receivable	12,393
227	Other debtors	2,979
(3,151)	Impairment Allowance for Doubtful Debts	(28,225)
36,949	**Total**	**18,425**

** The 2017/18 comparators were restated, see Note 39 for more details.*

2017/18*	Long-term debtors	2018/19
£'000		£'000
9,508	Loans to third parties	26,916
4,157	Overage	4,157
47	Deferred liabilities	47
181	Other	89
13,893	**Total**	**31,209**

** The 2017/18 comparators were restated, see Note 39 for more details.*

Note 28: Creditors

These are amounts owed by the Council for work done, goods received, or services rendered which have not been paid by 31 March 2019.

2017/18 Restated*		2018/19
£'000		£'000
(5,118)	Trade creditors	(5,341)
(1,325)	PAYE & NI	(1,180)
-	Central Government Bodies	(3,379)
(29,516)	Other Creditor	(41,146)
(1,252)	PFI Finance Lease Liability	(1,379)
(4,847)	Receipts in Advance	(5,675)
(10,628)	Payroll Creditor	(177)
(3,936)	Collection Fund Account Balance – Council Tax	(573)
(56,622)	**Total**	**(58,850)**

** The 2017/18 comparators were restated, see Note 39 for more details.*

Note 29: Provisions

The Council makes provision in compliance with IAS37 where there is an obligation as a result of a past event, when it is probable that the Council will incur expenditure and where a reasonable estimate can be made of the amount involved. Provisions are split into short term (less than one year) and long term (more than one year). In addition to the provisions shown below, there are provisions for bad debts which have been netted off against the debtors figure on the balance sheet.

Short-term provisions	**Insurance claims**	**Business rates appeals**	**Other**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Balance at 1 April 2018	(716)	(1,506)	(225)	(2,447)
Amounts used	-	4,173	225	4,398
Additional provisions	-	(4,116)	-	(4,116)
Balance at 31 March 2019	**(716)**	**(1,449)**	**-**	**(2,165)**

Long-term provisions	**Water rates**	**Business rates appeals**	**Other**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Balance at 31 March 2018	-	-	(223)	(223)
Amounts used	-	-	-	-
Additional provisions	(2,630)	(6,519)	-	(9,149)
Balance at 31 March 2019	**(2,630)**	**(6,519)**	**(223)**	**(9,372)**

Note 29: Provisions (continued)

Insurance claims

The provision covers claims which have been lodged and for which there is reasonable probability that the Council is liable and for which a reaonable estimate can be made of theamount required to settle

Business rates appeals

Following the localisation of business rates from 1 April 2013, the Council has set aside a provision for any potential liabilities arising from appeals by business ratepayers against rateable valuations. The amount set aside reflects the Council's 94% share of the liability.

Water rates

A provision has been set up for the possible repayment of water rate to tenants following the case of Jones v London Borough of Southwark in the High Court in 2016. The provision is a charge against the HRA as the water rates were originally collected with housing rents and reported in the HRA.

Other

Other provision include contractual claims that arise in respect of disputes arising in the ordinary course of business.

Note 30: Unusable Reserves

2017/18 Restated*		2018/19
£'000		£'000
(284,567)	Revaluation Reserve	(311,349)
(1,209)	Available for Sale Financial Instruments Reserve	-
-	Pooled Investment Funds Adjustment Account	(1,135)
(188,319)	Capital Adjustment Account	(120,162)
1,362	Financial Instruments Adjustment Account	1,095
270,460	Pension Reserve	273,357
(9,791)	Deferred Capital Receipts Reserve	(4,237)
577	Collection Fund Adjustment Account	5,944
1,014	Accumulated Absences Account	717
(210,473)	**Balance 31 March**	**(155,770)**

Note 30a: Revaluation Reserve

The reserve is credited with gains on the revaluation of assets. Revaluation gains which are subsequently reversed through impairment or disposal of the asset are debited from the reserve. The depreciation adjustment ensures that only the depreciation on the historic cost of assets impacts on the capital adjustment account.

The balance on the reserve reflects the difference between the value of the Council's assets at depreciated historical cost and their current value.

2017/18 Restated*		2018/19
£'000		£'000
(277,336)	**Balance at 1 April**	**(284,567)**
9,675	Restatement	-
(267,661)	**Restated balance at 1 April**	**(284,567)**
(54,598)	Upward revaluation of assets	(97,497)
29,854	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	43,868
(24,744)	**Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services**	**(53,629)**
4,890	Difference between fair value depreciation and historical cost depreciation	5,209
2,948	Accumulated gains on assets sold or scrapped	21,638
7,838	**Amount written off to the Capital Adjustment Account**	**26,847**
(284,567)	**Balance 31 March**	**(311,349)**

Note 30b: Available for Sale Financial Instruments Reserve

This reserve is (credited)/debited with (gains)/losses arising from the the change in fair value of available for sale financial assets.

2017/18		2018/19
£'000		£'000
(761)	**Balance 1 April**	**(1,209)**
-	Opening balance adjustments on adoption of IFRS9	1,209
(761)	**Restated balance at 1 April**	**-**
(518)	Upward revaluation of investments	-
70	Downward revaluation of investments not charged to the Surplus or Deficit on the Provision of Services	-
(1,209)	**Balance 31 March**	**-**

Note 30c: Pooled Investment Funds Adjustment Account

This reserve is (credited)/debited with (gains)/losses arising from the revaluation of financial instruments held at fair value through other comprehensive income (FVOCI).

2017/18		2018/19
£'000		£'000
-	**Balance 1 April**	**-**
-	Opening balance adjustments on adoption of IFRS9	(1,209)
-	**Restated balance at 1 April**	**(1,209)**
-	Upward revaluation of investments	(44)
-	Downward revaluation of investments	118
-	**Total Changes in revaluation and impairment**	**74**
-	**Balance 31 March**	**(1,135)**

Note 30d: Capital Adjustment Account

The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The account also contains accumulated gains and losses on investment properties and revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains.

2017/18 Restated*		2018/19
£'000		£'000
(268,679)	**Balance at 1 April**	**(188,319)**
55,278	Restatement	(15)
(213,401)	**Restated balance at 1 April**	**(188,334)**
23,247	Charges for depreciation and impairment of non- current assets	22,232
16,711	Revaluation losses on non-current assets	31,691
95	Amortisation of intangible assets	-
14,654	Revenue expenditure funded from capital under statute	9,676
13,881	Capitalisation Direction	28,201
-	Revaluation and impairment of capital financial assets	546
31,600	Current value of asset disposals	38,553
100,188	**Reversal of Items relating to capital expenditure debited or credited to the CIES**	**130,899**
(7,838)	Adjusting amounts written out of the Revaluation Reserve	(25,173)
92,350	**Net written out amount of the cost of non- current assets consumed in the year**	**105,726**
(5,625)	Capital receipts	(10,192)
(10,626)	Major repairs reserve	(12,069)
(36,323)	Capital grants and contributions	(18,686)
(6,503)	Minimum revenue provision	(8,173)
(6,700)	Direct revenue financing	(2,054)
(65,777)	**Capital financing applied in year:**	**(51,174)**
(1,491)	Increase/(decrease) in value of investment properties	16,307
-	Other movements	(2,687)
(188,319)	**Balance at 31 March**	**(120,162)**

Note 30e: Financial Instruments Adjustment Account

The financial instruments adjustment account absorbs the timing differences arising from the different arrangements for accounting for income and expenditure relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions.

2017/18		2018/19
£'000		£'000
1,634	**Balance at 1 April**	**1,362**
-	Opening balance adjustments on adoption of IFRS9	-
1,634	**Restated balance at 1 April**	**1,362**
(272)	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements Premiums incurred in the year and charged to the CIES	(267)
1,362	**Balance 31 March**	**1,095**

Note 30f: Pensions Reserve

The pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the pensions reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2017/18		2018/19
£'000		£'000
270,205	**Balance at 1 April**	**270,460**
(16,229)	Actuarial gains/(losses) on pensions assets & liabilities	(7,875)
25,380	Reversal of items relating to retirement benefits debited or credited to the (Surplus)/deficit on provision of services in the Comprehensive Income & Expenditure Statement	20,417
(8,896)	Employer's pensions contributions & direct payments to pensioners payable in the year	(9,645)
270,460	**Balance at 31 March**	**273,357**

Note 30g: Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of noncurrent assets but for which cash settlement has yet to take place. Under statutory arrangements, the authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2017/18		2018/19
£'000		£'000
(12,991)	**Balance at 1 April**	**(9,791)**
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	-
3,200	Transfer to the Capital Receipts Reserve upon receipt of cash	5,554
(9,791)	**Balance at 31 March**	**(4,237)**

Note 30h: Collection Fund Adjustment Account

The Collection Fund adjustment account manages the differences arising from the recognition of Council Tax and NNDR income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2017/18 Restated*		2018/19
£'000		£'000
1,111	**Balance at 1 April**	**577**
(534)	Amount by which council tax and non-domestic rates income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	3,709
-	Other movements	1,658
577	**Balance at 31 March**	**5,944**

Note 30i: Accumulated Absences Account

2017/18		2018/19
£'000		£'000
1,014	**Balance at 1 April**	**1,014**
-	Settlement or cancellation of accrual made at the end of preceding year	(1,014)
-	Amounts accrued at the end of the current year	717
1,014	**Balance at 31 March**	**717**

Note 31: Pension Schemes Accounted for as Defined Contribution Schemes

Teachers

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education (DfE). The scheme provides teachers with specified benefits upon their retirement, and the Council contribute towards the costs by making a contribution based on a percentage of the members Salaries.

The scheme is a defined benefit scheme, although the scheme is unfunded the Teachers Pension Authority (TPA) uses a notional fund as the basis for calculating the employer's contribution rate paid by all Local Education Authorities (LEA's).

The Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2018/19, the Council paid £2.7m to Teachers Pensions, in respect of teachers retirement benefits, representing 16.48% of Pensionable pay (The figure for 2017/18 was £2.8m which was 16.48% of Pensionable pay). There were no contributions remaining payable at the year end.

Note 32: Defined Benefit Pension Schemes

Participation in pension schemes

As part of the terms and conditions of employment of its officers and other employees, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments and therefore they need to be disclosed at the time the employee earns their future entitlement.

The Authority participates in two post-employment scheme:

1. The Local Government Pension Scheme, administered locally by Royal Borough of Windsor and Maidenhead Council - this is a funded defined benefit final salary scheme, meaning the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

   Arrangements for the award of discretionary post-retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

2. The Berkshire pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Royal Borough of Windsor and Maidenhead Council. Policy is determined in accordance with the Public Service Pensions Act 2013.

   The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note. We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions.

Note 32: Defined Benefit Pension Schemes (continued)

Transactions relating to post-employment benefits

The Authority recognises the cost of retirement benefits in the reported cost of service when they are earned by employees, rather than when the benefits are eventually paid as pensions. The statutory IAS19 adjustments calculated by the pension scheme actuary which the authority are required to make to its accounts have included an allowance for a Court of Appeal judgement in relation to cases (McCloud and Sargeant) regarding age discrimination, the impact of this on individual pension schemes is not certain but has been estimated by the actuary.

However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

2017/18		2018/19
LGPS		LGPS
£'000		£'000
	Comprehensive Income and Expenditure Statement	
	Cost of services:	
14,155	Current service cost	15,388
702	Past service cost	3,266
2,728	Losses/(gains) on curtailments and settlements	(5,078)
	Other operating expenditure:	
-	Pension Administration expenses	163
	Financing and investment income and expenditure:	
7,656	Interest cost	6,678
25,241	**Total post employment benefit charged to the (surplus)/deficit on provision of services**	**20,417**
	Other Post employment benefit charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:	
(1,083)	- Return on plan assets, excluding the amount included in the net interest expense	(3,220)
(19,681)	- Actuarial gains/(losses) arising from changes in financial assumptions	24,282
-	- Actuarial gains(losses) arising from changes in demographic assumptions	(28,937)
134	- Other movements in the liability / (asset)	-
(20,630)	**Total Post employment benefit charged to Other Comprehensive Income and Expenditure**	**(7,875)**
4,611	**Total Post employment benefit charged to the Comprehensive Income and Expenditure Statement**	**12,542**

Note 32: Defined Benefit Pension Schemes (continued)

Pensions Assets and Liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligations in respect of its defined benefit plans is as follows:

2017/18		2018/19
LGPS		LGPS
£'000		£'000
(496,297)	Present value of the defined obligation	(511,755)
225,837	Fair value of plan assets	238,398
(270,460)	**Net (liability) / asset arising from the defined benefit obligation**	**(273,357)**

Movement in the Value of Scheme Assets

2017/18		2018/19
LGPS		LGPS
£'000		£'000
224,452	**Opening fair value of scheme assets**	**230,377**
6,300	Interest income	5,960
	Remeasurement gains/losses:	
1,083	- The return on plan assets, excluding the amount included in the net interest expense	3,220
-	- Other gains/(losses)	-
8,896	Contributions from employer	9,645
2,468	Contributions from employees into the scheme	2,851
(12,822)	Benefits / transfers paid	(13,650)
230,377	**Closing value of scheme assets**	**238,403**

Note 32: Defined Benefit Pension Schemes (continued)

Movements in the Fair Value of Scheme Liabilities

2017/18		2018/19
LGPS		LGPS
£'000		£'000
(494,657)	**Opening balance at 1 April**	**(496,297)**
(14,155)	Current service cost	(15,551)
(13,956)	Interest cost	(12,638)
(2,468)	Contributions from scheme participants	(2,851)
	Remeasurement gains/losses:	
-	- Actuarial gains(losses) arising from changes in demographic assumptions	28,937
19,681	- Actuarial gains/(losses) arising from changes in financial assumptions	(28,817)
(134)	- Other gains/(losses)	-
(702)	Past service cost	(3,266)
12,822	Benefits/transfers paid	13,650
(2,728)	Liabilities extinguished on settlements	5,078
(496,297)	**Balance as at 31 March**	**(511,755)**

Note 32: Defined Benefit Pension Schemes (continued)

LGPS - Pension Scheme - Assets comprised of:

Fair value of scheme assets

2017/18				2018/19		
Quoted	Unquoted	Total		Quoted	Unquoted	Total
£'000	£'000	£'000		£'000	£'000	£'000
34,531	**-**	**34,531**	**Cash and cash equivalents**	**19,971**	**-**	**19,971**
94,515	-	94,515	Overseas	96,314	-	96,314
17,874	-	17,874	UK	2,528	-	2,528
112,389	**-**	**112,389**	**Subtotal Equities**	**98,842**	**-**	**98,842**
-	-	-	Government Gilts	-	-	-
11,726	-	11,726	Overseas Unit Trusts	-	-	-
-	-	-	Overseas Private Equity	-	-	-
-	23,490	23,490	Private Fixed Interest	-	25,785	25,785
-	-	-	Unit Trusts	12,134	-	12,134
11,726	**23,490**	**35,216**	**Subtotal Bonds**	**12,134**	**25,785**	**37,919**
-	-	-	UK	-	25,279	25,279
-	-	-	Overseas	-	4,297	4,297
-	**-**	**-**	**Subtotal Private Equity**	**-**	**29,576**	**29,576**
-	12,091	12,091	Infrastructure	-	23,762	23,762
25,206	4,947	30,153	Property	28,313	7,078	35,391
10,183	-	10,183	Target returns	-	-	-
2,438	1,707	4,145	Commodities	-	2,022	2,022
37,827	**18,745**	**56,572**	**Subtotal other investment funds**	**28,313**	**32,862**	**61,175**
-	(4,180)	(4,180)	Longevity insurance	-	5,308	5,308
-	-	-	Futures	-	-	-
-	**(4,180)**	**(4,180)**	**Subtotal Derivatives**	**-**	**5,308**	**5,308**
196,473	**38,055**	**234,528**	**Total Assets**	**159,260**	**93,531**	**252,791**

Note 32: Defined Benefit Pension Schemes (continued)

The principal assumptions used by the actuary have been:

2017/18		2018/19
LGPS		LGPS
%		%
3.3	Rate of inflation	2.5
3.8	Rate of increase in salaries	4.0
2.3	Rate of increase in pensions	2.5
2.6	Rate for discounting scheme liabilities	2.5

2017/18		Mortality assumptions	2018/19	
Males	Females		Males	Females
23.1	25.2	Longevity at retirement for current pensioners	23.2	25.3
25.3	27.5	Longevity at retirement for future pensioners	25.4	27.6

Impact of assumptions on the obligation:

Assumption	Increase by 1% £'000	Decrease by 1% £'000
Longevity	20,195	(19,446)
Rate of inflation	-	-
Rate of increase in salaries	6,290	(6,153)
Rate of increase in pensions	96,590	(94,792)
Rate for discounting scheme liabilities	(100,853)	102,889

Impact on the Council's Cash flows

The objectives of the scheme are to keep employer’s contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme’s actuary to achieve a funding level of 100% over the next 2 years. Funding levels are monitored on an annual basis. The next triennial valuation s due to be completed on 31 March 2020.

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The Authority anticipates to pay £8,955k expected contributions to the scheme in2019/20.

The weighted average duration of the defined benefit obligation for scheme members is 20 years (20 years 2018/19).

Note 33: Cash Flow Statement - Operating Activities

2017/18 Restated*		2018/19
£'000		£'000
75,458	**Net (surplus) or deficit on the provision of services**	**137,638**
	Adjustments for non-cash movements:	
(23,246)	Depreciation	(22,198)
(8,176)	Impairments and downward revaluation	(38,691)
(95)	Amortisation	-
(4,588)	Net increase/decrease in creditors, debtors and inventories	(29,549)
(20,884)	Pensions liability	(10,772)
(31,600)	Carrying amount of non-current assets sold	(48,376)
(11,718)	Other non-cash items	(10,677)
(100,307)	**Subtotal**	**(160,263)**
	Adjustments for items that are investing or financing activities:	
-	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	12,573
13,307	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	8,783
18,086	Any other items for which the cash effects are investing or financing cash flows	3,803
31,393	**Subtotal**	**25,159**
6,544	**Net cash flows from operating activities**	**2,534**

** The 2017/18 comparators were restated, see Note 39 for more details.*

The cash flows for operating activities include the following items:

2017/18		2018/19
£'000		£'000
(2,058)	Interest received	(4,876)
8,963	Interest paid	8,416
6,905	**Total**	**3,540**

Note 34: Cash Flow Statement - Investing Activities

2017/18 Restated*		2018/19
£'000		£'000
125,725	Purchase of property, plant and equipment, investment property and intangible assets	131,050
330,466	Purchase of short-term and long-term investments	73,218
-	Other payments for investing activities	-
(15,343)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(14,337)
(339,252)	Proceeds from short-term and long-term investments	(12,573)
(16,233)	Other receipts from investing activities	782
85,363	**Net cash flows from investing activities**	**178,140**

** The 2017/18 comparators were restated, see Note 38 for more details.*

Note 35: Cash Flow Statement - Financing Activities

2017/18 Restated*		2018/19
£'000		£'000
(203,000)	Cash receipts of short-term and long-term borrowings	(534,500)
	Other receipts from financing activities	-
-	Council Tax and NNDR adjustments	-
2,260	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	2,376
117,829	Repayments of short-term and long-term borrowing	339,542
904	Other payments from financing activities	1,928
(82,007)	**Net cash flows from financing activities**	**(190,654)**

** The 2017/18 comparators were restated, see Note 38 for more details.*

Note 36: Related Party Transactions

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

Central government

Central government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes th terms of many of the transactions that the Council has with other parties (e.g. Council tax bills, housing benefits).

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members Allowances is reported at Note 11.

The following Members held positions of control or significant influence in related parties to the Council during 2018/19:

Councillors Mann, Nazir and Swindlehurst were directors of Development Initiative for Slough Housing Ltd

Entities controlled or significantly influenced by the Council

			2018/19					
Entity name	**Structure**	**Officers on the Board**	**Shareholding**	**Loan**	**Expenditure**	**Income**	**Income outstanding to SBC**	**Balance outstanding from SBC**
			£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Development Initiative for Slough Housing (DISH)	Wholly owned subsidiary		-	-	400	400	-	725
James Elliman Homes (JEH)	Wholly owned subsidiary	Neale Cooper Mike England Stephen Gibson Colin Moone	5,992	23,932	-	(550)	29,924	151
Slough Urban Renewal	Joint Venture	Joe Carter Neale Cooper Stephen Gibson	N/A	(5,554)	20,662	(3,939)	.	453
Ground Rent Estates 5 Ltd	Wholly owned subsidiary	Joe Carter Neale Cooper Mike England Stephen Gibson Nigel Pallace	455,001	-	955	-	955	-
Slough Children First Ltd	Company limited by guarantee - controlled by Department for Education	Lisa Jane Lyons Paul M G Mcdonald Eleni C Ioannides	N/A	2,983	25,941	-	-	-

Note 36: Related Party Transactions (continued)

2017/18								
Entity name	Structure	Officers on the Board	Shareholding	Loan	Expenditure	Income	Income outstanding to SBC	Balance outstanding from SBC
			£'000	£'000	£'000	£'000	£'000	£'000
Development Initiative for Slough Housing (DISH)	Wholly owned subsidiary		-	-	386	386	-	676
James Elliman Homes (JEH)	Wholly owned subsidiary	Neale Cooper Mike England Stephen Gibson Colin Moone John O Thomas	1,464	5,260	-	(64)	6,724	79
Slough Urban Renewal	Joint Venture	SBL	N/A	(3,200)	44,597	(6,028)	5,203	8,300
Ground Rent Estates 5 Ltd	Wholly owned subsidiary	Neale Cooper John P Thomas Mike England Stephen Gibson Colin Moone	455,001	-	512	-	512	-
Slough Children First Ltd	Company limited by guarantee - controlled by Department for Education	Matthew John Marsden John Derek Petit Elizabeth Jane Railton	N/A	2,983	25,514	-	-	-

Other entities

Other management entities were paid the following sums for services provided for the following interim chief officers:

2017/18		2018/19
£'000		£'000
87	Interim Director of Place and Development	154
30	Interim Chief Executive	195

Note 37: Contingent Liabilities

Lender Offer Borrower Offer (LOBO) Loans

The Council has £13m of Lender Option Borrower Option Loans (LOBOs), taken out between 2002 to 2006 with terms between 52 and 60 years. Information on the Council's borrowings, including LOBO loans can be found in Note 23

A number of local authorities have received objections from local electors as to the lawfulness of local authorities obtaining borrowing through LOBO loans. Whilst the LOBO loans currently held by the Council have not currently been found to be unlawful, there is ongoing analysis of LOBO loans generally by local authorities affected, their auditors and specialist lawyers.

The law in relating to this matter is complex and there is uncertainty as to what consequences might be on a local authority that have borrowed via LOBO loans, if they were to be found to be unlawful.

In the event of a LOBO loan being found to be unlawful, restitutionary remedies may result in the outstanding balances on these loans having to be repaid in full to the lender and may also result in additional costs, resulting from losses incurred by the lender.

Thames Water

The Council collects water charges from its tenants on behalf of Thames Water and was paid a commission. The high court has found that a similar contract between London Borough of Southwalk and Thames Water, is a contract for the resale of water under which the recovery of commission is limited by law. The decision is being appealed. The potential liability if the appeal is lost is estimated to equate to around £1.6m.

Note 38: Events After the Balance Sheet Date

Authorised for issue date

The Statement of Accounts was originally authorised for issue by the then section 151 officer, Neil Wilcox on 31 May 2019.

During 2021/22, the Statement of Accounts has been completely re-drafted to address issues:

1. raised by the external auditors regarding the original draft accounts, and
2. subsequent work to address issues highlighted by the Section 114 Notice and the Capitalisation Direction (see below).

The revised Statement of Accounts was authorised for issue by the Section 151 officer, Steven Mair, on 31 May 2022.

Covid-19 Pandemic

On 23 March 2020, the Prime Minister announced that to limit the spread of the coronavirus (Covid-19) he would be asking people to stay at home and where possible work from home and only essential journays should be made. Effectively this meant that a lot of businesses became unable to carry on operating and many employees were "furloughed" on 80% of their salary paid by central government.

The "lockdown" was finally lifted in stages in mid-2021 in the UK. The Covid-19 pandemic has undoubtedly had a significant impact the UK and global economy.

As the condition did not exist at 31 March 2019, it is therefore a non-adjusting event for which a limited estimate of its financial effect on the Council can be made as at 31 March 2019. It is noted that the future financial impact for 2019/20 and subsequent year has been greater, and that consequently there will be further implications and consierations for the Council's Balance Sheet in relation to asset values, pension fund liabilities and revenue income at the future year-ends.

Note 38: Events After the Balance Sheet Date (continued)

Any implications for valuation movements would be recognised within the Comprehensive Income and Expenditure Statement in the year when they occurred, in accordance with proper accounting practice. They would then be adjusted for within the Movement in Reserves Statement to negate any impact on the General Fund in line with regulatory requirements.

Income shortfalls have been mitigated by a range of Covid-19 grant support measures issued by central government throughout 2020/21 and 2021/22.

Section 114 Notice and Capitalisation Direction

On 2 July 2021, the Council's Section 151 officer, Steven Mair, issued a section 114 Notice to the Council, which highlighted that the Council faced a significant unfunded financial deficit arising from financial challenges which have arisen over a number of years, and required the Council to take action to address these issues as a matter of urgency.

The s.114 Notice has led to intervention from the Secretary of State for Levelling UP, Housing and Communities who issued an "in principle" Capitalisation Direction in March 2022.

The Capitalisation Direction permits the Council to charge to capital, expenditure which would otherwise be revenue expenditure and then to finance the capitalised revenue expenditure from capital resources, namely by applying usable capital receipts and in the short-term setting aside minimum revenue provision.

Whilst the Capitalisation Direction was issued in March 2022 it covers transactions and balances for the years preceding 1 April 2017 to 31 March 2023. Therefore at the balance sheet date of 31 March 2019, the Capitalisation Direction is an adjusting event. The items which have been adjusted under the Capitalisation Direction are set out in Note 5 to these accounts.

Valuation of pension liabilities

The McCloud and Sargeant cases are two national legal cases which impact on the transitional provisions of the 2014 Local Government Pension Scheme on age discrimination grounds. In December 2018 the Court of Appela ruled against the Government on the two cases. The Government attempted to appeal the two cases on 27 June 2019, but the appeal was refused by the Supreme Court requiring remedy to the two underlying public service pension schemes - the judical and firefighters pension schemes respectively. Subsequently, on 13 July 2019 the Chief Secretary to the Treasury announced that the remdies would apply to all public service pension schemes, which will result in an increase in benefits.

In addition, the Royal Berkshire Pension Fund, of which Slough Borough Council is a member, revalued a convertible bond which had a material impact on the valuation of the net assets of the pension fund.

In light of the above, the IAS 19 valuation of the Council's pension liabilities disclosed at Note 32 has been updated to reflect the estimated impact of the proposed remedy and the revised valuation of the net assets of the pension fund. The combined effect has been to reduce the net overall pension liabilities by £15m from £288m (as originally reported at 31 March 2019) to £273m.

This has no impact on the General Fund, because all IAS 19 charges are transferred to the Pension Reserve and replaced by the employers contributions payable to the pension fund in line with statutory requirements.

Note 39: Prior Period Adjustment

During the preparation of the 2018/19 Statement of Accounts the Council identified the following issues requiring restatement of prior periods:

1. A detailed review of the Council's fixed asset register identified a number of properties which had been disposed of but were still on the fixed asset register and that valuations for a number of properties had been misstated because of discrepancies in the gross internal areas used by the valuers as part of the valuation. The combination of the two issues has resulted in a reduction of the net book value of assets of £7.9m at 1 April 2017 and £1.45m at 31 March 2018, and a reduction of £11m in depreciation in 2017/18.

2. Review of the fixed asset register highlighted that a number of assets classified as surplus assets should have been reclassified to Assets held for Sale. The total value of assets reclassified is £1.278m.

3. The value and the classification of the purchase of the Thames Valley University site in 2017/18 had been understated because the 2017/18 accounts had only reflected the first of three annual payments for the purchase price. A creditor of £16.1m has been recognised to reflect the full purchase price of the asset in 2017/18. The asset had been misclassified as an investment property and had been revalued downwards in 2017/18 and 2019/20 by £8 and £9m respectively. Corrections have been made to reverse the downward revaluations and to reclassify the asset to Assets under Construction.

4. The distribution of the Council's share of profits from Slough Urban Renewal LLP in 2019/20 had been accrued for in 2017/18 and 2018/19, before the distribution was declared by the company. Therefore the accrual has had to be reversed reducing income by £4.309m in 2017/18 and £3.264m in 2018/19.

5. Credit balances on debtors and debit balances on creditors had been incorrectly netted off each other in 2017/18. The balances have been grossed up by £14.89m to correct in 2017/18.

6. Income from overage agreements had been incorrectly classified as revenue income when it should have been classed as deferred capital receipts pending receipt of the cash payments. The impact was to overstate income credited to the General Fund by £2.203m and to the HRA by £2.646m in 2016/17. In addition a further £1.43m was incorrectly treated as General Fund income in 2017/18 and has been transferred to usable capital receipts to correct.

7. The Council had understated the Minimum Revenue Provision (MRP) charge in previous years by not following either the Council's own MRP policy nor the Statutory Guidance on MRP issued by the then Department for Communities and Local Government in 2018. Consequently, MRP was understated by £21.661m in the years to 31 March 2017, £5.136m in 2017/18 and £6.036m in 2018/19

8. Review of the accounting for s.106 agreements highlighted that all such income had been recognised as income and credited to the Capital Grants Unapplied Account. As s.106 income has conditions attached to the funding, it should have been classified as a long-term creditor and only recognised as income when the conditions attached to the individual s.106 agreements had been met. To correct £11.854m has been transferred from Capital Grants Unapplied to Long-Term Creditors at 1 April 2017, a further net transfer of £1.43m was made to Long-term Creditors in 2017/18 and net deployment of £3.904m from Long-term Creditors made in 2018/19.

9. The carrying value of infrastructure assets has been overstated for a number of years because accumulated depreciation had not been written out when assets were fully depreciated and all expenditure on infrastructure had been classed as single asset each year and depreciated over a standard asset life of 40 years, when the various components of infrastructure have asset lives ranging from 10 to 40 years. Recalculating depreciation of the revised asset lives has resulted in a reduction in the net book value of the assets of £38.343m at 1 April 2017 and an increase in depreciation charges of £3.196m in 2017/18 and £3.340m in 2018/19.

10. Loans advanced to James Elliman Homes in 2017/18 had been misclassified as Long-Term Investments and the carrying amount misstated by not accounting for the advance being a "soft loan" (i.e. advanced at below commercial rates).

11. Debtors had been misstated as follows:

    (a) a debtor balance in respect of the Council's share of the Collection Fund raised in 2014/15 had not been reversed the following year. Consequently the debtors balance was overstated by £6.301m as at 1 April 2017. The debtor has been written out to the General Fund at 1 April 2017; and

    (b) a debtor had been recognised in respect of a legal dispute with Essex CC for £1.17m, when there was insufficient evidence to recognise any income. The dispute was subsequently settled in 2020/21 for £0.3m.

Note 39: Prior Period Adjustment (continued)

12. The Council had capitalised costs totalling £4.2m relating to support for the Agresso ledger system in the years after implementation which should have been charged to revenue. The costs have been reversed to revenue.

13. The Council had operated an oncost recharge system to recover costs of officers engaged on capital projects, but this overcharged directly attributable costs to capital projects by £3.5m. The overcharge has been reversed to revenue.

14. £9.4m of revenue costs incurred by Slough Children First and classed as transformation funding did not meet the criteria to be classed as transformation and have had to be reversed to revenue.

15. £4.7m of revenue costs incurred by the Council on projects classed as transformation did not meet the criteria to be classed as transformation and have been reversed to revenue.

16. The Department for Levelling Up, Housing and Communities has awarded a Capitalisation Direction to the Council to permit the Council to capitalise a range of costs which would otherwise be a charge to the General Fund. The purpose of the Capitalisation Direction is primarily allow the Council to correct the understatement of MRP in previous years. This allows the Council to transfer to the Capital Adjustment Account the following understatements of MRP:

    (a) £21.661m to 1 April 2017;
    (b) £5.136m in 2017/18; and
    (c) £6.036m in 2018/19.

17. Beechwood School became an academy in 2016/17. The land relating to Beechwood should have been derecognised in 2016/17. A PPA is required to amend the accounts and to fully derecognise the asset from 2017/18.

18. The Town Hall Development Site (Investment Property) was included in the accounts as a duplicate asset. The duplicate asset needs to be derecognised and any associated fair value movements need to be reversed.

19. IAS19 entries relating to 2017-18 pension costs were understated on the CIES and Balance Sheet by £4.5m. The PPA makes the necessary adjustments to the CIES, LT Liabilities, and the Pensions Reserve.

20. Net £4.8m of historical balances were written-off in 2016-17. These were legacy balances arising from the migration of the old finance system to Agresso.

21. Council dwellings totalling £7.2m which were previously incorrectly derecognised were correctly recognised as a valuation movement.

The following tables set out the detailed impact on each of the primary statements.

Note 39: Prior Period Adjustment (continued)

The restatements are summarised below

Effect on the opening balance sheet at 1 April 2017

	Opening balances at 1 April 2017	Restatements										Restated balances at 1 April 2017
		Write out old assets and restate valuations	Correct misposting of overage income	Correct understatement of MRP	Restate s.106 receipts	Restate infrastructure	Incorrect capitalisation*	Apply Capitalisation Direction	Derecognise Academy	Derecognise Investment Property	Write-off historical balances	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Council dwellings	480,546	(187)					(1,881)					478,478
Other land and buildings	187,410	(2,731)					(1,164)		(2,150)			181,365
Vehicles, Plant & Equipment	25,549											25,549
Infrastructure assets	97,315					(38,483)						58,832
Community assets	8,184											8,184
Surplus Assets	26,863	(4,980)										21,883
Assets Under construction	29,128	(7)					(764)					28,357
Property, plant and equipment	**854,995**	**(7,905)**	**-**	**-**	**-**	**(38,483)**	**(3,809)**	**-**	**(2,150)**	**-**	**-**	**802,648**
Other non-current assets	**74,388**		**(692)**							**(2,143)**		**71,553**
NON CURRENT ASSETS	**929,383**	**(7,905)**	**(692)**	**-**	**-**	**(38,483)**	**(3,809)**	**-**	**(2,150)**	**(2,143)**	**-**	**874,201**
Current assets	**78,202**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5,797)**	**72,405**
Current liabilities	**(110,877)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**956**	**(109,921)**
Long-term creditors	-	-	-	-	(11,854)	-	-	-				(11,854)
Deferred capital receipts	-	-	(4,157)	-	-	-	-	-				(4,157)
Total long-term liabilities	**(483,537)**	**-**	**(4,157)**	**-**	**(11,854)**	**-**	**-**	**-**	**-**	**-**	**-**	**(499,548)**
TOTAL NET ASSETS	**413,171**	**(7,905)**	**(4,849)**	**-**	**(11,854)**	**(38,483)**	**(3,809)**	**-**	**(2,150)**	**(2,143)**	**(4,841)**	**337,137**

**includes items 12, 13, 14 and 15 from list of prior period adjustments noted above*

Note 39: Prior Period Adjustment (continued)

	Opening balances at 1 April 2017	Restatements											Restated balances at 1 April 2017
		Write out old assets and restate valuations	Correct misposting of overage income	Correct understatement of MRP	Restate s.106 receipts	Restate infrastructure	Overstatement of debtors	Incorrect capitalisation*	Apply Capitalisation Direction	Derecognise Academy	Derecognise Investment Property	Write-off historical balances	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	(8,123)		2,203	21,661			6,301	7,941	(35,933)			4,841	(1,109)
HRA	(23,710)		2,646										(21,064)
Capital Receipts Reserve	(23,675)							(4,132)					(27,807)
Capital Grants Unapplied	(50,680)				11,854								(38,826)
TOTAL USABLE RESERVES	**(127,369)**	**-**	**4,849**	**21,661**	**11,854**	**-**	**6,301**	**3,809**	**(35,933)**	**-**	**-**	**4,841**	**(109,987)**
Revaluation Reserve	(277,336)	7,525								2,150			(267,661)
Capital Adjustment Account	(268,678)	380		(21,661)		38,483			35,933		2,143		(213,400)
TOTAL UNUSABLE RESERVES	**(285,802)**	**7,905**	**-**	**(21,661)**	**-**	**38,483**	**-**	**-**	**35,933**	**2,150**	**2,143**	**-**	**(220,849)**
TOTAL RESERVES	**(413,171)**	**7,905**	**4,849**	**-**	**11,854**	**38,483**	**6,301**	**3,809**	**-**	**2,150**	**2,143**	**4,841**	**(330,836)**

Note 39: Prior Period Adjustment (continued)

Effect on the Comprehensive Income and Expenditure Statement for 2017/18

	Net Amounts as originally stated	Write out old assets and restate valuations	Over accrual of income from SUR LLP	Misposting of overage income	Restate s.106 receipts	Restate infrastructure	Overstatement of debtors	Incorrect capitalisation of IT staff costs	Incorrect capitalisation of property staff costs	Derecognise Academy	Derecognise Investment Property	IAS19 Adjustment	Council Dwellings Adjustment	Restated net amounts
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adults and Communities	56,400						780							57,180
Children, Learning and Skills	56,175	(11,184)												44,991
Place and Development	32,012			266		3,196			2,117					37,591
Regeneration	538													538
Finance and Resources	22,197							1,416				4,539		28,152
Chief Executive	1,630													1,630
Housing Revenue Account	(4,340)												(7,215)	(11,555)
Cost of services	**164,612**	**(11,184)**	**-**	**266**	**-**	**3,196**	**780**	**1,416**	**2,117**	**-**	**-**	**4,539**	**(7,215)**	**158,527**
Other operating expenditure	14,245	4,808		(1,430)									7,215	24,838
Financing & investment I&E	10,035	(1,221)	4,309								264			13,387
Taxation & non-specific grant	(122,614)				1,320									(121,294)
(Surplus)/deficit on provision of service	**66,278**	**(7,597)**	**4,309**	**(1,164)**	**1,320**	**3,196**	**780**	**1,416**	**2,117**	**-**	**264**	**4,539**	**-**	**75,458**
(Surplus)/deficit on reval of assets	(36,338)	7,221								4,373				(24,744)
(Surplus)/deficit on reval of AFS assets	(448)													(448)
Remeasurement of pension liability	(20,630)													(20,630)
Other comprehensive I&E	**(57,416)**	**7,221**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,373**	**-**	**-**	**-**	**(45,822)**
Total Comprehensive I&E	**8,862**	**(376)**	**4,309**	**(1,164)**	**1,320**	**3,196**	**780**	**1,416**	**2,117**	**4,373**	**264**	**4,539**	**-**	**29,636**

Note 39: Prior Period Adjustment (continued)

Effect on the Movement in Reserves Statement - Usable Reserves

	Net Amounts as originally stated	Restatement of opening balances	Write out old assets and restate valuations	Over accrual of income from SUR LLP	Misposting of overage income	Correct understatement of MRP	Restate infrastructure	Overstatement of debtors	Incorrect capitalisation of IT staff costs	Incorrect capitalisation of property staff costs	Apply Capitalisation Direction	Derecognise Investment Property	IAS19 Adjustment	Restated net amounts
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2017	(127,369)													(127,369)
Restatement of opening balance		11,081												11,081
Restated balance at 1 April 2017	**(127,369)**	**11,081**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**			**(116,288)**
Movement in Reserves in 2017/18														
(Surplus)/Deficit on Provision of Services	66,278		(7,597)	4,309	156		3,196	780	1,416	2,117		264	4,539	75,458
Other Comprehensive Income and Expend														-
Total Comprehensive Income and Expe	**66,278**	**-**	**(7,597)**	**4,309**	**156**	**-**	**3,196**	**780**	**1,416**	**2,117**	**-**	**264**	**4,539**	**75,458**
Adjustments between accounting basis and funding basis under regulations	(47,050)		7,597			5,136	(3,196)					(264)	(4,539)	(42,316)
Capitalisation Direction											(13,881)			(13,881)
Net (increase)/decrease before transfers to/from reserves	**19,228**	**-**	**-**	**4,309**	**156**	**5,136**	**-**	**780**	**1,416**	**2,117**	**(13,881)**	**-**	**-**	**19,261**
Increase/decrease in the year	19,228	-	-	4,309	156	5,136	-	780	1,416	2,117	(13,881)	-	-	19,261
Balance at 31 March 2018	**(108,141)**	**11,081**	**-**	**4,309**	**156**	**5,136**	**-**	**780**	**1,416**	**2,117**	**(13,881)**	**-**	**-**	**(97,027)**

Note 39: Prior Period Adjustment (continued)

Effect on the Movement in Reserves Statement - Unusable Reserves

	Net Amounts as originally stated	Restatement of opening balances	Write out old assets and restate valuations	Restatement of TVU site	Over accrual of income from SUR LLP	Misposting of overage income	Correct understatement of MRP	Restate infrastructure	Derecognise Academy	Derecognise Investment Property	IAS19 Adjustment	Apply Capitalisation Direction	Restated net amounts
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2017	(285,802)												(285,802)
Restatement of opening balance		64,953											64,953
Restated balance at 1 April 2017	**(285,802)**	**64,953**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(220,849)**
Movement in Reserves in 2017/18													
(Surplus)/Deficit on Provision of Services													-
Other Comprehensive Income and Expenditure	(57,416)			7,221					4,373				(45,822)
Total Comprehensive Income and Expenditure	**(57,416)**	**-**	**-**	**7,221**	**-**	**-**	**-**	**-**	**4,373**	**-**	**-**	**-**	**(45,822)**
Adjustments between accounting basis and funding basis under regulations	47,050		(7,597)				(5,136)	3,196		264	4,539		42,316
Capitalisation Direction												13,881	13,881
Net (increase)/decrease before transfers to/from reserves	**(10,366)**	**-**	**(7,597)**	**7,221**	**-**	**-**	**(5,136)**	**3,196**	**4,373**	**264**	**4,539**	**13,881**	**10,375**
Increase/decrease in the year	(10,366)	-	(7,597)	7,221	-	-	(5,136)	3,196	4,373	264	4,539	13,881	10,375
Balance at 31 March 2018	**(296,168)**	**64,953**	**(7,597)**	**7,221**	**-**	**-**	**(5,136)**	**3,196**	**4,373**	**264**	**4,539**	**13,881**	**(210,474)**

Note 39: Prior Period Adjustment (continued)

Effect on the Movement in Reserves Statement - Total Reserves

	Net Amounts as originally stated	Write out old assets and restate valuations	Restatement of TVU site	Over accrual of income from SUR LLP	Misposting of overage income	Restate infrastructure	Overstatement of debtors	Incorrect capitalisation of IT staff costs	Incorrect capitalisation of property staff costs	Derecognise Academy	Derecognise Investment Property	IAS19 Adjustment	Restated net amounts
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2017	(413,171)												(413,171)
Restatement of opening balance													76,034
Restated balance at 1 April 2017	**(413,171)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**			**-**	**(337,137)**
Movement in Reserves in 2017/18													
(Surplus)/Deficit on Provision of Services	66,278	(7,597)		4,309	156	3,196	780	1,416	2,117		264	4,539	75,458
Other Comprehensive Income and Expenditure	(57,416)		7,221							4,373			(45,822)
Total Comprehensive Income and Expenditure	**8,862**	**(7,597)**	**7,221**	**4,309**	**156**	**3,196**	**780**	**1,416**	**2,117**	**4,373**	**264**	**4,539**	**29,636**
Adjustments between accounting basis and funding basis under regulations													-
Capitalisation Direction													-
Net (increase)/decrease before transfers to/from reserves	**8,862**	**(7,597)**	**7,221**	**4,309**	**156**	**3,196**	**780**	**1,416**	**2,117**	**4,373**	**264**	**4,539**	**29,636**
Increase/decrease in the year	8,862	(7,597)	7,221	4,309	156	3,196	780	1,416	2,117	4,373	264	4,539	29,636
Balance at 31 March 2018	**(404,309)**	**(7,597)**	**7,221**	**4,309**	**156**	**3,196**	**780**	**1,416**	**2,117**	**4,373**	**264**	**4,539**	**(307,501)**

Note 39: Prior Period Adjustment (continued)

Effect on the balance sheet at 31 March 2018

	Net Amounts as originally stated	Restatement of opening balances	PPE corrections	Over accrual of income from SUR LLP	Gross up debtors and creditors	Misposting of overage income	Correct understatement of MRP	Restate s.106 receipts	Restate infrastructure	Mis-classification of loan	Overstatement of debtors	Incorrect capitalisation*	Apply Capitalisation Direction	Restated net amounts (cont'd >)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Council dwellings	495,548	(2,068)	317									(599)		493,198
Other land and buildings	219,949	(6,045)	(15,448)									(2,119)		196,337
Vehicles, Plant & Equipment	30,566		18,768											49,334
Infrastructure assets	106,598	(38,483)							(3,196)					64,919
Community assets	8,464		929											9,393
Surplus Assets	23,636	(4,980)	(1,822)											16,834
Assets Under construction	28,905	(771)	21,908									(815)		49,227
Property plant and equipment	**913,666**	**(52,347)**	**24,652**	**-**	**-**	**-**	**-**	**-**	**(3,196)**	**-**	**-**	**(3,533)**	**-**	**879,242**
Investment Property	67,656	(2,143)	(9,414)											56,099
Intangible Assets	550													550
Long-Term Investments	22,930									(5,260)				17,670
Long-term Debtors	8,161	(692)				1,164				5,260				13,893
NON CURRENT ASSETS	**1,012,963**	**(55,182)**	**15,238**	**-**	**-**	**1,164**	**-**	**-**	**(3,196)**	**-**	**-**	**(3,533)**	**-**	**967,454**

Note 39: Prior Period Adjustment (continued)

Effect on the balance sheet at 31 March 2018

	Restated net amounts (cont'd <)	Derecognise Academy	Derecognise Investment Property	IAS19 Adjustment	Restated net amounts
	£'000	£'000	£'000	£'000	£'000
Council dwellings	493,198				493,198
Other land and buildings	196,337	(4,373)			191,964
Vehicles, Plant & Equipment	49,334				49,334
Infrastructure assets	64,919				64,919
Community assets	9,393				9,393
Surplus Assets	16,834				16,834
Assets Under construction	49,227				49,227
Property plant and equipment	**879,242**	**(4,373)**	**-**	**-**	**874,869**
Investment Property	56,099		(264)		55,835
Intangible Assets	550				550
Long-Term Investments	17,670				17,670
Long-term Debtors	13,893				13,893
NON CURRENT ASSETS	**967,454**	**(4,373)**	**(264)**	**-**	**962,817**

Note 39: Prior Period Adjustment (continued)

Effect on the balance sheet at 31 March 2018

	Net Amounts as originally stated	Restatement of opening balances	PPE corrections	Over accrual of income from SUR LLP	Gross up debtors and creditors	Misposting of overage income	Correct understatement of MRP	Restate s.106 receipts	Restate infrastructure	Mis-classification of loan	Overstatement of debtors	Incorrect capitalisation*	Apply Capitalisation Direction	Restated net amounts (cont'd >)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Short-term investments	18,808													18,808
Assets held for sale	-		1,276											1,276
Inventories	6													6
Short-term debtors	32,945	(5,797)		(4,309)	14,890						(780)			36,949
Cash and cash equivalents	9,900													9,900
Current assets	**61,659**	**(5,797)**	**1,276**	**(4,309)**	**14,890**	**-**	**-**	**-**	**-**	**-**	**(780)**	**-**	**-**	**66,939**
Short-term borrowing	(152,760)													(152,760)
Short-term creditors	(34,619)	956	(8,069)		(14,890)									(56,622)
Provisions	(2,447)													(2,447)
Grants Received in Advance - Capital	(2,100)													(2,100)
Current liabilities	**(191,926)**	**956**	**(8,069)**	**-**	**(14,890)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(213,929)**
Long-term creditors	(393)	(11,854)	(8,069)					(1,320)						(21,636)
Deferred capital receipts	-	(4,157)												(4,157)
Provisions	(223)													(223)
Long-term borrowing	(170,341)													(170,341)
Other Long-term Liabilities	(307,430)													(307,430)
Long-term liabilities	**(478,387)**	**(16,011)**	**(8,069)**	**-**	**-**	**-**	**-**	**(1,320)**	**-**	**-**	**-**	**-**	**-**	**(503,787)**
TOTAL NET ASSETS	**404,309**	**(76,034)**	**376**	**(4,309)**	**-**	**1,164**	**-**	**(1,320)**	**(3,196)**	**-**	**(780)**	**(3,533)**	**-**	**316,677**

Note 39: Prior Period Adjustment (continued)

Effect on the balance sheet at 31 March 2018

	Restated net amounts (cont'd <)	Derecognise Academy	Derecognise Investment Property	IAS19 Adjustment	Write-off historical balances	Restated net amounts
	£'000	£'000	£'000	£'000	£'000	£'000
Short-term investments	18,808					18,808
Assets held for sale	1,276					1,276
Inventories	6					6
Short-term debtors	36,949					36,949
Cash and cash equivalents	9,900					9,900
Current assets	**66,939**	**-**	**-**	**-**	**-**	**66,939**
Short-term borrowing	(152,760)					(152,760)
Short-term creditors	(56,622)					(56,622)
Provisions	(2,447)					(2,447)
Grants Received in Advance - Capital	(2,100)					(2,100)
Current liabilities	**(213,929)**	**-**	**-**	**-**	**-**	**(213,929)**
Long-term creditors	(21,636)					(21,636)
Deferred capital receipts	(4,157)					(4,157)
Provisions	(223)					(223)
Long-term borrowing	(170,341)					(170,341)
Other Long-term Liabilities	(307,430)			(4,539)		(311,969)
Long-term liabilities	**(503,787)**	**-**	**-**	**(4,539)**	**-**	**(508,326)**
TOTAL NET ASSETS	**316,677**	**(4,373)**	**(264)**	**(4,539)**	**962,817**	**307,501**

Note 39: Prior Period Adjustment (continued)

Effect on the balance sheet at 31 March 2018

	Net Amounts as originally stated	Restatement of opening balances	PPE corrections	Over accrual of income from SUR LLP	Gross up debtors and creditors	Misposting of overage income	Correct understatement of MRP	Restate s.106 receipts	Restate infrastructure	Mis-classification of loan	Overstatement of debtors	Incorrect capitalisation*	Apply Capitalisation Direction	Restated net amounts (cont'd >)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	(8,123)	713		4,309		266	5,136				780	8,350	(13,881)	(2,450)
Earmarked GF Reserves	(6,318)													(6,318)
HRA	(17,838)	2,646												(15,192)
Capital Receipts Reserve	(28,312)	(4,132)				(1,430)						(4,817)		(38,691)
Major Repairs Reserve	(15,107)													(15,107)
Capital Grants Unapplied Account	(32,443)	11,854						1,320						(19,269)
TOTAL USABLE RESERVES	**(108,141)**	**11,081**	**-**	**4,309**	**-**	**(1,164)**	**5,136**	**1,320**	**-**	**-**	**780**	**3,533**	**(13,881)**	**(97,027)**
Revaluation Reserve	(306,010)	9,675	7,395											(288,940)
Capital Adjustment Account	(248,031)	55,278	(7,771)				(5,136)		3,196				13,881	(188,583)
Available for Sale Reserve	(1,209)													(1,209)
Financial Instruments Adjustment Account	1,362													1,362
Pension Reserve	265,920													265,920
Deferred Capital Receipts Reserve	(9,791)													(9,791)
Collection Fund Adjustment Account	577													577
Accumulated Absences Adjustment Account	1,014													1,014
TOTAL UNUSABLE RESERVES	**(296,168)**	**64,953**	**(376)**	**-**	**-**	**-**	**(5,136)**	**-**	**3,196**	**-**	**-**	**-**	**13,881**	**(219,650)**
TOTAL RESERVES	**(404,309)**	**76,034**	**(376)**	**4,309**	**-**	**(1,164)**	**-**	**1,320**	**3,196**	**-**	**780**	**3,533**	**-**	**(316,677)**

Note 39: Prior Period Adjustment (continued)

Effect on the balance sheet at 31 March 2018

	Restated net amounts (cont'd >)	Derecognise Academy	Derecognise Investment Property	IAS19 Adjustment	Write-off historical balances	Restated net amounts
	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	(2,450)					(2,450)
Earmarked GF Reserves	(6,318)					(6,318)
HRA	(15,192)					(15,192)
Capital Receipts Reserve	(38,691)					(38,691)
Major Repairs Reserve	(15,107)					(15,107)
Capital Grants Unapplied Account	(19,269)					(19,269)
TOTAL USABLE RESERVES	**(97,027)**	**-**	**-**	**-**	**-**	**(97,027)**
Revaluation Reserve	(288,940)	4,373				(284,567)
Capital Adjustment Account	(188,583)		264			(188,319)
Available for Sale Reserve	(1,209)					(1,209)
Financial Instruments Adjustment Account	1,362					1,362
Pension Reserve	265,920			4,539		270,459
Deferred Capital Receipts Reserve	(9,791)					(9,791)
Collection Fund Adjustment Account	577					577
Accumulated Absences Adjustment Account	1,014					1,014
TOTAL UNUSABLE RESERVES	**(219,650)**	**4,373**	**264**	**4,539**	**-**	**(210,474)**
TOTAL RESERVES	**(316,677)**	**4,373**	**264**	**4,539**	**-**	**(307,501)**

SECTION – 5

SUPPLEMENTARY FINANCIAL STATEMENTS

Housing Revenue Account (HRA) - Income and Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis upon which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

2017/18 Original	**2017/18 Restated***		**2018/19**	
£'000	**£'000**		**£'000**	***Note***
		Expenditure		
10,160	10,160	Repairs and maintenance	8,782	
9,793	9,793	Supervision and management	9,471	
378	378	Rents, rates, taxes and other charges	223	
11,812	11,812	Depreciation and impairment of non current assets	18,135	*6*
		Transfer to/from Provision	2,630	
32,143	**32,143**	**Total expenditure**	**39,241**	
		Income		
(32,351)	(32,351)	Dwelling rents	(32,060)	
(1,421)	(1,421)	Non-dwelling rents	(1,346)	
(2,559)	(2,559)	Charges for service and facilities	(2,382)	
(152)	(152)	Contributions towards expenditure	(264)	
(36,483)	**(36,483)**	**Total income**	**(36,052)**	
(4,340)	**(4,340)**	**Net cost or (income) of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement**	**3,189**	
262	262	HRA services share of Corporate and Democratic Core	274	
(4,078)	**(4,078)**	**Net cost of HRA Services**	**3,463**	
		HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
4,406	9,539	(Gain) or loss on sale of HRA non current assets	8,137	
5,073	5,073	Interest payable and similar charges	5,489	
(84)	(84)	HRA interest and investment income	(71)	
400	400	Net interest on the defined benefit net liability	175	
5,717	**10,850**	**(Surplus) or deficit for the year on HRA Services**	**17,193**	

** see Prior Period Adjustment at Note 1 for an explanation of the restatement of the 2017/18 figures*

Statement on The Movement on The Housing Revenue Account

The objective of this statement is to reconcile the outturn from the HRA Income and Expenditure Statement to the surplus or deficit on the HRA Balance calculated in accordance with statutory requirements.

2017/18 Original	2017/18 Restated*	Expenditure	2018/19
£'000	£'000		£'000
(23,711)	**(21,064)**	**Balance on the HRA as at 1 April**	**(15,192)**
5,717	10,850	(Surplus)/deficit for the year on the HRA Income and Expenditure Statement	17,193
		Adjustments between accounting basis and funding basis:	
102	101	Amount by which finance costs chargeable in accordance with the Code are different from finance costs chargeable in year under statutory requirements	102
(11,812)	(11,812)	Depreciation and impairments	(18,135)
(4,406)	(9,539)	(Gains)/losses on sale of HRA non-current assets	(8,137)
(436)	(436)	Net charges for pensions	(357)
		Transfers to/(from) the Capital Receipts Reserve	(30)
5,000	5,000	Capital expenditure charged to HRA balance	500
		Accumulated absences adjustment	
11,708	11,708	Transfers to/(from) the Major Repairs Reserve	8,776
5,873	**5,872**	**Net (increase)/decrease before transfers to/(from) reserves**	**(88)**
		Transfers to/(from) earmarked reserves	
5,873	**5,872**	**(Increase)/decrease in year on the HRA balance**	**(88)**
(17,838)	**(15,192)**	**HRA Balance at 31 March**	**(15,280)**

** see Prior Period Adjustment at Note 1 for an explanation of the restatement of the 2017/18 figures*

Housing Revenue Account Notes

Note 1: Prior Period Adjustment

The HRA Income and Expenditure Statement has been restated for 2017/18 to reflect the decreased value of assets disposed of in the year. This increased the loss on disposal reported in the HRA Income and Expenditure Statement by £5.133m from £4.406m to £9.539m.

This is matched by an increase in the loss transferred out of the HRA Balance in the Statement of Movement on the HRA Balance.

Note 2: Housing Stock

As at 31 March 2019, the Council was responsible for managing a housing stock of 6,084 dwellings comprising:

2017/18	Type of accommodation	2018/19
No.		No.
2,749	Houses	2,776
2,822	Flats	2,784
529	Bungalows	522
6	Shared ownership	4
(14)	Awaiting demolition	-
6,092	**Total**	**6,086**

The change in stock can be summarised as follows:

2017/18	Type of accommodation	2018/19
No.		No.
6,094	Stock at 1 April	6,092
(66)	Sold	(23)
78	New Build/Acquisitions	15
(12)	Awaiting demolition	-
(2)	Demolished	-
6,092	**Stock at 31 March**	**6,084**

Note 2: Housing Stock (continued)

The total balance sheet value of the Council's HRA assets at 1 April 2018 was £535m (restated) and at 31 March 2019 was £557m, analysed as follows:

2017/18 Original	2017/18 Restated*	Expenditure	2018/19
£'000	£'000		£'000
		Operational assets	
495,546	495,684	Council dwellings	538,416
7,451	8,139	Other land and buildings	6,858
-	715	Community assets	812
12,012	7,729	Assets under construction	7,595
515,009	**512,267**		**553,681**
		Non-operational assets	
2,260	2,320	Investment property	2,058
20,473	15,548	Surplus assets	3,866
22,733	**17,868**		**5,924**
537,742	**530,135**	**Total asset value**	**559,605**

Note 3: Vacant Possession Value

Dwellings are initially valued at open market value assuming vacant possession. The vacant possession value of the HRA tenanted dwellings was £1,632m (£1,454m at 31 March 2018). This is the existing use value (EUV). The difference between the vacant possession value the Balance Sheet value of the dwellings within the HRA reflects that tenancies are held on a secure basis without vacant possession.

The Balance Sheet value of the dwellings is determined by applying the Government prescribed discount factor (the vacant possession discount factor) to the vacant possession value of the stock. The discount factor is 33%. The resultant valuation is the EXisting Use Value - Social Housing (EUV-SH)

The difference of £1,094m between the EUV of £1,632m and the EUV-SH of £538m represents the economic costof providing housing at less than open market

Note 4: Capital Expenditure and financing

During 2018/19, the Council incurred £19.9m capital expenditure on land, houses and other properties within the HRA (2017/18: £19.7m). The detail of expenditure and the methods of financing are detailed below:

2017/18		2018/19
£'000		£'000
	Capital expenditure	
9,056	Operational assets	10,074
10,650	Non-operational assets	9,800
19,706		**19,874**
	Sources of funding	
(3,470)	Capital receipts	(2,707)
(10,626)	Major repairs reserve	(16,359)
(610)	Government grants and contributions	(309)
(5,000)	Direct revenue financing	(499)
(19,706)		**(19,874)**

Note 5: Capital receipts

Capital receipts from disposals of land, houses and other property within the HRA were as follows:

2017/18		2018/19
£'000		£'000
(52)	Land	(60)
(6,123)	Council dwellings	(4,596)
(1,920)	Other property	(417)
(8,095)		**(5,073)**

Note 6: Depreciation and impairment

2017/18				2018/19		
Depreciation	Impairment / Reversals	Total		Depreciation	Impairment / Reversals	Total
£'000	£'000	£'000		£'000	£'000	£'000
9,185	2,614	11,799	Council dwellings	8,699	1,103	9,802
81	114	195	Other land and buildings	72	891	963
		-	Community assets	1		1
45	114	159	Surplus assets	3	6,691	6,694
	212	212	Assets under construction		451	451
9,311	**3,054**	**12,365**		**8,775**	**9,136**	**17,911**

Note 7: Rent Arrears

2017/18		2018/19
	Rent arrears comprise:	
1,297	Current tenant arrears	1,537
978	Former tenant arrears	1,019
2,275		**2,556**
(1,808)	Less: Bad debts provisions	(2,032)
467		**524**

Collection Fund Statement

The Collection Fund shows the transactions of the Council in its capacity as the billing authority in relation to the collection from taxpayers and the distribution to local authorities and the Government of council tax and non-domestic rates. There is no requirement for a separate Collection Fund balance sheet since the assets and liabilities arising from collecting non-domestic rates and council tax belong to the major preceptors, the billing authority and the Government.

The Council’s share of council tax and non-domestic rates income is included in the Comprehensive Income and Expenditure Statement (CIES) on an accruals basis in line with the Code. However, the amount to be recognised in the General Fund is determined by regulation. Therefore, there is an adjustment for the difference between the accrued income and the statutory credit made through the Movement in Reserves Statement and to the Collection Fund Adjustment Account.

2017/18				2018/19			
Business Rates	**Council Tax**	**Total**		**Business Rates**	**Council Tax**	**Total**	
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**	*Note*
			Income				
-	(62,328)	(62,328)	Council Tax receivable	-	(67,258)	(67,258)	
(103,885)	-	(103,885)	Business Rates receivable	(105,655)	-	(105,655)	
(103,885)	**(62,328)**	**(166,213)**	**Total income**	**(105,655)**	**(67,258)**	**(172,913)**	
			Expenditure				
			Apportionment of prior year surplus/deficit				
(361)	-	(361)	Central Government	(3,116)	-	(3,116)	
(354)	84	(270)	Slough Borough Council	(3,054)	-	(3,054)	
(7)	4	(3)	Berkshire Fire Authority	(62)	-	(62)	
-	12	12	Thames Valley police	-	-	-	
			Precepts				
50,985	-	50,985	Central Government	5,125	-	5,125	
49,965	52,675	102,640	Slough Borough Council	96,350	55,768	152,118	
1,020	2,573	3,593	Berkshire Fire Authority	1,025	2,685	3,710	
-	7,011	7,011	Thames Valley police	-	7,605	7,605	
			Charges to Collection Fund				
802	480	1,282	Increase/(decrease) in allowance for impairment	1,959	4,116	6,075	
1,461	-	1,461	Increase/(decrease) in allowance for appeals	4,528	-	4,528	
1,576	-	1,576	Transitional Protection Payments Payable	2,317	-	2,317	
208	-	208	Charge to General Fund for allowable collection costs for non-domestic rates	205	-	205	
105,295	**62,839**	**168,134**	**Total expenditure**	**105,277**	**70,174**	**175,451**	
1,410	511	1,921	(Surplus)/Deficit arising during the year	(378)	2,916	2,538	
1,906	210	2,116	(Surplus)/Deficit brought forward	3,316	721	4,037	
3,316	**721**	**4,037**	**(Surplus)/Deficit carried forward**	**2,938**	**3,637**	**6,575**	

Notes to the Collection Fund

Note 1: Council tax income

The Council's tax base for 2018/19 - i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply), converted to an equivalent number of Band D dwellings - calculated as follows:

Band	Valuation band limits	Estimated number of dwellings after effect of discounts	Ratio	Band D equivalent dwellings	Council Tax charge per band (£)
A	Upto and including - 40,000	531	6 / 9	796	1
B	40,001 - 52,000	4,168	7 / 9	5,359	1
C	52,001 - 68,000	14,911	8 / 9	16,775	1
D	68,001 - 88,000	11,421	9 / 9	11,421	1
E	88,001 - 120,000	6,301	11 / 9	5,155	2
F	120,001 - 160,000	3,401	13 / 9	2,354	2
G	160,001 - 320,000	889	15 / 9	534	2
H	More than - 320,001	16	18 / 9	8	3
Total		**41,638**		**42,402**	
Less adjustment for collection rates and anticipated changes in valuations and exemptions during the year				-	
Council Tax Base				**42,402**	

The Council's tax base for 2017/18 - i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply), converted to an equivalent number of Band D dwellings - calculated as follows:

Band	Valuation band limits	Estimated number of dwellings after effect of discounts	Ratio	Band D equivalent dwellings	Council Tax charge per band (£)
A	Upto and including - 40,000	1,098	6 / 9	732	1
B	40,001 - 52,000	6,711	7 / 9	5,220	1
C	52,001 - 68,000	18,681	8 / 9	16,606	1
D	68,001 - 88,000	11,307	9 / 9	11,307	1
E	88,001 - 120,000	4,161	11 / 9	5,086	2
F	120,001 - 160,000	1,624	13 / 9	2,347	2
G	160,001 - 320,000	323	15 / 9	538	2
H	More than - 320,001	4	18 / 9	8	3
Total		**43,909**		**41,844**	
Less adjustment for collection rates and anticipated changes in valuations and exemptions during the year				(670)	
Council Tax Base				**41,174**	

Note 2: Business Rates income

Non-Domestic Rates are organised on a local basis. The Government specifies an amount and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. In 2018/19 the amount was 49.30p (47.90p = 2017/18). The small business rate multiplier was 48.0p for 2018/19 (46.60p 2017/18). The Council is responsible for collecting rates due from the ratepayers in its area and distributing the amount collected between itself, central government and major preceptors in proportions specified by central government. This is shown in the Collection Fund Statement and analysed at Note 13. The total rateable value @ 31 March 2019 was £242,436,288 (31 March 2018 = £244,947,038).

SECTION – 6

GROUP ACCOUNTS

Group Comprehensive Income and Expenditure Statement

2017/18 Restated*				2018/19			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£'000	£'000	£'000		£'000	£'000	£'000	*Note*
80,873	(23,693)	57,180	Adults and Communities	85,800	(26,546)	59,254	
130,110	(85,119)	44,991	Children, Learning and Skills	139,242	(83,127)	56,115	
46,480	(8,934)	37,546	Place and Development	25,770	(8,222)	17,548	
4,645	(4,107)	538	Regeneration	17,857	(10,463)	7,394	
103,102	(74,950)	28,152	Finance and Resources	88,680	(73,621)	15,059	
1,630	-	1,630	Chief Executive	16,539	(1,171)	15,368	
32,143	(43,698)	(11,555)	Housing Revenue Account	29,370	(36,052)	(6,682)	
398,983	**(240,501)**	**158,482**	**Cost of Services**	**403,258**	**(239,202)**	**164,056**	
		24,838	Other operating expenditure			41,617	
		13,493	Financing and investment income and expenditure			37,001	
		-	Tax due for the year (current and deferred tax)			-	
		(121,294)	Taxation and non-specific grant income and expenditure			(103,850)	
		75,519	**(Surplus)/deficit on provision of services**			**138,824**	
		(588)	Share of the (surplus)/deficit on the provision of services by joint venture			(784)	
		-	Tax expenses of joint venture			-	
		74,931	**Group (Surplus)/deficit on provision of services**			**138,040**	
		(448)	(Surplus) or deficit on financial assets measured at FVOCI			-	
		(24,584)	(Surplus) or deficit on revaluation of property, plant and equipment assets			(55,040)	
		(20,630)	Remeasurement of the net defined benefit liability			(7,875)	
		(45,662)	**Other Comprehensive income and expenditure**			**(62,915)**	
		29,269	**Total Comprehensive income and expenditure**			**75,125**	

** The 2017/18 comparators were restated, see Note 6 for more details.*

Group Movement in Reserves Statement

	General Fund	General Fund Earmarked Reserves	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Council Usable Reserves	Share of Usable Reserves from JVs and Subsidiaries	Total Group Usable Reserves	Council Unusable Reserves	Share of Unusable Reserves from JVs and Subsidiaries	Total Group Unusable Reserves	Total Group Reserves
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 April 2017	**(8,123)**	**(7,156)**	**(23,710)**	**(23,675)**	**(14,025)**	**(50,680)**	**(127,369)**	**-**	**(127,369)**	**(285,802)**	**-**	**(285,802)**	**(413,171)**
Restatement of opening balances	713	-	2,646	(4,132)	-	11,854	11,081	-	11,081	64,953	-	64,953	76,034
Restated opening balances	**(7,410)**	**(7,156)**	**(21,064)**	**(27,807)**	**(14,025)**	**(38,826)**	**(116,288)**	**-**	**(116,288)**	**(220,849)**	**-**	**(220,849)**	**(337,137)**
Movement in Reserves in 2017/18													
(Surplus)/Deficit on Provision of Services	63,288	-	10,850	-	-	1,320	75,458	61	75,519	-	-	-	75,519
Other Comprehensive Income and Expenditure	-	-		-		-	-	(588)	(588)	(45,822)	160	(45,662)	(46,250)
Total Comprehensive Income and Expenditure	**63,288**	**-**	**10,850**	**-**	**-**	**1,320**	**75,458**	**(527)**	**74,931**	**(45,822)**	**160**	**(45,662)**	**29,269**
Adjustments between accounting and funding basis	(43,609)		(4,978)	(10,884)	(1,082)	18,237	(42,316)	-	(42,316)	42,316	-	42,316	-
Capitalisation Direction	(13,881)						(13,881)	-	(13,881)	13,881	-	13,881	-
Net (increase)/decrease before transfers to/from reserves	**5,798**	**-**	**5,872**	**(10,884)**	**(1,082)**	**19,557**	**19,261**	**(527)**	**18,734**	**10,375**	**160**	**10,535**	**29,269**
Transfer to/(from) - reserves	(838)	838	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2018	**(2,450)**	**(6,318)**	**(15,192)**	**(38,691)**	**(15,107)**	**(19,269)**	**(97,027)**	**(527)**	**(97,554)**	**(210,474)**	**160**	**(210,314)**	**(307,868)**
Restatement of opening balances	-	-	-	-	-	-	-	-	-	(15)	-	(15)	(15)
Restated opening balances	**(2,450)**	**(6,318)**	**(15,192)**	**(38,691)**	**(15,107)**	**(19,269)**	**(97,027)**	**(527)**	**(97,554)**	**(210,489)**	**160**	**(210,329)**	**(307,883)**
Movement in Reserves in 2018/19													
(Surplus)/Deficit on Provision of Services	120,446	-	17,193	-	-	-	137,639	1,187	138,826	-	-	-	138,826
Other Comprehensive Income and Expenditure	-	-		-	-	-	-	(784)	(784)	(61,504)	(140)	(61,644)	(62,428)
Total Comprehensive Income and Expenditure	**120,446**	**-**	**17,193**	**-**	**-**	**-**	**137,639**	**403**	**138,042**	**(61,504)**	**(140)**	**(61,644)**	**76,398**
Adjustments between accounting and funding basis	(85,357)	-	(17,281)	(2,229)	2,650	14,130	(88,087)	-	(88,087)	88,087	-	88,087	-
Capitalisation Direction	(28,201)	-	-	-	-	-	(28,201)	-	(28,201)	28,201	-	28,201	-
Net (increase)/decrease before transfers to/from reserves	**6,888**	**-**	**(88)**	**(2,229)**	**2,650**	**14,130**	**21,351**	**403**	**21,754**	**54,784**	**(140)**	**54,644**	**76,398**
Transfer to/(from) - reserves	(5,899)	5,899	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2019	**(1,461)**	**(419)**	**(15,280)**	**(40,920)**	**(12,457)**	**(5,139)**	**(75,676)**	**(124)**	**(75,800)**	**(155,705)**	**20**	**(155,685)**	**(231,485)**

** The 2017/18 comparators were restated, see Note 6 for more details.*

Group Balance Sheet

** The 2017/18 comparators were restated, see Note 6 for more details.*

01/04/2017 Restated*	31 March 2018 Restated*		31 March 2019	
£'000	£'000		£'000	Note
802,648	880,173	Property, Plant and Equipment	960,407	2
35,998	55,835	Investment Property	66,125	
457	550	Intangible Assets	969	
26,470	16,206	Long-term Investments	19,064	
-	588	Long-term Investments	1,372	
8,628	8,633	Long-term Debtors	7,277	
874,201	**961,985**	**Total Long-term Assets**	**1,055,214**	
24,053	18,808	Short Term Investments	48,545	
-	1,276	Assets Held for Sale	-	
3	6	Inventories	1	
28,549	37,438	Short term debtors	19,198	
19,800	10,700	Cash and Cash Equivalents	21,944	
72,405	**68,228**	**Current Assets**	**89,688**	
(67,559)	(152,760)	Short-term Borrowing	(214,682)	
(38,754)	(56,712)	Short-term Creditors	(60,076)	
(1,508)	(2,447)	Short-term Provisions	(2,165)	
(2,100)	(2,100)	Grants Receipts in Advance – Capital	-	
(109,921)	**(214,019)**	**Current Liabilities**	**(276,923)**	
(11,854)	(21,636)	Long-term Creditors	(6,060)	
(4,157)	(4,157)	Deferred Capital Receipts	(4,157)	
(223)	(223)	Long-term Provisions	(9,373)	
(170,370)	(170,341)	Long-term Borrowing	(304,216)	
(312,944)	(311,969)	Other Long-Term Liabilities	(312,687)	
(499,548)	**(508,326)**	**Long-term Liabilities**	**(636,493)**	
337,137	**307,868**	**Net Assets**	**231,486**	
-	(588)	Share of joint venture (profits)/losses	(1,372)	
(116,288)	(97,027)	Usable Reserves	(75,674)	
-	61	P&L Reserve	1,248	
(220,849)	(210,314)	Unusable Reserves	(155,688)	
(337,137)	**(307,868)**	**Total Reserves**	**(231,486)**	

Group Cash Flow Statement

2017/18 Restated*		2018/19	
£'000		£'000	*Note*
64,650	Net (surplus) or deficit on the provision of services	138,825	
(89,144)	Adjustment to (surplus) or deficit on the provision of services for non-cash movements	(161,377)	*3*
31,393	Adjustment for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	25,159	*3*
6,899	**Net cash flows from operating activities**	**2,607**	
90,826	Investing Activities	176,822	*4*
(88,730)	Financing Activities	(190,654)	*5*
8,995	**Net (increase) or decrease in cash and cash equivalents**	**(11,225)**	
19,800	Cash and cash equivalents at the beginning of the reporting period	10,700	
10,805	**Cash and cash equivalents at the end of the reporting period**	**21,925**	

** The 2017/18 comparators were restated, see Note 6 for more details.*

Notes to the Group Financial Statements

Note 1: Basis of Preparation

The Group accounts have been prepared in accordance with the requirements of Chapter 9 of CIPFA's 2018/19 Code of Practice, by:

- Identifying entities within the Group accounting boundary
- Consolidating controlled entities on a line-by-line basis in the Group financial statements, eliminating intra-group balances and transactions in full.
- Consolidating joint ventures using the equity method, by including the Council's share of company profits and losses as a single line item in the Group Comprehensive Income and Expenditure Statement and Group Balance Sheet.
- For the consolidation of the joint venture Slough Urban Renewals year end is 31st December rather than 31st March. Review was done comparing the equity as at 31 December's audited accounts with that as at 31 March based on the management accounts. Based on this analysis the differences are below materiality, therefore the 31 December audited figures have been used for the purposes of the consolidation.

The following entities have been included in the Group financial statements:

Company	Classification	Consolidation method
James Elliman Homes (JEH)	Subsidiary	line by line
Slough Urban Renewal (SUR)	Joint Venture (JV)	equity method

Note 2: Group Property, Plant and Equipment

Movements in 2018/19	Operational assets							Non-operational assets		Group Total
	Council dwellings	Other land and buildings - SBC	Other land and buildings - JEH	Other land and buildings total	Vehicles, plant and equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation										
At 1 April 2018	**499,657**	**193,955**	**5,304**	**199,259**	**63,700**	**105,462**	**9,419**	**17,008**	**49,230**	**943,735**
Adjustments to cost/value & depreciation/impairment	(8,768)	(3,256)		(3,256)	(15)	-	-	(12)	-	(12,051)
Additions	12,798	56,759	21,883	78,642	1,132	6,345	54	496	19,498	118,965
Revaluation increases/(decreases) recognised in the revaluation reserve	47,474	18,924	139	19,063	(1,808)	-	-	(10,030)	189	54,888
Revaluation increases/(decreases) recognised in the surplus/(deficit) on the provision of services	(11,805)	(16,619)		(16,619)	(3,495)	-	-	(6,651)	(1,280)	(39,850)
Derecognition – disposals	(2,862)	(24,345)		(24,345)	(5,276)	-	-	(570)	(173)	(33,226)
Other transfers/movements	3,572	8,288		8,288	408	482	-	16,919	(28,274)	1,395
At 31 March 2019	**540,066**	**233,706**	**27,326**	**261,032**	**54,646**	**112,289**	**9,473**	**17,160**	**39,190**	**1,033,856**
Accumulated depreciation and impairment										
At 1 April 2018	**(6,459)**	**(1,991)**	**-**	**(1,991)**	**(14,366)**	**(40,543)**	**(26)**	**(174)**	**(3)**	**(63,562)**
Adjustments to cost/value & depreciation/impairment	8,768	3,256		3,256	15	-	-	12	-	12,051
Depreciation charge	(8,696)	(3,142)	(284)	(3,426)	(3,764)	(6,614)	-	(16)	-	(22,516)
Depreciation written out to the revaluation reserve	-	-		-	-	-	-	-	-	-
Depreciation written out to the surplus/(deficit) on the provision of services	-	-		-	-	-	-	-	-	-
Derecognition – disposal	108	352		352	109	-	-	2	-	571
Other transfers/movements	6	(1)		(1)	-	-	-	(2)	-	3
At 31 March 2019	**(6,273)**	**(1,526)**	**(284)**	**(1,810)**	**(18,006)**	**(47,157)**	**(26)**	**(178)**	**(3)**	**(73,453)**
Net book value at 31 March 2018	**493,198**	**191,964**	**5,304**	**197,268**	**49,334**	**64,919**	**9,393**	**16,834**	**49,227**	**880,173**
Net book value at 31 March 2019	**533,793**	**232,180**	**27,042**	**259,222**	**36,640**	**65,132**	**9,447**	**16,982**	**39,187**	**960,403**

Note 2: Group Property, Plant and Equipment (continued)

Movements in 2017/18	Operational assets							Non-operational assets		Group Total
	Council dwellings	Other land and buildings - SBC	Other land and buildings - JEH	Other land and buildings total	Vehicles, plant and equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation										
At 1 April 2017	**486,946**	**190,681**	**-**	**190,681**	**54,580**	**118,933**	**8,200**	**27,421**	**29,128**	**915,889**
Prior period adjustment	(2,072)	(6,362)	-	(6,362)	(15,600)	(25,769)	-	(4,989)	(771)	(55,563)
Restated balance at 1 April 2017	**484,874**	**184,319**	**-**	**184,319**	**38,980**	**93,164**	**8,200**	**22,432**	**28,357**	**860,326**
Adjustments to cost/value & depreciation/impairment	(9,007)	(5,496)	-	(5,496)	(1,591)	-	-	(131)	-	(16,225)
Additions	8,390	36,490	5,304	41,794	6,567	12,298	308	1,335	50,850	121,542
Revaluation increases/(decreases) recognised in the revaluation reserve	19,165	3,886	-	3,886	411	-	-	1,322	(40)	24,744
Revaluation increases/(decreases) recognised in the surplus/(deficit) on the provision of services	(9,829)	(17,325)		(17,325)	3,553	-	-	(113)	(212)	(23,926)
Derecognition – disposals	(6,773)	(5,463)	-	(5,463)	(648)	-	-	(4,913)	(3,029)	(20,826)
Other transfers/movements	12,837	(2,456)	-	(2,456)	16,428	-	911	(2,924)	(26,696)	(1,900)
At 31 March 2018	**499,657**	**193,955**	**5,304**	**199,259**	**63,700**	**105,462**	**9,419**	**17,008**	**49,230**	**943,735**
Accumulated depreciation and impairment										
At 1 April 2017	**(6,400)**	**(3,271)**	**-**	**(3,271)**	**(29,031)**	**(21,618)**	**(16)**	**(558)**	**-**	**(60,894)**
Prior period adjustment	4	317	-	317	15,600	(12,714)	-	9	-	3,216
Restated balance at 1 April 2017	**(6,396)**	**(2,954)**	**-**	**(2,954)**	**(13,431)**	**(34,332)**	**(16)**	**(549)**	**-**	**(57,678)**
Adjustments to cost/value & depreciation/impairment	9,007	5,496	-	5,496	1,591	-	-	131	-	16,225
Depreciation charge	(9,185)	(4,675)	-	(4,675)	(3,098)	(6,211)	-	(77)	-	(23,246)
Depreciation written out to the revaluation reserve	-	-		-	-	-	-	-	-	-
Depreciation written out to the surplus/(deficit) on the provision of services	-	-		-	-	-	-	-	-	-
Derecognition – disposal	121	199		199	506	-	-	308	-	1,134
Other transfers/movements	(6)	(57)		(57)	66	-	(10)	13	(3)	3
At 31 March 2018	**(6,459)**	**(1,991)**	**-**	**(1,991)**	**(14,366)**	**(40,543)**	**(26)**	**(174)**	**(3)**	**(63,562)**
Net book value at 31 March 2017	**478,478**	**181,365**	**-**	**181,365**	**25,549**	**58,832**	**8,184**	**21,883**	**28,357**	**802,648**
Net book value at 31 March 2018	**493,198**	**191,964**	**5,304**	**197,268**	**49,334**	**64,919**	**9,393**	**16,834**	**49,227**	**880,173**

Note 3: Group Cash Flow Statement - Operating Activities

2017/18 Restated*		2018/19
£'000		£'000
75,518	**Net (surplus) or deficit on the provision of services**	**138,825**
	Adjustments for non-cash movements:	
(23,246)	Depreciation	(22,481)
(8,176)	Impairments and downward revaluation	(38,691)
(95)	Amortisation	-
(4,188)	Net increase/decrease in creditors, debtors and inventories	(30,400)
(20,884)	Pensions liability	(10,772)
(31,600)	Carrying amount of non-current assets sold	(48,376)
(11,718)	Other non-cash items	(10,677)
(99,907)	**Subtotal**	**(161,397)**
	Adjustments for items that are investing or financing activities:	
-	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	12,573
13,307	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	8,783
18,086	Any other items for which the cash effects are investing or financing cash flows	3,803
31,393	**Subtotal**	**25,159**
7,004	**Net cash flows from operating activities**	**2,587**

** The 2017/18 comparators were restated, see Note 39 for more details.*

The cash flows for operating activities include the following items:

2017/18		2018/19
£'000		£'000
(1,952)	Interest received	(4,319)
8,963	Interest paid	8,416
7,011	**Total**	**4,097**

Note 4: Group Cash Flow Statement - Investing Activities

2017/18 Restated*		2018/19
£'000		£'000
131,188	Purchase of property, plant and equipment, investment property and intangible assets	152,932
330,466	Purchase of short-term and long-term investments	73,218
(6,723)	Other payments for investing activities	-
(15,343)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(14,337)
(339,252)	Proceeds from short-term and long-term investments	(12,573)
(16,233)	Other receipts from investing activities	(22,418)
84,103	**Net cash flows from investing activities**	**176,822**

** The 2017/18 comparators were restated, see Note 39 for more details.*

Note 5: Group Cash Flow Statement - Financing Activities

2017/18 Restated*		2018/19
£'000		£'000
(203,000)	Cash receipts of short-term and long-term borrowings	(534,500)
-	Other receipts from financing activities	-
-	Council Tax and NNDR adjustments	-
2,260	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	2,376
117,829	Repayments of short-term and long-term borrowing	339,542
904	Other payments from financing activities	1,928
(82,007)	**Net cash flows from financing activities**	**(190,654)**

** The 2017/18 comparators were restated, see Note 39 for more details.*

Note 6: Group Prior Period Adjustment

Numerous adjustments have been made in the Council's own accounts to restate figures previously reported in 2017/18. These are set out in Note 39 to the single entity financial statements (pages 107 to 117)

In addition, the Council has made the following adjustments to figures previously reported in the Group Accounts for 2017/18:

1. Previous year's group accounts had omitted the subsidiary company's revaluation reserve from the Group Balance Sheet. The adjustment of £0.16m corrects this omission

2. Previous year's group accounts had omitted the Council's share of the equity in its joint venture company. The adjustment of £0.588m recognises the value of this investment at 31 March 2018

	At 31 March 2018
	£'000
Authority share of Subsidiary Reserves as originally stated	**61**
Prior Period adjustments	
Movement on Revaluation Reserve of subsidiary (see 1 above)	160
Authority share of surpluses and deficits on joint venture company (see 2 above)	(588)
Authority share of Subsidiary Reserves - restated	**(367)**

SECTION – 7

GLOSSARY OF FINANCIAL TERMS

GLOSSARY OF FINANCIAL TERMS

ACCRUALS

The concept that income and expenditure are recognised as earned or incurred, not as money that is received or paid.

ACTUARY

An independent consultant who advises on the financial position of the Pension Fund.

ACTUARIAL VALUATION

A review is carried out by the actuary on the Pension Fund's assets and liabilities on the Fund's financial position and recommended employers' contribution rates every 3 years reporting to the Council.

AMORTISATION

The writing off of a loan balance over a period of time to revenue.

BAD DEBT PROVISION

An amount set aside to cover money owed to the Council where payment is considered doubtful.

BAND PROPORTIONS

(Also known as VALUATION BANDS)

This is the relation that a Council Tax property bears to the 'standard' Band D Council Tax. The band proportions are expressed in ninths and are specified in the Local Government Finance Act 1992. They are: A 6/9, B 7/9, C 8/9, D 9/9, E 11/9, F 13/9, G 15/9 and H 18/9, so that Band A is six ninths of the 'standard', and so on.

BILLING AUTHORITY

A district, unitary or London Borough Council or the Council of the Scilly Isles. The billing authority is responsible for levying and collecting Council Tax in its area, both on its own behalf and that of its precepting authorities.

BUDGET

The budget represents a statement of the Council's planned expenditure and income.

BUSINESS RATE RETENTION

The NNDR pool was replaced in 2013/14 by the Business Rates Retention scheme, whereby authorities retain a percentage of the Business Rates collected. In Berkshire, 99% collected goes and 1% to the Berkshire Fire Authority as part of the Berkshire Business Rates Retention Pilot for 2018/19.

CAPITAL EXPENDITURE

Expenditure on acquisition of a non-current asset or expenditure that adds to and not merely maintains the value of an existing asset.

CARRYING AMOUNT/CARRYING VALUE

These terms refer to the capitalised cost of a non-current asset, less accumulated depreciation and impairment.

GLOSSARY OF FINANCIAL TERM (continued)

CASH EQUIVALENTS

Short-term, highly liquid investments that are readily convertible to cash; e.g. bank call accounts.

CODE

The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

COLLECTION FUND

A fund operated by the billing authority into which all receipts of Council Tax and National Non-Domestic Rates are paid. Payments are made from the fund to support the Council's general fund services and to the precepting authorities. The fund must be maintained separately from the authority's General Fund.

COMMUNITY ASSETS

Assets that the Council intends to hold in perpetuity that have no determinable useful life and that may have restrictions on their disposal, such as parks and historic buildings.

COMPONENTISATION

The recognition of distinct parts of an asset (components) as separate assets for depreciation purposes.

CONSUMER PRICE INDEX (CPI)

The measure of inflation used for the indexation of benefits, tax credits and public service pensions. The CPI is an internationally comparable measure of inflation and is used to compare inflation across the European Union.

CONTINGENT ASSET

A possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council.

CONTINGENT LIABILITY

Sums of money that the Council will be liable to pay in certain circumstances. e.g. as a result of losing a court case.

COUNCIL TAX

A system of local taxation, which is set by both the billing and precepting authorities at a level determined by the revenue expenditure requirement for each authority, divided by the Council Tax Base for its area.

COUNCIL TAX BASE

An amount calculated by the billing authority, by applying the band proportions to the total properties in each band in order to calculate the number of band D equivalent properties in the authority's area. The tax base is also used by the precepting and some levying bodies in determining their charge to the area.

CREDITORS

Amounts of money owed by the Council for goods or services received.

GLOSSARY OF FINANCIAL TERM (continued)

DEBTORS

Amounts of money owed to the Council for goods or services provided.

DEDICATED SCHOOLS GRANT (DSG)

A ring-fenced grant from the Department for Education paid to Local Education Authorities for the Education of Children and Young Adults up to the age of 25.

DEPRECIATION

A provision made in the accounts to reflect the cost of consuming assets during the year, e.g. a vehicle purchased for £30,000 with a life of five years would depreciate on a straight-line basis at the rate of £6,000 per annum. Depreciation forms part of the 'capital charges' made to service revenue accounts and is covered by International Accounting Standard (IAS) 16.

DIRECT REVENUE FINANCING

Funding of capital expenditure directly from revenue budgets.

EARMARKED RESERVES

Amounts set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish a provision.

EXIT PACKAGES

The cost to the Council of early termination of staff employment before normal retirement age.

EXTERNAL AUDITOR

The Public Sector Audit Appointments Limited (**PSAA**) appoints the external auditor. The current auditor is Grant Thornton LLP.

FAIR VALUE

Fair Value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no motive in their negotiations other than to secure a fair price.

FINANCE LEASE

A contractual agreement for the use of an asset, where in substance the risks and rewards associated with ownership reside with the user of the asset (lessee) rather than the owner (lessor).

FINANCIAL YEAR

The local authority financial year starts on 1 April and ends the following 31 March.

GENERAL FUND

This is the main revenue account of the Council. It includes the cost of all services provided which are paid from Government grants, generated income, NNDR retention and borough's share of Council Tax. It excludes the HRA. By law, it includes the cost of services provided by other bodies who charge a levy to the Council.

GLOSSARY OF FINANCIAL TERM (continued)

HERITAGE ASSETS

Assets held and maintained principally for their contribution to knowledge and culture. e.g. War memorials and museum stocks.

HOUSING REVENUE ACCOUNT (HRA)

An account which includes expenditure and income arising from the provision of rented dwellings. It is, in effect, a landlord account. Statute provides for this account to be separate from the General Fund and any surplus or deficit must be retained within the HRA. No costs may be charged to Council Tax nor can Housing Rent income be used to support General Fund expenditure.

IMPAIRMENT

This is where the value of an asset falls below the carrying value in the accounts and so to reflect the commercial reality of the situation a charge is made in the running costs.

INFRASTRUCTURE ASSETS

Non-current assets that are unable to be readily disposed of, the expenditure on which is recoverable only by continued use of the asset created. Examples are highways and footpaths.

INTANGIBLE ASSETS

Assets which do not have a physical form but provide an economic benefit for a period of more than one year; e.g. software licences.

INTERNATIONAL FINANCIAL REPORTING INTERPRETATION COMMITTEE (IFRIC)

The body which set financial reporting guidelines based on International Financial Reporting Standards. Since 2009/10, the treatment of PFI was based on the adoption of IFRIC standard 12. IFRIC standard 4 is followed in determining whether an arrangement contains a lease

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Local authorities are required to adopt the International Financial Reporting Standards (IFRS); a code of practice based on an internationally agreed set of financial rules. These dictate a level of analysis and disclosure that allows readers of the Statement of Accounts to gain a clearer understanding of the Council’s financial position and activities.

INVENTORIES

Materials or supplies to be used in the production process or in providing services; for this Council, the fuel transport store.

LEVIES

The Council is statutorily required to pay levies to a number of national, London-wide and local bodies. Examples are the North London Waste Authority and the Lee Valley Regional Park Authority.

MINIMUM REVENUE PROVISION (MRP)

A statutory amount, that has to be charged to revenue, to provide for the redemption of debt.

NATIONAL NON-DOMESTIC RATE (NNDR)

More commonly known as ‘business rates’, these are collected by billing authorities from all non-residential buildings. The poundage level is set by the Treasury. Amounts payable are based on rateable values multiplied by this poundage level.

GLOSSARY OF FINANCIAL TERM (continued)

NEW HOMES BONUS

New Homes Bonus is a Government scheme aimed at encouraging local authorities to grant planning permissions for building new houses and bringing long-term empty properties back into use. The non ring-fenced grant is based on the number of properties.

NET BOOK VALUE

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value, less the cumulative amounts provided for depreciation.

NON-CURRENT ASSETS

Assets which yield a benefit to the Council for a period of more than one year.

OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or a discretionary responsibility.

NON-OPERATIONAL ASSETS

Fixed assets held by a Council, but not directly occupied, used or consumed in the delivery of services; for example, investment properties and assets surplus to requirements held pending sale or redevelopment.

OUTTURN

This is the actual level of expenditure and income for the financial year.

PENSION FUNDS

For the Local Government Pension Scheme, the funds that invest employers’ and employees’ pension contributions in order to provide pensions for employees on their retirement and pensions for employees’ dependants in the event of death of an employee.

PENSION STRAIN

The cost to the Council of reimbursing the Pension Fund should it agree to employees aged 55 and over drawing their pension before normal retirement age.

PRIVATE FINANCE INITIATIVE (PFI)

PFI offers a form of Public-Private Partnership in which local authorities do not buy assets but rather pay for the use of assets held by the private sector.

PRECEPT

This is the method by which a precepting authority (Greater London Authority in London) obtains income from the billing authority to cover its net expenditure. This is calculated after deducting its own Revenue Support Grant. The precept levied by the precepting authority is incorporated within the Council Tax charge. The Council pays the amount demanded over an agreed time scale.

PROPERTY, PLANT AND EQUIPMENT (PPE)

Covers all tangible (physical) assets used in the delivery of services, for rental to others, or for administrative purposes, that are used for more than one year.

GLOSSARY OF FINANCIAL TERM (continued)

PROVISION

Amount set aside for liabilities and losses, which are certain or very likely to occur but where the exact amount or timing of the payment is uncertain.

PRUDENTIAL CODE

The Prudential Code frees authorities to set their own borrowing limits having regard to affordability. In order to demonstrate this has been done, and enable adherence to be monitored, authorities are required to adopt a number of appropriate ‘Prudential Indicators’.

PUBLIC WORKS LOAN BOARD (PWLB)

A government agency, part of the Debt Management Office which lends money to public bodies for capital purposes. The majority of borrowers are local authorities. Monies are drawn from the National Loans Fund and rates of interest are determined by the Treasury.

PUPIL PREMIUM GRANT

This is based on Free School Meals (FSM) eligibility data as at January each year. It is ring-fenced to schools in the same way as DSG.

RATEABLE VALUE

The Valuation Office Agency (part of HM Revenue and Customs) assesses the rateable value of non-domestic properties. Business rate bills are set by multiplying the rateable value by the NNDR poundage set by the Government for the year. Domestic properties do not have rateable values; instead they are assigned to one of the eight valuation bands for Council Tax.

RELEVANT POPULATION

The population of Slough Borough Council, as determined by the Secretary of State, is used to determine the Council’s share of Revenue Support Grant.

RETAIL PRICE INDEX (RPI)

The measure of inflation used prior to the adoption of CPI by the Government.

REVALUATION

Recognises increases or decreases in the value of non-current assets that are not matched by expenditure on the asset; gains or losses are accounted for through the revaluation reserve.

REVENUE EXPENDITURE

The regular day to day running costs a Council incurs to provide services.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Expenditure which is legitimately financed from capital resources, but which does not result in, or remain matched with tangible assets.

REVENUE SUPPORT GRANT (RSG)

The general grant paid by the Government to local authorities to help finance their services.

GLOSSARY OF FINANCIAL TERM (continued)

SURPLUS ASSETS

Assets not being used in the delivery of services that do not qualify as being ‘held for sale’ under accounting guidance.

SOFT LOANS

Funds received and advanced at less than market rates.

UNSUPPORTED BORROWING

Local authorities can set their own borrowing levels based upon their capital need and their ability to pay for the borrowing, costs are not supported by the Government so services need to ensure they can fund the repayment costs. The borrowing may also be referred to as Prudential Borrowing.

USABLE CAPITAL RECEIPTS

This represents the amount of capital receipts available to finance capital expenditure in future years, or to provide for the repayment of debt.

ABBREVIATIONS USED IN THE ACCOUNTS:

BRS – Business Rate Supplement
CCG – Clinical Commissioning Group
CIPFA – Chartered Institute of Public Finance and Accountancy
CIES – Comprehensive Income and Expenditure Statement
CPI – Consumer Price Index
DSG – Dedicated Schools Grant
EIP – Equal Interest and Principal
EIR – Effective Interest Rate
FRS – Financial Reporting Standard
HRA – Housing Revenue Account
IAS – International Accounting Standards
ISB – Individual Schools Budget
IFRS – International Financial Reporting Standards
MiRS – Movement in Reserves Statement
MRR – Major Repairs Reserve
NNDR – National Non-Domestic Rates
PFI – Private Finance Initiative
PPE – Property, Plant and Equipment
PWLB – Public Works Loan Board
REFCUS – Revenue Expenditure Funded From Capital Under Statute
RICS – Royal Institution of Chartered Surveyors
RPI – Retail Price Index
RSG – Revenue Support Grant
RTB – Right to Buy

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This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

Grant Thornton

The Audit Findings for Slough Borough Council

Year ended 31 March 2019

16 February 2023

Contents

Your key Grant Thornton team members are:

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management and with the Audit and Corporate Governance Committee.

Name : Julie Masci
For Grant Thornton UK LLP
Date : 14 February 2023

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Slough Borough Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2019 for those charged with governance.

Financial Statements:

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit of the financial statements of Slough Borough Council for the year ended 31st March 2019 commenced in July 2019, when the Council first produced its first draft statement of accounts. Our review of the arrangements for delivering value for money subsequently commenced in early 2021. Unfortunately, the audit on the financial accounts did not complete during 2019, due to a number of significant matters in the financial statements audit identified by Grant Thornton. At this time, management at the time focused on pushing us to complete the audit rather than providing appropriate audit evidence . This was the wrong approach. Our review of value for money arrangements at the Council also identified a number of significant issues, resulting in an adverse value for money opinion.

In early 2021, the Council found itself in financial difficulties resulting in a Section 114 being issued, therefore, requiring an application to Government for a Capitalisation Direction . The Secretary of State for Levelling Up, Housing and Communities, on 30 June 2021, announced an external assurance review of Slough Borough Council's financial position and the strength of the Council's wider governance arrangements, resulting in several recommendations being raised and the appointment of Commissioners. The old finance team who were involved in producing the first draft accounts subsequently left the Council during early 2021

A new finance leadership team was appointed during 2021 with considerable financial expertise and experience of working with or for other local authorities in the sector. . The team was responsible for reviewing the financial arrangements at the Council and overseeing the production of a revised set of financial statements for 2018/19.

The Local Audit and Accountability Act 2014, requires local authorities to keep adequate records and to prepare an annual statement of accounts, which must be audited. During their review, the team identified significant weaknesses in financial accounting and record keeping issues at the Council, leading to a substantial re-write of the original 2018/19 draft accounts. In producing the latest accounts, the new finance team have had to contend with lack of adequate record keeping, inadequate audit trails, poor working papers, mapping issues within the general ledger, lack of reconciliations, missing information, material erroneous accounting of transactions and identified several material errors in prior years. The revised draft accounts produced in June 2022 included 16 Prior Period Adjustments, revised core statement, revised accounting policies, presentation and disclosure of notes.

The new finance team has attempted to produce a set of financial accounts fit for audit. However, their initial starting position was the previous version of the accounts and general ledger (containing thousands of accounting entries) prepared by the old finance team, which had several legacy issues. The new finance team has had to: undertake detailed reviews of the financial systems, attempt to re-create records held within and outside the financial management systems, conclude whether the information is available or not. As mentioned, some members of the old finance team who prepared the first draft of the accounts or posted accounting transactions are no longer employed at the council. Therefore, it has been difficult to obtain supporting evidence or explanations to transactions posted in 2018/19 and prior periods. These issues have clearly increased the complexity of preparing the accounts, correcting errors and concurrently elevated our audit risks.

Grant Thornton agreed to recommence the audit of the revised accounts in July 2022. As a result of the scale and number of misstatements and amendments to the 2018/19 draft accounts, we revisited our planning and risk assessment and re-issued an updated Audit Plan on 29 September 2022 to the Audit & Corporate Governance Committee.

1. Headlines

Financial Statements (continued):

As clearly set-out later in our Audit Findings Report, there were significant weaknesses in the preparation of the 2018/19 accounts and overall financial governance at the Council. However, the most significant issues relate to the accounts audit are:

- Inadequate processes and controls over journals posted by the old finance team , i.e. lack of supporting evidence and explanations for journal entries posted in the general ledger or adjusting entries on the trial balance.
- Inadequate record keeping and audit trails, lack of good working papers and appropriate reconciliations, mapping issues within the financial statements.
- A significant number of material misstatements identified in the 2018/19 accounts audit and material prior period misstatement identified relating to the 2017/18 accounts and early sets of financial statements.

The scale and size of the issues identified consequently means we are unable to assure ourselves that the financial statements are free from material errors and are fairly stated for us to provide an unqualified opinion. Therefore, this means the financial statement opinion for 2018/19 will be a modified opinion. There are three types of opinions in this scenario external auditors can issue depending on the circumstances:

Qualified

- *Is issued when the audit team having obtained sufficient audit evidence, concludes that misstatements, individually or in aggregate, are material (disagreement), but not pervasive to the financial statements or*
- *the audit team is unable to obtain sufficient appropriate audit evidence (limitation of scope) but the engagement team concludes that the possible effects on the financial statements of undetected misstatement, if any could be material but not pervasive.*

Adverse Opinion

- *Is issued when the audit team, having obtained sufficient appropriate audit evidence, concludes that material misstatements, individually or in aggregate, are both material and pervasive to the finance statements. Therefore an unqualified opinion is not justified.*

Disclaimer of opinion

- *A disclaimer of opinion is only issued when the possible effects of undetected misstatements due to the lack of audit evidence (a scope limitation) could be both material and pervasive to the financial statements.*

We consider the nature of these issues identified within the accounts to be pervasive, we therefore anticipate our audit report opinion will be a Disclaimer of opinion. In our experience , a disclaimer of opinion is unprecedented . This reflects a standard of record keeping and accounting which is incompatible with the Council's responsibilities to exercise proper stewardship over public funds.

Our Audit Findings Report highlights the key findings reported to those charged with governance (the Audit, and Corporate Governance), since the audit commenced in July 2019. We have summarised the results against the 13 significant risks identified in the Audit Plan and the significant matters discussed with management on Pages 17 to 21.

We identified a number of audit adjustments to the financial statements that have resulted in changes to the Council's Comprehensive Income and Expenditure Statement. Audit Adjustments are detailed in Appendix D. A summary of the explanation of the changes from the initial draft accounts presented for audit in July 2019 and the final accounts approved is highlighted in Appendix C on pages 51 to 55

We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B. As mentioned, our anticipated audit opinion will be modified as disclaimer.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

We have completed our risk based review of the Council's value for money arrangements. On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, because of the significance of the matters described below and later in our report, we are not satisfied that, in all significant respects Slough Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019, this is due to:

- Inadequate arrangements in place to understand and use appropriate and reliable financial and performance information to support informed decision making and performance management in relation to Slough Children's Services Trust
- Significant weaknesses in processes for preparing both the 2017-18 financial statements (which took place during 2018-19), and ongoing weaknesses in the arrangements to prepare the 2018-19 financial statements resulting in a number of material adjustments and disclosure corrections.
- Since our last report, in light of the impact of Covid 19 on the future financial position of the Council, coupled with the impact of a recent business rate appeal and the ongoing discussions with the Department for Education on the recoverability of financial support to Slough Children's Trust, the Council has recently sought further financial support through Department for Levelling Up Housing Communities and is awaiting final conclusions from this request. This coupled with further adjustments required to the Council's reserves arising from the audit, gives indication that general fund reserve levels (both earmarked and unearmarked) are at unsustainably low levels requiring action from the Council. We therefore anticipate issuing an adverse qualified value for money conclusion.

Our findings are summarised in a separate report to Audit and Corporate Governance Committee members within the papers and has been previously reported to members on 18 May 2021.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

On 9 May 2021 we issued Section 24 Statutory Recommendations, as a result of the significant challenges experienced in preparing Code compliant accounts for 2018-19, coupled with the wider findings of the audit and the challenging financial position for the Council at the time.

Given the subsequent findings and very serious concerns raised in this Audit Findings Report, about historic record keeping and accounting we will consider the use of additional powers as to whether to make further written recommendations under section 24.

Furthermore under the Local Audit and Accountability Act 2014, a local elector has the rights to inspect the accounts and books and records of the Council and write to the external auditors, to ask questions about the account. They may also object to the Council's accounts asking that the auditor issue a report in the public interest (under Section 24 and paragraph 1 of Schedule 7 of the Local Audit and Accountability Act 2014) or apply for a declaration that an item in the accounts is contrary to law.

We received one such objection during the public inspection period for the 2018-19 accounts. The objection related to the Council's acquisition, completed on 24 July 2018, of its then-new headquarters building, Observatory House. The acquisition cost was £41m, and further costs were incurred in fitting out the building before occupation.

Having carefully considered the grounds for the objection and information provided by the Council in response, we have decided not to uphold the objection, and will not therefore be issuing a report in the public interest or applying to the court for a declaration that there is an unlawful item of account.

However, there is one issue raised by the objector which we believe merits written recommendations. This concerns the way the decision to acquire the property was taken, and in particular the limited information made available to members at the meeting of the Cabinet on 28 May 2018 at which the decision was taken. We believe this is a significant failing in governance given the size of the transaction to which it relates.

Our findings and conclusions from this objection are set out in a separate report scheduled to be considered by Full Council on 9 March 2023.

1. Headlines

Outstanding

Continued

We are in the process of concluding our audit work for the 2018/19 financial statement. However, there are still a number of aspects of our audit documentation and procedures to finalise and these are listed below. Therefore subject to the following outstanding matters;

- Review of the updated workings for the Cash Flow Statement
- Review of updated Fixed Asset Register and reconciled to the Property Plant and Equipment note
- Review of the Council's Going Concern revised statement
- Review of outstanding items from management, including the updated working papers to the support final amendments to the financial statements,
- Review of the Group Consolidation Process, Expenditure and Funding Analysis workings, Collection Fund Statement workings
- Senior management and quality review including GT internal technical consultations on the 18/19 accounts
- Review of the updated trial balance
- final receipt of management representation letters; and
- receipt and review of the final sets of financial statements, Annual Governance Statement and Narrative Reports.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management and the Audit and Corporate Governance Committee.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Group's business and is risk based, and in particular included:

- An evaluation of the Group's internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that there were material balances within other entities within the group, on which audit procedures would need to be completed. These procedures are underway and are subject to information required from management.
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have had to alter our audit plan, as communicated to you on 28 September 2022, to reflect the scale of the challenges experienced by the audit team in undertaking the audit on the initial draft accounts which subsequently resulted in a re-draft of those accounts in July 2022.

Conclusion

We are nearing the completion of our audit of your financial statements and, subject to outstanding matters on page 6 being resolved, we anticipate issuing a disclaimer opinion on the financial statements following the conclusion of the audit.

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

We have not revised the performance materiality from the planning stage of the audit and remains based on prior year gross expenditure. We detail in the table to the right our determination of materiality for Slough Borough Council and the group.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	6,000,000	5,900,000	Materiality has been based on 1.5% of prior year gross operating expenditure.
Performance materiality	3,600,000	3,580,000	Based on prior year issues and deficiencies identified. We set our performance materiality at 60% of materiality.
Trivial matters	300,000	299,000	Based on 5% of materiality.
Materiality for senior officer remuneration	20,000	20,000	We design our procedures to detect errors at a lower level of precision in specific accounts.

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risk identified from Audit Plan	**Commentary**
Income from Other Fees and Charges, Grants, and Contracts Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. For Slough Borough Council, we have concluded that the greatest risk of material misstatement relates to Other Fees and Charges income. We have therefore identified the occurrence and accuracy of Other Fees and Charges, Grants, and Contract income as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter. We have rebutted this presumed risk for the other revenue streams of the group and Authority because: • Other income streams are primarily derived from formula based income from central government and tax payers; and • opportunities to manipulate revenue recognition are very limited.	We • evaluated the group's accounting policy for recognition of income from Other Fees and Charges, Grants, and Contracts for appropriateness; • gained an understanding of the Authority's system for accounting for income from Other Fees and Charges, Grants, and Contracts and evaluated the design of the associated controls; • Agreed on a sample basis, amounts recognised as income from Other Fees and Charges, Grants and Contracts in the financial statements to supporting documents. Conclusion • The audit team experienced significant challenges in verifying or tracing samples of income selected for testing back to bank statement or confirmation the income had been received by the authority. • Income invoices raised by the council are not reviewed prior to submission to counterparties, therefore the council relies on the counterparties/customers to query or confirm the debt/income is correct. This elevates the risk of improper revenue recognition due to lack of controls over the approval of income invoices. • Inappropriate accounting and use of internal recharges was identified in our discussion with management within the council's financial ledger. In addition, the Council was unable to reconcile internal recharges included in the financial statements.
Management override of controls ISA (UK) 240 Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determine the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness with regard to corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Conclusions We identified a number of control weaknesses in the council's processes and controls over posting of journals and inadequate/insufficient audit trails. This deficiency elevates the risk of management override of controls – refer to Page 17 and Pages 42 for more details regarding findings.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	**Commentary**
The group re-values its investment property on an annual basis to ensure that the carrying value is not materially different from the current value or fair value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Management has engaged the services of a valuer to estimate the current value as at 31 March 2019. We therefore identified valuation of investment property, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	We • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • wrote to the valuer to confirm the basis on which the valuations were carried out • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register • evaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to the current value. Conclusion • Inappropriate accounting of Thames Valley University purchased in 2017/18 for £27m, resulting in an amendment to the 17/18 accounts and a reclassification from Investment Property Note 17 to Property Plant and Equipment Note 16. This misstatement has resulted in an adjustment to the council's revaluation reserve and capital adjustment account. • Subject to senior management and quality review, we have not identified any other material misstatements regarding Investment Properties.
The group re-values its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority and group financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	We • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • written to the valuer to confirm the basis on which the valuation was carried out • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • tested revaluations made during the year to see if they had been input correctly into the Council's asset register • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to the current value at year end. Conclusion We identified a number of misstatements within the property, plant and disclosure note 17, and the details of the issues identified are on Appendix D. We have also raised a recommendation on Appendix B.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	**Commentary**
Valuation of the Pension Fund net liability (£273m) The Council’s net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£273 million in the Council’s balance sheet at 31 March 2019) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.	We • updated our understanding of the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluated the design of the associated controls; • evaluated the instructions issued by management to their management experts (the actuary) for this estimate and the scope of the actuary’s work; • assessed the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation; • assessed the accuracy and completeness of the information provided by the group to the actuary to estimate the liabilities; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial reports from the actuary; • undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor’s expert) and performing any additional procedures suggested within the report; • obtain assurances from the auditor of Berkshire Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. Conclusions • The net pension liability was updated for the impact of the McCloud judgement • The net pension liability has also been amended for the impact of updated investment assets performance as at 31st March 2019. • During the process of agreeing the disclosures to the information in the actuary's report it was noted that the disclosure was presenting some information on a net basis rather than the gross basis within the report. This was discussed with the finance team and the disclosure was amended. Subject to final senior management and quality review, our audit work has not identified any other issues in respect of Pension Liability.
Valuation and accounting for Lender Option Borrower Option (LOBO) loans (£13m) LOBO loans are complex with terms that can be non standard, including inverse floating interest rates. Management need to consider the terms of the loan agreements of these loans and make judgements as to the appropriate accounting treatment. Last year, clarification was issued by CIPFA in relation to the accounting for LOBO loans. The Authority holds LOBO loans (PY: fair value of £13m in 2017/18) and has made a critical judgement regarding the accounting treatment and valuation of these loans during the year. We therefore identified the valuation and accounting for these LOBO loans as a significant risk, which was one of the most significant assessed risks of material misstatement.	We • assessed management’s processes and assumptions for identifying critical judgements; • gained an understanding of the processes and the controls put in place by management to ensure that the loans were not materially misstated and evaluated the design of the associated controls; • evaluated the competence, capabilities and objectivity of management experts used in the valuation of the loans; • discussed with management the basis on which the valuation was carried out, including advice received from treasury management advisers; • evaluated and challenged the reasonableness of the critical judgements and significant assumptions used by management and their expert in valuing and accounting for the loans. Conclusions Subject to final senior management and quality review, our audit work has not identified any issues in respect of the treatment and valuation of LOBOs.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Property Plant and Equipment - Incomplete or inaccurate financial information transferred to the general ledger. In January 2019, the Authority implemented an opening balances exercise on the Property, Plant and Equipment balances for the 2018/19 financial year. When implementing this exercise, it is important to ensure that sufficient controls have been designed and operate to ensure the integrity of the data. There is also a risk over the completeness and accuracy of any data transfer from the previous ledger system. We therefore identified the completeness and accuracy of the transfer of revised financial information to the general ledger system as a significant risk, which was one of the most significant assessed risks of material misstatement.	We • completed an information technology (IT) environment review by our IT audit specialists to document, evaluate and test the IT controls operating within the general ledger system; and • mapped the closing balances from the 2017/18 general ledger to the opening balance position in the new ledger for 2018/19 to ensure accuracy and completeness of the financial information. Conclusion There have been a number of issues identified by both external audit and new management team relating to the accounting of property plant and equipment (including the record keeping). The issues pertain to disposals, reclassification of assets, capital additions, write-off of nil net book value assets and infrastructure assets. These matters have been discussed with management and are documented on Page 18 & 19
Group Accounts Consolidation Process. The Authority is required to prepare group financial statements that consolidate the financial information of its wholly owned subsidiary undertaking, James Elliman Homes Limited. The Authority has a 50% interest in Slough Urban Renewal, a Limited Liability Partnership. Activity increased significantly in 2017/18. In 2017/18 Slough Urban Renewal was not consolidated due to the quantitative and qualitative aspects were not considered to be material by the Council. The 2018/19 initial draft accounts presented for audit did not have group accounts. However, following the first phase audit, and challenge from the external audit team, the council agreed to prepare group accounts to incorporate Slough Urban Renewal. The Council has a wholly owned subsidiary, Development Initiative for Slough Housing Company Ltd. During 2017/18 the Council established Herschel Homes Limited which is currently dormant. The consolidation of the subsidiary may give rise to a number of material accounting transactions in the financial statements for which the economic substance of the transactions needs to be considered. We therefore identified the accounting transactions associated with the consolidation of Slough Urban Renewal as a significant risk, which was one of the most significant assessed risks of material misstatement.	We • reviewed the key agreements to gain an understanding of the agreements put in place on the establishment of the company; • discussed with key group personnel, the underlying substance of the transactions and the basis of the group's proposed accounting treatment of the arrangements; • critically assessed the economic substance of the transactions to assess the appropriateness of the accounting treatment adopted by the group in accordance with the Code, International Financial Reporting Standards (IFRSs) and other relevant accounting guidance; • reviewed the Group structure of the Council; • obtained an copy of the Group materiality assessment to be prepared by the Council; • reviewed the qualitative and quantitative materiality of the Council's subsidiaries in relation to the Council's operations. Conclusion • Management have amended the original draft accounts and consolidated both Slough Urban Renewal & James Elliman Homes as part of the group accounts. • Management have reversed the impact the £7.5m over accrual in both the current year and prior year periods. This adjustment has also impacted the general fund as it was originally overstated by the same amount. • Responses from the component auditor to our enquiries and review of the impact of audit opinions issued by the component auditors. Our audit work is still in progress in this area. Work outstanding includes review of the consolidation process and adjustments in the updated group accounts, review of the group cashflow and the group's movement in reserves statement.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Private Finance Initiative The Council entered into a PFI contract for the design, build and operation of three schools in 2006/07. The PFI assets are recognised as Property, Plant and Equipment within the Authority's balance sheet. Accounting for PFI is complex and the transactions are significant. In addition, the monitoring of the contract is a key requirement for the Authority. There is a risk that Property, Plant and Equipment may be misstated due to improper valuations and accounting of PFI schemes in year. We therefore identified the accounting transactions associated with the PFI model as a significant risk, which was one of the most significant assessed risks of material misstatement.	We • reviewed the Authority's PFI model and assumptions therein to inform our audit approach; • agreed the balances in the financial statements to these models; • reviewed the basis of the Authority's accounting treatment and valuation for the PFI schemes; • discussed with key group personnel, the underlying substance of the transactions and the judgements made. • Conclusion We have not identified any significant issues regarding the PFI model used for the preparation of the accounts.
Presentation and Disclosure – Financial Statement Level Risks In 2017/18 a significant number of weaknesses and misstatements were identified in respect of the group's arrangements for preparing the financial statements and working papers. There is a financial statement level risk that the financial statements may be misstated due to weaknesses identified. We therefore identified the presentation and disclosure of the financial statements as a significant risk, which was one of the most significant assessed risks of material misstatement.	We • considered the Authority's arrangements for preparing the financial statements and working papers; • discussed with key group personnel, the underlying substance of the transactions and judgements made; • critically assessed the financial statements in accordance with the Code, International Financial Reporting Standards (IFRSs) and other relevant accounting guidance; • mapped the closing balances from the 2017/18 general ledger to the opening balance positions in the new ledger for 2018/19 to ensure accuracy and completeness of the financial information; • considered the action plan presented to Audit Committee and consider progress made by Officers against this plan in the preparation of the 2018-19 financial statements. Conclusion Our audit of the council's statements has identified (identified by external audit and management) a number of material misstatements to the financial statements presentation and disclosure. The number of significant issues identified are summarised on Pages 17 to 26. These issues identified are pervasive to the financial statements, therefore, form the basis of the disclaimer opinion.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Incomplete records at the Council We have identified the risk of incomplete records at the council, as a result of the number of issues identified during the first phase of the 2018/19 accounts audit. There have been a number of changes in council staff (mainly those in the finance function) since the first draft of the accounts was prepared. In addition, the new Finance team has also identified a number of misstatements that has required prior period adjustments within the 2018/19 accounts. There is a risk of records not being supported by appropriate and adequate evidence due to changes in client personal or inadequate record keeping.	We • Obtained an understanding of the incomplete information and documented its impact to the audit. • Considered alternative audit procedures to obtain the assurance level required • Considered and documented the potential limitation of scope of the audit engagement and impact on the audit report. • Obtained representation from management that the original information/records are not available for audit. • Considered and documented the potential limitation of scope of the audit engagement and impact on the audit report. Conclusion The audit team has experienced some challenges in auditing the financial statements of the Council . We experienced some of these challenges during the first phase of the audit. We have also encountered this issue during the current phase of the audit. We have been unable to obtain sufficient and appropriate evidence in some of the following areas (this is not an exhaustive list). - our review of journals - our review of the TB reconciliation to the financial statements - our review of the CIES reconciliation to the Expenditure Funding Analysis, Expenditure and Income Analysed by nature - our review of the Housing Benefit System Arrears Report - lack of appropriate reconciliation for Housing Benefit Expenditure, Bank Reconciliations, Dedicated Schools Grants - review of Suspense Accounts in the General Ledger - our inquiry regarding historic general ledger balances - our review and testing and completeness of prior period adjustments The number of significant issues identified are summarised on Pages 17 to 26. These issues identified are pervasive to the financial statements, therefore, form the basis of the disclaimer opinion.
Minimum Revenue Provision The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. MRP is required to be charged with respect to borrowing obtained as part of acquiring assets to be held in the General Fund (GF). No MRP charge is made in respect of borrowing for the acquisition of assets held in the Housing Revenue Account (HRA). According to regulations, this is on the basis that HRA assets should be self-financing, with local authorities being required to make an annual charge from the HRA to their Major Repairs Reserve in place of MRP, to maintain functionality of housing assets. According to regulations, the duty to make MRP extends to Investment Property where their acquisition has been partially or fully funded by an increase in borrowing or credit arrangements.	We • tested that the Council has appropriately calculated its Capital Financing Requirement (CFR). • tested that the Council is correctly identifying capital expenditure subject to MRP charge in line with the guidance. • reviewed and checked that the Council's policy on MRP complies with statutory guidance • reviewed Council Committee and sub-Committee papers to check that full council has approved the annual Minimum Revenue Provision statement • checked that MRP has been calculated in line with the authority's policy on MRP • assessed whether any changes to the authority's policy on MRP: a. have been discussed and agreed with those charged with governance b. have been approved by full council c. are adequately explained and evidenced d. comply with statutory guidance e. are in accordance with any legal or other professional advice obtained by the authority Conclusion: Refer to Appendix C on adjustments made to the council's MRP for 2018/19, 2017/18 and 2016/17.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Cash balance and bank reconciliation process The council is required to disclose its cash balance (positive or negative) on the balance sheet (which forms part of the primary statements). As part of the review of the year end reconciliation in the first phase of the audit, we identified a number of weaknesses in the council's arrangements in terms of how the bank/cash reconciliation to the general ledger was completed. There is a risk that cash is misstated and transactions are not being appropriately accounted for that could lead to material misstatements in debtors/income and creditors/expenditure. There is a risk over the management of cash due to lack of appropriate controls being in place at the council.	We • Obtained an understanding of the process and controls over cash balance (including the receipting and payment processes) and assessing their design effectiveness • Obtained a list of the Council's Bank Accounts operated during the year and requested counterparty confirmation (obtained directly from the bank). • Obtained the year end bank/cash reconciliation of the council's cash balance to support the balance disclosed within the financial statements. • Tested on a sample basis, significant reconciling items on the Council's bank reconciliations. • Reviewed the completeness of the cash balance reported at year end Conclusions We have identified a number of issues regarding the council's bank reconciliation and cash balances included in the financial statements. Refer to significant matters discussed with management.

2. Financial Statements – Key findings arising from the group audit

Group Accounts

James Elliman Homes & Slough Urban Renewal LLP

The Council is required to prepare group financial statements that consolidate the financial information of its wholly owned subsidiary undertaking, James Elliman Homes Limited (JEH).

The Council has a 50% interest in Slough Urban Renewal (SUR), a Limited Liability Partnership. Activity increased significantly in 2017/18. In 2017/18 Slough Urban Renewal was not consolidated due to the quantitative and qualitative aspects were not considered to be material by the Council.

In the original draft accounts presented for audit, Slough Urban Renewal had not been consolidated into the Group Accounts, however, after audit review, we challenged management on the composition of the group and the basis for consolidation of the companies included in the group accounts and those omitted including the consideration of the impact of Slough Urban Renewal and James Elliman Homes' accounts being produced under different accounting frameworks.

During the course of our review and challenge of the Council's group consolidation process, it was identified that a substantial over accrual of anticipated profits from the Council's interests in Slough Urban Renewal in both 2017-18 and 2018-19, totalling £7.573m overstating general fund reserves of this amount in the 2018-19 accounts.

We therefore identified the accounting transactions associated with the consolidation of Slough Urban Renewal as a significant risk, which was one of the most significant assessed risks of material misstatement.

Commentary

Auditor commentary

We have completed the following work:

- reviewed the key agreements to gain an understanding of the agreements put in place on the establishment of the company;
- discussed with key group personnel, the underlying substance of the transactions and the basis of the group's proposed accounting treatment of the arrangements;
- critically assessed the economic substance of the transactions to assess the appropriateness of the accounting treatment adopted by the group in accordance with the Code, International Financial Reporting Standards (IFRSs) and other relevant accounting guidance;
- reviewed the Group structure of the Council;
- obtained a copy of the Group materiality assessment to be prepared by the Council; and
- reviewed the qualitative and quantitative materiality of the Council's subsidiaries in relation to the Council's operations.

Management have amended the original draft accounts and consolidated both Slough Urban Renewal & James Elliman Homes as part of the group accounts.

Management have reversed the impact the £7.5m over accrual in both the current year and prior year periods. This adjustments has also impacted the general fund as it was originally overstated by the same amount.

Our audit work is still in progress in this area. Work outstanding includes review of the consolidation process and adjustments in the updated group accounts, review of the group cashflow and the group's movement in reserves statement.

2. Significant Findings – matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant Matter	Commentary	Auditor View
Journals	Journal entries are used to post both standard and non-standard transactions in the Council's general ledger. Management override of controls of an entity's records often involves the manipulation of the financial reporting process by recording inappropriate or unauthorised journal entries which may occur throughout the reporting period or at the period end. As part of our audit procedures we have obtained an understanding of the council's journals control environment over the posting of standard and non-standard journals to understand the appropriateness of journal entries and other adjustments. In our detailed review of journals posted during the financial year 2018/19, we identified a number of significant issues regarding the control environment and processing and posting of journals. Below is a summary of some of the significant issues identified regarding our review of journals and discussed with management • Supporting Evidence: - our initial discussion with the new finance team noted the lack of adequate record keeping at the council and this extended to journals. Our detailed testing of journals identified that some journal entries did not have an audit trail. • Other Adjustments: - entries posted outside the council's general ledger by the previous finance team (i.e. the trial balance and EFA as part of the council's statement of accounts preparations) were either unsupported, poorly documented with no explanations or were erroneously prepared and posted. • Users : - Our review of the control environment of relating to journals, we established some of the usernames/posters on the system generated reports were not the actual people who either posted/prepared the journal, as result of the system configuration issues. • Business Rational of Journal: - Some journal entries were difficult to understand, particularly whereby journals that were multi-purpose in nature. We consider this to be a significant weakness, as it is difficult to trace back to the person requesting/posting the journal and whether they were authorised to do so. In addition, having adequate controls over journals and the supporting evidence is important to substantiate the appropriateness of transactions in the general ledger.	We consider the lack of audit trails and evidence to support journal entries to present an elevated risk of management override of controls and concurrently, this increases the risk of errors within the accounts due to weaknesses in the journal control environment. Journals impact the financial statement as whole; (pervasive and affects most balances), we are unable to assure ourselves that the journals posted by council staff in 2018/19 were appropriate and supported.

2. Significant Findings – matters discussed with management

Significant Matter	Commentary	Auditor View
Trial balance & EFA Adjustments	The trial balance is a report showing the closing balances of all the accounts in the general ledger as at 31st March 2019. The creation of a trial balance is the first step in closing the general ledger for an accounting period. The council used the CIPFA Big Red Button Tool to prepare its trial balance with further adjustments being made to the trial balance as part of the closedown procedures. However, some of the adjustments made to the trail balances and notes to the accounts were poorly documented by the previous finance team . These adjusting entries/adjustments used to reconcile the trial balance to the statement of accounts are effectively journal entries that should be supported and explained. In preparing the council's statement for accounts for the 2018/19, the council's use of the CIPFA Red Button resulted in a number of complexities and challenges in understanding the audit trail between the council's general ledger (Agresso) and the trial balance and how these reconciled to the financial statements. This was a challenge encountered in the first phase of the audit by the external audit team. In preparing the latest draft (restated accounts July 2022), the new finance team and external audit team have continued to experience the same difficulties and also identified a number of erroneous entries themselves. • A number of historic off ledger adjustments (accounting entries made on the trial balance) between the trial balance and the financial statements that were never posted to the general ledger to ensure the general ledger is up to date for the purposes of opening and closing balances. • Identified a number of trial balances & EFA adjustments that were made by the previous finance team that had very little explanation or no explanation or supporting evidence to support the entries on the trial balance. • Identified entries within the trial balance & EFA that appear to have been posted in error or the accounting treatment is inconsistent with the CIPFA Code requirements. • Identified other issues in the reconciliation between the Comprehensive Income and Expenditure Statement and Expenditure and Funding Analysis disclosures Accounting of off ledger adjustments with no explanation or supporting evidence presents an elevated risk of management override of control due to the lack of adequate audit trails.	The trial balance is an important component of the financial statements, and there should be a clear link between the financial statements and the general ledger and corresponding notes in the accounts Our audit procedures requires us to obtain assurance over the reconciliation of the financial statements, trial balance, and general ledger in order to test account balances. Due to the number of issues identified in the audit process, i.e. reconciliation issues, posting of unsupported transactions, erroneous entries , we are unable to assure ourselves that the entries on trial balance and adjustments are reasonable and fairly stated.
Incomplete Records	We encountered a number of challenges in auditing the financial statements provided by management over the last 4 years. • Finance Team – members of the finance team who either worked for the council in 2018/19 or were involved in the preparation of the financial statements, have now left the council, therefore in some cases the new finance team has been unable to either explain the transactions, obtain the evidence to support the transaction. • Sample Evidence – a number of the adjustments or transactions within the accounts have not been supported, i.e. we have been unable to obtain evidence to support some of the samples in our substantive testing.	The audit team has experienced some challenges in auditing the financial statements of the accounts. We experienced some of these challenges during the first phase of the audit. We have also encountered this issue during the current phase of the audit.

2. Significant Findings – matters discussed with management

Issue	Commentary	Auditor View
Creditors **&** **Debtors**	The council's creditor balance at end of the reporting period is supposed to show all amounts owed to individuals or third parties or institutions. Our review and testing of creditors identified a number of issues relating to the following: • Suspense Accounts-(Debtors and Creditors) we identified a number of suspense account balances being rolled forward from the councils migration from Oracle to Agresso (general ledger system). The value of these transactions is £5m and management propose to write-off the balances. • Creditors listing :- the creditors listing provided by the council for testing included both debits and credit balances, as opposed to a clean listing of suppliers/individuals owed money by the council at year end. We also noted a number of historic balances that existed in the opening balance and were part of the closing balance • Creditors Note 28 & Debtors 27 disclosure – the mapping and classification of the different types of debtors and creditors categories for the council (disclosed in the latest draft financial accounts) has been compiled using two different methods between the two years which means the disclosure is not comparable. This is due to a lack of information/working papers on how the previous note was compiled by the previous finance team. These issues presented the audit team with difficulties in testing for valid creditors/debtors at year end.	We have raised a control point recommendation regarding to the councils creditors and debtors balances and the need for management to undertake a detailed review.
Fixed Asset Register	A fixed asset register is a detailed list of all fixed assets which are owned by a business. Its main purpose is to enable an organisation to accurately record and maintain both financial and non-financial information pertaining to each asset. The fixed asset register is supposed to be reconciled to the general ledger on an annual basis as part of the close process and it is also used by the council's valuer to undertake the annual valuation exercise. A number of issues were identified by the new finance team in reviewing the council's property plant and equipment balance and fixed asset register. • Opening Reconciliations - The council's fixed asset register runs on an annual basis. The prior year cannot be altered once it has been closed. To recognise the PPAs in the asset register management have had to make postings to the open year in the register, rather than the correct year. These do not impact on the closing balances for 18-19, however they make it very difficult to identify the appropriate balances for 17-18, and 16-17. • Disposals – the new finance team identified a number of assets that had been disposed of in the prior periods but had not been appropriately written off the council's fixed asset register, resulting in an overstatement of both the gross book value the assets and the accumulated depreciation related to those balances. • Additions – a review of the additions included within the accounts identified that some of the capital additions were inappropriately capitalised within the council's fixed asset register.	We have raised a control point recommendation regarding the management of the council's fixed asset register.

2. Significant Findings – matters discussed with management

Issue	Commentary	Auditor View
Internal Recharges	The council uses internal recharges for the purpose of internal budgetary purposes, however, internal recharges are required to be eliminated as part of the preparation of the financial statements as this could lead to an overstatement of both gross income and gross expenditure. A number of issues were noted in our review of both income and expenditure. • The council was unable to provide a reconciliation of all the internal recharges within the financial statements and how these were eliminated as part of the closedown process. Therefore, we were are unable to conclude on whether the balances included in the CIES are fairly stated or appropriately netted off. • A review carried out by the new finance team identified a number of internal recharges credited to the revenue account and with a corresponding debit entry to the council's capital projects. This recharge was based on what appears to be a notional percentage of the council's projects for that year. We were unable to establish whether these costs were appropriately eliminated, therefore this means both the council's property plant and equipment and the council's general fund were overstated. Management's best estimate of inappropriately capitalised internal recharges is £7.8m up to 2018/19 and was £11.2m (at time of audit)	We have raised a control point recommendation regarding the internal recharges requiring elimination within the council's financial statements and ensuring management kept a record/audit trail of the council's internal recharges and ensuring their accounting is appropriate.
Significant events or transactions that occurred during the year	The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members. The Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful. The case will now be remitted back to employment tribunal for remedy. The legal ruling around age discrimination (McCloud - Court of Appeal) has implications not just for pension funds but also for other pension schemes where they have implemented transitional arrangements on changing benefits. The Council requested an updated net pension liability calculation from its actuary to include the impact of the McCloud ruling. This has been updated in the liability reflected in the final financial statements.	We have reviewed the updated actuarial valuation report and the assumptions underpinning it, and consider that the approach that has been taken to arrive at this estimate is reasonable.
Accounting for pooled investment funds	The new accounting standard, IFRS 9 Financial Instruments, was implemented from 1 April 2018. This required the Council to review the classifications and accounting treatment of its investments. The Council used its external advisor to provide support during this process. The review has resulted in the classification of pooled investment funds under IFRS 9 as 'fair value through other comprehensive income'. In our opinion IFRS 9 does not permit for these type of investments to be designated under this classification.	Following an internal review by our technical team and discussions with management and their investment advisors, it was agreed that the initial classification would be amended to FVPL and the required adjustments made to the accounts. These adjustments impact the Comprehensive Income and Expenditure Statement however due to the available statutory override these do not impact the General Fund.

2. Financial Statements – Additional Areas of focus – Other Risk Areas

Issue	Commentary	Auditor View
Cash	We have carried out a detailed review of the working papers provided to support the cash and cash equivalents balance in the financial statements, including analysis of all bank accounts and associated bank reconciliations. This involved a review of the process for inclusion and reconciliation of the school bank accounts as well as the main council accounts. The process for bank reconciliations applied by the Council is complex and utilises numerous account codes within the ledger. During our review of the reconciliations we identified a number of reconciling items which were several years old. The use of balance sheet holding accounts which delay the posting process, weaken controls over cash and has inevitably led to significant delays in clearing old items. The inconsistent use of ledger codes also adds to the confusion, e.g bank accounts that are not (Miscellaneous) and cash in transit which isn't cash in transit in the usual sense (Accounting Officers) but cash in transit through the ledger.	We have raised a control recommendation to management regarding the council's bank reconciliation process weaknesses
Loans to James Elliman Homes – accounting treatment and valuation	The Council has made a drawdown facility available to the subsidiary, James Elliman Homes (JEH), to help fund their capital programme with interest charged on part of the balance and the remainder was provided interest free. As at 31 March 2019, £29.9m had been provided in loans. The interest free loan element had been accounted for as 'deemed equity' and held at fair value. However, under Code requirements this should be treated as a soft loan and valued based on the discounted cashflows over the life of the loan. The Council reviewed the basis of the accounting and this resulted in the amendment to the valuation and accounting of the loan. The Council used its external advisor to provide support during this process. The revised valuation for the JEH investment provided by management includes the adjusted value for the soft loans to JEH and an additional valuation for the holding at fair value which was not part of the original value in the draft accounts.	Following an internal review by our technical team and discussions with management and their investment advisors, it was agreed that the accounting treatment and basis of valuation would be amended. Management have amended the accounts to reflect this change.
Other Matters	Dedicated Schools Grant: The council was unable to provide a reconciliation of the council's dedicated school schools grant working and a record of the expenditure that reconciles back to Note 13 Housing Benefit Expenditure: Our review of the council's housing benefit expenditure, we noted a discrepancy between the housing benefit expenditure per the Housing Benefit System (Academy)/Subsidy Form and the General Ledger. This discrepancy meant the general ledger was understated by £1.6m . We requested management to provide reconciliation between the feeder system and the ledger, however, we established, no reconciliation appears to have been completed between the two systems and management could not explain the discrepancy. Business Rates & Council Tax: The new Finance Team have had to undertake a reconciliation between the business rates systems and the council tax systems as result of inadequate records that were kept by the previous team and mapping issues identified between the feeder systems and the general ledger. The new Finance Team have had to undertake further work ensure the completeness and accuracy of both system, and this has resulted in the following adjustment.	Local Authorities are required to keep adequate records for audit under the Local Audit and Accountability Act 2014. Inadequate or poor accounting records can result in poor decision making and challenging for auditors to substantiate transactions and assess whether a council is delivering value for money on services.

2. Financial Statements – key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Buildings Draft: £285m Final: £232m	The group re-values its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority and group financial statements is not materially different from the current value or the fair value (for surplus assets at the financial statements date, where a rolling programme is used. Other land and buildings comprises specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use value (EUV) at year end. The Council has engaged Wilks Head and Eve to complete the valuation of properties as at 31 March 2019. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	• We have assessed the Council's valuers, Wilks Head and Eve, to be competent, capable and objective. • We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate . Our work is still ongoing in this area as we are awaiting evidence of indicated floor areas for a number of properties. • We have reviewed the consistency of the estimate against the report by the auditor's expert, Gerald Eve, and reasonableness of the increase in the estimate. • We have checked the General Fund valuation report to the Fixed Asset Register and to the Statement of Accounts with some differences being identified. Note 4 – does not currently disclose the estimation uncertainty relating to land and buildings, specifically the inputs and assumptions within the valuation that are sensitive to change and could result in material adjustment to the council's land and buildings carrying value within the next 12 months. In addition, in light of the valuation issues identified during the course of the 2017-18 audit, the Council commissioned a further review and revaluation of assets at 1 April 2018, and as a result, required a material restatement to the opening PPE balances in the financial statements.	Blue

Assessment

- ● [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment property valuations Draft: £89m Final: £66m	The group re-values its investment property on an annual basis to ensure that the carrying value is not materially different from the current value or fair value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Investment properties are measured initially at cost and subsequently at fair value. Investment properties are not depreciated but a revalued annually according to market conditions at the year-end.	We have no concerns over the competence, capabilities and objectivity of the valuation expert used by the Council. There have been no changes to the valuation method this year. We have considered the movements in the valuations of individual assets and their consistency with indices provided by Gerald Eve who provide market data. Disclosure of the estimate in the financial statements is considered adequate could but this could be enhanced to include Investment Property and the estimation uncertainty including a sensitivity analysis We have considered the completeness and accuracy of the underlying information used to determine the estimate and have challenged the appropriateness of the classification as investment for a sample of properties. Note 4 – does not currently disclose the estimation uncertainty relating to investment properties. It is our view the council's investment property (material), should disclose and enhance Note 4 to include estimation uncertainty relating to investment property including a sensitivity analysis, if they are likely to result in material adjustment to the investment property's carrying value within the next 12 months.	Light Purple

Assessment

- ● Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability Draft: £288m Final: £273m	The Council's total net pension liability at 31 March 2019 comprises £273m (PY £265m) in relation to the Local Government Pension Scheme as administered by Berkshire County Council. The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.	• We have assessed the actuaries, Barnett Waddingham, to be competent, capable and objective. • We have used PwC as our auditor's expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions	Light Purple

Assumption	Actuary Value	PWC Range	Assess ment
Discount rate	2.4%	2.35%-2.45%	●
Pension increase rate	2.4%	2.40%- 2.45%	●
Salary growth	3.9%	3.10% to 4.35%	●
Mortality assumptions – longevity at 65 for current male pensioners (years)	22	20.6 - 23.4	●
Mortality assumptions – longevity at 65 for future male pensioners (years)	23.7	22.2 - 25.0	●
Mortality assumptions – longevity at 65 for current female pensioners (years)	24.0	23.2 -24.8	●
Mortality assumptions – longevity at 65 for future female pensioners (years)	25.8	25.0– 26.6	●

- We have confirmed there were no significant changes in 2018/19 valuation method.
- We have confirmed that the Council's share of the pension scheme assets is in line with expectations.

Assessment

- ● Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Performance Committee. We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed, except mentioned in other parts of this document.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, including specific representations in respect of the group, the wording of which will be provided separately.

2. Financial Statements - other communication requirements

Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's bank and investment counterparties. This permission was granted and the requests were sent. All requests were returned with positive confirmations.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found material omissions in the financial statements and these are reflected in the Appendix C Note 3 – Management have included the following as critical judgements in applying accounting policies. Following review of the accounts for 2018/19, we do not consider these to meet the requirements of IAS 1.122 as these should relate judgements applied by management in the application of significant policies and should disclose the values that are materially impacted by the judgments. - Future Funding - Schools Recognition - Interests in Council-owned companies - Business Rates Pooling - Infrastructure Assets - Provisions for business rates and bad debt debts Note 4 – Management have included the following as assumptions made about the future and other sources of estimation uncertainty. In our view, these do not meet the requirements of IAS 1, as this disclosure should only include assets, and liabilities with assumptions and estimates at the end of the current reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. - Valuation of council dwellings - Impairment allowance of doubtful debts - Provisions
Audit evidence and explanations/ significant difficulties	We have faced difficulties in auditing the council's records and identified a number of material misstatements in the current year and prior year. The new finance team have also identified issues in the record keeping at the council which has resulted in a number of adjustments to the prior period audited accounts. Refer to significant matters discussed with management.

2. Financial Statements - other communication requirements

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Going concern commentary

Management's assessment process	Auditor commentary
The Council's accounts have been prepared on the going concern basis. Public sector bodies are assumed to be going concerns where the continuation of the provision of a service in the future is anticipated, as evidenced by inclusion of financial provision for that service in published documents.	• As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570). • We have subjected the budget and high level revenue MTFP to detailed scrutiny, and reviewed the planned savings proposals in our consideration of the appropriateness of management's use of the going concern assumption. • The Council has also prepared a detailed going concern assessment for our consideration.
Concluding comments	Auditor commentary
	Following the Council's initial request to the Government for additional financial support, in June 2021 the Department for Levelling Up, Housing and Communities (DLUHC) announced that support would be made available. However, this was accompanied by an external assurance review examining both the Council's financial position and the strength of its wider governance arrangements., which highlighted areas that the Council needed to address. In March 2022 the Council received agreement, in principle to a Capitalisation Direction totalling £307m. This has enabled the Council to deal with historical accounting deficiencies and to set a balanced budget for the financial years 2019/20 to 2022/23. The Direction is subject to a range of conditions and to regular monitoring by the Commissioners and DLUHC. Having regard to the arrangements and factors highlighted above, the Section 151 Officer concluded that Slough Borough Council remains a going concern and that it is appropriate for the Council's Statement of Accounts for 2018/19 to have been prepared on this basis. Our review of the Council's assessment concurs with this view and we will continue to monitor the Council's progress with its financial plans over the coming months.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. The council has presented an updated Annual Governance Statement and Narrative Report in the July 2022 accounts. Further updates to the Council's Narrative Report are expected and will be subject to audit.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. We highlight elsewhere in this report that we have been required to issue statutory recommendations under S24 of the Local Audit and Accountability Act.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As the Council exceeds the specified group reporting threshold of £2 billion we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. This work is not yet completed and the timelines for this work have not yet been confirmed. We anticipate completing this work in 2023.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2018/19 audit of Slough Borough Council in the audit report, as detailed in Appendix E, due to the following work being incomplete: • required procedures on the Council's WGA return.

3. Value for Money

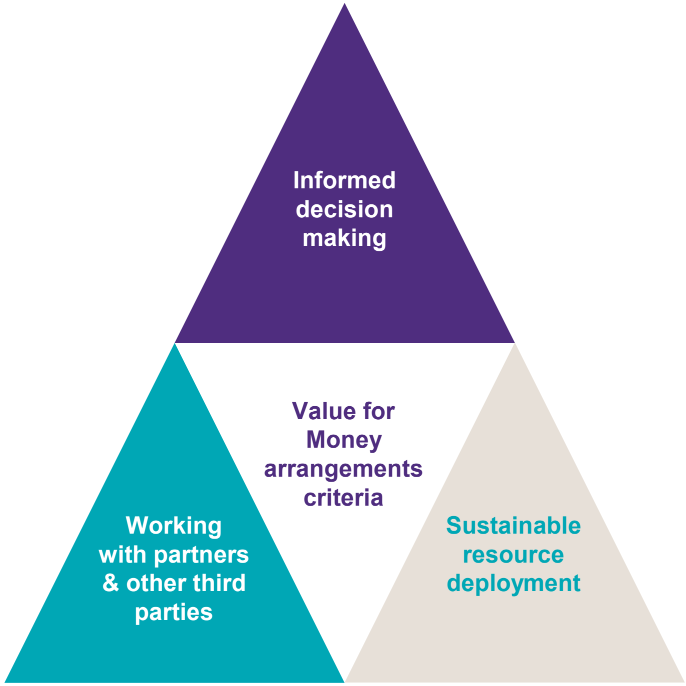
Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and report by exception where we are not satisfied. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2019. AGN 03 identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in January 2020 and identified a three significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated January 2020.

Our risk assessment is a dynamic process and we have had regard to new information which emerged since we issued our Audit Plan, we identified the additional significant risk as a result:

- Slough Children's Services Trust (SCST) provides the Council's children's social care services. We identified the possible failure of SCST due to its deteriorating financial position and ability to manage demand as a significant risk.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- The Council did not have adequate arrangements in place to ensure financial sustainability, and should be strengthened to ensure robust and realistic savings plans are in place. Since our last report, in light of the impact of Covid 19 on the future financial position of the Council, coupled with the impact of a recent business rate appeal and the ongoing discussions with Department for Education on the recoverability of financial support to Slough Children's Trust, the Council has recently sought further financial support through DLUHC. This coupled with further adjustments required to the Council's financial position arising from the audit and a number of significant other financial adjustments identified by the Council's new finance team, gives indication that without further government financial support, that the Council would not be financially sustainable.

  The Ofsted inspection in January 2019 identified an improvement in the arrangements for Children's Social Care services, they were no longer rated as 'inadequate', but rated as 'require improvement to be good'.
- The Council did not have adequate arrangements in place to ensure reliable and timely financial reporting that supports the delivery of strategic priorities due to weaknesses in processes for preparing the 2017-18 financial statements (which took place during 2018-19), and significant weaknesses in the quality of working papers supporting the 2018-19 financial statements, resulting in a disclaimer opinion.
- In relation to our additional risk relating to Slough Children's Services Trust (SCST):-
    - inadequate arrangements were in place to deliver strategic priorities or understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management including where relevant, business cases supporting significant investment decisions.
    - during 2018/19 the Council did not demonstrate sound governance arrangements to ensure that elected members (Cabinet or the Education and Children's Scrutiny Committee) were updated on the progress of SCST through formal committee meetings.

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 31 to 37.

Overall conclusion

Based on the work we performed to address the significant risks, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, because of the significance of the matters described and later in our report, we are not satisfied that, in all significant respects Slough Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendations for improvement.

These recommendations are set out in Appendix B, along with an updated commentary from Council management, which provides the latest position on the Council's progress in implementation, since the recommendations were first issued in May 2021.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Value for Money

Significant risk	Findings	Conclusion
Financial Sustainability of the Council - Medium Term Financial Strategy (MFTS) The ongoing challenge of meeting the savings outlined by Central Government continue to put pressures on Local Government finances. Slough Borough Council currently has a budget gap of £1.291m over four years to 2022/23. The Council has set a balanced budget for 2019/20 to 2021/22. In the short term, the Authority has one off reserves that can be used to mitigate these pressures but the longer term implications are challenging. The Authority expects an estimated £9m reduction in central funding per annum to 2024/25 which further enforces the need to identify alternative methods of achieving the Authority's financial position for the future. We will review the Authority's arrangements to prepare robust savings plans and how these have been challenged and consider the plans to identify further savings to address the future funding gap. We will review monitoring arrangements, including the robustness of the Council's Medium Term Financial Strategy, the delivery of the 2018/19 budget, and the action taken when plans are not being delivered.	**Medium Term Financial Strategy** The Council has an agreed Medium-Term Financial Strategy which was presented to Cabinet in December 2017 and subsequently updated and reported in July and October 2018. Reasonable assumptions have been made for CT, retained business rates and RSG. The MTFS included the savings required across the three years, 2018/19 to 2020/21 of £11.012m. The budget and savings identified in the MTFS are updated and approved within the budget setting process which was completed in February 2019, savings of £6.3m were agreed for 2018/19. **Savings Plans** In 2018/19 the Directorates were not given specific savings targets but asked to offer up what savings they could deliver. Those savings that were identified it was the Directorates responsibility to risk assess the savings plans, ensure they are deliverable and have action plans/business cases in place to ensure delivery. The Directorates identified a range of different savings, 34 in total which included savings as well as additional income to the value of £6.262m. These were agreed by CMT and reported to Cabinet as part of the budget setting process in February 2019. The Council does not have a corporate assurance or project management process in place to assess the savings schemes or to check the robustness of the action plans.	**Auditor view** The Council should take urgent action to develop a clear, sustainable financial plan to significantly replenish its levels of useable reserves in order to ensure financial resilience for the future. Further details are set out in our statutory recommendations reports, where we have set out recommendations under section 24 of the Local Audit and Accountability Act.

Value for Money

Significant risk	Findings	Conclusion
Financial Sustainability of the Council - Medium Term Financial Strategy (MFTS) The ongoing challenge of meeting the savings outlined by Central Government continue to put pressures on Local Government finances. Slough Borough Council currently has a budget gap of £1.291m over four years to 2022/23. The Council has set a balanced budget for 2019/20 to 2021/22. In the short term, the Authority has one off reserves that can be used to mitigate these pressures but the longer term implications are challenging. The Authority expects an estimated £9m reduction in central funding per annum to 2024/25 which further enforces the need to identify alternative methods of achieving the Authority's financial position for the future. We will review the Authority's arrangements to prepare robust savings plans and how these have been challenged and consider the plans to identify further savings to address the future funding gap. We will review monitoring arrangements, including the robustness of the Council's Medium Term Financial Strategy, the delivery of the 2018/19 budget, and the action taken when plans are not being delivered.	Savings Plans continued Progress on delivery of the savings plans is reported quarterly to Cabinet in the Revenue Budget Monitor Reports. These reports include the financial position against budget for each Directorate. In 2018/19 the Council delivered a small overspend of £0.051m, although four of the five Directorates overspent, except for the Chief Executive Directorate, with £3m underspend in non-service areas. The Council reported achieving savings £6.42m, although these were not always as planned and included a high proportion of income. The savings plans were not supported with detailed savings plans and business cases. Arrangements could be strengthened by introducing corporate oversight and review of savings plans to ensure they are robust and realistic. Update since August 2020 audit committee meeting Since our last report, in light of the impact of Covid 19 on the future financial position of the Council, coupled with the impact of a recent business rate appeal and the ongoing discussions with Department for Education on the recoverability of financial support to Slough Children's Trust, the Council sought further financial support through DLUHC. This coupled with further adjustments required to the Council's reserves arising from the audit, gave indication that general fund reserve levels (both earmarked and unearmarked) are at unsustainably low levels requiring action from the Council. A substantial over accrual of anticipated profits from the Council's interests in Slough Urban Renewal has resulted in a further reduction of general fund reserves of £7.573m in the 2018-19 accounts. Thus reducing current forecasted General Fund Reserves down to only £550k. The previous finance team who were involved in producing the first draft accounts subsequently left the Council during early 2021 A new finance leadership team was appointed during 2021 with considerable financial expertise and experience of working with or for other local authorities in the sector. The team was responsible for reviewing the financial arrangements at the Council and overseeing the production of a revised set of financial statements for 2018/19. Significant further financial shortfalls were identified. Following the Council's initial request to the Government for additional financial support, in June 2021 the Department for Levelling Up, Housing and Communities (DLUHC) announced that support would be made available. However, this was accompanied by an external assurance review examining both the Council's financial position and the strength of its wider governance arrangements., which highlighted areas that the Council needed to address. In March 2022 the Council received agreement, in principle to a Capitalisation Direction totalling £307m. This has enabled the Council to deal with historical accounting deficiencies and to set a balanced budget for the financial years 2019/20 to 2022/23. The Direction is subject to a range of conditions and to regular monitoring by the Commissioners and DLUHC.	See previous page

Value for Money

Significant risk	Findings	Conclusion
Principles and values of sound governance and internal control In the prior year, the Authority's auditor identified significant weaknesses in arrangements to prepare the financial statements to support informed decision making, resulting in a modified opinion on the use of resources for the year ended 31 March 2018. We will consider the Council's system of internal control and governance procedures and its progress in addressing the previously identified recommendations.	There remained weaknesses and material misstatements in the preparation of the 2017-18 Statement of Accounts that took place during the 2018-19 financial year. The Council set out a detailed action plan at the conclusion of the 2017-18 audit and we recognise that many of these actions will take time to implement and embed into the Council's financial processes and procedures. Action has been taken by the Council to address capacity issues in the finance team and seek additional external advice and support on a number of areas of the financial statements, but there is still significant scope for improvement in the quality of the underlying working papers to ensure that the financial statements are free from material error. The Council has had difficulties producing supporting information for a number of areas in the financial statements resulting the 2018-19 audit not yet being completed. They have relied on the use of the CIPFA Big Red Button which has resulted in issues understanding the audit trail between the ledger and Trial Balance and how these reconcile to the Council's financial statements. Our 2018-19 audit work identified a number of in year and prior period adjustments particularly in the area of PPE valuations and accounting for additions and disposals of assets. Our audit identified a number of control deficiencies in internal controls in respect of: • Quality of working papers supporting the financial statements • Lack of critical review of the draft financial statements and supporting audit working papers prior to audit • Inadequacy of reconciliation and review of debtors and creditors • Lack of clarity around bank reconciliations, particularly in relation to School bank accounts • Inadequate maintenance of the fixed asset register, with examples identified where prior year transactions had not been correctly removed from the asset register or material transactions had been incorrectly accounted for during the year. • Inadequate processes and documentation for journal postings As set out in our executive summary to this report, the new finance team has attempted to produce a set of financial accounts fit for audit. However, their initial starting position was the previous version of the accounts and general ledger (containing thousands of accounting entries) prepared by the old finance team, which had several legacy issues. The new finance team has had to: undertake detailed reviews of the financial systems, attempt to re-create records held within and outside the financial management systems, conclude whether the information is available or not. As mentioned, some members of the old finance team who prepared the first draft of the accounts or posted accounting transactions are no longer employed at the council. Therefore, it has been difficult to obtain supporting evidence or explanations to transactions posted in 2018/19 and prior periods. These issues have clearly increased the complexity of preparing the accounts, correcting errors and concurrently elevated our audit risks. Due to the incompleteness of records we propose to issue a disclaimer opinion on the 2018-19 financial statements.	**Auditor view** We consider that adequate arrangements were not in place due to: weaknesses in processes for preparing the 2017-18 financial statements (which took place during 2018-19), and ongoing weaknesses in the quality of working papers supporting the 2018-19 financial statements

Value for Money

Significant risk	Findings	Conclusion
Principles and values of sound governance and internal control In the prior year, the Authority's auditor identified significant weaknesses in arrangements to prepare the financial statements to support informed decision making, resulting in a modified opinion on the use of resources for the year ended 31 March 2018. We will consider the Council's system of internal control and governance procedures and its progress in addressing the previously identified recommendations.	In addition as part of our overall VFM work we reviewed the draft Annual Governance Statement (AGS) as published on the Council's website. The draft AGS sets out how the Council complied with the seven principals of good governance, however this document could be clearer on how the governance arrangements have been reviewed. Priority outcomes are discussed, as defined in the Council's 5 Year Plan, with a summary of progress against these outcomes but not how the governance arrangements support their delivery. An update is provided on the LGA peer review. In addition, an update is provided on the issues reported in 2017/18, the action taken in 2018/19 and if this is still an issue in 2019/20. Arrangements could be improved by developing the AGS and introducing: • assessment of the effectiveness of the framework • how the Council is defining outcomes in terms of sustainable economic, social and environmental benefits • an action plan, that brings together and addresses all the significant issues faced by the Council • a formal mechanism that monitors and assesses the progress of the issues and recommendations raised in the AGS throughout the year.	**Auditor view** We consider there is scope to ensure that the Annual Governance Statement (AGS) more clearly sets out the processes and procedures to enable the Council to carry out its functions effectively.

Value for Money

Significant risk	Findings	Conclusion
Children's Social Care Services In the prior year, Ofsted identified weaknesses in Children's Social Care services, resulting in a modified opinion on the use of resources for the year ended 31 March 2018. We will consider the: • Council's progress against the previously identified recommendations • actions taken by the Authority to address the recommendations raised by Ofsted • Authority's processes for monitoring the progress against recommendations raised • results of any follow up inspections by external bodies.	The arrangements within Children's Social Care Services have been viewed as inadequate by Ofsted since 2011. In January 2019 Ofsted undertook a detailed inspection which concluded that services had improved, although the services 'require improvement to be good'. This change in rating occurred nine months into the year and the inspection report acknowledged that the pace of change had accelerated in the six months prior to the inspection. In addition, the monitoring report completed in May 2018 concluded that there continues to be positive improvement. Prior to this inspection Ofsted were making regular contact with the Council every two to three months. A Joint Improvement Board, a multi-agency non-public board was responsible for monitoring and ensuring progress. The Board met monthly during 2018/19. This Board was disbanded following the improved rating being awarded. Significant improvement is still required to improve the Ofsted rating in subsequent inspections and the Slough Children's Services Trust (SCST) has developed an action plan to address the recommendations raised by Ofsted. This is monitored by the Council through its Partnership Board meetings and in one to one meetings with the Director of Children's Services and the Chief Executive of SCST, as well as by the SCST Board.	**Auditor view** We consider that adequate arrangements are in place as indicated by the improvement in rating following the Ofsted inspection. Significant progress is still required to improve the Ofsted rating further.

Value for Money

Significant risk	Findings	Conclusion
Slough Children's Services Trust (SCST) SCST provides the Council's children's social care services. We identified the possible failure of SCST due to its deteriorating financial position and ability to manage demand as a significant risk. We will review the: • arrangements to monitor performance of SCST and action to address underperformance • the current financial position of SCST and what action the Council plans to undertake • understand the contract arrangements with regards to managing demand and if the Council is required provide additional funding.	In 2015 following two Ofsted judgements of 'inadequate' the Secretary of State exercised her powers under the Education Act 1996 to set up a separate organisation to carry out the Council's children's social care functions. In October 2015, SCST was established and took over the management of Council's children's social care services. The cost of establishing SCST was met by the DfE, whilst the Council provided a working capital loan to the value of £4.2m to be repaid after six years. The Council pay SCST in the region of £24m for the delivery of the children's social care services. SCST was the result of a Statutory Direction from the Secretary of State on the Council and to begin with this had a detrimental impact on the relationship between SCST and the Council. Following changes in personnel within both organisations this began to improve. The Council has a legally binding contract for the delivery of services with SCST and retains statutory responsibility. However, this is not a commercial contract, changes require agreement of the DfE and the Council does not have step in rights and cannot terminate the contract. In 2017 the contract was reviewed and all parties recognised the inadequacies of the contractual arrangements. However, due to a lack of capacity and so has not to detract from the improvement journey and the expected imminent Ofsted inspection a decision was made to complete a deed of variation (DoV). This decision included the Council, SCST and the DfE. The deed of variation DoV looked to improve governance and oversight of the contract by clarifying and strengthening the contract management arrangements. In 2018/19 the financial position of SCST began to deteriorate, SCST continued to report a deficit and growth monies were requested to reduce the risk of insolvency. As a result an LGA review of the financial situation facing SCST was commissioned by the Council. This review highlighted inadequacies in the governance arrangements and that SCST's position was not sustainable without additional funding.	**Auditor view** We consider that adequate arrangements were not in place: • to support informed decision making and performance management including where relevant, business cases supporting significant investment decisions.

Value for Money

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4. Independence and ethics

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms). In this context, we disclose the following to you:

In this context, in writing our 2018-19 Audit Plan we needed to bring a specific issue to those charged with governance's attention. Gray's Inn Trading (GIT) Ltd is a group of companies based in the Slough area. A separate special purpose vehicle, Ground Rent Estates (GRE) 5 Ltd, held by GIT Ltd, was acquired by Slough Borough Council on 8 March 2018. At the time of purchase, Grant Thornton were responsible for the audit and tax services for GIT Ltd. Audit and tax compliance services had been provided by Grant Thornton during the 2016-17 financial year, including tax compliance work which commenced in January 2018, nearly three months prior to the 8 March 2018 acquisition date. In addition to the tax compliance work, GT provided tax advice relating to the GRE 5 Ltd company transfer. No work was performed in respect of the 2017-18 year - the firm proposed to continue as the auditor of GRE5 Ltd for 2017/18 but, in view of the acquisition by the Council of GRE5 Ltd, the firm ceased its tax and accounts preparation services for audit year 2017/18. There is therefore no ongoing threat to independence as the firm will not be undertaking accounts preparation or tax work in future years.

For the 2016-17 audit, all fees relating to the audit and tax computation work for the group (including that for GRE 5 Ltd) have been and will continue to be billed to the GIT Group. No fees were billed to either GRE 5 Ltd or Slough Borough Council. The work is inconsequential to the Council (and is not consolidated within the financial statements of the Council) and Grant Thornton had substantially completed, and billed, the majority of the work before Slough Borough Council acquired GRE 5 Ltd in March 2018. The only element of work outstanding at the date of acquisition was the final sign off procedures, including the filing of year end accounts.

No members of the Slough Borough Council audit team had any involvement with the GIT Ltd or GRE 5 Ltd audit and tax services.

Following the subsequent discussions with our Head of Ethics, it has been agreed that there is no ongoing conflict of interest and there is no impact upon our independence and objectivity of the audit of either the Council or the company as the firm ceased its tax and accounts preparation services for the audit year 2017-18. There is therefore no ongoing threat to independence as Grant Thornton will not be undertaking accounts preparation or tax work in 2018-19 or in future years. Grant Thornton has fully reported the circumstances to Slough Borough Council and consulted with PSAA on 12 July 2018. PSAA has confirmed that they support this conclusion.

We are reporting this matter to those charged with governance as required under the Financial Reporting Council Ethical Standard to ensure that they are fully appraised of the situation.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Independence & non-audit services

Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. The following other services were identified and reflects all services provided since 1 April 2018 to the conclusion of our 2018-19 audit.

Service	Financial year	£	Threats	Safeguards
Audit related				
Certification of Housing Benefit return	2018-19 2019-20 2020-21	95,000 110,000 110,000	For these three audit-related services, we consider that the following perceived threats may apply: • Self-Interest (because these are recurring fees) • Self Review • Management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is not significant compared to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Teacher's Pensions Return	2018-19 2019-20 2020-21	7,500 7,500 7,500		The council has requested Grant Thornton to certify the Council's annual Teachers' Pensions return in accordance with procedures agreed with Teachers' Pensions for the period ending 2020/21 and 2021/22. This certification work has not commenced and is subject to independence and ethical consideration by our Ethics Function.
Certification of Pooling of Housing Capital Receipts	2018-19 2019-20 2020-21	6,000 6,000 6,000		The Council has requested Grant Thornton to undertake work to certify the Council's annual Pooling of Housing Capital Receipts return for the following years 2018/19, 2019/20, and 2020/21, in accordance with procedures agreed with the Department for Levelling Up, Housing and Communities ("DLUHC"). This certification work has not commenced and is subject to independence and ethical consideration by our Ethics Function.
Non-audit related				
CFO insights		£37,500	Self-Interest (because this is a recurring fee)	We have provided subscription services only; any decisions are made independently by the Council. The work is undertaken by a team independent to the audit team.
TOTAL NON AUDIT FEES		£391,500		

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the group's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit & Corporate Governance Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Independence & non-audit services

Non-audit services provided prior to appointment

Ethical Standards require us to draw your attention to relevant information on recent non-audit / additional services before we were appointed as auditor. In the table below we have set out the previous services we have provided to the Authority.

Service	Date of service	Fees £	Would the service have been prohibited if we had been auditor?	Has the outcome of the service been audited or reviewed by another firm?	Commentary
Services in respect of Ground Rent and Estates (GRE 5 Ltd)	September 2017	N/a – fees billed to the GIT group, with no fees billed to either GRE5 Ltd or Slough Borough Council as disclosed on page 39	Yes	No	See page 39 for commentary

We do not believe that the previous services detailed above will impact our independence as auditors

Appendices

A. Action plan – Audit of Financial Statements

We have identified recommendations for the group as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2019/20 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
	Journals: - Our review of the journal control environment and subsequent testing of a sample of journals identified a number of issues: inadequate record keeping or lack of adequate explanation of journals. There is an elevated risk of financial misreporting or fraud using journals due to inadequate controls over journal entries.	The council needs to review and strengthen the process and controls around the posting of journals posted in the general ledger and adjusting entries posted to the trial balance as part of the closedown process. Management need to ensure adequate controls over posters, record keeping of supporting documentation for journal entries. Management response All journals are processed via workflow, with clear segregation between inputters & authorisers. Access controls are being strengthened by removing the input access role from all current users in March 2023 in advance of Year-End and only granting access to approved users. Agresso has the functionality to upload evidence into the system for journals that are input into the system via manual entry. It is not possible to upload evidence for journals uploaded via a batch upload. In the meantime, all evidence for journals processed via batch input are being saved in a designated folder, with periodic reviews and reconciliations carried out to ensure all journals have been evidenced. As this is a completely new way of working for the Council, it is likely to take some time to embed into the culture of the organisation.

Controls

- ● High – Significant effect on financial statements
- ● Medium – Limited Effect on financial statements
- ● Low – Best practice

B. Follow up on recommendations

We identified the following issues in the audit of Slough Borough Council's 2018/19 financial statements in the first phase of the audit, which resulted in 18 recommendations being reported in our May 2021 Audit Findings report to those charged with governance. The below highlights management's commentary on their progress against those recommendations as at February 2023

Assessment	Issue and risk	Recommendations initially raised in May 2021	Management update on progress on recommendations (Feb 2023)
●	Agreed savings are not supported by robust savings plans and as such are at risk of not delivering as anticipated.	The Council should: • ensure that savings are supported by robust savings plans and business cases • strengthen arrangements by introducing a corporate function, which could assess the likelihood of delivery, the robustness of proposed savings and their supporting plans as well as monitor delivery. Management response The Council has recently undertaken a number of actions that will address this and related issues The Council has amended its officer Strategic Finance Board (SFB) chaired by the Chief Executive to ensure that the Executive Board is fully aware of all pertinent financial matters within the Council and gains a holistic understanding of the Council's finances. This Board is receiving papers on financial standards, the accounts, the budgets and other matters As part of this the Council has: • Revised its revenue business case and process to ensure that the business case focuses on the case for change, value for money and affordability before moving into the technicalities of procurement etc. Thus assisting in ensuring that the Council's base budget is as robust as it can be and hence helping to provide a more informed base from which to generate any necessary savings • Related to savings, the Council has a separate business case for savings which has been supplemented by a Saving Action Plan to assist in the verification and tracking of saving plans going forward • The finance service is leading the process for the budget and will in the short term be working with service colleagues to review and challenge all budgeted and future savings, monitor delivery, identify pressures and seek from colleagues mitigations as necessary. It has also revised the equality impact documentation. Going forward a further revised process will be established that will bring into the assessment of savings plans colleagues from other disciplines such as legal, HR, ICT etc – all working closely with service officers • Supplementing this the Council is revising its officer budget process to accelerate the timeline for production of the budget to allow for full engagement and scrutiny by Members in all their roles and likewise for full consultation and communication with other stakeholders	For the 2023/24 budget all savings are now fully supported by robust plans and business cases which have been subject to significant levels of scrutiny during the year but most intensively during December 2022 and January 2023. Key budget issues, risks and savings proposals were presented at the meetings of each Scrutiny Panel by Lead Members, Executive Directors and other senior officers. The Overview & Scrutiny Committee had agreed Key Lines of Enquiry for budget scrutiny in July 2022 and councillors on scrutiny received training on local government finance before scrutiny of the savings proposals commenced. Before considering each individual savings proposal the Committee/Panels were presented with an overview of the Council's financial position and Members agreed with the overall savings target in line with the Corporate Plan objective for the Council to 'live within its means'.

B. Follow up on recommendations

Assessment	Issue and risk	Recommendations	Management update on progress on recommendations (Feb 2023)
●	We consider there is scope to ensure that the Annual Governance Statement (AGS) more clearly sets out the processes and procedures to enable the Council to carry out its functions effectively.	The governance aarrangements could be improved by developing the AGS and introducing: • assessment of the effectiveness of the framework, it should be more than a description of what is in place • how the Council is defining outcomes in terms of sustainable economic, social and environmental benefits • an action plan, that brings together and addresses all the significant issues faced by the Council • a formal mechanism that monitors and assesses the progress of the issues and recommendations raised in the AGS throughout the year. **Management response** The preparation of future AGS is under review and will be considered at a future meeting of the SFB. This will enhance the preparation and use of the AGS. The Chief Executive has also instigated a review of Governance across the Council which will see further enhancements to our Governance arrangements. The outcome of this work will incorporate these recommendations.	Revisions have been made to the 2018/18, 2019/20 and 2020/21 AGS statements to reflect the requirements of the Code of Practice. The 2021/22 AGS has been drafted and shared with senior officers but remains 'open' until the accounts have been audited. A Corporate Governance group has been formed to review such matters and consider the Council's response. This meets on a monthly basis and is chaired by the Monitoring Officer and reports into the Improvement and Recovery Board Governance workstream. A formal system of assurance statements from Executive Directors will be put in place for 2023/24
●	The Council consolidates a number of group entities into its financial statements, however the accounting year ends are not all consistent with the Council, being 31 March, which adds additional complexity and consolidation adjustments for the Group financial statements.	To facilitate a smooth and efficient group accounts preparation, the Council should work with its group entities to align all accounting year ends to 31 March. **Management response** This work will commence in June 2021.	6 of the group entities have been closed during 2022. A comprehensive group assessment was carried out by the new finance team. The assessment established that only SUR does not have a year end date. As SUR is a joint venture, only the Council's interest in the company needs to be consolidated into the group accounts. The Council's interest is not material and therefore the year end date does not need to be amended. This will continue to be reviewed once the position of all the companies has been finalised during 2023/24.

B. Follow up on recommendations

Assessment	Issue and risk	Recommendations	Management update on progress on recommendations (Feb 2023)
●	Effective governance arrangements are not in place to ensure those charge with governance are able to make decisions in an open and transparent way	Cabinet and scrutiny should be regularly updated on the performance of their key services and be able to challenge this performance and have the opportunity to make informed decisions in formal committee meetings. Management response Agreed. We have recently begun the preparation of holistic financial briefings for Officers and Members and these will be further developed in the future. We have also as noted above revised the budget timeline which will allow for more informed Member consideration of the budget and have introduced quality guidance for finance and other officers on the production of budget monitoring reports and financial implications in reports. We will ensure that key service financial and performance information is included as a regular agenda item for Cabinet, Scrutiny and the Audit and Governance Committee.	Regular and holistic monthly financial briefings for Officers and Members are in place. For 2023/24 there was a clear timetable for delivering the budget including a timeline which allowed for more informed Member consideration of the budget. Quality guidance for finance and other officers on the production of budget monitoring reports and financial implications in reports has been introduced. Key service financial and performance information is included as a regular agenda item for Cabinet, Scrutiny and the Audit and Governance Committee. A training programme is in place for Members and officers in relation to local government finance and procurement and contract management processes and procedures.

●	Effective contract management arrangements are not in place to effectively manage statutory services that are delivered by third parties.	The Council should consider and ensure effective arrangements are in place in the following areas:
		• Role of elected members, including Members of the Board, as possible shareholder committees or monitoring committees such as the Commercial Sub-Committee, as well as the role of scrutiny committees
		  • Elected members who are Board Directors of the SCST need to understand their responsibilities and duties to SCST and ensure they effectively manage any conflicts of interest. All company directors have a duty to act in the best interests of the company rather than in the best interests of the body that has appointed the Director to the company (eg the Council).
		  • Elected members committee functions, this should include those charged with governance who would have oversight of the effectiveness of the SCST Board in line with Council's strategic objectives and statutory duties as well as scrutiny.
		  • The Council would benefit from applying consistent arrangements across the Council for dealing with all its third-party companies and ensure the role of the Commercial Sub-Committee is effective and understood.
		• Those charged with Governance should receive updates and reports on a regular basis (quarterly as a minimum) to enable informed decision making.
		Management response
		The Council has begun reviews of its management of third-party organisations and will be implementing a series of changes which will include among other matters appointing appropriate Senior Responsible Officers to ensure that companies meet their objectives, put in place new arrangements for holding companies to account, reviewing how the companies meet the Council's objectives, a review of the work undertaken by the companies, developing a clear approach to testing value for money etc.
			An ongoing programme of improvements for all companies took place during 2022/23 with 6 companies being closed. The remaining companies are subject to a review and series of changes in FY 23/24 including further development of the contract management arrangements and improvements to governance arrangements.

B. Follow up on recommendations

Assessment	Issue and risk	Recommendations	Management update on progress on recommendations (Feb 2023)
●	Effective governance arrangements are not in place to effectively manage statutory services that are delivered by third parties.	• The Council should introduce contract management to ensure services are delivered as planned and any mitigating actions can be taken in a timely manner. • The Council should consider using its internal audit service to gain assurance that its contract procedures are being effectively applied across all Directorates. Management response The first recommendation is being dealt with as noted above. In respect of gaining assurance this will be undertaken in two ways – through internal audit as described and through reviews by the Finance and Commercial team. The S151 officer is liaising with internal audit to ensure that this requirement is picked up in their 2021/22 and onwards planning and will co-ordinate the work of those undertaking these reviews	The new structure includes a new procurement and contract management team. Appointments have been made to the Head of Commercial and other posts but vacancies remain. An internal audit review of the procurement function is being planned for the first quarter of 2023/24 now a new team is in place.
●	Quality of working papers and clarity of the audit trail As noted on page 13, the audit process was hampered by issues with the clarity of the audit trail including: - insufficient audit trail to support the movements in the cashflow statement - Lack of supporting audit trail for key notes in the accounts such as analysis of the income and expenditure by nature	We recommend that the Council: Review the process used to produce the year end accounts and identify areas where further improvement needs to be made Ensure that all disclosure have supporting working papers and there is a clear mapping between the general ledger and the financial statements Management response The Council has begun a review of the process and will be introducing: • a comprehensive accounts plan which will be linked to the auditors required by client schedule. This plan will include a comprehensive training plan, a communications plan and a resource plan • a three stage quality assurance process will be implemented covering financial standards papers and accounts templates and covering 1) preparation, 2) technical review and 3) sign off review • a whole team approach will be instigated through the involvement of the whole finance service to bring greater resilience and resource to this key requirement. • improved communication through the project plan which will include regular and early communication to all stakeholders. • comprehensive training and development for finance staff which will include how to prepare, and also regular reviews of, working papers that include evidence of the transactions in the ledger, an enhanced checklist of requirements, quality assurance review, links between the working papers and clear mapping to the ledger. • Quarterly reports to Strategic Finance Board, the Audit Committee and Cabinet starting in October 2021 on progress and issues identified.	This is an area that the Council will seek to continuously improve. For the 2018/19, 2019/20 and 2020/21 accounts, the following improvements have been introduced: • Comprehensive accounts plan linked to the auditors required by client schedule. • Standardised templates linked back to the Code have been prepared for all notes and include a three-stage quality assurance process. • Improved communication through the project plan. • A whole team approach has been instigated. • Comprehensive training and development for finance staff including how to prepare, and also regular reviews of, working papers.

B. Follow up on recommendations

Assessment	Issue and risk	Recommendations	Management update on progress on recommendations (Feb 2023)
●	**Review of financial statements** A number of inconsistencies and disclosure omissions were identified during our review of the financial statements. This indicated a lack of internal critical review prior to the financial statements being presented for audit.	We recommend that the Council: Develop a year end timetable for the production of the accounts which include sufficient time for management review Utilises the CIPFA checklist to ensure that disclosures are complete and produced in line with code requirements **Management response** This will be fully covered as noted above.	This has been completed in line with the improvements highlighted above.
●	**Group Accounts** The basis of preparation of the Council's Group accounts was unclear and the working papers did not provide a comprehensive group consolidation schedule setting out how the group accounts and consolidation adjustments had been determined.	The Council should ensure it prepares a clear and comprehensive group consolidation schedule to support the preparation of its group accounts. **Management response** This will form part of the much revised and enhanced accounts plan as noted above.	This has been completed in line with the improvements highlighted above.
●	**Bank reconciliation process** As noted on page 19, our review of the bank reconciliation process identified that the process in place in 2018/19 was overly complex and made identification of reconciling items and their clearance difficult. There were also issues identified with the descriptions of reconciling balances within the balance.	We recommend that the Council: Perform a review of the bank reconciliation process to simplify the bank reconciliation process and remove all old and out of date reconciling items and ensure that amounts included in the reconciliation and the ledger are valid cash items. **Management response** This is in the Council's financial action plan and will be begun in June and will be undertaken monthly thereafter once any issues have been resolved.	Bank reconciliation process has been reviewed and amended to make simpler and to respond to the issues raised. Redundant bank accounts have been assessed and processes are in place to close them All functional bank accounts are being reconciled monthly and suspense accounts reviewed and cleared periodically.

B. Follow up on recommendations

Assessment	Issue and risk	Recommendations	Management update on progress on recommendations (Feb 2023)
●	**Accounting treatments** The loans made to JEH had not been accounted for in line with the Code requirements resulting in amendments to the valuation and disclosure in the final accounts. This was a new transaction in 2017/18 although it was not a material balance in the prior year and the accounting treatment had not been documented against Code requirements before inclusion in the financial statements.	We recommend that the Council establish a process for significant transactions such as investments and loans, to be formally considered against the requirements of the Code and the consideration documented and reviewed before being applied.. **Management response** All transactions that require review will be considered against the requirements of the Code to ensure that the accounts going forward are fully Code compliant.	All loans and accounting transactions are reviewed against the requirements of the Code for compliance as part of the improved quality assurance process.
●	**Debtor and creditor reconciliations** During our testing of the debtor and creditor balance there were issues with the client producing reconciled balances which should represent the year end debtor and creditor positions excluding in year movements. Our sample testing of debtors and creditors has not identified any material balances that are not supported. We have discussed this with management and confirmed that a process has been undertaken in 2020 to review debtor and creditor codes and cleared down items which are no longer valid balances.	We recommend that the Council Perform review of the debtor and creditor account codes to ensure that balances are appropriate and valid and clear those that are not. Establish a reconciliation process for all debtors and creditor accounts to ensure the balances are fully supported and valid debtors or creditors **Management response** This is in the Council's financial action plan and will be begun in June and will be undertaken monthly thereafter once any issues have been resolved.	Systems and processes have been reviewed. AP & AR control accounts are now reconciled and reviewed monthly by appropriate officers.

B. Follow up on recommendations

Assessment	Issue and risk	Recommendations	Management update on progress on recommendations (Feb 2023)
●	**Income and Debtors** There is no review process over invoices issued before they were sent out to clients. The Council relies on customers to identify and inform them of any errors noted. However there is risk that if the invoice is undercharged and the customers may not raise error, and the Council may suffer a loss from undercharging.	**We recommend that the Council** Review the internal processes over invoice raising to ensure there is sufficient review of invoices before they are sent to clients **Management response** This is in the Council's financial action plan and will be begun in June and will be undertaken monthly thereafter once any issues have been resolved.	Systems and processes have been reviewed. Workflows will be in place by the end of March 2023 to ensure that only valid invoices are raised.
●	**Declarations of interest** Councillor and Senior Officer declaration forms are not dated. There is a risk that the declaration record is incomplete or insufficient as a result. The most recent forms for three Councillor declaration forms were signed, but not dated. Signing / dating a declaration form should be standard practice, as it could lead to forms being misfiled, or new interests not being declared in a timely manner. Senior Officers that were working for SBC through a contracting company are not required to complete a Declaration of Interests form. Interim staff are not required to complete the Registers of Interests and Gifts and Hospitality.	We recommend that the Council: ensure that all forms are signed and dated as part of their standard procedures consider whether Officers, including interim staff, should complete declaration forms as they may be able to have a significant influence on the council's high level decisions. **Management response** The Council requires every entry to the members register of interests to be signed and dated, it is standard practice that this is always followed. In the past 12 months the Council has strengthened the process and a democratic services officer must always countersign each form received from a councillor to ensure completeness. Senior officers declaration forms are not part of this process, and are in fact part of the declaration process for all staff which uses an online HR process to gather the submissions. The Council will look to implement a process by July 2021 to ensure that any interim staff or those recruited through contracting companies are required to complete a declaration of interests form and where appropriate complete their Directorate gifts and hospitality register	The Council now has a template for declaration of related party transactions as part of its closedown procedures, which is separate and in addition to the Declaration of Interests form previously in place. All Senior Officers, including interim staff, and Members are required to complete this template as part of the closedown process.

B. Follow up on recommendations

Assessment	Issue and risk	Recommendations	Management update on progress on recommendations (Feb 2023)
●	**Fixed asset register** The client informed us of a number of properties which had not been removed / reclassified in the fixed asset register prior to the production of the year end financial statements. We also identified material assets which had been fully depreciated and were held at net nil valued in the fixed asset register and accounts.	We recommend that the Council: establish a process to perform and annual review of assets to ensure that all disposals and reclassifications are amended establish an in-year process for capital movements to be notified on a timely basis to the finance team to ensure the fixed asset register is maintained accurately. This should be reconciled to the accounts as part of the year end closed own procedures. **Management response** The Council be moving to a quarterly closedown process once it has undertaken a through review of all accounts and budgets which will pick up the above on a much more timely basis.	An annual review has been carried out for previous financial years. Quarterly reconciliations process is yet to be instigated but will be in place during 2023/24 as part of the capital monitoring process to ensure that asset movements and reclassifications are captured appropriately
●	**Capital accounting process** The purchase of Thames Valley University had been accounted for using the stage payments as additions rather than the cost and a liability. This resulted in a material error in the current and prior year.	We recommend that the Council establish a process for reviewing and documenting the accounting treatment of significant transactions to ensure they are accounted for in line with the Code. This should be subject to internal review **Management response** All transactions that require review will be considered against the requirements of the Code to ensure that the accounts going forward are fully Code compliant. As noted above the Council will be introducing a three stage quality assurance process throughout its accounts preparation.	All loans and accounting transactions are reviewed against the requirements of the Code for compliance as part of the improved quality assurance process.
●	**HRA valuation records** Our testing identified inconsistencies in the accounting records between the categorisation of HRA properties held on the Capita Housing Rents system and the Council's fixed asset register. It is important that these two systems are reconciled on a regular basis to inform the Council's HRA valuation.	The Council should ensure that a regular reconciliation process is carried out between its Capita Housing Rents system and the Council's fixed asset register to ensure records are consistent and provide an accurate basis to inform the valuation of its HRA properties in the financial statements **Management response** All reconciliations across the whole of the Council's finances are being reviewed including this, bank accounts and debtor and creditor reconciliations accounts as noted above and will begin in June and be undertaken monthly thereafter once any issues have been resolved.	This process has been undertaken and discrepancies amended accordingly. On going reconciliation process is in place.

C. Changes to the Original Draft Accounts.

The following table highlights the changes to balances from the original draft accounts prepared by management in July 2019 to the Final draft accounts. The Final draft accounts was prepared by the new management team and includes 2017/18 restated balances and a third balance sheet (not included here). The summary of changes here highlights those that are of the most significant to those balances.

Prior Year Audited Accounts £ 000's	Final Restated Prior Year £ 000's	Description of issue identified	2018-19 Draft Accounts. £ 000's	2018-19 Final Accounts £ 000's
913,666	874,869	Property Plant and Equipment: • **Disposals:** Restated the Net Book Value of assets due to disposal of assets not previously written off the Fixed Asset Register and a reductions of depreciation – total impact of the misstatement is – Prior Year: £2.4m Current Year £19.7m • **Thames Valley University :** Restated due to previously misstated and incorrectly categorised Thames Valley University acquired on credit arrangement in 2017/18. The council initially accounted for this acquisition as an investment property and incorrectly accounted for a third of the asset's value. Prior Year: £27.3m Current Year £9.1m • **Infrastructure Asset:** Restated as a result of the carrying value of Infrastructure Assets being overstated and the Accumulated Depreciation being overstated – total impact of misstatement. Prior Year: £32.2m Current Year £44.8m • **Revaluation:** Restated as a result of the assets valued at the end of March 2018 being materially misstated due to incorrect floor areas used by the valuer – total impact of the misstatement is: Prior Year : £11.5m Current Year £21.1m • **Additions:** Restated as a result of inappropriate accounting of internal recharges, inappropriate capitalisation of revenue expenditure. Prior Year: £23.8m Current Year £3.2m • **Depreciation:** Restated as a result of the council not appropriately disclosing the council's accumulated depreciation and not being zeroed out after formal revaluation – total impact of the misstatement is Prior Year: £4.5m Current Year £3m	1,046,088	933,361
67,656	55,835	Investment Property • Restated as a result of inappropriate accounting of Thames Valley University Site whereby management initially recognised a third of the acquisition cost of the asset, therefore not consistent with IAS16. The Thames Valley Site has subsequently been reclassified to Property Plant and Equipment as it did not meet the requirements of IAS 40. – total impact of the misstatement is: Prior Year is £11.3m and Current Year £9.1m • Restated as a result of investment properties adjustment for fair value movements and write-off of disposed off in prior periods that had not been amended on the Council's accounting records. The total impact of this adjustment is £1.8m in the Prior Year.	88,560	66,124
22,930	17,670	Long Terms Investments. • Restated due inappropriate accounting of 'soft loans' advanced to the council's subsidiary James Elliman Homes in 2017/18 as the terms were below market commercial rates. This has been reclassified from Long Term Investment to Long Term Debtors. Prior Year: £5.2m Current Year £4.2m	43,353	25,057
8,161	13,893	Long Term Debtors • Restated due inappropriate accounting of 'soft loans' advanced to the council's subsidiary James Elliman Homes in 2017/18 as the terms were below market commercial rates. This has been reclassified from Long Term Investment to Long Term Debtors. Prior Year: £5.2m Current Year £4.2m	9,385	31,208

C. Restated Balances to Final Accounts Audit

Prior Year Audited Accounts £ 000's	Final Restated Prior Year £ 000's	Description of issue identified	2018-19 Draft Accounts £ 000's	2018-19 Final Accounts £ 000's
32,945	36,949	Short Term Debtors. • Slough Urban Renewal - The distribution of the Council's share of profits from Slough Urban Renewal LLP in 2019/20 had been inappropriately accrued for in 2017/18 and 2018/19, before the distribution were declared by the company. Therefore the accrual has had to be reversed reducing income by £4.309m in 2017/18 and £3.264m in 2018/19. The total amount being reversed £7.2m • Grossing Up – restated due to inappropriate grossing up of credit entries within creditors in the prior year of £14.9m. This entry has been reversed out : - total impact of the error is Prior Year £14.9m & Current Year £14.9m. • Collection Fund – restated balance due to a debtor balance in respect of the council's share of the collection fund raised in 2014/15 not being correctly reversed out in the subsequent period and correction not being amended resulting in overstatement of debtors. Total impact of the misstated is : Prior Year £6.3m Draft Accounts £6.3m. • Essex Council – restated balance as a result of inappropriate accounting of a contingent asset that was included within the debtors balance. The council was subsequently awarded £0.3m following a legal settlement. Impact of misstatement in Prior Year: £1.7m and Current Year. £1.4m • Overage Contracts: Income from overage agreements had been incorrectly classified as revenue income when it should have been classed as deferred capital receipts pending receipt of the cash payments. Prior Year £1.1m in 2017-18 and £0.6m in 2016-17. • Data Migration Suspense Accounts: A review of the council's debtors listing within Agresso identified a number of account balances transferred from the council's previous general ledger (Oracle System) to current general ledger (Agresso System). Management have written off these balances to the CIES. Current Year £ 5.7m • Historic Debtors: Our review of the debtors listing identified a number of historic debtor balances with counter balances that require write-off or to be matched to the credit balance/bank receipts. Management have written off these balances to the CIES • Bad Debt Provision: The council's bad debt provision was understated by £4.8m due to an understatement in the business rates appeals balance. • Housing Benefit Provision:- The council's bad debt provision for Housing Benefit was disclosed in Note 18 net of the outstanding debt from Housing Benefit customers. This should have been disclosed gross, with the bad dent provision for housing benefit forming part of the allowance for Doubtful debts. Prior Year £2.5m Draft Accounts £2.5m	48,482	18,425
	18,808	Short Term Investments – there were no amendments to the council's short term investments in the current year and in the prior period audited accounts.		48,545
9,900	9,900	Cash • The end of March 2019 cash balance was misstated by £416k and this has been amended by management. We identified a number of issues relating to council's cash/bank reconciliation process (Refer to Page X) and we have raised a recommendation in respect of this weakness identified.	21,077	19,879

C. Balance Sheet Continued

The following table highlights the changes made to current year balances from the initial draft accounts to the final draft accounts.

Prior Year Audited Accounts	Final Restated Prior Year	Description of issue identified	2018-19 Draft Accounts	2018-19 Final Audited Accounts
152,760	152,760	Borrowing • There were no changes to the borrowing balance disclosed at year end and in the prior year audited accounts.	214,682	214,682
34,619	56,622	Short Term Creditors • Thames Valley University - the original draft accounts omitted both short term (£8m) and long term creditor (£8m) in the 2017/18 financial statements as the purchased asset (£24m), was acquired on credit, with a third of the price being paid in 2017/18 and the remainder over a two year period. • Data Migration Suspense Accounts: A review of the council's creditors listing within Agresso identified a number of account balances transferred from the council's previous general ledger (Oracle System) to current general ledger (Agresso System). Management have written off these balances to the CIES. • Historic Creditors: Testing of creditors identified a number of historic debtor balances with counter balances that require write-off or matched to the debit balance/bank payments. Management have written off these balances to the CIES. • Creditors Notes disclosure – the mapping and classification of the types of debtors and creditors categories for the council (disclosed in the final accounts) has been compiled using two different method between the comparator years which means the disclosure is not comparable.	50,489	58,850
2,447	2,447	Short-term Provisions: • There were no significant changes to the short term provisions balance disclosed at year end and in the prior year audited accounts.	4,266	2,165
2,100	2,100	Grant Receipt In Advance: • There were no changes to the Grants Receipt In Advance balance disclosed at year end and in the prior year audited accounts.	0	0
393	21,636	Long Term Creditors • Thames Valley University – Restated for an £8m amount was a previously omitted of the council's long term creditors for 2017/18. • Section 106 Agreements - Restated for 17/18 due to inappropriate accounting of section 106 income originally accounted for as capital grants unapplied rather than recognising them income when S106 conditions have been met and any unmet/unspent monies receipt should have been classified as a Long Term Creditor. The impact of the adjustment is an increase is Long Term Creditors 17/18 of £13.3m (corresponding decrease in Grants Unapplied) and current year 2018/19 in £9.4m	498	6,060

C. Balance Sheet Continued

The following table highlights the changes made to current year balances from the initial draft accounts to the final draft accounts.

Prior Year Audited Accounts 000'	**Final Restated Prior Year 000'**	**Description of issue identified**	**2018-19 Draft Accounts 000'**	**2018-19 Final Audited Accounts 000'**
223	223	Long Term Provisions • Business Rates - the council's provision for appeals in respect to Business Rates appeals was understated by £4.6m for the 2018/19 period based on refunds being period in subsequent periods. • Water Charges - An additional provision has been included in the council's accounts for the Thames Water Charged to Housing Revenue Account tenants. The council anticipate paying £2.6m in future periods. This amendment only impacts 2018/19 and is not a prior period.	223	9,372
0	4,157	Long Term Deferred Capital Receipts • Income from overage agreements had been incorrectly classified as revenue income when it should have been classed as deferred capital receipts pending receipt of the cash payments. The impact was to overstate income credited to the General Fund by £2.2m and to the HRA by £2.6m in 2016/17. In addition, a further £1.4m was incorrectly treated as General Fund income in 2017/18 and has been transferred to usable capital receipts to correct.	0	4,157
170,341	170,341	Long Term Borrowing - there were no changes to the council's long term borrowing balance in the prior year and the current year.	304,216	304,216
307,430	311,969	Other Long-Term Liabilities • Net Pension Liabilities: The 2018/19 balances has been amended as a result of the McCloud judgement and the impact of updated investment asset valuations of the Pension Fund. This has resulted in a net impact to the defined pension liability of £2.8m	326,894	312,684
404,309 Usable 108,141 Unusable 296,168	307,501 Usable 97,027 Unusable 210,474	Usable Reserves & Unusable Reserves - Prior Period Adjustments and Current Year Misstatements- Due to the several adjustments made to the prior year financial statements and current year amendments, the usable and unusual reserve balances have had to be amended. - Minimum Revenue Provision:- In addition to these adjustments, for a number of years, the council has materially understated its Minimum Revenue Provision. The new Finance Team have recalculated their best estimate of the council's MRP as at 31st of March 2019, March 2018 and March 2017 and the respective charge for each year is (2017: £21.6m, 2018, £5.1m and 2019, £6m) - Capitalisation Direction:- The Government approved a capitalisation direction in principle allowing the council to use capital resources to finance revenue costs, thereby reducing pressure on General Fund balances and budgets. Application of the Direction is as follows: £36m in 2017, £50m in 2018 and £65m in 2019.	405,199 Usable 83,144 Unusable 322,055	231,383 Usable - 75,675 Unusable 155,708

C. CIES Changes

The following table highlights the changes made to current year balances from the initial draft accounts to the final draft accounts.

Prior Year Audited Accounts 000’	Final Restated Prior Year 000’	Description of issue identified	2018-19 Draft Accounts 000’	2018-19 Final Audited Accounts 000’
436,770	429,755	Expenditure	411,005	462,709
		Employee Benefits: - Additional revised IAS 19 Pension Adjustment for the year 2018/19 – DR £2.6m Service Expenditure - Dwellings review undertaken by management, whereby assets were incorrectly disposed off– CR £1.5m. - JEH soft loan adjustment of DR £9.3m - Water rates refund £2.6m - Agresso costs incorrectly capitalised Prior year £1.4m Current Year £1.1m - Housing Benefits Overpayments BDP Increase- £2.5m Depreciation. - Due to the misstatements identified within property plant and equipment, has resulted in an adjustment to the current year and prior year. The net impact of the adjustments to the: Prior Year £4.5m and Current Year £3m Interest Payments - Adjustment relates to the updated IAS 19 Pension Liability. Prior Year £1.9m. - Reverse capitalisation of borrowing costs £1.9m Gain and Loss on Disposal - Amended due Arbour Vale and Beechwood disposal –Previous Year £4.3m Current Year £6.5m - Leisure Centre Tower Ash et al £32.1m		
370,492	354,317	Income	353,959	325,071
		Interest and investment income: - Thames Valley University – Fair value reversal due to previously misstated TVU acquired on credit arrangement in 2017/18as an investment property and revalued. Previous year £8.5m Current year £9.1m Government Grants and Contributions: - Reversal of S106 income credited incorrectly. Previous Year £1.4mn Current year £2.3m - Increase bad debt & appeals provisions Current year £8.2mn - Update Unapplied Grant Re Debtor £3.1m		

D. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. The below details all non-trivial misstatements adjusted by management to the original draft accounts presented for audit in July 2019.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2019

	Comprehensive Income and Expenditure Statement £'000	**Balance Sheet £' 000**	**Impact on total net expenditure £'000**
Grossing up of the opening cost and depreciation of assets with nil net book value (Council Dwellings). This has nil impact on the value in the Balance Sheet and is made in the disclosure note for Plant, Property and Equipment. This error impacts prior years and management have had to reverse this entry.		DR Opening Balance: £6.9m CR Opening Acc Depreciation: (£6.9m)	
Internal Recharges: A review of property plant and equipment identified that the council previously incorrectly capitalised a notional recharge within the Place directorate, therefore increasing the value of property plant and equipment on the balance sheet and inappropriately recognising the recharge within income on the comprehensive income and expenditure statement. This adjustments impacted the general fund and has also resulted in a prior period adjustment and this entry has been reversed The impact of the misstatement on prior years is: CR – PPE : £6m (reversal of notional charge to property projects) DR – CIES £6m (reversal of notional revenue recognised in CIES)	DR Revenue (reversal of £1.8m	: CR – Property Plant and Equipment: £7.8m DR – General Fund £6m (Prior Period)	DR - £1.8m
A review of capital additions within the year identified staff costs that had been incorrectly capitalised relating to the implementation of the council's general ledger (Agresso). These costs now need to be reversed from Property Plant and Equipment to revenue expenditure. This practice has been happening for a number of years and has resulted in prior period adjustment – CR – PPE – £4.2m (reversal of Agresso charges to property) DR – CIES - £4.2m (recognition of Agresso Costs to Expenditure(£3.1m in PPA and £1.1m in 2018/19)	DR - £1.1m Expenditure	CR - £4.2m Property Plant and Equipment DR – Reserves General Fund £3.1m	DR £1.1m
Asset additions and disposals were adjusted following review of the fixed asset register. This also resulted in amendments to the depreciation and revaluation movements following the adjustment to asset holdings. This error impacts prior period and current year. Correction of prior period misstatement to opening balances is CR - £9.5m – correction to the net book value of property plant and equipment. DR - £9.5m – recognition of the disposals to the capital adjustment account.		Cr £9.5m – Property Plant and Equipment DR £9.5 Capital Adjustment Account	
A review of the fixed asset register by management identified a number of assets classified as surplus assets that should have been reclassified as Assets Held for Sale. The total value of the assets reclassified is £1.2m. This misstatement also impact property plant and equipment prior period and has been corrected through a prior period adjustment. DR - £1.2m decrease in property plant and equipment. CR - £1.2m increase in assets held for sale		Dr £1.2m – Property Plant and Equipment Cr £1.2m– Capital Adjustment Account	

D. Audit Adjustments

Audit Adjustments Continued:

	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000
Infrastructure Assets: A review by management of the council's fixed asset register identified that the carrying value of infrastructure assets had been overstated for a number of years due to the accumulated depreciation not being written out when assets had nil net book value. In addition, a review of infrastructure spending identified that all expenditure on infrastructure had been classed as single asset each year and depreciated over a standard asset life of 40 years, when the various components of infrastructure have asset lives ranging from 10 to 40 years. Recalculating depreciation of the revised asset lives has resulted in a reduction in the net book value of the assets of £38.343m at 1 April 2017 and an increase in depreciation charges of £3.196m in 2017/18 and £3.340m in 2018/19. Therefore, the correction to the prior periods was CR – PPE – Infrastructure Assets £41.5m DR Capital Adjustment Account - £41.5m		CR £44.8m – Property Plant and Equipment DR £44.8m to Capital Adjustment Account	
Revaluation Adjustment for Dwellings that were incorrectly accounted for as disposed following review of the council's Fixed Asset Register.	CR – Expenditure - Reversal of disposal £1.5m	DR – Additions £1.5m	
Private Finance Initiative: - A review of the council's fixed asset register and PFI arrangements identified that two schools, Beechwood and Arbourvale's had Land that had not been derecognised appropriately by the council on their fixed asset register in the year of transfer. The impact of these adjustments is to adjust the opening balance for 2018/19 and impact prior periods, therefore will require a prior period adjustment. tbc	DR Expenditure £6.5m	CR Property Plant and Equipment £6.5m	
Leisure Centre Farnham Road misstatement - this asset became operational on 23rd March 2019 and was transferred from Asset under Construction to Land and Buildings and revalued buildings and land was asset transferred to Surplus and revalued. The adjustment requires a reclassification of the asset within the Property Plant and Equipment note and adjustment to the CIES for the impact of revaluations	DR Expenditure – revaluation £1.3m	CR – Property Plant and equipment £1.3m	
Tower and Ashbourne House -The Council planned to demolish the two tower blocks and rebuild the site, increasing the number of dwellings from 105 to 195. The units were classified as surplus, as they were no longer held as dwellings. one value has been assigned to the site. An adjustment was done post audit to reflect this	Dr – movement in revaluations £3.3m CR revaluations (cost of services) - £13.6m	Cr PPE - £13.3m Dr- Revaluation Reserve £3.3m	
Salt Hil Centre – following council's revaluation exercise, we identified that the centre had been understated by £3.3m. Management have agreed to amend the accounts for this error.	DR Expenditure - 3.3m	CR – PPE - £3.3m	
Arbour Sports Park - When reviewing the reconciliation of the valuers report to the accounts prepared by management, we identified that Arbour Sports Park had been double counted in the Council's accounts, as was included under both Arbour Park Spots Facility and The Centre.	DR – Expenditure £18.7m	CR Property Plant and Equipment -18.7m	

D. Audit Adjustments

Audit Adjustments Continued:

	Comprehensive Income and Expenditure Statement £‘000	Balance Sheet £’ 000	Impact on total net expenditure £’000
Depreciation, Amortisation, Impairment – due to mapping issues and inconsistencies within the depreciation charged to the CIES and the property plant and equipment notes resulted depreciation being incorrectly mapped to income.	DR – Expenditure (Depreciation) £15.8m CR – Income £15.9m		
Investment Property Valuation: A review of Investment Property identified two assets with balances of £2.4m and £0.5m that were included in investment property, however these assets were revalued and included as property plant and equipment with a different asset codes. These asset were not de-recognised within investment properties causing an overstated reported balance of Investment property. In addition, an investment property which was revalued with a value of £3.5m as at 31st March 2019, was incorrectly stated as £2m. This resulted in an understatement of £1.5m within investment property.		CR Property Plant and Equipment £2.9m DR Capital Adjustment Account (via GF) £2.9m DR Investment Property £1.5m CR Revaluation Reserve £1.5m	
Capitalisation Accounting: an asset that had been included in as an addition in the current prior year on the basis of the staged payments being made for the purchase whereas it should have been recognised in full in the prior year with a corresponding creditor. These adjustments impact the current year and prior year. In addition, the initial capitalisation was incorrect therefore required correction. This asset was incorrectly classified as investment property but should have been accounted for as an asset under construction. Therefore, in the prior year, the asset was corrected from Investment Property to Property Plant and Equipment. As mentioned, the asset was also incorrectly recognised on acquisition with the council only recognising a third of the asset value. The net impact of the adjustment in the prior year Prior Year Correction. Reclassification. CR £9.8m - Investment Property (reclassification of original entry) CR £17.5m – LT & ST Creditors (recognition of the staged payment) DR £27.3m - Property Plant and Equipment (Correct entry to the AUC in Property Plant and Equipment) Revaluation Adjustment Account CR £27.3m Assets Under Construction. DR - £8.5m correction of revaluation IP CR - £8.5m Capital Adjustment Account	CR - Financing & Investment Income I&E £9.1m	DR – Investment property £9.1m DR – Long term Creditor £8m CR – Short Term Creditor £8m DR- Property Plant and Equipment (Assets Under Construction) - £27.3m CR – Investment Property £27.3m	

D. Audit Adjustments

Audit Adjustments Continued:

Long Terms Investments	**Comprehensive Income and Expenditure Statement £'000**	**Balance Sheet £' 000**	**Impact on total net expenditure £'000**
James Elliman Homes Ltd: The loan to JEH was accounted for as fair value equity investments when they were soft loans. The impact of the loans advanced to JEH were not reflected in the council's debtor position in 2017/18, however disclosed in 2018/19 as a long term investment Adjustment was required to the valuation which impacts the SOFP and valuation movements in the CIES DR Long term debtors - £9.4m CR Long term investments - £9.7m CR Movement on valuation and interest -		DR – Long term investments £9.7m CR – Long Term Debtors £9.7m (2019- £4.5m & 2018- £5.2m)	
Non-National Domestic Rates: A review of the reconciliation between the council's general ledger and the feeder system that form part of the debtor balances identified that debits raised in 2014/15 regarding Business Rates (NNDR) had not been appropriately written off in the following year as the debits should have been transferred to the collection fund adjustment account. A correction was made in 2015/16 but did not get reflected within the year end balance brought forward balances resulting in an overstatement. This adjustment impacts the current year debtors and prior year periods. This misstatements impacts prior periods as the £6.3m overstatement was carried forward on the council's balance sheet each subsequent accounting period.		DR – General Fund £6.3m CR – Debtors - £6.3m	
Slough Urban Renewal Accrual: Our testing of debtors balance for year identified that the council had overstated its accruals relating to its interest in Slough Urban Renewal (SUR) which it had a 50% interest in. This resulted in an overstatement of income in 2018 and 2019 of £3.3m and £4.3m respectively. The debtors balance for both years was overstated by £4.3m in 2018 and £7.6m in 2019 (of which was the rolled forward £4.4m from 2018) respectively. The correction to the prior period is the following adjustment: CR Short Term Debtors - £4.3m DR CIES- £4.3m	DR Income £3.3m	Cr Debtors Total £7.6m Dr General Fund £4.3m	DR £3.3m
Bad Debt Provision: The new finance team identified that the council had not reviewed its bad debt provision and therefore, the council engaged a valuation expert to review the council's collection fund (both council tax and business rate) bad debt provisions and identified this had been understated by £4.1m The impact of the review has resulted in amendments to the council's collection fund adjustment account which was also understated by £4.1m	DR – Expenditure £4.1m	CR – Short Term Debtors £4.1m	

D. Audit Adjustments

Audit Adjustments Continued:

	Comprehensive Income and Expenditure Statement £‘000	Balance Sheet £’ 000	Impact on total net expenditure £’000
Essex County Council Debt: In 2017/18 the council inappropriately raised a debtor (£0.8m) with Essex County Council (for a contract both parties had engaged in) rather than recognising a contingent asset as this was under high court litigation. A further debtor of £0.4m was subsequently raised in 2018/19 for the same contract. The case was finally settled in 2020/21 and the council was awarded £0.3m, therefore this provides evidence that short term debtors and income was overstated by £0.8m	DR CIES: £0.8m	CR Short Debtors £0.8m	Dr 0.8m
Data Migration Suspense Accounts: A number of historic debtors suspense codes that were part of the migration from Oracle (previous ledger) to Agresso were included within debtors, the net value of these balances is £5.8m. The new finance team propose to review and write these off Historic Balances: Our review and testing of debtors identified a number of balances within the council’s general ledger that had no movement between opening balance and closing balance. Our detailed testing of debtors also identified balances with counterparties that are historic in nature that management will need to review. Within our debtors review, we also identified some credit entries that require investigation from management as to whether these require reclassification to creditors or be matched to subsequent receipt of income or should be written off	DR Expenditure (write-off) £5.8m	CR – Short Term Debtors £5.8m	£5.8m
Overage Income :- A review of overage agreements within debtors had been inappropriately accounted for as revenue income when it should have been classified as deferred capital receipts pending the receipt of the cash receipts. The impact was to overstate income credited to the General Fund by £2.2m and to the HRA by £2.7m in 2016/17. In addition a further £1.43m was incorrectly treated as General Fund income in 2017/18 and has been transferred to usable capital receipts to correct. For 2016-17 DR- General Fund £2.2m DR – HRA £2.7m CR- Deferred Capital receipts £4.2m CR- Long term Debtors 0.7m For 2017-18 DR- Long term Debtors £1.16m CR- general Fund £1.16m DR- General Fund £1.43m CR- Capital Receipts Reserve £1.43m		For 2016-17 DR- General Fund £2.2m DR – HRA £2.7m CR- Deferred Capital receipts £4.2m CR- Long term Debtors 0.7m For 2017-18 DR- Long term Debtors £1.16m CR- general Fund £1.16m DR- General Fund £1.43m CR- Capital Receipts Reserve £1.43m	
Bad Debt Provision – Housing Benefit The council’s bad debt provision for the year ended 2018/19 was misstated by £2.5m resulting in an understatement in the expenditure charged to the council’s comprehensive income and expenditure	DR – Expenditure £2.5m	CR- Housing benefit Receivable £2.5m	

D. Audit Adjustments

Audit Adjustments Continued:

	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000
The adjustment relates to an applied grant that was incorrectly classified as a debtor rather than recognise the transaction as an expenditure within the CIES.	DR Expenditure £3.1m	CR Short Debtors £3.1m	
A misstatement was identified regarding a collection fund debtor that was incorrectly posted twice to the debtor balance, therefore overstating both income and debtors. Management have agreed to reverse this entry.	DR Income £1.5m	CR Short Term £1.5m	
Review of debtors and creditors balances in 2018/19 identified grossing up within the financial statements. This means both debtors and creditors are overstated by the same amount of £19.2m. This misstatement impacts the prior year balances		DR Debtors – £19.2m CR Creditors £19.2m	
Minimum Revenue Provision The council for a number of years had understated its minimum revenue provision charge which is required under statute for the cost of borrowing to the General Fund. The impact of this adjustments, the usable reserve was understated by £64.4m and the unusual reserves was overstated by £32.8m. The prior year periods have also been adjusted and funded through the capitalisation direction Year 2017 – MRP Charge £21.6m Year 2018 – MRP Charge £6.3m		DR – Capital Adjustment Accounts £32.8m CR- General Fund £32.8m	

D. Audit Adjustments

Audit Adjustments Continued:

	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000
Historic Balances: Following review of the Council's creditor balance at year end, management have reviewed historic (old balances) in the general ledger and have agreed to write these off to the I&E. Data Migration Suspense Accounts – management have also undertaken a review of creditor balances within the council's general ledger	CR General Fund £0.9m	DR Creditors £0.9m	
Section 106 Agreements – Review of s106 agreements by the new finance team identified that income that all s106 agreements had been inappropriately recognised as income and credited to capital grants unapplied. As s.106 income has conditions attached to the funding, it should have been classified as a long-term creditor and only recognised as income when the conditions attached to the individual s.106 agreements had been met in line with the CIPFA Code. This error impacts prior periods. To correct £11.9m has been transferred from Capital Grants Unapplied to Long-Term Creditors at 1 April 2017, a further net transfer of £1.43m was made to Long-term Creditors in 2017/18 and net deployment of £3.904m from Long-term Creditors made in 2018/19.		CR Long Term Creditors £9.3m Dr Reserves - Capital Grants Unapplied £9.3m	
Provisions: A review by the council's management of Business Rates appeals (against the 2010 valuation listing) provision for 2018/19 was understated by £4.2m based on additional refunds being made the following year. The impact of the review has resulted in amendments to the council's collection fund adjustment account which was also understated by £4.1m	DR – Expenditure £4.2m	CR - Long Term Provisions £4.2m	
Thames Water Charges – The council has included an additional provision for the impact of the Southwark water charges legal ruling in 2016, which resulted in council tenants being over-charged for water charges.	DR – Expenditure £2.6m	CR Provision £2.6m	DR £2.6m
Pension Reserve – Long Term Liability The Pension Liability for the council for 2018/19 has been amended to reflect the updated IAS19 Report from Barnet Waddingham for updated data for the performance of the pension funds assets as at 31st March 2019 and to incorporate the impact of McCloud judgement (£14.3m). The updated IAS 19 Report also impacts the remeasurement pension liability (£16.8m) presented on the face of the CIES including the Cost of Service(Dr £2.6m). Management have also amended the prior year comparator for Pension Liability and Pension Reserves by £4.5m to reflect an misstatement in the prior year accounts.	DR net impact – £14.2m	DR Long Term Liability £14.2m CR Pension Reserve £14.2m DR – Pension Reserve £4.5m CR Pension Liability £4.5m	

D. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Income	**Comprehensive Income and Expenditure Statement £'000**	**Balance Sheet £' 000**	**Impact on total net expenditure £'000**
Housing Revenue Account – The HRA line within the Comprehensive Income and expenditure Statement has decreased by £9.5m to correct a mapping issue. The corresponding entry is now in Other operating expenditure.	CR – Housing Revenue Account - £9.5m DR Other operating expenditure- £9.5m		
HRA Major Repairs Reserve – the Major Repairs Reserves for HRA has been decreased by £4.2m following review by the new finance team.		CR General Fund - £4.2m DR – Capital Adjustment Account £4.2m	
Capitalised Borrowing Costs – The new finance team have reversed the capitalisation of borrowing costs £1.8m which had been included in the 2018/19. The previous 2018/19 included a change in accounting policy for borrowing costs and this did not meet the requirements of IAS8	DR Financing and Investment I&E - £1.9m	CR Property Plant and Equipment £1.9m	
Transformation Costs: A review of the council's expenditure charged in the current year and in previous years by the new management team identified, the council for a number of years had charged on-going revenue costs as REFCUS, relating to the Council and the Slough Children First. Management have concluded the on-going costs treated as REFCUS did not meet the requirements of the Guidance on Flexible Use of Capital Receipts 2015, therefore, the impact of this misstatement is that income is the general fund is understated and capital receipts reserve. Management have reversed this entry. This misstatement impacts the current period and prior periods		DR – General Fund £15m (reversal of prior period statutory override in the GF) CR – Capital Receipts £15m	
Capitalisation Direction: As a result of the scale of the financial challenges facing Slough Borough Council and a number prior period issues identified during the 18/19 audit. The Council has utilised £35.9m of the capitalisation direction in 2018/19 and in the previous audited periods.		DR Capital Adjustment Account £35.9m CR General Fund £35.9m	

D. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Item	**Disclosure omission**	**Adjusted?**
Annual Governance Statement & Narrative Report	The Annual Governance Statement & Narrative Report for 2018/19 has been updated to reflect the financial and governance issues identified at the council.	✓
Note 1 – Accounting Policies	The council's accounting policies Note 1.4 to 1.20 have been substantially amended in the latest draft accounts by the new management team.	✓
Note 3 Assumptions made about the future and other sources of estimation uncertainty	The note 3 has been amended from the draft accounts including the values and balances. The estimation and uncertainty note 3 includes estimates we do not consider to have a significant risk of material adjustment within the next 12 months (IAS 1) and these include: Valuation of Council Dwellings, Impairments Allowance for doubtful debts, Provisions.	x
Note 5: Material Items of Income and Expense	Management have further enhanced the note disclosure by including a table highlighting the impact of the capitalisation direction	✓
Note 6, Note 7 and Note 8	Management have enhanced Note 6 Other Operating Expenditure, Note 7 Financing and Investment Expenditure, Note 8 Taxation and Non Specific Grant Income.	
Note 9, 9a and 9b, 9c Expenditure and Funding Analysis	The presentation of the note disclosure has been amended, including the prior year balances due to the errors identified in the previous year. There has been a number of amendments to the current year balances due to several misstatements identified during the audit.	✓
Note 12 – Audit Fees	The 2018/19 Audit Fee table has been amended to reflect the additional fees for the overruns on the 18/19 financial statement audit.	✓
Note 14 – Grant Income	The Grant Income Note disclosure has been amended by the new management team for the current year and prior year balances to clearly show: Non-ringfenced government grants; Grants credited to taxation and non-specific grants: Government Grants credited to Net Cost of Services; Total Grants	✓

D. Audit Adjustments

Continued

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Item	**Disclosure omission**	**Adjusted?**
Note 15: Adjustments between accounting basis and funding basis under regulation. Note 16 Transfers and Earmarked Reserves	This note shows the adjustments between the comprehensive income and expenditure recognised in line with accounting standards/policies and the specific statutory provisions available to the authority for override. Due to the number of prior period adjustments and the misstatements identified in the current year of audit, and the prior year this year has been amended. The note disclosure also discloses the impact o the capitalisation direction available to the council. The overall impact of the adjustments will have an impact on the council's usable and unusable reserves on the balance sheet and the movement in reserves statement.	✓
Note 17 Property, Plant and Equipment	There have been a number of adjustments to the property, plant and equipment note with the following being amended from the original draft: As result of the prior period adjustments identified regarding the previous years, the prior year comparators have been restated to reflect the corrections.	✓
Note 18 Capital Commitments	The note disclosure does not comply with the code, as this incorrectly discloses the council's approved budget major capital projects as opposed to actual contractual commitments.	x
Note 19 Investment Properties	The note has been amended to reflect the misstatement for Thames Valley University (£27m) which has been reclassified from investment properties to property plant and equipment. As result of the adjustment, this has impacted the revaluation reserve and the prior year audited accounts resulting in restatement. The investment property income table has been amended for 2018/19 to include the investment income: tbc	✓
Note 21: Service Concession Arrangements	Impact of land not previously derecognised when the two schools were transferred from the council.	✓
Note 22: - Capital Financing Requirement	The Capital Financing Requirement disclosure has been updated to incorporate adjustments to the council's property plant and equipment note, investment property note, capitalisation direction, and adjustments for the council's sources of finance.	✓

D. Audit Adjustments

Continued

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Item	**Disclosure omission**	**Adjusted?**
Note 23 Financial Instruments	The opening balances has been restated for the following: • the equity in and loans to James Elliman Homes Ltd have been excluded from the financial instrument disclosures. • the loan notes to SUR LLP have been excluded from the financial instrument disclosures. • the balance of long-term debtors was restated as part of the Prior Period Adjustment in relation to overage. Further amendments: tbc	✓
Note 25 Fair value of assets and liabilities	A result of the misstatements identified within debtors, creditors, cash loans and investment properties, the fair value of assets and liabilities note 25 has been amended (i.e. the carrying value and the fair value hierarchy)	✓
Note 26 Cash & Cash Equivalent	The cash and cash equivalent balance for 2018/19 has been amended from £21.1m in the draft accounts to £19.8m in the final accounts following audit.	✓
Note 27 Short-Term Debtors & Long Term Debtors	The Short Term Debtors and Long Term Debtors notes has been enhanced • To clearly show the different types (central Government Bodies, Trade Debtors, VAT, Council Tax, NNDR, Housing Benefit, Other, Loans to 3rd Parties, Overage) of debtors with the council including distinction between long term and short term debtors • Disclose the council's impairment allowance for doubtful debtors as at 31st March. The year-end 2018/19 balance has also been amended to reflect the audit adjustments identified in this Appendix resulting in draft short term debtors changing from £48.5m in the draft to £18.5m in the final accounts. The comparators have also been restated from £32.9m in the prior year audited accounts to £36.9m Long Term Debtors: • There has been an amendment to the council's long term debtors to include loans to JEH and understatement of overage income resulting in a total adjustment to the LT debtors from £9.4m in the draft accounts to £31.2m in the final accounts The method in which the final set of debtors has been compiled is different to the prior year comparator as management have not been able to obtain the workings from the previous year.	✓
Note 28 Creditor	The creditors note has been amended and has been enhanced. • To clearly show the different types (Trade Creditors, PAYE &NI, Central Government, Other Creditors, PFI Finance Lease Liabilities, Receipt in Advance, Payroll Creditors, Collection Fund Accounts) of debtors with the council including distinction between long term and short term debtors. • Creditors – the prior year has been restated to include the TVU purchased on credit arrangements (£8m) and the amended 18/19 accounts also includes the this adjustment (£8m). • Suspense Account & Historic Balance Review: Following review of the council's general ledger, historic balances and data migration suspense accounts, the following balances have been written off and the net impact is : £0.8m The method in which the final set of creditors has been compiled is different to the prior year comparator as management have not been able to obtain the workings from the previous year.	✓

D. Audit Adjustments

Continued

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Item	Disclosure omission	Adjusted?
Note 29 – Provisions	Long Term Provisions has been amended to include an additional provision relating to Business Rate Appeals (£4.2m) and Water Charges (£2.6m)	✓
Note 30 Unusable Reserves (30a,b,c,d,e,h,i)	As result of the prior period misstatements and subsequent adjustments to correct the misstatements, the prior year balances have been restated. The prior year misstatements and the current year misstatements identified have resulted in changes to the draft figures presented for audit.	✓
Note 31 & 32 Defined Benefit Pension Schemes.	The Council has adjusted the net pension benefit liability for the year 2018/19 for the impact of the following: • McCloud judgment impact adjustment. • Updated Pension Fund Asset performance as at 31st of March 2019.	✓
Note 33, 34,35 Cash Flow Statement Notes	The draft accounts presented for audit had a number of material adjustments in the current and prior year, which has subsequently resulted in a number of amendments to the accounting entries in the cashflow statement and related notes.	✓
Note 36 Related Party Transaction	The updated accounts has enhanced the disclosure for related party transactions from the first draft accounts. This disclosure now includes a table of entities controlled by Slough Borough Council or the Council has significant influence over.	✓
Note 38 Events after the balance sheet date	Management have enhanced the disclosure for events after the reporting date to include the issues identified in the external audit review, Section 114 and the Capitalisation Direction, Covid-19, McCloud and updated IAS 19 valuation.	✓
Note 39 Prior Period Adjustment	The new management team has included a table setting out the impact of the misstatements identified that impact the previous audited accounts.	✓
Housing Revenue Account (including related Notes)	The Housing Revenue Account for 2017/18 has been restated and the for 2018/19 for the following items - Adjustment for misstatement of depreciation for 2018/19 – increased by £4.2m from the draft accounts - Thames Water Charges for 2018/19 - increase of £2.6m from the draft accounts. - The HRA Income and Expenditure Statement has been restated for 2017/18 to reflect the decreased value of assets disposed of in the year. This increased the loss on disposal reported in the HRA Income and Expenditure Statement by £5.133m. - A number of notes to the HRA have been updated from the first draft.	✓
Collection Fund Statement (including related notes)	The collection fund statement for 2018/19 has been amended for the following items Increase in allowance for impairment of doubtful debts £5.7m increase (both Business Rates and Council Tax) Allowance for appeals £4.5m (Business Rates)	✓
Group Accounts -	The group accounts disclosure has been updated to consolidate Slough Urban Renewal.	✓

E. Audit fees

In 2018, PSAA awarded a contract of audit for Slough Borough Council to begin with effect from 2018/19. Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Our proposed work and fees to date for 2018/19 is set out below. Given the extended period of audit work required for the Council's financial statements, additional fee variations have been sought through PSAA to reflect the additional time input. The latest position is set out below, along with the status of approval from PSAA.

The extensive challenges encountered during the three-year period since the 2018-19 audit commenced has highlighted a significant lack of effectiveness and corporate grip on the Council's finances and systems of internal control. The new finance team have invested considerable amounts of their own time updating the accounts to the best of their ability and also considerable audit time has been spent with them to exhaust all avenues in seeking to obtain sufficient appropriate audit evidence to conclude our work. The disclaimer opinion on the 2018-19 accounts highlights the unprecedented nature of the weaknesses apparent in the Council's financial statements and the level of audit inputs required to date.

	Estimated fees 2018/19
Council Audit - Scale fee	£98,193
Interim variation 1 - period to Sept 2020 – PSAA Approved	£223,002
Interim variation 2 – period of work Oct 2020 – June 2022 – Awaiting PSAA approval	£125,000
Interim variation 3 – period of work June 2022 – December 2022 – Awaiting PSAA approval	£249,000
Total proposed audit fees to December 2022	£695,195

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2019) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

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Appendix C

Key areas of the Statement of Accounts reviewed and changes made

No.	Area	Actions taken
1	Statement of accounts and working papers	The format of the Council's Statement of Accounts has been amended to improve layout and presentation and to remove unnecessary or duplicated information and disclosures. Consistency issues were identified in the published accounts such as the grants disclosure notes not reconciling to the Expenditure and Funding Analysis as well consistency issues between the CIES and some of the notes supporting the CIES. Consistency checks have been built into the new template to ensure that the accounts are consistent throughout. Some disclosure notes were duplicated, such as the Financial Instruments notes. Working papers were mostly non-existent and the working papers that were available did not reconcile to the published accounts. Furthermore, the preparation and filing of supporting information has been standardised, all of which is now centrally stored so that working papers can be easily located. A comprehensive suite of standardised working paper templates has been introduced so that all information supporting the accounts is provided in a consistent and comprehensible format which meets external audit expectations.
2	Statement of accounts and the financial system	The statement of accounts was previously prepared using CIPFA's Big Red Button. Whilst, using this method means that preparation of the

No.	Area	Actions taken
		statement of accounts is easier, the trail to the financial system is lost and it is difficult to establish how the accounts have been populated. The statement of accounts has now been fully reconciled back to the financial system which identified several issues with the mapping and missing journal entries which resulted in the financial system not reconciling to the published accounts. There is now a clear working paper in place that demonstrates how the accounts have been prepared from the financial system, ensuring there is a clear trail between the two. Furthermore, there were issues identified with the 2018/19 accounts which required journal entries to be posted in the financial system in order to ensure that the financial system and the accounts reconciled. Some of these entries were either posted in the incorrect period or incorrect financial year, resulting in reconciliation issues between the accounts and the financial system as well as issues with the balances rolled forward into the new financial year. These have now been corrected in the 2018/19 statement of accounts.
3	Knowledge and Resources	The Finance team has onboarded additional interim support with experience of dealing with similar issues at other local authorities, to provide capacity to support both the range and complexity of the work arising from the audit overrun and various issues identified. Comprehensive technical guidance and training has been provided to all staff involved in closedown work, through a combination of access to on-line materials and weekly technical briefings via Teams.

No.	Area	Actions taken
		Investigation of the Council's asset register identified that there was a lack of in-house knowledge on how to use the fixed asset register and a lack of guidance notes. Training on how to use the system has been provided to the relevant members of staff along with guidance notes and video demonstrations saved in a central location to ensure resilience in the future.
4	Property, Plant and Equipment	A major data cleansing exercise has been completed to ensure that entries on the register are accurate, up-to-date and there is evidence of Council ownership. This included: • review against HM Land Registry records – this identified 42 properties that were not registered with HM Land Registry. Instructions have been sent to HM Land Registry and they are currently in the process of registering the Council's interest in these properties. • An exercise to ensure that HRA assets are reconciled to rent collection data has been completed for the years 2018/19 to 2020/21, and that beacon properties used in the valuation process are representative of the stock currently owned. • Review against Department for Education (DfE) records has been completed and identified 1 asset that was still held on the Council's asset register. The asset in question should have been derecognised in 2013/14. • Review against valuers report – identified that not all valuations had been updated in the FAR.

No.	Area	Actions taken
		Duplicate assets and one asset that is now an academy were identified from this review. Revised valuations have been obtained from the valuers in respect of the issues identified. - Review of componentisation – this work has been concluded and has not identified any material issues or a need to componentise. - Review against disposal records has been completed with no issues identified. - Review of asset balances has identified 3 assets that were transferred to a different asset class where the revaluation balance had not been written off on transfer All the above have been corrected in the statement of accounts at prior period adjustments 1, 2, 17, 18 and 21 and Note 17.
5	Investment Property	A review of the Council's investment property portfolio identified 132 assets misclassified as investment properties, but which should have been classed as operational assets. This has been corrected in the statement of accounts at Note 19.
6	Minimum Revenue Provision	Review of the Council's MRP policy and calculations identified that MRP had been materially understated by: - £27m to 31/3/2018; and - £6m in 2018/19. i.e. MRP was understated by £33m to 31/3/2019. The cumulative understatement of MRP to 31/3/22 is £69m. This has been corrected in the statement of accounts as prior period adjustment 7 and in Notes 15, 22 and 30d.
7	Capital expenditure and financing	The new finance team identified that revenue costs for staff and

No.	Area	Actions taken
		transformation were being incorrectly charged to capital. These costs have been included in the Capitalisation Direction. This has been corrected in the statement of accounts as prior period adjustments 12, 14 and 15 and Notes 17 and 22.
8	Financial Instruments	Review of the financial instruments disclosures highlighted that no attempt had been made to re-classify financial instruments at 1 April 2018 as required by accounting standards – this has been corrected in the restated accounts. Furthermore, there was no disclosure of the nature and extent of risks arising from financial instruments included in the published 2018/19 accounts. These have been corrected in the statement of accounts at Notes 23 and 24.
9	Cash and cash equivalents	Bank reconciliation processes are being simplified and work is underway to close all bank accounts not in regular use.
10	Debtors and Creditors	Debtor and creditor balances have been reviewed to ensure that uncollectable debtors can be written off and out-of-date creditors can be written back to the General Fund. This process identified historical unsupported balances migrated from the previous financial system in 2015 totalling £4.8m requiring write-off. Further, there was an additional £3.8m of unsubstantiated debtors and creditors relating to the collection fund requiring write-off. As part of this review, bad debt provisions have been re-assessed for the collectability of debts and increased as appropriate. All feeder systems are now being reconciled to Agresso and all suspense and holding

No.	Area	Actions taken
		account balances are to be cleared with improved controls and processes being put in place (see Appendix 3). In addition, the review has identified a number of cases where accruals have not been raised including: • £2.2m of capital expenditure relating to 2019/20 but paid in 2020/21; and • £1m of DSG-related expenditure paid in 2021/22 but relating to 2020/21. These have been corrected for in the statement of accounts as prior period adjustments 11 and 20 and at Notes 27 and 28 to the accounts as well as the Collection Fund.
11	Unusable reserves	A review of unusable reserves identified that the Accumulated Absences Adjustment Account had remained unchanged from 2017/18 with no working paper available for 2018/19. Leave balances have been obtained from Human Resources to calculate the balance required for 2018/19 supported by a comprehensive working paper and Note 30i of the accounts corrected accordingly.
12	Usable reserves	A review of unusable reserves identified that £12m of s.106 contributions had been incorrectly recognised as capital grants unapplied in 2016/17. This needed to be restated as a long-term creditor, because the conditions associated with the agreements had not been met, therefore the contributions had been incorrectly recognised as income. This has been corrected for as prior period adjustment 8.
13	Provisions, Contingent Assets and Contingent Liabilities	An exercise has been undertaken to review all provisions and contingent liability disclosures for completeness. This has identified a number of

No.	Area	Actions taken
		provisions which had not been identified: • £2.6m provision for refunds to tenants arising for the Thames Water v Southwark case; • bad debt provisions had not been reviewed for some time and were materially understated. Our review has identified that bad debt provisions in respect of General Fund items have been understated by £11m. These matters have been corrected in the statement of accounts at Notes 27, 29 and 37 and the HRA.
14	Collection Fund	In addition to the understatement of the Business Rates appeals provision, our review identified that the bad debt provision for both Council Tax and Business Rates had been understated by £4m. Furthermore there was an additional £3.8m of unsubstantiated debtors and creditors relating to the Collection Fund requiring write-off. These issues have been corrected in the Collection Fund and Notes 27, 28 and 29.
15	Housing Revenue Account	Officers have reconciled the asset register to the housing management system for council dwellings for the years 2018/19 to 2020/21. This identified minor discrepancies between the two systems and work is ongoing to identify the causes and rectify these. This does not have a material impact on the accounts.
16	Group Accounts	The Council has reassessed all of its' corporate interests and investments against Group accounting requirements. At 31 March 2019, the Council had interests in 11 companies (9 subsidiaries, 1 joint venture and 1 associate). The only company with a

No.	Area	Actions taken
		different year-end to the Council is the joint venture, Slough Urban Renewal LLP (SUR), with a 31 December year-end. The Council's interest in SUR is that of joint venture which only requires consolidation on an equity basis (in contrast to line by line for subsidiaries). In view of this there is no benefit to be gained from changing the year-end of SUR LLP to 31 March. All dormant companies were wound up in 2022.
17	Assessments	Two new accounting standards (IFRS 9 & IFRS 15) came into effect in 2018/19. Officers failed to carry out an assessment as part of the preparation of the 2018/19 accounts. These assessments have now been carried out and necessary amendments made to the accounts. In addition, the going concern assessment has been updated to reflect the Council's current position.
18	Leases	Our review has identified that a lease for a plot of land to be used for an Extra Care Home development had been incorrectly accounted for as follows: a) lease rental payments of £2m had incorrectly been capitalised even though ownership of the land did not transfer to the Council. Consequently, the payments should have been charged to revenue and a prepayment recognised in 2019/20; b) as a result of the cancellation of the capital project in 2021, £0.6m of development costs currently charged to assets under construction will have to be written off to revenue and have been added to the Capitalisation Direction;

No.	Area	Actions taken
		c) also as a result of the cancellation of the project, a £4.5m provision has to be recognised for an onerous contract in respect of the remaining 40 year term of the contract. Furthermore, in preparation for the introduction of the new leasing accounting standard (IFRS16), work has been initiated with Place Directorate officers to identify all leases and lease type arrangements across the Council. Work is expected to be completed during 2022/23 but has highlighted that a number of spreadsheet records are being used across Directorates rather than the Council's asset management software. This carries the risk that the spreadsheet records have no audit trail, version control or completeness check. As the Extra Care Home lease was entered into in January 2020, it falls in the 2019/20 financial year and has no effect on 2018/19.
19	Audit engagement	Regular meetings are being held with Grant Thornton to discuss technical accounting issues as they arise and agree a way forward as part of the closedown process. Technical accounting papers on the proposed treatment of the complex issues identified through our internal review have been shared and agreed with the auditors.
20	Infrastructure assets	An issue raised in November 2021 at CIPFA/LASAAC was the accounting for infrastructure assets. One of the audit firms had queried the accounting being followed regarding replacement of components. The concern was that local authorities were not derecognising the component being replaced.

No.	Area	Actions taken
		The argument has always been that the net book value (NBV) of the component will always be nil, because the roadway (or similar) is worn out before the local authority gets round to replacing. Therefore, it has no impact on the NBV. However, the query was that the gross book value and the gross accumulated depreciation should have been amended, but local authorities do not have the records to do this. The practice at Slough had been to charge all the years' expenditure on infrastructure into one asset for each year and then depreciate this as a single annual asset over an assumed asset life of 40 years. This suggested that the NBV of the infrastructure assets would be overstated because not all expenditure on infrastructure would have the same asset life. A technical paper outlining the Council's proposal was shared with the auditors and the recalculation has been completed, resulting in a £60m reduction in infrastructure assets. These issues have been corrected for in the statement of accounts as prior period adjustment 9 and at Note 17 to the accounts.
21	Accounting policies	A review of the accounting policies identified that the disclosure note had not been updated for a number of years. This has now been brought up to date in line the Code and reflects the accounting policies applied by the Council in preparing the accounts. This has been reflected in a revised Note 1 to the accounts.
22	Narrative statement	The narrative statement has been updated to reflect the Council's current

No.	Area	Actions taken
		position and the magnitude of work required to ensure that the accounts are now materially correct.

Appendix D

Prior period adjustments and in-year adjustments

Prior period adjustments:

1. A detailed review of the Council's fixed asset register identified a number of properties which had been disposed of but were still on the fixed asset register and that valuations for a number of properties had been misstated because of discrepancies in the gross internal areas used by the valuers as part of the valuation. The combination of the two issues has resulted in a reduction of the net book value of assets of £7.9m at 1 April 2017 and £1.45m at 31 March 2018, and a reduction of £11m in depreciation in 2017/18.
2. Review of the fixed asset register highlighted that a number of assets classified as surplus assets should have been reclassified to Assets held for Sale. The total value of assets reclassified is £1.278m.
3. The value and the classification of the purchase of the Thames Valley University site in 2017/18 had been understated because the 2017/18 accounts had only reflected the first of three annual payments for the purchase price. A creditor of £16.1m has been recognised to reflect the full purchase price of the asset in 2017/18. The asset had been misclassified as an investment property and had been revalued downwards in 2017/18 and 2019/20 by £8 and £9m respectively. Corrections have been made to reverse the downward revaluations and to reclassify the asset to Assets under Construction.
4. The distribution of the Council's share of profits from Slough Urban Renewal LLP in 2019/20 had been accrued for in 2017/18 and 2018/19, before the distribution was declared by the company. Therefore, the accrual has had to be reversed reducing income by £4.309m in 2017/18 and £3.264m in 2018/19.
5. Credit balances on debtors and debit balances on creditors had been incorrectly netted off each other in 2017/18. The balances have been grossed up by £14.89m to correct in 2017/18.
6. Income from overage agreements had been incorrectly classified as revenue income when it should have been classed as deferred capital receipts pending receipt of the cash payments. The impact was to overstate income credited to the General Fund by £2.203m and to the HRA by £2.646m in 2016/17. In addition, a further £1.43m was incorrectly treated as General Fund income in 2017/18 and has been transferred to usable capital receipts to correct.
7. The Council had understated the Minimum Revenue Provision (MRP) charge in previous years by not following either the Council's own MRP policy nor the Statutory Guidance on MRP issued by the then Department for Communities and Local Government in 2018. Consequently, MRP was understated by £21.661m in the years to 31 March 2017, £5.136m in 2017/18 and £6.036m in 2018/19.

8. Review of the accounting for s.106 agreements highlighted that all such income had been recognised as income and credited to the Capital Grants Unapplied Account. As s.106 income has conditions attached to the funding, it should have been classified as a long-term creditor and only recognised as income when the conditions attached to the individual s.106 agreements had been met. To correct £11.854m has been transferred from Capital Grants Unapplied to Long-Term Creditors at 1 April 2017, a further net transfer of £1.43m was made to Long-Term Creditors in 2017/18 and net deployment of £3.904m from Long-Term Creditors made in 2018/19.

9. The carrying value of infrastructure assets has been overstated for a number of years because accumulated depreciation had not been written out when assets were fully depreciated and all expenditure on infrastructure had been classed as single asset each year and depreciated over a standard asset life of 40 years, when the various components of infrastructure have asset lives ranging from 10 to 40 years. Recalculating depreciation of the revised asset lives has resulted in a reduction in the net book value of the assets of £38.343m at 1 April 2017 and an increase in depreciation charges of £3.196m in 2017/18 and £3.340m in 2018/19.

10. Loans advanced to James Elliman Homes in 2017/18 had been misclassified as Long-Term Investments and the carrying amount misstated by not accounting for the advance as a "soft loan" (i.e. advanced at below commercial rates).

11. A debtor had been recognised in respect of a legal dispute with Essex CC for £1.17m, when there was insufficient evidence to recognise any income. The dispute was subsequently settled in 2020/21 for £0.3m.

12. The Council had capitalised costs totalling £4.2m relating to support for the Agresso ledger system in the years after implementation which should have been charged to revenue. The costs have been reversed to revenue.

13. The Council had operated an oncost recharge system to recover costs of officers engaged on capital projects, but this overcharged directly attributable costs to capital projects by £3.5m. The overcharge has been reversed to revenue.

14. £9.4m of revenue costs incurred by Slough Children First and classed as transformation funding did not meet the criteria to be classed as transformation and have had to be reversed to revenue.

15. £4.7m of revenue costs incurred by the Council on projects classed as transformation did not meet the criteria to be classed as transformation and have been reversed to revenue.

16. The Department for Levelling Up, Housing and Communities has awarded a Capitalisation Direction to the Council to permit the Council to capitalise a range of costs which would otherwise be a charge to the General Fund. The purpose of the Capitalisation Direction is primarily allow the Council to correct the understatement of MRP in previous

years. This allows the Council to transfer to the Capital Adjustment Account the following understatements of MRP:

a. £21.661m to 1 April 2017;

b. £5.136m in 2017/18; and

c. £6.036m in 2018/19.

17. Beechwood School became an academy in 2016/17. The land relating to Beechwood should have been derecognised in 2016/17. A PPA is required to amend the accounts and to fully derecognise the asset from 2017/18.

18. The Town Hall Development Site (Investment Property) was included in the accounts as a duplicate asset. The duplicate asset needs to be derecognised and any associated fair value movements need to be reversed.

19. IAS19 entries relating to 2017/18 pension costs were understated on the CIES and Balance Sheet by £4.5m. The PPA makes the necessary adjustments to the CIES, LT Liabilities, and the Pensions Reserve.

20. Net £4.8m of historical balances were written-off in 2016/17. These were legacy balances arising from the migration of the old finance system to Agresso.

21. Council dwellings totalling £7.2m were incorrectly derecognised when this should have been accounted for as a valuation movement.

<u>In-year adjustments:</u>

1. The Thames Water refund provision £3m was recognised in the HRA.

2. The provisions for NNDR appeals and bad debts were increased by £10m.

3. The “loan” to Slough Children First was reclassified as a prepayment in line with the contract and impaired by £2.4m.

4. Staff costs which had been incorrectly capitalised in respect of Thames Valley University site totalling £1m were reversed to revenue.

5. The Thames Valley University site had been incorrectly classified as an investment property and subject to revaluation. The revaluation has been reversed and the asset reclassified as an asset under construction and reported at cost.

6. The Grant disclosure note was re-written to reflect all grants received by the Council.

7. Unsubstantiated collection fund debtors/creditors have been written off.

Appendix E

Summary of key changes to the core statements

Tables 4 to 7 below summarise the impact of the changes to the core financial statements. In all tables the column headed “Original” refers to the first version of statement of accounts published 19 June 2019, and the column headed “Revised” refers to the current version as at February 2023 and included at Appendix A.

Table 4: Comprehensive Income and Expenditure Statement (page 31)

Account Balance	Original £000s	Revised £000s	Difference £000s	Explanation of main variances
Net Cost of Services	158,860	163,427	4,567	Increase in Expenditure – Adults (£0.2m); Place (£5.1m); Children Learning and Skills (£2.6m); Finance (£2.9m); Reduction in Expenditure HRA (£7.0m) Total £3.9m Decrease in Income – Adults (£0.4m); Place (£0.3m) Total £0.7m
Deficit on Provision of services	106,986	137,618	30,632	Increase in other operating expenditure (£6.5m); increase in expenditure on finance and investment income (£11.7m); reduction in Taxation and non-specific grant income (£7.8m)
Total Comprehensive Income and Expenditure	**265,846**	**76,114**	**29,014**	**Reduction in Total CIE: £22.1m increase expenditure** **£8.5m reduction in income**

Table 5: Balance Sheet (page 34)

Account Balance	Original £000s	Revised £000s	Difference £000s	Explanation of main variances
Long Term Assets	1,125,595	1,056,719	(68,876)	Reduction in value of: Property Plant and Equipment (£36m); Investment property (£31m).
Current Assets	104,421	86,850	(17,571)	Reduction in short term debtors (£18m)
Current Liabilities	(275,543)	(275,697)	(154)	Increase in short term creditors (£4m); Reduction in short term provisions (£2m)
Long Term Liabilities	(617,622)	(636,489)	(18,867)	Increase in Long Term creditors (£6m), Deferred Capital Receipts (£4m) and Long-Term Provisions (£9m)
Net Assets	**336,851**	**231,383**	**(105,468)**	**Reduction in Net Assets**
Usable Reserves	71,238	75,675	4,437	Increase
Unusable Reserves	265,613	155,708	(109,905)	Decrease
Total Reserves	**336,851**	**231,383**	**(105,468)**	**Decrease, see Table 6 below**

Table 6: Movement in Reserves Statement (page 32)

Account Balance	Original £000s	Revised £000s	Difference £000s
General Fund Balance	549	1,460	911
Earmarked Reserves	4,780	419	(4,361)
Housing Revenue Account	16,266	15,280	(986)
Capital Receipts Reserve	23,986	40,920	16,934
Major Repairs Reserve	12,457	12,457	0
Capital Grants Unapplied	13,200	5,139	(8,061)
Total Usable Reserves	**71,238**	**75,675**	**4,437**
Unusable Reserves	265,613	155,706	(109,907)
Total Reserves	**336,851**	**231,381**	**(105,470)**

Table 7: Summary Cash Flow Statement (Page 35)

Account Balance	Original £000s	Revised £000s	Difference £000s
Net Cash Flow from Operating Activities	2,886	2,534	(352)
Net (increase) or decrease in cash and cash equivalents	(9,979)	(9,980)	(1)
Cash and cash equivalents at the end of the reporting period	**19,879**	**19,880**	**1**

Appendix D

Prior period adjustments and in-year adjustments

Prior period adjustments:

1. A detailed review of the Council's fixed asset register identified a number of properties which had been disposed of but were still on the fixed asset register and that valuations for a number of properties had been misstated because of discrepancies in the gross internal areas used by the valuers as part of the valuation. The combination of the two issues has resulted in a reduction of the net book value of assets of £7.9m at 1 April 2017 and £1.45m at 31 March 2018, and a reduction of £11m in depreciation in 2017/18.
2. Review of the fixed asset register highlighted that a number of assets classified as surplus assets should have been reclassified to Assets held for Sale. The total value of assets reclassified is £1.278m.
3. The value and the classification of the purchase of the Thames Valley University site in 2017/18 had been understated because the 2017/18 accounts had only reflected the first of three annual payments for the purchase price. A creditor of £16.1m has been recognised to reflect the full purchase price of the asset in 2017/18. The asset had been misclassified as an investment property and had been revalued downwards in 2017/18 and 2019/20 by £8 and £9m respectively. Corrections have been made to reverse the downward revaluations and to reclassify the asset to Assets under Construction.
4. The distribution of the Council's share of profits from Slough Urban Renewal LLP in 2019/20 had been accrued for in 2017/18 and 2018/19, before the distribution was declared by the company. Therefore, the accrual has had to be reversed reducing income by £4.309m in 2017/18 and £3.264m in 2018/19.
5. Credit balances on debtors and debit balances on creditors had been incorrectly netted off each other in 2017/18. The balances have been grossed up by £14.89m to correct in 2017/18.
6. Income from overage agreements had been incorrectly classified as revenue income when it should have been classed as deferred capital receipts pending receipt of the cash payments. The impact was to overstate income credited to the General Fund by £2.203m and to the HRA by £2.646m in 2016/17. In addition, a further £1.43m was incorrectly treated as General Fund income in 2017/18 and has been transferred to usable capital receipts to correct.
7. The Council had understated the Minimum Revenue Provision (MRP) charge in previous years by not following either the Council's own MRP policy nor the Statutory Guidance on MRP issued by the then Department for Communities and Local Government in 2018. Consequently, MRP was understated by £21.661m in the years to 31 March 2017, £5.136m in 2017/18 and £6.036m in 2018/19.

8. Review of the accounting for s.106 agreements highlighted that all such income had been recognised as income and credited to the Capital Grants Unapplied Account. As s.106 income has conditions attached to the funding, it should have been classified as a long-term creditor and only recognised as income when the conditions attached to the individual s.106 agreements had been met. To correct £11.854m has been transferred from Capital Grants Unapplied to Long-Term Creditors at 1 April 2017, a further net transfer of £1.43m was made to Long-Term Creditors in 2017/18 and net deployment of £3.904m from Long-Term Creditors made in 2018/19.

9. The carrying value of infrastructure assets has been overstated for a number of years because accumulated depreciation had not been written out when assets were fully depreciated and all expenditure on infrastructure had been classed as single asset each year and depreciated over a standard asset life of 40 years, when the various components of infrastructure have asset lives ranging from 10 to 40 years. Recalculating depreciation of the revised asset lives has resulted in a reduction in the net book value of the assets of £38.343m at 1 April 2017 and an increase in depreciation charges of £3.196m in 2017/18 and £3.340m in 2018/19.

10. Loans advanced to James Elliman Homes in 2017/18 had been misclassified as Long-Term Investments and the carrying amount misstated by not accounting for the advance as a "soft loan" (i.e. advanced at below commercial rates).

11. A debtor had been recognised in respect of a legal dispute with Essex CC for £1.17m, when there was insufficient evidence to recognise any income. The dispute was subsequently settled in 2020/21 for £0.3m.

12. The Council had capitalised costs totalling £4.2m relating to support for the Agresso ledger system in the years after implementation which should have been charged to revenue. The costs have been reversed to revenue.

13. The Council had operated an oncost recharge system to recover costs of officers engaged on capital projects, but this overcharged directly attributable costs to capital projects by £3.5m. The overcharge has been reversed to revenue.

14. £9.4m of revenue costs incurred by Slough Children First and classed as transformation funding did not meet the criteria to be classed as transformation and have had to be reversed to revenue.

15. £4.7m of revenue costs incurred by the Council on projects classed as transformation did not meet the criteria to be classed as transformation and have been reversed to revenue.

16. The Department for Levelling Up, Housing and Communities has awarded a Capitalisation Direction to the Council to permit the Council to capitalise a range of costs which would otherwise be a charge to the General Fund. The purpose of the Capitalisation Direction is primarily allow the Council to correct the understatement of MRP in previous

years. This allows the Council to transfer to the Capital Adjustment Account the following understatements of MRP:

a. £21.661m to 1 April 2017;

b. £5.136m in 2017/18; and

c. £6.036m in 2018/19.

17. Beechwood School became an academy in 2016/17. The land relating to Beechwood should have been derecognised in 2016/17. A PPA is required to amend the accounts and to fully derecognise the asset from 2017/18.
18. The Town Hall Development Site (Investment Property) was included in the accounts as a duplicate asset. The duplicate asset needs to be derecognised and any associated fair value movements need to be reversed.
19. IAS19 entries relating to 2017/18 pension costs were understated on the CIES and Balance Sheet by £4.5m. The PPA makes the necessary adjustments to the CIES, LT Liabilities, and the Pensions Reserve.
20. Net £4.8m of historical balances were written-off in 2016/17. These were legacy balances arising from the migration of the old finance system to Agresso.
21. Council dwellings totalling £7.2m were incorrectly derecognised when this should have been accounted for as a valuation movement.

In-year adjustments:

1. The Thames Water refund provision £3m was recognised in the HRA.
2. The provisions for NNDR appeals and bad debts were increased by £10m.
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Slough Borough Council

Report To:	Council
Date:	9th March 2023
Subject:	Recommendation from the Audit and Corporate Governance Committee from its meeting held on 22 February 2023: Update on Objection to 2018/19 Accounts and issuing of Statutory Recommendations– Purchase of Observatory House
Chief Officer:	Executive Director of Finance and Commercial (s151) – Steven Mair
Contact Officer:	Interim Financial Adviser – Mike Thomas
Ward(s):	All
Exempt:	NO
Appendices:	Appendix A Grant Thornton Statutory Recommendations Report February 2023

1. Summary and Purpose

1.1. To set out the report from Grant Thornton, the Council's External Auditors, in response to an objection received from a member of the public in relation to the 2018/19 Accounts with regard to the purchase of Observatory House.

1.2 To note the statutory recommendations, and the Council's proposed response, which is set out at paragraph 3.2.4 of this report.

1.3 To recommend that the Council formally respond on this basis following its meeting on 9 March 2023.

2. Recommendations

That Council

(a) Consider and note the statutory recommendations

(b) Accept the recommendations and the management response.

(c) Accept the lessons learnt and proposed action as set out in this report.

2.3 Reason:

2.3.1 The Council is required under Schedule 7 of the Local Audit and Accountability Act 2014 to formally respond to these recommendations in a given timescale.

2.4 Commissioner Review

2.4.1 The report sets out two Statutory Recommendations issued by the external auditor to the Council under section 24 and schedule 7 of the Local Audit and Accountability Act relating to the purchase of Observatory House. This is a serious issue which relates specifically to the way the decision was made, and shortcoming in the information made available to members to inform their thinking on the decision.

2.4.2 The issuing of Statutory Recommendations is a serious issue – not one that is commonly made against authorities. In this case, it highlights shortcomings in the governance of Slough BC. It is important that the council learns from this and ensure proper processes are in place to ensure decisions are properly made against a background of appropriate information to inform that decision.

3 Summary Report

3.1 Background

3.1.1 As a result of their consideration of an objection to the Council’s accounts for 2018/19, Grant Thornton, the Council’s External Auditors, have decided to issue Statutory Recommendations to the Council under section 24 and Schedule 7 of the Local Audit and Accountability Act 2014. This report provides a summary of the objection and the decision so as to provide background for Members in their consideration of the Statutory Recommendations and the Council’s response.

3.1.2 Grant Thornton received an objection from a local elector in relation to the Council’s accounts for 2018/19. The objector asked them to issue a report in the public interest and to apply to the court that there is an unlawful item of account. The objection related to the Council’s acquisition, completed on 24 July 2018, of a-new headquarters building, Observatory House. The acquisition cost was £41m, and further costs were incurred in fitting out the building before occupation.

3.1.3 Having carefully considered the grounds for the objection and information provided by the Council in response, Grant Thornton have decided not to uphold the objection, and will not therefore be issuing a report in the public interest or applying to the court for a declaration that there is an unlawful item of account.

3.1.4 However, they have concluded that there is one issue raised by the objector which they believe merits written recommendations. This concerns the way the decision to acquire the property was taken, and in particular the limited information made available to Members at the meeting of the Cabinet on 28 May 2018 at which the decision was taken. They believe this is a significant failing in governance given the size of the transaction to which it relates.

3.2 Findings and Recommendations

3.2.1 Grant Thornton’s report, which is attached at Appendix A, raises concerns about the extent of the information made available to Cabinet which would have enabled them to take an informed decision about the purchase of Observatory House.

3.2.2 Amongst the areas where Grant Thornton would have expected greater coverage and detail in the Cabinet reports were:

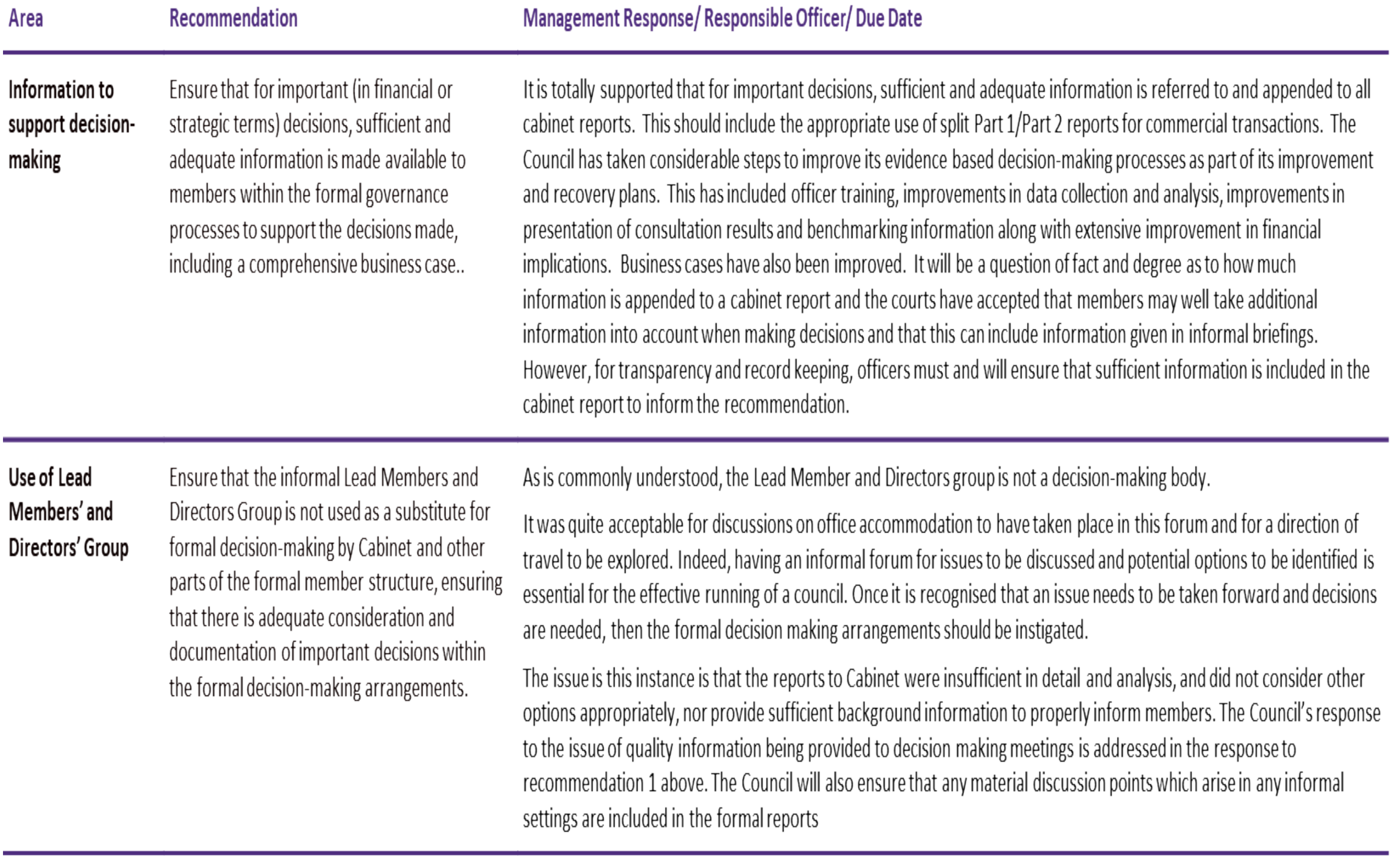
- The specification and quantification of the benefits of the acquisition – while many benefits are mentioned, these are not sufficiently detailed nor quantified;

- There is no consideration of alternatives in the formal information provided to members, with this having been considered informally in the March report;
- While there are some comments made about different scenarios, particularly around the letting of the upper floors, there could have been greater sensitivity analysis;
- There were some significant financial uncertainties relating to the acquisition, for example in relation to VAT and the letting of the top two floors which, while mentioned, could have been set out more clearly or, ideally, eliminated prior to the decision being taken;
- The uncertainties around the Council's own occupancy needs, the interaction with the development of neighbourhood hubs and the letting of the upper floors is a significant issue for the project on which greater quantitative information should have been provided.

3.2.2 Grant Thornton have therefore made the recommendations set out in paragraph 3.2.4 below to remind the Council to ensure that major decisions, such as this one, are supported by sufficient information and that the role of informal groups, such as the Lead Members and Directors group, does not diminish the need for detailed consideration and documentation within the formal governance arrangements which are set out in the Council's constitution.

3.2.3 Whilst Grant Thornton recognise that the concerns identified may well not have made any difference to the Council's ultimate decision to acquire Observatory House, sound decision making arrangements with appropriate documentation of the reasons for making decisions lies at the heart of sound governance. Therefore, Grant Thornton believe that it is appropriate to issue these recommendations under their formal statutory powers.

3.2.4 The detailed recommendations and suggested management response are shown below:



Area	Recommendation	Management Response/ Responsible Officer/ Due Date
Information to support decision-making	Ensure that for important (in financial or strategic terms) decisions, sufficient and adequate information is made available to members within the formal governance processes to support the decisions made, including a comprehensive business case..	It is totally supported that for important decisions, sufficient and adequate information is referred to and appended to all cabinet reports. This should include the appropriate use of split Part 1/Part 2 reports for commercial transactions. The Council has taken considerable steps to improve its evidence based decision-making processes as part of its improvement and recovery plans. This has included officer training, improvements in data collection and analysis, improvements in presentation of consultation results and benchmarking information along with extensive improvement in financial implications. Business cases have also been improved. It will be a question of fact and degree as to how much information is appended to a cabinet report and the courts have accepted that members may well take additional information into account when making decisions and that this can include information given in informal briefings. However, for transparency and record keeping, officers must and will ensure that sufficient information is included in the cabinet report to inform the recommendation.
Use of Lead Members' and Directors' Group	Ensure that the informal Lead Members and Directors Group is not used as a substitute for formal decision-making by Cabinet and other parts of the formal member structure, ensuring that there is adequate consideration and documentation of important decisions within the formal decision-making arrangements.	As is commonly understood, the Lead Member and Directors group is not a decision-making body. It was quite acceptable for discussions on office accommodation to have taken place in this forum and for a direction of travel to be explored. Indeed, having an informal forum for issues to be discussed and potential options to be identified is essential for the effective running of a council. Once it is recognised that an issue needs to be taken forward and decisions are needed, then the formal decision making arrangements should be instigated. The issue is this instance is that the reports to Cabinet were insufficient in detail and analysis, and did not consider other options appropriately, nor provide sufficient background information to properly inform members. The Council's response to the issue of quality information being provided to decision making meetings is addressed in the response to recommendation 1 above. The Council will also ensure that any material discussion points which arise in any informal settings are included in the formal reports

3.3 Lessons learnt

3.3.1 Since 2018/19, the Council has taken action to address the weaknesses identified by Grant Thornton as follows:

- Constitutional changes have been made to tighten up the Council's governance processes. This includes

  May 2021 – adoption of new councillor code of conduct and changes to officer scheme of delegation to engender a culture of trust and collective responsibility.

  November 2021 – change to definition of key decision to raise the financial threshold, and define how expenditure or savings should be calculated when they span several years, change to Responsibility for Executive Functions and Executive Procedure Rules to clarify the reserved functions and put in place urgency procedures for the Leader to take decisions to avoid decisions being taken at an officer level where urgent and change to Contract Procedure Rules.

  July 2022 – change to Responsibility for Executive Functions and Executive Procedure Rules to increase member involvement in decisions to dispose of property assets and to add in public participation rules for cabinet meetings.

  November 2022 – updated Financial Procedure Rules and Contract Procedure Rules.

- Officers have received training on the Council's revised governance and decision making arrangements;
- A new report format has been introduced which requires more detailed information to be provided and for options, risks, financial and legal implications to be clearly set out for Member consideration;
- All reports to Members now require sign-off approval by the Monitoring Officer and s151 officer or their representative, alongside comments from Commissioners regarding the overall report.

3.3.2 Further action is recommended as follows:

- Member training on governance and decision-making.
- Officer and member training on writing business cases.
- Induction and management development training on governance and decision-making.

3.3.3 The actions required to be taken will be picked up as part of the democratic governance action plan. However, it is right that both the Standards Committee and Cabinet are asked to agree the actions to ensure the member development programme is appropriately focused on governance and to ensure members hold officers to account for the quality of reports.

3.3.4 The Council is confident that its decision making arrangements have been much improved, but recognises the need to continue to maintain, embed and build upon these improvements.

4 Financial Implications

4.1.1 There will be an additional audit fee to cover the cost of responding to the objection.

5 Non-Financial Implications

5.1.1 Legal implications

5.1.1 Schedule 7 of the Local Audit and Accountability Act 2014 permits a local auditor to make a written recommendation to an authority relating to the authority or a connected entity. The recommendation can be made during or at the end of an audit. Paragraph 5 requires the Council to consider the recommendation at a meeting held before the end of the period of one month beginning on the date on which the report was sent. This matter cannot be delegated and must be considered by Full Council, although the actions required can be referred to committees and Cabinet. At the meeting, the Council must decide whether the recommendation is to be accepted and what, if any, action to take in response to the recommendation.

5.1.2 The auditor can extend the time period to allow consideration and the auditors have agreed that this matter can be considered by the Council at its meeting on 9 March 2023.

5.2 Environmental implications

5.2.1 There are no direct environmental implications resulting from this report.

5.3 Equality implications

5.3.1 There is no identified need for an equality impact assessment.

6 Risks

6.1 Failure to respond in the statutory timescale will potentially incur additional statutory recommendations.

6.2 Failure to improve governance in the areas identified will leave the council open to potential future challenges.

7 Comments of other Committees

The Audit and Corporate Governance Committee considered details of the report at its meeting held on 22 February 2023 and agreed that the matter be recommended to Council for approval.

8 Background Papers

None.

APPENDIX A

GRANT THORNTON STATUTORY RECOMMENDATIONS REPORT

Grant Thornton

Slough Borough Council

Section 24 Statutory recommendations

February 2023

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Slough Borough Council
Observatory House
25 Windsor Road
Slough
SL1 2EL

7 February 2023

Dear Sirs

Recommendations made under section 24 schedule 7 of the Local Audit and Accountability Act 2014

Our responsibilities

As well as our responsibilities to give an opinion on the financial statements and assess the arrangements for securing economy, efficiency and effectiveness in the Council's use of resources, we have additional powers and duties under the Local Audit and Accountability Act 2014. These include powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts.

We have concluded that it is appropriate for us to use our powers to make written recommendations under section 24 of the Act, due to weaknesses in the governance arrangements for the Council's decision taken in 2018 to acquire its current headquarters building, Observatory House, which still have relevance today.

What does the Council need to do next?

Schedule 7 of the Local Audit and Accountability Act 2014 requires the following actions:

The Council must consider the recommendation at a meeting held before the end of the period of one month beginning with the day on which it was sent to the Council.

At that public meeting the Council must decide

- whether the recommendations are to be accepted, and
- what, if any, action to take in response to these recommendations.

Schedule 7 specifies the meeting publication requirements that the Council must comply with.

Julie Masci

Key Audit Partner
Grant Thornton UK LLP

Background to the recommendations

We have concluded that it is appropriate for us to use our powers to issues written recommendations under section 24 and schedule 7 of the Act because we have identified weaknesses in the governance arrangements for the Council's decision taken in 2018 to acquire its currentheadquarters building, Observatory House, which still have relevance today.

We received an objection from a local elector in relation to the Council's accounts for 2018/19. The objector asked us to issue a report in the public interest and to apply to the court that there is an unlawful item of account. The objection related to the Council's acquisition, completed on 24 July 2018, of its then -new headquarters building, Observatory House. The acquisition cost was £41m, and further costs were incurred in fitting out the building before occupation.

Having carefully considered the grounds for the objection and information provided by the Council in response, we have decided not to uphold the objection, and will not therefore be issuing a report in the public interest or applying to the court for a declaration that there is an unlawful item of account.

However, there is one issue raised by the objector which we believe merits written recommendations. This concerns the way the decision to acquire the property was taken, and in particular the limited information made available to members at the meeting of the Cabinet on 28 May 2018 at which the decision was taken. We believe this is a significant failing in governance given the size of the transaction to which it relates.

On 6 March 2018, the Council's 'Lead Members and Directors' group considered a report which assessed various options to meet the Cabinet's stated wish for the Council to relocate its headquarters to within the town centre. Acquisition of Observatory House was one of these options, and the report requested a 'steer' from members on which option(s) should be pursued further.

On 28 May 2018, the Council's cabinet considered a report on the proposed purchase of Observatory House, 25 Windsor Road. The meeting approved the acquisition of Observatory House and gave authority to the Interim Chief Executive, in consultation with the s151 officer and the Leader, to 'approve the final terms of the acquisition'.

A significant decision report dated 24 July 2018 (the date of the purchase), signed by the Interim Chief Executive, s151 officer, Leader, Director of Regeneration and project manager, confirmed the final approval of the purchase of Observatory House

Background to the recommendations (continued)

However, we have concerns about the extent of the information available to Cabinet to enable them to take that decision, and in particular the limited extent of information which was made available to councillors, through formal governance processes, to enable them to make an informed decision. Our concerns are:

- The March report was only considered by the 'Lead Members and Directors Group'. This was an informal body with no decision-making powers, the discussions of which were not in public or reported alongside the minutes of other Council committees. While no formal decision was taken, as it could not be, the officer report was brought to it to obtain a 'steer' on which option(s) to pursue in accordance with the town centre regeneration objective. We do not consider that holding such discussions in an informal, non-public forum is appropriate. Officers have stated that they believe that the use of the meeting for this purpose was appropriate, but in our view, the 'steer' provided at this meeting should have been formalised, given the size of the project and the lack of subsequent consideration of the other options at the May cabinet meeting.

- The decision to proceed with the purchase, and the associated delegation to the section 151 officer and the Leader to finalise the terms, was taken by Cabinet in a public meeting on 28 May 2018. The public agenda (Item number 4) included an eight page report, which was supported as we would expet by a restricted 'part II' report which was cross-referenced from the public report and ran to twelve pages. . No separate business case was submitted to members; nor has it been provided to us. It appears that the relevant officers considered the Part II report to constitute a business case and did not prepare any other formal document. While the Part II report included some of the information we would expect to be in a business case, it was in summary form and we would have expected a more comprehensive document to be prepared and provided to members, given the value and strategic importance of the project.

Amongst the areas where we would have expected greater coverage and detail in a business case are:

The specification and quantification of the benefits of the acquisition – while many benefits are mentioned, these are not sufficiently detailed nor quantified

There is no consideration of alternatives in the formal information provided to members, with this having been considered informally in the March report

While there are some comments made about different scenarios, particularly around the letting of the upper floors, there could have been greater sensitivity analysis

There were some significant financial uncertainties relating to the acquisition, for example in relation to VAT and the letting of the top two floors which, while mentioned, could have been set out more clearly or, ideally, eliminated prior to the decision being taken.

The uncertainties around the Council's own occupancy needs, the interaction with the development of neighbourhood hubs and the letting of the upper floors is a significant issue for the project on which greater quantitative information should have been provided.

We are therefore making the recommendations set out on the following page to remind the Council to ensure that major decisions such as this one are supported by sufficient information and that the role of the Lead Members and Directors group does not diminish the need for open consideration and documentation within the formal governance arrangements. While we recognise that the concerns we have identified may well not have made any difference to the ultimate decision to acquire Observatory House, sound decision making arrangements with appropriate documentation of the background and reasons for decisions lies at the heart of sound governance, and we therefore believe that it is appropriate to issue these recommendations under our formal statutory powers.

Recommendations made under section 24 schedule 7 of the Local Audit and Accountability Act 2014

Area	Recommendation	Management Response/ Responsible Officer/ Due Date
Information to support decision-making	Ensure that for important (in financial or strategic terms) decisions, sufficient and adequate information is made available to members within the formal governance processes to support the decisions made, including a comprehensive business case..	It is totally supported that for important decisions, sufficient and adequate information is referred to and appended to all cabinet reports. This should include the appropriate use of split Part 1/Part 2 reports for commercial transactions. The Council has taken considerable steps to improve its evidence based decision-making processes as part of its improvement and recovery plans. This has included officer training, improvements in data collection and analysis, improvements in presentation of consultation results and benchmarking information along with extensive improvement in financial implications. Business cases have also been improved. It will be a question of fact and degree as to how much information is appended to a cabinet report and the courts have accepted that members may well take additional information into account when making decisions and that this can include information given in informal briefings. However, for transparency and record keeping, officers must and will ensure that sufficient information is included in the cabinet report to inform the recommendation.
Use of Lead Members' and Directors' Group	Ensure that the informal Lead Members and Directors Group is not used as a substitute for formal decision-making by Cabinet and other parts of the formal member structure, ensuring that there is adequate consideration and documentation of important decisions within the formal decision-making arrangements.	As is commonly understood, the Lead Member and Directors group is not a decision-making body. It was quite acceptable for discussions on office accommodation to have taken place in this forum and for a direction of travel to be explored. Indeed, having an informal forum for issues to be discussed and potential options to be identified is essential for the effective running of a council. Once it is recognised that an issue needs to be taken forward and decisions are needed, then the formal decision making arrangements should be instigated. The issue is this instance is that the reports to Cabinet were insufficient in detail and analysis, and did not consider other options appropriately, nor provide sufficient background information to properly inform members. The Council's response to the issue of quality information being provided to decision making meetings is addressed in the response to recommendation 1 above. The Council will also ensure that any material discussion points which arise in any informal settings are included in the formal reports

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Slough Borough Council

REPORT TO:	Council
DATE:	9th March 2023
SUBJECT:	Section 25 Report
CHIEF OFFICER:	Steven Mair
CONTACT OFFICER:	Mike Thomas
WARD(S):	All
PORTFOLIO:	Cabinet Member for Financial Oversight and Council Assets - Cllr Anderson
EXEMPT:	NO
APPENDICES:	A – Letter from Lee Rowley MP, Parliamentary Under Secretary of State at the Department for Levelling Up, Housing & Communities

1 SUMMARY AND RECOMMENDATIONS

1.1 This report advises the Council of the Executive Director Finance and Commercial's (s.151) report on the robustness of the estimates made for the purposes of the budget calculations and the adequacy of the proposed financial reserves.

1.2 This report is made under section 25 of the Local Government Act 2003, which the Council is required to have regard to when making decisions in accordance with s.31A of the Local Government Finance Act 1992 on agreeing the budget for the financial year 2023/24.

2 RECOMMENDATION

That Council has regard to this report when making decisions about the calculation of council tax requirement.

Reason:

This recommendation enables the Executive Director of Finance and Commercial (s.151 officer) to meet his statutory responsibilities.

Commissioner Review

This is an important report – it provides the full context within which the entire suite of budget papers must be considered. The commissioners are content with this report.

3. INTRODUCTION

3.1 On the basis of the risks and issues raised in this report, in my opinion as Executive Director Finance and Commercial (s.151), the budget should be submitted to Council for approval on the basis that:

a) the proposed level of Council reserves and contingencies are adequate to support the budget for 2023/24 having regard to an assessment of current financial and other risks set out extensively in this report and assuming these risks do not increase beyond those that can be contained by the Council. It should also be noted that matters will continue to be identified and will change throughout the coming financial year and beyond.

b) the Council has an agreed, robust, extensively reported and to date very successful financial strategy that is beginning to allow the Council to move towards longer term financial sustainability. However, this strategy will take a further five financial years to conclude and to embed at all levels to the standards and work required.

c) the estimates are robust for the calculation of the budget within the confines of the many risks noted throughout this report. Particular attention is drawn to the following specific conditions and risks:

   (i) the recommended level of general balances for 2023/24 is £21m, although this is the bare minimum as a percentage of Net Revenue Expenditure

   (ii) the budget which has levels of contingency and conditions built in to reflect the considerable risks the Council is facing and is predicated on continuing support from DLUHC;

   (iii) agreement of the Capitalisation Direction for 2023/24 and future years as proposed to DLUHC in February 2023 at estimated figures of £267m to 31/3/23 and £32m for 2023/24 (this is a significant reduction from last year's s.25 report which was £307m to 31/3/23 and £78m for 2023/24)

   (iv) agreement by DLUHC that they will agree to issue Capitalisation Directions or provide other support to equal the actual figures for the outstanding and current year as the accounts for the years are closed.

   (v) looking forward beyond this coming year agreement by DLUHC will be needed to issue Capitalisation Directions or provide other support to equal the estimated figures for future years as the budgets are prepared for these future years.

   (vi) likewise agreement by DLUHC that they will agree to issue Capitalisation Directions or provide other support or agreed mechanisms to supplement the level of revenue budget savings that the Council can achieve and as will be reviewed in future years. Further that they will agree to finance/support on a recurrent basis any recurrent gap that would arise if the £12.9m annual level of savings from 2024/25 was not achieved in a sustainable manner.

   (vii) the level of Council general reserves, outside of the support from DLUHC relating to specific risks and specific initiatives, is £21.5m, of which £20m comes from the Capitalisation Direction, consisting of the General Fund (GF) balance at March 2022. These reserves will be established and built up over time once a more stable finance base has been created. The MTFS also expects at least £1m per annum to be put into reserves from revenue balances to add further to this.

(viii) as at the end of March 2022, the estimated earmarked reserves held by the Council 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**

(ix) as the Council has only one set of audited accounts since 2018/19 and will not have a complete set i.e. to 2021/22 until September 2023 at the earliest, the financial position is subject to considerable potential change which may impact on the robustness of the budget

(x) the Council embeds the good practice now being designed but notes that this will take up to 5 years to do so and thus as with the accounts the various estimates will be subject to change

(xi) the Council has a major dependency on asset sales and revenue budget savings which will significantly impact on the budget for 2023/24 and the future years, which will again affect the level of robustness of the budget

(xii) the Council continues to operate the Expenditure Control Process throughout 2023/24

(xiii) the Council continues to develop its budget monitoring processes and ensures that the delivery of the planned budget savings are achieved

(xiv) the Council continues to develop longer term financial planning as evidenced by the work reported in the revenue budget report for 2023/24 and the Medium-Term Financial Strategy

(xv) the Council continues to drive the financial strategy forward, or revise it as required.

3.2 In coming to a view on the robustness of the estimates there are a wide range of factors to take into account, including:

- the Slough Council context
- local risks impacting Slough's budget setting for 2023/24
- risks affecting the sector
- inherent risks

- Slough Council's financial management including the availability of support from the Department of Levelling Up, Communities and Housing (DLUHC)

4. SLOUGH COUNCIL CONTEXT

4.1 In December 2020 the Council requested Exceptional Financial Support from the Ministry of Housing, Communities and Local Government (MHCLG) (now known as the Department for Levelling Up, Housing & Communities (DLUHC)) in respect of the financial year 2021/22 to help it balance its budget. MHCLG agreed in-principle to provide support and commissioned CIPFA to undertake an independent and detailed financial assurance review of Slough Borough Council (the Council). Since the original capitalisation request for 2021/22 of up to £15.2m, the Council has identified further very substantial liabilities for previous years, which the Council is unable to meet from its reserves. These past liabilities also impact substantially on the financial position for the Council in the current financial year and beyond

4.2 The Executive Director of Finance and Commercial, as statutory Chief Finance Officer under s.151 issued a report under s114 of the Local Government Finance Act 1988 in July 2021, outlining the then estimated total potential liabilities across the Council of some £174m up to 2024/25, which had not been accounted for hitherto. It was advised that this could increase significantly.

4.3 As also recognised by CIPFA in its report in October 2021, there was a high likelihood that this figure could grow. This has proven to be the case. At its potential maximum the estimate reached £782m, an unprecedented level of support for a Capitalisation Direction, through to 2047/48 in order to place the Council on a sustainable financial footing for the future, of which £307m was required to deal with historic issues and £78m for 2023/24 to enable the Council to deliver a legal budget for 2023/24. Since last year, officers have been able to close the 2018/19 statement of accounts and prepare the accounts for 2019/20 and 2020/21, which has allowed the extent of support required via the Capitalisation Direction to be revised. The submission to DLUHC has been reduced from an overall figure of £782m down to £357m which will return the Council to a sustainable financial position by 2028/29.

4.4 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 included the requirement at section 151 of the Local Government Act 1972 to arrange for the proper administration of the Authority's financial affairs, and all functions associated with the strategic financial management of the Authority, to include:

- providing advice and challenge to the Authority on the preparation and implementation of a detailed plan to close its short and long-term budget gap in response to the section 114 notice;
- providing advice and challenge to the Authority in the setting of annual budgets and a robust medium term financial strategy (MTFS) for the Authority, limiting future borrowing and capital spending;
- scrutiny of all in-year amendments to annual budgets;

- the power to amend budgets where Commissioners consider that those budgets constitute a risk to the Authority's ability to fulfil its best value duty; and
- providing advice and challenge to the Authority on the preparation of an outline asset disposal plan.

4.5 In the medium to longer-term the Council cannot become a financially self-sustaining council without considerable Government support. The availability of significant future support is a key assumption underpinning the 2023/24 budget and will be for several years.

4.6 The Council's financial position has been the subject of regular briefings to members and DLUHC since 2021/22. The seriousness of the financial situation and how the Council found itself in this position remain of significant concern. This has been acknowledged and a financial recovery plan agreed and reported since September 2021. Whilst the current request of Government is unprecedented it has to be noted that the audits of the 2018/19 (including 20 prior period adjustments and 9 in-year adjustments), 2019/20, 2020/21 and 2021/22 are yet to be completed, and it is very likely that more amendments may be uncovered during the continuing closure of the accounts process. Consequently, it will not be possible to secure a fully compliant, secure and stable position until all years' accounts have been drafted and the audits concluded. Issues will continue to be identified that will affect the financial position particularly during 2023/24.

4.7 The 2023/24 budget needs to be seen in this context and on the back of the actions taken by various bodies in response to the identification of these serious financial failings, which have included:

- the identification of an extensive range of issues by the finance team since 2021/22
- the issue of statutory and non-statutory recommendations from the external auditor in May 2021
- a significant number of recommendations from internal audit including a Head of Internal Audit annual opinion in August 2021 which concluded that the system for internal controls, governance and risk management was inadequate
- reports from both Department for Levelling Up, Housing and Communities (DLUHC) and the Chartered Institute of Public Finance and Accountancy (CIPFA), both of which identified significant weaknesses in financial management processes, governance and internal control
- as referred to above, a statutory direction by the Secretary of State including the appointment of Commissioners to remain in force until 30 November 2024, unless amended.
- the conclusion of the audit resulting in the external auditors issuing a disclaimer of opinion on the 2018/19 accounts. A disclaimer opinion is only issued when the possible effects of undetected misstatements due to the lack of audit evidence (a scope limitation) could be both material and pervasive to the financial statements. The negative opinion, or lack thereof, is predominantly due to inadequate processes and controls over journals posted by the old finance team in addition to inadequate record keeping and audit trails, lack of good working papers and appropriate reconciliations, mapping issues within the

financial statements ultimately resulting in a significant number of material misstatements identified in the 2018/19 accounts and material prior period misstatements relating to the 2017/18 accounts and before by the new finance team.

4.8 The Council's very serious financial challenges have arisen over a period of several years and represent the combined impact of a wide range of issues. Examples to note are as follows:

- 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 was £57m, with a further £18m needed for 2022/23
- inadequate provisions estimated at £25m (of which £11m is for bad debts) in a range of areas including bad debts such as adults social care, sundry debts and insurance
- incorrect capitalisation of revenue costs totalling £49m, the majority of this is for the period to 2021/22 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 and failure to deliver planned cost savings

4.9 As a result at the time of the s114 notice the Council effectively had no unallocated general reserves and a very significant general fund deficit

4.10 The Council had for several years suffered greatly from a lack of:

- understanding of and transparency about its true financial position
- corporate (at all levels) and financial ownership, drive and leadership of the problem as it understood it
- professional financial standards at all levels
- tight financial management by budget holders
- skilled project management
- development and leadership of the Council's finances and finance team
- financial drive, control, positive attitude, ownership at all levels and roles
- evidenced based decisions set within a context of value for money

4.11 All of which led to:

- no (complete and accurate) accounts for at least 5 years
- no proper management of its budgets
- poor financial systems
- effectively no general reserves

- the need for an exceptional level of capitalisation direction that exceeded any in the Country at the time from what is a very small Council
- a very large DSG deficit with no plans to tackle it
- very poor governance of all of its companies
- many extremely adverse internal and external reviews with very little response from the Council up to May 2021

4.12 At the same time as identifying the financial issues facing it the Council also began work on its financial strategy to recover from this situation. The financial strategy agreed and actioned by the Council was to:

- address the identified problem, this began in July 2021
- start selling assets to reduce borrowings and thus reduce MRP/interest costs and finance the CD – agreed September 2021
- reduce net revenue expenditure, both general fund and the dedicated schools grant – ongoing since July 2021
- produce and have audited annual accounts – work to prepare, correct and submit the outstanding years of accounts has been going on by the new Finance Team since 2021
- operate proper and rigorous budgeting and build up reserves – from July 2021
- design and implement a permanent structure for the Council's finance service – now complete and currently being recruited to
- all to an appropriate standard and in an appropriate manner and with an understanding that this will take up to five years

4.13 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 over £173m to date during this financial year with a planned total of over £200m for the whole year and already planning for £200m plus in 2023/24. This is greatly in excess of that assumed in the budget and is reducing debt, the level of minimum revenue provision and reducing the total capitalisation direction
- an overall reduction in the Capitalisation Direction from £782m to £357m
- projecting a budget which for 2023/24 is currently showing a reduction of £47m in the Capitalisation Direction compared to the original expectation of £79m.
- planning for savings of £22.4m in 2023/24
- 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, 2018/19 and 2019/20 produced to date, 2018/19 audit completed, 2020/21 and 2021/22 in progress

- starting to build up reserves as indicated in the Capitalisation Direction
- designing and having approved a new structure for the finance service which is currently being advertised, interviewed and appointed to.

4.14 These problems are now being addressed but designing, implementing and embedding new processes together with the required changes to organisational financial management culture and process will take an estimated 5 years to achieve. More detailed assessments of the improvement timeframe will only become possible as the situation in Slough develops locally and will inevitably vary. Realistically the financial strategy will need to outline the actions required over the next decade in order to set the Council on a firmer and more sustainable financial footing.

5. LOCAL RISKS IMPACTING SLOUGH'S BUDGET SETTING FOR 2023/24

5.1 In addition to the general risks affecting the sector as a whole, which are set out in section 5 onwards, there are a number of specific local risks that need addressing in order to develop a sustainable financial plan, as follows:

- commitment from the Department of Levelling Up, Housing and Communities to the approval of a Capitalisation Direction of £299m to 31 March 2024 necessary for setting a legally balanced budget for 2023/24. The approval of future Capitalisation Directions is also fundamental to allow the Council to set legal budgets in 2024/25 and beyond. Without these Directions the Council cannot set a legally balanced budget
- identification and delivery of circa £400m of capital receipts by 31 March 2024 from the Asset Disposal programme. This needs to be undertaken with the support of expert advice in order to obtain best value for the Council. The Council engaged Avison Young as its external advisors in 2022 and work continues at pace with the Asset Disposal programme
- the Council's Dedicated Schools Grant deficit had grown and was essentially out of control. The deficit had grown from £4.9m in 2015/16 to £20.6m at 31 March 2021, and could potentially have grown to £43m by 2024/25 if no further action had been taken. This has now been addressed, the Council having reduced the annual in year deficits from £7m to nil and the DfE considered and agreed to finance the historic deficit of £27m. However, this is dependent on the Council ensuring that the significantly reduced level of expenditure is maintained from 1 April 2023
- the Council's company, Slough Children First Ltd, set up in response to a DfE direction to deliver its statutory children's services remains in an extremely challenging financial position and will need to manage its budget very robustly to meet its statutory responsibilities and remain a going concern. A revised business plan is being considered on the same Cabinet agenda and the Council has raised significant concerns about the ability of the company to deliver its planned improvements, deliver savings and balance its budget. It is forecast to overspend the budget approved by the Council in 2022/23 by over £5m.
- the Council prior to 2022/23 and the Children's Company do not have a track record of delivering savings. In order to achieve the financial recovery plan targets, very significant annual revenue savings will be required, subject to support from DLUHC and DfE

- the Council's 2018/19 accounts (including 20 prior period adjustments) have been prepared and audited. The 2019/20, 2020/21 and 2021/22 accounts have been or are being prepared/finalised but have yet to be audited and signed off by the Council's External Auditor. It is expected that the audit for each of these years' accounts will be completed by September 2023 thus allowing greater certainty on which to base the future financial plan. However, any issues arising from these audits will potentially impact the budget and MTFS.
- the current finance team is heavily dependent on interim support, particularly at the senior level, which is unsustainable in the medium-term. Whilst a re-structure of the department and a major recruitment exercise has been undertaken this will not begin to have a sustained impact until well into 2023/24
- the financial issues faced by the Council over the past 21 months have highlighted weaknesses due to the operational standards of the previous finance team across all aspects of the Council's finances
- and likewise budget and financial management across the Council including financial reporting, controls and financial oversight. These areas are being improved through the implementation of the finance recovery action plan but this will take time to fully implement and embed

5.2 There are a number of areas of risk that remain subject to volatility.

- **Capital Receipts** - In certain areas, such as capital receipts the planned receipts estimated to the Council can be volatile depending on both the prevailing local economic conditions and timing and this has an adverse impact on the financing of the Capital Programme. However, the Council has procured experts and have highly experienced internal resources to assist it to generate the necessary receipts, and as noted above is delivering this work well in excess of the budgeted assumptions
- **Fees and charges** The Council is currently budgeting to collect an additional circa £1.0m (2023/24) in fees and charges including fees in respect of planning fees, car parking charges, waste disposal, burials and cremations, licensing, street works etc. These will be closely monitored and are sensitive to local economic conditions. Variances are reported through the General Fund revenue budget monitoring reports to Cabinet.
- **Demand Led Budgets** - Adults and Children's Social Care budgets are demand led. The impact of high-profile national cases can lead to a significant increase in safeguarding concerns and the subsequent referrals and demand for placements within Children's Services. Demand for Adult Social Care is increasing with an ageing population living longer and with more complex needs. Whilst future years' estimates have been made based on cost and volume assessments there is a risk that these assessments may be exceeded particularly in respect of Slough Children's Services. There is also the risk of provider failure as prevailing market conditions may deteriorate. The Council, however, has invested significantly in social care in recent years including additional social workers to assist in managing these risks given the considerable demand and price pressures.
- **Council Tax Collection** - There is a risk that future local economic conditions will deteriorate and that the current projected levels of council tax collection will

fall leading to a deficit on the Collection Fund. This risk has increased since 2013/14 with the localisation of council tax benefits and welfare reform. The risk has been exacerbated by the Covid-19 pandemic. The Council has budgeted on the basis of collecting 98.3% of 2023/24 Council Tax. The total business rate base has been set at £38.7m for 2023/24. The performance against these collection rates will be monitored on a monthly basis and the Council has a good track record of managing this risk

- **Inflation** has been applied to various budgets, specifically to pay, energy and some contract budgets. Whilst Government announced a pay increase of 2 per cent for public sector workers this is separate from the negotiation in respect of Local Government. Some inflation assumptions are necessarily based on estimates at a point in time (e.g. energy costs). These markets are currently very volatile and remain largely driven by international factors that are difficult to predict with any certainty. The risk assessment puts a figure to the potential for a higher level of inflation that would not seem to be unreasonable to include in the budget as it may materialise

- **Borrowing** – The Treasury Management Strategy approved in March 2022 set out plans for reducing the Council's borrowing levels by generating capital receipts via the Asset Disposal Strategy. As reported elsewhere the Strategy has significantly exceeded target capital receipts and is on track to generate at least £210m of capital receipts by 31 March 2023 and forecast generate a further £200m in 2023/24. As a result total temporary borrowing is on track to be reduced by £203m from £336m at 31 March 2022 to £133m by 31 March 2023 and fully repaid by September 2023. In addition, long-term borrowing from the PWLB continues to be repaid as loans mature and the Council is now on track to reduce overall borrowing to a sustainable level of £335m by March 2025.

- **Investments –** The Treasury Management Policy identifies the security of capital as the main priority; with liquidity and yield as lesser priorities. To maintain security the Council adopts robust credit criteria and applies this to all investment counterparties. Currently surplus cash from the Asset Disposal strategy has been invested temporarily with the Debt Management Office (DMO) to match the maturity of temporary borrowing. This will generate £1m of interest at an average rate of 3.1% in 2022/23. While the Asset Disposal Strategy is underway it is expected that cash generated will be invested temporarily either with the DMO or money market funds, thus ensuring security and liquidity of funds while continuing to generate a yield.

- **Other investments**. The Council has two forms of other investment, namely loans to subsidiary companies and shareholding in those investments. Loans outstanding to companies at 31 March 2023 total £69m. All of the loans advanced present risk of non-payment to the Council, which potentially will impact on the General Fund in the event of the need to impair the loans. The Council's shareholdings in subsidiary companies are held for service provision rather than financial gain, nonetheless the Council is exposed to risk of financial loss as the companies are all generating losses. The Council also is a partner in Slough Urban Renewal (SUR). In line with the Council's financial recovery plan, it is divesting itself from SUR, which also brings financial risk in the form of the Council's share of the running costs as schemes are wound up.

5.3 The Council has been in continual discussion with DLUHC about a significant package of support through a Capitalisation Direction and other matters which may allow the Council to develop a sustainable medium term financial strategy. Even with additional support, improving the Council's underlying financial position will take several years to rectify. The support has yet to be confirmed but may come with additional conditions.

6 RISKS AFFECTING THE SECTOR

Short Term nature of the Local Government Finance Settlement and Fair Funding Review

6.1 The forthcoming year, 2023/24, will be the fourth year where local authorities will only receive a single-year finance settlement. The October 2021 Spending Review was the first multi-year Spending Review since the end of 2019 with single year Spending Rounds in October 2019 and 2020. Despite the October 2021 Spending Review projecting public sector resources to 2024/25, local authorities have continued to only receive a single settlement for 2023/24. The Council's funding beyond 2023/24 will be determined by the outcome of the Review of Relative Needs and Resources (previously the Fair Funding Review) and the reforms to the Business Rates Retention System under the Levelling Up agenda. At this time there is no indication of future funding levels, and the Council is only able to financially plan with difficulty beyond 2023/24.

Legislative Changes/Burdens

6.2 There have been a number of major legislative changes/burdens that in some cases go back some time but given Slough's particularly fragile financial state continue to potentially impact on Council funding in future years. These include:

- **Better Care Fund and Discharge Fund** - The Government has continued its commitment to an alignment of funding for health and social care which is to be shared between the NHS and local authorities with social care responsibilities. The Spending Review 2021 confirmed that the BCF grant will continue in 2023 to 2024 and be maintained nationally at its current level (£2.140bn), meaning £4.0m is again allocated to Slough. An additional £600 million will be distributed in 2023-24 and £1 billion in 2024-25 through the Better Care Fund to get people out of hospital on time into care settings, in the form of a new Discharge Fund. The funding will be split 50:50 between DLUHC and DHSC, meaning DLUHC will distribute £300 million in 2023-24 and £500 million in 2024-25. Of the £300m, Slough will receive £0.559m.
- **Fair Cost of Care** - In the recent Autumn Statement from the Chancellor, the fair cost of care pressure on councils has been pushed out from the original planned date of implementation in October 2023 by another two years, effectively into the next parliament. This would pose a significant risk to the Council's finances and while modelling to date has been hard to verify, the impact would be in the multi-million pounds. Given the lack of affordability of this to the Council, and the fact that the issue has been pushed out another two years, the latest modelling of the MTFS excludes provision for such a potential pressure.

7 INHERENT RISKS

7.1 As a Unitary authority the Council provides the broadest possible range of services and has an inherently higher level of risk than many other authorities simply due to the complexity and nature of the services it provides. Additionally, the Council has taken policy decisions to establish several alternate delivery models including wholly owned companies and PFI arrangements which whilst potentially having advantages also have the potential to increase the Council's risk profile. These are currently being addressed as set out in the revenue budget report.

7.2 Other inherent risks include the:

- significant staffing shortages within the Finance department and the potential difficulties in recruiting sufficient qualified staff given the Council's financial position and reputation
- risk of grant clawback including Government funding and housing benefit subsidy
- Council's risk as an employer which has and will require the Council to budget for the cost of severance packages incurred in the delivery of the required budget savings, service transformation and restructuring. The Government has indicated that it may introduce an exit cap regulation which would make workforce restructuring more difficult. There are further risks from other employee related claims
- full effects of any economic measures with the potential for higher demands on services e.g. social care for both Children's Services and Adults Services and falling income levels
- risk of major litigation, both currently and in the future
- risk of claims arising from the Council's ownership of land and property and potentially historic service failings
- need to retain a general contingency to provide for any unforeseen circumstances, which may arise
- magnitude of the savings that the Council has to deliver in 2023/24, all of which must be delivered in full or alternatives found within the services. This is of a scale the Council has not delivered previously and will require a very significant focus throughout the year on delivery plans, budget monitoring and expenditure and income control that goes beyond what the Council has previously achieved

8 FINANCIAL MANAGEMENT

8.1 The extensive issues concerning the financial management of the Council across the many elements of this report have been well analysed, documented and reported to the Council and elsewhere within the corporate body.

8.2 There are many aspects to this and much remains to be done. Fundamentally, putting the other related issues to one side, at the budget level the robustness of the estimates depends on:

- the quality of the budget setting process,

- detailed, rigorous and quality assured back up to the savings proposals,
- review of all existing estimates and the evidence to support them
- ownership of estimates by all concerned, and
- a shared acknowledgement across the whole Council (both officers and Members) of the imperative of living within the approved estimates or finding equal value alternative options.

8.3 The Council has begun the process of designing what is needed e.g. functional capacity and capability assessments, business cases, and action plans. However, embedding these fully across the Council will take another two years. Zero Based Budgeting is a proven technique for delivering savings, but will require a great deal of data cleansing and analysis to provide a fit for purpose base to work from. Attitudes of all departments in working to agreed budgets will similarly take time to embed culturally.

8.4 The 2023/24 budgets will contain inherent but in the longer term reducing financial management risks. Mitigations to minimise this position have operated as far as possible since 2021/22 and will develop further.

Preparation for 2023/24

8.5 The Council has taken a much improved approach to developing its Medium-Term Financial strategy (MTFS) given the challenging circumstances in which it finds itself.

8.6 All aspects of the Council's budget, efficiency savings, additional income, service reductions and pressures have been subject to review, with Executive Directors, Assistant Directors and Group Managers being required to review the plans they put forward to confirm delivery of the proposals. This work will continue in future years to ensure that a high standard of budgeting is developed over the coming year. Budget proposals have subsequently been reviewed by:

- the Finance Business Partnering Team
- the Executive Director of Strategy and Improvement and the PMO manager
- Executive Directors (Corporate Leadership Team)
- Lead Councillors
- The Council's scrutiny committees

8.7 The Council's HRA and Capital Programme is undergoing a similar review process alongside a review of all the Council's companies.

8.8 The assumptions on which the budget is based are contained within the main budget report presented elsewhere on the agenda, however, key assumptions include:

- for the future agreement of the Capitalisation Direction for 2024/25 and future years as proposed to DLUHC in January 2023 at £299m to 31/3/24 and £23m for 2024/25
- likewise agreement by DLUHC that they will agree to issue Capitalisation Directions or provide other support to equal the actual figures for the

outstanding, current and forthcoming years as the accounts for the years are closed

- agreement by DLUHC that they will agree to issue Capitalisation Directions or provide other support to equal the estimated figures for future years as the budgets are prepared for these future years

- agreement by DLUHC that they will agree to issue Capitalisation Directions or provide other support or agreed mechanisms to supplement the level of revenue budget savings that the Council can achieve as discussed and as will be reviewed.

- Council Tax increase – at 9.99% for 2023/24 and 4.99% per annum thereafter

- finance settlement – the figures are as per the Government's Final Settlement announcement

- pay assumptions – this has been provided for at a level similar to that seen in 2022/23, estimated to be 4.8% on average with £2.8m provided for in total.

- inflation – OBR forecasts in January 2023 projected that inflation is to come down significantly in 2023 and 2024, such that the average rate for CPI across 2023/24 is 5.5%. We currently have provision for 4.8% general inflation on contracts provided for, together with further specific monies against known areas of potential pressure. This amounts to £6.9m in general inflation and £2m specific provision within the contingency discussed later in this report. Inflationary pressures will need to managed in negotiations where possible, with other costs not bound by contractual terms needing to be contained within existing budget envelopes.

- reserves and provisions – that the reserves and provisions identified as needed as the accounts are closed and budgets prepared will be added into future years capitalisation direction and supported by DLUHC

- asset sales and capital receipts of up to £200m in 2023/24 are planned which will finance the capitalisation direction and reduce borrowing

- the Council has scaled back its Capital Programme to a minimum in the light of its financial situation. Over the next five years it will carry out projects totalling £165m (£102m General Fund and £63m Housing Revenue Account). The entire capital programme will be funded from capital grants, capital receipts and the major repairs reserve (HRA only), which means that there will be no recourse for any additional external borrowing. This is in line with the aim to be a Council which lives within its means.

- The Council's temporary borrowing is projected to reduce to £133m by 31 March 2023 and be fully repaid by September 2023 from asset sales, and to return to a sustainable level of £335m by March 2025. The associated capital financing costs together with the revenue implications of the specific schemes are provided for within the Capitalisation Direction and relevant revenue accounts.

8.9 It should also be noted that to deliver the Council's policy priorities and a balanced budget in each year of its MTFS 2024/25 to 2028/29 very significant savings in the order of £12.9m will be required per annum in addition to further capitalisation directions.

8.10 The continued need to deliver a high level of savings poses an inherent risk to the delivery of a balanced budget position as over time they become more complex and difficult to deliver. Consequently, it is important there is an absolute continued focus on savings delivery to ensure they are identified and delivered as planned.

8.11 To provide some resilience to the 2023/24 budget and future position, a contingency has been included in the Capitalisation Direction for 2023/24 and beyond to allow for and to mitigate any potential shortfall or slippage in the delivery of higher risk savings. For 2023/24 this equates to a £3m provision against non-delivery and £3m against slippage in delivery of savings. This is considered to be a prudent approach considering the increasing difficulty experienced in identifying and delivering further savings in the budget, but it is incumbent on senior management, executives and elected members to ensure that savings are delivered in full and on time in order to assist the Council's long-term position.

8.12 In addition to the above, the Council has a contingency figure of £6m to mitigate anticipated ongoing pressures arising from the need to create a bad debt provision, address liquidity requirements of the Slough Children First company, rent reductions arising from the asset disposal strategy, temporary accommodation, additional adult social care inflation/demographic pressures and a number of other minor items. The Council also has circa £15m in one-off contingency to address non-recurring issues such as the delayed delivering in savings, delivery of the local plan, redundancy and one-off implementation costs resulting from the savings proposals, temporary interim staffing to support the transition in the customer contact centre and finance team, and to cover the cost of the CCTV service being extended until 1 January 2024.

8.12 The longer-term position will need continual review given the magnitude of the position the Council finds itself in, the uncertainties associated with that and the inability at this stage to advise on the long-term going concern of the Council.

8.13 In order to allow the Council to set a budget for 2023/24 and to continue to plan for 2024/25 and beyond the following mitigations will be needed during 2023/24:

- all budgets approved by Council for 2023/24 are cash limited, including all Companies, and all Departments and Companies will have to manage within those sums
- a level of contingency as funded from the capitalisation direction will be held centrally against unforeseen events and risks and will be used to increase the Council's reserves as at 31/3/24 if not required
- no sums can be released from those contingencies except in extreme circumstances and only then with the approval of Cabinet following a report by the Executive Director of Finance and Commercial and appropriate Executive Director
- all expenditure of whatever type and funded by whatever means will be subject to approval by an expenditure control panel,
- any expenditure incurred outside of this process will be reported to Cabinet as part of the budget monitoring process
- a review will be undertaken of all estimates as part of the ongoing work of the finance department, along with the continued work on the accounts

- continuous budget meetings will be held with Executive Directors to review issues, savings, mitigations, and delivery of efficiencies.
- thematic reviews of budgets covering types of expenditure, income, and contracts in order to assess the potential for savings.

Adequacy of Reserves and Balances

8.14 The prudent level of reserves a Council should maintain is a matter of judgement. The consequence of not having adequate reserves can be significant. In normal circumstances the Council would be setting its budget and identifying reserves and provisions in a systematic manner. However, in the current circumstance the setting of the level of general fund and earmarked reserves is much less secure due to the extreme circumstance in which the Council finds itself. As at 31 March 2023 the Council had a general fund balance of £21.5m, of which £20m comes from the capitalisation direction. The medium-term financial strategy 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.

8.15 As opportunity arises, the financial situation improves and the Council becomes more capable of managing its finances then the Council will look to create a range of general and specific earmarked reserves in order to manage future risks. These reserves will be determined having regard to a risk-based assessment.

8.16 In setting the budget for 2022/23, estimates were made at the time of the required level of reserves and provisions, and this was included in the submission to DLUHC as part of the capitalisation directive. Provisions relate to known events, which have occurred and that have given rise to a liability for the Council, where the exact amount or timing of the payment is not clear. As a result of the forensic investigation of the accounts during 2021, amounts have been requested from Government as part of the capitalisation directive to ensure adequate provisions are in place for items such as bad debts, insurance claims and other known liabilities. Others may well be identified and further needed as part of this process.

8.17 In addition to known liabilities, the budget also has regard to various risk issues where at the time of setting the budget there is no contractual liability but there is a possibility that payment may be required at some point in the future; in these cases earmarked reserves are normally created. These reserves are established to cover specific risk issues as highlighted in the Council’s risk registers. For 2023/24 one earmarked reserve has been set to allow the Council to consider in the future what it may need to finance/mitigate.

8.18 In reviewing the adequacy of reserves, the Executive Director of Finance and Commercial recommends the level of the General Fund Balance to be £21m in 2023/24 having regard to the risks set out in this report and the request for financial support being discussed with Government. The Executive Director of Finance and Commercial is of the view that the level of reserves is adequate solely for 2023/24, having regard to the risks identified and the level of contingency in the budget. The revised Medium Term Financial Strategy will in the future identify in greater detail the plans for replenishing reserves.

8.19 CIPFA (Chartered Institute of Public and Finance and Accountancy) in its review of financial resilience within councils have stated that there should be no imposed limit on the level or nature of balances required be held by an individual Council. However, in light of recent high-profile failures and funding concerns being raised by authorities they launched a financial resilience index which uses a basket of 15 indicators to measure individual authorities' financial resilience compared to their comparator group. Key indicators include:

- the level of reserves held as a percentage of net revenue expenditure
- the average change in reserves over the last three years
- the reserve "burn rate"
- the cost of adult social care as a percentage of net revenue expenditure
- the average cost of children's social care as a percentage of net revenue expenditure
- OFSTED rating
- the auditors value for money conclusion

8.20 It is anticipated that the requirement to formally report on these indicators will be incorporated into a new Financial Management Code and the Council will identify and consider these as it develops its MTFS.

9 CONCLUSION

9.1 Slough's budget deficit:

a) has moved from an initially submitted one year request of £15.2m to a potential worst case of £782m 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

9.2 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

e) 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.

In providing this statement, the Executive Director of Finance and Commercial will maintain an on-going and robust review of all risks, including those associated with the delivery of budget savings decisions and report throughout the financial year.

Steven Mair
Executive Director of Finance and Commercial (Chief Finance Officer)
Date 27 February 2023

10. Implications of the Recommendations

10.1 Financial implications

10.1.1 The recommendation has a direct financial impact on the setting of the Council's budget for 2023/24 and the Medium-Term Financial Strategy.

10.2 Legal implications

10.2.1 Section 25 of the Local Government Act 2003 requires the chief finance officer to report on two matters as follows:
(a) the robustness of the estimates made for the purposes of the calculations, and
(b) the adequacy of the proposed financial reserves.

10.2.2 Full Council is obligated to have regard to this report when making decisions about the calculation of council tax as a billing authority in accordance with s.31A of the Local Government Finance Act 1992.

10.3 Risk management implications

Summary of risks.

Category	Risk/Opportunity	Controls	Residual Risk Score (1 (Low) to 10 (high)	Additional Controls
Financial	The Council is fully appraised of the Executive Director of Finance and Commercial’s views on the robustness of the budget setting process.	Inclusion of all Executive Directors in detailed planning and agreement of the budget.	6	Budget monitoring process and regular reporting on achievement of budget and savings.
Financial	The Council is fully appraised of the Executive Director of Finance and Commercial’s views on the adequacy of reserves.	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.

10.4 Environmental implications

10.4.1 No specific environmental implications arise from this decision.

10.5 Equality implications

10.5.1 The budget is subject to an equality impact assessment which is reflected in this report.

10.6 Procurement implications

10.6.1 There are no procurement implications of this report

10.7 Workforce implications

10.7.1 There are no workforce implications of this report

10.8 Property implications

10.8.1 This report has no direct implication on properties.

11. Background Papers

None.

Department for Levelling Up,
Housing & Communities

Lee Rowley MP
Parliamentary Under Secretary of State
for Local Government and Building Safety

Department for Levelling Up, Housing and Communities
2 Marsham Street
London
SW1P 4DF

www.gov.uk/dluhc

Councillor James Swindlehurst
Leader of Slough Borough Council

By email

1 March 2023

Dear Cllr Swindlehurst

SUPPORT FOR SLOUGH BOROUGH COUNCIL

I am writing in relation to your Council's request for exceptional financial support in respect of 2023-24 (dated 3 February 2023).

The Secretary of State has not opposed your request for a higher council tax referendum threshold of 9.99% in 2023-24 (i.e. an additional 5% above referendum principles applied to other councils). It is within this context that the Secretary of State has considered your Council's capitalisation request for the financial year 2023-24. This letter sets out the Department's current position but does not constitute a capitalisation direction.

The consideration of your request in respect of 2023-24 has been based on the estimate that the Council has provided to date of the budget gap for this financial year. The Commissioners have provided assurance, as far as possible, that this estimate is reasonable and appropriate. I recognise, however, that this estimate is based in significant part on assumptions, and that the final amount will be subject to the closure of the Council's financial accounts for previous years, which are significantly overdue. I am conscious that during this process the Council's projected budget gap for 2023-24 could change. The Council should take all reasonable action and necessary steps to minimise this risk and reduce pressures where possible.

With respect to the financial year of 2023-24, the Secretary of State is minded to approve a capitalisation direction of a total not exceeding £31.575 million. If the Secretary of State decides to approve any directions, he would confirm in due course any conditions that would be applied. This is addressed fully in the attached annex.

A meeting will be scheduled with the Department and your officers to discuss the position set out in this letter.

I should be grateful if the Council would confirm to me in writing by 10 March that you wish to proceed in accordance with the conditions outlined in this letter. I am copying this letter to the Commissioner. This letter will also be published on GOV.UK.

Yours ever,

Lee Rowley

LEE ROWLEY MP

Parliamentary Under Secretary of State

for Local Government and Building Safety

Annex – Process for approving capitalisation directions

Assurance

If the Secretary of State decides to give any directions, he would confirm in due course the final amount of capitalisation support and any conditions that would be applied. The Department's consideration will include evidence from the Commissioners of the Council's progress against the actions it is required to take, as per the Secretary of State's directions (dated 1 December 2021) made under section 15(5) and (6) of the Local Government Act 1999. This will include evidence of the Council's:

- Progress in delivering its Improvement Plan;
- Progress in delivering against plans for asset disposal; debt reduction; savings targets; and long-term council tax levels in Slough;
- Overall financial position and its ability to meet any or all of the identified budget gap without additional borrowing.

Conditions

Such directions may be subject to conditions, which would be set out in any capitalisation directions should the Secretary of State decide to exercise his powers under sections 16(2)(b) and 20 of the Local Government Act 2003.

If the Secretary of State decides to give any directions, he is minded to attach the following conditions:

- The Authority may only capitalise expenditure when it is incurred;
- Where expenditure is capitalised, that the Authority shall charge annual Minimum Revenue Provision using the asset life method with a proxy 'asset life' of no more than 20 years, in accordance with relevant guidance;
- Where the Authority's capital financing requirement is increased as a result of the capitalisation of expenditure under this direction, any further borrowing from the date of the capitalisation letter up to and including, but not exceeding, the increase in the financing requirement must be obtained from the Public Works Loan Board and must be subject to an additional 1 percentage point premium on the interest rate above the rate the loan would otherwise be subject to. This requirement does not apply to borrowing in relation to your Housing Revenue Account. Where any borrowing to which these conditions initially apply is refinanced, the conditions must continue to apply to the resulting borrowing.

With this in mind, the Secretary of State also reserves the right to attach additional bespoke conditions to any directions issued in respect of the financial years above, depending on the Council's individual circumstances.

Confirming final amounts

Although the Secretary of State is minded to approve a capitalisation direction for 2023-24, this would be contingent on the Council reporting to the Department the final amount identified for which it requires capitalisation for this year, with the agreement of the Council's external auditors and endorsed by the Commissioners.

Slough Borough Council

Report To:	Council
Date:	9th March 2023
Subject:	Capital Programme 2023/24 to 2027/28
Lead Member:	Cllr Anderson – Financial Oversight and Council Assets
Chief Officer:	Steven Mair, Director of Finance (S151 officer)
Contact Officer:	Steve Muldoon, Deputy Director of Financial Management
Ward(s):	All
Exempt:	NO
Appendices:	Appendix A Detailed Capital Programme 2023/24 to 2027/28

1. Summary and Recommendations

The report sets out the Council's capital strategy from 2023/24 to 2027/28. The Cabinet considered the report at its meeting held on 27th February 2023 and agreed that it be recommended to Council.

Recommendations:

1.1 That the Capital Programme for 2023/24 to 2027/28 as set out in this report and Appendix A be approved.

Reason:

1.2 The Council should have an approved capital programme over the medium term as part of its overall Financial Framework. This will comply with the requirements of the Capital Strategy as set out in the Treasury Management Strategy which is set out in a separate report. Capital expenditure is defined as expenditure that is predominantly incurred on buying, constructing or improving physical assets such as land, buildings, infrastructure and equipment.

Commissioner Review

1.3 The capital programme is a key component of the budget papers for 2023/24. This paper sets out that programme which has been compiled using some key principles, including meeting statutory requirements, including health and safety, Significantly, the programme is funded through external funding sources including grants, capital receipts and S106 funding. This means that no additional borrowing is undertaken which would incur additional debt repayment costs. The commissioners support this approach – it is essential that the borrowing costs are reduced supporting the council's overarching aim to live within its means.

Introduction

1.4 The capital programme set out in the Capital Strategy forms a key part of the Council's budget setting process.

1.5 Prior to the 2022/23 capital programme, previous years' capital programmes have been ambitious involving several major projects in any one year and were heavily dependent on external borrowing. There was insufficient capacity to deliver the capital programme, resulting in slippage of 40% in delivering the programme.

1.6 The previous capital programme approved 9th March 2022, envisaged spending £219m (including 21/22) with a borrowing requirement of £17.540m. 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 ensures the Council lives within its means in respect of the capital programme.

Options considered

1.7 The options available to the Council are dependent to the extent to which funding is available to pay for the capital projects, and whether it has the ability to borrow to finance an increased size of programme. Given the Council's current financial position, it is considered prudent to minimise and even eliminate as far as possible the amount of capital spend on projects which are dependent on the council funding from its own very limited resources, and to prioritise projects for which the Council has health and safety obligations and to comply with statutory requirements. It is currently having to sell off assets to generate capital receipts in order to reduce the level of minimum revenue provision (MRP) and pay off short term debt owed to other councils, so including expenditure in the programme which requires borrowing and increases the MRP is counter-productive in the Council's aim to live within its means.

1.8 The capital programme is therefore largely financed through capital receipts and particularly external capital grants, and it is the Council's ability to bring in such grants, and the conditions placed on such grants, that will determine the size and nature of schemes in the capital programme.

Background

1.9 The total capital programme over the 6 years 2022/23 to 2027/28 is £165m largely funded by capital grants and the major repairs reserve in respect of the Housing Revenue Account (HRA) – see summary below:

Table 1 - Funding of Capital Programme

	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)**

1.6 The detailed capital programme for both the General Fund and the HRA is set out in Appendix A.

1.7 In addition to the capital budgets and revenue implications, the report sets out:

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

2 Report

The Council's Assets

2.1 The Council has total long-term assets of £1.303 billion comprising property, plant, equipment, investment property, heritage and other assets summarised in the table below:

Table 2 - Asset Portfolio

Asset type		Net book value at 31/3/2022 £m
Council dwellings		587
Other land and buildings		365
Investment property		208
Infrastructure assets		71
Assets under Construction		33
Community Assets		11
Vehicles, plant and equipment		8
Surplus assets		19
Intangible assets		1
Total		**1,303**

2.2 Since March 2022 the Council has embarked on an asset disposal strategy. To date the Council has generated £173m of capital receipts from the asset disposal programme and is anticipating raising a total in excess of £210m by 31 March 2023, with a further £200m forecast for 2023/24.

2.3 The majority of capital expenditure set out in this strategy will be spent on enhancement to the existing property portfolio and infrastructure assets. The remainder will be revenue expenditure funded from capital under statute (REFCUS) – either funding loan advances to GRE5 or funding the capital direction.

2.4 The Council carries out regular maintenance on its properties and infrastructure assets. The capital programme ensure that the Council's highways, operational properties and council dwellings are continuously maintained to a good standard.

Overview of delivery strategies

2.5 The Council's capital programme objectives are:

- To rationalise the capital portfolio, so the remaining assets continue to deliver the services to the public.
- Ensure the necessary works to enhance the working conditions of the remaining assets, so they are fit for purpose and meet statutory requirements.
- Minimise any other works to those which are fully funded from external sources and can be undertaken at no additional cost to the Council.

Development schemes

2.6 In the past the Council had engaged in a substantial regeneration and acquisition programme in partnership with Slough Urban Renewal LLP, its joint venture with Morgan Sindall Investments Ltd.

2.7 As part of the Council's asset disposal strategy, and in response to the Council's financial situation, the Council has embarked on a process to disengage from all developments with Slough Urban Renewal LLP.

2.8 Consequently:

- there will be no further capital investment by the Council into the sites that are optioned to SUR.
- Two sites have been disposed of in 2022/23 with a further two to complete before 31st March 2023. The remaining sites are due to be disposed in 2023/24 and 2024/25.

Strategic Acquisitions

2.9 The 2022/23 Treasury Management Strategy identified that the investment properties acquired in previous years were not actually generating an adequate return for the Council. Consequently, these assets have been prioritised for disposal under the Asset Disposal Strategy. To date, seven assets have been sold and a further nine are scheduled to be sold by 31 March 2023.

Operational

2.10 As a result of stopping all development and strategic acquisitions, the capital programme is focussed solely on improvement works to the Council's operational asset portfolio and other schemes as fully funded through external grants. Departments will work with the programme management team to ensure that delivery of all projects is suitably resourced

3 Governance

3.1 Once the capital programme is approved by full Council, any changes must be approved in accordance with para 2.4.6 of the Council's financial procedure rules. These require the following:

3.1.1 Cabinet approval is required for all capital budget and funding virements and yearly profile changes (slippage or accelerated spend) between approved capital programmes i.e., as per the budget book. The report must show the proposed:

(i) Budget transfers between projects and by year.
(ii) Funding transfers between projects and by year; and
(iii) A summary based on a template approved by the Chief Finance Officer

3.1.2 The Chief Finance Officer can approve virements of capital monies up to £1m under delegated responsibilities but these must be reported to Cabinet on a quarterly basis.

3.1.3 Cabinet approval is required for all capital additions to the capital programme. All Capital additions are reviewed by senior officers prior to being recommended for approval to Cabinet. Capital additions should also be included in the quarterly budget monitoring report to Project Review Board for noting.

3.1.4 Funding substitutions in order to maximise funding are the responsibility of the Chief Finance Officer.

3.1.5 Cabinet can approve spend on new capital projects up to £5m where expenditure is covered by external grant, is in accordance with the Council's treasury management strategy, has no full year revenue implications and does not exceed £20m in total in any one year.

3.1.6 The Chief Executive can approve virements between projects of up to £1m following consultation with the Chief Finance Officer and the Lead Member.

3.1.7 The Chief Finance Officer can approve virements between projects of up to £500k following consultation with the Lead member.

3.1.8 Executive Directors can approve virements between projects of up to £250k following consultation with the Chief Finance Officer and the Lead Member.

NB- all virements will be reported to Cabinet on a quarterly basis

4 Summary of the Capital Programme 2022/23 to 2027/28

4.1 The capital programme and the proposed funding is set out in table below:

Table 3 - Proposed Capital Programme 2022/23 to 2027/28

	Forecast	Five Year Plan					
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Expenditure							
General Fund							
Housing & Property	10,335	8,397	2,400	2,400	400	0	23,932
Place & Communities	15,982	22,428	13,434	2,562	1,999	1,339	57,744
Adults	1,818	1,169	1,140	1,140	1,140	1,140	7,547
Children's Services	877	4,323	2,961	2,080	1,680	941	12,862
Finance & Commercial	0	0	0	0	0	0	0
HRA	10,720	10,093	8,019	9,531	10,196	14,875	63,434
Total expenditure	**39,732**	**46,410**	**27,954**	**17,713**	**15,415**	**18,295**	**165,519**
External funding	(39,732)	(46,410)	(27,954)	(17,713)	(15,415)	(18,295)	(165,519)
Borrowing Requirement							
General Fund	0	0	0	0	0	0	0
HRA	0	0	0	0	0	0	0
Total Borrowing Requirement	**0**	**0**	**0**	**0**	**0**	**0**	**0**

4.2 In drawing up the above programme, the emphasis has been on ensuring that only schemes which are essential for meeting health and safety requirements or complying with statutory obligations and are largely funded from external sources are prioritised. Hitherto, the Council's capital programme has been heavily dependent on borrowing to the extent that the borrowing level and associated costs have become unaffordable and are consuming a substantial part of the net revenue budget.

4.3 The table below summarises the changes to the capital programme arising from the review of the programme and the need to reduce future borrowing. As a result, the overall capital budget reduces by £54m over a five-year timescale. This has been largely achieved by stripping out schemes which were reliant on new external borrowing in line with the Council's overarching aim to live within its means.

Table 4 - Summary of Reductions in Capital Programme

	Forecast	Five Year Plan					
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Capital Programe 21/22							
General Fund	38,323	45,259	8,333	7,878	7,863	6,370	114,026
HRA	13,001	22,111	24,108	24,770	7,253	13,951	105,194
Total	**51,324**	**67,370**	**32,441**	**32,648**	**15,116**	**20,321**	**219,220**
Capital Programme 22/23							
General Fund	29,012	36,317	19,935	8,182	5,219	3,420	102,085
HRA	10,720	10,093	8,019	9,531	10,196	14,875	63,434
Total	**39,732**	**46,410**	**27,954**	**17,713**	**15,415**	**18,295**	**165,519**
Change	**(11,592)**	**(20,960)**	**(4,487)**	**(14,935)**	**299**	**(2,026)**	**(53,701)**
Borrowing							
Capital Programme 21/22	8,538	7,103	8,050	10,380	1,500	1,500	37,071
Capital Programme 22/23							
Change	**(8,538)**	**(7,103)**	**(8,050)**	**(10,380)**	**(1,500)**	**(1,500)**	**(37,071)**

Key Projects

Place & Communities Directorate

4.4 Zone 4 – Stoke Road

This is the final element of a wider improvement scheme approved by the Council and funded through the Berkshire LEP programme. This final stage includes the implementation of improvements to two junctions associated with the North West Quadrant site and will enable the sale and development of the site by improving access/egress of traffic. There will also be some upgrade works to the Heart of Slough junction to ensure the entire traffic signal junction works well.

4.5 Flood Defence Measures (Sponge City Project)

The Council has been awarded from Defra Grant funding of £5.65m - £7.9m for delivery of the Smart, Sponge Catchments Project. This aims to improve flood resilience in the Chalvey Ditches and Salt Hill Stream river catchments in north-west Slough and southern Buckinghamshire. The project will help the Council to meet its corporate priority for an environment that helps residents live more independent, healthier and safer lives, by delivering infrastructure and enriched public spaces that can act as sponges, soaking up surface water to improve resilience to flooding.

4.6 A4 Safer Roads

The A4 in Slough was identified in 2016 as being in the UK's 50 most dangerous roads and SBC is required by Government to make changes to improve its safety. This project will introduce road safety improvements on the A4 that will be funded by the Department for Transport's (DfT) Safer Roads Fund grant. A number of road safety measures will be designed and introduced to regulate driver behaviour. One of these measures is a proposed speed reduction on some sections of the A4. Additional complementary engineering measures, to reduce the number and severity of fatal and serious injury collisions, will be introduced as the overall scheme design progresses in consultation with residents, key partners and subject to the necessary approvals within the Council.

4.7 Destination Farnham Road

The Council's Transport team have been advised of an award of £9.249m from the Department for Levelling Up, Housing and Communities. In addition, a 10% local contribution of £1.004m provided through other DFT grants and S106 contributions related to the location. The proposed scheme will revitalise the Farnham Road (A355) corridor by transforming its public realm, in a way that prioritises walking and cycling, and improves bus priority through signal upgrades and the enforcement of parking restrictions. Fully grant funded, initial designs will be presented to Cabinet to enable progression to consultation, detailed design and construction. The scheme focuses on the Britwell and Northborough wards and Farnham. North-south transport connections will be made stronger to enhance connections to Slough town centre. Farnham Road District Centre's public realm will be improved to support economic growth and improved social function.

4.8 A4 Cycleway

The Council's Transport team have secured £10.2m from the Department for Transport for the design and implementation of an off road cycleway along the A4. The scheme extents are from Huntercombe to the Town Centre. The procurement process has started and will continue in 2023/24 for design support.

Housing & Property Directorate

4.9 Fire Risk Assessment Nova House

Nova House is a block of 68 apartments in the town centre which failed flammability tests. GRE5 owns the freehold lease of Nova House. In 2018, the Council acquired 100% of the shares of GRE5 due to concerns about the capacity of GRE5 to undertake the substantial remediation works required to the building and concerns about the safety of residents. In addition to replacement of ACM cladding, there are significant deficiencies in the fire safety of the building identified on the Fire Risk Assessment that need rectifying. The expenditure has been converted to a loan to GRE5 which was executed August 2022. The loan limit is currently £10m and repayments are being made as claims are submitted to Homes England. This is to be increased by £5m to £15m as a result of additional costs. Currently the company has a Grant Funding Agreement with Homes England for £9.3m of "eligible development costs". The company is currently engaged in legal proceedings with the building's warranty provider, Allianz. The timing and amount of any final settlement are uncertain, and it may be that some costs will have to be borne by leaseholders. There are substantial risks associated with this project in terms of cost escalation, the outcome of the insurance claim and leaseholders may not be liable for all of the unfunded costs. Therefore there is a risk that the Council may need to impair the loan for any unrecoverable costs

4.10 Britwell Hub Development

The Britwell Hub Development was a part refurbishment and part extension of the Britwell Community Centre in partnership between Slough Borough Council and East Berkshire CCG / Frimley Health and Care ICS. The refurbishment of the existing building provided meeting rooms and a new hall, and the extension provided a modern up to date purpose designed medical centre which was completed in April 2022. The retention held on this contract is payable following completion of the works after the defect's liability period ends in April 2023. Further works are also required together with upgrading the existing mechanical and electrical systems. In addition, there is also a requirement to repay the balance of funding owed to the DfE for Grove Academy S278 works, that SBC is liable for.

4.11 **Office Accommodation Strategy**

SBC intends to reduce its corporate footprint to a minimum level to reduce running costs and maximise disposal opportunities. 6 assets are likely to be retained and are candidates for accommodating the full desk requirement of the council (currently set at 460 desks). The first step is to appoint consultants to carry out costed options appraisals. These will inform the Council's decision on best use of these 6 assets, to accommodate the Council's office requirements. Once a decision is taken on the final number of desks to be provided and location of these desks, conversion works will be undertaken to deliver the project.

Children's Directorate

4.12 The key projects for the Children's Directorate continue to be the schools modernisation programme and the expansion of the special schools provision in the Council area to meet the increasing numbers of pupils with Special Education Needs. Both projects are largely funded from capital grant from the Department for Education (DfE) supplemented by developer contributions.

5 Capital Funding

5.1 The Council is required to have a funded capital programme that is affordable. i.e. all capital expenditure should have a source of funding and if that funding source is borrowing, the cost of borrowing should be built into a balanced revenue budget.

5.2 The key sources of funding for the Council are:

- grants
- developer contributions
- capital receipts
- direct revenue funding
- Major Repairs Reserve (HRA only) and
- borrowing

Grants

5.3 These are predominantly Government grants and are usually provided to the Council to fund specific schemes or programmes. The majority of grants which the Council receives for capital are from:

- the Department for Education (DfE) to ensure the Council is meeting its statutory duty to provide school places and that school buildings are in good condition;
- the Department for Transport (DfT) for infrastructure (i.e. highways) improvements; and
- Department for Levelling Up, Housing and Communities (DLUHC) for disabled facilities grant (DFG).

5.4 Capital grants usually have conditions attached which require the grant to be used for specific schemes and potentially require repayment in the event that they are not used for the purpose intended or within a set timetable.

Developer contributions

5.5 Developer contributions are a contract between a developer and the Council, which have to be used on specific projects rather than a more general objective. These are either:

- s.106 agreements made under the section 106 of the Town and Country Planning Act 1990 whereby the planning authority places an obligation on the developer to undertake an obligation as part of the planning permission, and the developer agrees to pay a contribution to the authority for the authority to undertake the works to discharge the obligation; and
- s.278 agreements made under section 278 of the Highways Act 1980 which allow a developer to enter into an agreement with the highways authority to make permanent alterations or improvements to a public highway as part of a planning approval.

Capital Receipts

5.6 Capital receipts are generated from the sale of non-current assets (e.g. land and buildings). The use of capital receipts is statutorily prescribed, such that they can only be used primarily to fund capital expenditure or repay borrowing. The Council holds all capital receipts corporately, which ensures that they can be used to fund the overall capital programme.

5.7 As set out in the Debt Recovery Strategy approved by Cabinet on 20 September 2021, capital receipts generated from asset sales will be used:

- firstly, to finance the much reduced flexible use of capital receipts programme set out in the revenue budget report
- secondly, to finance any expenditure capitalised under any Capitalisation Direction granted by the Government; and
- thirdly, to repay existing external debt.

5.8 In addition, because the capital receipts have significantly exceeded forecasts for both 2022/23 and 2023/24, the Council has the potential to pay off the pension fund deficit.

Borrowing

5.9 Borrowing to fund capital expenditure is normal practice in both the private and public sector. In local government the prudential regime has operated since 2003/04 under which local authorities must take responsibility to ensure that borrowing is both affordable and sustainable for the revenue budget and the council taxpayer.

5.10 Borrowing can take the form of internal or external borrowing. Internal borrowing is a temporary position where the Council uses its cash balances instead of externally borrowing at that point in time. If not used for internal borrowing, these cash balances would be invested on a medium to long-term basis providing the Council with a return on investment. However, the Council does not have any internal borrowing as all internal resources have been used in previous years.

5.11 Consequently, the Council's borrowing is entirely external borrowing. External borrowing is where the Council borrows money from the open market such as from banks or the Government via the Public Works Loans Board or other local authorities.

5.12 Although the capital programme may highlight a need to borrow to fund capital expenditure (the borrowing requirement referred to in Table 2), the timing and type of borrowing depends on cashflow modelling in line with the Council's Treasury Management Strategy.

5.13 The Council's total borrowing requirement is based on capital expenditure incurred historically but yet to be financed is measured and reported as the Capital Financing Requirement. This is published in the Statement of Accounts in the Capital Expenditure and Financing Note and projections are reported in the Treasury Management Strategy.

5.14 All borrowing incurs capital financing costs, namely interest charges and a minimum revenue provision (MRP). MRP is an amount which the Council is statutorily required to set aside to repay borrowing to the extent that the Council's CFR remains positive.

5.15 All capital financing costs must be treated as a revenue cost and built into the Council's budget plans. In essence the more the Council borrows, the greater the call on the revenue budget, which then requires further service savings to be identified to fund this in the longer term. Consequently, it is important that borrowing is set at a level which is both affordable and sustainable in revenue budget terms.

6 Capital Programme Funding 2022/23 to 2027/28

6.1 Table 5 summarises the funding of the proposed capital programme both for the General Fund and the HRA.

Table - 5 Analysis of Proposed External Funding

2021/22 Actual £000s		2022/23 Forecast £000s	2023/24 Estimate £000s	2024/25 Estimate £000s	2025/26 Estimate £000s	2026/27 Estimate £000s	2027/28 Estimate £000s	Total £000s
	Expenditure							
38,323	General Fund	29,012	36,317	19,935	8,182	5,219	3,420	102,085
13,001	HRA	10,720	10,093	8,019	9,531	10,196	14,875	63,434
51,324		**39,732**	**46,410**	**27,954**	**17,713**	**15,415**	**18,295**	**165,519**
	Funding							
	General Fund							
(12,816)	Government Grant	(25,577)	(31,394)	(15,789)	(4,930)	(3,278)	(2,220)	(83,188)
(41)	Capital Receipts	(3,435)	(4,255)	(4,146)	(3,252)	(1,941)	(1,200)	(18,229)
(1,194)	Developer contributions (s.106)	0	(668)	0	0	0	0	(668)
(200)	Revenue contributions	0	0	0	0	0	0	0
(15,534)	Capitalisation Direction	0	0	0	0	0	0	0
	HRA							
0	Government Grant	0	0	0	0	0	0	0
(1,834)	Capital Receipts	(5,331)	(2,422)	(2,563)	(1,325)	(482)	0	(12,123)
(11,167)	Major Repairs Reserve	(5,389)	(7,671)	(5,456)	(8,206)	(9,714)	(14,875)	(51,311)
0	Revenue contributions	0	0	0	0	0	0	0
0	Developer contributions (s.106)	0	0	0	0	0	0	0
(42,786)		**(39,732)**	**(46,410)**	**(27,954)**	**(17,713)**	**(15,415)**	**(18,295)**	**(165,519)**
8,538	**Net financing need for the year**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

6.2 Table 5 above shows that the entire capital programme of £165m will be fully funded from capital grants, capital receipts and developer contributions without recourse to any external borrowing.

6.3 This is a huge change in capital strategy compared to that approved in March 2021, which was planning to incur additional borrowing of £119m over the shorter period from 2021/22 to 2023/24 or 55% of the capital programme. The reduction in reliance on borrowing has been achieved by removing schemes which were totally relying on borrowing and seeking alternative sources of funding.

7 Revenue Implications of the Programme

7.1 Any General Fund capital expenditure which is not fully funded from available capital resources (i.e. capital receipts, capital grants, developer contributions and direct funding from revenue) gives rise to borrowing which incurs capital charges in the form of MRP and interest. Where expenditure is to be met from a capitalisation direction, this incurs MRP also which is amortised over 20 years in line with the Statutory Guidance on Minimum Revenue Provision (issued by DCLG 2018).

7.2 HRA capital expenditure falls outside the MRP requirements. Instead, loan repayments are a direct charge to the HRA.

7.3 No additional MRP arises from the current capital programme because it is fully funded.

8 Risk Management

8.1 Capital projects require careful management to mitigate the potential risks that can arise. Effective monitoring, management and mitigation of these key risks is a key part of managing the capital strategy, which are set out below.

Interest Rate Risk

8.2 Whilst the capital programme does not envisage any additional external borrowing over the next five years, the Council is still exposed to interest rate risk on the temporary borrowing which historically had been used to fund the capital programme. As a result of the Asset Disposal Programme, the capital receipts generated to date are forecast to reduce temporary borrowing to £133m by 31 March 2023 and to fully repay temporary borrowing by September 2023. This will largely eliminate interest risk from the capital programme.

8.3 Interest rates are variable and are forecast to increase over the next year as the Bank of England seeks to manage inflation nationally. To date, any additional borrowing required has been met by borrowing short-term from other local authorities. This strategy works well provided that there is surplus money within the local authority money market. In the event that liquidity slows in this market then the Council will need to lock into fixed borrowing with the PWLB, but will seek to avoid doing so while the current debt reduction strategy is in place.

Inflation Risk

8.4 Construction inflation (e.g. on highways works, not solely developments) over and above that budgeted could impact on the affordability of the capital programme. A rise of 1% in the cost of the overall programme would increase the cost of the programme by £1.7m, or £0.5m in 2023/24. Whilst this can be mitigated through regular, close monitoring of project expenditure, this may require projects to be scaled back in ambition, deferred to future years or deleted. Where projects are financed through external grants, the intent should be to manage within the same overall budget envelope rather than require the Council to borrow to meet an overspend.

9. Implications of the Recommendation

9.1 Financial Implications

9.1.1 The financial implications are set out in the main body of this report.

9.2 Legal implications

9.2.1 The Local Government Act 2003 sets out the framework for local authority capital finance. This confers a broad power to borrow, subject to affordable borrowing limits. This framework is supplemented by the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended, and by codes of practice and statutory guidance.

9.2.2 Approval of the budget and policy framework is reserved to full Council. In accordance with Part 4.3 of the Council's Constitution, by the end of February Cabinet shall consider the resources available to finance capital projects for the next five years together with the Prudential Indicators and approve the capital expenditure programme for the next five years. By 11 March, Cabinet shall recommend to full Council the capital programme, borrowing limits and the Prudential Indicators for the following five years.

9.2.3 The legal implications for each individual scheme within the capital programme will be considered when approval is sought for that particular scheme. Each scheme within the capital programme will be approved in accordance with the Council's constitution and in particular the Financial Procedure Rules.

9.3 Risk management implications

9.3.1 These are set out in the main body of the report in section 8.

9.4 Environmental implications

9.4.1 Inevitably, with any capital projects there are likely to be environmental implications, which will be considered when approval is sought for particular schemes. The HRA report looks further at this with respect to decarbonisation of the housing stock and damp and mould issues.

9.5 Equality implications

9.5.1 At this stage, it is not possible to fully measure the impact of these proposals on those people who have protected characteristics under the Equality Act 2010, or how the geographic spread of the capital strategy proposals will be felt across all areas of Slough. However, our preliminary equality impact analysis of the planned activity for 2023/24 indicates that whilst the Council is focused on making a wide range of changes during 2023/24 in order to balance its budget, it is likely that many of the proposals will have limited negative impacts on the communities that we serve.

9.5.2 It should be noted that there a number of schemes included in the capital budget for 2023/24 which are specifically for the benefit of certain residents within the protected characteristic groupings, namely £1.140m of improvements funded by the Disabled Facilities Grant, £29k on a Learning Disability Change Programme and £4.323m on Children's Services. In particular within the latter, there is £1.675m for Special School Expansion and £1.250m for SEND Resource bases and Improvements. These are all expected to have favourable benefits for vulnerable residents.

9.5.3 In order to ensure that the Council complies with its duty under section 149 of the Equality Act 2010, individual equality impact assessments will continue to be undertaken as proposals are developed in order to ensure there are mitigating actions, where possible, to minimise any adverse impacts on our communities.

10 Background Papers

10.1 HRA 2023/24 budget and 30-year business plan, containing the HRA capital programme and submitted as part of the overall suite of papers that form the Council's 2023/24 budget plans.

APPENDIX A

Detailed Capital Programme 2022/23 to 2027/28

General Fund Capital Programme	2022/23 Forecast £000s	2023/24 Budget £000s	2024/25 Budget £000s	2025/26 Budget £000s	2026/2027 Budget £000s	2027/28 Budget £000s	Grand Total Gross Spend £000s
Fire Risk Assessment (Nova House)	7,400	5,000	-	-	-		12,400
Capital works following stock condition survey/Bus station fire damage	737	400	400	400	400		2,337
Britwell Hub Development incl DFE Repayment for Grove	1,047	1,047	-	-	-		2,094
Thames Valley University site	104	-	-	-	-		104
Leisure Centre Farnham Road	100	100	-	-	-		200
St Martins Place	19	-	-	-	-		19
Retention monies re OLS Commercial Development	537	-	-	-	-		537
Compulsory Purchase Orders	391	-	-	-	-		391
Cornwall House Fire Strategy		950					950
Office Accommodation Strategy		900	2,000	2,000			4,900
Housing & Property TOTAL	**10,335**	**8,397**	**2,400**	**2,400**	**400**	**-**	**23,932**
Cemetery extension	207	100	750				1,057
Traffic Signals Maintenance Grant	475	-	-	-	-		475
Domestic Wheeled Bins & Containers	40						40
Refuse fleet & Grounds Plant equipment	582	-	-	-	-		582
Urban Tree Challenge Fund	185	82	82	82	82		513
Local Sustainable Transport	-	222	-	-	-		222
LTP Implementation Plan	-	139	139	139	139	139	695
Colnbrook Bypass	115	-	-	-	-		115
Burnham LEP		-	-	-	-		-
Zone 1 Sutton Lane Gyratory (MRT)	1,979	-	-	-	-		1,979
Zone 2 - Foxborough (MRT)	980	-	-	-	-		980
Zone 3 - Park & Ride (MRT)	18		-	-	-		18
Zone 4 - Stoke Road (Stoke Rd)	2,250	2,500	-	-	-		4,750
Zone 5 - Slough Station (Stoke Rd)	2,950		-	-	-		2,950
Zone 7 - Offroad cycle routes - Stoke Road	150	-	-	-	-		150
Flood Defence Measures (Sponge City Project)	1,000	1,482	1,537	1,530	278		5,827
A4 Safer roads	200	1,511	-	-	-		1,711
High Street Langley Widening	2,200	-	-	-	-		2,200
Electric Vehicle Network	-	157	-	-	-		157
Carbon Management - Public Sector	479	22	-	-	-		501
Car Club	-	100	-	-	-		100
Reading Archives SBC Contribution	200	188	55	11	-		454
Community Investment Fund - Cabinet	25						25
DSO Replacement RCVs					1,200	1,200	2,400
DSO Replacement Fleet		500	500	500			1,500
DSO Food/Fibre vehicles and Caddies			400	300	300		1,000
A4 Cycleway	4	10,168					10,172
Transport and Highways Grant	1,943	2,489	2,489				6,921
Destination Farnham Road		2,768	7,482				10,250
Place & Communities TOTAL	**15,982**	**22,428**	**13,434**	**2,562**	**1,999**	**1,339**	**57,744**
Hold long-term disabilities grant	224	-	-	-	-		224
Disabled Facilities Grant	1,594	1,140	1,140	1,140	1,140	1,140	7,294
Learning disability change programme	-	29	-	-	-		29
Adults TOTAL	**1,818**	**1,169**	**1,140**	**1,140**	**1,140**	**1,140**	**7,547**
Primary expansions (Phase 2 for 2011)	5	167	-	-	-		172
Schools Modernisation Programme	690	810	600	600	600		3,300
Special School Expansion	60	1,675	1,031	1,000	1,000	941	5,707
SEND Resource Bases and Improvements	11	1,250	1,250	400			2,911
Secondary Expansion	5	315	-	-	-		320
Schools Devolved Capital	80	80	80	80	80		400
323 High St/Haybrook	26	26	-	-	-		52
Children's Services TOTAL	**877**	**4,323**	**2,961**	**2,080**	**1,680**	**941**	**12,862**
							-
GRAND TOTAL	**29,012**	**36,317**	**19,935**	**8,182**	**5,219**	**3,420**	**102,085**

HRA Capital Programme	2022/23 Forecast £000s	2023/24 Budget £000s	2024/25 Budget £000s	2025/26 Budget £000s	2026/2027 Budget £000s	2027/28 Budget £000s	Grand total Gross Spend £000s
CAPITAL EXPENDITURE							
Planned Major Works & Improvements	7,120	8,793	7,506	9,006	9,658	14,323	56,406
Work to promote decarbonisation	100	500	513	525	538	552	2,728
Affordable Homes	3,500	800				-	4,300
HRA GRAND TOTAL	**10,720**	**10,093**	**8,019**	**9,531**	**10,196**	**14,875**	**63,434**

TOTAL	**39,732**	**46,410**	**27,954**	**17,713**	**15,415**	**18,295**	**165,519**

AGENDA ITEM 6

Slough Borough Council

REPORT TO:	Council
DATE:	9th March 2023
SUBJECT:	Treasury Management Strategy 2023/24
CHIEF OFFICER:	Steven Mair, Executive Director Finance and Commercial (s151)
CONTACT OFFICER:	Peter Worth, Finance Lead Technical Advisor Miriam Adams, Finance Manager - Treasury
WARD(S):	All
PORTFOLIO:	Cllr Anderson – Financial Oversight and Council Assets
EXEMPT:	NO
APPENDICES:	Treasury Management Strategy 2023/24 to 2027/28

1 Summary and Recommendations

1.1 This report sets out the Council's treasury management strategy for 2023/24 to 2027/28 covering:

- borrowing and the debt reduction strategy;
- prudential indicators;
- the Minimum Revenue Provision (MRP) policy; and
- the investment strategy which includes loans to third parties.

The Cabinet considered the report at its meeting held on 27th February 2023 and agreed that it be recommended to Council.

1.2 The Council is therefore recommended to resolve that:

a. The Treasury Management Strategy (TMS) for 2023/24 to 2027/28 be approved, including:

   i. Minimum Revenue Provision Policy Statement for 2023/24 (Appendix 1)
   ii. Annual Investment Strategy for 2023/24 (Appendix 2)
   iii. Approved Counterparty List (Appendix 3)
   iv. Approved Countries for Investments (Appendix 4)
   v. the Prudential Indicators for the period 2023/24 to 2025/26 (Section 4 of the TMS)

Reason: To promote effective financial management relating to the Authority's borrowing and investment powers contained in the Local Government Act 2003, associated regulations and guidance.

Commissioner Review

This report is an important part of the Council's financial strategy and its financial recovery. The Commissioners are content with this report.

2 Report

Introduction

2.1 The Council has powers to borrow and invest money under Part 1 of the Local Government Act 2003. In applying these powers, the Council is required to have regard to statutory guidance issued by the Secretary of State and Codes of Practice issued by the CIPFA. The Council is obliged to follow these documents, unless there is good reason not to. The Statutory Guidance requires the Council to:

- agree a treasury strategy for borrowing
- prepare an annual investment strategy
- an interim report and annual treasury management review.

Background

2.2 As reported in the TMS in March 2022, the Council's borrowing had reached £760m at 31 March 2021, which was the third highest per head of population amongst all unitary authorities. In particular around 50% of this was short-term temporary borrowing from other local authorities exposing the Council to financial risk from increasing interest rates. In addition, the 2022/23 TMS highlighted that the combined cost of debt charges (MRP and interest) was likely to be about 32% of the Council's net revenue budget, which was neither affordable nor financially sustainable.

2.3 The 2022/23 TMS highlighted that the Council had had to apply to the Secretary of State for permission to capitalise £307m of revenue expenditure to 31 March 2023.

2.4 In the past 12 months:

- the Finance Team have completely redrafted the 2018/19 statement of accounts sufficient for the external audit to be undertaken.
- the Council has embarked on an Asset Disposal Strategy which has generated £173m of capital receipts to date and is forecast to yield £216m to 31 March 2023 and a further £200m in 2023/24;

2.5 The combination of the two has meant that the Council:

- has a much improved view of the liabilities facing the Council which has resulted in a £40m reduction in the Capitalisation Direction request for the period to 31 March 2023 to £267m; and
- Officers have been able to finance a significant part of the Capital Financing Requirement for the current and previous years and significantly reduce MRP for 2023/24 and future years.

2.6 CIPFA published two new codes of practice in December 2021, which directly impact treasury management, namely, the revised Treasury Management Code of Practice (TM Code) and the Prudential Code for Capital Finance in local authorities. Both Codes have statutory force. The key changes from previous editions are around permitted reasons to borrow, knowledge and skills and the management of non-treasury investments. Both Codes took immediate effect, although local authorities could defer implementing the revised reporting requirements to 2023/24. The Council adopted the revised reporting requirements with effect from 2022/23.

2.7 The treasury management operation should help the Council to ensure that its cash flow is adequately planned, with cash being available when it is needed. A second function of treasury management is to fund capital plans. These capital plans provide a guide to the borrowing need of the Council to allow a longer term approach to cash flow planning. During 2022/23 a detailed cashflow forecasting model was implemented which provides improved management of the Council's cash balances which is helping to maximise the use of the additional cash flowing through from asset sales pending repayment of temporary borrowing.

2.8 An effective Treasury Management Strategy and service is critical to the Council, as the balance of debt and investment operations should ensure liquidity and the ability to make spending commitments as they fall due.

2.9 CIPFA defines treasury management as:

"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2.10 The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

1. **Treasury Management Strategy Statement Report** – (this report) The first, and most important report is forward looking and covers:
    - the capital plans, (including prudential indicators)
    - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time)
    - the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
    - an investment strategy, (the parameters on how investments are to be managed)
2. **Mid-Year Review Report** – This is primarily a progress report presented to Cabinet in December/January and updates Members on the progress of the Capital Programme, reporting on Prudential Indicators to give assurance that the treasury management function is operating within the Treasury Limits and Prudential Indicators set out in the TMSS. The 2022/23 Treasury Management Mid-Year Report was reported to Cabinet on 21 November 2022.

3. **Treasury Management Outturn Report** – This is a backward looking review, typically presented to Cabinet in June/July and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the TMSS and Mid-Year Reports.

2.11 **Capital Strategy** – In addition to the three main treasury management reports, the CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which provides the following:

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

2.12 The aim of the Capital Strategy is to ensure that all elected members on the full Council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite. The Capital Strategy is included in the TMS at Section 1.

Changes to the capital finance regulations

2.13 The Government consulted on changes to the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003 over the period November 2021 to February 2022. The two proposed changes were to:

- emphasise that MRP has to be set aside on all unfunded capital expenditure, because some authorities were not charging MRP on assets which were acquired to provide a capital receipt in the future, which included investment property and capital loans; and

- confirm to local authorities that it was unlawful to use capital receipts in lieu of making a MRP charge.

2.14 Neither of the above proposals would impact on the Council, because the revised MRP policy adopted last year ensures that MRP is charged on all unfunded capital expenditure and the recalculation of MRP undertaken last year corrected earlier practices to use capital receipts in lieu of making a MRP charge.

2.15 Introduction of the changes to the 2003 Regulations was expected to be from April 2023 onwards, but it seems likely that it may be deferred to April 2024.

3. Implications of the Recommendation

3.1 Financial implications

3.1.1 This report details the Council's strategies for treasury management and investment activity. The proposed changes to the Council's strategies are designed to bring the Council back onto a financially sustainable footing, principally by reducing debt, but also by disposing of assets.

3.2 Legal implications

3.2.1 The Local Government Act 2003 sets out the framework for local authority capital finance. This confers a broad power to borrow, subject to affordable borrowing limits. This framework is supplemented by the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended, and by codes of practice and guidance. These collectively require the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy, setting out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

3.2.2 Approval of the budget and policy framework is reserved to full Council. In accordance with Part 4.3 of the Council's Constitution, by the end of February Cabinet shall consider the resources available to finance capital projects for the next five years together with the Prudential Indicators and approve the capital expenditure programme for the next five years. By 11 March, Cabinet shall recommend to full Council the capital programme, borrowing limits and the Prudential Indicators for the following five years.

3.3 Risk management implications

3.3.1 The key risks are:

- asset sales either do not generate the expected receipts or are delayed. The mitigation is using external consultants to ensure best consideration is achieved through a managed asset disposal plan and by accelerating the asset disposal plan so far as possible;
- interest rates rise thus increasing borrowing costs. The temporary borrowing portfolio is at risk of interest rate rises. This can be mitigated by locking into PWLB borrowing and by repaying temporary borrowing as such loans mature.

3.4 Environmental implications

3.4.1 There are no specific implications.

3.5 Equality implications

3.5.1 There are no specific implications.

3.6 Procurement implications

3.6.1 There are no specific implications.

3.7 Workforce implications

3.7.1 There are no specific implications.

3.8 Property implications

3.8.1 In order to reduce the overall level of borrowing and finance the capitalisation direction, the Council has an asset disposal programme to generate capital receipts.

4. Background Papers

None.

Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement and Annual Investment Strategy

2023/24 to 2027/28

Including commercial activities / non-treasury investments

Treasury Management Strategy executive summary

Introduction

1. All local authorities are required by law to approve a treasury management strategy (TMS), investment strategy and minimum revenue policy before the year to which they apply as part of the budget setting process. The TMS combines all three.

Key changes to the previous Treasury Management Strategy

2. There are no major changes to the Treasury Management Strategy (TMS) since 2022/23. In line with the Council's recovery plan, there has been a rigorous review of the capital programme and the funding of the programme. The capital programme is now fully funded from capital grants, capital receipts, developer contributions and the major repairs reserve, meaning that there is no new external borrowing required to support the programme, This is the first time that the Council has been in the position for some years and supports the Council in its aim to live within its means.

3. As reported in the 2022/23 TMS, the investment property portfolio is not generating a positive return for the Council, and these properties have been prioritised for disposal under the Council's Asset Disposal Strategy. To date six investment properties have been disposed of together with three sites originally acquired by the Council for re-development. Capital receipts generated to date total £173m and are expected to achieve £216m by 31 March 2023.

4. During 2022/23 the Council's 6 dormant companies have been dissolved and work continues on improving the governance of the remaining four companies, including the need for investments and loan facilities.

5. Steps to reduce the Council's debt areprogressing with the approval and implementation of the Asset Disposal Strategy. Temporary borrowing has been reduced by £154m to date from £337m at 31 March 2022 and is forecast to reduce by a further £50m to £133m by 31 March 2023 and be fully repaid by September 2023. This will significantly reduce the Council's exposure to interest rate risk and borrowing costs overall.

INTRODUCTION

6. The Council is required to set a balanced annual revenue budget. The timing and nature of income and expenditure within the budget needs to be understood and managed so that cash is available when it is required (**Liquidity**). This is a key function of the Treasury Management operation.

7. The second key function is the funding of the Council's capital plans, which is the key driver for the borrowing needs of the Council. This may involve arranging new or replacement loans of the planned use of cash balances.

8. The Treasury Management Strategy (TMS) for 2023/24 – 2027/28 sets out the Council's approach to ensuring cashflows are adequately planned to ensure that the Council's capital programme and corporate investment plans are adequately funded, with cash being available when it is needed to discharge the Council's legal obligations and deliver Council services. Surplus monies are invested in low risk counterparties (**Security**), providing access to funds when required (**Liquidity**) before considering optimising investment return (**Yield**).

Background

9. The Council's Treasury Management Strategy has been set in line with:

- the Local Government Act 2003;
- the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003, as amended;
- Statutory Guidance on Minimum Revenue Provision issued by MHCLG (now DLUHC) 2018;
- Statutory Guidance on Local Government Investments issued by MHCLG (now DLUHC) 2018;
- the Prudential Code issued by CIPFA 2021;
- the Treasury Management Code of Practice issued by CIPFA 2021.

10. The strategy also has regard to:

- the Markets in Financial Instruments Directive II (MiFID II);
- international Financial Reporting Standard (IFRS) 9 Financial Instruments; and
- the UK Money Markets Code issued by the Bank of England April 2021.

Treasury Management Policy Statement

11. In setting the Treasury Management Strategy, the Treasury Management Code recommends that an organisation's Treasury Management Strategy adopts the following to define the policies and objectives of its treasury management activities:

(a) The Council defines its treasury management activities as the management of the authority's borrowing, investments, and cash flows including its banking, money market and capital market transactions, the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.

(b) The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Authority and any financial instruments entered into manage these risks.

(c) The Council acknowledges that effective treasury management will provide support towards achievement of its business and service objectives. It is therefore committed to the principles of achieving best value for money in treasury management, and to employing suitable, comprehensive performance measurement techniques within the context of effective risk management.

12. In implementing the Treasury Management Code, Appendix 5 to this TMS sets out how the Council follows the key requirements of the Code.

13. The TMS covers five main areas summarised below:

Section 1 Capital spending

- Capital strategy
- Commercial activity – referred to investments for service commercial purposes under the CIPFA Treasury Management Code
- Capital Finance Requirement (CFR)
- Affordability
- Minimum Revenue Provision (MRP) policy statement

Section 2 Borrowing

- Overall borrowing strategy
- Post-PWLB interest rate increase borrowing strategy
- Alternative Borrowing Options
- Limits on external borrowing
- Maturity structure of borrowing
- Policy on borrowing in advance of need
- Debt rescheduling

Section 3 Managing cash balances

- The current cash position and cash flow forecast
- Prospects for investment returns
- Pension pre-funding payment
- Council policy on investing and managing risk
- Balancing short and long term investments

Section 4 Summary of Prudential Indicators

Section 5 Legal Implications

14. The Annual Investment Strategy (AIS) at Appendix 2 provides more detail on how the Council’s surplus cash is to be invested in 2022/23 and future years. In particular, the approved schedules of specified and non-specified investments have been revised to comply with DLUHC Guidance and the Council’s actual investment activities.

SECTION 1 - CAPITAL STRATEGY

Capital spending plans

15. The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

16. Table 1 summarises the Council's capital expenditure plans, both in terms of those projects agreed previously, and those forming part of the current budget cycle. The table sets out the Council's current expectations for financing the capital expenditure.

17. In line with the Council's financial recovery plan, the capital programme has been re-focussed to concentrate on schemes which are funded from capital grants, capital receipts, developer contributions and the major repairs reserve. Consequently, the revised capital programme does not require any new external borrowing.

Table 1 Capital spending and funding plans (Prudential Indicator 1)

2021/22 Actual £m		2022/23 Forecast £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	Total £m
	Expenditure							
38	General Fund	29	36	20	8	5	4	102
13	HRA	11	10	8	10	10	14	63
51		**40**	**46**	**28**	**18**	**15**	**18**	**165**
	Funding							
	General Fund							
(13)	Government Grant	(26)	(31)	(16)	(5)	(3)	(2)	(83)
0	Capital Receipts	(3)	(4)	(4)	(3)	(2)	(2)	(18)
(1)	Developer contributions (s.106)	0	(1)	0	0	0	0	(1)
0	Revenue contributions	0	0	0	0	0	0	0
(16)	Capitalisation Direction	0	0	0	0	0	0	0
	HRA							
0	Government Grant	0	0	0	0	0	0	0
(2)	Capital Receipts	(5)	(2)	(3)	(1)	0	(1)	(12)
(11)	Major Repairs Reserve	(6)	(8)	(5)	(9)	(10)	(13)	(51)
0	Revenue contributions	0	0	0	0	0	0	0
0	Developer contributions (s.106)	0	0	0	0	0	0	0
(43)		**(40)**	**(46)**	**(28)**	**(18)**	**(15)**	**(18)**	**(165)**
8	**Net financing need for the year**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
210	Capitalisation Direction	57	32	23	17	12	6	357
218	**Total Financing Need for the Year**	**57**	**32**	**23**	**17**	**12**	**6**	**357**

18. A major change last year was the inclusion of an additional line in Table 1 above to reflect the capitalisation direction being sought from the Department of Levelling Up, Housing and Communities (DLUHC). The purpose of the capitalisation direction is to allow the Council to classify revenue expenditure as capital expenditure – this is referred to as revenue expenditure funded from capital under statute (REFCUS). This allows the Council to then spread the cost of this expenditure over a number of years or finance from capital receipts.

19. As a result of improved financial information from closure of the accounts, the total Capitalisation Direction has been revised downward from a potential worst case of £782m to the current £357m.

20. As set out the Debt Recovery Strategy approved by Cabinet 20 September 2021, capital receipts generated from asset sales are being used:

- to finance any expenditure capitalised under the provisional Capitalisation Direction granted by the Government; and
- to repay existing external debt and reduce the Capital Financing Requirement (CFR) and thus reduce the Minimum Revenue Provision (MRP).

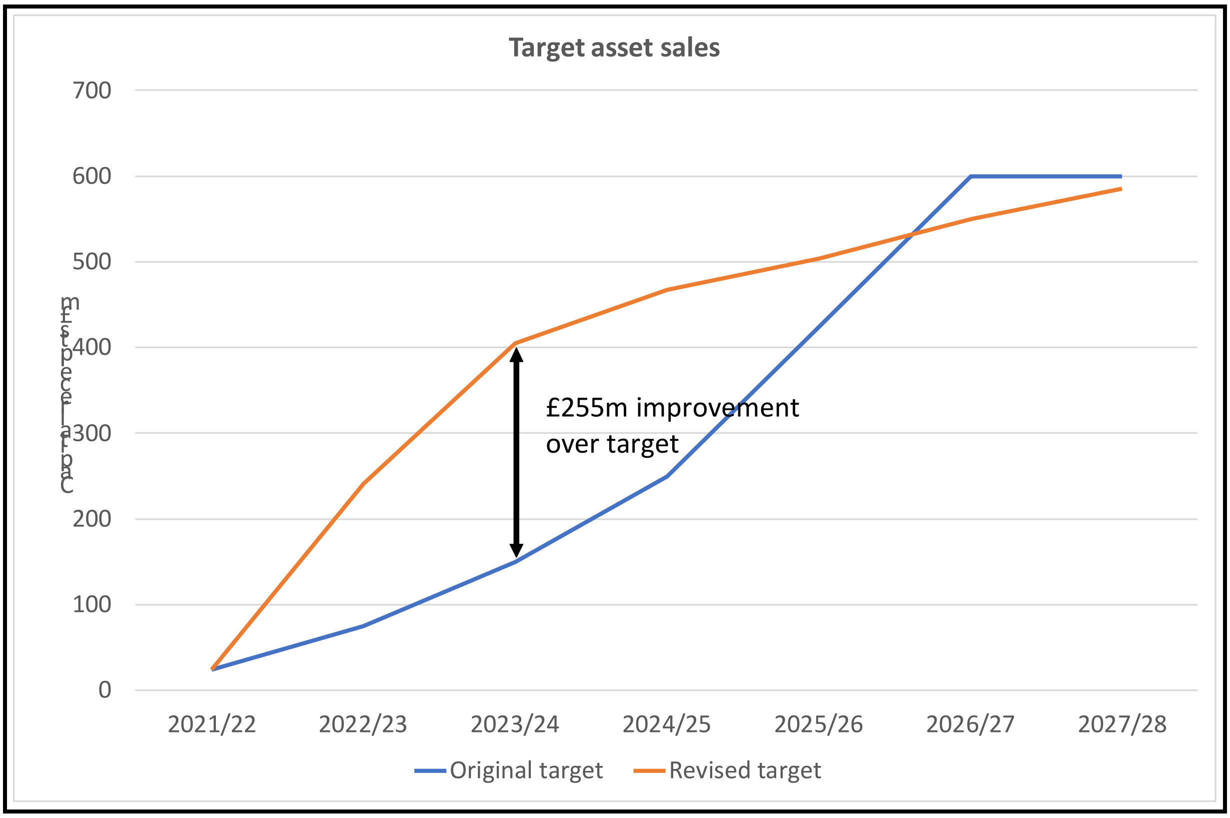
21. In addition, because the capital receipts have significantly exceeded forecasts for both 2022/23 and 2023/24, the Council has the potential to pay off the pension fund deficit – see paras 95 to 105 below.

22. As reported previously, the risks are that:

- slippage in the Asset Disposal programme could result in the need to set aside more MRP in the short-term pending receipts being realised;
- interest rates start to rise, thus increasing interest charges. This could be mitigated by fixing temporary borrowing through the PWLB to reduce the volatility from temporary borrowing rates.

23. In the event, the Asset Disposal programme has generated capital receipts significantly in excess of the target reported in the 2022/23 TMS – see Chart 1 below.

Chart 1 Target – potential asset sales



24. Increases in interest rates on temporary borrowing have increased interest charges for the Council during 2022/23 doubling interest on such borrowing to c. £3m. However, this has been mitigated by repaying temporary borrowing as loans have matured. Interest on temporary borrowing is expected to reduce to c. £1.7m in 2023/24 as the temporary loans are repaid in the period to September 2023.

Governance

25. All projects included in the capital programme have to have a full business case which is subject to review by finance, legal, CLT and by the Commissioners before being submitted for approval by Cabinet. The primary aim of this process is to ensure that any capital expenditure

incurred is fully justified in the light of the need to reduce overall borrowing but also maintain service delivery. Consequently, there is a greater emphasis on schemes which are funded from capital grants or developer contributions, unless there is a health and safety need for the expenditure.

Commercial activity

26. As well as investing in assets owned by the Council and used in the delivery of services, the Council can also invest, where appropriate, in:

- investment property for return;
- loans to third parties;
- shareholdings, and loans to limited companies and joint ventures.

27. Such investments are treated as capital expenditure for treasury management and prudential borrowing purposes even though they do not create physical assets in the Council's accounts. Appropriate budgets in respect of these activities are agreed as part of the Council's budget setting and ongoing monitoring processes and considered as part of the Annual Investment Strategy.

28. Currently the Council is invested in the following activities which fall within the category of commercial activity under the CIPFA Prudential Code:

- a substantial investment property portfolio currently valued at £208m, including £106m of assets acquired as part of the previous policy of acquiring an investment portfolio;
- loans to third parties totalling £69m - see Table 14 and paragraphs 106 to 112 below;
- investment in a number of Council companies summarised in Table 3 below.

29. The Council started investing in investment property in 2016/17 following Cabinet approval on 14 September 2015. From the outset, the objectives were blurred in that it was partly focussed on acquiring property for investment return and partly for acquiring property for regeneration. There were no targets set for returns or other performance measures.

30. CIPFA's guidance Prudential Property Investment issued 2019 advises that the following key issues should be taken into account when considering directly investing in property:

Key issue	**Assessment**	**Actions taken**
Transparency and democratic accountability -proposals should be compliant with the investment strategy;	The investment strategies have lacked targets for proposals to be measured against	Draft performance benchmarks set out in Table 2 below
Contribution – the contribution that investments make toward service delivery should be disclosed;	Gross rental income of £5.7m was disclosed in the 2021/22 Investment Strategy but not the contribution net of costs including operating and capital financing costs	Gross rental income for 2022/23 is £6.7m. Capital financing charges are £8.6m. The value of investment property fell by £2.8m. This is a net loss of £5.2m on a portfolio costing £108m
Performance indicators should be published to allow Members and the public assess the authority's risk exposure	The only indicator published in the 2021/22 Investment Strategy was gross yield of 5.78%, but takes no account of changes in market value of the investment property.	Performance set out in Table 2 below

Key issue	Assessment	Actions taken
Security – there should be a process in place for assessing risk of loss before entering into a transaction, including any security obtained	No demonstrable process in place	Due diligence process to include credit rating and company searches of all new tenants
Liquidity – the investment strategy should set out the procedures for accessing funds invested in property when needed	No exit strategy	The Council has approved an asset disposal strategy to realise capital receipts to reduce borrowing costs.
Proportionality – procedures for assessing the maximum amount that the revenue budget could reasonably support in terms of rent shortfalls	No assessment of the risk of loss to the revenue budget	At £6.7m rental income from investment property is 6% of the net revenue budget before the capitalisation direction.
Capacity, skills and culture – capacity of Members and officers to manage an investment property portfolio	No evidence that the capacity, skills and knowledge of Members and officers to manage an investment portfolio had been considered or the evidence to support such an assessment	Member training to be provided

31. Income generated from the investment property portfolio in 2022/23 is £6.2m per annum or 5.7% based on the cost of the assets. However, this is a gross return and does not take account of the fact that the assets have all been acquired through borrowing, so are fully leveraged, and have suffered a 5% fall in value. Because the investment properties were acquired by borrowing, any returns would need to cover the full costs of capital finance (i.e. interest and MRP) plus operating costs (i.e. maintenance, insurance, rent concessions etc) before they generated a positive rate of return. This would mean generating a return of at least 5.5%.

32. The Statutory Guidance on Local Government Investments issued by the DCLG in 2018 requires local authorities to develop quantitative indicators to allow Councillors and the public to assess a local authority's total risk exposure as a result of its investment decisions. Set out in Table 2 below is a range of key performance indicators recommended in the Guidance.

Table 2 Performance indicators

Indicator	Benchmark	Performance
Commercial income to net service expenditure		5.79%
Investment cover ratio	more than 3	0.07
Loan to value ratio	less than 80%	101.25%
Benchmark returns	5.00%	-1.61%

33. Because the investment portfolio has been entirely acquired using borrowing:

- ➢ investment cover ratio measures the extent to which investment income net of expenses cover interest expense. Good practice is that this should be in excess of 3 and that 2 is the minimum acceptable amount. The Council's investment cover ratio is below the minimum acceptable amount

- ➢ the loan to value ratio is more than the value of the assets. This is because the Council solely used borrowing to finance the acquisitions and values have fallen since acquisition. Consequently, the Council is at risk of realising losses of £9m from disposing of the investment portfolio at current values

- the rate of return on investment on the investment property portfolio is a negative 4.14%. Although the Council did not set a target, local authority pension funds with direct property investments typically have benchmark targets of around 5%.

34. Paragraph 51 of the Prudential Code 2021 states that to comply with the Code an authority must not borrow to invest primarily for financial return. Paragraph 53 of the Code goes onto say that authorities should not automatically exit such investments but seek to rebalance their portfolios.

35. As demonstrated in Table 2 above, against all the recommended performance indicators, the Council's investment property portfolio is performing significantly below the benchmark rate of return. Based on the above performance, notwithstanding that there is a potential unrealised loss of £9m, the investment property portfolio is a cost to the Council rather than generating a return. Consequently, disposal of the investment property portfolio has been prioritised in the asset disposal programme. Disposal of the first six investment properties has realised a net loss of £1.9m but this is more than offset by the savings in debt charges.

36. The Council's investment in companies is summarised in Table 3 below. The Council has board representation on all companies.

Table 3 Investment in Council companies

Company name	Ownership	Nominal value £	Net worth 31/3/2022 £000s
Subsidiaries			
James Elliman Homes **	100%	1	(630)
Ground Rent Estates 5 Ltd **	100%	455,001	21
Development Initiative for Slough Housing Co Ltd	100%*	1	0
Slough Children First Ltd **	100%*	1	0
Joint Venture			
Slough Urban Renewal LLP ***	50%	100	9,478
Total		**455,104**	**8,869**

* companies limited by guarantee rather than share capital. The Council controls this company via voting rights
** Net worth based on 2020/21 accounts as 2021/22 accounts not yet published
*** net worth shown is the Council's 50% share

37. During 2022/23 the Council dissolved the following dormant companies as part of the Finance Action Plan

Table 4 Dormant companies dissolved in 2022/23

	Date of dissolution
Subsidiaries	
Slough Asset Management Ltd	05/07/2022
Herschel Homes Ltd	10/05/2022
DISH RP FP Ltd	06/09/2022
DISH CLS Ltd	07/06/2022
Slough Direct Services Ltd	07/06/2022
Associate	
DISH RP Ltd.	10/05/2022

38. The Council is not dependent on income generated from the companies, as they are generally not making a substantial return primarily for delivering service policy objectives for the Council. The investment in SUR was to deliver a return arising from profit distributions from site developments and has delivered a return in previous years. However, the performance of the companies represent a substantial financial risk to the Council:

    ➢ James Elliman Homes – the company is breaking even and although it has property assets of £55m, it has £51.7m of borrowing from the Council all secured on property owned the company, and has significantly higher levels of rent arrears from its tenants, than compared with the HRA;

    ➢ GRE5 – the loan agreement was executed in August 2022 providing a £10m loan facility. Since the loan was advanced costs for remediating Nova House have escalated and the loan will need to be increased to £15m. Currently the loan is being repaid by GRE5 as claims are made to Homes England under the Grant Funding Agreement. However there remains some uncertainty over the extent to which the loan advances will be fully recoverable from the company. Therefore, there may be a need to impair the loan by up to £5m;

    ➢ Slough Urban Renewal – the company has accumulated substantial costs, which would ordinarily be recoverable from future asset sales. However, given that the Council is looking to sever its involvement with SUR, then the Council will have to bear its half of the accumulated costs – estimated to be £0.450m.

Capital Financing Requirement (CFR)

39. The CFR measures the extent to which capital expenditure has not yet been financed from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

40. In addition to traditional capital expenditure on tangible assets, such as buildings, the CFR includes PFI schemes and finance leases. Whilst these increase the CFR, and therefore the Council's borrowing requirement, these contracts include an element of the charge to repay the financing provided by the PFI provider or the lessor. Consequently, the Council is not required to separately borrow for these schemes. At 31 March 2022, £34.4m of the CFR was in respect of PFI schemes and finance leases.

41. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

42. Table 5 below shows that the CFR will decrease over the medium term. A major contributor to the size of the General Fund CFR is the £362m Capitalisation Direction (see Table 1 above) which is necessary to avoid the Council's General Fund being in deficit for the period 2021/22 to 2027/28. The CFR peaked at £893m in 2021/22 and is forecast reduce significantly as capital receipts generated from the Asset Disposal programme are applied to fund previous years' capital expenditure.

43. The size of the CFR is a major driver in the amount required to be charged to council tax as MRP. Because the Asset Disposal programme has generated accelerated capital receipts the CFR is forecast to reduce significantly compared with the 2022/23 TMS forecast. Consequently, MRP charges are forecast to reduce significantly.

Table 5 Capital Financing Requirement forecast (Prudential Indicator 2)

2021/22 Actual £m		2022/23 Forecast £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m
	CFR as at 31 March						
713	General Fund	536	394	347	337	327	319
184	HRA	184	184	184	184	184	164
897		**720**	**578**	**531**	**521**	**511**	**483**
	Annual change						
	General Fund	(177)	(142)	(47)	(10)	(10)	(8)
	HRA	0	0	0	0	0	(20)
0		**(177)**	**(142)**	**(47)**	**(10)**	**(10)**	**(28)**
	Reason for change						
	Net financing	0	0	0	0	0	0
	Capitalisation Direction	57	32	23	17	12	6
	Less repayment of debt	(216)	(164)	(63)	(20)	(16)	(28)
	Less MRP	(18)	(10)	(7)	(7)	(6)	(6)
0	**Net financing**	**(177)**	**(142)**	**(47)**	**(10)**	**(10)**	**(28)**

44. It should be noted that the 2021/22 figure of £897m for the CFR is provisional pending completion of the statement of accounts.

45. Table 6 below confirms that the Council's gross debt is not forecast to exceed the total of the CFR in the preceding year (i.e. 2022/23) plus the estimates of any additional CFR for current year and the following financial years (i.e. 2023/24 and succeeding years).

Table 6 Borrowing compared to the CFR (Prudential Indicator 3)

2021/22 Actual £m		2022/23 Forecast £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m
749	Gross Projected Debt	604	435	372	323	314	280
897	Capital Financing Requirement	720	578	531	521	511	483
148	**Under/(over) borrowing**	**116**	**143**	**159**	**198**	**197**	**203**

46. The impact of the Capitalisation Direction has been to restore the headroom between external borrowing and the CFR. Normally this would indicate that the Council has funded capital expenditure from internal borrowing. In Slough's case it reflects that the Council has had to capitalise £357m of revenue expenditure, which is being financed from capital receipts.

Affordability

47. The objective of the affordability indicator is to ensure that the level of investment in capital assets proposed remains within sustainable limits and, in particular, highlight the impact of capital financing costs (i.e. MRP and interest) on the Council's "bottom line". The estimates of financing costs include current commitments and the proposals in the Council's budget report. Table 7 below sets out the expected ratio of capital financing costs to income for both General Fund and HRA activities:

Table 7 Ratio of capital financing costs to income (Prudential Indicator 4)

2021/22 Actual %		2022/23 Forecast %	2023/24 Estimate %	2024/25 Estimate %	2025/26 Estimate %	2026/27 Estimate %	2027/28 Estimate %
12.89%	General Fund	21.47%	15.92%	11.84%	8.69%	7.90%	7.61%
38.54%	HRA	36.56%	34.75%	32.16%	31.70%	30.72%	29.76%

48. The increase in the ratio of capital financing charges to income between 2021/22 and 2022/23 above reflects the first year that the amortisation of the Capitalisation Direction to effect which added £7m to MRP in 2022/23. However because of the accelerated capital receipts from the Asset Disposal programme, the ratio of capital financing costs to income has dropped from 27.87% forecast for 2022/23 last year down to 21.47%. Whilst this is still high compared with other authorities and represents a significant charge against the revenue budget, the impact of the accelerated capital receipts is forecast to bring the ratio down to levels comparable with other unitary authorities of between 5-7% over the medium-term. The HRA ratio remains in line with other housing authorities at 25-33% reflecting the nature of self-financing within the HRA.

49. Similarly expressed as a percentage of the net revenue budget capital financing charges (excluding interest receivable) which were originally forecast to exceed 30% of net revenue budget for the period 2022/23 to 2024/25 are forecast to significantly reduce as shown in Table 8 below. This brings the debt charges down to a level which is affordable for the Council.

50. The forecasts in Tables 7 and 8 are heavily dependent on capital receipts being generated from the asset disposal strategy. If receipts are not generated in the quantum forecast or to time or are diverted to other projects, then the reduction in the burden of debt charges on the Council budget will be undone.

Table 8 Ratio of capital financing charges to net revenue budget

2021/22 Actual %		2022/23 Forecast %	2023/24 Estimate %	2024/25 Estimate %	2025/26 Estimate %	2026/27 Estimate %	2027/28 Estimate %
17.98%		25.95%	19.70%	14.87%	11.59%	10.12%	9.89%

51. The capital financing charges arising from the HRA capital programme increase in line with the forecast increase income, hence capital charges as a proportion of the HRA net revenue stream remain fairly steady. Table 7 shows a decrease of 8% between the outturn for 2021/22 and the five year estimate to 2027/28. This is because the increase in depreciation charges (which fund the Major Repairs Reserve) are expected to track the overall increase in rental income and because the HRA capital programme has been reduced to concentrate resources on the existing stock. As the HRA is statutorily ring-fenced there are no consequences for the General Fund arising from the HRA capital programme.

Minimum Revenue Provision Policy Statement

52. Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 ('the 2003 Regulations') requires local authorities to 'charge to a revenue account a

minimum revenue provision (MRP) for that year'. The minimum revenue provision is an annual amount set aside from the General Fund to meet the cost of capital expenditure that has not been financed from available resources, namely: grants, developer contributions (e.g. s.106 and community infrastructure levy) revenue contributions, earmarked reserves or capital receipts.

53. MRP is sometimes referred to as the mechanism for setting aside monies to repay external borrowing. In fact, the requirement for MRP set aside applies even if the capital expenditure is being financed from the Council's own cash resources and no new external borrowing or other credit arrangement has been entered into.

54. Regulation 28 of the 2003 Regulations requires full Council to approve a Minimum Revenue Provision (MRP) Statement setting out the policy for making MRP and the amount of MRP to be calculated which the Council considers to be prudent. This statement is designed to meet that requirement.

55. In setting a prudent level of MRP local authorities must "have regard" to guidance issued from time to time by the Secretary of State for Housing, Communities and Local Government. The latest version of this guidance (version four) was issued by Ministry of Housing, Communities and Local Government (MHCLG) in February 2018.

56. In setting a level which the Council considers to be prudent, the Guidance states that the broad aim is to ensure that debt is repaid over a period reasonably commensurate with that over which the capital expenditure provides benefits to the Council.

57. Therefore, the implication is that MRP bears a relationship to the overall level of borrowing of the Council. In other words if borrowing increases, the MRP should increase.

58. The Guidance sets out four "possible" options for calculating MRP, as set out below,

Option	Calculation method	Applies to
1: Regulatory method	Formulae set out in 2003 Regulations (later revoked)	Expenditure incurred before 1 April 2008
2: CFR method	4% of Capital Financing Requirement	Expenditure incurred before 1 April 2008
3: Asset life method	Amortises MRP over the expected life of the asset	Expenditure incurred after 1 April 2008
4: Depreciation method	Charge MRP on the same basis as depreciation	Expenditure incurred after 1 April 2008

59. Two main variants of Option 3 are set out in the Guidance: (i) the equal instalment method and (ii) the annuity method. The annuity method weights the MRP charge towards the later part of the asset's expected useful life and is increasingly becoming the most common MRP option for local authorities.

60. The Guidance also includes specific recommendations for setting MRP in respect of finance lease, investment properties and revenue expenditure which is statutorily defined as capital expenditure under the 2003 Regulations (also referred to as revenue expenditure funded from capital under statute or REFCUS). Examples of REFCUS include:

Example	MRP amortisation period
Revenue expenditure capitalised under Direction from the Secretary of State	20 years
Loans or grants to third parties for capital purposes	Life of assets being financed by loan

Purchase of shares in limited companies	20 years

61. Other approaches are not ruled out however they must meet the statutory duty to make prudent MRP provision each financial year.

62. As reported in the 2022/23 TMS, the previous MRP Policy did not comply with Statutory Guidance on MRP nor had the policy actually been applied in practice leading to a material undercharge of MRP in previous years. Correction of the undercharge remains a key element of the Capitalisation Direction.

63. Paragraph 19 of the Statutory Guidance on MRP permits the MRP policy to be amended during the year provided this is presented to full Council for approval. In view of the non-compliance issues highlighted in the 2022/23 TMS, the MRP policy was amended last year to take effect from 1 April 2021. No changes are proposed to the MRP policy for the forthcoming year, which is set out at Appendix 1.

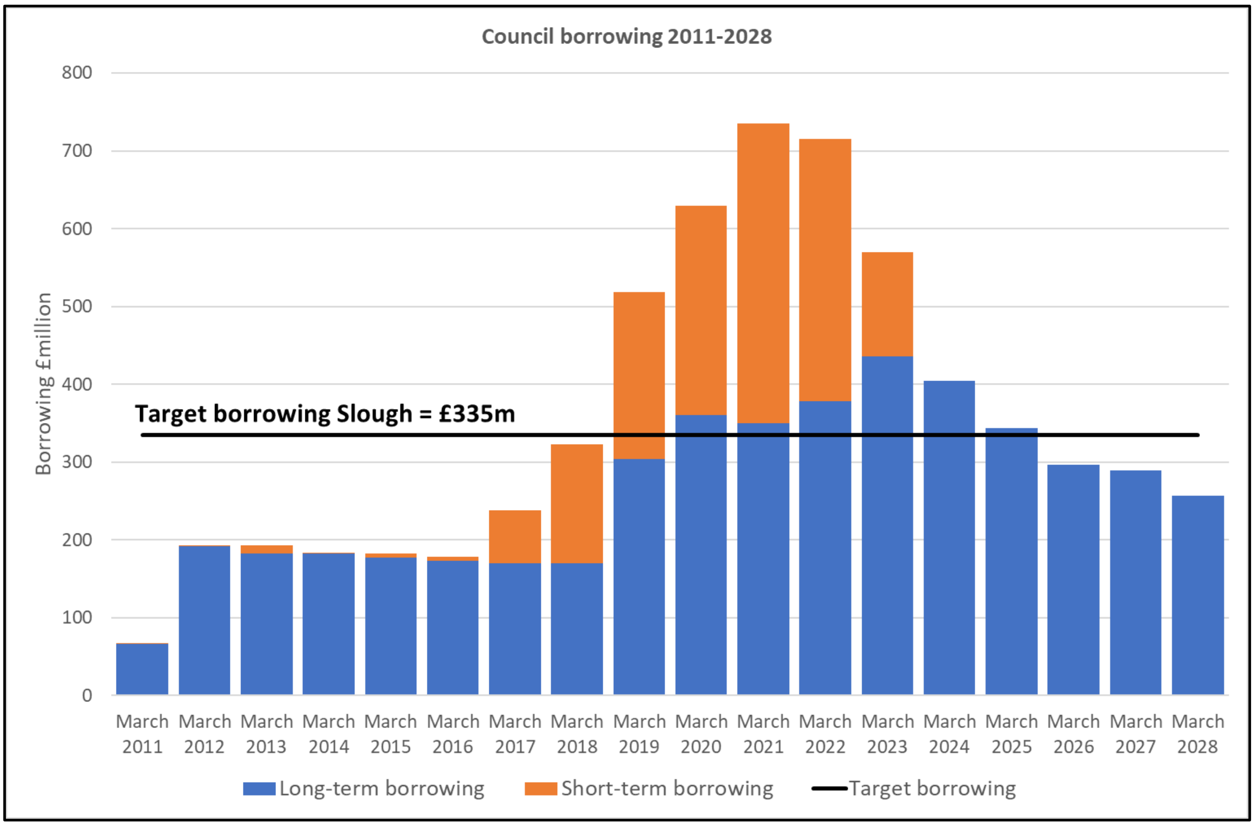
SECTION 2 - BORROWING

Overall borrowing strategy

64. One of the main functions of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

65. The Council's main objective when borrowing money is to strike an appropriate balance between securing low interest costs and achieving cost certainty over the period for which funds are required. For the period 2016/17 to 2020/21 the Council's borrowing strategy was to use temporary borrowing from other local authorities to fund the capital programme as shown in Chart 2 below.

Chart 2 Total borrowing 2011 -2028



66. As previously reported whilst this approach served the Council well in keeping interest costs down compared with fixing borrowing through the PWLB, this exposed the Council to interest rate risk and the risk associated with replacing temporary borrowing as loans matured. Following the s.114 notice the number of local authorities willing to lend to the Council has reduced significantly.

67. In response to the s.114 notice and the Finance Action Plan, the 2022/23 TMS introduced a debt reduction strategy with the aim of reducing the Council's borrowing down to a target level of £335m which is a sustainable level of borrowing for an authority the size of Slough. As can be seen from Chart 2, the level of borrowing is forecast to reduce by £145m to £570m by 31

March 2023 and £404m by 31 March 2024. Thus bringing the Council's borrowing down to a sustainable and affordable level.

68. Currently inflation is driving interest rate rises. Inflation in Q4 of 2022 was at 10.9% - the highest rate for 30 years. The Bank of England is forecasting inflation to reduce to 5.2% by Q4 2023 and reduce to 1.4% by Q4 2024.

69. In response to the rise in inflation, the Bank of England Monetary Policy Committee (MPC) increased base rate from 2.25% to 3.0% on 11 November 2022, then 3.5% on 28 December 2022 and to 4.0% on 2 February 2023. The MPC forecast bank rate will peak at 5.2% in Q4 2023 and start to reduce in 2024 to 4.7% by Q4.

70. Given the above it remains key to the Council's financial recovery plan to reduce interest rate exposure from temporary borrowing and to continue to reduce borrowing overall.

Post-PWLB Interest Rate Change Borrowing Strategy

71. On 5 November 2020, the Public Works Loan Board (PWLB) reversed its decision to increase the cost of borrowing for local authorities for general fund purposes by 1%, bringing the rates offered in line with those for housing revenue account purposes. All new loans are therefore now subject to the relevant gilt yields +0.8% (certainty rate).

72. The Council's treasury management strategy permits borrowing from various sources, but it has not been previously anticipated that any alternatives to PWLB would need to be utilised, given the current low cost of PWLB funding.

73. The key advantage of PWLB is the speed and ease of transaction processing and the low fee and administration cost associated with the loans. Alternative types of funding could result in lengthy due diligence, consultancy costs, legal advice and fees and will be far more costly administratively.

Alternative Borrowing Options

74. There are a range of alternatives to borrowing from the PWLB, namely:

- commercial loans from banks
- pension fund institutional investors
- issuing a bond privately; or
- borrowing via the Municipal Bonds Agency.

75. However, given that the Council is having to seek a substantial capitalisation direction from central government in order to balance the budget lawfully, the Council is not an attractive proposition for other lenders. Therefore, these options are not available to the Council and the primary source of borrowing will remain the PWLB for fixed term borrowing (should the need arise to fix borrowing) and other local authorities for temporary borrowing.

76. Immediate liquidity needs can be satisfied by borrowing from other local authorities in the short term, consistent with the Council's current approved treasury management strategy.

Debt Reduction Strategy

77. In view of the unsustainably high level of borrowing highlighted in Chart 2 above, the strategy remains to use capital receipts from the asset disposal programme to repay borrowing. As explained above the debt reduction strategy started last year is beginning to bear fruit with a £145m reduction in overall borrowing by 31 March 2023 and a further reduction to £404m in the following year. This will bring the overall borrowing down to sustainable level and in line with the target of £335m for the Council.

Limits on external borrowing

78. The Prudential Code requires the Council to set two limits on its total external debt, as set out in Table 9 below. The Authorised Limit has been increased in line with the CFR.

Table 9 Overall borrowing limits (Prudential Indicators 5a and 5b)

2021/22 Actual £m		2022/23 Forecast £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m
904	Authorised Limit:	793	638	587	574	562	530
794	Operational boundary	757	609	560	548	536	506

79. The limits are:

- **Authorised Limit for External Debt (Prudential Indicator 5a) –** This is the limit prescribed by section 3(1) of the Local Government Act 2003 representing the maximum level of borrowing which the Council may incur. It reflects the level of external debt which, while not desired, could be afforded in the short term, but may not be sustainable in the longer term. This has been set at the level of the CFR forecast in Table 5 plus 5%

- **Operational Boundary (Prudential Indicator 5b)** – This is the limit which external debt is not normally expected to exceed. The boundary has been set at the level of the CFR plus other financial liabilities (see Table 5 above).

80. The Director of Finance reports that the Council complied with these prudential indicators in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this report.

Maturity structure of borrowing (Prudential Indicator 7)

81. Managing the maturity profile of debt is essential for reducing the Council's exposure to large fixed rate sums falling due for refinancing within a short period, and thus potentially exposing the Council to additional cost. Table 10 below sets out current upper and lower limits for debt. The principal repayment profile for current council borrowing remains within these limits.

Table 10 Debt maturity profile limits (Prudential Indicator 7)

Maturity structure of fixed rate borrowing	Upper Limit	Lower Limit	Forecast maturity of fixed rate borrowing at 31 March 2023		Compliance with set limits?
	%	%	£m	%	
Under 12 months	70%	0%	134	23%	Yes
1 to 2 years	50%	0%	79	14%	Yes
3 to 5 years	35%	0%	65	11%	Yes
6 to 10 years	25%	0%	40	7%	Yes
10 to 20 years	50%	0%	155	27%	Yes
20 to 30 years			64	11%	
30 to 40 years			0	0%	
40 to 50 years			33	6%	
Total			**570**	**100%**	

82. The indicator is designed to control the Council's exposure to refinancing risks. The indicator covers the risk of replacement loans being unavailable, rather than interest rate risk. The Council has no Lender Option Borrower Option loans (LOBOs) with option dates as potential repayment dates. The Council converted its Barclays bank LOBO into a fixed rate loan in 2016, and this does not contain any option dates either.

83. Table 11 below sets out the upper limits for interest rate exposures. The Council has no variable interest rate loans in its portfolio; all loans are fixed interest rate loans. The Council is impacted by increasing interest rates at the point of re-financing. However this risk is being mitigated by repaying all temporary borrowing using capital receipts from asset sales.

Table 11 Interest rate exposures

Interest rate exposure indicator	2022/23 Forecast	2022/23 Limit	Complied?
Limits on fixed interest rates based on net debt	100%	100%	Yes
Limits on variable interest rates based on net debt	0%	60%	Yes

84. In the event that there is a much sharper rise in long and short term rates than currently forecast, then the balance of the loan portfolio will be revisited with a view to taking on further longer term fixed rate borrowing in anticipation of future rate rises.

Policy on borrowing in advance of need

85. The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

86. Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism. There are no plans to borrow in advance of need while the Council reduces its overall borrowing over the next 5-6 years.

Debt rescheduling

87. As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the cost of debt repayment (premiums incurred).

88. The reasons for any rescheduling to take place will include:

- generating cash savings and/or discounted cash flow savings;
- helping to fulfil the treasury strategy; and
- enhancing the balance of the portfolio by amending the maturity profile and/or the balance of volatility.

89. Should an opportunity for debt rescheduling arise, it will be reported to the Audit and Governance Committee and full Council at the earliest meeting following its action.

SECTION 3 – MANAGING CASH BALANCES

The current cash position and cash flow forecast

90. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

91. As at 31 December 2022 core cash and short-term investments totalled £155.6m. This is a temporary position arising from receiving capital receipts in advance of temporary loans maturing. These balances are being invested on a temporary basis with the Debt Management Office (£102.5m), money market funds (£44.2m) and a 3 month loan to another local authority.

Prospects for investment rates

92. Investment returns for short-term money have kept level with movements in base rate. As a result the Council is earning an average of 3.1% on balances with the Debt Management Office (DMO) and 2.7% with money market funds. Cash generated from the asset sales has been invested in the DMO over durations to match the maturity of temporary loans. This will yield nearly £1m in 2022/23.

93. As part of the response to the pandemic and lockdown, the Bank of England and the Government provided financial markets and businesses with plentiful access to credit, either directly or through commercial banks. In addition, the Government provided large sums of grants to local authorities to help deal with the Covid-19 crisis; which caused some local authorities to have sudden large increases in cash balances searching for an investment home. The Government has started to recoup unused Covid grants, and consequently the amount of “spare” money on the local authority market has reduced significantly.

94. The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are set out in Table 12 below (the long-term forecast is for periods over 10 years in the future):

Table 12 Forecast investment returns

Average earnings in each year	
2022/23	2.00%
2023/24	3.00%
2024/25	3.00%
2025/26	2.50%
2026/27	2.50%
2027/28	2.00%
Long-term later years	2.00%

Pension pre-funding payment

95. Prepaying pension fund contributions to the pension fund has been seen to provide a better rate of return than typical short-term investment returns for many local authorities for the past 15 years. The Council prepaid primary and secondary contributions to Berkshire Pension Fund for 2022/23 which achieved a return of 2.6%. This was significantly better than investment in the money market for 12 months which was generating less.

96. In 2023/24, because the Council will have fully repaid all temporary borrowing by September and the Council is forecasting to generate an additional £200m of capital receipts in 2023/24, it is proposed that the Council enter into an agreement with Berkshire Pension Fund to use capital receipts remaining after repaying temporary borrowing to be used to pay off the Council’s pension fund deficit.

97. The actuary has provided a provisional rates and adjustment certificate following the March 2022 triennial funding valuation, which envisages the Council paying:

- Primary contributions for current service at 17.2% of pensionable pay for the period 2023/24 to 2025/26; and
- Secondary contributions in respect of the funding deficit of £51.1m at 31 March 2022 at c. £5.5m for the next 12 years.

98. By using capital receipts to fund a one-off payment to the pension fund of £51.1m in 2023/24, the Council would eliminate the need to pay secondary contributions to the pension fund on the basis of the 2022 valuation. This would save the revenue budget an average of £5.5m per annum for the next 12 years.

99. Normally employers pension contributions are a revenue charge. Making use of the flexible use of capital receipts powers 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.

100. DLUHC issued a revised Flexible Use of Capital Receipts for Transformation Projects Direction on 1 August 2022. Para 3 of the Direction permits local authorities to:

> treat as capital expenditure, expenditure which:
>
> i. is incurred by the Authorities that is designed **to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners**; and
>
> ii. is properly incurred by the Authorities for the financial years that begin on 1 April 2022, 1 April 2023 and 1 April 2024.
>
> iii. is not incurred with respect to redundancy payments, except where such redundancy costs are necessarily incurred and limited to the amounts available as statutory redundancy payments.

101. Taking the three points in turn:

Criterion	**Analysis**	**Met?**
Is the expenditure designed to: (a) **generate ongoing revenue savings in the delivery of public services and/or** (b) **transform service delivery to reduce costs and/or** (c) **transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners**	By paying off the pension fund deficit in one lump sum, there would be an ongoing saving to the Council of £5.5m per annum for the next 12 years and would save the Council having to pay interest on the deficit of £14.48m.	Yes
Would the expenditure be properly incurred for the financial years that begin on 1 April 2022, 1 April 2023 and 1 April 2024	The expenditure would be a one-off payment in the year beginning 1 April 2023	Yes
The expenditure is not incurred with respect to redundancy payments?	The expenditure would be solely concerned with paying off the pension fund deficit	Yes

102. Therefore the above analysis indicates that the expenditure would meet the criteria for classification as transformation expenditure.

103. Para 4 and 5 of the Direction sets out further stipulations regarding capital receipts, which requires the "transformation expenditure " shall only:

- be met from capital receipts as defined by section 9 of the Local Government Act 2003 and the regulations made thereunder received in the years to which the Direction applies (ie. for the financial years beginning 1 April 2016 to 1 April 2024, inclusive; and
- that the capital receipts must be generated from disposals outside the group structure.

104. The capital receipts are being generated from disposals in the years commencing 1 April 2022 and 1 April 2023, so meet the first stipulation. The Council is not selling to any parties within its group structure. Indeed the Council is in the process of winding up companies within its group structure. Therefore, this meets the second stipulation.

105. The purpose of this section is 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.

Council policy on investing and managing risk

106. The aim is to manage risk and reduce the impact of any adverse movement in interest rates on the one hand but, at the same time, not setting the limits to be so restrictive that they impair opportunities to reduce costs or improve performance.

Balancing short and long-term investments

107. Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

108. The Council has long-term investments in the form of loans to third parties set out in Table 13 below. The loans to third parties generate an interest stream to the Council of £1.9m with an effective rate of 3.39%.

Table 13 Loans to third parties

Interest receivable 2021/22 £000s	Debtor	Balance at 31/3/2023 £000s	Interest receivable 2022/23 £000s	Rate %
1,551	James Elliman Homes	51,700	1,551	3%
420	SUR LLP - senior debt [1]	0	144	5%
0	SUR LLP - loan notes [2]	2,885	0	5%
N/A	GRE 5 Ltd [3]	9,613	578	6%
28	Slough Children First Ltd	5,000	71	1.41%
1	St Bernards School [4]	repaid	2	2.49%
2,000		**69,198**	**2,346**	**3.39%**

Notes:

1 The senior debt loan was fully repaid in December 2022. Loan advances had totalled £10m

2 The interest on the loan notes has been impaired as it is unlikely that the remaining sales of apartments at the Old Library Square Residential scheme will generate sufficient income to do anything more than repay the loan notes.

3 The loan advance of £10m to GRE5 was executed in August 2022.

4 St Bernards School prematurely repaid the £130,000 loan in October 2022,

109. Since the loan was executed in August 2022, the costs for remediating Nova House have escalated and the loan will need to be increased to £15m. Currently the loan is being repaid from claims against Homes England. However there remains some uncertainty over the extent to which the loan advances will be fully recoverable from the company. Therefore, there may be a need to impair the loan by up to £5m.

110. The loans to James Elliman Homes Ltd, and Slough Children First Ltd have all been advanced at below commercial rates (known as soft loans).

111. All the loans are all for capital purposes, the Council incurs a Minimum Revenue Provision charge as these have all been financed from borrowing. The combination of MRP and interest mean that the Council is losing money on these loans. The only loans generating a net return are the senior debt loan to SUR and the loan to GRE 5 Ltd.

112. Given the Council's financial position, any future loans to third parties should no longer be provided as soft loans. Instead the interest rate charged should cover all the Council's capital financing costs (i.e. interest, MRP over the life of the loan plus 1% for risk).

113. Last year the TMS increased the investment limit to £90m to provide headroom for further advances, subject to due diligence on the prospective debtor. Increasing the loan to GRE 5 Ltd by £5m would still leave headroom beneath the £90m limit of £15m. Consequently, there is no proposal to adjust this limit – see table 14 below.

Table 14 Investment limits (Prudential Indicator 6)

	2022/23 Forecast £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Actual principal invested beyond 364 days	69	74	71	71
Upper limit for principal sums invested for more than 364 days	90	90	90	90
Complied?	Yes	Yes	Yes	Yes

SECTION 4 - SUMMARY OF PRUDENTIAL INDICATORS (PIs)

114. The purpose of prudential indicators (PIs) is to provide a reference point or "dashboard" so that senior officers and Members can:

- easily identify whether approved treasury management policies are being applied correctly in practice and,
- take corrective action as required.

115. As the Council's S151 officer, the Director of Finance has a responsibility to ensure that appropriate PIs are set and monitored and that any breaches are reported to Members.

116. The Director of Finance has confirmed that the PIs set out below are all expected to be complied with in 2022/23 and he does not envisage at this stage that there will be any difficulty in achieving compliance with the proposed indicators for 2023/24-2025/26.

PI Ref	Para ref	Prudential Indicator	2021/22 Actual £m	2022/23 Forecast £m	2023/24 Proposed £m	2024/25 Proposed £m	2025/26 Proposed £m
1	17	Capital expenditure	51	40	46	28	18
2	43	Capital financing requirement	897	720	578	531	521
3	45	Net debt vs. CFR - under/(over) borrowed	148	116	143	159	198
4	47	Ratio of financing costs to revenue stream					
		General Fund	12.89%	21.47%	15.92%	11.84%	8.69%
		HRA	38.54%	36.56%	34.75%	32.16%	31.70%
5a	78	Authorised limit for external debt	904	793	638	587	574
5b	78	Operational debt boundary	794	757	609	560	548
6	113	Limit on surplus funds held for more than 364 days (i.e. non-specified investments)	90	90	90	90	90
7	81	Maturity structure of borrowing					
		Upper limit under 12 months	23%	70%	70%	70%	70%
		Upper limit 10 years or more	44%	50%	50%	50%	50%

SECTION 5 - LEGAL IMPLICATIONS

117. The Local Government Act 2003 provides that a local authority has the power both to borrow and invest money for any purpose relevant to its functions and for the prudent management of its financial affairs. The Act requires the Council to determine and to keep under review how much money it can afford to borrow. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended, provide that, in complying with this duty, the Council must have regard to the Prudential Code for Capital Finance in Local Authorities published by CIPFA. The Council is also required to have regard to the CIPFA Treasury Management Code of Practice.

118. The CIPFA Treasury Management Code of Practice 2021 and the Secretary of State's Investment Code both require the Section 151 officer (Director of Finance) to present an Annual Treasury Management Strategy Statement, which includes an Annual Investment Strategy, for the forthcoming year for approval by the Full Council before the beginning of each financial year.

119. The CIPFA Prudential Code for Capital Finance in Local Authorities sets out various indicators that are to be used to support capital expenditure plans and treasury management decisions. The prudential and treasury indicators have to be set by the Full Council when the budget is set and are monitored during the year. The prudential indicators are included in section 4 of this report.

120. The Council is also required to approve a Treasury Management Policy Statement setting out the overarching framework for treasury management services within the Council. This statement is set out at paragraph 11 of this report and Appendix 5 sets out how the Council complies.

10. APPENDICES

1 Minimum Revenue Provision (MRP) Policy

2 Annual Investment Strategy

3 Approved Counterparty List

4 Approved Countries for Investments

5 CIPFA Treasury Management Code requirements including:

   a. Treasury Management Scheme of Delegation

   b. Treasury Management role of s.151 officer

BACKGROUND PAPERS

1. Treasury Management Strategy Statement 2022/23 (approved by Council 10 March 2022)
2. Capital Strategy and Capital Programme: 2022/23 to 2026/27 (approved by Council 10 March 2022)

APPENDIX 1

Minimum Revenue Provision (MRP) policy statement

1. Having regard to current Guidance on MRP issued by MHCLG and the “options” outlined in that Guidance, the Council is recommended to approve the following MRP Statement to take effect from 1 April 2021:

   - For all supported borrowing, MRP will be calculated using Option 1, ie 4% of the closing CFR from the previous year;
   - all capital expenditure incurred since 2007/08 financed from unsupported borrowing, MRP will be based on expected useful asset lives (Option 3 – asset life), calculated using the annuity method;
   - asset lives will be arrived at after discussion with valuers, but on a basis consistent with depreciation policies set out in the Council’s annual Statement of Accounts, and will be kept under regular review;
   - MRP for finance leases and service concession contracts shall be charged over the primary period of the lease, in line with the Guidance,
   - for expenditure capitalised by virtue of a capitalisation direction under section 16(2)(b) of the Local Government Act 2003 or Regulation 25(1) of the 2003 regulations, the ‘asset’ life should equate to the value specified in the statutory Guidance.

2. In applying ‘Option 3’:

   - MRP should normally begin in the financial year following the one in which the expenditure was incurred. However, in accordance with the Statutory Guidance, commencement of MRP may be deferred until the financial year following the one in which the asset becomes operational;
   - the estimated useful lives of assets used to calculate MRP should not exceed a maximum of 50 years except as otherwise permitted by the Guidance (and supported by valuer’s advice);
   - if no life can reasonably be attributed to an asset, such as freehold land, the estimated useful life should be taken to be a maximum of 50 years.

APPENDIX 2

ANNUAL INVESTMENT STRATEGY

Investment policy

1. The Council's investment policy has regard to the following:

   - MHCLG' Guidance on Local Government investments (the "Guidance)
   - CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
   - CIPFA Treasury Management Guidance Notes 2021

2. The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The above guidance from MHCLG and CIPFA places a high priority on the management of risk. This Council has adopted a prudent approach to managing risk and defines its risk appetite by the following means:

   i. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

   ii. **Other information**: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings where applicable.

   iii. **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

   iv. This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in appendix 5.4 under the categories of 'specified' and 'non-specified' investments.

      - **Specified investments** are those with a high level of credit quality and subject to a maturity limit at the start of the investment of up to one year.

      - **Non-specified investments** are any financial investments that are not loans and do not meet the criteria to be treated as specified investments. These tend to be lower credit quality than specified investments and carry a higher degree of credit risk.

   v. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**.

   vi. This authority has engaged **external consultants**, (see paragraph 4-7 Appendix 5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

   vii. All investments will be denominated in **sterling**.

viii. As a result of the change in accounting standards for 2020/21 under IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund.

3. However, this authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

Creditworthiness Policy

4. The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration.

5. After this main principle, the Council will ensure that:

- it maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security and monitoring their security. This is set out in the specified and non-specified investment sections below; and

- it has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

6. The Director of Finance will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to those which determine which types of investment instrument are either specified or non-specified as they provide an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

7. Credit rating information is supplied by the Council's treasury advisors, Arlingclose Ltd. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur and this information is considered before dealing.

8. The Council takes into account the following relevant matters when proposing counterparties:

- the financial position and jurisdiction of the institution;
- the market pricing of credit default swaps for the institution;
- any implicit or explicit Government support for the institution;
- Standard & Poor's, Moody's and Fitch's short and long term credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries; and
- core Tier 1 capital ratios.

9. Changes to the credit rating will be monitored and, in the event, that a counterparty is downgraded and does not meet the minimum criteria specified in Appendix 1, the following action will be taken immediately:

- no new investments will be made;
- existing investments will be recalled if there are no penalties; and
- full consideration will be given to recall or sale of existing investments which would be liable to penalty clause.

Specified and Non-specified investments

10. The MHCLG Guidance on Local Government Investments made under section 15(1) of the Local Government Act 2003, places restrictions on local authorities around the use of specified and non-specified investments.

11. A specified investment is defined as an investment which satisfies all of the conditions below:

- the investment and any associated cash flows are denominated in sterling;
- the investment has a maximum maturity of one year;
- the investment is not defined as capital expenditure; and
- the investment is made with a body or in an investment scheme of high credit quality; or with the UK Government, a UK Local Authority or parish/community council.

12. Non-specified investments are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use. In addition to the long-term investments listed in the table at the end of Appendix 1, the following non-specified investments that the Council may make include:

- **Green Energy Bonds** - Investments in solar farms are a form of Green Energy Bonds that provide a secure enhanced yield. The investments are structured as unrated bonds and secured on the assets and contracts of solar and wind farms. Before proceeding with any such investment, internal and external due diligence will be undertaken in advance of investments covering the financial, planning and legal aspects.

- **Social Housing Bonds** – Various fund managers facilitate the raising of financing housing associations via bond issues. The investment is therefore asset backed and provides enhanced returns. Officers will need to undertake due diligence on each potential investment in order to understand the risks and likelihood of default. This is a type of vehicle a number of local authorities are involved which not only helps to meet a local authority’s statutory duty to house the homeless, but also provides a return in excess of short-term investment rates.

- **Loans** - The Council will allow loans (as a form of investment) to be made to organisations delivering services for the Council where this will lead to the enhancement of services to the Council’s Stakeholders. The Council will undertake due diligence checks to confirm the borrower’s creditworthiness before any sums are advanced and will obtain appropriate levels of security or third party guarantees for loans advanced. The Council would expect a return commensurate with the type, risk and duration of the loan. A limit of £60 million for this type of investment is proposed with a duration commensurate with the life of the asset and Council’s cash flow requirements. All loans will need to be in line with the Council’s Scheme of Delegation and Key Decision thresholds levels.

- **Shareholdings in limited companies and joint ventures** – The Council currently invests in two forms of company:

  i. Trading vehicles which the Council has set up to undertake particular functions. These are not held primarily as investments but to fulfil Council service objectives. Examples include Slough Children First Ltd and James Elliman Homes Ltd. Any new proposals will be subject to due diligence as part of the initial business case. As these are not to be held primarily as investment vehicles, then there is an expectation that they will break even.

  ii. Trading vehicles held for a commercial purpose where the Council is obliged to undertake transactions via a company vehicle. An example is the joint venture Slough Urban Renewal for undertaking regeneration of various sites across the Council.

13. For any such investments, specific proposals will be considered by the Director of Finance after taking into account of the following:

- cash flow requirements
- investment period
- expected return
- the general outlook for short to medium term interest rates
- creditworthiness of the proposed investment counterparty
- other investment risks.

14. The nominal value of non-specified investments will be capped at £90m (see Table 14 above).

Country of Domicile

15. Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups and sectors.

16. The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch except the UK. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 4. This list will be kept under review and any proposed changes to the policy reported to the next meeting.

Schedule of investments

17. The criteria for providing a pool of high quality short, medium and long-term, cash-based investment counterparties along with the time and monetary limits for institutions on the Council's counterparty list are set out in Appendix 3.

18. Officers will monitor the impact of the UK's exit from the European Union on the names within the Council's counterparty list.

Other considerations

19. Sector limits will be monitored regularly for appropriate ness, to help mitigate concentration risk. This is the risk of having a significant proportion of the Council's investments in one sector of the market and that market failing.

20. To ensure sufficient liquidity, detailed cashflow forecasts will be kept by the Treasury team to provide as accurate a picture as possible of the movement and timing of income and expenditure and the resulting daily cash balances.

21. When considering placing investments or temporary borrowing, officers will refer to the cashflow forecast to determine the best duration for the transaction.

22. Under the Markets in Financial Derivatives II Directive (MiFID II), the Council would be classed as a retail investor with an option to opt-up to professional status. The Council opted up to professional status in 2017.

APPENDIX 3
Approved counterparty list

There are no changes to the approved counterparty list and the Council is currently complying with the current limits

	Minimum credit criteria	Max % of total investments/ £ limit per institution	Max. maturity period	Actual at 31/1/2023 £m	Complied?
Specified Investments					
DMADF – UK Government	N/A	100%	6 months*****	81.5	Yes
Money market funds: CNAV and VNVAV	AAA	100%	Daily Liquidity	48.3	Yes
Local authorities	N/A	100%/£20m	10 years	5.0	Yes
Lloyds Bank plc (the Council's bankers)	A+	£20m £5m	Overnight deposits ** Up to 12 months	6.6	Yes
Term deposits with banks and rated building societies	A+		Up to 3 years	4.0	Yes
Current and Ex - Government Supported banks	A+	50%	Up to 1 year	0	N/A
Non-specified investments					
UK Government supported banks and Ex- Government supported banks	n/a	£70m or 50% of total investments	3 yrs.	0	N/A
Pooled Vehicles: Enhanced Money Market Funds: UK Government and Government Guaranteed securities Pooled Property Funds Short – Term Investment – grade sterling denominated instruments	N/A	£25m	4yrs	0	N/A

* DMO – is the maximum period offered by the Debt Management Office of H.M.Treasury

** Over £20 million with the explicit agreement of the Director of Finance

APPENDIX 4

APPROVED COUNTRIES FOR INVESTMENTS

1. This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link credit worthiness service.

Lowest available rating	Approved Country
AAA	Australia Denmark Germany Luxembourg Netherlands Norway Singapore Sweden Switzerland USA
AA+	Canada Finland
AA	Abu Dhabi (UAE) France
AA-	Belgium Hong Kong Qatar United Kingdom

APPENDIX 5
CIPFA TREASURY MANAGEMENT CODE

1. The Council has formally adopted CIPFA's Code of Practice on Treasury Management 2021 and complies with the requirements of the Code as detailed in this Appendix. There are no changes to the requirements formally adopted in the 2017 update with regard to reporting which are summarised below:

   - Maintaining a Treasury Management Policy Statement setting out the policies and objectives of the Council's treasury management activities.

   - Maintaining a statement of Treasury Management Practices that sets out the manner in which the Council will seek to achieve these policies and objectives.

   - Presenting the Full Council with an annual TMSS statement, including an annual investment strategy and Minimum Revenue Provision policy for the year ahead (this report) a half year review report and an annual report (stewardship report) covering compliance during the previous year.

   - A statement of delegation for treasury management functions and for the execution and administration of statement treasury management decisions. (see below)

   - Delegation of the role of scrutiny of treasury management activities and reports to a specific named body. At Slough Borough Council this role is undertaken by the Audit and Governance Committee

Knowledge and Skills

2. The Council uses the knowledge and skills of its officers when considering treasury investment and borrowing decisions and where necessary it also relies on the expert knowledge of specialist external advisors.

3. Finance staff are professionally qualified to advise the Council on all areas of finance. Included within the team is an officer with specialist knowledge of treasury management. All finance staff undertake Continuous Professional Development and maintain knowledge and skills through regular technical updates from appropriate bodies and attending specialist courses. Staff follow the Treasury Management Practices approved by the Director of Finance.

4. Training for Members on treasury management matters does not appear to have occurred in the past year. A programme of training is being developed and will be open to all Members to assist in their understanding of the treasury management strategy.

Treasury management consultants

5. The Council uses Arlingclose Ltd as its external treasury management advisors.

6. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance

is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

7. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

8. The scope of investments within the Council's operations now includes both conventional treasury investments, (the placing of residual cash from the Council's functions), and more commercial type investments, such as investment properties. The commercial type investments require specialist advisers, and the Council uses Arlingclose Ltd in relation to this activity.

Treasury Management Delegations and Responsibilities

9. The respective roles of the Council, Audit and Corporate Governance Committee and Section 151 officer are summarised below. Further details are set out in the Treasury Management Practices.

(i) Full Council

- Approval of annual strategy, mid-year review and Annual Report

(ii) Audit and Corporate Governance Committee

- Review of the treasury management function as part of the Committee's overall review of the Council's corporate governance and risk management arrangements

(iii) Executive Director – Finance and Commercial

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;

- budget consideration and approval;

- approval of the division of responsibilities;

- receiving and reviewing regular monitoring reports and acting on recommendations;

- approving the selection of external service providers and agreeing terms of appointment.

THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.

Slough Borough Council

Report To:	Council
Date:	9th March 2023
Subject:	Housing Revenue Account Business Plan 2023/24 and 30-Year Housing Investment Plan
Lead Member:	Councillor Pavitar K Mann, Housing and Planning
Chief Officer:	Patrick Hayes Executive Director, Housing and Property
Contact Officer:	Steve Muldoon Deputy Director – Financial Management
Ward(s):	All
Exempt:	NO

Appendices:

A – HRA 5-year revenue budget
B – HRA 30-year revenue budget
C – HRA 5-year capital programme
D – HRA 30-year capital programme
E – HRA draft reserves & balances

1. Summary and Recommendations

1.1 This report sets out the proposed 30-year Business Plan for the Housing Revenue Account (HRA) and considers both the Revenue and Capital position. The Revenue Business plan over a 5-year period projects gross income of £224.654m and gross expenditure of £208.741m. The HRA Capital Programme provides for a total capital investment of £52.714m over the next 5 years and a total of £639.849m over the 30-year period.

1.2 The Business Plan demonstrates that Slough Borough Council is able to fund the proposals subject to the assumptions within the plan, and that the HRA remains sustainable and viable over the 30-year period.

1.3 The Cabinet considered the report at its meeting held on 27th February 2023 and agreed that it be recommended to Council.

Recommendations:

1.4 The Council is recommended to resolve:

- That the HRA revenue budget for 2023-24 (Table 1 & Appendix A) be approved.
- That the HRA 5-year revenue budgets for 2023-24 to 2027-28 (Table 1 & Appendix A) be noted.
- That the HRA 30-year revenue budgets for 2023-24 to 2052-53 (Appendix B) be noted.
- That the HRA 5-year Capital Programme for a total £52.714m (Table 3 & Appendix C) be approved.
- That the 30-year Capital Programme for 2023-24 to 2052-53 (Appendix D) be noted.
- That the draft HRA reserves and balances for the 5-year Business Plan (Appendix E) be noted.

Reason

1.5 Section 76 of the Local Government and Housing Act 1989 requires Local Authorities with a Housing Revenue Account (HRA) to set a budget for the account, which is based on best assumptions, that avoids a deficit and keeps the HRA under review.

1.6 The budget has developed from a review of the baseline budget, current expenditure on Housing Service and capital investment to maintain and improve the Housing Stock.

Commissioner Review

The Commissioners are content with this report.

2. Introduction

2.1 The HRA business plan is the Council's strategy for spending and borrowing to maintain its stock, operate services for its tenants and leaseholders, and design and build new council homes. As with any other business plan, it must show that the Council has clear proposals for achieving its objectives and that these are financially viable in the short, medium and long term. Having an HRA Business Plan that is approved by full Council, based on reasoned assumptions and an underlying financial model, forms the basis of good governance and sound financial management. It demonstrates that we are spending residents' rent and service charges effectively and achieving value for money and managing debt and reserves to maintain a viable HRA in the long run.

2.2 This business plan recognises the realities of the financial pressures faced by local authorities across the United Kingdom especially the local situation in Slough Borough Council. A prudent and pragmatic approach has been adopted and the HRA capital programme has been reduced to reflect an organisation that is prepared to live within its means, balance its budgets and deliver best value for taxpayers and service users.

2.3 The need to ensure that Slough Borough Council (SBC) stays on a financially sustainable footing has meant significant reductions in the capital programme. The proposed five-year HRA capital programme budget is £52.714m in comparison to the 2018/19 – 2022/23 five-year HRA capital programme budget which was £123.4m.

2.4 The business plan projections reflect the income and expenditure required to manage the landlord function and, at the same time, work towards the Council’s objectives to maintain and improve stock condition.

3. HRA Background

3.1 The HRA specifically accounts for revenue expenditure and income relating to the Council’s own housing stock and is ring fenced from the Council’s General Fund as required by the Local Government and Housing Act 1989, which specifies the items that can be charged and credited to it. The account must include all costs and income relating to the Council’s landlord role (except in respect of leased accommodation, for households owed a homeless duty, and in respect of accommodation provided other than under Housing Act powers). The Council has a legal duty to budget to ensure the account remains solvent and to review the account throughout the year.

3.2 The HRA self-financing system for Council Housing was implemented in April 2012. Under HRA self-financing, the Council’s HRA continues to be a ring-fenced account (income and expenditure) for Council dwellings. HRA self-financing is intended to allow local authority landlords to manage and maintain their own stock from the rental income they generate.

3.3 The introduction of HRA self-financing was supposed to herald a more certain future for local authorities giving them more responsibility and to give them greater flexibility over their accounts. It was intended that authorities would also use self-financing as the opportunity to determine priorities with a more strategic longer-term view rather than on a year-to-year basis. This new approach as well as giving more responsibility to authorities also ensured that there was more risk for them. Spend and income for both capital and revenue had to be projected for in future years, treasury management and repayment of debt had to be accounted for, and the viability of the HRA had to be ensured.

3.4 In October 2018, the government announced that the HRA borrowing cap would be lifted, revoking the previous determinations that specified local authorities' limits on indebtedness. This has provided councils with new borrowing powers to increase their housing supply, with a focus on mixed-tenure development including homes for social rent, affordable rent and shared equity products.

3.5 Maintaining a residential property portfolio of 6,035 tenanted homes and 1,535 leasehold homes is a major financial commitment. Furthermore, the primary source of funding to meet this commitment is rent paid by tenants and the Council is strictly limited as to the extent it can raise these rents. It is therefore of utmost importance that the Council is clear as to how it intends to balance income and expenditure over time to ensure the property portfolio receives the level of investment it requires and borrowing stays within the necessary prudential limits.

3.6 As well as investing in our housing stock to ensure all residents' homes are safe, warm and dry, the Council will also wish to improve its housing stock and invest in significantly reducing its carbon footprint over the life of the Plan. Further improvements and regeneration projects are also likely to require funding during this period.

3.7 Each year the Council must review, update and approve the Plan in line with best practice. A re-profiling of capital expenditure proposals and updates on how the Council plans to finance the capital programme including use of surplus capital receipts, grants and HRA borrowing, will also be carried out annually.

4. National and local priorities that impact the HRA Business Plan

4.1 From April 2020 local authority rents have been regulated by the Regulator of Social Housing, alongside housing associations and other registered providers. Annual rent increases must comply with government rents policy for Social Housing 2019. The standard rent increases are currently limited to an increase of up to CPI plus 1% from April 2020 to 2024/25 (based upon CPI at the preceding September), with properties below target rent levels moved directly to target rent only when they become void. The recent announcement in the 2022 Autumn Statement affects the last two years of the current standard.

4.2 In light of the exceptional economic situation, the Government has since made directives / pronouncements in order to protect social housing tenants from very large nominal-terms rent increases that would otherwise have been permitted in 2023/24 due to higher-than-expected levels of inflation. The Chancellor in his 2022 autumn statement announced that for 2023/24, registered providers may increase rents by up to 7% or by up to CPI plus 1 percentage point, whichever is lower. This restriction applies to both social rent and affordable rent homes. By limiting the increase in rents, this will on average save tenants in rented accommodations circa. £200, as rent could have risen to 11.1% under current rules.

4.3 The maximum 7% cap on rent increase in 2023/24 as opposed to the CPI plus 1% (11.1%) increase that would have been applicable translates to a potential loss of income of £1.386m to SBC. The impact of this loss of potential income over 30 years amount to £41.6m which could have been deployed for future reserves or debt repayments.

4.4 The Welfare Reform Act 2012 introduced radical changes to the welfare system, which included a reduction of housing benefits for social tenants if their accommodation is considered larger than required. It also introduced a new universal credit system to be implemented over time, where benefit payments would be made directly to the tenant, rather than the landlord. This change increases the risk of non-collection, which could lead to a rise in rent arrears.

4.5 The Fire Safety (England) Regulations 2022 (the Regulations) have been introduced as an important step towards implementing the recommendations of the Grenfell Tower Inquiry Phase 1 report. The Regulations are being introduced under Article 24 of the Fire Safety Order and will come into force on 23 January 2023. These regulations will make it a requirement in law for responsible persons of high-rise blocks of flats to provide information to Fire and Rescue Services to assist them to plan and, if needed, provide an effective operational response. These legislations will have significant impact on the responsibilities of the Council as a landlord in the future as SBC own one high-rise block.

4.6 Decarbonisation: Whilst through the stock condition information available, it has been possible to indicate some expenditure and budget provision of some £5.6m over the next ten years relating to some ad hoc decarbonisation works it should be noted that this will almost certainly be insufficient to meet the full decarbonisation requirements associated with the Councils housing stock. It is essential a more detailed specialist survey is completed to evaluate the likely whole house approach required for some properties to deliver the full decarbonisation objectives. This additional specialist survey needs to be commissioned during 2023/24 and the findings used to inform the detailed investment needs over the next 10 years. This funding requirement is not at this time included in the investment costs as currently presented within the 30-year plan. Further the detailed appraisal of decarbonisation costs might also be mitigated to a degree by way of the Council bidding for the government supported decarbonisation funding, but without the necessary technical appraisal indicated above the bid cannot be made at this time. Finally, it may be appropriate to consider replacing gas boilers with electric heating systems at this time given the cost impacts on tenants, especially at a time of a cost of living crisis and should only be approved after a full and detailed appraisal of the benefits of completing these works in association with other insulation improvements is completed.

4.7 Damp and Mould: Officers have already been working with Osbournes (Repairs & Maintenance Contractor) to review the approach to dealing with Damp and Mould incidents occurring in the Councils stock. Whilst some progress has been made understanding fully the needs associated with rectifying such issues, it is essential further proactive work is concluded as a priority. This will include the full development of a risk-based inspection process for those cases notified as needing a rapid response to damp and mould, along with a planned approach for those particular property architypes which might be identified as requiring a planned maintenance approach. The initial costs and assumptions around a budget provision subject to an early technically based approach to these issues still needs development but it is proposed that an initial 10% figure of stock impacted by various degrees of damp and mould would be reasonable as a basis for estimates. This represents some 700 units. Again, costs associated with technical risk assessed surveys, rapid response delivery arrangements, and rectifying non-complex repairs and improvements to dwellings will be in the order of £800 per unit. This gives an initial budget requirement of £560,000 for 2023/24. It is however important to note that this figure could rise following the more detailed assessment and audit of the stock, and the final operational adjustments required to respond to the challenge. The necessary report will be submitted to the March Cabinet meeting. Any additional 2023/24 costs will be identified within that report but remain unknown at this stage. The revised approach to damp and mould is already subject to government and Regulatory intervention and it is imperative the Council responds fully to these issues or it may be at risk of penalties being applied.

4.8 The Government stated that new funding may be withheld from any housing provider that is failing in their obligations to tenants. Providers in breach of the Social Housing Regulator's consumer standards may not be able to draw funds from the Affordable Homes Programme (AHP) until improvements are made.

5. Local Context: Doing right by Slough

5.1 Slough has the youngest average age (33) of any large town or city in the UK. It is also one of the most ethnically diverse places in the UK and has attracted people from across the world for over a century shaping it into a major trading area. The town remains very well connected, situated 25 miles west of central London with major transport routes and the UK main international airport in proximity.

5.2 Its location has helped create an £8 billion economy, with around 7,500 businesses, the highest concentration of UK headquarters of global companies outside of London and the second largest concentration of data centres in the world. Slough’s top three specialised employment areas are warehousing and logistics (4.1 times greater than the national average), utilities and waste, and ICT media and creative services.

5.3 However, Slough’s business and connectedness has not brought prosperity to all its residents. While it has the second highest average workplace earnings after London, deprivation is high across much of the borough. In April 2021, 23% of the working aged population in Slough were claiming government-based benefits. The recent pandemic affected Slough particularly badly with increases in claims for unemployment-related benefits and with an average rate of 89 in 1,000 persons aged 16-64 claiming unemployment support. There is a recognised need to increase the skills of local residents – particularly with NVQ3 qualifications and above – so that Slough’s communities can be competitive and secure productive jobs.

5.4 Despite comparatively low levels of skills, Slough has a range of excellent primary and secondary schools. In 2019 57% of pupils achieved GCSE grade 5 or above in English and Maths, better than the national average of 43%, putting Slough consistently in the top 10 best performers in the country. But at A-level further progress remains important. 12.3% achieved grades AAB or higher, below the national average of 14.1% and the Council needs to understand the difference in outcomes between 16 and 18, and work with schools and partners to find ways to address this gap.

5.5 Geographically small, by comparison to other unitary council areas, Slough is a collection of formerly distinct villages and neighbourhoods, which still retain their distinct identity and characteristics today as clearly defined residential suburbs. House prices are relatively high, with affordability challenges contributing to high levels of deprivation, and in some parts of the borough the quality of housing is poor. There are high numbers of individuals requiring temporary housing, and the management of the housing stock including Slough's repairs service is not as responsive as it should be to its tenants.

5.6 With deprivation and challenging housing conditions often comes poor health and this is particularly true in Slough. Life expectancy is significantly below the national average and women on average can expect to live the last 24 years of their life in poor health (compared to 20 years on average in England), while men can expect to live the last 18 years of life in poor health (compared to 16 years in England). Key health and wellbeing challenges for the borough include ensuring a healthy start to life, improving childhood obesity, oral health, smoking, physical inactivity, diabetes, TB, alcohol and substance misuse, mental health issues and early deaths from cardiovascular disease.

5.7 Slough faces significant safety challenges in some areas with crime levels high when compared to other parts of the Thames Valley. There are specific concerns around violent crime including domestic violence which is high.

5.8 While Slough has a small footprint and is tightly bound, it does have a significant number of public green spaces and leisure facilities which have been invested in and improved. These, along with facilities in neighbouring areas, do provide opportunities for the local population to be active. While the quality of much of the public realm in Slough is good, there are some areas where more needs to be done to elevate the image of the town. There are also pockets where air quality is poor, and Slough's carbon footprint is relatively high and recycling rates low.

6. HRA Base Business Plan – Key General Assumptions

6.1 Housing Stock: Currently Slough Borough Council owns and manages over 7,633 properties (inclusive of social rented properties, leasehold, affordable homes, and commercial properties) across the borough though the HRA social and affordable rented properties is 6,035. While the overall number of homes in the borough has increased since the inception of self-financing in 2012, the number of council homes has fallen over the same period due to right to buy and other disposals. No new acquisition or new build assumption is made in this business plan though the council may partner with other social providers interested in building new social and affordable homes in the borough.

6.2 Housing Demand: Demand for council homes remains high with demand outstripping supply. If the council is unable to provide the kind of homes that people want to live in, or can afford to live in, there is a risk that the void rates will increase, undermining both the financial viability of the HRA and the stability of local communities.

6.3 Rental income: Rent is the biggest income driver within the business plan and so future projections have a significant impact on the business plan.

6.4 The Rent Standard is primarily the mechanism by which local authorities are compelled to increase or decrease their rents. Rent increases are currently limited to an increase of up to CPI plus 1% from April 2022 for a further 3 years (based upon CPI at the preceding September) but due to the current CPI being unusually high, the Chancellor in his 2022 autumn statement announced a 7% rent cap for social landlords.

6.5 The general inflation at September rate is 10.1% and 12.6% RPI, but the HRA Business Plan includes inflationary assumptions in line with the government rent cap of 7%, and the council's current assumption of 11.1% in relation to major works and 4% pay increase.

7. Business Planning Assumptions

Key Area	Assumption
General Inflation (CPI)	CPI = 10.1% 23/24, 5% 24/25, then 2%
Social Rent	7% in 2023/24, 5% in year 2024/25 and 2% going forward. Re-let 5% at Formula Rent
Rent increase - Other non-dwelling income	Capped at 7% for 2023/24
Right to Buy (RTB) Sale	40 RTB sales assumed in 2022-23, 50 for 2023-24 and 2024-25 respectively and 25 afterwards annually
Right to Buy Receipts	Projected receipts are based on pooling returns and 2022/23 sales (receipts).
Debt Management	Maturing debt refinanced throughout Plan. No additional borrowing is envisaged as no new housing development is expected
HRA Minimum Working Balances	HRA minimum working balance of £4m is assumed which represent circa. 10% of annual gross rent
Repairs and Maintenance Major works	Expenditure is adjusted in line with 11.1% in 23/24 and 5% afterwards and flexed in line with stock movements.
Supervision and Management	Employees cost element of £4.4m inflated by 4% in 2023/24 subsequent years. Other S&M costs of £5.4m inflated by 12.6%
Energy Costs	Energy costs inflated by £0.9m in 2023/24 and profiled to reduce to normal level within the next three financial years.
Bad Debt	Bad debt provision set at £1.5m which represents circa. 4% of Dwelling Rents
Service Charges	Service Charge income is assumed to be 7% in 2023/24
Voids	Rent loss from voids assumed to be 1.5% on Council dwellings

Key Area	Assumption
HRA Stock Movement	Baseline numbers are adjusted for projected RTB sales and new affordable housing supply. HRA rented stock level currently 6035 (social 5885, affordable homes 150), 1535 leasehold properties, 61 commercial properties and 3 non rentable properties.
Capital charges	Based upon the HRA share of the Council's debt as at 1 April 2023. No additional borrowing envisaged over the life of the business plan.

8. Table 1: 5 Year Summary HRA Income and Expenditure Account

	2023.24 £000	2024.25 £000	2025.26 £000	2026.27 £000	2027.28 £000
INCOME AND EXPENDITURE ACCOUNT					
Income					
Dwelling Rents	36,907	39,689	39,997	41,158	42,346
Non Dwelling Rents	1,835	1,945	2,004	2,064	2,126
Charges for services and facilities (net of voids)	2,670	2,830	2,915	3,002	3,092
Total Income	**41,412**	**44,464**	**44,915**	**46,224**	**47,564**
Expenditure					
Repairs and maintenance	(13,377)	(14,180)	(14,605)	(14,410)	(14,843)
Supervision and management	(10,688)	(11,274)	(11,557)	(11,829)	(12,149)
Rents, rates, taxes and other charges	(1,582)	(1,334)	(1,027)	(747)	(770)
(Increase)/decrease in provision for bad debts	(1,500)	(1,500)	(1,545)	(1,591)	(1,639)
Depreciation and impairment of fixed assets	(8,859)	(8,785)	(8,711)	(8,674)	(8,637)
Total Expenditure	**(36,007)**	**(37,073)**	**(37,445)**	**(37,252)**	**(38,037)**
Net Cost of HRA Services	**5,405**	**7,391**	**7,470**	**8,972**	**9,526**
Interest payable incl amortisation	(4,620)	(4,620)	(4,620)	(4,620)	(5,359)
HRA investment income	15	15	15	15	15
Surplus / (deficit) for the year	**800**	**2,787**	**2,865**	**4,368**	**4,182**

8.1 The average rent for 2023/24 is reported at £117.80, with annual rent of £36.907m (net of income lost through void). Table 2 below provides a summary of current average rent levels from occupied properties and the proposed increase capped at 7%.

Table 2: Social Housing Average Rent

Number of properties	Bedrooms	Current Average Rent 22/23	Average Rent 23-24 Estimate	Proposed Average Rent v Current
245	0	82.07	87.81	5.75
2100	1	94.33	100.93	6.60
1558	2	113.68	121.63	7.96
1803	3	125.36	134.13	8.78
145	4	137.39	147.00	9.62
31	5	156.53	167.49	10.96
3	>5	152.71	163.40	10.69
5885	**OVERALL**	**109.93**	**117.80**	**8.62**

8.2 A rent increase of 7% is estimated to result in an additional £2.3m of income when compared to 2022/23. This increase will augment some of the impact of increases in utility costs and repairs and maintenance costs. Service charges are excluded from the rent amount shown within the table as these are recharged to tenants and leaseholder based on actual costs incurred in providing the specific services.

8.3 The proposed 2023/24 average service charge is £14.80 per week equating to £2.67m per annum. This amount is partly inflated by the 7% rent cap proposed by the government except for expenditure such as insurance charges and water charges.

8.4 Non-Dwelling income is estimated at £1.835m in 2023/24 and consists mainly of income from garage rents, shops, ground rent.

8.5 The Housing Revenue Account receives interest on general or earmarked revenue balances, funds set-aside in the major repairs reserve (MRR) or the revenue debt repayment reserve and any unapplied capital balances or unspent grants. The projected interest income in the HRA business plan for 2023/24 and onward is £0.015m.

8.6 Repairs and Maintenance (R&M) budget funds the cost of repairing and maintaining the HRA housing stock and associated assets. R&M expenditure is projected at £13.38m in 2023/24 and is estimated to increase annually. The budget has been uplifted by a contingency of £1.0m while the financial impact of the latest government announcement on damp and mould and other interventions are assessed. R&M costs are mostly variable in nature.

8.7 Supervision and Management costs include allowances for pay inflation uplifts in the business plan. An assumed 4% inflation in 2023/24 for salary costs and 12.6% for other costs, amounted to an additional £0.826m budget requirement compared to previous year. Supervision and management costs are assumed to be 90% fixed and so 10% of the average cost per unit is assumed to be saved when the housing stock decreases due to either Right to Buy sales, demolitions, or other disposals

8.8 Due to the current economic situation, Covid19, continued roll out of universal credit and the potential impact on council tenant ability to pay their rents, the business plan has increased the bad debt provision from £1.338m budgeted in 2022/23 to £1.500m for 23/24 and 24/25.

8.9 In light of the huge increase in energy costs, the budget line for ‘Rent, rates, taxes and other charges’ have been increased by circa. £0.9M. The surge in energy prices have been profiled to reduce back to normal level over the next three financial years

8.10 As at 1 April 2022, the Housing Revenue Account had external borrowing of £138.016m in different maturity loans with the Public Works Loans Board (PWLB), internal and other market, with assumed rate of 3.35% depending upon the term of the loan. The Business Plan assumed 3.35% average interest rate on borrowing equating to £4.620m payable in 2023/24 and subsequent years until 2028/29 when it drops to £4.004m as the HRA borrowing is all fixed term borrowing from the PWLB. The interest repayment estimate is only for outstanding debt. The cost of local authority borrowing from PWLB has increased significantly following recent financial uncertainty and any future investment decisions are carefully considered because this will affect the HRA reserves. HRA is currently not expecting to borrow additional money, hence will not incur any additional higher interest cost.

8.11 The interest payable amount of £5.359m in 2027/28 instead of £4.620m is due to the potential £0.739m that may be charged to the HRA income and expenditure account being interest for unused Right to Buy retention (1-4-1) receipts. SBC are exploring options to ensure the 1-4-1 receipts are utilised via partnership with other Residential Social Landlords thereby avoiding the need to refund the 1-4-1 receipts along with the interest back to the government.

8.12 The Business Plan assumes the need to refinance the debts as and when the debts become repayable.

9. Major improvement and maintenance of HRA housing stock

9.1 Housing stocks owned by the council must meet the Decent Homes Standard. Landlords must continue to maintain homes to at least this standard. The stock condition information from the surveys and the stock grading modelling provides the basis for the capital programme, which also includes expenditure on aids and adaptations, energy efficiency, the refurbishment of apartment blocks and our estate improvement approach, bringing increased investment into the external environment. The Council agrees voluntarily to carry out minor aids and adaptations to improve quality of lives and to enable residents to live longer in their homes.

9.2 The Council’s major work and planned maintenance schemes are on a rolling programme of works to improve the condition of existing stock. The planned works programme included in the business plan are: renewal of central heating and boiler upgrades; replacement of external doors and windows; renewal of roofs and soffits; external lighting upgrades; garage improvements, de-carbonisation and external environmental improvements, kitchen and bathrooms, and thermal insulation.

9.3 The proposed annual capital programme (RMI) costs for the next five years is £52.714m and is shown in table 3.

Table 3: Five Year Capital Programme

EXPENDITURE	2022/23 Projected Outturn	2023/24	2024/25	2025/26	2026/27	2027/28	Total
RMI Capital Programme	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Commissioning of Repairs Maintenance and Investment Contract		250	250	0	0	0	500
Boiler Replacement and heating	355	317	618	840	1,037	1,371	4,182
Kitchen & Bathroom Replacement	750	415	689	1,731	1,770	2,966	7,571
Electrical Systems	400	138	328	675	732	1,162	3,034
External rendering, repairs and redecoration of housing block	700	2,134	985	1,006	1,296	1,511	6,932
Capitalised Repairs	422	100	103	105	108	110	526
FRA & Asbestos Removal Works	1,884	2,000	2,000	250	256	263	4,769
Major Aids & Adaptations	691	300	308	315	323	331	1,577
De-Carbonisation Works	100	500	513	525	538	552	2,628
Windows and Door Replacement	181	842	328	673	1,116	1,688	4,647
Roof Replacement	796	1,726	1,447	2,925	2,454	4,311	12,863
Structural	115	211	83	108	178	213	793
Security & Controlled Entry Modernisation	766	300	308	315	323	331	1,577
Capitalised voids	60	60	62	63	65	66	672
Total	**7,220**	**9,293**	**8,019**	**9,531**	**10,196**	**14,875**	**51,914**
Affordable Homes	3,500	800	0	0	0	0	800
HRA GRAND TOTAL	**10,720**	**10,093**	**8,019**	**9,531**	**10,196**	**14,875**	**52,714**

9.4 The HRA major work expenditure is adjusted in line with the council's assumption of 11.1% in 2023/24 and 5% onward. The Plan allows for £639.849m for maintaining and improving existing HRA stock over the next 30 years. (See Appendix 4).

9.5 Based on the estimates over the 30-Year Plan, the HRA will continue to finance existing debts, together with the ongoing supervision and management, repairs and maintenance costs and maintaining adequate reserves.

10. Future Development Programme

10.1 The Tower and Ashbourne House tower blocks and Quantock Close Affordable Homes are two redevelopment schemes previously proposed. The original proposal was for 193 housing units to be built on the Tower and Ashbourne site and for 8 housing units to be built on the Quantock Close site. Tower House was demolished in September 2020 while Ashbourne House is to have vacant possession in the next few weeks and is to be demolished thereafter.

10.2 SBC has no intention of directly embarking on a programme of development of new homes but will take on the role of creating an enabling environment for developers to build in Slough.

10.3 In light of the financial situation faced by Slough Borough Council, the Affordable Homes programme will not be going ahead. The Affordable Homes budget for 2023/24 of £0.8m shown in table 3 above represents estimated demolition/decommissioning costs of Ashbourne House.

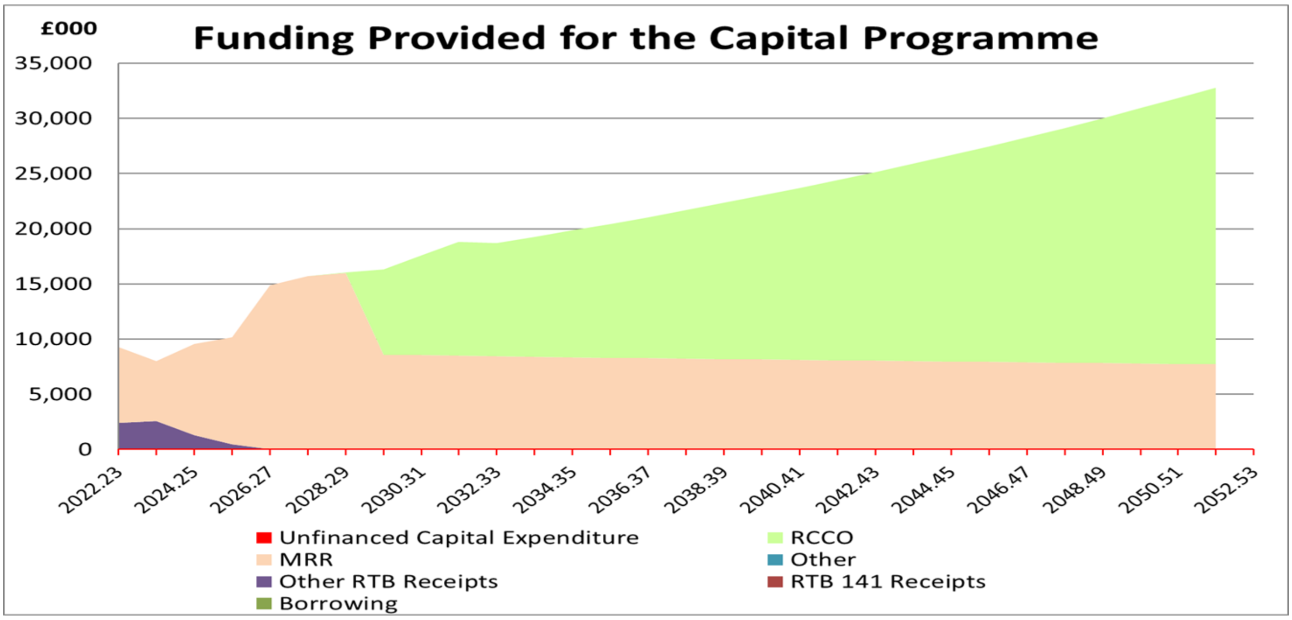
11. Capital Programme Funding

11.1 The financing of the capital programme is primarily from Major Repair Reserves (MRR), and RTB receipts after allowing for the element that can only be used to finance replacement homes. These resources can be supplemented by additional borrowing where required. The capital expenditure projections are based on combination of assumed inflation rate and stock condition. Table 4 shows the 22/23 programme outturn forecast and the capital programme from 2023/24 to 2027/28.

Table 4: Five Year Capital Programme and Funding

	2022.23 Projected Outturn £000	2023.24 £000	2024.25 £000	2025.26 £000	2026.27 £000	2027.28 £000	Total £000
CAPITAL EXPENDITURE							
Planned Major Works & Improvements	7,120	8,793	7,506	9,006	9,658	14,323	49,286
Works to promote decarbonisation	100	500	513	525	538	552	2,628
Development Schemes	-	-	-	-	-	-	-
Affordable Homes	700	800	-	-	-	-	800
Total Expenditure	7,920	10,093	8,019	9,531	10,196	14,875	52,714
FINANCING							
External Borrowing	-	-	-	-	-	-	-
RtB Receipts	1,831	2,422	2,563	1,325	482	-	6,793
Retained Receipts	700	-	-	-	-	-	-
Other Capital Receipts	-	-	-	-	-	-	-
Grant and other contributions	-	-	-	-	-	-	-
Major Repairs Reserve	5,389	7,670	5,455	8,207	9,714	14,875	45,921
Revenue Contribution	-	-	-	-	-	-	-
Total Financing	7,920	10,092	8,018	9,532	10,196	14,875	52,714

Graph 1 – Capital Programme Funding

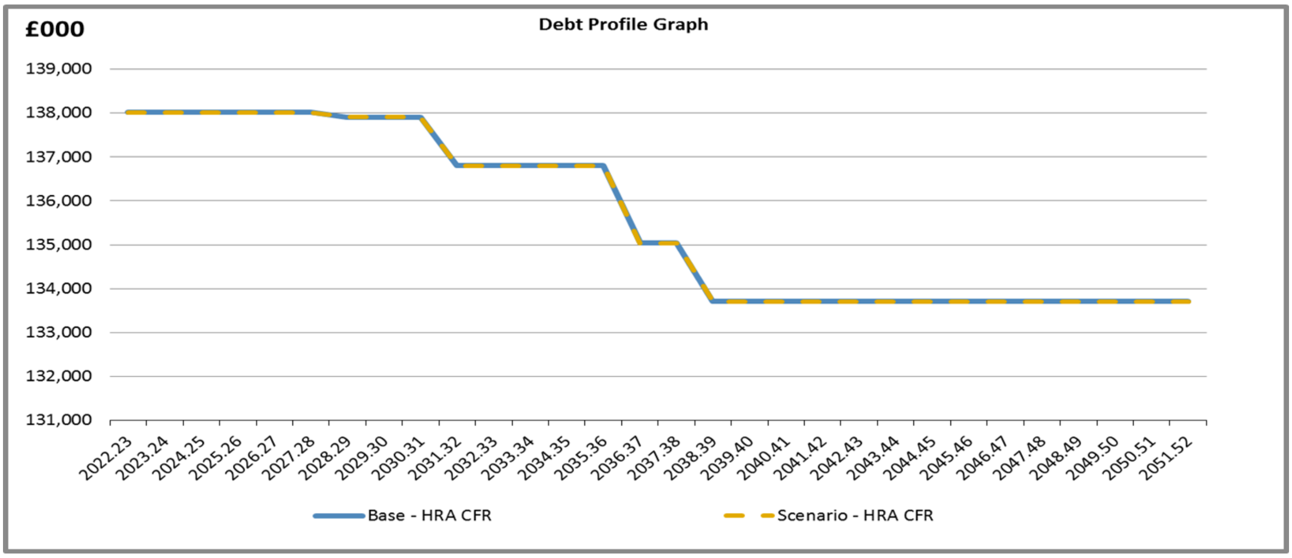


12. HRA Debt / Borrowing

12.1 At the introduction of HRA self-financing in 2012, SBC had to make payments to DCLG of £135.841m on 28th March 2012. This was funded by SBC taking out £125.841m of PWLB loans of various maturities and £10m of internal borrowing.

12.2 The HRA debt brought forward in April 2022 was £138m, at the interest rate of 3.35% depending upon the terms of the loan. This debt is serviced via the HRA and does not affect the General Fund. The HRA debt is assumed to decrease during the 30 years, as no additional borrowing is to be obtained as there is currently no plan to directly build new homes. HRA has sufficient resources to fund the ongoing capital programme without the need for further borrowings. The Business Plan assumes the need to refinance the debts as and when the debts become repayable. The graph below shows the HRA debt position over the 30-year business plan period.

Graph 2: Debt Profile



13. Sensitivity Analysis

13.1 The HRA Business Plan has been prepared based on currently available information. Despite this, it is particularly sensitive to changes in the Government's rent policy, fluctuations in interest rates, and increases to management and repairs costs. The sensitivity analysis looks at the potential impact on the HRA of alternative rates for inflation and interest, annual rent increases, management costs, repairs and the capital programme. To mitigate the risks associated with this, modelling of key sensitivities is undertaken to provide context on the impact. As the present time, the HRA has loans which are on fixed rates which do not expire for several years, hence any changes in the interest rates will not have a material impact on the I&E in the immediate future and so has not been modelled for sensitivity purposes.

13.2 The level of future rent increases has profound implications for the long-term viability of the HRA. The Government's policy is that rents should increase by 7% in 2023/24. It is unknown if another increase will be imposed by Government for 2024/25 onwards or if the rent increase will revert to the rent standard of CPI plus 1%.

Table 5: Sensitivity Analysis

Sensitivity	2023.24	2024.25	2025.26	2026.27	2027.28
	£000	£000	£000	£000	£000
Inflation					
1% reduction in inflation rate will result in a reduction in the estimated HRA accumulated Balance	221	256	287	331	373
Rents					
1% reduction in the Government's capped rent increase will result in a reduction in rental income	369	397	400	412	423

14. Analysis of key risks

14.1 The business plan is based on a set of assumptions, and there will always be an element of risk of changes in cashflow projections in the revenue and capital accounts, if any of the assumption fail to materialise. The risks that have been identified in the development of the HRA Business Plan are set out in table 6 below along with the mitigation.

Table 6: Risk Profile

Risk Area	Description	Mitigation Action
Uncertainty around Government's regulated rent policy	The 7% rent cap for 23/24 which is below the inflation rate may impact the Council's ability to fund its repairs and maintenance programme as it is primarily funded from rental income.	Impact of any proposed changes to national rent policy is incorporated into financial planning as early as possible with scenario impact quantified
Right to Buy receipts	Changes to the right to buy rules result in an increase in the level of sales, with the associated commitment to deliver replacement units or pay over receipts with interest. This impacts the resources available to finance the capital investment programme.	Retained resources are monitored to ensure delivery of required units or return of resource at earliest opportunity. Sensitivities modelled so potential impacts are understood. Delivery timeframe extended to 5 years, with ability to invest up to 40% of receipt into the replacement dwelling
Welfare and Benefit Reforms.	Reforms to welfare and benefits such as universal credit can affect the HRA Business Plan, has a potential to cause increases in rents and service charge arrears sometimes resulting in increased bad debt levels.	Establishing delivery partnership agreement that supports the most vulnerable. Performance closely monitored to allow further positive action if required. Continuing to review strategy for maximising rent collection that reflects Universal Credit implications

Risk Area	Description	Mitigation Action
		for transition and full service. Continuing raising awareness with residents about Universal Credit, including what it means for them.
Cost of Living impacts on tenants and leaseholders	With those on lower salaries suffering disproportionately in the current cost of living crisis, some tenants may fall into arrears as they struggle to pay higher rates of rent and service charge. This will impact on the Council's collection rates.	It may therefore be necessary to agree repayment plans for tenants and also increase the provision for bad debts.
Poor collection of rent	Rent income is under-achieved due to a major incident in the housing stock	Identify and address key issues in the housing stock to minimise likelihood of widespread of non-collection. It may therefore be necessary to agree repayment plans for tenants and also increase the provision for bad debts. Increased resources identified for income management. Performance closely monitored to allow further positive action if required.
Inflation	Inflation will always be the most obvious risk to the business plan. Inflation increase for income and expenditure should be some mitigation in itself. The highly increased inflation on the repairs element and elsewhere result in a deficit position.	A level of inflation on capital and revenue budget have been provided for in the business plan. However, market uncertainties may mean that this is insufficient.
Decarbonisation of Housing Stock	Government's commitment to target net zero carbon emission by 2050 and the resulting implication of the decarbonisation of SBC's social housing stock. The cost of achieving decarbonisation is likely to be huge. An unquantified estimate to achieve decarbonisation per property is speculated to be around £15K. With SBC stock numbers (circa. 6,000), that could amount to £90m.	Detailed specialist survey is to be completed to evaluate the likely whole house approach required for some properties to deliver the full decarbonisation objectives.

Risk Area	Description	Mitigation Action
Damp and Mould	There is now the requirement for RSLs with more than a thousand homes to provide evidence to the Social Housing Regulator of their approach to dealing with damp and mould issues. The penalty of noncompliance or poor performance may mean new funding being withheld from such RSLs.	Officers are currently working with Osbourne (Repairs and Maintenance Contractor) to review the approach to dealing with damp and mould incidents occurring in the Councils stock.
New legislation and regulations	New legislation and regulations are likely to impact this business plan. Implications of new legislation / regulation or changes to existing are not identified. Changes in national housing or rent policy impact the ability to support the housing debt or deliver against planned investment programmes	Effective, formal, regular review processes are in place for the HRA to ensure that implications are identified, quantified, and highlighted. Impact of any proposed changes to national rent policy is incorporated into financial planning as early as possible with scenario impact quantified

15. Implications of the Recommendation

15.1 Financial implications

15.1.1 The financial implications are contained throughout this report

15.2 Legal implications (Mandatory)

15.2.1 Under section 74 of the Local Government and Housing Act 1989 the Council, as a Local Housing Authority, must maintain a Housing Revenue Account (HRA) which includes sums falling to be credited or debited in accordance with the category of properties listed within s74(1), which consists primarily of Council housing stock. HRA must include any capital expenditure on housing stock which a Local Authority has decided to charge to revenue. Save in accordance with a direction of the Secretary of State, sums may not be transferred between HRA or General Fund, therefore, HRA is ring-fenced and cannot be used to subsidise a budget deficit within General Fund, neither can General Fund be used to subsidise a budget deficit in HRA. Section 76 of 1989 Act requires Local Authorities to formulate and implement proposals to secure HRA for each financial year does not show a debit balance. If a debit occurs, this must be carried forward to next financial year.

15.3 Risk management implications (Mandatory)

15.3.1 See section 14 above.

15.4 Environmental implications (Mandatory)

15.4.1 See sections 4.6 and 4.7 above.

15.5 Equalities implications (Mandatory)

15.5.1 Pursuant to the Equality Act 2010, the Council, in the exercise of its functions, has to have ‘due regard’ to (i) eliminating discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; (ii) advancing equality of opportunity between those with a relevant protected characteristic and those without; and (iii) fostering good relations between those with a relevant protected characteristic and those without. The relevant protected characteristics are age, race, disability, gender reassignment, pregnancy and maternity, religion or belief, sex and sexual orientation. The duty also covers marriage and civil partnership, but to a limited extent.

15.5.2 The HRA business plan is an operational document on the delivery of the landlord function by the council. Individual regeneration/improvement schemes will be subject to an Equalities Impact Assessment to ensure any arising issues are addressed. Major aids and adaptations are included as essential work within the capital programme.

15.6 Procurement implications (Discretionary)

15.6.1 None.

15.7 Workforce implications (Discretionary)

15.7.1 None.

15.8 Property implications (Discretionary)

15.8.1 None.

16. Background Papers

- Housing Rents and Charges Report, January 2023 Cabinet

Appendices

Appendix A - HRA Revenue 5-Year Business Plan

	2023.24 £000	2024.25 £000	2025.26 £000	2026.27 £000	2027.28 £000
INCOME AND EXPENDITURE ACCOUNT					
Income					
Dwelling Rents	36,907	39,689	39,997	41,158	42,346
Non Dwelling Rents	1,835	1,945	2,004	2,064	2,126
Charges for services and facilities (net of voids)	2,670	2,830	2,915	3,002	3,092
Total Income	**41,412**	**44,464**	**44,915**	**46,224**	**47,564**
Expenditure					
Repairs and maintenance	(13,377)	(14,180)	(14,605)	(14,410)	(14,843)
Supervision and management	(10,688)	(11,274)	(11,557)	(11,829)	(12,149)
Rents, rates, taxes and other charges	(1,582)	(1,334)	(1,027)	(747)	(770)
(Increase)/decrease in provision for bad debts	(1,500)	(1,500)	(1,545)	(1,591)	(1,639)
Depreciation and impairment of fixed assets	(8,859)	(8,785)	(8,711)	(8,674)	(8,637)
Total Expenditure	**(36,007)**	**(37,073)**	**(37,445)**	**(37,252)**	**(38,037)**
Net Cost of HRA Services	**5,405**	**7,391**	**7,470**	**8,972**	**9,526**
Interest payable incl amortisation	(4,620)	(4,620)	(4,620)	(4,620)	(5,359)
HRA investment income	15	15	15	15	15
Surplus / (deficit) for the year	**800**	**2,787**	**2,865**	**4,368**	**4,182**

Appendix B - HRA Revenue 30-Year Business Plan

	2023.24 £000	2024.25 £000	2025.26 £000	2026.27 £000	2027.28 £000	2028.29 £000	2029.30 £000	2030.31 £000	2031.32 £000	2032.33 £000
INCOME AND EXPENDITURE ACCOUNT										
Income										
Dwelling Rents	36,907	39,689	39,997	41,158	42,346	43,559	44,800	46,955	47,367	48,693
Non Dwelling Rents	1,835	1,945	2,004	2,064	2,126	2,190	2,255	2,323	2,393	2,464
Charges for services and facilities (net of voids)	2,670	2,830	2,915	3,002	3,092	3,185	3,281	3,379	3,480	3,585
Total Income	**41,412**	**44,464**	**44,915**	**46,224**	**47,564**	**48,934**	**50,336**	**52,657**	**53,240**	**54,742**
Expenditure										
Repairs and maintenance	(13,377)	(14,180)	(14,605)	(14,410)	(14,843)	(15,288)	(15,055)	(15,506)	(15,972)	(16,451)
Supervision and management	(10,688)	(11,274)	(11,557)	(11,829)	(12,149)	(12,457)	(12,773)	(13,097)	(13,430)	(13,771)
Rents, rates, taxes and other charges	(1,582)	(1,334)	(1,027)	(747)	(770)	(793)	(816)	(841)	(866)	(892)
(Increase)/decrease in provision for bad debts	(1,500)	(1,500)	(1,545)	(1,591)	(1,639)	(1,688)	(1,739)	(1,791)	(1,845)	(1,900)
Depreciation and impairment of fixed assets	(8,859)	(8,785)	(8,711)	(8,674)	(8,637)	(8,600)	(8,563)	(8,526)	(8,489)	(8,453)
Total Expenditure	**(36,007)**	**(37,073)**	**(37,445)**	**(37,252)**	**(38,037)**	**(38,826)**	**(38,947)**	**(39,762)**	**(40,602)**	**(41,467)**
Net Cost of HRA Services	5,405	7,391	7,470	8,972	9,526	10,108	11,390	12,895	12,637	13,276
Interest payable incl amortisation	(4,620)	(4,620)	(4,620)	(4,620)	(5,359)	(6,157)	(6,312)	(4,598)	(4,575)	(4,486)
HRA Share of Pension Costs	0	0	0	0	0	0	0	0	0	0
HRA investment income	15	15	15	15	15	15	15	15	15	15
Surplus / (deficit) for the year	**800**	**2,787**	**2,865**	**4,368**	**4,182**	**3,966**	**5,092**	**8,312**	**8,077**	**8,804**

	2033.34 £000	2034.35 £000	2035.36 £000	2036.37 £000	2037.38 £000	2038.39 £000	2039.40 £000	2040.41 £000	2041.42 £000	2042.43 £000
INCOME AND EXPENDITURE ACCOUNT										
Income										
Dwelling Rents	50,050	51,438	53,874	54,309	55,795	57,315	58,869	60,460	63,281	63,753
Non Dwelling Rents	2,538	2,614	2,693	2,774	2,857	2,943	3,031	3,122	3,215	3,312
Charges for services and facilities (net of voids)	3,692	3,803	3,917	4,035	4,156	4,280	4,409	4,541	4,677	4,818
Total Income	**56,281**	**57,855**	**60,484**	**61,118**	**62,808**	**64,538**	**66,309**	**68,123**	**71,174**	**71,882**
Expenditure										
Repairs and maintenance	(16,944)	(17,453)	(17,976)	(18,515)	(19,071)	(19,643)	(20,232)	(20,839)	(21,464)	(22,108)
Supervision and management	(14,122)	(14,482)	(14,851)	(15,231)	(15,620)	(16,019)	(16,429)	(16,850)	(17,282)	(17,727)
Rents, rates, taxes and other charges	(919)	(947)	(975)	(1,004)	(1,034)	(1,065)	(1,097)	(1,130)	(1,164)	(1,199)
(Increase)/decrease in provision for bad debts	(1,957)	(2,016)	(2,076)	(2,139)	(2,203)	(2,269)	(2,337)	(2,407)	(2,479)	(2,554)
Depreciation and impairment of fixed assets	(8,416)	(8,379)	(8,342)	(8,305)	(8,268)	(8,231)	(8,194)	(8,157)	(8,120)	(8,083)
Total Expenditure	**(42,358)**	**(43,275)**	**(44,220)**	**(45,194)**	**(46,196)**	**(47,227)**	**(48,289)**	**(49,384)**	**(50,510)**	**(51,671)**
Net Cost of HRA Services	13,923	14,580	16,264	15,924	16,612	17,310	18,019	18,739	20,664	20,212
Interest payable incl amortisation	(4,486)	(4,486)	(4,486)	(4,448)	(4,368)	(4,355)	(4,267)	(4,297)	(4,250)	(4,181)
HRA Share of Pension Costs	0	0	0	0	0	0	0	0	0	0
HRA investment income	15	15	15	15	15	15	15	15	15	15
Surplus / (deficit) for the year	**9,451**	**10,109**	**11,793**	**11,491**	**12,259**	**12,970**	**13,768**	**14,457**	**16,429**	**16,045**

	2043.44 £000	2044.45 £000	2045.46 £000	2046.47 £000	2047.48 £000	2048.49 £000	2049.50 £000	2050.51 £000	2051.52 £000	2052.53 £000
INCOME AND EXPENDITURE ACCOUNT										
Income										
Dwelling Rents	65,457	67,200	68,985	70,811	74,077	74,592	76,549	78,552	80,602	84,291
Non Dwelling Rents	3,411	3,514	3,619	3,728	3,839	3,955	4,073	4,195	4,321	4,451
Charges for services and facilities (net of voids)	4,962	5,111	5,264	5,422	5,585	5,752	5,925	6,103	6,286	6,474
Total Income	**73,830**	**75,825**	**77,868**	**79,961**	**83,501**	**84,299**	**86,547**	**88,850**	**91,209**	**95,216**
Expenditure										
Repairs and maintenance	(22,772)	(23,455)	(24,158)	(24,883)	(25,630)	(26,399)	(27,190)	(28,006)	(28,846)	(29,712)
Supervision and management	(18,181)	(18,649)	(19,129)	(19,622)	(20,128)	(20,648)	(21,181)	(21,727)	(22,291)	(22,867)
Rents, rates, taxes and other charges	(1,235)	(1,272)	(1,310)	(1,350)	(1,390)	(1,432)	(1,475)	(1,519)	(1,564)	(1,611)
(Increase)/decrease in provision for bad debts	(2,630)	(2,709)	(2,790)	(2,874)	(2,960)	(3,049)	(3,141)	(3,235)	(3,332)	(3,432)
Depreciation and impairment of fixed assets	(8,046)	(8,009)	(7,972)	(7,935)	(7,898)	(7,861)	(7,824)	(7,788)	(7,751)	(7,714)
Total Expenditure	**(52,864)**	**(54,094)**	**(55,361)**	**(56,664)**	**(58,006)**	**(59,389)**	**(60,811)**	**(62,275)**	**(63,784)**	**(65,336)**
Net Cost of HRA Services	20,966	21,731	22,508	23,296	25,495	24,910	25,736	26,575	27,425	29,880
Interest payable incl amortisation	(4,215)	(4,249)	(4,285)	(4,322)	(4,359)	(4,399)	(4,440)	(4,483)	(4,527)	(4,708)
HRA Share of Pension Costs	0	0	0	0	0	0	0	0	0	0
HRA investment income	15	15	15	15	15	15	15	15	15	15
Surplus / (deficit) for the year	**16,766**	**17,497**	**18,238**	**18,990**	**21,151**	**20,526**	**21,311**	**22,107**	**22,913**	**25,187**

Appendix C – 5-Year Capital Programme and Funding Streams

	2022.23 Projected Outturn £000	2023.24 £000	2024.25 £000	2025.26 £000	2026.27 £000	2027.28 £000	Total £000
CAPITAL EXPENDITURE							
Planned Major Works & Improvements	7,120	8,793	7,506	9,006	9,658	14,323	49,286
Works to promote decarbonisation	100	500	513	525	538	552	2,628
Development Schemes	-	-	-	-	-	-	-
Affordable Homes	700	800	-	-	-	-	800
Total Expenditure	7,920	10,093	8,019	9,531	10,196	14,875	52,714
FINANCING							
External Borrowing	-	-	-	-	-	-	-
RtB Receipts	1,831	2,422	2,563	1,325	482	-	6,793
Retained Receipts	700	-	-	-	-	-	-
Other Capital Receipts	-	-	-	-	-	-	-
Grant and other contributions	-	-	-	-	-	-	-
Major Repairs Reserve	5,389	7,670	5,455	8,207	9,714	14,875	45,921
Revenue Contribution	-	-	-	-	-	-	-
Total Financing	7,920	10,092	8,018	9,532	10,196	14,875	52,714

Appendix D – 30-Year Major Repairs and Improvements Financing

	Expenditure				Financing						
Year	Major Works & Imps	Works to promote decarbonisation	Other	Total Expenditure	Borrowing	RTB 141 Receipts	Other RTB Receipts	Other	MRR	RCCO	Total Financing
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
2023.24	8,793	500	800	10,093	0	0	2,422	0	7,670	0	10,093
2024.25	7,506	513	0	8,019	0	0	2,563	0	5,455	0	8,019
2025.26	9,006	525	0	9,531	0	0	1,325	0	8,207	0	9,531
2026.27	9,658	538	0	10,196	0	0	482	0	9,714	0	10,196
2027.28	14,323	552	0	14,875	0	0	0	0	14,875	0	14,875
2028.29	15,123	566	0	15,688	0	0	0	0	15,688	0	15,688
2029.30	15,440	580	0	16,020	0	0	0	0	16,006	14	16,020
2030.31	15,739	594	0	16,333	0	0	58	0	8,526	7,749	16,333
2031.32	16,996	609	0	17,605	0	0	47	0	8,489	9,069	17,605
2032.33	18,163	624	0	18,788	0	0	36	0	8,453	10,300	18,788
2033.34	18,708	0	0	18,708	0	0	24	0	8,416	10,268	18,708
2034.35	19,270	0	0	19,270	0	0	12	0	8,379	10,879	19,270
2035.36	19,848	0	0	19,848	0	0	0	0	8,342	11,506	19,848
2036.37	20,443	0	0	20,443	0	0	0	0	8,305	12,138	20,443
2037.38	21,056	0	0	21,056	0	0	0	0	8,268	12,789	21,056
2038.39	21,688	0	0	21,688	0	0	0	0	8,231	13,457	21,688
2039.40	22,339	0	0	22,339	0	0	0	0	8,194	14,145	22,339
2040.41	23,009	0	0	23,009	0	0	0	0	8,157	14,852	23,009
2041.42	23,699	0	0	23,699	0	0	0	0	8,120	15,579	23,699
2042.43	24,410	0	0	24,410	0	0	0	0	8,083	16,327	24,410
2043.44	25,142	0	0	25,142	0	0	0	0	8,046	17,096	25,142
2044.45	25,897	0	0	25,897	0	0	0	0	8,009	17,888	25,897
2045.46	26,674	0	0	26,674	0	0	0	0	7,972	18,701	26,674
2046.47	27,474	0	0	27,474	0	0	0	0	7,935	19,539	27,474
2047.48	28,298	0	0	28,298	0	0	0	0	7,898	20,400	28,298
2048.49	29,147	0	0	29,147	0	0	0	0	7,861	21,286	29,147
2049.50	30,021	0	0	30,021	0	0	0	0	7,824	22,197	30,021
2050.51	30,922	0	0	30,922	0	0	0	0	7,788	23,134	30,922
2051.52	31,850	0	0	31,850	0	0	0	0	7,751	24,099	31,850
2052.53	32,805	0	0	32,805	0	0	0	0	7,714	25,092	32,805
	633,447	**5,602**		**639,849**	**0**	**0**	**6,970**	**0**	**264,377**	**368,502**	**639,849**

Appendix E – 5-Year HRA Reserve Projection

Year	2023.24 £000	2024.25 £000	2025.26 £000	2026.27 £000	2027.28 £000
Surplus / (deficit) for the year	800	3,417	3,167	4,348	4,182
HRA Balance Brought Forward	21,344	22,144	25,561	28,728	33,075
HRA Balance Carried Forward	**22,144**	**25,561**	**28,728**	**33,075**	**37,257**

The estimated opening balance on the HRA reserve at the start of the 2022/23 financial year was £18.67m. HRA's target level of reserves of £4m from 2023/24, is proposed to be retained, recognising the need to safeguard the Council against the risk and uncertainty in the current financial and operational environment for housing. The estimated HRA balances are subject to audit and may change as the Council accounts are being prepared/audited for the last four years.

Appendix F – 5-Year Major Repairs Reserve (MRR) Projection

Year	2023/24	2024/25	2025/26	2026/27	2027/28
	£,000	**£,000**	**£,000**	**£,000**	**£,000**
Opening Balance	15,986	17,175	20,504	21,009	19,969
Capital expenditure to be financed by MRR	(7,670)	(5,455)	(8,207)	(9,714)	(14,875)
Annual depreciation transferred to MRR	8,859	8,785	8,711	8,674	8,637
Closing Balance	**17,175**	**20,504**	**21,009**	**19,969**	**13,732**

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Slough Borough Council

REPORT TO:	Council
DATE:	9th March 2023
SUBJECT:	Update on Dedicated Schools Grant Management Plan
CHIEF OFFICER:	Steven Mair, Executive Director of Finance and Commercial (s 151) Sue Butcher, Executive Director People Children, Chief Executive Slough Children's Service Trust Ltd
CONTACT OFFICER:	Liton Rahman, Deputy Director Corporate and Strategic Finance
WARD(S):	All
PORTFOLIO:	Cllr Rob Anderson, Financial Oversight, Council Assets and Performance Cllr Christine Hulme, Children's Services, Lifelong Learning and Skills
EXEMPT:	No
APPENDICES:	None

1 Summary and Recommendations

1.1 Local authorities are facing increased demand for places for pupils requiring specialist education provision, which has risen in Slough by 86% since 2015. As well as the significant increase in numbers, the complexity of pupils' needs is also increasing.

1.2 The Council's Dedicated Schools Grant (DSG) deficit has been growing since 2015/16, mainly due to the pressures for additional funding in the HNB and a lack of management action up to May 2021. The overall deficit has grown from £4.9m in 2015/16 to £25.5m as at 31 March 2022. The DSG has a forecast deficit at the end of 2021/22 of £29.1m, which is a £3.6m increase since 31st March 2022 due to the overspend on the High Needs Block.

1.3 All local authorities with DSG deficits are required to prepare and implement a deficit management plan, although the Department for Education (DfE) recognises that in some cases it may take several years for the situation to improve.

1.4 Whilst the authority did prepare and present a management plan to Schools Forum in January 2021, this was prepared prior to the finalisation of the 20/21 outturn position which was estimated to be £4m at the time and was used as a basis for projecting forward and therefore resulted in the year-end positions being underestimated. Also, the plan only included the projected unmitigated position without any focus on mitigating actions that would reduce the deficit position.

1.5 The Council had made no positive progress on addressing this growing deficit until May 2021 when the lack of progress was identified, and action began on preparing a revised management plan that was more reliable and included mitigations.

1.6 The outturn position in 2020/21 was an overspend of £7.2m and it was anticipated that an overspend of £7.2m would occur in 2021/22. However, as a direct result of the actions outlined within this report the overspend was reduced to £4.9m, a reduction of £2.3m when compared to last year's position. Attention is drawn to paragraph 4.9 in coming to this forecast and the risks that this may change.

1.7 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.

1.8 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.

1.9 If the proposals are agreed to by the Secretary of State, they will form the basis of a published agreement. 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.

1.10 This report updates on the High Needs Budget position and the progress to date of the DSG Management Plan 2022/23 to 2026/27.

1.11 The Cabinet considered the report at its meeting held on 27th February 2023 and agreed that it be recommended to Council.

Recommendations

1.11 That the Council note the following:

- the forecast position for DSG spend in 2022/23 to 2026/27
- the overarching issues that have resulted in the DSG deficit and the actions taken to date to address these
- the Council has been taking part in the 'safety valve' intervention programme with the DfE and has submitted its final proposal for addressing the deficit on the High Needs Block.

Reasons

1.12 Those who receive services via the Local Authority’s DSG (High Needs Block) are the most vulnerable children and young people (aged 0-25) with special educational needs and disabilities. An effective Management Plan for DSG High Needs Block spending is required to address the current overspend and ensure that services are sustainable and can continue to meet the needs of children, young people and their families in Slough.

1.13 This priority has to be achieved within a balanced budget and this has not been the case in the past with increasing deficits and no management action to address them.

Commissioners comments

The commissioners welcome this comprehensive report which sets out the actions taken as part of the Safety Valve programme, and look forward to hearing the outcome of the final proposal submitted to the Department for Education on 3rd February 2023.

2. Background

2.1. School Funding is received through the DSG, and is split into four blocks, each with its own formula to calculate the funding to be distributed to each local authority, and with specific regulations on what each block of funding can be spent on:

- **Schools Block (SB)** – funds primary and secondary schools through the school’s funding formula, and growth funding for new and growing schools/bulge classes.
- **Central Schools Services Block (CSSB)** – funds services provided by the local authority centrally for all schools and academies, such as the admissions service.
- **Early Years Block (EYB)** – funds the free entitlement for 2-, 3-, & 4-year-olds in all early year’s settings in the private, voluntary and independent (PVI) sector as well as maintained nursery schools, and nursery classes in mainstream schools.
- **High Needs Block (HNB)** – funds places in special schools, resource units and alternative provision, and top up funding for pupils with Education, Health & Care Plans (EHCPs) in all settings including non-maintained special schools, independent special schools, and further education colleges.

2.2. The Council’s DSG deficit has been growing since 2015/16, mainly due to the pressures for additional funding in the HNB and the lack of management action. The overall deficit has grown from £4.9m in 2015/16 to £20.6m as at 31 March 2021, and could potentially grow to £43m by 2024/25 if no mitigating actions are taken.

2.3. All local authorities with DSG deficits are required to prepare and implement a deficit management plan, although the DfE recognises that in some cases it may take several years for the situation to improve.

2.4. Slough's revised deficit management plan was shared with the DfE in July 2021 (see para 4.1.6 below). Actions to manage demand for HNB funding and address the DSG deficit are included in this plan. The key areas of risk, actions taken to date and mitigations are identified in the sections that follow.

2.5. The Council has been invited to take part in the 'safety valve' intervention programme with the DfE with the aim of agreeing a package of reform to our high needs system that will bring the DSG deficit under control. Officers are currently in the process of updating the existing management plan and package of proposals in readiness for the review with the DfE which is expected to commence in April/May 2022.

2.6. If the proposals are agreed to by the Secretary of State, they will form the basis of a published agreement. 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.

2.7. The following governance structure has been and is being implemented to ensure there is oversight of the delivery of the DSG Action Plan:

2.7.1. DSG Finance Group: meets weekly and is chaired by the Section 151 Finance Officer and provides assurance that actions to deliver the DSG plan is on track and provides financial reports to track impact. These actions are set out below in section 3

2.7.2. SEND Transformation Board; will meet monthly and is jointly chaired by Section 151 Officer and the Executive Director People Children. Membership also includes chair of school forum, Frimley Clinical Commissioning Group, Slough Children Trust Ltd, parent voice and Adult Social Care. This Board will provide challenge and oversight of the DSG Management Plan and links to improving SEND outcomes

2.8. This report is provided to Members to share detailed information about the financial pressures faced by the Council and local schools in providing services to children with additional needs including Special Educational Needs and Disabilities (SEND) through its nationally allocated High Needs Block (HNB) funding.

2.9. The report sets out strategic aims and strategies to address these pressures. High Needs funding is one of the four funding blocks within the DSG for the Council. The Council has authority regarding funding decisions about the DSG allocations including allocation of funding from the high needs block, although it is required to consult the local Schools' Forum (a school stakeholders' body) who also hold some regulatory powers for specific circumstances.

3. Overarching Issues

3.1. The Council is facing unprecedented financial challenges across the whole spectrum of its budgets culminating in the issuance of a s114 notice in July 2021. The problem at that stage was estimated at £174m. This increased to a potential Capitalisation Direction (CD) of £782m with annual revenue savings needed of £20m for 7 years.

3.2. In addition, the Council's DSG deficit has been growing since 2015/16, mainly due to the pressures in the HNB and the lack of management action. The overall deficit has grown from £4.9m in 2015/16 to £25.5m as at 31 March 2022. It was forecast to increase every year thereafter, rising to £41m by 2026/27. Due to work to address this in the last 18 months this is now forecasting to stop overspending in year by 2025/26 and outturn in that year at £27.7m, reducing to £27.0m by 2026/27, a reduction of £14.4m, 34%

Table 1 – DSG Deficit

£m	15/16	16/17	17/18	18/19	19/20	20/21	21/22
B/F	5.7	4.9	2.4	5.4	7.5	13.4	20.6
In-year	-0.8	-2.5	3.0	2.1	5.9	7.2	4.9
C/F	**4.9**	**2.4**	**5.4**	**7.5**	**13.4**	**20.6**	**25.5**

3.3. 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.

3.4. Key long-term areas of pressure in relation to Slough's HNB spending have been:

- increasing cost of top-up funding for Education Health and Care Plans (EHCPs) – this has increased in both mainstream and special schools. This is not in line with national trends and is being reviewed as part of this DSG Management Plan. Actions taken to date have seen the average cost of a newly issued plan decrease by 17% over 2 years.
- placements in Independent Non-Maintained Special School (INMSS) – the increase in Slough has been lower than in other unitary authorities; however, this is a focus for review as each individual placement can incur significant costs. To date our numbers, continue to be lower than our statistical neighbours and are reducing.
- Post-16 and Post 19 Placements – these have been increasing in line with national trends. This is a focus for the DSG Management Plan as the Council needs more effective commissioning to ensure value for money and sufficient capacity within the Slough area. There is now a Post-14 team in place to focus on this project, and commissioning practices have been significantly strengthened.
- Alternative Education Provision Commissioning of Placements – Slough is a statistical outlier in this, commissioning similar numbers of places to much larger authorities. This has had a significant impact on higher needs block spending and commissioning and delivery of these places is a focus of the DSG Management Plan. A project is in place and significant cost reductions are projected over 3 years, with year one already implemented.
- management of existing contracts and commissioning of services to support children and young people with additional needs – review of contracts and commissioning arrangements in Slough will include individual tuition and therapies

3.5. It is also important to acknowledge that Slough has had to address a culture within the SEND team where there was:

- poor decision-making
- lack of leadership, ownership and drive
- lack of governance and accountability
- lack of effective commissioning processes and contract management, with a reliance on spot-purchasing
- lines of financial accountability lacking clarity
- poor use of finance and data systems
- lack of clarity around placements and their cost
- insufficient focus on budget reconciliation

4. Management Plan

4.1. All local authorities with DSG deficits are now required to prepare and implement a deficit management plan, although the DfE recognises that in some cases it may take several years for the situation to improve.

4.2. The issues outlined above are being addressed through improved governance, review of process and roles, increased scrutiny and accountability, and a focus on best value and transparent decision-making.

4.3. Since May 2021, officers have been working extremely hard on developing a management plan and a package of cost reduction strategies that addresses these issues and achieves a balanced in-year position within the next four years.

4.4. The cost reduction strategies are already starting to achieve reductions in expenditure, they are discussed in further detail below. The outturn position in 2020/21 was an overspend of £7.2m and it was anticipated that an overspend of £7.2m would occur in 2021/22. However, as a direct result of the actions outlined within this report an overspend of £4.9m was achieved in 2021/22, a reduction of £2.3m, 32%, when compared to last year’s position.

4.5. Slough’s revised deficit management plan achieves a balanced in-year position for High Needs by 2025/26, which is year 3 of the plan with an estimated mitigated deficit of £27m by 2026/27 compared to a deficit of £41.4m if no mitigating actions are taken.

Table 2 – Projected in-year DSG Deficit

£m	**20/21**	**21/22**	**22/23**	**23/24**	**24/25**	**25/26**	**26/27**
Unmitigated	7.2	7.2	3.6	3.0	3.3	3.1	2.8
Mitigated	7.2	4.9	2.2	0.4	0.1	(0.4)	(0.7)
Reduction	**0.0**	**(2.3)**	**(1.4)**	**(2.6)**	**(3.2)**	**(3.5)**	**(3.5)**

Table 3 – Projected cumulative DSG Deficit

£m	20/21	21/22	22/23	23/24	24/25	25/26	26/27
Unmitigated	20.6	27.8	29.1	32.1	35.4	38.5	41.4
Mitigated	20.6	25.5	27.6	28.1	28.1	27.7	27.0
Reduction	**0.0**	**(2.3)**	**(1.5)**	**(4.0)**	**(7.3)**	**(10.8)**	**(14.4)**

4.6. 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.

4.7. 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.

4.8. 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.

4.9. As is well documented in other reports on this agenda there are considerable financial risks with significant historic matters being identified as the Council closes off its accounts from 2018/19 to 2021/22. The above estimates have been based on the management plan submitted to the DfE adjusted for historic issues identified to date and changes to income projections based on recent announcements with resilience built in to allow for any issues that arise from the work that is ongoing. However, the magnitude of the issues facing the Council are such that these projections may well change.

5. Cost reduction strategies

5.1 Managing demand for Education Health Care Needs Assessments (EHCNAs) and Education Health Care Plans (EHCPs)

Context

Since the introduction of the Children & Families Act 2014, local authorities (LAs) across England have seen a year-on-year increase in the number of EHCPs. In 2015, 2.8% of all pupils, both in Slough and nationally, were supported through a Statement of Special Educational Needs or EHCP. By 2021, this had increased to 3.6% nationally, 3.7% in Slough, and 4% across other unitary authorities. Whilst the increase in Slough is in line with national statistics, the growing numbers have placed an increasing demand on statutory Special Educational Needs and Disability (SEND) resources. Auditing of SEND Panel decisions pre-April 2021 has demonstrated that processes in Slough from 2014 to 2021 have lacked the rigour necessary to ensure that assessments and the issuing of plans takes place only when appropriate under the SEND Code of Practice (2015). This included a tendency to make decisions regarding changes of placement, banding and type without ensuring accountability and robust evidence.

In 2019, a new matrix system for banding EHCP top-up funding was introduced in Slough. Analysis has shown that in the first 18 months this has resulted in a 14% increase in the cost of top-up funding to mainstream schools. Contributory factors include:

- a failure to undertake a comprehensive financial modelling of the new matrix system to consider the cost impact and sustainability within the existing financial envelope.
- a lack of consideration of existing models in other South-East authorities and statistical neighbours.
- banding levels that are spread too far apart, such that the increase from one increment to the next is frequently between £5,000 and £10,000. This limits options when considering a need to fund additional provision which could be delivered more cost-effectively than stepping to the next available banding level.
- no 'like-for-like' banding levels identified for assimilating existing EHCPs that were previously banded under the old system, leading to a tendency for plans to increase in cost without any evidence that provision funded by the top-up needs to increase.
- panel decisions on banding reflecting a culture of low expectation of schools' ordinarily available provision and SEND capacity.
- the matrix descriptors require reviewing to better take into account the age/stage of the CYP and other provision funded separately from top-up funding (such as Speech & Language Therapy and Berkshire Sensory Consortium packages)

Action taken to date

The following actions have been taken forward:

- a new Chair of SEND Panel (permanent member of staff) since April 2021 has ensured robust adherence to terms of reference and SEND Code of Practice (2015) ensuring transparency of decision-making and all decisions have been appropriately recorded and tracked.
- the membership of SEND Panel has widened to include regular contributions from head teachers and other agencies such as Adult Social Care and regular Health attendance.
- the SEND Commissioner (permanent post) attends the Panel weekly since May 2021 and this has enabled rigour and consistency in our approach to commissioning across cases and particularly with complex cases.
- the Triage process introduced in June 2021 has added a layer of quality assurance which ensures that all cases presented include the relevant and available evidence for the SEND Panel to make their decisions.

- proposals shared with Schools Forum in November 2021 to mitigate immediate risk of banding inflation at phase transfer. These proposals ensured that, where a CYP's needs were being met under the previous banding system, this banding would be maintained at phase transfer, rather than moving to the closest matrix banding, which would typically have incurred an increase of at least £1000 per EHCP. These were applied to all EHCPs amended as part of the September 2022 phase transfer process (from February 2022 onwards).
- the following assumptions have been applied to phase transfers from 2021-22, where appropriate to the need of the individual CYP:
  - most pupils leaving PVIs will transfer to mainstream primaries
  - most pupils leaving mainstream primaries will transfer to mainstream secondaries with same level of funding
  - most pupils with a primary RB place will transfer to mainstream secondary or mainstream secondary RB provision
  - most pupils in primary SEN units will transfer to maintained/academy special school
  - most pupils leaving mainstream secondaries will transfer to a local mainstream college placement
  - most pupils leaving special school will transfer to a higher cost college placement (i.e., not an ISP)

Impact to date

There has been considerable positive impact from the above actions:

- analysis of new assessments in the first 6 months of 2022-23, compared to the same period the previous year, shows that these have increased by 2.9% year-on-year in Slough. This is consistent with our overall prediction for a 3% rise in plans this year. Compared to our neighbours in SE19, this is a below average increase.
- the average cost of a newly issued plan has decreased from £11,086 in July-Sept 2020 to £8,478 in July-Sept 2022; this exceeds the savings figures set out in CR4 of the Management Plan.
- the proportion of newly issued plans designated mainstream as type has increased from 81% to 92% over the same period.

Ensuring Sustainability of Changes and Future Plans

The processes at the SEND Panel need to remain fully embedded to ensure ongoing rigour and transparency. Focus needs to remain on quality and outcomes for Children and Young (CYP) with SEND, while also having regard for the financial envelope. More detailed proposals on updating the banding matrix will go to Schools Forum in March 2023. This will ensure that:

- the existing models used by statistical neighbours and other South-East authorities are fully considered and benchmarked against Slough.

- descriptors are reviewed to ensure that decisions regarding banding accurately reflects the provision that the LA must fund through top-up in line with each EHCP.
- banding levels are set at appropriate increments to ensure a graduated response to need. At present, analysis indicates that, in the first 6 months of financial year 2022-23, the average banding increase for a plan where there has been a change of CYP's need has been £4,947 (28 instances during the period analysed). This is likely to reflect the £5,000 increments that the matrix has from band 6 onwards, which will be addressed in the new proposals.
- any EHCPs assimilated from previous system can be funded at a level which reflects provision required without arbitrary inflation due to a lack of 'like-for-like' banding increment.
- proposals are fully modelled both operationally and financially to ensure that needs are met while keeping regard to sustainability and the existing financial envelope.

5.2 Independent Non-Maintained Special School (INMSS)

Context

The Independent Non-Maintained Special School Providers and Independent Providers are used as provision for a small number of CYP who have, due to the complexity of their needs, not been successful within Maintained Provision or their needs are not able to be met within Maintained Settings. The number of these placements has historically been quite low in Slough but since 2018/19 these placements have increased, and their use has not necessarily been monitored or audited to ensure that they are meeting need and providing value for money. A small number of these placements can have a significant financial implication as a placement costing £50,000 per annum for secondary phase will cost potentially over £350,00 for the time the CYP is in the school. Particular issues are:

- projections in the DSG Management Plan indicate that, unmitigated, numbers in this sector will increase to 77 by 2025.
- the costs of these placements are growing, and it is important to ensure that CYP are only placed in these provisions if all local Maintained Provisions clearly cannot meet need and all other options have been exhausted.
- when auditing SEND Panel minutes, some of the decisions made lack transparency, other decisions have been made outside of the Panel so clear rationale is not always available as to why and how the decision was reached.
- it is apparent that for these placements the Commissioning arrangements have lacked rigour, and Contracts and Individual Placement Agreements have not always been in place with charges varying from young person to young person and agreements about uplifts or changes in prices being arbitrary.

Action taken to date

The following actions have been taken forward:

- panel processes are ensuring that only CYP whose needs cannot be met at local Maintained Provisions are being placed in INMSS.

- consultation processes are being strengthened and INMSS schools are only being consulted with where appropriate
- commissioning is being better informed and quality, appropriateness and value for money are the key considerations
- all children and young people attending Independent Non-Maintained Providers have been identified and at Annual Review all these cases are being audited to ensure this is the most appropriate placement to meet need.
- at key transitions consideration is given to whether these placements are still the most appropriate placement for the child or young person.
- all INMSS Providers have/are being met by the Group Manager for Inclusion and SEND Commissioner to review the cost of placements and to renegotiate costings if appropriate.
- Officers have compared the data against bench marking exercise which have occurred with other South East authorities, and we now know joint commissioning opportunities are likely to be limited across the South East as schools who are used frequently by other authorities are not ones Slough use. However, we are meeting with other east Berkshire authorities to potentially develop more locally effective commissioning and the potential of a Framework for INMSS is being explored.
- additional commissioned capacity is being developed within one of our maintained special schools to ensure that the needs of more complex, difficult to place CYP's can potentially be met.
- analysis of data for Phase Transfers in 2021 and 2022, with trends and key savings/pressures identified

Impact to date

There has been considerable positive impact from the above actions:

- the current number of CYP in these placements is reducing and there are fewer children in these provisions than we were projecting. For this year it was 67 and at the time of writing we have 59.

Ensuring Sustainability of Changes and Future Plans

It is important to reiterate that without continued scrutiny thorough SEND Panel process and rigour of decision making these numbers could very easily increase so Panel Processes are being further developed and there is now Health (SLT) and Social Care representation:

- the ongoing work with East Berkshire needs to develop to ensure more effective joint commissioning to better meet the "east berks' area" needs and to thus have more cost-effective placements and better joined up working and decision making. The local commissioning working is focussing on high-cost providers and how we can more effectively commission places and manage the market.
- the role of SEND Commissioning needs to continue to be developed and refined to ensure we can secure agreement with Providers around costings and

uplifts, also to ensure effective Contract management and ensuring Quality Indicators are met.

- benchmarking data from the Southeast demonstrates that our numbers are below those of our similar local authorities and we need to continue to ensure wherever possible not to use the INMSS sector for non-complex children
- when parents express a preference officers need to work with parents around the graduated response and most appropriate local setting to meet need. Highlighting Ofsted Outcomes of some local INMSS and Section 41 status so parents have a full understanding all the information to make an informed choice.

5.3 Post-16

Context

The Children and Families Act 2014 extended the age range for when an Education, Health and Care Plan can be secured. This has meant that where previously plans were ceased between the ages of 16-19 now Young People can continue to have a Plan if they have an unmet educational outcome. Slough like other Local Authorities has seen an increase in the numbers of Young People with EHCP's and this growth continues. With the increasing numbers the costs have also increased, and this is putting increasing pressure on the High Needs Block.

The data for this group of young people has been interrogated and it has become clear that there has been a lack of focus on Preparation for Adulthood. The Statutory Year 9 Reviews where the focus on transition planning occurs with other agencies have not always been carried out effectively. It has also highlighted that young people's plans have not always been ceased when their education has been completed meaning that the LA is still responsible for a Plan when the young person is not accessing provision and in some cases is over 25.

Since the introduction of EHCPs for 19-25 year-olds the service is now maintaining approximately 335 Post-16 EHCPs and if left unmitigated this number is projected to increase to over 450 by 2025. The Post-19 cohort have mainly accessed costly Independent Provisions and what has become clear through file audits is that many of the Young People are repeating the same entry level courses and there is no progression in their educational outcomes. For many of these young people, a lack of transition planning has meant delays in them moving to the next stage in their life and thus an increased cost of educational provision which has impacted on the High Needs Block over spend.

The all-age special school in Slough takes children from Early Years through to Post-16. Historically it has offered places to all young people in Year 14 (age 19) who have been in Year 13.

According to the DfE High Needs Funding 2021 to 22 Operational Guide (sections 226-227, p53-54), *there is an exception by which 19-year-olds with an EHCP can be funded in a school (rather than an FE institution, independent learning provider or special post-16 institution); this applies to 19-year-olds who are completing a secondary education course started before they were 18 years old.*

The practice to date has not been an exception and significant numbers have been attending a special school when they should be moving onto FE Provision.

Action taken to date

The following actions have been taken forward:

- data has been audited and all Post-16 Placements identified with costs.
- any EHCPs which may need to cease have reviews and actions underway to send cease to maintain letters.
- decisions at SEND Panel are ensuring that Young People's placements are agreed after taking into consideration the young person's aspirations but also ensuring quality of placements and value for money.
- decisions to continue to fund young people for the same courses in different institutions are being challenged and only agreed if it can be demonstrated that a key outcome is still to be achieved.
- individual placement costings are being scrutinised and where necessary being challenged.
- all placements now have a contract and an Individual Partnership Agreement (IPA) in place.
- all Year 14 placements are being scrutinised to ensure that there is an exceptional reason for why they need to stay in a school placement. Transition Plans at Years 9, 11 and 13 are being put in place to ensure that the assumption of Year 14 places in school are no longer the norm.
- all colleges have been met with to discuss both the Local Authorities and their Statutory duties toward Young People with EHCPs. These meetings are also allowing discussions around the importance of progression in courses and the need to have clear Transition Plans on leaving college.
- more effective commissioning arrangements are being discussed with other South-East LAs.
- more effective commissioning arrangements are being discussed with colleges and options to Commission bespoke courses for Slough children and young people are being investigated and costed
- work underway with SEND Officers and Enhance EHCP Plan writers to ensure consistent quality of Post 16 Plans particularly around the clarity of provision in Section F. To ensure that our range of college providers are able to deliver with confidence and all costings then can specifically reflect the updated Plan.

Impact to date

There has been considerable positive impact from the above actions:

- Where appropriate plans have been ceased and/or lower cost local alternative placements have been identified. This has enabled predicted cost reductions for 2021-22 and 22-23 to be met in full.

Ensuring Sustainability of Changes and Future Plans

- a transition group is being developed which will be chaired by the AD of Adults' Service and will work with all stakeholders including young people to ensure that clear pathways are in place to enable a smooth transition into other services if appropriate.
- it is important to reiterate that without continued thorough SEND Panel processes and rigour of decision making these numbers could very easily increase exponentially.
- working with Orchard Hill college (Specialist) and BCA and Langley College (part of the Windsor Forest Group WFG) to develop Proposals around a specific Provision to meet the needs of young people with social communication difficulties who have struggled to engage with the school curriculum in KS4/5. This has been identified as a Gap in the Local Offer and for some of these youngsters they have had their needs met in PRU Provision which has not always been successful in ensuring their future inclusion in mainstream colleges.
- a more detailed proposal of how this will look will be developed after further meetings. Both colleges are keen to engage with Slough and there may be a capitol bid related to this scheme.
- further development work with the WFG to look at development of the Foundation courses and increase in placements to meet more young people's needs locally is being planned. Further development round the BCA/Langley College SEND Offer.

5.4 Additional Resource Provisions (ARPs)

Context

Slough currently has 16 ARP's, 3 in nursery schools, 8 in primary schools and 5 in secondary schools. A review has identified that, particularly in the primary phase, a number of Slough's primary ARPs are functioning as SEN Units rather than Resource Bases (the DfE define a resource base as an ARP where the CYP have access to the mainstream classroom for at least 51% of the time; the amount of time in a mainstream classroom can be significantly lower than 51% in a SEN Unit). Auditing of the CYP's attending the ARP's suggests that there are some children placed in our special schools whose needs could be better met in an ARP, while at the same time there are a number of CYP in our ARPs whose needs would be best met in a designated SEN Unit or a special school.

Slough has become reliant on its ARPs to meet the needs of a significant number of CYP with complex needs. A contributing factor has been a lack of rigour applied to the process of consultations when EHCPs are first issued, and at subsequent phase transfer points. Service Level Agreements between the LA and ARPs were found upon review not to be consistently in place and where they did exist required significant updating.

Action taken to date

The following actions have been taken forward:

- increased scrutiny of which CYP are placed in Slough ARPs, to ensure that only CYP with an ARP identified in their EHCP are filling a commissioned place.
- two primary ARPs which are currently functioning as SEN Units have consulted to ensure that this status can be reflected in their SLA with Slough to ensure that CYP are placed appropriately.
- one small primary ARP (8 commissioned places) closed in July 2022 following a consultation with stakeholders, due to difficulty in sustaining delivery to the small number of complex CYP for which it had ARP capacity. New placements where required for September 2022 where required (this was of low impact overall as the number of CYP requiring alternative placement totalled 5)
- one ARP is to reduce from 60 by a decrease in 10-20 places over the next 2-3 years. This is as result of the proportion of statutory SEND CYP in relation to mainstream Published Admission Number (PAN) is becoming unsustainable, particularly as the school's PAN is due to decrease as part of Slough's place planning strategy.
- agreement made with our all-through special school to ensure that all our commissioned places are focused on years 0 to 13. Commissioning of Nursery and Year 14 exception placements will occur separately to maximise placements for CYP aged 4 to 18 years and in line with the High Needs Block Guidance.
- increase in SEND EHCP commissioned placements for September 2022 onwards within our secondary special school.
- SLAs have been re-drafted and scrutinised with legal advisors and sent to settings for consultation feedback
- The process of consulting with ARPs both when issuing new EHCPs and for phase transfers, has been made more robust to ensure full compliance with the SEND Code of Practice (2015)

Ensuring Sustainability of Changes and Future Plans

- Regular contract monitoring meetings, to monitor new SLAs
- newly embedded processes must be maintained to ensure compliance
- contract monitoring and data monitoring need to be considered when looking at future place planning within the SEND sector. Resilience built into system to ensure that additional places can be commissioned in our ARPs and special schools to address population changes in a timely manner (see Risk and Resilience section).

5.5 Alternative Education Provision

Context

All children and young people regardless of their circumstances are entitled to a full-time education. For most this will be within a school setting however for some they will not be able to access these settings due to illness, social emotional mental health needs or because they have been excluded either temporarily or permanently.

The DfE defines alternative provision as:

- *education arranged by local authorities for pupils who, because of exclusion, illness or other reasons, would not otherwise receive suitable education.*
- *education arranged by schools for pupils on a fixed term exclusion.*
- *pupils being directed by schools to off-site provision to help improve their behaviour.*

The Local Authority has a statutory duty to provide education from the 6th day of a permanent exclusion. In Slough this provision is provided by Littledown School for primary children and by Haybrook Alternative Provision (AP) Academy for Secondary aged young people.

Historically, Slough has commissioned and funded a significant amount of non-statutory places at both Littledown and Haybrook AP Academy which have been used by schools under the label of early intervention. The funding for these places has come from the High Needs Block and has been in excess of £1.5 million. The cost for these places has been 30-50% above the £10,000 per commissioned place. Though there is some data available, it is difficult to demonstrate the outcomes of these places and the impact for such a high spend.

The Alternative Education market needs to reflect a far broader offer. Providing one/two-day provision, on and off-site provision covering a range of both vocational and community-based activities.

Action taken to date

The following actions have been taken forward:

- the LA has reviewed benchmarking data from different authorities all whom have differing models. Most provide the minimum statutory provision (6th day following a permanent exclusion) and some preventative places where schools either fund the majority of the place or fund top up above the £10,000 base funding. The numbers for these preventative places are significantly lower than those provided by Slough.

- unusually, Slough has not got a strong alternative education offer within a broader market, unlike some of the other authorities in the South-East, and this appears to be due mainly to the fact that the LA has fully funded full time AP places at Haybrook and Littledown so schools have not needed to look elsewhere to purchase or fund their AP Provision. The model of AP provided in Slough fails to have regard for the DfE definition of AP with the vast majority of costs being borne by the LA as opposed to Schools.

- the existing model is not sustainable and cost reductions have been put forward around a more manageable costing to reflect the LA's Statutory Responsibilities around Permanent Exclusions. Cost Reductions have been proposed over a three-year period to mitigate impact and allow the schools to develop other models of delivery with schools.

- discussions have started with both existing AP Providers. This area requires significant systemic change.

Impact to date

There has been considerable positive impact from the above actions:

- Actions implemented to reduce commissioned numbers have achieved a cost reduction of £538k for the year 2022-23, and projected savings for the project overall are set out in Table 3 below.

Ensuring Sustainability of Changes and Future Plans

AP costs in Slough are likely to remain disproportionately high compared to our statistical neighbours unless there is a strong, clear strategy which highlights Academies and Maintained Schools' statutory responsibilities toward vulnerable CYP.

The development of a stronger market for AP Providers from different sectors would allow for a better range of vocational options for children, young people and their families and would introduce an element of competition to the market for schools and the LA

Current proposals to reduce LA-commissioned places over the next 3 years will deliver the following savings:

Table 4 – Projected Cumulative Savings

£'000	22/23	23/24	24/25	25/26	26/27	Total
Saving	538	1,109	1,329	1,329	1,329	5,634

6. Risks

6.1. General Risks

- **Financial** – High Needs budget could continue to experience escalating cost pressures due to a continued increase in demand for EHCPs and top up funding and complexity of need which can only be met in the independent sector. Cost Reductions are not as high as estimated, increase demand leading to increase commissioning of places, increased costs linked to addressing increase legal challenge.
- **Service Delivery** – Challenges around sufficiency of the market. Turnover of staff impacting on workforce capacity and skill set,
- **Reputational** – Increase in Corporate complaints, dissatisfaction among stake holders, negative publicity.
- **Legal/Regulatory** - increased risks of legal challenge by way of appeal and judicial review and increased risk of complaints to the Local Government and Social Care Ombudsman.
- **Economic** – Unanticipated changes in demographics and cost of living/ inflationary pressures. Risks to jobs and workforce if cost reductions are made to quickly and too soon.

6.2. **Mitigations**

The following mitigations have been identified to date and are being implemented to ensure that, should the risks above arise, any impacts have been anticipated and can be managed.

6.2.1. Alternative Education Provision

There is significant stake holder scrutiny around this project (particularly head teachers.) There is a three-year Plan in place and the project is in Year 1 now; savings have already been achieved within timescale. Mitigations in place are a Project Group led by the SEND Commissioner and this group will run for the next three years. This will ensure any issues and areas of concern are addressed. New ways of working are being developed which moves the emphasis on commissioning AP Provision to the school rather than Stake Holders viewing the Local Authority as the sole Commissioner. The LA will continue to meet its Statutory duty for six-day provision for permanently children and some preventative placements allocated via a multi-agency panel.

Any unplanned significant change in demand will be addressed through our resilience planning below.

6.2.2. Post 16 Provision

The main risk within the Post 16 Sector at present is the merger of BCA College to become a part of the Windsor Forest Group. This means that Slough is now the host Authority and commissions places across the Group. There have been several meetings to ensure that Slough commission the correct number of places for the group across the local area. Further meetings are occurring with all Berks and Bucks LAs to ensure we can work together to have more effective place planning. It has been identified that ongoing work is required at phase transfer for Years' 9, 11 and 13/14 to ensure that young people's pathways are appropriate for achieving their preparation for adulthood (PfA) outcomes; mitigations include the bolstering of SEND team staff in a dedicated Post-14 team, to focus on PfA and effective phase transfer processes. Potential capital projects are also being explored to increase of range of placements and accessible pathways.

Any unplanned significant change in demand will be addressed through our resilience planning below.

6.2.3. Managing demand (EHCNAs/EHCPs)

Mitigations here are inbuilt and based on rigorous process and decision-making, which is already seeing an impact. In addition, there is potential for capital projects to support commissioning of places as population fluctuates (this is anticipated and planned for), and these are being incorporated into the current draft of the Council's Place Planning Strategy (draft to be scrutinised at next Cabinet meeting).

6.2.4. Inflation

The High Needs block mainly funds pupil placements in schools and further education establishments, and this represents 81.25% of total forecast expenditure. This expenditure is split between base funding of £10,000 per pupil and top-up funding. The base funding has been flat for the last couple of years and has not attracted any inflationary increases. Top-up funding in Slough BC represents some of the highest payments to providers than anywhere else within England. One of our key cost reductions is focused around reducing top-up funding to all providers, therefore, it would not be appropriate to add inflationary increases to funding we want to reduce. Expenditure on the remaining 18.75% of High Needs expenditure should attract inflationary increases. We are forecasting 4% inflation in 2023-24 and 2% in subsequent years.

7. Resilience

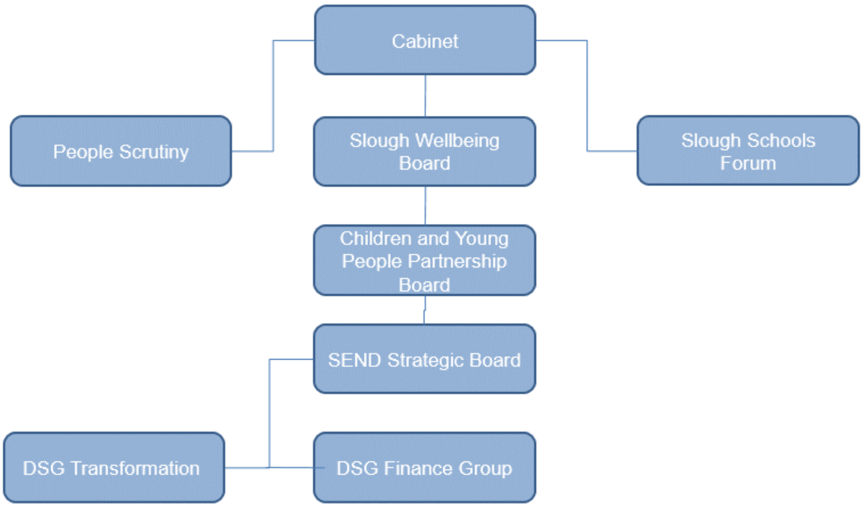
7.1. The projects to reduce costs within the current plan have been carefully considered and interrogated to ensure sustainability, minimal impact on service delivery wherever possible, and best potential outcome for value and managing costs. The pace and amount has been planned to ensure stability of the workforce and continuity for stakeholders – any acceleration would need to treated with caution, due to the risk of destabilising the plan as a whole; many of the projects involve mechanisms that interlink and interact upon one another.

7.2. To develop our resilience there is capacity within the plan for a centrally retained amount of places (up to 50), which can be allocated during the lifetime of the plan should demand increase beyond our planned projections. There are also aspects of the Council's centrally retained budget, which fund non-statutory services and posts, which can be drawn upon should there be an unplanned significant change in demand which needs to be addressed. This gives further assurance that we can meet cost reduction targets, though use of this mechanism may impact wider service delivery within the People (Children's) directorate.

7.3. All cost reduction projects within the plan have detailed, year-on-year actions and outcomes outlined; this ensures that any staff new to the organisation are clear on project progress and next steps. There are succession plans in place for key roles, including the roles of commissioning and finance as well excellent work being carried out on recording procedures, systems and processes. SEND, commissioning and finance have worked collaboratively in the formulation of this plan and will continue to do so throughout its implementation. The council has also committed addition general funding to permanent posts within the SEND team to support implementation.

8. Governance

8.1. The following governance structure has been implemented to ensure there is oversight of the delivery of the DSG Management Plan:



8.2. DSG Finance Group: meets weekly and is chaired by the Section 151 Finance Officer and provides assurance that actions to deliver the DSG plan is on track and provides financial reports to track impact.

8.3. DSG Transformation Board; meets monthly and is jointly chaired by Section 151 Officer and the Executive Director People Children. Membership also includes chair of school forum, Frimley Clinical Commissioning Group, Slough Children Trust Ltd, parent voice, Adult Social Care and Parent/Carer Forum. This Board will provide challenge and oversight of the DSG Management Plan and links to improving SEND outcomes

9. Implications of the Recommendation

9.1 Financial implications

The financial implications are discussed throughout this report.

9.2 Legal implications

4.2.1 Under the Education Act 1996, the Council has a statutory duty to ensure that sufficient schools are available for primary and secondary education. Under s.19 of the 1996 Act the Council has a duty to make arrangements for the provision of suitable education at school or otherwise than a school for those children of compulsory school age, who by reason of illness, exclusion from school or otherwise may not for any period receive suitable education unless such arrangements are made for them.

4.2.2 The Children and Families Act 2014 created a new framework for supporting CYP with special educational needs, including the introduction of Education, Health and Care Plan (EHCP) and extending the age range for special educational provision. The SEND Code of Practice (2015) contains guidance that Local Authorities have to adhere to. As part of its place planning duties the Council should ensure sufficient schools are available for children with special educational needs. The statutory framework and guidance requires local authorities to:

- consider the views of children, young people, and families.

- enable children, young people, and parents to participate in decision making.
- collaborate with partners and stakeholders in education, health and social care to provide support.
- early identification of children and young people’s needs.
- inclusive practice and removing barriers to learning.
- help children and young people prepare for adulthood

4.3 Risk management implications

4.3.1 The following are identified risks to the delivery of the action plans and the cost reduction measures:

- High Needs budgets would continue to experience escalating cost pressures due to continued increase demand for EHCNAs. This would further compound an unsustainable position for the LA.
- increasing placements in independent non-maintained special schools at higher costs to the LA
- risk that demands / growth in pupils with EHCPs may increase at a higher rate than planned or forecast.
- slippage and delay in the delivery of the above actions or measures which would negatively impact on funding forecasts It is imperative that there are strong governance arrangements in place to ensure the effective delivery of the DSG Management Plan which is dependent on the actions of partners across the SEND system including education, health and care partners.

4.4 Environmental implications

Not applicable

4.5 Equality implications

4.5.1 The DSG Management plan will support the local authority to continue to meet its statutory functions and to improve and develop new and existing systems and processes. This will impact positively on children and people with SEND and their families – it is an opportunity to improve co-production with parents and young people, decision making, transparency and equity of service delivery.

4.5.2 The Management Plan will exclusively help towards improving the educational experience of children and young people with a protected characteristic as defined by the Equality Act 2010 through placing the onus on equipping local mainstream and special schools to best meet their needs,

4.5.3 An Equalities Impact Assessment will be completed for each identified cost reduction if appropriate and required.

4.6 Procurement implications

4.6.1 Officers are exploring the procurement implications for the DSG Management Plan and will be subject to Cabinet reports if necessary to ensure alignment to the councils contractual procedural rules and the Public Contract Regulations 2015 (amended).

4.6.2 Several options will be considered to ensure best value and where appropriate, competition. In accordance with the SEND code of Practice, service provision will be offered in a wide and flexible manner to meet the needs of children and young people with special education needs and disabilities, this may be direct payments to increase personal choice.

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4.7 Workforce implications

Not applicable

4.8 Property implications

Not applicable

5. Background Papers

Update on Dedicated Schools Grant Management Plan – March 2022

SLOUGH BOROUGH COUNCIL

REPORT TO:	Council
DATE:	9th March 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
PORTFOLIO:	Cllr Anderson – Financial Oversight, Council Assets and Performance
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
F	Insights into Slough
G	Summary of 2023/24 Budget Scrutiny
G2	Overview & Scrutiny Minutes 23.02.23

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:

1.1. The following is recommended to Council:

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

7. Approves that time-limited funding for IT and Council-wide transformation projects budgeted in 2022/23 and set out in the capitalisation direction model shared with DLUHC in February 2023 will remain available in 2023/24 where not fully spent.

8. Approves that services will submit a formal business case to Finance by 30 June 2023 confirming their request and the amount for any underspends to be rolled forward from 2022/23 into 2023/24 and that these requests be subject to Cabinet and Finance Commissioner approval.

9. Approves that services may extend agency staff and contractors critical to the delivery and continuity of their service beyond 31 March 2023, subject to having available budget.

1.2. 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 G

13. Approve the process for access to contingency as set out in paragraphs 2.16.64 to 2.16.69

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. 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 does 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 F 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 which 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

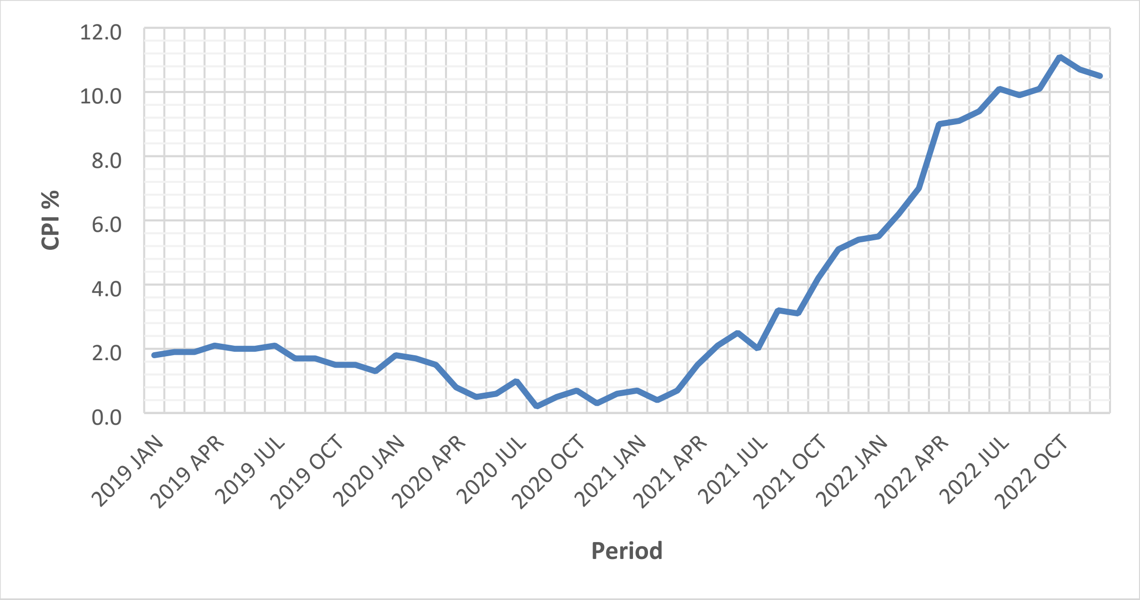
1.5.9. Contrasts between the relatively benign GDP forecasts in March 2022 and the more recent forecasts show the impact that inflation and supply-side constraints (e.g. labour force) is having on the economy.

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 team as we transition further to a self-service operational model supported by staff from other services
- 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 team 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 meanwhile 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 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.

Strategy & Improvement

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 from 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, 19/20, 20/21, 21/22 (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.

People (Adults)

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.

People (Children)

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.

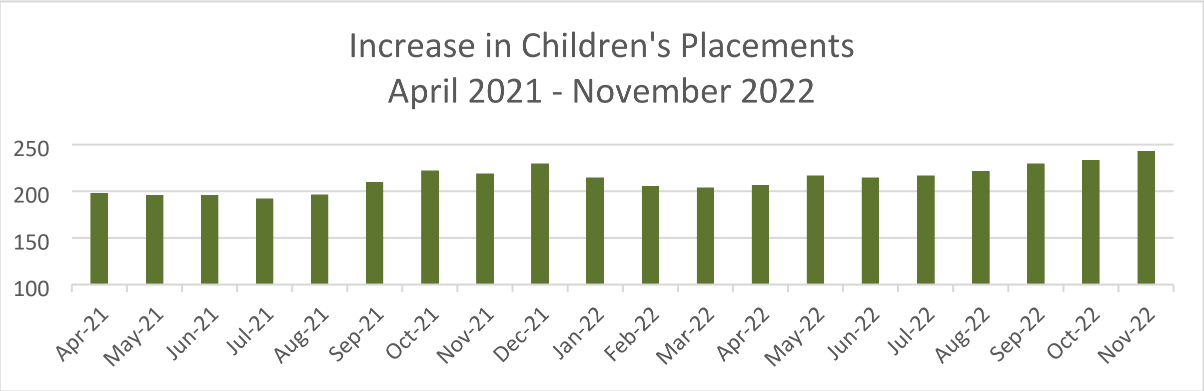
1.7.87. The company was previously Slough Children's Services Trust and the contractual arrangement has been in place since October 2015, under the direction of the DfE when Slough Children's Services were judged as Inadequate. Services are now judged to be Requires Improvement.

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. Flexible Use of Capital Receipts Strategy

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. Housing Revenue Account

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. Assurance

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.

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 shareholders agreements have been 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 shareholders 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 to Bellway in October 2022. The sale is expected to exchange in February 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 net receipt to the Council is 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.

Costs and funding

1.16.37. Total remediation costs are now estimated to be in the region of £28m (previously estimated to be £20m as at March 2022). The increase in costs is predominantly due to additional structural issues that were identified following the removal of cladding, which requires additional works to be completed before the cladding can be replaced. This has added significant delays to the programme of works and all works are now expected to be completed by October 2024. The additional structural works have now been fully identified and costed and all costs have been reviewed by Artelia on behalf of the Council.

1.16.38. The Council successfully negotiated grant funding of £9.3m from Homes England for “eligible development costs” associated with the cladding works and the Grant Funding Agreement (GFA) was signed in March 2022. £6.6m has been drawn down under the agreement (up to December 2022) and discussions are taking place between GRE5 and Homes England with regards to additional grant funding for the additional structural works that have recently been identified and have contributed to the cost increase.

1.16.39. GRE5 is currently engaged in legal proceedings with the building’s warranty provider. The insurance claim is ongoing and the timing and amount of the final settlement is uncertain although an outcome is expected in FY 23/24. To date the warranty provider, Allianz, has made a part payment towards GRE5’s legal fees of £0.2m. A Case Management Conference (CMC) has been set for March 2023, and work is ongoing in preparation for this. A date for court proceedings will be set at the CMC. Advisors on both sides are currently engaged in reviewing information and responding to technical queries.

1.16.40. The GFA with Homes England states that grant funding may be subject to clawback, if the legal case is successful. Any potential grant clawback would be agreed between Homes England and GRE5 following the outcome of the legal claim. The maximum financial exposure to GRE5, and therefore the Council as 100% shareholder, is up to £19.1m (£28.4m costs less £9.3m Homes England grant which would not be subject to clawback if the legal case was not successful). However, this financial exposure is expected to be further reduced if additional grant funding can be agreed for the structural works. This does not take into account any monies that may be recoverable from leaseholders – this is considered further within the March Cabinet Paper. The Council’s maximum financial exposure could be less than the value of its loans to GRE5.

1.16.41. In July 2021, the Council approved a loan facility to GRE5 of up to £10m to meet its short-term liabilities and cash flow requirements based upon an expected court date in FY 22/23. The Council’s Budget for FY 23/24 includes an additional loan facility of up to £5m (excluding interest) to enable GRE5 to continue with the works programme and to address month to month cash flow requirements, in advance of the outcome of the legal proceedings. The details to support this additional loan facility will be set out in the March Cabinet Paper. The peak loan facility requirement will be dependent upon the value of any additional grant funding agreed with Homes England, the outcome and timing of the legal case and timing of any associated financial payments as a result of the case.

1.16.42. This is a high risk project – project costs may increase especially if the works programme is further delayed, the Council’s loan may never be fully repaid, the insurance claim may be unsuccessful or may result in a sub-optimal financial settlement, leaseholders will not be liable for all of the unfunded costs (the Housing Safety Bill has limited the liability of qualifying leaseholders to £10k). GRE5 is obtaining legal advice with regards to the implications of the Housing Safety Bill, as they are currently known/expected, and this will be incorporated into future financial plans.

1.16.43. It is anticipated that the Council will exit GRE5 following the completion of all works and the outcome of the legal case. The exit is likely to be based upon the sale of GRE5 Ltd and/or the freehold lease. Legal advice will be obtained in relation to tenants rights under the Landlord and Tenant Act 1987. An exit is expected to take place in FY 24/25 based on the current programme.

JEH

Overview

1.16.44. 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.

1.16.45. 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.

1.16.46. 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.

1.16.47. 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.

1.16.48. 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.

1.16.49. 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).

1.16.50. 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.

1.16.51. 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.

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

1.16.53. 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

1.16.54. 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.

1.16.55. 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.

1.16.56. 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.

1.16.57. 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.

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

Pay Policy Statement

1.16.59. 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.

1.16.60. The proposed statement will be brought forward separately.

Expenditure Control Panel

1.16.61. 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.

1.16.62. 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.

1.16.63. 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

1.16.64. 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.

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

1.16.66. 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.

1.16.67. 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

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

1.16.69. 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 G. 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.

1.18.8. 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.

1.19. Risk management implications

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: 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.	6	Budget monitoring process and regular reporting on achievement of budget and savings
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.

1.20. Environmental implications

1.20.1. 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

Appendix A1 – 2023/24 Budget Summary

	2022/23 Working Budget	Virements	Growth and Pressures	Net Savings	Corporate Adjustments	Net Funding Changes	Reduction in Capitalisation Direction	2023/24 Proposed Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Service Budgets:								
People (Adults)	26,525	0	0	(5,688)	0	(4,200)	0	16,637
People (Children)	8,047	0	615	(805)	(38)	0	0	7,819
Slough Children First	31,435	0	4,632	0	0	0	0	36,067
Place & Community	17,324	62	529	(3,700)	(562)	0	0	13,653
Housing, Property and Planning	(845)	(62)	5,812	(750)	(415)	0	0	3,740
Strategy & Improvement	17,648	0	130	(1,823)	(2,487)	0	0	13,468
Finance & Commercial	8,769	(100)	0	(7,506)	2,867	166	0	4,196
Total Service Budgets	**108,903**	**(100)**	**11,718**	**(20,272)**	**(635)**	**(4,034)**	**0**	**95,580**
Corporate Budgets:								
Other Corporate Budgets	37,354	100	500	(2,150)	(12,918)	(34)	0	22,851
Pension Deficit	5,014	0	0	0	0	0	0	5,014
Minimum Revenue Provision	32,100	0	0	0	(18,707)	0	0	13,393
Capital Financing	6,039	0	0	0	500	0	0	6,539
Total Corporate Budgets	**80,507**	**100**	**500**	**(2,150)**	**(31,125)**	**(34)**	**0**	**47,797**
Total Expenditure	**189,410**	**0**	**12,218**	**(22,422)**	**(31,760)**	**(4,068)**	**0**	**143,377**
Funded By:								
Council Tax Income	(65,103)	0	0	0	343	(6,657)	0	(71,417)
Council Tax (Surplus) / Deficit	(300)	0	0	0	0	(1,278)	0	(1,578)
Business Rates - Local Share	(37,326)	0	0	0	0	(1,103)	0	(38,429)
Business Rates (Surplus) / Deficit	8,451	0	0	0	0	(613)	0	7,838
Revenue Support Grant	(6,451)	0	0	0	0	(851)	0	(7,302)
Other Government Grants	(4,626)	0	0	0	0	3,712	0	(914)
Capitalisation Direction	(84,055)	0	0	0	0	0	52,480	(31,575)
Total Funding	**(189,410)**	**0**	**0**	**0**	**343**	**(6,790)**	**52,480**	**(143,377)**
General Fund Balanced Budget	**0**	**0**	**12,218**	**(22,422)**	**(31,417)**	**(10,858)**	**52,480**	**0**

Appendix A2 – Directorate Budget Summary - People (Adults)

People (Adults)	2022/23 Working Budget	Virements	Growth and Pressures	Net Savings	Corporate Adjustments	Net Funding Changes	Reduction in Capitalisation Direction	2023/24 Proposed Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure:								
Employees	12,578	0	0	(300)	0	0	0	12,278
Premises-Related Expenditure	385	0	0	(100)	0	0	0	285
Supplies & Services	42,788	0	0	(5,288)	0	0	0	37,500
Third Party Payments	3,422	0	0	0	0	0	0	3,422
Transport-Related Expenditure	2	0	0	0	0	0	0	2
Total Expenditure	**59,175**	**0**	**0**	**(5,688)**	**0**	**0**	**0**	**53,487**
Income:								
Government grants	(17,232)	0	0	0	0	(4,200)	0	(21,432)
Grants and contributions	(16)	0	0	0	0	0	0	(16)
Sales	0	0	0	0	0	0	0	0
Fees and Charges	(13,951)	0	0	0	0	0	0	(13,951)
Rent	0	0	0	0	0	0	0	0
Internal Recharges	(1,451)	0	0	0	0	0	0	(1,451)
Total Income	**(32,650)**	**0**	**0**	**0**	**0**	**(4,200)**	**0**	**(36,850)**
Net Expenditure	**26,525**	**0**	**0**	**(5,688)**	**0**	**(4,200)**	**0**	**16,637**

Appendix A2 – Directorate Budget Summary - People (Children)

People (Children)	2022/23 Working Budget	Virements	Growth and Pressures	Net Savings	Corporate Adjustments	Net Funding Changes	Reduction in Capitalisation Direction	2023/24 Proposed Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure:								
Employees	7,055	0	127	(210)	0	0	0	6,972
Supplies & Services	80,747	0	120	0	0	0	0	80,867
Premises-Related Expenditure	361	0	0	0	0	0	0	361
Third Party Payments	5,945	0	0	0	0	0	0	5,945
Transport-Related Expenditure	3,692	0	0	(595)	0	0	0	3,097
Total Expenditure	**97,800**	**0**	**247**	**(805)**	**0**	**0**	**0**	**97,242**
Income:								
Government grants	(85,234)	0	120	0	0	0	0	(85,114)
Grants and Contributions	0	0	0	0	0	0	0	0
Sales	0	0	0	0	0	0	0	0
Fees and Charges	(1,560)	0	0	0	(38)	0	0	(1,598)
Rent	(22)	0	0	0	0	0	0	(22)
Internal Recharges	(2,937)	0	248	0	0	0	0	(2,689)
Total Income	**(89,753)**	**0**	**368**	**0**	**(38)**	**0**	**0**	**(89,423)**
Net Expenditure	**8,047**	**0**	**615**	**(805)**	**(38)**	**0**	**0**	**7,819**

Appendix A2 – Directorate Budget Summary - Slough Children First

Slough Children First	2022/23 Working Budget	Virements	Growth and Pressures	Net Savings	Corporate Adjustments	Net Funding Changes	Reduction in Capitalisation Direction	2023/24 Proposed Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure:								
Supplies & Services	31,435	0	4,632	0	0	0	0	36,067
Total Expenditure	**31,435**	**0**	**4,632**	**0**	**0**	**0**	**0**	**36,067**

Appendix A2 – Directorate Budget Summary - Place & Community

Place & Community	2022/23 Working Budget	Virements	Growth and Pressures	Net Savings	Corporate Adjustments	Net Funding Changes	Reduction in Capitalisation Direction	2023/24 Proposed Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure:								
Employees	16,356	760	0	(402)	0	0	0	16,714
Premises-Related Expenditure	1,456	0	0	(125)	5	0	0	1,336
Transport-Related Expenditure	3,724	(5)	0	(460)	0	0	0	3,259
Supplies & Services	27,024	(866)	0	(1,615)	0	0	0	24,543
Third Party Payments	280	0	0	0	0	0	0	280
Depreciation and Impairment Losses	686	0	0	0	0	0	0	686
Total Expenditure	**49,526**	**(111)**	**0**	**(2,602)**	**5**	**0**	**0**	**46,818**
Income:								
Government grants	(2,594)	349	0	0	0	0	0	(2,245)
Grants and contributions	(940)	0	0	0	0	0	0	(940)
Sales	(8)	0	0	0	0	0	0	(8)
Fees and Charges	(9,544)	(176)	529	(1,098)	(564)	0	0	(10,853)
Rent	(35)	0	0	0	(3)	0	0	(38)
Internal Recharges	(19,081)	0	0	0	0	0	0	(19,081)
Total Income	**(32,202)**	**173**	**529**	**(1,098)**	**(567)**	**0**	**0**	**(33,165)**
Net Expenditure	**17,324**	**62**	**529**	**(3,700)**	**(562)**	**0**	**0**	**13,653**

Appendix A2 – Directorate Budget Summary - Housing, Property and Planning

Housing, Property and Planning	2022/23 Working Budget	Virements	Growth and Pressures	Net Savings	Corporate Adjustments	Net Funding Changes	Reduction in Capitalisation Direction	2023/24 Proposed Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure:								
Employees	9,321	(190)	0	(26)	(57)	0	0	9,048
Premises-Related Expenditure	9,533	0	1,012	(696)	(91)	0	0	9,758
Transport-Related Expenditure	149	0	0	0	0	0	0	149
Supplies & Services	57	(47)	0	(28)	(9)	0	0	(27)
Third Party Payments	8	0	0	0	0	0	0	8
Depreciation and Impairment Losses	0	0	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0	0
Total Expenditure	**19,068**	**(237)**	**1,012**	**(750)**	**(157)**	**0**	**0**	**18,936**
Income:								
Government grants	(190)	0	0	0	0	0	0	(190)
Grants and contributions	(355)	0	0	0	0	0	0	(355)
Sales	0	0	0	0	0	0	0	0
Fees and Charges	(3,361)	175	0	0	(258)	0	0	(3,444)
Rent	(11,326)	0	4,800	0	0	0	0	(6,526)
Internal Recharges	(4,681)	0	0	0	0	0	0	(4,681)
Total Income	**(19,913)**	**175**	**4,800**	**0**	**(258)**	**0**	**0**	**(15,196)**
Net Expenditure	**(845)**	**(62)**	**5,812**	**(750)**	**(415)**	**0**	**0**	**3,740**

Appendix A2 – Directorate Budget Summary - Strategy & Improvement

Strategy & Improvement	2022/23 Working Budget	Virements	Growth and Pressures	Net Savings	Corporate Adjustments	Net Funding Changes	Reduction in Capitalisation Direction	2023/24 Proposed Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure:								
Employees	10,524	0	50	(1,060)	315	0	0	9,829
Premises-Related Expenditure	48	0	0	(6)	0	0	0	42
Transport-Related Expenditure	7	0	0	0	0	0	0	7
Supplies & Services	8,576	0	0	(756)	(2,765)	0	0	5,055
Third Party Payments	321	0	80	0	0	0	0	401
Depreciation and Impairment Losses	0	0	0	0	0	0	0	0
Total Expenditure	**19,476**	**0**	**130**	**(1,822)**	**(2,450)**	**0**	**0**	**15,334**
Income:								
Government grants	(76)	0	0	0	0	0	0	(76)
Grants and contributions	0	0	0	0	0	0	0	0
Sales	0	0	0	0	0	0	0	0
Fees and Charges	(460)	0	0	(1)	(37)	0	0	(498)
Rent	0	0	0	0	0	0	0	0
Internal Recharges	(1,292)	0	0	0	0	0	0	(1,292)
Total Income	**(1,828)**	**0**	**0**	**(1)**	**(37)**	**0**	**0**	**(1,866)**
Net Expenditure	**17,648**	**0**	**130**	**(1,823)**	**(2,487)**	**0**	**0**	**13,468**

Appendix A2 – Directorate Budget Summary - Finance & Commercial

Finance & Commercial	2022/23 Working Budget	Virements	Growth and Pressures	Net Savings	Corporate Adjustments	Net Funding Changes	Reduction in Capitalisation Direction	2023/24 Proposed Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure:								
Employees	10,088	0	0	(2,339)	1,200	0	0	8,949
Premises-Related Expenditure	15,535	0	0	0	0	0	0	15,535
Transport-Related Expenditure	0	0	0	0	0	0	0	0
Supplies & Services	5,711	(100)	0	(3,900)	400	0	0	2,111
Third Party Payments	252	0	0	0	0	0	0	252
Transfer Payments	35,025	0	0	0	0	0	0	35,025
Total Expenditure	**66,611**	**(100)**	**0**	**(6,239)**	**1,600**	**0**	**0**	**61,872**
Income:								
Government grants	(50,005)	0	0	(350)	350	166	0	(49,839)
Grants and contributions	(213)	0	0	0	0	0	0	(213)
Sales	0	0	0	0	0	0	0	0
Fees and Charges	(2,647)	0	0	(917)	917	0	0	(2,647)
Rent	(97)	0	0	0	0	0	0	(97)
Interest and Investment Income	0	0	0	0	0	0	0	0
Internal Recharges	(4,880)	0	0	0	0	0	0	(4,880)
Total Income	**(57,842)**	**0**	**0**	**(1,267)**	**1,267**	**166**	**0**	**(57,676)**
Net Expenditure	**8,769**	**(100)**	**0**	**(7,506)**	**2,867**	**166**	**0**	**4,196**

Appendix A3 - Growth and Pressures

Directorate	Item	2023/24 £000
People (Children)	SEND Team	127
People (Children)	Reduction in grant income	120
People (Children)	Reduction in recharge income	248
People (Children)	Other pressures	120
Sub-Total		**615**
Slough Children First	Growth and pressures	4,632
Sub-Total		**529**
Place & Community	Unachievable management fee income	529
Sub-Total		**529**
Housing, Property and Planning	Unachievable savings	1,300
Housing, Property and Planning	Reduction in commercial rent	3,500
Housing, Property and Planning	Energy pressures	1,012
Sub-Total		**5,812**
Strategy & Improvement	Pressures related to coroner’s service	80
Strategy & Improvement	Staffing pressures	50
Sub-Total		**130**
Corporate Budgets	Creation of provision	500
Sub-Total		**500**
Total Growth & Pressures		**12,218**

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Appendix A4 - 2023/24 Proposed Savings by Directorate

Directorate/Service	Ref	Savings Description	Total £000's	Cabinet decision
People (Adults)				
People (Adults)	ASC-2324-08	Reablement Efficiencies	(650)	Yes - Oct 2022
People (Adults)	ASC-2324-08	Accomodation with Support	(652)	Yes - Oct 2022
People (Adults)	ASC-2324-08	Joint Funding	(330)	No
People (Adults)	ASC-2324-08	Practice and Process Development	(810)	Yes - Oct 2022
People (Adults)	ASC-2324-10	Better use of Disabled Facilities Grant and equipment	(100)	No
People (Adults)	ASC-2324-09	Align and integrate the range of ASC and PH services with the NHS and/or across East Berks Councils/better use of PH Grant	(250)	TBC
People (Adults)	ASC-2324-08	Mental Health	(500)	Yes - Oct 2022
People (Adults)	ASC-2324-08	Transitions	(400)	No
People (Adults)	ASC-2324-08	Diverting demand	(270)	No
People (Adults)	ASC-2324-08	Review of hospital discharge/6-week review	(350)	No
People (Adults)	ASC-2324-08	Financial Assessments	(150)	No
People (Adults)	ASC-2324-08	Direct Payment recoupment	(200)	No
People (Adults)	ASC-2324-08	Levying the OPG determined charge rate	(100)	No
People (Adults)	ASC-2324-08	Further cost reductions, efficiencies and vacancy factor	(300)	No
People (Adults)	ASC-2324-55	Assistive Technology	(420)	No
People (Adults)	ASC-2324-56	Reduce Block Beds	(206)	No
People (Adults) Total			**(5,688)**	
People (Children)				
People (Children)	CHS-2324-27	Home to School Transport - various initiatives to reduce spend	(595)	Yes - Oct 2022
People (Children)	CHS-2324-49	Education & Inclusion Staff Restructure	(210)	Yes - TBC
People (Children) Total			**(805)**	

Directorate/Service	Ref	Savings Description	Total £000's	Cabinet decision
Housing, Property & Planning				
Housing, Property & Planning	HP-2324-40	Reduce spend on repairs and maintenance at Corporate Buildings	(280)	Yes - Feb 2023
Housing, Property & Planning	HP-2324-41	Reduce spend on cleaning at Corporate Buildings	(200)	Yes - Feb 2023
Housing, Property & Planning	HP-2324-42	Corporate Contract efficiencies	(50)	No
Housing, Property & Planning	HP-2324-12	Savings from reduction in building management costs	(100)	No
Housing, Property & Planning	HP-2324-64	Savings from additional efficiencies in facilities management	(100)	No
Housing, Property & Planning	HP-2324-40	Reduce spend on repairs and maintenance at Corporate Buildings	(20)	No
Housing, Property & Planning Total			**(750)**	

Place & Community				
Place & Community	PL-2324-01	Reduce staff costs in Planning Development	(100)	No
Place & Community	PL-2324-02	Adopt fortnightly waste collections	(424)	Yes - Sep 2022
Place & Community	PL-2324-03	Chalvey HWRC Management Fee	(40)	No
Place & Community	PL-2324-04	Borough Wide Controlled Parking Zones	(200)	Yes - Feb 2023
Place & Community	PL-2324-05	Dimming of streetlighting and park lighting after midnight	(25)	Yes - TBC
Place & Community	PL-2324-06	Stop Bus Subsidy - Service 4, 5 and 6	(160)	No
Place & Community	PL-2324-07	Government tapering of concessionary fares	(300)	No
Place & Community	PL-2324-19	Library Service model	(276)	Yes - Feb 2023
Place & Community	PL-2324-20	Improve Trade Waste Business	(10)	No
Place & Community	PL-2324-22	Increase charges for Parking permits	(48)	No
Place & Community	PL-2324-23	Streetworks Section 50 licences	(35)	No
Place & Community	PL-2324-24	Streetworks Road Closure fees	(65)	No
Place & Community	PL-2324-25	Transport and Highways grant swap	(1,071)	No
Place & Community	PL-2324-36	Green waste collection charges	(700)	Yes - Jul 2022
Place & Community	PL-2324-37	Reduce Highways maintenance works	(100)	No
Place & Community	PL-2324-38	All leisure services to be externally funded	(20)	No
Place & Community	PL-2324-46	Stop SBC funded CCTV Monitoring of public spaces	(26)	Yes - Feb 2023
Place & Community	PL-2324-59	Delete vacant AD post	(100)	No
Place & Community Total			**(3,700)**	

Directorate/Service	Ref	Savings Description	Total £000’s	Cabinet decision
Strategy & Improvement				
Strategy & Improvement	RES-2324-11a-d	Various - Electoral Canvass reform, Events and Slough Citizen	(150)	No
Strategy & Improvement	RES-2324-47a-g	IT contract savings	(505)	Yes - Mar 2023
Strategy & Improvement	RES-2324-18a	Vacancy factor	(500)	No
Strategy & Improvement	RES-2324-53	Reduction in services and efficiencies	(668)	No
Strategy & Improvement Total			**(1,823)**	
Finance & Commercial				
Finance & Commercial	RES-2324-11e	Staffing reduction - Fraud dept	(12)	No
Finance & Commercial	RES-2324-18b	Vacancy factor	(399)	No
Finance & Commercial	RES-2324-13+14	Increased taxbase and collection rate	(917)	Yes - Jan 2023
Finance & Commercial	RES-2324-15	Reduced audit fee, reduced duplicate payments and income	(400)	No
Finance & Commercial	RES-2324-16	Single Person Discount monitoring and other initiatives	(600)	No
Finance & Commercial	RES-2324-48	Budgeted overheads cleanse	(788)	No
Finance & Commercial	RES-2324-50	Efficient working practices in Revenues and Benefits	(440)	No
Finance & Commercial	RES-2324-51	Revenues and Benefits agency savings	(450)	Yes - Feb 2023
Finance & Commercial	RES-2324-58	Minimum Revenue Provision reduction as a consequence of asset disposal decisions	(3,500)	No
Finance & Commercial Total			**(7,506)**	
Other Corporate Budgets				
Other Corporate Budgets	X-2324-26	Fees & Charges increases	(900)	Yes - Jan 2023
Other Corporate Budgets	X-2324-54	Review of Strategic Commissioning	(750)	Yes - TBC
Other Corporate Budgets	X-2324-57	Support Services	(500)	Yes - Feb 2023
Other Corporate Budgets Total			**(2,150)**	
Total			**(22,422)**	

Appendix B – Council Tax Resolution

The Council is required to calculate and set its Council Tax for 2023/24 as required by law by 11th March in the preceding financial year to the year in which the charges will be made.

Recommendations:

1) An increase in the Council's element of the Council tax for a band D property by £153.33 for 2023/24, giving a band D Council Tax of £1,688.19 per year, excluding the precepts from Police, Fire and parishes.

2) This equates to an increase in the Council's general band D Council Tax by 7.99%, the maximum permitted without a referendum; and an increase in the Council's Adult Social Care Precept by 2.00% as confirmed by Government in the Final Local Government Settlement.

3) (a) That in pursuance of the powers conferred on the Council as the billing authority for its area by the Local Government Finance Acts (the Acts), the Council Tax for the Slough area for the year ending 31 March 2023 is as specified below and that the Council Tax be levied accordingly.

   (b) That it be noted that at its meeting on 16th January 2022 Cabinet calculated the following Tax Base amounts for the financial year 2023/24 in accordance with Regulations made under sections 31B (3) and 34(4) of the Act:

      (i) 43,160.1 being the amount calculated by the Council, in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 2012 (the Regulations) as the Council Tax Base for the whole of the Slough area for the year 2023/24 and

      (ii) The sums below being the amounts of Council Tax Base for the Parishes within Slough for 2023/24

Parish	2023/24 Band Tax-Base
Parish of Britwell	841.0
Parish of Colnbrook with Poyle	1,842.2
Parish of Wexham Court	1,402.4

   (c) That the following amounts be now calculated for the year 2023/24 in accordance with sections 31A to 36 of the Act:

      (i) £377,553,135 being the aggregate of the amounts which the Council estimates for the items set out in section 31A (2)(a) to (f) of the Act. (Gross Expenditure);

(ii) £304,526,303 being the aggregate of the amounts which the Council estimates for the items set out in section 31A (3) (a) to (d) of the Act. (Gross Income);

(iii) £73,026,832 being the amount by which the aggregate at paragraph c (i) above exceeds the aggregate at paragraph c (ii) above calculated by the Council as its council tax requirement for the year as set out in section 31A(4) of the Act. (Council Tax Requirement);

(iv) £1,692.00 being the amount at paragraph c(iii) above divided by the amount at paragraph b(i) above, calculated by the Council, in accordance with section 31B(1) of the Act, as the basic amount of its Council Tax for the year, including the requirements for Parish precepts.

(v) That for the year 2023/24 the Council determines in accordance with section 34 (1) of the Act, Total Special Items of £164,383 representing the total of Parish Precepts for that year.

(vi) £1,688.19 being the amount at paragraph c (iv) above less the result given by dividing the amount at paragraph c (v) above by the relevant amounts at paragraph b (i) above, calculated by the Council, in accordance with section 34 (2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special item relates.

(vii) Valuation Bands

Band	Slough Area £	Britwell £	Wexham £	Colnbrook with Poyle £
A	1,125.46	41.92	16.67	27.66
B	1,313.04	48.91	19.44	32.27
C	1,500.61	55.89	22.22	36.88
D	**1,688.19**	**62.88**	**25.00**	**41.49**
E	2,063.34	76.85	30.56	50.71
F	2,438.50	90.83	36.11	59.93
G	2,813.65	104.80	41.67	69.15
H	3,376.38	125.76	50.00	82.98

Being the amounts given by multiplying the amounts at paragraph c (iv) and c (vi) above by the number which, in the proportion set out in section 5 (1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with section 36 (1) of the Act, as the amount to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

(viii) Calculate that the Council Tax requirement for the Council's own purposes for 2023/24 (excluding Parish precepts) is £72,862,449

(ix) That it be noted that for the year 2023/24 that the Thames Valley Police Authority precept will increase by £15.00 for a Band D property. The Police & Crime Panel at its meeting on 27th January 2023 endorsed the PCC's proposed 6.22% increase in the Police element of Council Tax for 2023/24. The following amounts are stated in accordance with section 40 of the Act, for each of the categories of dwellings shown below:

Band	**Office of the Police and Crime Commissioner (OPCC) for Thames Valley £**
A	170.85
B	199.33
C	227.80
D	**256.28**
E	313.23
F	370.18
G	427.13
H	512.56

(x) That it be noted that for the year 2023/24 the Royal Berkshire Fire Authority has proposed increasing its precept by £5.00 in accordance with section 40 of the Act, for each of the categories of dwellings shown below:

Band	**Royal Berkshire Fire Authority £**
A	52.63
B	61.41
C	70.18
D	**78.95**
E	96.49
F	114.04
G	131.58
H	157.90

(xi) Note that arising from these recommendations, and assuming the major precepts are agreed, the overall Council Tax for Slough Borough Council for 2023/24 including the precepting authorities will be as follows:

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	1,500.61	227.80	70.18	1,798.59
D	**1,688.19**	**256.28**	**78.95**	**2,023.42**
E	2,063.34	313.23	96.49	2,473.06
F	2,438.50	370.18	114.04	2,922.72
G	2,813.65	427.13	131.58	3,372.36
H	3,376.38	512.56	157.90	4,046.84

With the parish precepts, the Council Tax will be:

Band	**Slough + Preceptors Unparished** **£**	**Britwell** **£**	**Wexham** **£**	**Colnbrook with Poyle** **£**
A	1,348.94	1,390.86	1,365.61	1,376.60
B	1,573.78	1,622.69	1,593.22	1,606.05
C	1,798.59	1,854.48	1,820.81	1,835.47
D	**2,023.42**	**2,086.30**	**2,048.42**	**2,064.91**
E	2,473.06	2,549.91	2,503.62	2,523.77
F	2,922.72	3,013.55	2,958.83	2,982.65
G	3,372.36	3,477.16	3,414.03	3,441.51
H	4,046.84	4,172.60	4,096.84	4,129.82

(xii) That the Section 151 Officer be and is hereby authorised to give due notice of the said Council Tax in the manner provided by Section 38(2) of the 2012 Act.

(xiii) That the Section 151 Officer be and is hereby authorised when necessary to apply for a summons against any Council Tax payer or non-domestic ratepayer on whom an account for the said tax or rate and arrears has been duly served and who has failed to pay the amounts due to take all subsequent necessary action to recover them promptly.

(xiv) That the Section 151 Officer be authorised to collect (and disperse from the relevant accounts) the Council Tax and National Non- Domestic Rate and that whenever the office of the Section 151 Officer is vacant or the holder thereof is for any reason unable to act, the Chief Executive or such other authorised post-holder be authorised to act as before said in his or her stead.

(xv) That in the event that there are any changes to the provisional precept of the Fire Authority, the Section 151 Officer is delegated authority to enact all relevant changes to the Revenue Budget 2023/24 Statutory Resolution and council tax levels.

APPENDIX C - DEDICATED SCHOOLS GRANT 2023/24

1. Background

1.1 School Funding is received through the Dedicated Schools Grant (DSG), and is split into four blocks, each with its own formula to calculate the funding to be distributed to each local Authority, and with specific regulations on what each block of funding can be spent on:

- **Schools Block (SB)–** funds primary and secondary schools through the school's funding formula, premises funding and growth funding for new and growing schools or bulge classes.

- **Central Schools Services Block (CSSB)** – funds services provided by the local authority centrally for all schools and academies, such as the admissions service.

- **Early Years Block (EYB)–** funds the free entitlement for 2, 3, & 4-year olds in all early year's settings in the private, voluntary and independent (PVI) sector as well as maintained nursery schools, and nursery classes in mainstream primary schools.

- **High Needs Block (HNB)** – funds places in special schools, resource units and alternative provision, and top up funding for pupils with Education, Health & Care Plans (EHCPs) in all settings including non-maintained special schools, independent special schools, and further education colleges.

1.2 The allocations for the 2023-24 financial year were published by the Department for Education (DfE) on 16th December 2022. Adjustments to the allocations are made throughout the year for academy schools recoupment, high needs provisions and for early year's provisions. The CSSB is generally fixed for the year.

1.3 The DSG is a ring-fenced grant and must be deployed in accordance with the conditions of grant and the latest school and Early Years Finance (England) Regulations. Detailed guidance for each block is contained within various operational documents issued by the Education Funding & Skills Agency (EFSA).

1.4 Transfers between the individual blocks of the DSG are allowed providing they meet the regulations and are approved by Schools Forum. Schools Forum, at its meeting in November 2022, agreed to transfer 0.05% of the SB allocation to the HNB and the CSSB. The final allocations were £100k to the CSSB and £714k to the HNB.

1.5 Schools Forum meets a minimum of four times a year and the papers for the meetings can be found on the following link: Schools Forum.

2. DSG Allocation and Budgets for 2023/24

2.1 Table 1 sets out the detailed DSG allocations for 2023/24 as published by the DfE on 16 December 2022, together with additional allocation for the SB and HNB following additional funding announced in the Autumn 2022 budget statement.

DSG Funding 2023/24

Slough NFF Funding Allocation	**School Block**	**High Needs Block**	**Central Services Block**	**Early Year Block**	**Total**
	£'000	£'000	£'000	£'000	£'000
2022/23	159,653	31,526	743	14,461	206,383
2023/24	168,190	34,597	785	15,532	219,104
Increase/(Reduction)	8,538	3,071	42	1,071	12,721
% Change	5.4%	9.7%	5.7%	7.4%	6.2%

3. Schools Block

3.1 The vast majority of the schools block allocation is pupil driven with different funding rates for primary pupils and secondary pupils. The funding rates are known as Primary Units of Funding (PUFs) and Secondary Units of Funding (SUFs). These funding rates are then multiplied by the pupil numbers on the October 2022 census which show the number of children in mainstream schools and academies.

3.2 An allocation for growth (growing schools and bulge classes) and premises (national non-domestic rates [NNDR]) and schools funded through the Private Finance Initiative) is also added to the PUF and SUF allocations to complete the funding for the schools block.

3.3 The approach to setting the schools funding formula for 2022-23 has been to mirror the full national funding formula rates.

3.4 The School Block funding includes £1.52m NNDR funds which will be retained by the ESFA due to centralising the payments of NNDR.

3.5 The schools block budget has been set based on the criteria agreed on at Schools Forum meeting in January 2023 which took into consideration recommendations from the 5-16 task group. The final budgets were agreed at the January 2023 meeting of the Schools Forum based on the settlement received form Government on 16th December 2022.

3.6 Annexe 1 shows the final allocations against the NFF factor rates, these rates may change depending on the final allocation of the grant once Authority Performa Tools has been verified by the Education and Skills Funding Agency.

4. Central Schools Services Block

4.1 The central schools services block is split into two elements, historical commitments and ongoing commitments. From 2020/21 the ESFA have included a mandatory reduction of 20% in the historical elements of this block. Slough has already reduced its historical elements by more than 20% so the additional funding can be utilised within the ongoing commitments area. Funding for ongoing commitments is calculated using 2 factors, a basic per-pupil factor, through which LAs receive the majority of funding, and a deprivation per-pupil factor.

4.2 The central services budget allocation has increased by £42k from £743k in 2022/23 to £785k in 2023/24. This is mainly due to an overall increase in pupil numbers for which the ongoing element is calculated on.

5. Early Years Block

5.1 The early years block is made up of specific elements for funding of the two year old entitlement, a total of £1.4m and the three and four year old entitlement for both the universal 15 hours and the additional 15 hours for eligible children of working parents, which is a total of £13.0m.

5.2 In addition to the above elements the Early Years National Funding Formula allocates funding for the early years pupil premium at a rate of £0.62 per eligible child per hour, a total of £128k and disability access fund at £828 per eligible child per year, a total of £52k.

5.3 Maintained Nursery Schools (MNS) receive supplementary funding each year to ensure their funding is protected at 2016/17 funding levels following the introduction of the Early Years National Funding Formula in April 2018. MNS supplementary funding for 2023/24 is £949k an increase of £250k over 2022-23 funding. The increase reflects the movement of the historic cost of teachers pay and pension (£100k) from grant into directed MNS funding and a change in the way the overall funding is calculated (£150k).

5.4 Early Years Funding regulations state that at least 95% of available early years funding must be passported to early years providers. Therefore, a maximum of 5% of can be utilised by the authority for fund central function that support early year provision.

5.5 All providers are consulted annually on the distribution of the early years funding formula and the central spend is agreed at Schools Forum.

6. High Needs Block

6.1 The authority receives the funding for the high needs block based on a formula set by the DfE. The formula provides for every authority to receive an increase of at least 8% per head of the age 2 to 18 populations based on what authorities received in 2022/23

6.3 The allocation for the high needs block has increased by £3.1m from £31.5m in 2022/3 to £34.6m in 2023/4. There will be a total net adjustment to the import/export element in July to reflect actual movement. This is a net adjustment to reflect the difference between high needs pupils and students living in one local authority and attending a school or college in another.

6.3 The authority funds pre 16 special schools, alternative provisions and resource provision on 2 elements, a core place funding element which is a fixed rate and a top up element which is based on the individual pupils specific needs.

7. The Management Plan

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

Annexe 1

Formula Factor Values 2022/23 to 2023/24

	NFF ACA 2022-24 £	NFF ACA 2023-24 £	Increase £	%
Primary Basic entitlement	3,544.58	3,641.00	96.42	2.72%
Key Stage 3 Basic Entitlement	4,998.70	5,134.00	135.30	2.71%
Key Stage 4 Basic Entitlement	5,633.17	5,786.00	152.83	2.71%
Primary FSM	499.70	510.00	10.30	2.06%
Secondary FSM	499.70	510.00	10.30	2.06%
Primary FSM6	624.55	750.00	125.45	20.09%
Secondary FSM6	912.30	1,090.00	177.70	19.48%
Primary IDACI A	671.70	710.00	38.30	5.70%
Primary IDACI B	514.60	540.00	25.40	4.94%
Primary IDACI C	482.10	510.00	27.90	5.79%
Primary IDACI D	444.20	470.00	25.80	5.81%
Primary IDACI E	281.70	300.00	18.30	6.50%
Primary IDACI F	232.90	245.00	12.10	5.20%
Secondary IDACI A	937.10	985.00	47.90	5.11%
Secondary IDACI B	736.70	775.00	38.30	5.20%
Secondary IDACI C	682.50	720.00	37.50	5.49%
Secondary IDACI D	628.40	660.00	31.60	5.03%
Secondary IDACI E	449.60	475.00	25.40	5.65%
Secondary IDACI F	335.70	355.00	19.30	5.75%
Primary LPA	1,186.30	1,225.00	38.70	3.26%
Secondary LPA	1,798.40	1,855.00	56.60	3.15%
Primary EAL	595.85	615.00	19.15	3.21%
Secondary EAL	1,608.80	1,660.00	51.20	3.18%
Primary Mobility	97.50	207.18	109.68	112.49%
Secondary Mobility	139.75	298.81	159.06	113.82%
Primary Lum Sum	127,620.00	135,500.00	7,880.00	6.17%
Secondary Lump Sum	127,620.00	135,500.00	7,880.00	6.17%

Abbreviations

EAL - English s an Additional Language

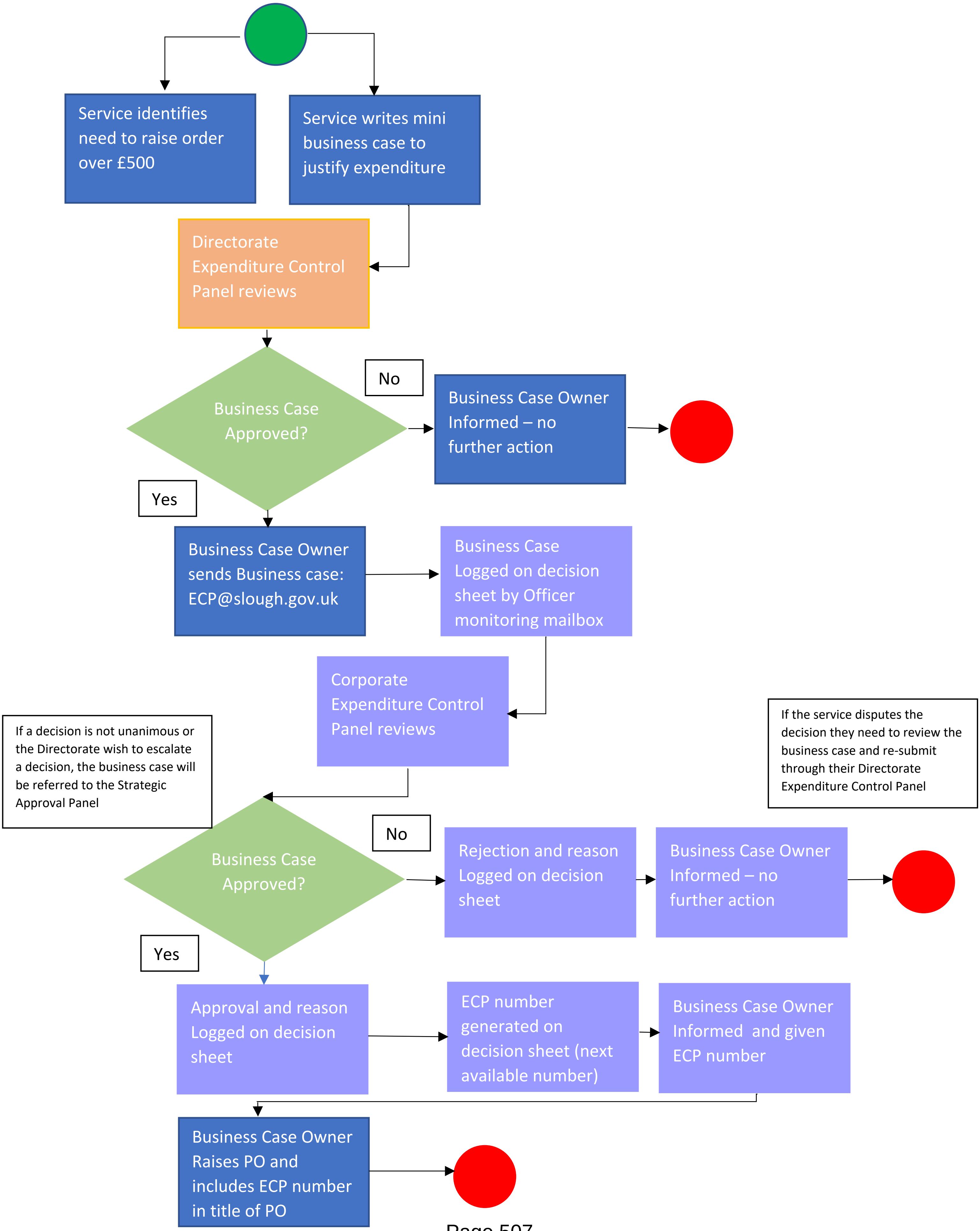
FSM - Free School Meals

IDACI - Income Deprivation Affecting Children Index

LPA - Low Prior attainment

Appendix D: Outline of Expenditure Control Panel Process

Expenditure Control Panel Process



If a decision is not unanimous or the Directorate wish to escalate a decision, the business case will be referred to the Strategic Approval Panel

If the service disputes the decision they need to review the business case and re-submit through their Directorate Expenditure Control Panel

Appendix E - Equality Impact Assessment (Budget 2023/24)

1 Overview

1.1 This appendix describes the most significant equality pressures confronting each main service area, informed by an equality analysis. It highlights the effect of policy and governance changes; an overview of positive and neutral impacts; and a service impact overview. These outcomes are based upon spending decisions taken during the last two years and changes resulting from the 2023/24 budget. The analysis also highlights a number of cumulative impacts that may arise resulting from the 2023/24 budget.

1.2 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.

1.3 In making this decision we must have regard to the Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010, i.e. have due regard to the need to:

a) Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act;

b) Advance equality of opportunity between people who share a protected characteristic and those who do not;

c) Foster good relations between people who share a protected characteristic and those who do not, including tackling prejudice and promoting understanding.

1.4 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation. In addition, marital status is a relevant protected characteristic for 1.3(a)

1.5 The PSED is a relevant factor in making this decision but does not impose a duty to achieve the outcomes in s149. It is only one factor that needs to be considered and may be balanced against other relevant factors.

1.6 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.

1.7 The Equality Act also says that public bodies must pay 'due regard' to equality. This means that we must:

- move or minimise disadvantages suffered by people due to their protected characteristics;

- take steps to meet the needs of people from protected groups where these are different from the needs of other people.

2. Identified high level cumulative equality impact

2.1 At this stage, it is not possible to fully measure the impact of the proposals on those people who have protected characteristics under the Equality Act 2010, or how the geographic spread of budget proposals will be felt across all areas of Slough.

2.2 However, our preliminary equality impact analysis of the planned activity and budget proposals for 2023/24 indicates that the council is focused on making a wide range of changes during 2023/24 in order to balance its budget and whilst the majority of identified savings through efficiencies are linked to internal systems and processes there are others that impact our external partners and neighbours.

2.3 Key impacts from this initial analysis across the portfolios are outlined from section 5 below.

3. Mitigating actions – our principles

3.1 **Monitoring of impact**: Services must ensure ongoing equalities monitoring of the Impact of service changes, to identify trends in disproportionate or unanticipated impact at an early stage to address them. This reporting should be monitored Council-wide at senior levels within the Council in order to identify cumulative impacts and mitigating actions. Consideration should be given to working with other partners in this monitoring and evaluation where appropriate.

3.2 **Informing decision-making**: The findings of this monitoring should be used to inform the budget-setting process year on year.

3.3 **Equality Impact Assessments**: As the budget proposals are developed, individual Equality impact assessments will be undertaken. This will include an assessment of who is likely to be impacted by the changes, whether they are considered to have ‘protected characteristics’ under the Equality Act 2010 and if they are, what mitigation activity is proposed to ensure that they will not be disproportionately affected. These will all be reviewed to provide an assessment of the cumulative impact of the budget decisions.

3.4 **Targeting based on need**: Resources and services should clearly identify specific needs of different groups at an early stage in order to be most effective and meet needs at first contact wherever possible e.g. through consultation.

3.5 **Gaps in monitoring**: Where gaps in monitoring have been identified during the equality impact assessment process, steps should be taken to fill these in the forthcoming year. This will enable better modelling of potential impacts and assessments in future.

4. Identified Positive Impacts

4.1 The Council is fully committed to addressing the challenges facing communities and supporting residents to live better lives. The Council is on a journey of improvement and transformation in light of the challenging circumstances in which the Council finds itself. As part of this, the Council will be reviewing how the services it provides will respond to and plan for these challenges with a key focus on tackling inequalities across the Borough. The commitment to equality and inclusion is shared by partners and will be firmly rooted in the long-term vision for Slough.

4.2 The Budget for 2023/24 contributes to this in the following ways:

- By ensuring that the savings are balanced across service areas whilst recognising all service areas will need to contribute including those targeted at the most vulnerable
- By driving savings through the delivery of efficiencies and through the reform of services to improve outcomes and make them more cost effective
- By continuing to invest in services and activities that will reduce inequalities and support better lives for residents
- By being realistic about what is affordable and can be achieved within a significantly reduced resource base

5. Policy and Governance Context

5.1 The proposed social care precept and increase in council tax may adversely impact some residents of Slough; however, residents on the lowest incomes will remain eligible for support with their bills via the local council tax support scheme. The increase proposed from the social care precept relates to a specific social care precept that will be ring-fenced for adult social care. This should positively impact on vulnerable adults within Slough by helping to protect and improve social care services.

5.2 The localisation of council tax benefit (introducing new payees to council tax as a result of national policy changes) was implemented in 2013/14 alongside a scheme for hardship and investment in collection initiatives including provision of debt and welfare support. Over this time, the Council has sustained collection rates against this backdrop, ensuring no negative impact on other council taxpayers. However, during the COVID-19 pandemic we saw a reduction in collection rates. This position is now improving again and our budget proposes a continuation of the focus on collection activities for 2023/24 to maintain this trend and performance.

5.3 We have invested in a team within the Finance and Commercial Directorate to tackle council tax fraud across the borough. The programme:

- ensures those entitled to discounts or exemptions on their council tax are receiving the right support;
- has introduced extensive regular reviews to ensure the levels of benefits people receive are correct;
- encourages people to notify councils if their circumstances change, and the consequences of not doing so, to enable councils to take swift and appropriate action against people fraudulently claiming council tax benefit.

5.4 With the impact of the COVID-19 pandemic impacting household incomes, there was an increase in the number of claims for the local council tax support schemes. There is a risk this will potentially grow with the current cost of living crisis climate. As the Council has been granted the ability to apply an increase in the level of the Council

Tax of up to 9.99%, it will do so whilst also creating a more generous Council Tax Reduction Scheme (CTRS). There will be a revision in the number of CTRS bandings and reductions offered to residents that fall into these bandings, with more generous reductions and a new band in which no council tax will be payable. This will enable the Council to help those households hardest hit. The current day pressures on local people and their household budgets are becoming greater than ever before with significant pressures on energy, fuel and high inflation affecting day-to-day living costs impacting the most vulnerable within the borough. The council tax reduction scheme is expected to contribute more support to residents in 2023/24 as a result.

6. Portfolio Impacts Overview

Overview

Equality impact assessments were produced for all of the savings proposals put forward for scrutiny through December to February and can be found within the papers for each of the key scrutiny committees. A summary of the findings in also set out in Annex A. Links to the Council's web pages where the EIAs can be found are listed below:

Overview & Scrutiny Committee 1st December 2022

Overview & Scrutiny Committee 2nd February 2023

Customer and Community Scrutiny Panel 7th December 2022

Customer and Community Scrutiny Panel 1st February 2023

People Scrutiny Panel 15th December 2022

People Scrutiny Panel 31st January 2023

People (Children)

6.1 The portfolio has identified budget savings proposals of £0.8m for 2023/24. The main area of saving relates to the home to school transport offering, with a further saving coming from a restructure of the Education and Inclusion service.

6.2 The service has completed initial assessments of the equality impacts for both savings areas and determined that none of the proposals will have a negative impact from an equalities point of view. A number of positive impacts have been identified for specific groups and these will be monitored during the development of all proposals.

6.3 In order to ensure that the Council pays due regard to the PSED, individual equality impact assessments have been undertaken and will continue to be kept under review as the proposals are developed in order to ensure there are mitigating actions, where possible, to minimise any adverse impact on children, young people and their families. An overview is set out in Annex A.

Slough Children First Company Contract

6.4 The Company has been refining its business case which has yet to receive formal approval from the Council, but within the latest version it has identified budget savings proposals of £1.140m in 2023/24 across 6 main areas of focus.

6.5 It is looking to drive savings from commissioning local provision for a block contract of beds for placements; increase the number of children placed through in-house fostering provision from the development of the fostering agency; there are discussions on the potential use and development of a property which could house UASC aged 18+; and two new grants are to be used in order to extend the level of evening/weekend support provided and reduce reliance on the out of hours service provided by another authority.

6.6 Caseload reductions are being targeted from Edge of Care and cost of living impact leading to a fall in legal hours, court and counsel fees. More manageable caseloads lead to better compliance and reduced court delays and lengthy proceedings. Community Based parenting assessments are expected to reduce the cost of external court appointed expert fees.

6.7 Through recruitment and retention activity in targeted early help, a reduction in casework and need for additional safeguarding will allow the safe removal of the two Innovate teams.

6.8 In order to ensure that due regard is paid to the PSED, individual equality impact assessments will continue to be undertaken as proposals are developed in order to ensure there are mitigating actions, where possible, to minimise any adverse impact on children, young people and their families. No adverse implications have been identified from the work undertaken to date on the proposals put forward.

People (Adults)

6.9 The portfolio has identified budget savings proposals of £5.7m for 2023/24, a continuation of its Transformation Program. The priority is to operate sustainably while fully meeting legal obligations and in so doing ensure adults, carers and families have access to the information, advice and tools they need to enable them to live ordinary lives, safely and independently, for as long as possible.

6.10 The budget proposals will see improved value for money in continuing to meet residents' needs via an improved offer providing greater independence, improved preventative options and access to community provision.

a) **Younger Adults-**
   i. **Learning Disability** – The Council aims to support individuals with learning disabilities and/or autism to ensure their needs are being met safely, whilst enabling them to achieve their outcomes and life aspirations. A refresh of the LD / Autism strategy is being undertaken to support the planning and delivery, incorporating a consultative process.
   ii. **Mental Health** – The intention is to ensure we provide effective support for adults in the most efficient manner possible with clear pathways for stepdown and move-on to support recovery. Thus minimising readmission and working with the wider system to better understand and manage future demand.

b) **Older People** – we continue to review the critical pathways that support adults going into and leaving hospital. The objective is to ensure that the adult is offered the most appropriate support for them, with an emphasis on people being enabled to return home where this is possible, with support to regain as much independence as possible. It is anticipated that this approach will enable us to both fully meet the needs of adults and continue generating efficiencies in

2023/24 and pave the way for a more sustainable operating model in future years especially in managing he anticipated increase in demand and complexities.

c) **All care groups** - In addition to the work set out above we will continue to work with our market (including 3rd sector partners) to develop new models for meeting need, managing the cost of care crisis and recruitment requirements to ensure there is sufficient capacity to meet the needs of the Council and its residents.

6.11 In order to ensure that the Council pays due regard to the PSED, individual equality impact assessments have been undertaken and will be refreshed in order to ensure there are mitigating actions, where possible, to minimise any adverse impact on citizens accessing Adult Services. A high-level summary of each proposal is shown in Annex A.

Place and Community

6.12 The portfolio has identified budget savings proposals of £3.700m in 2023/24, the majority of which cover a wide range of service areas, both in terms of cost reduction and income generation. Individual equality impact assessments have been undertaken on all proposals.

6.13 The budget proposals identified are categorised into the main areas outlined below:

a) Waste management – a garden waste collection subscription service has already been brought in, which will generate income to contribute towards the service; other collections will transition to a fortnightly collection cycle later in the year; and there is additional income being generated from the trade waste business which will be recognised in the budget. A management fee for the Chalvey HWRC will be applied to a neighbouring borough whose residents share the use of the site.

b) In respect of transport and highways, there are a number proposals – borough-wide controlled parking zones will be introduced to better manage on-street parking, whilst there will also be increases in the charges for parking permits. Highways maintenance spend will be reduced, bus subsidy contracts will not be renewed, and by identifying spend that can be capitalised it can also be funded through an annual grant which will be maximised.

c) The library service will rely more on facilities officers rather than library staff; and while the CCTV will continue until the end of 2023 it is then envisaged to be offered to the police to continue. Trials are being carried out on the further dimming of streetlights which will reduce energy costs.

d) Other savings reflect more effective staff planning which will not impact on service delivery.

6.14 In order to ensure that the Council pays due regard to the PSED, individual equality impact assessments have been undertaken in order to ensure there are mitigating actions, where possible, to minimise any adverse impact. A high-level summary of each proposal is shown in Annex A.

Housing, Property and Planning

6.15 The portfolio has identified budget savings proposals of £0.750m in 2023/24, these relate to a number of efficiency savings across the Council's estate of operational properties in respect of facilities management and cleaning. These changes are therefore not expected to impact on the level of service provided to residents.

6.16 It is not considered that any of these savings proposals will have an adverse impact on persons who share any relevant protected characteristic. However, an equality impact assessment has been completed as part of the governance and decision-making process for all savings and published as per the links above. A high-level summary of each proposal is shown in Annex A.

Strategy and Transformation

6.17 The portfolio has identified budget savings proposals of £1.823m in 2023/24, these relate to a number of efficiency savings across support services. These changes are not expected to impact on the level of service provided to residents.

6.18 It is not considered that any of these savings proposals will have an adverse impact on persons who share any relevant protected characteristic. However, an equality impact assessment has been completed as part of the governance and decision-making process for all savings and published as per the links above. A high-level summary of each proposal is shown in Annex A.

Finance and Commercial

6.19 The portfolio has identified budget savings proposals of £7.506m in 2023/24, these relate to a number of efficiency savings across back office services, corporate budgets and the Revenues and Benefits service. These changes are not expected to impact on the level of service provided to residents.

6.20 It is not considered that any of these savings proposals will have an adverse impact on persons who share any relevant protected characteristic. However, an equality impact assessment has been completed as part of the governance and decision-making process for all savings and published as per the links above. A high-level summary of each proposal is shown in Annex A.

Cross-Council initiatives

6.21 The Council has identified further budget savings proposals of £2.150m in 2023/24 relating to proposals which span more than one directorate. These are as follows:

a) Fees and charges increases. A number of fees and charges will increase by up to c10%, with a smaller number which will increase by more than this level, which approximates to the recently announced rate of inflation which will impact on the cost to the Council of delivering the services.

b) Support Services will be combined to create further back office efficiencies.

c) Commissioning efficiencies – a review is being procured to assess the opportunity to drive further savings from commissioning activities, whether through looking at what is being commissioned or the way in which it is commissioned and managed.

6.22 It is not considered that any of these savings proposals will have an adverse impact on persons who share any relevant protected characteristic. However, an equality impact assessment has been completed as part of the governance and decision-making process for all savings and published as per the links above. A high-level summary of each proposal is shown in Annex A.

Other Operating Costs – Capital

6.23 The Council's financial position requires total borrowing to be reduced, therefore the strategy is to minimise the extent to which capital schemes require additional new borrowing. Last year a number of schemes were therefore removed from the programme in order to reduce the impact of the programme on the revenue budget. An EIA has been undertaken at a high level in respect of the schemes left in the programme and no adverse implications identified. A number of the schemes in the programme are for the positive benefit of certain protected groups, in particular schoolchildren and disabled adults and children and these schemes will continue while fully funded from the sources such as the Disabled Facilities Grant or the DfE capital grant.

ANNEX A

ANALYSIS OF EQUALITY IMPACT ASSESSMENTS BUDGET 2023/24

Cross-Council

Proposal	Groups positively impacted	Groups negatively impacted	Mitigations
Fees & Charges increases	None identified at this stage	None identified at this stage	N/A
Support Services	None identified at this stage	None identified at this stage	N/A
Review of Strategic Commissioning	None identified at this stage	None identified at this stage	N/A

People (Adults)

Proposal	Groups positively impacted	Groups negatively impacted	Mitigations
Demand management initiatives.	All residents with potential Social care needs, who are 18 and over regardless of race, gender with potential need support.	Potential for some users to be affected including: - Men/Women - Disabled People - People of ethnicity/race - Particular age groups - People on low income	Coproduction, consultation, and reviews to be carried out, to shape transformed services. Ensure communication and consultation materials are provided in an accessible format. Practitioners to support service users to engage with any engagement activities. Support through change to be considered as part of implementation planning. Ensure transformed services maintain opportunities for people to come together and share experiences. Updating and better applying the Fairer Charging Policy will ensure fair and consistent contributions from adults receiving services. Any changes to the Fairer Charging Policy, or application of this policy, will be done in consultation and to improve fairness and improve access to services.
Reablement stretch	Older Persons & People with Physical Disabilities	None identified	N/A
Direct payments	None identified	None identified	N/A
Mental Health Review	People with Mental Health Problems	None identified	N/A
Transitions	Young Adults with Learning Disability	None identified at this stage	N/A
Financial Assessment and charging	None identified	None identified	N/A

Proposal	Groups positively impacted	Groups negatively impacted	Mitigations
Levying the OPG charge rate	None identified	None identified	N/A
Joint Funding Protocol	None identified	None identified	N/A
Integration	All residents with potential Health &/or social care needs, who are 18 and over regardless of race, gender with potential need support	Carers, foreign language speakers, People with disabilities, Older Persons, People with particular faiths & beliefs and people on low incomes	Coproduction, consultation, and reviews to be carried out, to shape transformed services. Ensure communication and consultation materials are provided in an accessible format. Practitioners to support service users to engage with any engagement activities. Support through change to be considered as part of implementation planning. Ensure transformed services maintain opportunities for people to come together and share experiences. Updating and better applying the Fairer Charging Policy will ensure fair and consistent contributions from adults receiving services. Any changes to the Fairer Charging Policy, or application of this policy, will be done in consultation and to improve fairness and improve access to services.
Better use of the DFG and equipment	People with Disabilities	None Identified	N/A
Assistive Technology	All Client groups	None identified	N/A
Review of contractual and funding arrangements for care home placements	None Identified	None Identified	N/A

People (Children)

Proposal	Groups positively impacted	Groups negatively impacted	Mitigations
Reduction of costs in home to school transport through the implementation of route efficiencies and ensuring	Children with a disability will be more empowered and better prepared for later life with greater resilience.	None identified at this stage	N/A

Proposal	Groups positively impacted	Groups negatively impacted	Mitigations
robust application of statutory policy.			
Staff restructure of the Education and Inclusion Service	None identified at this stage	None identified at this stage	N/A

Slough Children First

Proposal	Groups positively impacted	Groups negatively impacted	Mitigations
Commissioning - best value, packages of care and placements	None identified at this stage	None identified at this stage	N/A
Carer recruitment	None identified at this stage	None identified at this stage	N/A
Develop semi-independent accommodation for young people in care	None identified at this stage	None identified at this stage	N/A
Reduced use of joint out of hours contract	None identified at this stage	None identified at this stage	N/A
Edge of care – contextual safeguarding	None identified at this stage	None identified at this stage	N/A
Recruitment and retention	None identified at this stage	None identified at this stage	N/A

Housing, Property & Planning

Proposal	Groups positively impacted	Groups negatively impacted	Mitigations
Savings from reduction in building management costs	None identified at this stage	None identified at this stage	N/A
Reduce spend on repairs and maintenance at Corporate Buildings	None identified at this stage	None identified at this stage	N/A
Reduce spend on cleaning at Corporate Buildings	None identified at this stage	None identified at this stage	N/A
Corporate Contract efficiencies	None identified at this stage	None identified at this stage	N/A
Savings from additional efficiencies in facilities management	None identified at this stage	None identified at this stage	N/A

Place and Community

Proposal	Groups positively impacted	Groups negatively impacted	Mitigations
Reduce staff costs in Planning Development	None identified at this stage	None identified at this stage	N/A
Adopt fortnightly waste collections	None identified at this stage	Large/multi-generational households, more prevalent in certain communities, and families with young children in nappies, those with learning difficulties	Provide larger bins Clear comms
Chalvey HWRC Management Fee	None identified at this stage	None identified at this stage	N/A
Borough Wide Controlled Parking Zones	None identified at this stage	Low income families. Addressed in parking permit proposal	Disabled users exempt if parking bay provided
Stop Bus Subsidy - Service 4, 5 and 6	None identified at this stage	Disabled/elderly	Alternative routes are being planned that do not require financial support from the Council
Government tapering of concessionary fares	None identified at this stage	None identified at this stage	N/A
Improve Trade Waste Business	None identified at this stage	None identified at this stage	N/A
Increase charges for Parking permits	None identified at this stage	Larger low income families	Review of terms and conditions before Cabinet decision is taken in order to introduce discretionary rates where appropriate
Streetworks Section 50 licences	None identified at this stage	None identified at this stage	N/A
Streetworks Road Closure fees	None identified at this stage	None identified at this stage	N/A
Transport and Highways grant swap	None identified at this stage	None identified at this stage	N/A
Green waste collection charges	None identified at this stage	People on low incomes	The Chalvey HWRC will still be available for those residents to tip for free Green Waste
Reduce Highways maintenance works	None identified at this stage	None identified at this stage	N/A
All leisure services to be externally funded	None identified at this stage	None identified at this stage	N/A
Switch off streetlighting and park lighting	None identified at this stage	Elderly, those with visual impairments, females	Trial and engagement with key stakeholders to identify real impacts
2023-24 Library Service model	None identified at this stage	Children and their mothers, people with MH issues, low income households	Develop events and activities which attract these groups to continue to use and access the services and ancillary voluntary

Proposal	Groups positively impacted	Groups negatively impacted	Mitigations
		and groups with disproportionate representation	groups that partner with library services
Stop SBC funded CCTV Monitoring of public spaces	None identified at this stage	None identified at this stage	N/A
Delete vacant AD post	None identified at this stage	None identified at this stage	N/A

Strategy & Improvement

Proposal	Groups positively impacted	Groups negatively impacted	Mitigations
Electoral Canvass reform	None identified at this stage	None identified at this stage	N/A
Assistant Electoral Officers	None identified at this stage	None identified at this stage	N/A
Events	None identified at this stage	None identified at this stage	N/A
Slough Citizen	None identified at this stage	None identified at this stage	N/A
Vacancy factor	None identified at this stage	None identified at this stage	N/A
Reprovision of the ITSM Contract	None identified at this stage	None identified at this stage	N/A
Reprovision of the landline telephony contract	None identified at this stage	None identified at this stage	N/A
Reduction in the mobile connections/devices	None identified at this stage	None identified at this stage	N/A
Termination of Xen Mobile Licences	None identified at this stage	None identified at this stage	N/A
Reduction in Microsoft Licencing	None identified at this stage	None identified at this stage	N/A
Reprovision of the Data Centre Hosting Contract	None identified at this stage	None identified at this stage	N/A
Reprovision of the ERP (Agresso) Hosting Contract	None identified at this stage	None identified at this stage	N/A
Reduction in services and efficiencies	None identified at this stage	None identified at this stage	N/A

Finance & Commissioning

Proposal	Groups positively impacted	Groups negatively impacted	Mitigations
Staffing reduction - Fraud dept	None identified at this stage	None identified at this stage	N/A
Increased taxbase and collection rate	None identified at this stage	None identified at this stage	N/A
Reduced audit fee, reduced duplicate payments and income	None identified at this stage	None identified at this stage	N/A
Single Person Discount monitoring and other initiatives	None identified at this stage	None identified at this stage	N/A
Early payment of pension contributions	None identified at this stage	None identified at this stage	N/A
Vacancy factor	None identified at this stage	None identified at this stage	N/A
Budgeted overheads cleanse	None identified at this stage	None identified at this stage	N/A
Efficient working practices in Revenues and Benefits	None identified at this stage	None identified at this stage	N/A
Revenues and Benefits agency savings	None identified at this stage	None identified at this stage	N/A
Minimum Revenue Provision	None identified at this stage	None identified at this stage	N/A

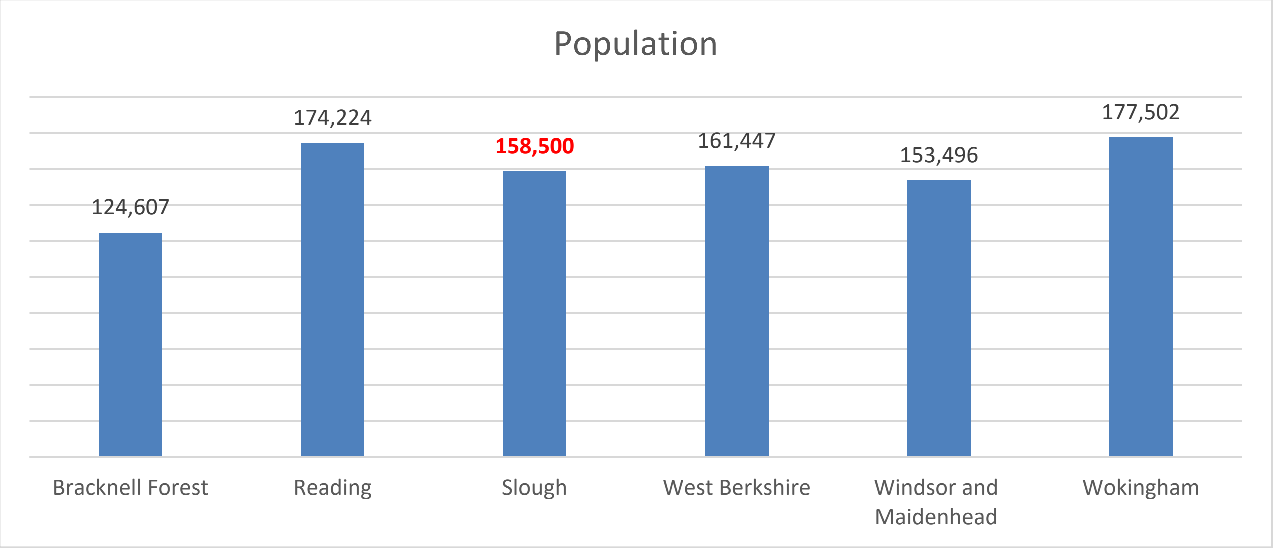
3.1 Insights into Slough

3.2.1 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. This section will present some highlights to contextualise the ongoing challenge for the Council.

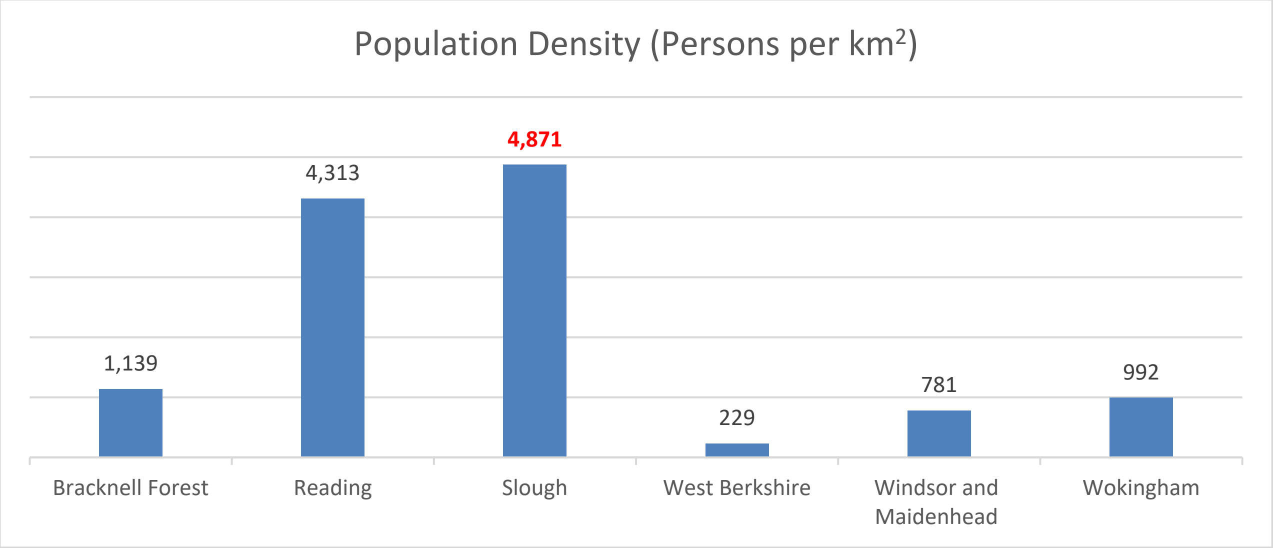
Population

3.2.2 Slough's population continues to grow, reaching 158,500 in the 2021 Census. It is one of the most ethnically and religiously diverse boroughs in the UK, with over 100 different languages spoken in our schools and 44% of residents born outside the UK. In the 2021 census, 46.7% of Slough's population were from Asian ethnic groups and 36% were from white ethnic groups. 29% of the population are Muslim, 32% are Christian, and 20% followed another religion. 27% of the population aged over 3 spoke a language other than English as their main language.

3.2.3 Slough has the third smallest population within Berkshire but is the most densely populated borough by a noticeable margin.



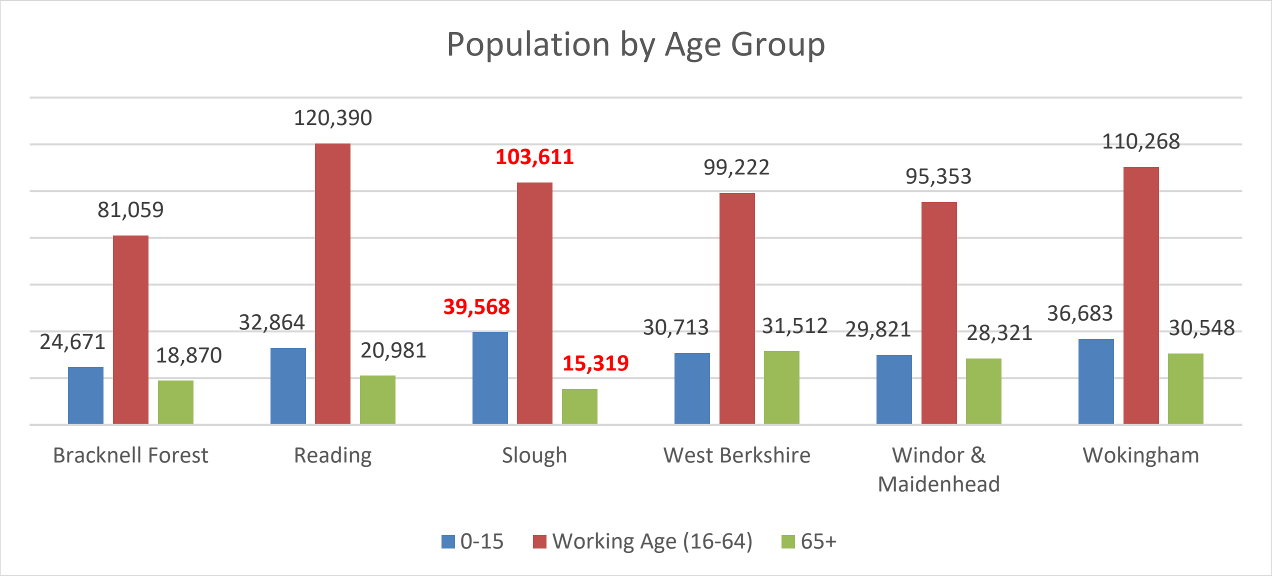
Source: Census 2021 Phase 1 Data, November 2022



Source: Census 2021 Phase 1 Data, June 2022

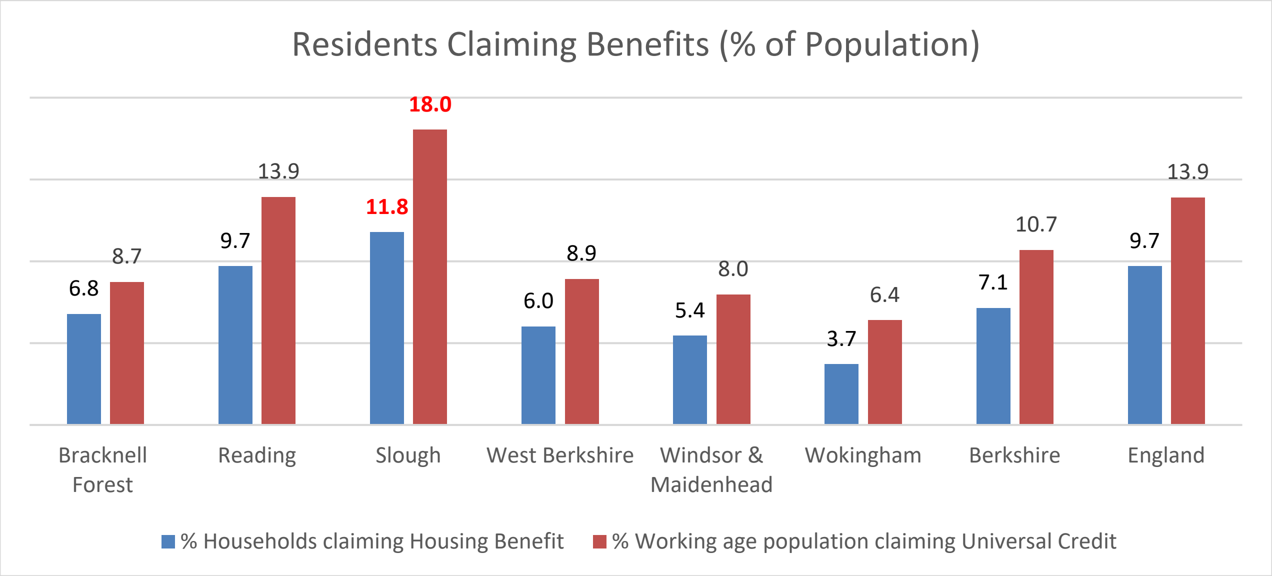
3.2.4 The population structure is younger than the national average and includes many families and a high proportion of children and working age adults. In the 2021 Census, there were 11,774 infants (aged 0 to 4), 35,432 children and young people (aged 5 to 19) and 95,973 adults (aged 20 to 64). While proportionally lower than other areas, the older population is also growing (15,319 adults aged 65+). 51% of Slough's Population is aged 35 and under and 31% is aged 20 and under. Slough has the second highest proportion nationally of under 15s (23.5%) and under 19s (29.8%), second only to Barking and Dagenham.

3.2.5 Within Berkshire, Slough has the third largest number of working age residents (aged 16-64; 65.4% of the population), the highest number of 0-15 year olds (25%), and the lowest number of residents aged 65 or over (9.7%).



Source: Census 2021 Phase 1 Data, November 2022

3.2.6 Compared to local authorities in Berkshire and the average for England, Slough has the highest proportion of residents claiming Universal Credit and Housing Benefits.



Source: Department for Work and Pensions, May 2022 (Housing Benefit) and July 2022 (Universal Credit)

Deprivation

3.2.7 Slough remains the most relatively deprived area within Berkshire, followed by Reading. These two areas also had the highest levels of violent and sexual crimes in 2021/22 with a rate of 49 offences per 1,000 persons. The pandemic affected Slough particularly badly as the average rate of claimants for unemployment-related benefits increased fourfold, with 9% of persons aged 16-64 claiming unemployment support in March 2021. The number of claimants began to decrease from April 2021 to 5.3% in September 2022, but this is still above pre-pandemic levels.

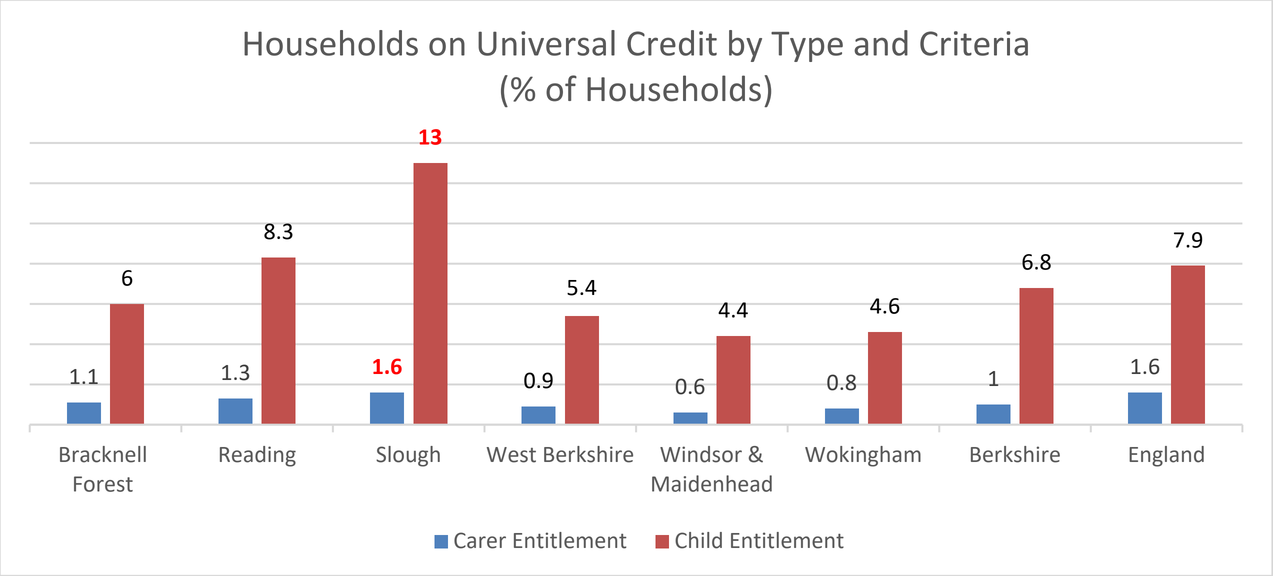
3.2.8 Based on the 2019 Indices of Multiple Deprivation, Slough has above average levels of deprivation in the overall index of multiple deprivation and in the domains of:

- Crime
- Education, skills, and training (especially for adults)
- Health and disability
- Housing affordability
- Income (especially affecting older people)
- Living Environment (e.g., air quality)

3.2.9 In the 2021 Census, 57.7% of households (32,701 of 52,423 households) in Slough were deprived in one or more dimensions. 36.6% (19,176) were deprived in one dimension, 16.4% (8,603) were deprived in two dimensions, and 4.7% (2,461) were deprived in three or four dimensions.

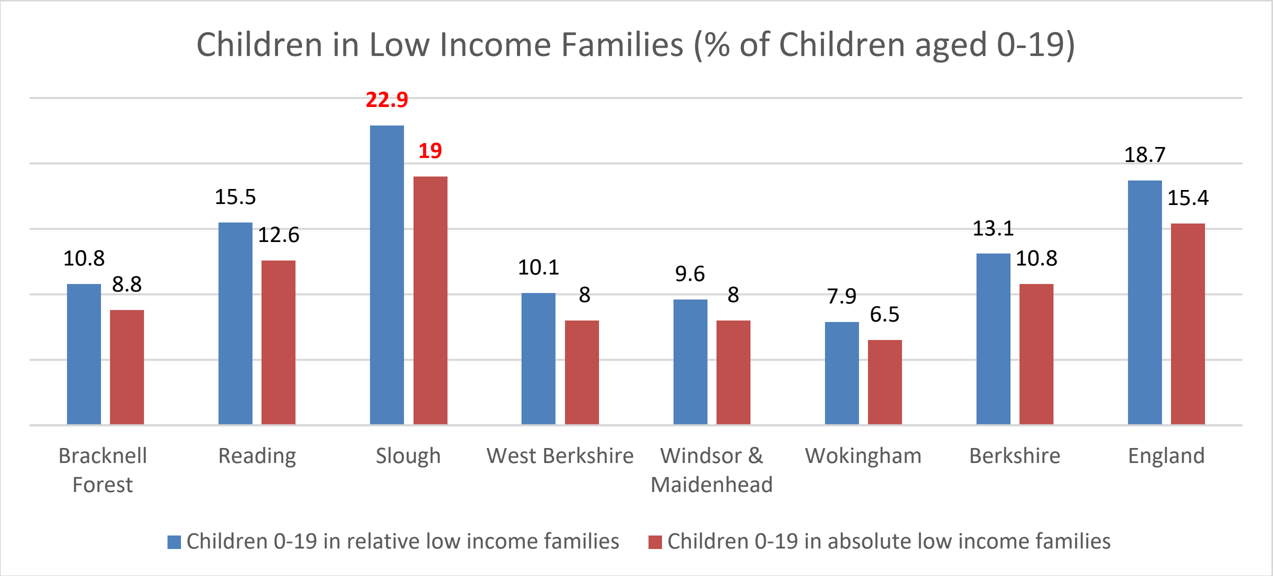
3.2.10 Life expectancy varies between wards with men expected to live, on average, up to 78.7 years of age and women up to 82.9 (both approximately 1 year less than the England average). Healthy life expectancy for both men and women are lower than the England average, with women being expected to live the last 21.6 years of their life in poor health (compared to 18.7 years for England), and men expected to live the last 17.2 years of life in poor health (compared to 16.1 years for England). Key health and wellbeing challenges for the borough include ensuring a healthy start to life, improving childhood obesity, oral health, smoking, physical inactivity, diabetes, TB, alcohol and substance misuse, mental health issues and early deaths from cardiovascular disease.

3.2.11 Compared to the average for Berkshire and England, Slough also has a higher proportion of claims from households for the child and carer’s entitlement of Universal Credit.



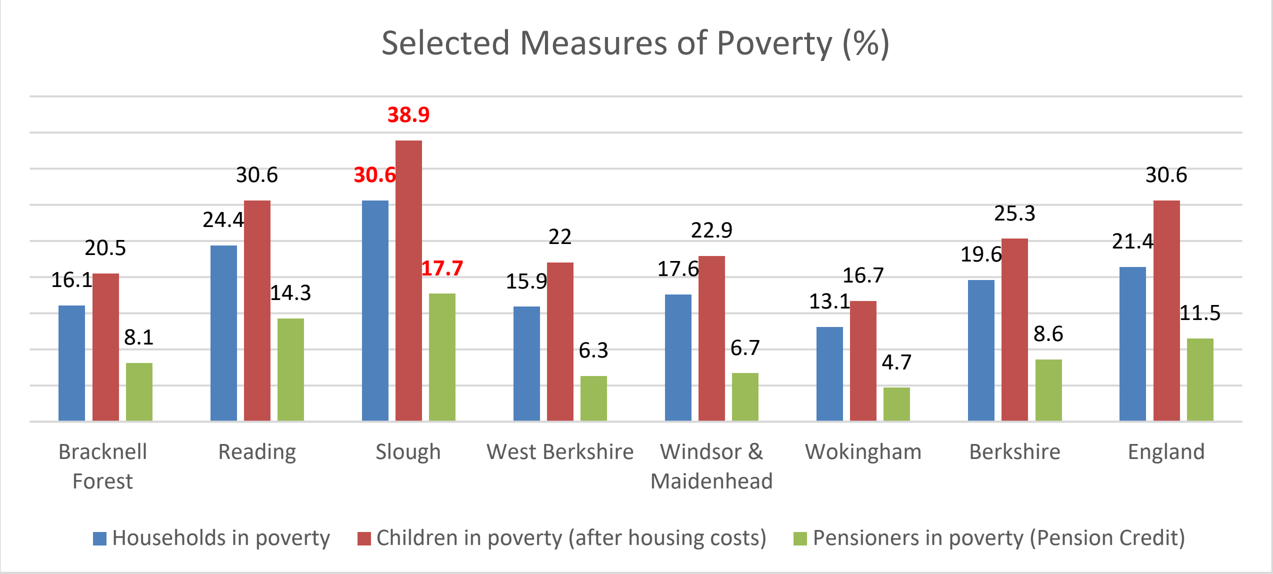
Source: Department for Work and Pensions, August 2022

3.2.12 Along with the higher proportions of households claiming child entitlement for Universal Credit and the higher numbers of lone parent households in Slough, there are higher proportions of children (aged 0-19) in low income households.



Source: Department for Work and Pensions, 2020/21

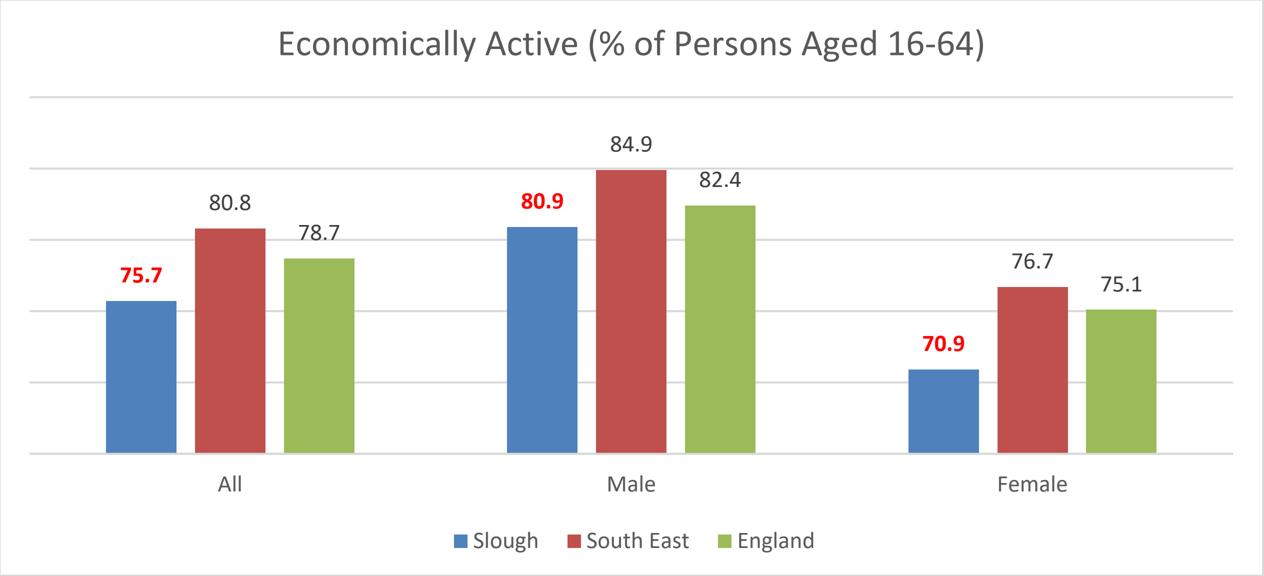
3.2.13 The proportion of other households and residents in Slough classed as being in poverty is also high when compared to neighbouring authorities and the average for England.



Sources: Office for National Statistics, 2013/14 (Households in poverty); End Child Poverty, 2017/18 (Children in poverty after housing costs); Department for Work and Pensions, November 2021 (Pensioners in poverty/Pension Credit).

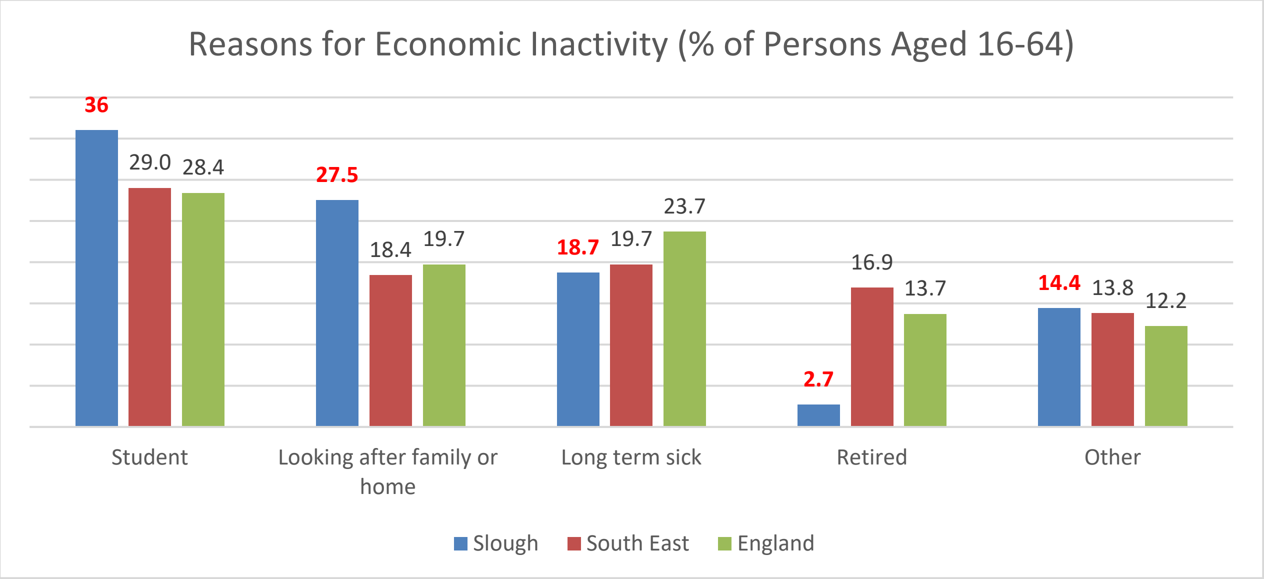
Economic Activity

3.2.14 The number of economically inactive people in Slough increased by 47% from the 2011 to 2021 Census. Slough's economically active population is lower than the averages for the South East and England. This is the case for males and females, with the female economically active rate gap larger than that for males. This economic activity gap will be a driver of low income and poverty in the borough.



Source: Office for National Statistics Annual Population Survey/Berkshire Data Observatory, December 2021

3.2.15 Slough has a relatively high proportion of residents (aged 16-64) who are economically inactive due to caring responsibilities at home and for wider family members.

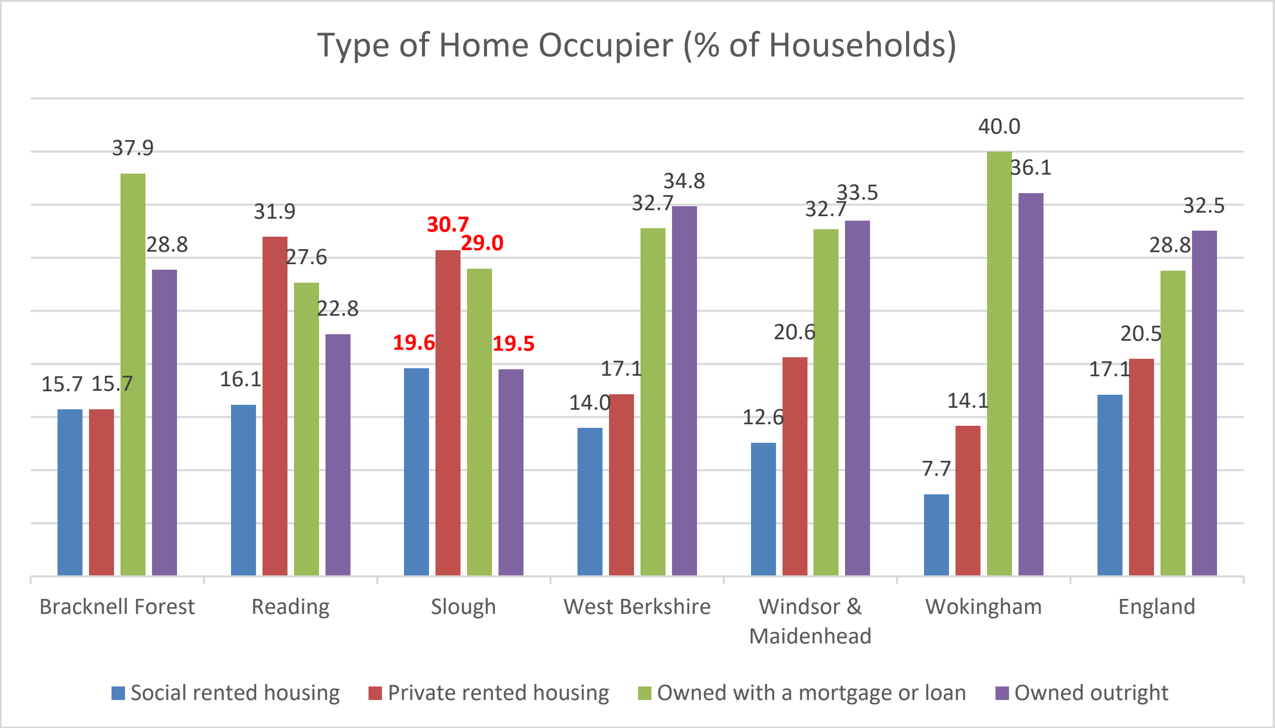


Source: Office for National Statistics Annual Population Survey/Berkshire Data Observatory, December 2021

3.2.16 Slough residents were relatively heavily reliant on government support during the pandemic. For example, In April 2021, 23.0% of the working aged population in Slough were claiming government-based benefits due to the pandemic (a combination of 10.9% on the Job Retention Scheme (JRS), 6.2% on the Self-Employment Income Support Scheme (SEISS) and a 5.9% unemployment claimant count increase since March 2020).

3.2.17 Whilst the average house price in Slough (£355,084) is the lowest in Berkshire, it is higher than the England average (£274,615) and the relatively higher levels of poverty and low income in Slough means that housing affordability is low. The average house price in Slough is 8.99 times the average earnings.

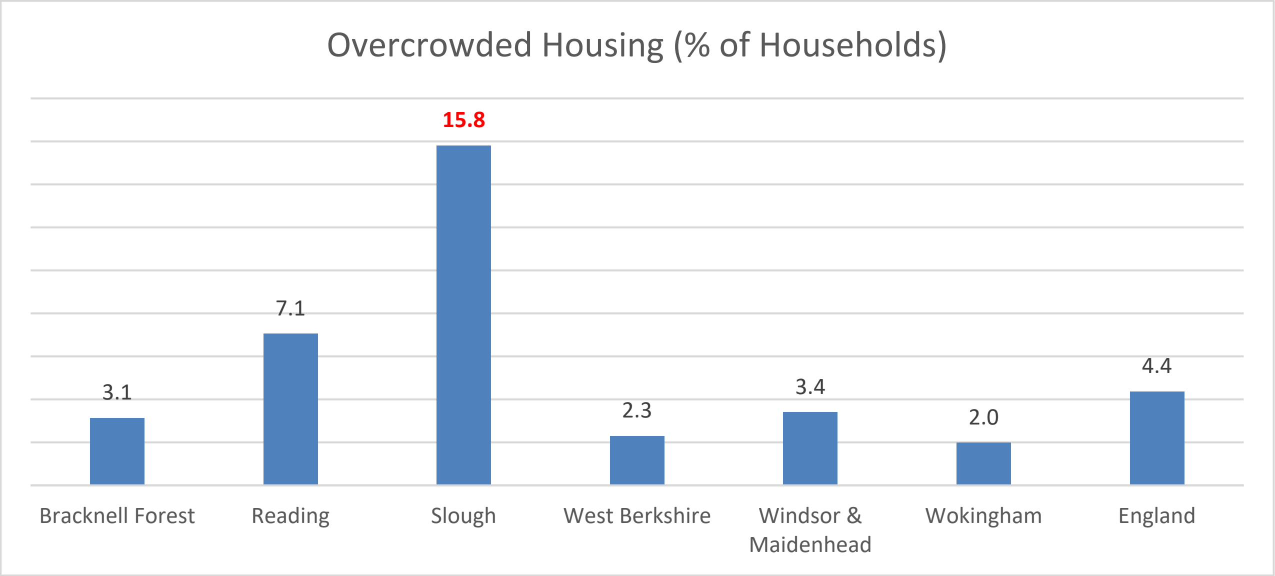
3.2.18 Compared to neighbouring authorities in Berkshire, Slough has a lower proportion of residents who own their own homes and a higher rate of socially or privately rented accommodation (except for Reading). The level of socially rented accommodation (defined as being rented from a Local Authority, Housing Association or Registered Social Landlord) is particularly high when compared to neighbouring authorities and the average across England.



Source: Census 2021 Phase 1 Data, January 2023

3.2.19 Slough has 56,773 dwellings and the highest average household size in the country (2.99 people per household).

3.2.20 Slough has a significantly higher level of overcrowded housing compared to neighbouring authorities and the average for England. A household is defined as overcrowded if there is at least one room fewer than needed for household requirements using standard definitions. The number of households consisting of 7 people increased by 49% from 678 in 2011 to 1,011 in 2021 and the number of households consisting of 8 or more people increased by 92% from 556 in 2011 to 1,067 in 2021.



Source: Census 2021 Phase 1 Data, January 2023

Core Spending Power

3.2.21 The Core Spending Power is a measure used by the Government to assess an authority's ability to spend based on Settlement Funding Assessment, grants and Council Tax assumptions. In comparison to neighbouring authorities in Berkshire, the Council's measure of Core Spending Power (adjusted to remove Council Tax) is the highest in the region.

3.2.22 This will partly be due to the way grants such as the new Services Grant and Social Care and Improved Better Care fund are allocated based on the statistics highlighted above. This results in the Council receiving higher allocations than neighbouring authorities where such pressures are less severe in comparison. These statistics and ongoing pressures in Slough are further evidenced by the lower amount of reward-based funding received by the Council, such as the New Homes Bonus, compared to neighbouring authorities.

SLOUGH BOROUGH COUNCIL
SUMMARY OF 2023/24 BUDGET SCRUTINY

Introduction

The Overview & Scrutiny Committee and three scrutiny panels (Customer & Community and Place held joint meetings) have extensively scrutinised the savings proposals for the 2023/24 budget in six dedicated meetings held between December 2022 to February 2023.

Key budget issues, risks and savings proposals were presented at the meetings of each Panel by Lead Members, Executive Directors and other senior officers. The Overview & Scrutiny Committee had agreed Key Lines of Enquiry for budget scrutiny in July 2022 and councillors on scrutiny received training on local government finance before scrutiny of the savings proposals commenced.

The Overview & Scrutiny Committee and panels reviewed each savings and were tasked with:

- constructively challenging each savings proposal;
- questioning whether the proposed savings were realistic, deliverable and robust;
- Examining the key risks; and
- Considering the implications for Slough's residents and the community.

Summary

Before considering each individual savings proposal the Committee/Panels were presented with an overview of the Council's financial position and Members agreed with the overall savings target in line with the Corporate Plan objective for the Council to 'live within its means'.

Whilst each directorate savings proposal was tested and challenged during the discussions, no amendments or alternative proposals were agreed to be made to Cabinet. The savings proposals were therefore accepted.

The following is a summary of the key issues covered at each Committee/Panel with links to the minutes.

Overview & Scrutiny Committee

The Overview & Scrutiny Committee was responsible for scrutiny of corporate savings proposals covering COO/Strategy & Transformation and Finance & Commercial Directorates.

Meeting: Thursday 1st December 2022:

- The savings reviewed included IT contract savings (£0.505m); business administration reductions including the cessation of some corporate events (£0.150m); and a vacancy factor saving (£0.500m).

- Members commented on the importance of ensuring good quality corporate services to support frontline service delivery. Members queried whether corporate services could be improved at the same time as reducing some staffing budgets but were assured that service redesign, restructures and transformation could deliver ‘more for less’.
- In relation to Finance & Commercial savings, the Committee asked about the targeted collection rate and asked a number of questions about how efficiencies would be achieved in practice.

Meeting: Thursday 2nd February 2023

- The Committee reviewed a second tranche of savings proposals, which included scrutiny of ‘overhead cleanse’ savings. The principle of removing historic budget provision for activity that had ceased e.g. events, was supported on the basis that any future re-introduction of such activity would be subject to business cases.
- Members also reviewed the capital programme. The discussion focused on whether the reduced capital programme could still deliver the required maintenance and investment in property and infrastructure, including Council housing.

No amendments or alternative proposals were made to any of the proposed corporate or Council wide savings by the Overview & Scrutiny Committee.

Customer & Community / Place Scrutiny Panel (Panels met jointly)

Meeting: Wednesday 7th December 2022

- The Panels met jointly to review savings proposals relating to the Place & Community and Housing & Property directorates.
- Discussion focused on issues such as the resources available to deal with the backlog of housing repairs and it was agreed the problems could be managed through improved contract management.
- The introduction of charges at household waste and recycling facilities was reviewed and Members accepted the principle of mirroring charges of neighbouring authorities.
- The reductions in bus service subsidies and parking regulations were also considered.

Meeting: Wednesday 1st February 2023

- The Panels reviewed savings in areas including library services and CCTV. Members emphasised the importance of these services to residents and agreed if the savings were to be made they needed to be properly implemented and well managed, including working with partners.
- The dimming of street lights was discussed at length and Officers explained the rationale for the changes.

No amendments or alternative proposals were made to any of the proposed Place & Community and Housing & Property savings by the Panels.

People Scrutiny Panel

Meeting: Thursday 15th December 2022

- The Panel reviewed savings proposals from the People (Adults) directorate.
- Members welcomed the success of the Adult Social Care Transformation Programme and agreed the savings relating to improved commissioning and contracting arrangements.
- It was recognised that there were significant demand pressures on adult social care services and the Panel sought assurance that the Council would continue to meet its statutory duties whilst delivering the savings.
- The Panel also asked whether best practice and new ideas from other authorities was being explored and it was confirmed that it was.

Meeting: Tuesday 31st January 2023

- A second tranche of People (Adults) savings were scrutinised including Assistive Technology and contractual arrangement for care home placements.
- The People (Children) proposed savings for home to school transport was reviewed and the staffing restructure was supported.
- The Slough Children First savings were considered alongside the overall financial position of the company.

No amendments or alternative proposals were made to any of the proposed People (Adults), People (Children) and Slough Children First savings by the Panel.

Links to agendas and minutes

Overview & Scrutiny Committee

Agenda for Overview & Scrutiny Committee on Thursday, 1st December, 2022, 6.30 pm (slough.gov.uk)

Agenda for Overview & Scrutiny Committee on Thursday, 2nd February, 2023, 6.30 pm (slough.gov.uk)

Customer & Community and Place Scrutiny Panels

Agenda for Customer and Community Scrutiny Panel on Wednesday, 7th December, 2022, 6.30 pm (slough.gov.uk)

Agenda for Customer and Community Scrutiny Panel on Wednesday, 1st February, 2023, 6.30 pm (slough.gov.uk)

People Scrutiny Panel

Agenda for People Scrutiny Panel on Thursday, 15th December, 2022, 6.30 pm (slough.gov.uk)

Agenda for People Scrutiny Panel on Tuesday, 31st January, 2023, 6.30 pm (slough.gov.uk)

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Overview & Scrutiny Committee – Meeting held on Thursday, 23rd February, 2023.

Present:- Councillors Gahir (Chair), Matloob (Vice-Chair), Akbar (until 8.47pm), Basra and Kaur

Also present under Rule 30:- Councillors Anderson, Kelly, Strutton, Swindlehurst and Wright

Apologies for Absence:- Councillors Bal, P. Bedi, M. Malik and S. Malik

PART I

1. Declarations of Interest

No declarations were made.

2. Minutes of the Last Meeting held on 2nd February 2023

Resolved – That the minutes of the meeting held on 2nd February 2023 be approved as a correct record.

3. Member Questions

No questions from Members had been submitted.

4. Recovery & Improvement Update

The Leader of the Council and the Executive Director of Strategy & Improvement introduced a quarterly update to scrutiny on the progress being made by the Council against the Secretary of State Directions issued in December 2021 and the overall recovery plan.

It was noted that the Commissioners' annual letter to the Minister on their assessment of progress, and the Minister's response, had not yet been published.

The appendices to the report included the two comprehensive reports that had been considered by the Improvement & Recovery Board (IRB) in December 2022 and January 2023 and a verbal update was provided on the discussions at the February IRB meeting which had been held earlier in the day. Lead Members and Directors had sought to provide surety to the Best Value Commissioners on the 2023/24 budget and savings proposals.

The Committee raised a number of issues during the course of the discussion including:

- The Council leadership’s overall assessment of the progress that had been made as the halfway point of the 3-year intervention approached. The Leader stated good progress had been made in a number of areas in the past year, including financial stability, which meant the concerns had moved away from the long-term viability of the authority towards accelerating the delivery of the recovery plan on the path to being a sustainable council. The success of the asset disposal programme meant that the expected level of the capitalisation in future years had significantly reduced and savings targets from 2024/25 and beyond were therefore becoming more manageable. A new management tier was now in place and progress was being made on specific Directions such as scrutiny. Culture change and HR remained key priorities.

- The risks were discussed and the Leader commented that a lack of resilience in certain services was an issue that needed to be addressed in the coming year. The potential for further financial shocks at a national and international level remained a risk as did any slippage in the 2023/24 savings programme. The Chair of the Committee asked about the risks posed to the Council from the continued overspends of Slough Children First. The Leader explained the process by which the SCF budget was set and the mechanism to seek more resources from the Council, where justified, to ensure appropriate services were provided to children in Slough. There was scope to make savings through combining back office functions with the Council. The new Director of Children’s Services/Chief Executive of SCF, Sue Butcher, would be leading a further review of the SCF business plan and this would come back to Cabinet in the summer. The Chair highlighted that the company was likely to be important area for scrutiny in the next year.

- The Committee asked questions about the future of the intervention and it was responded that Directions were likely to be lifted gradually as the Council demonstrated that it had properly addressed them and had proved itself capable to delivering the function subject to the Direction. This would entirely depend on the progress the Council made in the next 12/18 months, but it was hoped some powers may be returned during the next year such as the recruitment of senior management tiers. It was also noted that most of the Commissioners powers were held in reserve rather than frequently exercised.

Members asked a range of other specific questions about the levels of staff and Member training in the future; support for the scrutiny function; and the monitoring of actions in the reporting framework. The Leader and Executive Director responded to these points and provided assurance that there was a clear focus on action tracking.

Speaking under Rule 30, Councillor Kelly asked questions about culture change, accountability and training of the Council’s leadership; the role of the Lead Members & Directors Group following the statutory recommendations from the external auditor in the recent review of the purchase of Observatory

House; and the future income sources for the Council given the scale of the asset disposal programme. The Leader responded that a range of actions were in place for the training and development of the leadership team, both Officers and Members; that the external auditors findings had been fully accepted and changes already made to improve the quality of Cabinet reports to support decision-making; and that the success of the asset disposal programme meant that borrowing and MRP costs were already reducing.

At the conclusion of the discussion the report was noted.

Resolved – That the Recovery and Improvement Update be noted.

5. Section 25 Report

The Committee reviewed each of the budget reports that would be considered by Cabinet on 27th February 2023 and then Council on 9th March 2023. Members were invited to ask questions and comment on the papers and consider whether any specific feedback or recommendations should be made to Cabinet.

The Executive Director, Finance & Commercial introduced a report that advised the Council of his assessment on the robustness of the estimates made for the budget calculations and the adequacy of the proposed financial reserves.

The report set out the assumptions that underpinned the budget and the key risks. The Executive Director highlighted the scale of the financial challenge that faced the Council and commented that the financial recovery was expected to take approximately five more years. However, the actions taken over the past 18 months and the financial strategy in place was starting to come to fruition. The expected total capitalisation direction had come down by approximately a half to £357m, financial management and processes had been strengthened and the reserves were deemed to be adequate for this coming financial year, assuming assets sales of £400m were delivered by 31st March 2024 and the £22.4m of revenue savings were delivered in full with no call on contingencies for these or any other budget issues. The Section 151 Officer therefore confirmed that the Council was able to set a budget based on the assumptions and risks set out, but it was emphasised that the budget, and particularly the savings, needed to be delivered in full and on time.

The Committee thanked the Executive Director and the Finance team for the significant amount of work that had gone into preparing the budget given the challenges. A question was asked about paragraph 9.2 of the report that full assurance could not be provided. The Executive Director highlighted that the report was an assessment of the position the Council was in at the present time and there were significant risks. The 2023/24 financial year was a key period in the 5-year recovery plan due to the scale of savings required. Asked about the key risk, the Executive Director stated the fundamental problem the Council faced was excessively high borrowing, therefore the asset disposal programme was critical to reduce this.

In response the a question, the Lead Member for Financial Oversight & Council Assets provided assurance that the budget was deliverable and had been developed with more rigour and scrutiny than any other budget the Council had set in the past. The Committee raised concerns about the potential disruption to the finance team as Mr Mair and several senior colleagues would be leaving the Council. It was recognised that the Council had appointed a high calibre successor as Executive Director and a thorough handover process was taking place.

Speaking under Rule 30, Councillor Kelly asked about a £4.8m budget gap and areas of overspending. The Executive Director stated that the Council would balance it's 2022/23 budget and the figures were set out in detail in the budget monitor to be considered by Cabinet on 27th February.

At the conclusion of the discussion the report and proposed Cabinet recommendations were noted.

Resolved – That the report be noted.

6. Capital Programme 2023/24 to 2027/28

The Executive Director Finance & Commercial summarised the Council's capital strategy from 2023/24 to 2027/28.

The programme for 2023/24 was fully funded through external grants or capital receipts and did not require any new borrowing, which the Committee strongly welcomed. A number of important capital projects were included in the programme including flood defence measures, A4 Safer Road, Destination Farnham Road, Britwell Hub, office accommodation and investment in school buildings.

A question was asked about the additional budget provision to cover rising costs of the Nova House fire safety works. The Executive Director stated that a full report on the project would be considered by the Cabinet in March 2023 and the figure in the capital programme made the necessary financial provisions for the works.

Speaking under Rule 30, Councillor Kelly asked whether the office accommodation strategy included the retention of Observatory House. The Executive Director Housing & Property stated that work on the overall estates strategy was at an early stage and the six buildings potentially retained for operational use would all be subject to a full assessment and all options for Observatory House would be explored.

At the conclusion of the discussion the proposed Capital Strategy was noted and no specific comments or recommendations were made to Cabinet.

Resolved – That the report be noted.

7. Treasury Management Strategy 2023/24

The Executive Director Finance & Commercial introduced a report on the Treasury Management Strategy which included the borrowing and debt reduction strategy, prudential indicators, Minimum Revenue Provision policy; and the investment strategy.

Treasury management was a crucial part of the Council's financial strategy and assurance was provided through a mid-year update and outturn report during the financial year. The strategy proposed this year to Council was largely unchanged as it has been extensively revised prior to the 2022/23 financial year.

The Committee asked a number of questions including about the links to the asset disposal strategy and level of confidence that the target income of circa £200m in 2023/24 could be achieved. It was confirmed that a clear plan was in place for disposals in the coming year and the Council was confident this target would be met.

At the conclusion of the discussion the report was noted and no specific additional comments or recommendations were to be made to Cabinet.

Resolved – That the report be noted.

8. Housing Revenue Account Business Plan 2023/24 and 30-Year Housing Investment Plan

The Deputy Director, Financial Management, introduced a report on the Housing Revenue Account business plan and long term Housing Investment Plan.

A summary was provided of the overall strategy for the HRA, which overall was in a sound financial position. The rent increase for next year was 7%, in line with the Government's guidelines. The HRA capital programme was £53m over the next 5 years which was primarily on maintenance and repairs with no new housing developments planned during the period.

The issues and risks relating to damp and mould and fire safety were discussed. Members asked if there was sufficient budget provision to address damp and mould problems in Council properties. The Executive Director Housing & Property stated that sufficient provision was in place and detailed work was taking place to fully understand the extent of the issues. Every tenant would receive a letter and be able to self-report any issues. The Cabinet would receive a full report in March 2023 on the programme.

Members asked if the below inflation rent rise would provide enough funding to support repairs and maintenance. The Executive Director highlighted there were significant cost pressures in the system, but the rise should be adequate given the relatively good state of the Council's stock and the sound financial position of the HRA.

The Committee agreed to note the report and did not make any specific comments or recommendations to Cabinet.

Resolved – That the report be noted.

9. Update on Dedicated Schools Grant Management Plan

The Executive Director Finance & Commercial introduced a report on the High Needs budget position and the progress of the Dedicated Schools Grant (DSG) Management Plan 2022/23 to 2026/27.

The background was noted including the fact that the historic failures to address the growing deficit in the DSG over several years led to a cumulative deficit of £41.5m. After a considerable of work over the past year this had been reduced to £27m and the Council had made a submission to the Department for Education to write off the historic deficit. It was emphasised that this would only be agreed if the Council was able to keep in year figures balanced in the future.

The Committee welcomed the excellent work that had been done, but asked what the implications would be if the Council could not keep the DSG in balance. It was responded, if the write off was agreed, that budget would be closely monitored by DfE and if it did not balance the Council would have to meet that debt. It was therefore a key financial priority to keep DSG in balance. The outcome of the submission was expected in the near future.

Speaking under Rule 30, Councillor Kelly made a number of observations about the historic weaknesses in financial management that contributed to the build-up of the deficit. The Lead Member for Financial Oversight & Council Assets responded to the points raised.

At the conclusion of the discussion the Committee noted the report.

Resolved – That the report be noted.

10. 2023/24 Budget

The Executive Director Finance & Commercial summarised the revenue budget papers for 2023/24.

The context, key risks and assumptions were as set out in the Section 25 report considered earlier in the meeting. The General Fund revenue budget proposed was £143.4m which included £12.2m of growth for pressures and proposed Directorate savings of £22.4m, all of which had been through scrutiny across a series of six meetings between December 2022 and February 2023. The fees and charges review had been approved by Cabinet in January. The budget proposed to raise Council Tax by 7.99% plus a further 2% for the Adult Social Care precept, leading to a total increase of 9.99%. It was noted that the Council had requested, and been given, permission by the Department for Levelling Up, Housing & Communities, to raise Council Tax by 5% above the referendum threshold of 4.99%.

The Committee discussed a range of issues in scrutinising the budget including:

- **Savings delivery** – Members highlighted that the 2023/24 savings target was the largest in the Council's history and there was a track record for not fully delivering savings, including some slippage in 2022/23. The Chair asked whether Lead Members and Directors were committed to delivering the proposed savings. The Leader of the Council confirmed that the Cabinet was fully committed to implement the savings, or find alternatives. It was noted that if 2023/24 savings were all made, and none of the limited contingency was required, the Council would be in a much stronger position for future years with a reduced savings target. A follow up question about monitoring the savings was raised to ensure any slippage was identified early and could be addressed. The Leader highlighted that budget monitoring had been significantly strengthened in the past year and that scrutiny could play an important role in reviewing delivery of the savings programme and flagging up any issues to Cabinet.

- **Key risks** – the Chair asked about provision for key risks, such as a scenario where inflation stayed high throughout the year, and contingencies. The Executive Director stated that provision had been made for a pay settlement of 4.8% and contract inflation of 4.9%. There was some contingency for slippage in savings delivery, but that should only be used in genuinely exceptional circumstances such as pressures arising from external events. These assumptions were considered to be prudent and it was highlighted that if more provision had been made it would have required a higher savings target. Budgets would therefore need to be carefully managed.

- **Consultation** – the Chair asked what public consultation on the budget had been undertaken. The Executive Director stated that a consultation exercise had been carried out on the Council's website. The response rate was low and had not generated any substantive comments that had led to changes in the budget. It was recognised that the scale of the Council's financial challenges meant there was limited flexibility and options in setting next year's budget. The Committee agreed that budget consultation should be strengthened in 2023/24 to seek to increase resident feedback and engagement.

Speaking under Rule 30, Councillor Kelly asked about a number of specific savings to 'switch off' street lights; CCTV; and audit costs. The Leader responded that street lights would not be switched off, but there was a dimming trial. The level of dimming was small and it was said to be unlikely the difference would be noticed. The lighting would still be brighter than the old street lights before the investment had been made in LED lights. The trial results would be evaluated before any permanent solutions were implemented. The wording of the saving in the budget papers would be amended from 'switched off' to dimmed. In relation to the audit savings, the Executive Director commented that the high audit costs for 2018/19 reflected the amount of work required due to the deficiencies identified. The saving in this budget would relate to the audit costs for 2023/24 by which time the much improved financial records should lead to significantly lower audit costs.

At the conclusion of the discussion the revenue budget was noted, with no specific amendments proposed but that the Cabinet be requested to strengthen the public consultation process in future budgets.

Resolved –

(a) That the report be noted.

(b) That the Committee requests that budget consultation be strengthened in future years to seek to increase resident feedback and engagement.

(Councillor Akbar left the meeting)

11. Council Tax Reduction Scheme 2023/24

The Interim Head of Transactions – Revenues, Benefits and Charges introduced a report that set out the proposed changes to Council Tax Reduction Scheme for 2023/24.

In view of the proposed 9.99% rise in Council Tax the Department for Levelling Up, Housing and Communities (DLUHC), had stated in correspondence that Ministers were conscious of the effects of a large increase in Council Tax on taxpayers in Slough, especially those on lower incomes. The Government's expectation was that the Council take steps to mitigate the impact on those least able to pay and the Council Tax Support Scheme had therefore been revised. This proposed scheme recommended allocating £1.2m of the additional £2.5m Council Tax generated to further reduce Council Tax to the poorest working age households.

Approximately 9,300 households in Slough currently received a Council Tax Reduction. There were 2,700 pension aged claimants and that part of the scheme was set out nationally and no changes were proposed. If the proposed scheme was agreed for 2023/24, 5,347 current working age claimants would pay less Council Tax than currently. Of these, the 3,552 most vulnerable working age households that currently paid 20% towards their Council Tax would not have to pay any in 2023/24. 1,249 working age claimants would pay more under the scheme and the Council would also allocate additional resources to the Council Tax Hardship Fund to provide discretionary support.

The Committee welcomed the revisions to the scheme to support the most vulnerable households. There was a discussion about the Government support to Slough and the Chair asked whether the Council had, for example, asked to keep a higher proportion of business rates. The Executive Director explained that the Council had put forward a number of options to Government about how it could support the Council which had included business rates and additional grants. The Government had not agreed these other options and instead agreed the Capitalisation Direction.

The revised scheme was subject to consultation.

Resolved – That the report be noted.

12. Members' Attendance Record 2022/23

Resolved – That the Members' Attendance Record be noted.

13. Date of Next Meeting - 16th March 2023

The date of the next meeting was confirmed as 16th March 2023.

Chair

(Note: The Meeting opened at 6.30 pm and closed at 8.57 pm)

SLOUGH BOROUGH COUNCIL

REPORT TO:	Council
DATE:	9th March 2023
SUBJECT:	Financial Action Plan – Update
CHIEF OFFICER:	Executive Director Finance and Commercial (S151)
CONTACT OFFICER:	Executive Director Finance and Commercial (S151)
WARD(S):	All
PORTFOLIO:	Councillor Rob Anderson Cabinet Member - Financial Oversight & Council Assets
EXEMPT:	No

APPENDICES:
Appendix 1 - Risk assessment
Appendix 2 - Response to CIPFA Review
Appendix 3 - Response to DLUHC Governance Review (Finance only)
Appendix 4 - Response to Grant Thornton’s recommendations
Appendix 5 – Response to Directions (Finance only)
Appendix 6 – Assumptions, risks and mitigations
Appendix 7 – Finance and Commercial Services Improvement Plan

1 PURPOSE AND RECOMMENDATIONS

1.1 To provide Council with a summary update on the key areas of the work undertaken to respond to the many and very serious financial challenges and the recommendations made by external agencies. Specifically, it provides an update on the following issues:

- Capitalisation Direction
- progress being made on generating capital receipts
- budgets
- Minimum Revenue Provision (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

1.2 Cabinet considered this report at its meeting on 27th February 2023 and agreed to recommend the report to Council.

1.3 Council is recommended to note the progress and issues arising from the continued work on the above.

Commissioner Review

1.4 The report provides a very detailed and comprehensive progress report in the Financial Recovery Plan. The commissioners are pleased to note the progress.

2 REPORT

Background

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

2.2 The Cabinet, auditors and commissioners expect regular reports to evidence progress made. This report summarises the overall key issues, clearly a lot of the detail is contained in the accompanying budget papers and the appendices:

- 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

2.3 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.

2.4 Appendices 2 - 6 have been presented as they show the detail and the current position and progress against the recommendations in external reports among other matters:

- the DLUHC Governance Review (Finance Only)
- the CIPFA Review
- Grant Thornton's statutory recommendations
- Directions (Finance Only)
- Risks, mitigations and assumptions in the current forecast CD and budget

2.5 The financial strategy agreed and actioned by the Council was to:

- address the identified problem, this began in July 2021
- sell assets to reduce borrowings and thus reduce MRP/interest costs and finance the CD – agreed September 2021
- reduce net revenue expenditure, both general fund and the dedicated schools grant – ongoing since July 2021
- produce and have audited annual accounts – ongoing since July 2021
- operate proper and rigorous budgeting and building up reserves – from July 2021
- design and implement 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

2.6 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 over £173m to date this financial year with a planned total of over £200m for the whole year and forecast sales of £200m in 2023/24. This is greatly in excess of the budget and is paying down minimum revenue provision costs, repaying temporary borrowing, reducing interest costs and reducing the Capitalisation Direction
- an overall reduction in the Capitalisation Direction from a worst-case potential £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 £22.4m in 2023/24
- 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 implementing a new finance service structure which has seen some success in recruitment from external candidates and transfer of contract staff to permanent positions. The first phase has now completed and a plan is being put in place to recruit to remaining vacancies.

Summary Updates

2.7 The Council applied for and received a minded to **Capitalisation Direction** of £307m to 31/3/23. Looking forward the Council modelled to 2028/29 a total that could have risen to £474m. For further modelling purposes if the Council was unable to deliver £20m annual revenue savings from 2022/23 to 2028/29 and instead achieved £13m as a guide then the Capitalisation Direction would have to increase further and allowing for MRP on that would have totalled an estimated £782m.

2.8 It is currently estimated that **the overall Capitalisation Direction could be reduced from a potential total of £782m to £357m**. **However, it is important that in providing this figure that there is a clear understanding of the assumptions and risks inherent in this figure. These are set out in Appendix 6**

2.9 The Council is thus beginning to see the potential benefit and the outcome of the strategy adopted. Overall, this leaves the Council with a very large and challenging capitalisation direction of £357m but does represent a reduction of £425m and can be fully financed by:

➢ applying capital receipts from 2021/22 to 2027/28	£348m
➢ paying MRP in 2022/23 and 2023/24 of	£9m

2.10 **Capital receipts** of £400m are forecast to be potentially achievable by 31 March 2024 from the sale of assets which is more than sufficient to cover the CD. Thus, if manageable challenges arise with achieving the total from the current plans sufficient flexibility is retained in the current estimates to do this by other means. **However equally if sites do not achieve sales on time or to this value there will be a very serious impact on the Council's financial position.** Current assumptions related to capital receipts are that:

- the production and cleansing of the accounts will generate circa £25m of available capital receipts;
- the work on reviewing the Council's companies and generating capital receipts from those of circa £40m (excluding JEH);
- asset sales of circa £385m up to 2027/28 by disposing of investment properties and surplus operational assets;

- a potential capital receipt of £200m from a stock transfer (from a desk exercise) should be achievable, if it is decided to pursue stock transfer;

2.11 The **budget** savings required in future years currently remain as previously reported and the estimated position as at month 9 is as reported elsewhere on this agenda

2.12 The **2023/24 budget** has a target of £22.4m of savings which has been completed with options to that value to be tabled at Scrutiny in November/December 2022 and January/February 2023. The budget is also allowing for various estimated cost pressures such as pay, contracts, investment income reductions and service demand pressures.

2.13 The **2024/25 budget** has a current estimated savings target of £12.9m and is progressing with options totalling a potential £7m currently being explored.

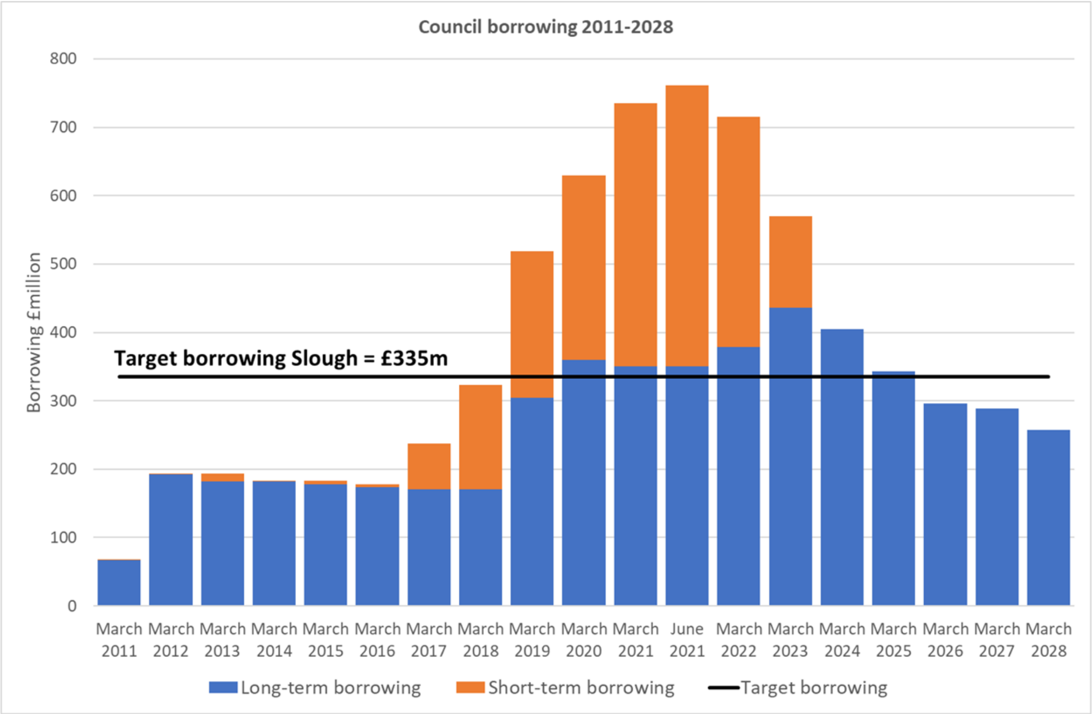
2.14 The lack of adequate budget for **MRP** was identified when the s114 was issued and reported extensively to Cabinet and Council. The Council's MRP budget for 2021/22 was £40k. The original estimated total impact of MRP was £18.3m in 2021/22 and £28.0m in 2022/23, the latter has now reduced by £10.7m. This is due to the identification of £40m capital receipts from redrafting the accounts which has enabled capital expenditure from previous years to be fully financed thus reducing the need for MRP.

2.15 The Council's **borrowings** are forecast to reduce as follows and as shown in Table 1 below:

- by £190m from £760m at 30 June 2021 to £570m by 31 March 2023, and
- down to £280m by 31 March 2028.

2.16 The reduction reflects the forecast receipts from asset disposals as profiled by advisors AY. By using the capital receipts from the programme of asset disposals, the Council is on track to reduce temporary borrowing to £133m by 31 March 2023 (a £203m reduction from the opening balance of £336m at 1 April 2022), and fully repay all temporary borrowing by September 2023. This will virtually eliminate the Council's exposure to interest rate risk.

Table 1: Forecast reduction in borrowing



2.17 Improvements in Financial Monitoring

We have improved the openness and transparency of virements through the year in the budget monitor and made a range of other improvements as shown below:

- budget monitoring reporting and commentary is more robust and insightful than seen previously – covering more areas and with more meaningful commentary
- a clear analysis on capital budgets and slippage approval. Clarity on how each project is funded. The capital review board needs to be reconvened in 23/24 to add further to governance, review and approval processes
- a thorough exercise undertaken on fees and charges with improved analysis of all charges shared with Cabinet. An in-depth analysis to test cost recovery needs to be undertaken in 23/24
- a thorough budget assessment and rebalancing from bottom up undertaken for Place directorate so now staff budgets are robust. Other issues identified and addressed include the budget for Libraries, CCTV and a Highways income target that was unachievable.
- a recharges review needs to be undertaken in some depth but some realignment against HRA with Place and Corporate Services being undertaken to address particular risk areas

- the HRA budget on the system was found to bear no resemblance to what was agreed at Council in March 2022, presumably due to turnover of staff and no handover. Identified and rectified

- new categories of analysis inserted into Agresso to capture member portfolio at cost centre level and make analysis at this level of reporting easier to undertake

- HRA and DSG categorisation added into Agresso to make these clearer and easier to exclude from GF analysis and reporting – this had previously been very confusing and led to errors in reporting in the past and was even harder to understand with staff turnover

- old budget targets from prior years found in "Savings to be identified" account code in various service areas. These have/will be moved to the relevant codes

- all grants are being logged when received through the year along with grant letters, in a grant register. A review of the process of how grants are recorded (balance sheet or I&E first, drawdowns etc) will be undertaken to build further clarity

- ECP process has helped to capture any spend which is questionable but the spend which is challenged at a corporate level are now reducing.

- undergoing the budget review in Place and restructures in F&C and IT have helped to ensure the Council now has a detailed working paper behind staffing costs in those areas which will be expanded out across all other areas

2.18 **Accounts** have been submitted for 2018/19, the audit is being conducted in more detail than originally anticipated due to the greatly increased risk profile of the Council. The Council will receive an audit opinion commensurate with the lack of accounting records. This will be a matter for the auditors judgement and cannot be pre-judged although it is likely to be one of a serious nature for the 2018/19 accounts. The 2019/20 accounts were submitted to the auditors on 1/11/2022. 2020/21 accounts are now estimated to be completed by February 2023.

2.19 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.

2.20 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..

2.21 The Council submitted its initial proposal to the DfE on 13th January 2023 with a feedback session held on 23rd January 2023. The Council submitted a final proposal on the 3rd February 2023.

2.22 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.

2.23 The **Finance and Commercial restructure** was approved in July 2022 following extensive consultation. Following a new Direction from DLUHC in September 2022 the recruitment of the new Executive Director, Deputy Directors and third tier posts was passed to the Commissioners. An appointment to the ED post was made in January 2023. The Deputy Director posts remain vacant after a first round of recruitment.

2.24 The wider recruitment in the department was in three phases – the first offered opportunities for existing permanent staff to be promoted into the new structure, the second offered opportunities for contractors and other Council staff to be considered for permanent roles and the third stage opened the remaining vacancies up to external candidates. Recruitment advertising took place during September, October and November and completed on 9 December 2022.

2.25 A total of 102 applications were received across all posts. 3 candidates were promoted internally, a further 8 permanent appointments were made from contractors or other council departments and a further 9 external candidates were appointed into key roles within the structure.

2.26 The original structure included 60 posts which were increased to 90 including the bringing back in-house of Internal Audit and Commercial Services. Of the original 60 posts in scope there were 36 permanent staff and 24 vacancies. Following the restructure there are 51 permanent staff in post and 39 vacancies of which 20 are currently staffed by agency staff and 19 posts are vacant. Plans are actively being considered to recruit to the remaining vacancies especially in priority areas.

2.27 **Revenues and Benefits** - Work continues in revenues and benefits on increasing collection rates back to pre-Covid levels, improving the speed of processing time for benefits, supporting vulnerable residents with payments through government schemes and various other improvement projects as shown below:

2.28 Collection rates – At the end of December 2022 improvements continue to be seen for in-year collections for both Council Tax and Business Rates. Council Tax collection is 80.46%, 0.45% ahead of target and up 0.56% on the same time last year. Business Rates collection is 82.43%, 2.48% ahead of target and up 5.07% on the same period last year. Considering the economic conditions, the Council Tax collection is very positive. It is anticipated that this improvement will continue. Arrears collection is also improving with Council tax net balances reduced by £3.247m (15.7%) so far this year and NNDR seeing a reduction in net arrears of £3.942m (44%).

2.29 Government Schemes – Energy Rebate Scheme - The payment of the core scheme and discretionary schemes have been completed. The Council made 56,141 payments totalling £7.309m to residents through the scheme.

2.30 Housing Support Fund - the Council is now over halfway through the third tranche of this scheme and paying £1.171m to vulnerable households struggling with the cost-of-living crisis, and vouchers to children receiving free school meals during school holidays.

2.31 The Government have extended the Energy Rebates Scheme for another 12-months from 1 April 2023. In addition, the Council received Energy Bills Support Scheme Alternative Funding - a new scheme the Government launched to provide a discount on energy bills of £400 for households who pay for their energy in a different way, such as those with a commercial landlord or intermediary, such as park home residents or some housing association tenants.

2.32 Council Tax Support Fund - Slough has been provided with £0.253m in funding under this new scheme to provide support to those households already receiving Council Tax Support, but still have a balance to pay. The scheme has an element of mandatory and discretionary elements.

2.33 *Projects* - Development and improvement of the service continues with a number of key projects underway which include:

- Academy Cloud Migration – This was successfully completed on 9 January 2023
- Recovery data cleansing – This has already released more than £0.7m of debt that was effectively on hold to be recovered. The first two of the Enforcement Agent caseloads have been completed and the remaining two are due for completion by June 2023
- Revenues and Benefits Automation – The kick off meetings have concluded, and work has begun on the first of 11 automation projects. Once complete the vast majority of the high-volume, low-value tasks currently processed by officers will be automated
- Single Person Discount Monitoring – This project is currently underway and reviewing over 14,000 discounts. The initial phase of the project will be complete by the end of April 2023
- Council Tax Reduction Scheme – The Council is currently consulting on the implementation of a new CTRS scheme from 1 April 2023.

2.34 It was previously reported that as the **ERP** is fundamental to the information flow in the organisation the new S151 officer assumed strategic oversight over the system and is working on how to embed the right structure, resources, and practices in the organisation to maximise the output of the system and significantly reduce the costs arising from the inefficient operation that currently subsists.

2.35 There have been a series of improvements within **Contract Management and Procurement**:

- Contracts register is being used as a business-as-usual tool in forward planning procurement activity, this includes consideration of longer-term procurement activity required for high value, high risk contracts. It is also being used to develop the forward plan/contracts over £180k report for April Cabinet
- The Council is utilising existing IT systems for the contract register and the implementation on Agresso is due to be complete by the end of the financial year. The Council is also considering in-house tools that can be used for contract management.
- Revised contract procedure rules we approved at full council in November 2022, processes and procedures have been updated to reflect the minor changes to the rules, which reflects governance in the council. The training programme also reflects the revised rules and continued throughout January and February.
- The commercial service has moved away from relying on expensive consultancy support, by initiating recruitment to a permanent in-house team, engaged a cheaper consultancy to support specialist procurement where needed and to plug short term gaps in resources.

2.36 **Internal Audit** – The recruitment of a new in-house internal audit team was a key recommendation of CIPFA and DLUHC in October 2021 and has been undertaken as part of the wider Finance and Commercial services Department restructure. Recruitment has been successful at the senior level with offers made and accepted for the Head of Financial Governance, Internal Audit, Counter Fraud, Risk and Insurance, Internal Audit Manager and Senior Auditor posts. All candidates are available to begin work in the first quarter of 2023 which will allow a structured handover with RSM and input to the 2023/24 Internal Audit Plan. Further recruitment is required to two internal auditor roles.

2.37 **Internal Audit recommendations** – A structured approach to closing down recommendations from previous years has been put in place and is beginning to show positive results and good progress continues to be made as follows:

- **Pre 2021/22 audit actions** – 8 actions from a total of 257 remain to be completed, 4 of these are medium rated and 4 are low rated.
- All internal **audit reports outstanding from 2021/22** have been finalised allowing completion of the Head of Internal Audit Annual Opinion for 2021/22.
- **2021/22 actions** – actions completed as at end of December number 130 or 49 per cent of the total due with a further 43 or 14 per cent not yet due. A concerted effort is needed by CLT and DLT's to close the

remaining 135 actions that are overdue. An analysis by Department and by priority has been shared with DLT's for actioning.

- The number of outstanding **2022/23 actions** will increase as the number of reports are finalised. Currently 8 reports are finalised and a further 8 are in the process of being responded to by management.

2.38 The Council's response to agreed internal audit actions should contribute to the achievement of the organisation's objectives and assist the Council in managing its risks. Officers have strengthened the arrangements for monitoring and verifying completion of audit actions.

2.39 The internal audit plan for 2023/24 is to be presented to the Audit and Corporate Governance Committee on 14 March 2023. It will be an agile plan in order to reflect changes in circumstances including the transition to a new In-House team during the first quarter of 2023. There are 12 audits planned for the final quarter of 2022/23 audit plan which should enable RSM to complete their Annual Head of Internal Audit Opinion for 2022-23.

2.40 **Companies Governance** - The Council had 10 companies excluding Slough Children First. All but four companies have been formally closed down during 2022. SUR, JEH, GRE5 and DISH remain operational although plans have/or are being developed which are focused on transferring activity to the Council (where appropriate), the sale of assets or a corporate transaction (sale of business inclusive of assets).

2.41 In line with previous reports provided to Cabinet, it is expected that the Council will exit GRE5 when the works to Nova House have been completed and the legal claim has concluded – this is expected to be in 2024. Cabinet will be requested to approve an exit route and a number of options are likely to be available to the Council if the works are completed satisfactorily and the legal claim is resolved. Bevan Britain have been asked to provide advice on regulatory and legal considerations to inform the most appropriate exit strategy. e.g. sale of freehold lease to a third party, leaseholder transaction.

2.42 Following an Options Review by Montague Evans, the SUR Partnership will not be undertaking any further major developments. This will significantly reduce the Council's capital commitments and financial risks over the next five years. The Partnership will be wound up following a series of land disposals over the next few years – each site disposal will be approved by the Cabinet. A site disposal strategy has been approved for NWQ and the full disposal transaction has been approved for Montem. Other sites will be considered by Cabinet in 2023.

2.43 Local Partnerships have reviewed JEH and have provided a series of options for the future operations. Cabinet will be requested to approve a preferred option(s) in March 2023 following the completion of further analysis (legal and financial) to inform the options.

2.44 The DISH company is a lower risk and will be reviewed in the first quarter of 2023/24.

2.45 Major progress has been seen in the following areas:

- **SUR**. The Council has established a Corporate Oversight Board for SUR to strengthen governance and management arrangements, including oversight of a phased reduction in SUR's activities. New Representatives (of the LLP) have also been appointed to oversee the changes and planned exit from SUR. Financial and performance reporting is regularised and now takes place on a quarterly basis. A Councillor was appointed in Autumn 2022 as the final (of three) representatives to the SUR LLP Board.
- Good progress has been made on the only ongoing SUR development project; the Old Library Site (OLS). Following the successful approval of First Homes Funding from Homes England in FY 22/23, apartment sales have accelerated and the Council's loan facility of £10m to the OLS has been fully repaid. Less than 5 apartments remain unsold/not under offer which significantly reduces the risk of loan default on the £2m of loan notes outstanding and has a positive impact on the Council's cash position.
- **GRE5**. Significant progress has been made to **GRE5's** financial planning and reporting, oversight and critical governance arrangements including the appointment of new external directors, the establishment of a new corporate oversight group and strengthened risk management. The Council's loan to GRE5 has now been fully executed following a financial review in FY 21/22 which identified that the Council's loans had not been approved in line with its Investment Strategy and was not implemented appropriately. Whilst building work is underway on Nova House, a number of additional structural issues have been identified which have had an impact on the ACM works and the resolution of the legal claim. A report is expected to be provided to Cabinet in February 2023 to provide a full update on the programme.
- **JEH**. A JEH options appraisal has recommended a phased exit including the transfer of some assets to the Council. The report identified a series of additional workstreams which are inquired to inform the Options and the development of the detailed action and exit plan. The exit plan is scheduled for agreement by 31/3/23.
- New Directors have been appointed for JEH in FY22/23 and monthly Board meetings have been reinstated from January 22. Board reporting including financial, performance and risk reporting has been redesigned to improve management and board effectiveness. A new SLA between the Council and JEH has been produced and approved in FY 22/23 and further improvements will continue to be made.
- **DISH**. DISH was established in 1988 and has a lease with the Council for 54 properties; with the majority of tenants classed as long-term tenants. DISH is considered to be a lower risk compared to other companies and an options review and exit strategy is scheduled to be complete by 30/6/23.

2.46 In October to December 2021, all Directors were replaced for JEH and GRE5. New Director role profiles were developed and standardised for both companies based upon an assessment of the specific requirements for each company. Internal appointments were made for JEH however due to the complexity and specific requirements of GRE5, external appointments were made. As an LLP, SUR has “representatives” and does not have “directors”. SUR representatives were reviewed and replaced in Autumn 2022 following a consideration of the specific requirements to implement the exit strategy and associated disposals programme.

2.47 All new directors were provided with induction training, including detailed briefing sessions on company matters, governance and other related matters. Formal contracts and terms of reference are in place for the appointments and each Director will be subject to an annual appraisal. Future training requirements will be monitored as the directors continue in role and the future direction and exit strategy evolves.

2.48 **Agresso System improvements** - The challenges regarding the way the Agresso system was originally set up have been well documented. A new cloud based Agresso hosting specialist has been engaged and a full migration off the Capita platform was successfully completed in December 2022. The system is running smoothly and single sign on will be launched in February 2023 as one of the quick gains from the transition. The Council is working to optimise the various elements of hosting the ERP with the new supplier to ensure a better all-round user experience.

2.49 Staff training was completed for line managers and Users Champions, all sessions are recorded and will be made available for new starters or anyone that requires refresher training. Bespoke training packages have been agreed for the following specialist areas and will be completed by March 2023 – HR, Payroll, Finance including Procurement & Systems Administration.

2.50 The BAU support function which has been to date managed by a firm of consultants was awarded to a Unit 4 (Agresso) Partner from January 2023, this will provide a streamlined 2nd level support function and manage all the periodic systems updates required in a systematic fashion.

2.51 Next steps include a complete update of the SBC establishment and reporting lines to match the Council’s structure, implement the contracts register module and complete some development in relation to enhancing the financial reporting experience

2.52 Detailed responses to the reports received from MHCLG/DLUHC, CIPFA, Grant Thornton and the formal Directions from DLUHC are shown in detail in Appendices 2-5. Table 2 overleaf shows a summary of the progress to date against each set of recommendations.

Table 2: Progress on implementing finance only recommendations from external reports

Report	No of Finance Recs	Complete/ Ongoing	Partially complete / On Track	Total
CIPFA (Appendix 2)	22	20	2	22
MHCLG/DLUHC (Appendix 3)	20	15	5	20
Grant Thornton (Appendix 4)	23	13	10	23
Directions (Appendix 5 - Finance Only)	9	7	2	9
Total	**74**	**55**	**19**	**74**
Total %		**74**	**26**	
Position in Nov*		**69**	**31**	
Movement since last report	**-**	**5%** ↑	**5%** ↓	

2.53 Significant progress has been made on dealing with the recommendations from the various reports issued by CIPFA, DLUHC, Grant Thornton and the Directions (Finance only) issued by Government during 2021/22. 74 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. Since the last report the number of complete or ongoing recommendations has increased to 55. 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. In summary:

- **Directions** - There are 9 of the 13 Directions which are whole or part in the ownership of the finance team. Of these 7 have been classed as green and the remaining 2 is amber. Firstly, the internal audit work is largely complete but not fully. Secondly, decisions on the reviews of council companies are well progressed and will be complete in the next year.
- **CIPFA report** - The recommendations are substantially complete with 2 outstanding with both on track to be completed by 31 March 2023.
- The **DLUHC report** has 5 on-going / outstanding recommendations relating to improved service planning; responding to internal audit recommendations; continually developing member training around budgeting; implementing the CIPFA recommendations and spreading the learning from improved service planning in finance to other areas such as IT and HR. Work has commenced or is substantially complete in all these areas.

- The **Grant Thornton report** was more detailed and had 23 recommendations, some of which had multiple actions. Whilst progress has been made against all of these, they have not been deemed to be complete until all elements are finished. Many of the actions are dependent upon completion of the annual accounts, for example, the annual governance statements are complete but cannot be signed off until the accounts are audited and approved by members. Other actions are more developmental and will by their nature be on-going for some time e.g. improving financial reporting, improving financial systems and processes; recruiting an internal audit team; improving the governance around the recording of member and officers interests. Some actions have a longer delivery time due to the nature and complexity of the issues e.g. the review of companies. All these matters are on track to be substantially completed in 2023.

2.54 Clearly the above positions are best estimates at this point in time and will change continuously as the work continues to progress.

2.55 As previously reported it will take up to **5 years** to transform/stabilise the Council's finances and this will involve a further range of improvements/work to be done. Examples of future plans included in the departmental business plan are outlined in Appendix 7 and key aspects summarised below:

- **People, culture and customers** – the services has spent a lot of time recruiting to the team and will put in place cultural changes that will enable the department to meet its ambitions, ensure it meets the highest professional standards, and has a 'can-do' attitude to supporting departments and the development of the Council's plans.
- **Training and succession plans** will be developed further once the team is recruited. The development of people is at the heart of our future success and this will be reflected in our investment in this area through the recruitment of professionally qualified staff, offering opportunities to current staff and growing the Council's own talent through trainee recruitment.
- **Improving Financial Reporting and Accounts Completion** – one of the key success factors will be to ensure all outstanding sets of accounts are complete by December 2023 and that the underlying processes to deliver future statements are embedded and quality assured. Progress in this area is well advanced but needs to be embedded during 2023/24 and is subject to the outcome of external audit reviews. Plans are in place.
- **Getting the basics right** - continuing rectification of the many very significant historical challenges with poor basic financial control processes and procedures – for example, reconciliations between systems, quality control around the accounts processes, consistency in the completion of standard working papers, control and recording of assets, income recognition and debt recovery. Continuing action will be taken to improve the basic financial systems and control processes

through the upgrade and development of Agresso and related systems but these will take time to embed fully.

- **Financial Strategy and Planning** – a great deal has been done to stabilise the Council's financial position through the forensic investigations during 2021/22 of previous accounting practices. Many of these issues have been rectified but the Council will not be fully clear of these issues until the outstanding audits have been completed. Medium Term Financial Planning had to be developed in a vacuum during 2022/23 due to the lack of a corporate plan and in the crisis situation the Council found itself in. A key area for 2023 is developing greater integration between the corporate plan and medium-term financial plans.

2.56 **Improving each of the key functions** – all key services within the Department have a service plan and understand their responsibility for delivery. Each area has clear objectives, key performance indicators and key improvement actions for 2022/23 and beyond.

2.57 As noted above the strategy is evidencing progress but a financial recovery of this magnitude will take a further estimated 5 years, and inevitably matters will arise during this period that will need addressing and much remains to be done at a detailed level and to embed good practice. A list (albeit not exhaustive) of current challenges is set out below:

Transitioning to a new team and continued culture change

The new leadership team is expected to be in place by May 2023. Whilst there is a current business plan this will need reviewing and agreeing with the new team and sharing with the wider team to get buy in and support for the scale and pace of the changes required.

Delivery of future years audited financial statements

Progress has been made in many areas but this will need to continue to be embedded and developed if the good work to date is not to be lost. In particular, the completion of three years set of accounts and the quality of the working papers and newly established quality control regime will need to be built upon in future years.

Introducing zero based budgeting

The challenging savings targets facing the Council will require new techniques to be deployed including an on-going review of budgets from a zero-based perspective. This is scheduled to be introduced in 2024/25.

Restructuring the Revenues and Benefits team

The re-structure of the Revenues and Benefits Team is likely to be effective from September 2023 and will need to ensure that it takes advantage of the process and technology efficiencies envisaged when the 2022/23 budget was formulated. The project management of this process will be critical to the future success of the team.

Embedding the Agresso system changes

The challenges regarding the way the Agresso system was originally set up have been well documented. A new host contract has been established from January 2023. Whilst this relationship is important there is also key relationships and procedures to be established with HR and IT departments in order to enable the most effective use of the system going forward.

Improving the Counter Fraud function

A recent report by CIPFA has identified the need to undertake improvement in the direction and focus of the team to ensure it is achieving optimum outputs for the Council from the resources available. An improvement plan is being put in place to ensure this happens.

Developing the new In-House Internal Audit Team

A new team has been recruited to replace the outsourced contract – it will take time to bed this team in and to develop the working practices and cultural change required for management and members to obtain appropriate assurance. A new way of working is required in tandem with management. This team will be crucial to supporting the continuing changes required to embed good governance.

Responding to Recruitment Challenges

Recruitment remains challenging in a number of key areas most notably at the Finance Manager level in the main finance teams and also in the Commercial Team. In some specialist areas such as insurance interim cover remains in place. The cost of employing agency staff will continue to be a challenge to the budget going forward, despite the progress made in 2022/23.

Asset Management

Challenges still remain around the accuracy and maintenance of the asset register. Whilst progress has been made this is likely to be an area for further improvement across the Council.

Procurement and Contract Management

Implementing and consolidating some of the key changes from bringing the Contract Management and procurement functions back in house will be a key area for further development and improvement during 2023 and beyond. This will be crucial to the Council’s ability to achieve value for money.

3 IMPLICATIONS OF THE REPORT

3.1 Financial implications

3.1.1 These are set out throughout the report. Should the work being undertaken not be completed or be significantly delayed, the Council's financial position would quickly deteriorate and become untenable.

3.2 Legal implications

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

3.2.2 The Council has a number of statutory duties in relation to financial management. These include the following:

- Under Part I of the Local Government Act 1999, a best value duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of efficiency, economy and effectiveness;
- Under section 31 of the Local Government Finance Act 1992, the requirement to set a balanced budget at the start of each financial year;
- Under section 28 of the Local Government Act 2003, a requirement to review actual expenditure against the approved budget on a regular basis throughout the year and, where it appears that there has been a deterioration in the financial position, a requirement to take such action as is necessary to deal with the situation;
- Under The Accounts and Audit Regulations 2015, a requirement to maintain adequate systems of internal control.

3.2.3 The Council's Constitution, which is based on the requirements of the Local Government Act 2003, requires that decisions in relation to financial management must be taken at specific levels within the organisation, as follows:

- Full Council is responsible for approving the policy and budget setting framework at the start of each financial year. This includes approval of Council Tax increases, revenue and capital budgets, Treasury Management Strategies and capital investment plans.
- Cabinet is then responsible for determining how and when expenditure will be incurred, and what levels of service are provided, so long as this is in accordance with the overall budget framework.
- Part 3 of the Constitution also includes a Scheme of Delegation whereby some decisions can be delegated to individual officers or to senior officers acting as a group.

3.3 Risk management implications

3.3.1 There are a range of risks associated with this work. These risks and the mitigations put in place to manage them are set out in Appendix 1. Some of these mitigating actions are already in place, others will take time to develop and embed. This risk assessment will continue to be developed and the position continuously assessed, with regular reporting to members as part of these progress reports.

3.4 Environmental implications

3.4.1 The work being undertaken will allow the Council to continue to function and thus help address its environmental aspirations

3.5 Equality implications

3.5.1 The work being undertaken will allow the Council to continue to function and thus help meets its equality requirements

3.6 Procurement implications

3.6.1 The proposed asset disposal programme, implementation of the Council's procurement strategy and maintenance or improvements to financial systems will all require the assistance of external specialists who will provide additional skills and capacity not currently available in-house.

3.6.2 Any support obtained from external support consultants will be secured in compliance with the Public Contracts Regulations 2015, Council procurement policies, and within approved budget spending limits.

3.7 Workforce implications

3.7.1 There are workforce implications associated with the restructure of the department which are being managed with HR support. Possible future changes to the staffing structures within Finance functions referred to this report are subject to future Cabinet reports which will fully consider workforce implications.

3.8 Property implications

3.8.1 The asset disposal programme referred to in section 8 of this report will directly impact on the Council's property holdings. Full details will be provided via six-monthly progress reports to Cabinet.

Appendix 1

Risk management

1. There are a range of risks associated with this report. Risk identified to date have been listed below, together with the mitigations put in place to manage these risks down to acceptable levels. Some of these mitigations are already in place, others will take time to implement and embed. All risks and mitigations will change and develop over time and the current position will need to be continuously assessed. The RAG rating after mitigation is not time related ie as has been previously advised this while process will take circa 5 years.

Risk	**RAG Before Mitigation**	**Mitigation**	**RAG After Mitigation**
DLUHC/CIPFA/Grant Thornton/ Commissioners may not have confidence that the Council can address all the matters to the quality and in the time needed	Red	Recruitment of new Executive Director of Finance and team now complete – remaining vacancies will be filled by experienced interims subject to budget constraints. Commissioner comments on the transitional Finance team have been very positive. Implementation of the financial strategy agreed in 2021 has shown success to date. This also requires considerable input from across the whole Council in order to continue to deliver on all matters – this is being programme and project managed in a more co-ordinated manner	Amber
Accounts not completed	Red	Employment of national experts Creation of robust project plan as developed and successfully used elsewhere Utilisation of proven whole team methodology On-gojng engagement with external audit 2018/19 and 2019/20 accounts presented for audit. Due to the lack of appropriate records and standards of work in 2018/19 etc the audit opinion will be commensurate with that situation. Thus pending the resolution of the audit this is deemed red at this stage but will be determined. Thus an overall opinion of amber	Amber
Budget may not be brought into balance	Red	On-going communication with DLUHC regarding capitalisation directions Development or more rigorous processes and timelines Continuous weekly meetings at all levels – officers and Members Asset sale process for 2022/23 has been successful and had a material impact on borrowing levels in the longer term Cleansing of all budgets has continued Reductions in the capital programme Agreement from all involved that all matters have to be considered The Council is awaiting reviews of the SCF business plan which is currently having a material impact on the 2023/24 budget proposals.	Green – pending asset sales
2022/23 Budget may not balance	Red	The Council is also currently facing the risk of a 2022/23 in year departmental revenue overspend. However this is offset by corporate matters and the overall change in the CD	Green
Weaknesses in Council's strategic use of companies, governance, management, financial reporting and	Red	Holistic reviews of all companies underway. 6 out of 10 Companies closed during 2022/23 and the remaining ones are subject to detailed scrutiny in order to determine the most	Amber

performance management continue		beneficial position for the Council. All expected to be complete during 20223/24. Some issues already being addressed through Cabinet and Council. (Others will take place over the coming 12-18 months)	
Internal Audit reviews not actioned or consider the holistic requirements of the Council	Red	Proactive management of internal audit recommendations is now taking place and chasing down of responses to and implementation of actions. Discussions have been had with Internal about the balance of their reports in the context of the council's current position and extensive change agenda. New Internal Audit team recruited ahead of agreement of the 2023/24 Internal Audit plan.	Amber
Systems continue to fall behind the latest version, development work is not taken forward and priorities are not identified or resourced	Red	Structure, resources and practices are under review and will be analysed, reviewed and assessed to address the issues ICT restructure has been completed and recruitment taking place. This will greatly impact on this when in place.	Amber
Finance Team reverts back to being under resourced and under skilled	Red	Restructure programme completed with some successes and some remaining vacancies but significantly improved capacity and capability. Much smaller interim cohort required for the future. Finance leadership team recruited. Training is developed which is underway Additional required temporary and permanent resources are identified and secured The residual risk is amber due to continuing need to secure a wholly a permanent team whilst transitioning from the interim team in place during 2021-23.	Amber
Poor financial management practises continue New practices are not embedded	Red	Range of new processes introduced on a phased basis and Officers trained in the new approaches. This depends upon officers throughout the Council fully engaging with the rigours of budget management and securing a longer term permanent team. There is a large quantity of detailed work still to complete	Amber

Appendix 2

Response to CIPFA review

No.	Recommendation	Action taken	Responsible officer	End Date
	Strengthening Financial Sustainability			
	A On future sustainability: Establish a detailed plan to close its short and long-term budget gap			
1	1. The S151 Officer present their plan for the steps that they need to take to rebalance the budget to Council in October and seek Council approval for the Plan.	Plans were taken to Council in October 2021. Plans approved. Budget for 2022-23 approved. Budget for 2023/24 in process of approval.	S Mair	***Complete*** for short term Work continues for the longer term
2	*The Council produces an outline plan to close its identified budget gap for 2022-23 (before taking account of additional Section 114 liabilities) by November 2021.*	***Complete***	***Complete***	***Complete***
3	*The Council produces a longer-term outline plan for closing the MTFP budget gap by December 2021.*	***Complete***	***Complete***	***Complete***
4	The Council produces detailed delivery plans for savings required over the MTFP by May 2022.	Costed savings action plans have been produced for the 2022-23 budget and proposals are now being prepared for the 2023-24 budget which will be refined through to January 2023. The process beyond 2023/24 will be based on a zero basing of the Council's budget	S Mair/EDs	***Complete*** for 2022/23 Budget Paper going to March Cabinet ZBB will take through to October 2023 to set

				up and implement in 2024/25
	B On future sustainability: Establish a high-level risk register			
5	*The Council reviews the existing risk register to identify the high-level risks facing the organisation and assigns a senior risk owner to each risk*	***Complete***	***Complete***	***Complete***
	C On Commercial activities and borrowing: Set limits on future borrowing and capital spending			
6	*The Council sets very tight limits for future borrowing to enable it to better manage the subsequent revenue cost of repaying such debts.*	***Complete***	***Complete***	***Complete***
7	*The Council restricts investment in its capital programme to essential schemes as identified above.*	***Complete***	***Complete***	***Complete***
	D On commercial activities and borrowing: *Gain increased assurance concerning the potential scale of past and future liabilities.*			
8	The Council further reviews the risk-based approach to identifying liabilities to enable it to improve its assurance around the size and scale of current and future liabilities before it sets the budget for 2022-23.	Since the CIPFA report was drafted work has been undertaken to improve the Council's understanding of the scale of liabilities – past, current and future. This covers not only capital finance but also provisions eg GRE 5 and others. This will continue to be developed during 2022/23 Budget set for 2022-23 including estimate of the then £307m capitalisation direction from DLUHC to support current year and previous errors, and estimated liabilities.	S Mair	***Complete*** for budget 2022/23 On-going for future years
	E On Assets: Develop an outline disposal plan			
9	*The Council considers at an early stage its approach to asset disposals and how it will secure the necessary expertise that it needs to achieve best value.*	*The Council approved sale of up to £600m of assets and the procurement of external advisors in*	*S Mair/R West*	***Complete***

		September 2021 to assist with the asset disposal programme. *Avison Young were appointed and have produced a detailed disposal strategy with estimated sale proceeds and timeframes.* *AY identified £335m of assets that could be sold in the next five years. This excludes income from a Housing Stock Transfer which after Repayment of HRA debt would provide a net capital receipt of £84m. If all these assets were disposed of then the net revenue impact due to reduction in minimum revenue provision reductions would be £21m per annum.* *A disposal programme is underway for SUR opted following the outcome of an Options Review at the end of 2021 and further market testing and preparation work in 2022. The Cabinet has approved the disposal of the Montem site (October 2022) and has approved a disposal strategy for NWQ (June 2022). Further sites are in advanced stages of development and Cabinet decisions will be required in 2023.*		🟩

		Local Partnerships Ltd were commissioned in early 2022 to consider options for disposing of JEH Ltd (corporate acquisition) and/or the full or partial sale of assets held by JEH. An indicative recommendation has been provided to officers although further information and advice is required before an options paper can be provided to Cabinet with a preferred option and action plan. This is expected in March 2023.		
	Strengthening Financial Governance and Oversight			
	F Raise Member awareness of the scale of the financial challenge and its implication			
10	*Mandatory briefings are provided to all Members on the Council's financial challenge.*	*Complete*	S Mair	Complete
11	Specific further training is provided to members of the Audit Committee to raise further awareness of their governance role and that this training is repeated as part of the induction process for all new members when they join.	Programme of member training developed in conjunction with the Monitoring Officer Induction session held for new members in July 2022. Further training scheduled around future Audit and Corporate Governance Committee meetings per the schedule agreed in Jan 2022.	S Mair/Sarah Wilson (Interim)	Complete for induction training and On-going training programme in place
	G Address immediate Financial Governance risks			
12	*The Council restores key controls within its Financial Management System as set out above.*	***Complete***	***Complete***	***Complete***
13	The Council reviews financial regulations in the medium term	***Complete***	***Complete***	***Complete***

14	The Council sets out clearly the financial responsibilities of all new staff, interim and agency staff when they commence work with the Council.	The updated Financial Procedure Rules covers the financial responsibilities of all new staff, interim and agency. Additional briefings required for interim and current staff as part of induction and the council wide training programme that will follow Full Council approval of the revised Financial Procedure Rules.	S Mair	Training will be undertaken in 2023 On Track
	H Prepare an Annual Governance Statement for 2020-21			
15	An Updated Annual Governance Statement and Action Plan should be prepared for consideration by the Audit and Governance Committee by December 2021.	Work was completed on a first draft AGS for 2020/21 in May 2022. Draft AGS completed and reviewed by CLT in May 2022. Document will need finalising and further review once the 2020-21 financial statements are completed in 2023.	S Mair	***Complete*** subject to timing of the finalisation of accounts.
	I Undertake an independent review of the Procurement Function			
16	*The Council commission a separate independent review of the procurement function, rather than including this within the annual internal audit plan.*	***Complete***	***Complete***	***Complete***
	J Review the provision of Internal Audit			
17	The Council commissions an independent review of the internal audit arrangements to ensure that they are effective and provide sufficient coverage to give it the assurance that it needs during this period of financial challenge.	***Complete***	***Complete***	***Complete***
	K Enhance Financial Capacity			
18	*The S.151 Officer reviews the level of resource required to deliver his plan for restoring sound financial management*	***Complete***	***Complete***	***Complete***

19	The organisation makes further provision to enhance the capacity within the finance team including exploring other delivery avenues e.g. shared services	Restructure and recruitment successfully completed. Remaining vacancies will be subject to further discussion with incoming Executive Director of Finance and Commercial subject to budget constraints. In the interim recruitment will continue to priority and hard to fill posts.	S Mair	March 2023 **Complete**
20	The Council commissions an independent review to demonstrate that financial procedures and processes are robust by May 2023.	O/S – not yet due This will be commissioned in March 2023		March 2023 On Track
	L Stabilise the Finance Leadership Team			
21	*The S.151 officer immediately commences the appointment process for a permanent Deputy S151 Officer.*	***Complete***	***Complete***	***Complete***
22	*The Council seeks to negotiate the contract terms for the S151 officer and his team to extend the current notice period.*	***Complete***	***Complete***	***Complete***

Response to MHCLG/DLUHC Governance Review

No.	Governance recommendations	P=Priority action M=Medium term action	Action Taken	Responsible Officer	Status / Next Steps
1	Undertake a pragmatic, rapid risk assessment of the functional capability of each service area identifying the gaps in capacity and capability. This process needs to be owned by the organisation. Junior managers and front-line colleagues should be involved in contributing to the way forward.	**P**	Business plan developed and highlighted the challenges in February 2022. Finance Action Plan has been developed during 2022 to reflect the risks facing the Finance function. This has been reviewed monthly. Service plan completed in September 2022 to tie in with new Corporate Plan.	S Mair	Continuous On Track
2	Prioritise the service areas to be addressed and determine a rigorous plan and allocate resource accordingly. Examples of service areas to be prioritised would be finance, revenue and benefits, IT and democratic services, including scrutiny.	**P**	Finance Action Plan has been developed and is being reviewed monthly this includes all areas of finance and revenues and benefits. Service plans now completed and being assessed against requirement of the new Corporate Plan.	S Mair	**Complete**

3	*With regard to recommendations 1 to 4, prioritise permanent recruitment and/or longer-term contract status of all relevant interim positions. In particular, the interim s.151 officer, DPH consultant and the Director of Children's Services. Confirming interim positions at junior manager and front-line level is as important. The CIPFA report refers to appointing a permanent Deputy section 151 officer.*	***Complete***	***Complete***	***Complete***	***Complete***
4	Identify permanent statutory post holders within the new scheme of delegation.	**P**	A revised set of Financial Procedure Rules was approved by Full Council in November 2022. Permanent appointments to statutory posts have continued but not yet completed.	S Mair	***Complete***
5	*Establish a 'management action' tracking system for internal audit actions which is fit for purpose. Emphasise to all staff the importance of internal audit and that identified actions can be used for continuous improvement within service areas.*	***Complete***	***Complete***	***Complete***	***Complete***
6	Address each unique management action from internal audit reports and use them as indicators of possible service failure. Prioritise, target and remediate each action as a matter of urgency. Include actions identified in the six draft audits completed in year to date.	**P**	Actions from finalised audit reports are incorporated into the IA Management Action Tracker. Council has recruited a specific resource to monitor implementation of IA recommendations and the corporate and departmental risk registers.	S Mair	Continuous On Track
7	*Conduct an independent review of the internal audit contract and establish an 'in house'*	***Complete***	***Complete***	***Complete***	***Complete***

	function which will enable the internal audit team to work alongside colleagues, whilst retaining their independence, as is practice in many councils.				
8	*Independently review the procurement and contract management function and develop an 'in house' team.*	***Complete***	***Complete***	***Complete***	***Complete***
9	*Continue to understand and identify risk more generally and review the council strategic risk register to make it fit for purpose*	***Complete***	***Complete***	***Complete***	***Complete***
10	Improve proper decision making at appropriate governance levels and relevant meetings. For example, the annual review of the Council Tax Reduction scheme at full council and the comprehensive list of annual contracts to Cabinet.	**P**	An improved report went to May 2022 Cabinet regarding contracts. Further iterations have been produced and taken to Cabinet during 2022 setting out the value, term and purpose of all contracts greater than £180k in value. The Annual Review of the Council Tax Reduction Scheme is now being considered in line with the required timetable.	EDs	**Complete** as part of budget process
	5. Culture and Leadership recommendations				
11	Prepare an annual governance statement for 2020/21, the current 2019/20 statement does not have an action plan	***Complete***	***Complete***	***Complete***	***Complete***
	6. Financial governance recommendations				
12	Produce an overarching corporate action plan in response to the section 114 notice which indicates the way to financial sustainability	**P**	Revised Corporate Recovery and Improvement Plan approved by Council in May 2022 and now assimilated into Service Plans including an	S Brown	**Complete**

			outline Medium Term Financial completed in May 2022. Finance Action Plan has been developed during 2022 to reflect the risks facing the Finance function. This has been reviewed monthly. Outline financial plan completed as required and detail being progressed at pace: 2018/19 accounts done, being audited 2019/20 completed by 31/10/22 2020/21 by January 2023 2021/22 by May 2023 2022/23 budget monitor and CD reviewed and revised 2023/24 likewise Initial proposals for 2024/25 commenced		🟩
13	Ensure the recommendations in the concurrent CIPFA report are carried out.	**P**	Ongoing – see above	S. Mair	On Track
14	Develop the good awareness raising initiated by the interim s.151 officer into a mandatory financial and budget training module for all councillors and budget holders.	**M**	Included in the programme of training for Members and budget holders reviewed by Audit and Corporate Governance Committee in January 2022. Training on local	S Mair	Continuous as training programme develops

			government accounts to be delivered in advance of the Statement of Accounts being reported.		🟧
15	Ensure that the excellent work of the interim s.151 and his team (in terms of action planning around the external reports) has corporate ownership and that finance is not merely regarded as a technical activity, but as an enabling function to help council-wide continuous improvement.	**M**	Ongoing via weekly/monthly finance update briefings to Members, Commissioners and CLT and reinforced through the approach to business cases.	EDs	Complete
16	Respond corporately and systematically (not just in a financial sense) to the ongoing reviews of council owned companies to ensure immediate, effective governance of these companies.	**M**	Revised governance arrangements have been introduced across all companies (with the exception of DISH which has not been prioritised for action in FY 22/23 as it is a much smaller scale compared to the other entities, is not a trading company and has limited risk (it has a lease with the Council for 54 properties dating back to 1988 when it was established) and is lower risk rated by Internal Audit compared to other entities. DISH revised governance will be introduced in early FY 23/24 following a review). Changes include: Closure of all companies that do not provide services (6	S Mair	Complete

			companies closed in FY 22/23 which has simplified the Council's corporate structure and resource requirements to provide governance/statutory requirements. Dedicated SROs and shareholder functions across entities. Establishment of a Corporate Oversight Board for SUR which meets bi-weekly due to the changes taking place within SUR and the SUR opted assets. Joint shareholder function/Director meetings for GR5 which meet monthly to discuss and oversee developments on Nova House. Focus on addressing the comments made during reviews, especially Internal Audit, with almost 100 comments across the Companies. Less than 5 now remain open.		
17	*The interim s.151 officer has requested the current capital programme be cut by 50% and this has been accepted. It would be prudent to*	***Complete***	***Complete***	***Complete***	***Complete***

	consider a capital programme of zero except for government grant allocations and health and safety issues, for example. This would be until past liabilities have been fully understood and there is a plan for financial sustainability within the full response to the section 114 notice.				
18	Carefully manage the potential reduction from £6m to the return on investments as a significant risk. The disposal strategy should be completed. This might take some time, which could delay the amount of revenue available to the council.	***Complete***	***Complete***	***Complete***	Complete as not considered a significant risk.
	7. Services recommendations				
19	Address recommendations 1,2 and 3, which will help improve performance in other service areas, particularly revenues and benefits, IT, finance and democratic services.	**P**	See above	S Mair	On Track
	8 Capacity/capability recommendation				
20	Significantly reduce the reliance on external consultancy and external contracts which deliver ‘internal’ services. Build and use internal capacity.	**M**	Following a new Direction from DLUHC in September 2022 the recruitment of the new Executive Director and Deputy Directors was passed to the Commissioners. An appointment to the ED post was made in January 2023. The recruitment across the remainder of the finance and commercial department was in three phases – the first offered opportunities for existing permanent staff to be promoted into the new structure, the	EDs	31 Jan 2023 completion of external recruitment **Complete**

			second offered opportunities for contractors and other Council staff to be considered for permanent roles and the third stage opened the remaining vacancies up to external candidates. Recruitment advertising took place during September, October and November and completed on 9 December 2022. A total of 102 applications were received across all posts. 3 candidates were promoted internally, a further 8 appointments were made from contractors or other council departments and a further 9 external candidates were appointed into key roles within the structure. Plans are actively being considered to recruit to the remaining vacancies. Other service areas also subject to significant restructure with a view to appointing permanent staff. IT is the most advanced. Alternative options to be considered if recruitment is unsuccessful.		🟩

Appendix 4

Response to Grant Thornton's recommendations

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
1	Agreed savings are not supported by robust savings plans and as such are at risk of not delivering as anticipated. Medium	The Council should: • Ensure that savings are supported by robust savings plans and business cases • Strengthen arrangements by introducing a corporate function, which could assess the likelihood of delivery, the robustness of proposed savings and their supporting plans as well as monitor delivery.	The Council has recently undertaken a number of actions that will address this and related issues The Council amended its then officer Strategic Finance Board (SFB) chaired by the Chief Executive to ensure that the then Executive Board was fully aware of all pertinent financial matters within the Council and gained a holistic understanding of the Council's finances. This Board received papers on financial standards, the accounts, the budgets, and other matters As part of this the Council has: • Revised its revenue business case and	S Mair	Complete for 2022/23, in development for 2023/24 Agreed for council services not yet for SCF Design and implementation of the ZBB process will start from Spring 2023 but not in place until 2024/25.

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
			process to ensure that the business case focuses on the case for change, value for money and affordability before moving into the technicalities of procurement etc. Thus, assisting in ensuring that the Council's base budget is as robust as it can be and hence helping to provide a more informed base from which to generate any necessary savings • Related to savings, the Council has a separate business case for savings which has been supplemented by a Saving Action Plan to assist in the verification and tracking of saving plans going forward		🟩

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
			- The finance service led the process for the budget for 2022/23 and the correction of the 2021/22 budget and worked with service colleagues to review and challenge all budgeted and future savings, monitor delivery, identify pressures and seek from colleagues' mitigations as necessary. It also revised the equality impact documentation. Going forward a further revised process will be established that will bring into the assessment of savings plans colleagues from other disciplines such as legal, HR, ICT etc – all working		🟩

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
			closely with service officers • Supplementing this the Council revised its officer budget process to accelerate the timeline for production of the budget to allow for full engagement and scrutiny by Members in all their roles and likewise for full consultation and communication with other stakeholders • The design of the budget process will continue to develop through such as the introduction of Zero-Based Budgeting for the financial year 2024/25. Embedding this and the new standards will take some considerable time		🟩

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
2	We consider there is scope to ensure that the Annual Governance Statement (AGS) more clearly sets out the processes and procedures to enable the Council to carry out its functions effectively. Medium	The governance arrangements could be improved by developing the AGS and introducing:	A thorough review and redraft against the CIPFA Solace framework has been completed for all years 2018/19 to 2020/21. CLT have reviewed and commented on all three AGS's and these comments have been incorporated into the revised documents.	S Mair	On Track Embed processes to ensure that future versions of the AGS are completed in accordance with the CIPFA Solace Framework. A new process will be implemented during the Autumn of 2022 for completion of the 2022/23 AGS.
		• Assessment of the effectiveness of the framework, it should be more than a description of what is in place			
		• How the Council is defining outcomes in terms of sustainable economic, social, and environmental benefits			
		• An action plan, that brings together and addresses all the significant issues faced by the Council			
		• A formal mechanism that monitors and assesses the progress of the issues and recommendations			

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
		raised in the AGS throughout the year.			
3	The Council consolidates a number of group entities into its financial statements; however, the accounting year ends are not all consistent with the Council, being 31 March, which adds additional complexity and consolidation adjustments for the Group financial statements.	***Complete***	***Complete***	***Complete***	***Complete***
4	Effective governance arrangements are not in place to ensure those charge with governance are able to make decisions in an open and transparent way High	Cabinet and scrutiny should be regularly updated on the performance of their key services and be able to challenge this performance and have the opportunity to make informed decisions in formal committee meetings.	We have recently begun the preparation of holistic financial briefings for Officers and Members, and these will be further developed in the future. We have also as noted above revised the budget timeline which will allow for more informed Member consideration of the budget and have introduced quality guidance for finance and other officers	S Mair	On Track Financial reporting will be further developed during 2022/23

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
			on the production of budget monitoring reports and financial implications in reports. We will ensure that key service financial and performance information is included as a regular agenda item for Cabinet, Scrutiny and the Audit and Governance Committee. A training programme is in place for officers in relation to procurement and contract management processes and procedures, including the council's contract procedure rules. 30 officers have been trained since the last report was issued, 79 officers have been trained in total.		
5	Effective contract management arrangements are not in place to effectively manage statutory services that are	The Council should consider and ensure effective arrangements are in place in the following areas:	The Council has begun reviews of its management of third-party organisations and will be implementing a series of changes which will include among other	S Mair	On Track An ongoing programme of improvements for all companies will continue throughout 2022/23.

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
	delivered by third parties High	• Role of elected members, including Members of the Board, as possible shareholder committees or monitoring committees such as the Commercial Sub-Committee, as well as the role of scrutiny committees	matters appointing appropriate Senior Responsible Officers to ensure that companies meet their objectives, put in place new arrangements for holding companies to account, reviewing how the companies meet the Council's objectives, a review of the work undertaken by the companies, developing a clear approach to testing value for money etc. An extensive report has also been made to the Audit and Corporate Governance Committee. Three individual oversight functions have been established for SUR, GRE5 and JEH. Each entity undertakes different activity, faces different issues and are at different stages of maturity in terms of operational and governance. A central oversight function may be		DISH will be subject to a review and series of changes in FY 23/24
		• Elected members who are Board Directors of the SCST need to understand their responsibilities and duties to SCST and ensure they effectively manage any conflicts of interest. All company directors have a duty to act in the best interests of the company rather than in the best interests of the body that has appointed the Director to the			

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
		company (e.g., the Council)	considered at a later stage. They now receive regular report packs at each meeting. The Council established a Corporate Oversight Board for Slough Urban Renewal (SUR) to strengthen the Council's governance and management arrangements, including oversight of a phased reduction in SUR's activities. New Council representatives (not Directors as SUR is a LLP) have also been appointed to oversee the changes and a planned phased exit from SUR. Roles and responsibilities have been clearly communicated and are set out in the Partnershjp Agreement which is the key governance agreement for SUR.		🟨
		• Elected members committee functions, this should include those charged with governance who would have oversight of the effectiveness of the SCST Board in line with Council's strategic objectives and statutory duties as well as scrutiny			
		• The Council would benefit from applying consistent arrangements across the Council for dealing with all its third-party companies and ensure the role of the Commercial Sub-Committee is effective and understood			

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
		- Those charged with Governance should receive updates and reports on a regular basis (quarterly as a minimum) to enable informed decision making.	It is anticipated that the Council will exit the partnership in FY 24. As a result of this phased exit, services provided to SUR have reduced enabling the Council to reduce its share of operating costs. Significant progress has been made to GRE5's governance arrangements, financial planning and reporting, oversight and critical governance arrangements. New external directors have been appointed who are responsible for producing monthly and quarterly updates on activities, performance, and risks. A shareholder function has been established and meets. The Council's loan to GRE5 has now been fully executed following a financial review in FY 21/22 which identified that the Council's loans had not		🟧

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
			been approved in line with its Investment Strategy and was not approved in line with its governance requirements, This issue was addressed in 2022 and the Council's loan to GRE5 is now in compliance with its requirements. All GRE5 Directors now have new contracts which clearly state the roles and responsibilities. Directors contracts have now been standardised across the Council. New directors and governance arrangements alongside strengthened performance and financial reporting arrangements. have been introduced for JEH. In addition, a JEH strategic review has identified a number of options which the Council will consider in Match 20223 with the aim of developing an action plan		

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
			for JEH Ltd and/or its assets. IA comments have been systematically worked through in FY 22/23 with the majority of comments now signed off by RSM as closed down and addressed.		
6	Effective governance arrangements are not in place to effectively manage statutory services that are delivered by third parties. High	- The Council should introduce contract management to ensure services are delivered as planned and any mitigating actions can be taken in a timely manner	The first recommendation is being dealt with as noted above and will be picked up by the new Commercial team once in post.	S Mair	On Track
		- The Council should consider using its internal audit service to gain assurance that its contract procedures are being effectively applied across all Directorates	In respect of gaining assurance this will be undertaken in two ways – through internal audit as described and through reviews by the Finance and Commercial team. The S151 officer will engage an audit of the procurement arrangements independent of the Council's current provider	S Mair	On Track Procure alternative internal audit of the procurement function – to be actioned once new team in place.

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
			RSM to avoid any conflict of interest		🟧
7	**Quality of working papers and clarity of the audit trail** As noted on page 13, the audit process was hampered by issues with the clarity of the audit trail including: • insufficient audit trail to support the movements in the cashflow statement • Lack of supporting audit trail for key notes in the accounts such as analysis of the income and expenditure by nature	***Complete*** ***Complete***	***Complete***	***Complete*** ***Complete***	***Complete***
8	**Review of financial statements**	***Complete*** ***Complete***	***Complete***	***Complete*** ***Complete***	***Complete***

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
	A number of inconsistencies and disclosure omissions were identified during our review of the financial statements. This indicated a lack of internal critical review prior to the financial statements being presented for audit.				
9	**Group Accounts** The basis of preparation of the Council's Group accounts was unclear and the working papers did not provide a comprehensive group consolidation schedule setting out how the group accounts and consolidation adjustments had been determined.	***Complete***	***Complete***	***Complete***	***Complete***
10	**Bank reconciliation process**	***Complete***	***Complete***	***Complete***	***Complete for 2018/19***

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
	As noted on page 19, our review of the bank reconciliation process identified that the process in place in 2018/19 was overly complex and made identification of reconciling items and their clearance difficult. There were also issues identified with the descriptions of reconciling balances within the balance.				
11	**Accounting treatments** The loans made to JEH had not been accounted for in line with the Code requirements resulting in amendments to the valuation and disclosure in the final accounts. This was a new transaction in 2017/18 although it was not a material balance in the prior year and the accounting treatment	***Complete***	***Complete***	***Complete***	***Complete***

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
	had not been documented against Code requirements before inclusion in the financial statements				🟩
12	**Debtor and creditor reconciliations** During our testing of the debtor and creditor balance there were issues with the client producing reconciled balances which should represent the year end debtor and creditor positions excluding in year movements. Our sample testing of debtors and creditors has not identified any material balances that are not supported. We have discussed this with management and confirmed that a process has been undertaken in 2020 to review debtor and creditor codes and cleared down items	• Perform review of the debtor and creditor account codes to ensure that balances are appropriate and valid and clear those that are not.	The systems review is in progress as is the preparation of the year-end analysis.	S Mair	On Track Ensure that processes are revised and improved and monthly reconciliations are carried out once the review has been completed
		• Establish a reconciliation process for all debtors and creditor accounts to ensure the balances are fully supported and valid debtors or creditors			

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
	which are no longer valid balances. High				
13	**Income and Debtors** There is no review process over invoices issued before they were sent out to clients. The Council relies on customers to identify and inform them of any errors noted. However there is risk that if the invoice is undercharged and the customers may not raise error, and the Council may suffer a loss from undercharging. High	Review the internal processes over invoice raising to ensure there is sufficient review of invoices before they are sent to clients	As above	S Mair	On Track
14	**Declarations of interest** Councillor and Senior Officer declaration forms are not dated. There is a risk that the	• Ensure that all forms are signed and dated as part of their standard procedures	The Council requires every entry to the members register of interests to be signed and dated, it is standard practice that this is always followed. In the past 12 months the Council	S Mair	On Track Check responses against list of Members in office and Officers employed by the Council during the

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
	declaration record is incomplete or insufficient as a result. The most recent forms for three Councillor declaration forms were signed, but not dated. Signing / dating a declaration form should be standard practice, as it could lead to forms being misfiled, or new interests not being declared in a timely manner. Senior Officers that were working for SBC through a contracting company are not required to complete a Declaration of Interests form. Interim staff are not required to complete the Registers of Interests and Gifts and Hospitality. High		has strengthened the process and a democratic services officer must always countersign each form received from a councillor to ensure completeness. Senior officers' declaration forms are not part of this process and are in fact part of the declaration process for all staff which uses an online HR process to gather the submissions. The Council has also implemented a new process for capturing related party transactions for Members and Chief Officers. Responses will be cross-checked against the records held by Companies House to ensure completeness.		financial year in question. Cross-check against the records held by Companies House to ensure completeness.
		• Consider whether Officers, including interim staff, should complete declaration forms as they may be able to have a	The Council has implemented a process by to ensure that any interim staff or those recruited through contracting companies are required to	S Mair	Check responses against list of Members in office and Officers employed by the Council during the financial year in

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
		significant influence on the council's high-level decisions.	complete a declaration of interests form and where appropriate complete their Directorate gifts and hospitality register. The Council has also implemented a new process for capturing related party transactions for Members and Chief Officers. This will be completed electronically with responses documented as evidence. Responses will be cross-checked against the records held by Companies House to ensure completeness.		question. Cross-check against the records held by Companies House to ensure completeness.
15	**Fixed asset register** The client informed us of a number of properties which had not been removed / reclassified in the fixed asset register prior to the production of the year end financial statements.	• Establish a process to perform an annual review of assets to ensure that all disposals and reclassifications are amended	Investigation into Council's asset register identified that there was a lack of in-house knowledge on how to use the Council's fixed asset register and a lack of guidance notes. Training on how to use the system has been provided to the relevant members of staff along with guidance notes	S Mair	On Track Quarterly reconciliations to be carried out going forward as part of the capital monitoring process to ensure that asset movements and reclassifications are captured appropriately
		• Establish an in-year process for capital			

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
	We also identified material assets which had been fully depreciated and were held at net nil valued in the fixed asset register and accounts. High	movements to be notified on a timely basis to the finance team to ensure the fixed asset register is maintained accurately. This should be reconciled to the accounts as part of the year end closed own procedures	and video demonstrations saved in a central location to ensure resilience in the future.		
16	**Capital accounting process** The purchase of Thames Valley University had been accounted for using the stage payments as additions rather than the cost and a liability. This resulted in a material error in the current and prior year.	***Complete***	***Complete***	***Complete***	***Complete***
17	**HRA valuation records** Our testing identified inconsistencies in the	***Complete***	***Complete***	***Complete***	***Complete***

No.	Issue and risk	Recommendation	Action taken by Council	Responsible Officer	Status / Next Steps
	accounting records between the categorisation of HRA properties held on the Capita Housing Rents system and the Council's fixed asset register. It is important that these two systems are reconciled on a regular basis to inform the Council's HRA valuation.				

No.	Area	Recommendation	Action taken by Council	Officer Responsible	Status / Next steps
18	Finance capacity and skills	The Council should put in place robust arrangements for the production of the 2019/20 and 2020/21 financial statements which meet statutory requirements and international financial reporting standards. To achieve this the Council should:		S Mair	Complete
		• Ensure sufficient resources and specialist skills are available to support the accounts production	Gaps in the Council's own team skills and capacity have been addressed in the short	S Mair	Recruitment campaigns completed by 31

No.	Area	Recommendation	Action taken by Council	Officer Responsible	Status / Next steps
			term by the appointment of interim staff to provide additional capacity. The Council began formal consultation on a restructure for the Finance and Commercial Services department on 28 June 2022. The restructure including recruitment to a permanent team has been completed as at 31 January 2023. The original structure included 60 posts which were increased to 90 including the bringing back in house of Internal Audit and Commercial Services. Of the original 60 posts in scope there were 36 permanent staff and 24 vacancies. Following the recruitment there are 51 permanent staff in post		January 2023 and appointments made.

No.	Area	Recommendation	Action taken by Council	Officer Responsible	Status / Next steps
			and 39 vacancies of which 20 are currently staffed by agency staff and 19 posts are vacant. Plans are actively being considered to recruit to the remaining vacancies.		
		• Ensure the finance team has the skills and capacity to enable effective financial management arrangements and support the production of technically sound financial statements,	Training programme was developed and rolled out to the whole finance team in October 2021. Individual training sessions will be arranged as and when necessary. External training will be brought in if necessary	S Mair	Complete for 2018/19 accounts The programme of training was completed by the end of November 2021. Additional training will be provided as and when necessary.
		• Ensure finance officers are provided with additional training, to ensure all staff involved in the accounts production process have the necessary technical knowledge of the CIPFA Code	As above. In addition, the CIPFA Code and other technical guidance documents have been acquired and made available to the whole finance team. The Council also has access to technical advisors from CIPFA via its	S Mair	As above

No.	**Area**	**Recommendation**	**Action taken by Council**	**Officer Responsible**	**Status / Next steps**
			subscription to CIPFAs Finance Advisory network.		
		• Introduce appropriate project management skills to oversee the timely production of the financial statements and supporting working papers	Weekly meetings have been arranged with the core team to ensure timely production of accounts		Weekly meetings will continue until the accounts have been prepared.
19.	Preparation of the financial statements	The Council should develop a comprehensive project plan for the preparation of the accounts which ensures that:	This is an area that the Council will seek to continuously improve. For the 2019/20 and 2020/21 accounts, the following improvements have been introduced: • Comprehensive accounts plan linked to the auditors required by client schedule. This has been communicated to all key stakeholders and includes a responsible officer for each	S Mair	Complete for 2018/19 and 2019/20 accounts Progress against the plan will be monitored on a regular basis and feedback sessions will be held with all key stakeholders once the project is completed in order identify areas that might require further improvement.
		• Entries in the accounts and supported by good quality working papers which are available at the start of the audit			
		• The financial statements and working papers have been subject to robust QA prior to approval by the s.151 officer			
		• There is clear ownership and accountability for tasks across service areas to support the timely production of the financial statements			

No.	Area	Recommendation	Action taken by Council	Officer Responsible	Status / Next steps
			task and separate deadlines for preparation and review - Standardised templates linked back to the Code have been prepared for all notes. The templates also include a three-stage quality assurance process covering 1) preparation, 2) technical review and 3) sign off review - Improved communication through the project plan, including regular and early communication to all stakeholders. - A whole team approach has		🟩

No.	Area	Recommendation	Action taken by Council	Officer Responsible	Status / Next steps
			been instigated through the involvement of the whole finance service to bring greater resilience and resource to this key requirement. • Comprehensive training and development for finance staff including how to prepare, and also regular reviews of, working papers that include evidence of the transactions in the ledger, an enhanced checklist of requirements, quality assurance review, links between the working papers and clear		🟩

No.	Area	Recommendation	Action taken by Council	Officer Responsible	Status / Next steps
			mapping to the ledger. All of these changes will require a number of years to embed fully as staff become used to the new ways of working and evidence requirements to support the quality review process.		
20	Levels of usable reserves	The Council should take urgent action to address its low levels of unearmarked and earmarked reserves through:		S Mair	On-going
		• Developing a clear, sustainable medium-term financial plan to significantly replenish reserves to a level which enable it to respond to any significant unexpected events or manage its position effectively where its savings programme are not fully achieved	The Council has begun and agreed at officer level, a robust process for continued review of its base budgets including savings proposals, pressures, mitigations, monitoring etc. This will all lead into an improved MTFP that will contain full detailed savings proposals backed up by appropriate plans and working papers.		An additional £1m per annum is planned to continuously increase reserves

No.	Area	Recommendation	Action taken by Council	Officer Responsible	Status / Next steps
			As a consequence of this work and as part of the budget process a risk analysis will be completed to inform by how much the reserves should be built up over the coming 5 years. This will lead to an increase in the savings target to finance the necessary increase in reserves which will be formalised as noted during the budget process. £20m has been built into the Capitalisation Direction to provide the Council with a base level of reserves		
		• Reviewing its medium-term savings plans to ensure clear proposals are developed to achieve savings requirements in line with the MTFP and reserves strategy	As above		Complete
		• Ensuring agreed savings are owned across the Council by	All departments have completed savings plans		Continue to work with Departments and

No.	Area	Recommendation	Action taken by Council	Officer Responsible	Status / Next steps
		officers and lead members to ensure clear ownership and accountability for delivery	including equality impact assessments. These have been agreed by ED's, Members and other officers for 2022-23 Embedding this improved process will take some considerable time		embed the newly designed process On-going
		- Ensuring it puts in place a clear and transparent savings monitoring and reporting process, in order to ensure that council departments are held to account for delivery of required savings	This was completed to inform a fully engaged Scrutiny, stakeholder and Lead Members process during the 2022-23 budget process. The process for 2023-24 began during March 2022. Revised Budget timetable and processes have been shared with Cabinet and Finance Board for the 2023/24 budget process.		Continue to work with Departments and embed the newly designed process On-Going
21	Financial governance. Monitoring and controls relating to group entities	The Council should review and implement effective financial governance and monitoring arrangements for its group	A new Companies Finance Manager was appointed in Summer 2022. We expect continued improvements	S Mair	On Track Reports to Audit and Corporate Governance

No.	Area	Recommendation	Action taken by Council	Officer Responsible	Status / Next steps
		relationships to mitigate exposure to additional financial risk.	to financial reporting and controls to be introduced as a result. Financial information provided for governance oversight purposes has continued to be strengthened and regularised to provide more assurance around financial risk. All audits are up to date - FY 21/22 audits are almost complete and are expected to be finalised in line with statutory requirements. The planning and approval of the GRE5 loan has enabled stronger oversight and reporting of all transactions between the Council and GRE5, including the appropriate calculation of interest charges (payable to the Council) based upon loan drawdown.		Committee, as required

No.	Area	Recommendation	Action taken by Council	Officer Responsible	Status / Next steps
			SUR, JEH, GRE5 all have standardised regular financial reporting and financial risk review.		
22.	Addressing the S114 report	The Council should put in place arrangements to address the issues raised by the S151 officer as set out in his section 114 report. In our view the Council should:		S Mair	Complete as evidenced by this FAP
		- Report progress against the action plan to full Council at every meeting	This has been done, and this report forms the latest version of this, with the exception of the budget Council and exceptional meetings of Council		This is a continuous schedule of work
		- Support the S151 officer's root and branch review of all aspects of the Council's finances	This work continues to expand as the magnitude of issues are identified and is reported as above		This is a continuous schedule of work
		- Invest significant extra resource in finance capacity, internal audit and risk management to ensure robust processes are brought into place across all of the	This has been done with the Council bringing in temporary skilled staff to identify and resolve current and historic issues, preparing a fit for		The Council's permanent structure has been agreed and consulted upon and recruitment has begun.

No.	Area	Recommendation	Action taken by Council	Officer Responsible	Status / Next steps
		Council's financial and budget management arrangements to meet statutory financial obligations.	purpose finance structure to take the Council forward on a permanent basis and continuing to develop and progress its reviews of the Council's finances		🟩
23	Improving governance at the Council	***Complete***	***Complete***	***Complete***	***Complete***

PROGRESS RESPONSE AND ASSESSMENT AGAINST DIRECTIONS (FINANCE ONLY) **APPENDIX 5**

Item	Directions Action	Action Taken by Council	Officer Responsible	Status / Next Steps
1	A suitable officer structure and scheme of delegation for the Authority which provides sufficient resources to deliver the Authority's functions in an effective way, including the Improvement Plan and its monitoring and reporting, prioritising permanent recruitment and/or longer-term contract status of interim positions.	The consultation phase of the Finance and Commercial services restructure completed on 27 July. The first recruitment phase has been completed with successful appointment of an additional 15 people into permanent posts. Further recruitment will continue once the new Leadership team has been established. Finance and Commercial business plan drafted in February 2022 ahead of requirements for service plans and Improvement plan. Departmental contribution to improvement plan in place and operating as required. Finance action plan updated monthly during 2022. Longer term contract status of key finance interims resolved and senior team in place since April 2022. Commercial team being brought back in-house as part of restructure with interim arrangements in place in the meantime.	**Steven Mair**	**Ongoing** **G**
3	Following the review by the Authority of their companies within six months consider the roles and case for continuing with each subsidiary company of the Authority (except Slough Children First).	The Council had 10 companies excluding Slough Children First (which is not covered by this Direction). All but four companies have been formally closed down this year. SUR, JEH, GRE5 and DISH remain operational although plans have/or are being developed which are focused on transferring activity to the Council (where appropriate), the sale of assets or a corporate transaction (sale of business inclusive of assets). In line with previous reports provided to Cabinet, it is expected that the Council will exit GRE5 when the works	**Steven Mair**	**Ongoing** **A** **(The amber rating reflects the progress on the corporate elements of this matter)**

		to Nova House have been completed and the legal claim has concluded – this is expected to be in 2024. Cabinet will be requested to approved an exit route and a number of options are likely to be available to the Council if the works are completed satisfactorily and the legal claim is resolved. Bevan Britain have been asked to provide advice on regulatory and legal considerations to inform the most appropriate exit strategy. e.g. sale of freehold lease to a third party, leaseholder transaction. Following an Options Review by Montague Evans, the SUR Partnership will not be undertaking any further major developments. This will significantly reduce the Council's capital commitments and financial risks over the next five years. The Partnership will be wound up following a series of land disposals over the next few years – each site disposal will be approved by the Cabinet. A site disposal strategy has been approved for NWQ and the full disposal transaction has been approved for Montem. Other sites will be considered by Cabinet in 2023. Local Partnerships have reviewed JEH and have provided a series of options for the future operations. Cabinet will be requested to approve a preferred option(s) in March 20223 following the completion of further analysis (legal and financial) to inform the options. The DISH company is a lower risk and will be reviewed in the first quarter of 2023/24 **Major progress has been seen in the following areas:** **SUR**. The Council has established a Corporate Oversight Board for **SUR** to strengthen governance and management arrangements, including oversight of a		🟨

		phased reduction in SUR's activities. New Representatives (of the LLP) have also been appointed to oversee the changes and planned exit from SUR. Financial and performance reporting is regularised and now takes place on a quarterly basis. Cllr Matloob was appointed in Autumn 2022 as the final (of three) representatives to the SUR LLP Board. Good progress has been made on the only ongoing SUR development project; the Old Library Site (OLS). Following the successful approval of First Homes Funding from Homes England in FY 22/23, apartment sales have accelerated and the Council's loan facility to the OLS is reducing significantly (from £9m to £2m). Less than 5 apartments remain unsold/not under offer which significantly reduces the risk of loan default and has a positive impact on the Council's cash position. **GRE5.** Significant progress has been made to **GRE5'**s financial planning and reporting, oversight and critical governance arrangements including the appointment of new external directors, the establishment of a new corporate oversight group and strengthened risk management. The Council's loan to GRE5 has now been fully executed following a financial review in FY 21/22 which identified that the Council's loans had not been approved in line with its Investment Strategy and was not implemented appropriately. Whilst building work is underway on Nova House, a number of additional structural issues have been identified which have had an impact on the ACM works and the resolution of the legal claim. A report is expected to be provided to Cabinet in December 2022 to provide a full update on the programme.		

		JEH. A **JEH** options appraisal has recommended a phased exit including the transfer of some assets to the Council. The report identified a series of additional workstreams which are inquired to inform the Options and the development of the detailed action and exit plan. The exit plan is scheduled for agreement by 31/3/23. New Directors have been appointed for JEH in FY22/23 and monthly Board meetings have been reinstated from January 22. Board reporting including financial, performance and risk reporting has been redesigned to improve management and board effectiveness. A new SLA between the Council and JEH has been produced and approved in FY 22/23 and further improvements will continue to be made. **DISH.** DISH was established in 1988 and has a lease with the Council for 54 properties; with the majority of tenants classed as long term tenants. DISH is considered to be a lower risk compared to other companies and an options review and exit strategy is scheduled to be complete by 30/6/23. In October to December 2021, all Directors were replaced for JEH and GRE5. New Director role profiles were developed and standardised for both companies based upon an assessment of the specific requirements for each company. Internal appointments were made for JEH however due to the complexity and specific requirements of GRE5, external appointments were made. As an LLP, SUR has “representatives” and does not have “directors”. SUR representatives were reviewed and replaced in Autumn 2022 following a consideration of the specific		🟨

		requirements to implement the exit strategy and associated disposals programme. In addition Cllr Matloob was appointed in Autumn 2022 to fill the final SUR role). All new directors were provided with induction training, including detailed briefing sessions on company matters, governance and other related matters. Formal contracts and terms of reference are in place for the appointments and each Director will ve subject to an annual appraisal. Future training requirements will be monitored as the directors continue in role and the future direction and exit strategy evolves. In FY 2023/24 work will focus on DISH and the JEH changes.		🟧
4	In the first three months undertake an **assessment of the functional capability** of all service areas identifying the gaps in capacity and capability	Functional Capability Assessments for Finance and Commercial were completed by the target date and submitted to Commissioners at the end of Feb 2022. These were supported by a detailed Business Plan for the Department. Since the approval of the Corporate Plan in May 2022 these documents have now been replaced by the new Corporate and Service Planning process. All Finance and Commercial service plans have been submitted in line with the COO's required timetable.	Steven Mair	**Complete** **G**
5	...and within the first six months prepare and agree action plans to the satisfaction of the Commissioners.	The Finance Action Plan has been in place since late 2021. The latest template has been reported to Cabinet since May 2022 and has been subject to various refinements at the request of Commissioners.	**Steven Mair**	**Complete** **G**
6	An outline action plan to **achieve financial sustainability**	A comprehensive action plan was submitted as part of the capitalisation direction submission including options to	**Steven Mair**	**Ongoing**

	and to close the long-term budget gap identified by the Authority across the period of its Medium-Term Financial Plan (MTFP)	close the long-term budget gap over the period of the MTFP up to 2028/29. This recognised the need for significant culture change and discipline if the plans were to be achieved. This is underpinned in the first instance by the budget for 2022-23 completed, submitted and approved by Council on 10 March 2022 underpinned by a comprehensive capitalisation direction bid to DLUHC. This set out the plans for achieving financial sustainability which are reflected in the outline Finance action plan submitted to Council each meeting (except budget ones). It was always envisaged that this would take at least 4 years to begin an adequate turnaround given the extent of the financial problems uncovered. The longer-term closure of the budget gap consists of the following outline plans all of which are well progressed: ➢ agreement of a capitalisation direction with DLUHC, initially £307m for the period to 31/3/23. Also modelled through to 2027/28 and beyond - Agreed ➢ sale of between £400m and up to £600m of assets, as agreed by Council in September 2021. Report from AY received – work also being actioned outside of this through finance, companies work, accounts completion. See report for revised estimates ➢ annual recurrent additional revenue savings of £20m per annum up to and including 2027/28.		G

		This has been completed in design for 2022/23 and is largely complete for 2023/24 and is now updated and reduced as shown in the body of the report. See report for revised estimates ➢ completion of annual accounts up to 31/3/22 by the 31/3/23 and regularly thereafter. Good progress being made with 2018/19 now complete. This is seen as the basis for the following years. ➢ a complete restructure of the finance service producing a fit for purpose structure and resources set aside to finance the gaps in the corporate core of the Council. Done – currently out to internal advert ➢ a wide range of financial management improvements as reported separately in each financial action plan.		🟩
7	In the first three months prepare and agree an Improvement Plan to the satisfaction of the Commissioners (which may include or draw upon improvement or action plans prepared before the date of these Directions), with, resource allocated accordingly, and as a minimum, the following components...	Training programme identified for Members is developed and being rolled out. Revised Terms of Reference for Audit and Corporate Governance Committee approved at a special meeting on 19 January 2022. Training given to new Committee members in July 2022. Annual Governance Statement for 2020-21 has been drafted and discussed with CLT in May 2022. Feedback has been received and an updated version drafted to reflect comments from CLT. Once the 2020/21 accounts are completed this will then be included in those	**Steven Mair**	**Ongoing** **G**

	...An action plan to achieve improvements in relation to the **proper functioning of democratic services,** to include rapid training for council officers, a revised term of reference for the Audit and Corporate Governance Committee, and the agreement of an Annual Governance Statement for 2020-21."	statements and shared with Commissioners and Members. Addenda to the 2018-19, 2019-20 and 2020/21 annual governance statements have also been drafted to reflect the position at the time they will be approved by Committee. The 2018/19 statement is included in the revised set of statements currently being audited.		
8	...An action plan to achieve improvements in relation to the **proper functioning of the scrutiny function,** to include a review of the Authority's strategic risk register to make it fit for purpose**.**	Strategic Risk Register reviewed and updated in November 2021. Refinement has taken place during 2022 in response to the CIPFA Report and an internal audit report. The latter is scheduled to be followed up in September 2022 and is expected to show significant progress. Revised structure of strategic risk register first reported to Audit and Corporate Governance Committee on 9 March 2022. New Risk Strategy developed and approved by CLT, Cabinet and Audit and Corporate Governance Committee during June and July 2022. Risk strategy paper presented alongside Risk Management strategy outlines the future developments expected during 2022/23 including improvements to risk culture, risk reporting, assurance programme, software solution and linkages with Departmental Risk Registers. Engagement with CLT on detailed risks began in July	**Steven Mair**	**Ongoing** **G**

		2022 and has defined to the tone from the top which is crucial to the development and importance of the Corporate Risk Register. Corporate Risk Register subject to regular review and departmental risk registers being updated on a regular basis. Note: changes to organisational structure has impacted the effectiveness of the process but improvements are being actioned.		
9	...An action plan to achieve improvements in relation to the **proper functioning of internal audit**, which addresses outstanding management actions and includes the commissioning of an independent review of the internal audit contract and a fully costed plan for establishing an internal audit function that reflects best practice.	Internal audit action plan submitted alongside functional capability assessment. Costed options report discussed and approved by Cabinet on 9 March 2022 to extend current IA contract for one year and new contract sealed in April 2022. Recruitment of an In-House team has taken place and will transition the service form RSM in the first half of 2023. All outstanding management actions are being monitored and updated on a regular basis.	**Steven Mair**	**Ongoing** **A**
10	...An action plan to achieve improvements in relation to the **proper functioning of the procurement and contract management** function, which includes an independent review.	Action plan completed. Procurement and contract management action plan submitted alongside functional capability assessment. A Commercial improvement plan has been developed to implement and monitor service developments. New contract register has been developed and is being actively used to plan procurement activity and identify opportunities for savings.	**Steven Mair**	**Ongoing** **G**

		Commercial Services permanent restructure was tied in with the Finance and Commercial Services Department plans completed in October 2022. It is expected that several rounds of recruitment will be needed to fully resource an in-house team but interim resources are in place in the meantime to provide specialist advice and expertise. Independent review carried out by an LGA Procurement specialist in February 2022. Plans on track to deliver the proper functioning of the procurement and contract management function.		🟩

Assumptions, Risks and Mitigations

Appendix 6

Issue	**Assumptions**	**Risks and *Mitigations***
Improved and accelerated assets sales leading to earlier financing and hence reductions in the MRP profiling	AY advisors work to generate £400m by 31 March 2024	Council does not plan for the service impacts of the sale of assets, principally effective from 23/24 *Newly appointed Executive Director will be able to take forward accommodation plan* Timing and value currently assumed are not achieved *In the short-term further budget savings would be needed. In the longer term the value and timing to achieve reductions in the CD do not yet include any receipts from LSVT which could generate £200m based on a desk exercise* *Provision has been made against reductions in commercial rent income arising from this action. Delays in sales would lead to a delay in the reduction in commercial rent received. Savings for 2023/24 do not assume a reduction in the number of Council operating properties which could present an opportunity*
Improvements in the collection fund	The work on the accounts has identified £18m of secure income which will be accounted for ongoing in accordance with normal accounting practice through a smoothing reserve which will last until 2028/29	Subsequent years’ income may reduce *The assumptions going forward assume no growth in the collection fund from Business Rates. Thus a prudent approach has been taken*

Council tax	The Council will be able to increase Council Tax by 9.99% in 2023/24	The restrictions on Council Tax are reduced i.e. to lower than 4.99% *For 2023/24 the council has been given approval to increase CT by 9.99%. This has now been built into the budget and MTFS modelling.* *Future years currently assumed at 4.99% which has been confirmed for all councils for 23/24 and 24/25.*
Deliverability of savings	It has been assumed that savings as forecast at P9 are still deliverable in the full year	The savings position deteriorates *In 2022/23 we provided £2.1m towards in-year non-delivery of savings. In 2023/24 we have provided a further £3.0m for ongoing non-delivery of new savings and £3.0m against delayed delivery (one-off).* *Services would need to continue to work with Finance and the PMO to develop mitigations over the remaining 3 months*
Funding settlement assumptions	It has been assumed that 2023/24 will see an increase as in 2022/23.	The Council does not experience such a settlement *The Council has been advised that it may increase council tax by 9.99% in 23/24 and other grants have been confirmed for the year at an increase of £5.6m. No further commitment to CT increases have been made by DLUHC and so later years are modelled at 4.99%.*

		The Council has built in inflationary growth of c£9.7m across salaries and contracts, which equates to circa 4.8% compared to OBR projected average inflation for 2023/24 of 5.5%. Further contingency has been made for £2m increased inflation on social care contracts, the impact of TA and SCF performance. The CD model makes no assumption about further Gov monies in future years which if they transpire will alleviate the position.
Changes as accounts are produced	No assumptions made, as accounts produced, actual figures that differ from original assumptions are adjusted	The Council's 2018/19 accounts have been extensively restated from those submitted in May 2021. Accounts beyond 2018/19 have not previously been prepared despite being several years overdue which may mean there could be some movement in the baseline level of reserves arising from issues identified as part of the accounts and audit process such as: insufficient levels of provisions incorrect accruals erroneous debtor and creditor balances incorrect accounting treatments incorrect capitalisation incorrect charges to transformation *To mitigate, high risk areas have been reviewed and the financial implications have been built into the capitalisation direction*
Pressures services may face	pay inflation, 7% over two years	Pressures may be more than assumed *Pay inflation for 22/23 has been bolstered and based on the latest offer of £1,925 per person. For 23/24 it is provided for at £2.8m. The increase in respect of 23/24 is estimated to equate to 4.8% on*

	budget, before adjustment for 23/24 savings so is expected to equate to more than 5%. This should be sufficient.
contract inflation at 11% over two years	*Rather than simply accepting and trying to absorb all inflationary pressures, services will need to collaborate closely with suppliers and service providers to reduce the overall expenditure required through further efficiencies and reductions. We have provided c4.9% in 23/24 and have not had requests that demand all of the 22/23 provision yet, which will be carried forward. OBR forecast for 23/24 is an average 5.5%. An additional £2m has been provided to cover social care additional inflation and demographic growth.*
Social care reform at £7m over two years	*This has now been deferred by Government by 2 years, into the next parliament and so it is questionable, especially considering the increasing strain on LG finances, whether this will ever come to pass. The provision in the CD has been removed in order to manage all the other pressures faced. This would simply be unaffordable to SBC and so Government would need to be lobbied in the event this ever came back on the table. More funding would be needed from Government or the scale of implementation and hence costs in some way restrained.*
Other unforeseen pressures	*The Council has provided significant further contingency sums in both ongoing and one-off sums to cover issues such as TA, social care, loss of commercial rent etc. The pot is limited and so pressures will need tight scrutiny and use of the contingency will require CEO, CFO, Cabinet member and Finance Commissioner approval*

Finance and Commercial Services - Improvement Plan

Appendix 7

Objectives	What	By When
Objective 1: **Develop capacity, capability, improve our culture and our customer services offer**	Develop a departmental culture strategy alongside corporate initiatives.	31 March 2023
	Implement a comprehensive Training and Capability Strategy.	From February 2023
	Work with CIPFA on development centres and a development framework	March 2023 post recruitment
	Grow our own talent programme through apprenticeships	First cohort from March 2023
	Develop a productivity plan	30 June 2023
	Implement a succession plan	30 June 2023
Objective 2: **Improve Financial Reporting and Accounts closedown**	Complete all outstanding sets of accounts	31 March 2023
	Continually improve and develop the monthly reporting routines with the support of departmental management and members	31 March 2023 and on-going
	Implement a new process for completion and approval of the Annual Governance Statement for 2022/23 and future years	31 March 2023
	Revised assurance process for 2022/23 to be agreed by CLT	31 January 2023
	Rectification of the significant historical challenges with basic financial control processes and procedures – for example, reconciliations between systems, embedding quality control around the accounts processes, consistent completion of standard working papers, control and recording of assets etc**.**	31 March 2024

Objective 3: **Deliver Financial Sustainability and improved Medium-Term Financial Planning**	Develop a Medium-Term Financial Plan that reflects the revised corporate objectives and integrates with other key plans for HR, assets and IT. Improve budget setting and strategic financial planning. We will provide finance training for Budget Managers and Members Training on revised Finance Procedure Rules for Members and Officers Improve efficiency of financial systems by continuing to reduce manual interventions. Obtain an independent review of all financial systems and controls as required by Directions	May 2023 May 2023 for 24/25 budget 31 March 2023 31 March 2023
Objective 4: **Improve business case capability to support decision making**	Implement a business case review process and work with PMO to implement. Recruit specialist support to develop and train new recruits	31 March 2023 31 March 2023
Objective 5: **Implement an asset management and investment strategy.**	Refine the Treasury Management and revised capital strategy in light of asset sales	31 October 2023
Objective 6: **Establish a Procurement and Contract Management function**	Improve value for money through the implementation of a contract management system	31 March 2024
Objective 7: **Improve governance, counter fraud, internal audit, risk management and insurance**	Recruit and develop an in-house Internal Audit Team. Recruitment adverts completed and live. New IA team to review Plan for 2023/24 and implement revised approach. Develop an Insurance Strategy and deliver the Insurance Renewal programme	November 2022- March 2023 30 July 2023 – ***Revised to 31 March 2023*** 31 March 2024

	Implement and embed an Enterprise Risk Management Framework Review the Counter Fraud and Corruption risk assessment , plans and develop regular reporting to the Audit and Corporate Governance Committee. CIPFA review of Counter Fraud arrangements	31 March 2024 31 March 2023 31 December 2022 ***Revised to 28 February 2023***
Objective 8: **Improve Revenues, Benefits and Charges service**	Recruit and develop and In-house team whose costs are comparable with statistical neighbours Implement the Revenues Benefits and Charges Improvement plan Explore and improve the use of available technology to improve value for money.	31 October 2023 31 March 2023 31 March 2023

SLOUGH BOROUGH COUNCIL

REPORT TO:	Council
DATE:	9th March 2023
SUBJECT:	Council Tax Reduction Scheme 2023-24
CHIEF OFFICER:	Steven Mair – Executive Director – Finance and Commercial (S151)
CONTACT OFFICER:	Andy Jeffs – Interim Head of Transactions – Revenues, Benefits and Charges
WARD(S):	All
PORTFOLIO:	Cabinet Member for Customer Services, Procurement and Performance – Councillor Ajaib
EXEMPT:	No
APPENDICES:	Appendix A - Financial Modelling for new scheme Appendix B - Equality Impact Assessment Appendix C - 2023-2024 CTRS

1 Summary and Recommendation

1.1 Slough is proposing a 9.99% increase in its Council Tax in 2023/24 after receiving dispensation from Government to charge 5% more than other councils without needing to have a referendum. In the correspondence from the Department for Levelling Up, Housing and Communities (DLUHC), officials confirmed that Ministers were conscious of the effects of a large increase in council tax on taxpayers in Slough, especially those on lower incomes. The Government's expectation is that the Council takes steps to mitigate the impact on those least able to pay and acknowledges the steps taken by the Council to protect those on the lowest income and in receipt of council tax support. This report proposes allocating £1.2m of the additional amount received as a further reduction in Council Tax to the poorest working age households and revising the current Council Tax Reduction Scheme (CTRS).

1.2 In Slough approximately 9,300 households currently receive a Council Tax Reduction, the gross cost of the scheme is £8.815m. This cost is spread across the Council, Fire and Police authorities in accordance with the proportion of Council Tax each organisation levies, with the cost to the Council being £7.757m, 88%. If the scheme isn't amended the gross cost will increase to £9.696m, £8.532m to Slough. The proposed change would increase the gross cost to £10.900m, £9.592m to Slough.

1.3 Section 13A(1)(a) of the Local Government Finance Act 1992 prescribes that Slough Borough Council is required to have a Council Tax Reduction Scheme and since 2013/14 the Council has had to consider annually whether to revise its scheme or to replace it with a different scheme. Any revision to or replacement of the CTRS scheme must be subject to consultation.

1.4 This report was considered by the Cabinet at its meeting held on 27th February 2023 and it was agreed to recommend the proposed changes to Council.

Recommendations:

(a) That the Council Tax Reduction Scheme 2023/24 (Appendix C) be adopted for the financial year 2023/24.

(b) Agree to allocate £0.040m into the Council Tax Hardship Fund and to use the remaining element of the Council's allocation of the Council Tax Support Fund to protect the current levels of support provided to those taxpayers who would otherwise lose under the proposed scheme.

Reason

1.5 Extending the scope of the localised CTRS and increasing the funding available in the Council Tax Hardship Fund will have a positive impact on those residents on the lowest income and ensure that if the Council increases the council tax by 9.99%, this impact it mitigated for those eligible for support. Approval of the CTRS scheme is required by Full Council before 10 March 2023.

1.6 As a direct result of the proposed changes to the scheme for 2023/24, 5,357 current working age claimants will pay less in Council Tax. Of these, 3,552 of the most vulnerable working age households currently paying 20% towards their Council Tax would not have to pay any in 2023/24.

Commissioner Review

1.7 The Commissioners are content with this report.

2 Report

Introduction

2.1 The current CTRS scheme was amended for 2020/21 and was not varied or revised for 2021/22. The scheme for 2022/23 was uprated in line with advice from the Department for Work and Pensions (DWP) and the Department for Levelling Up, Housing and Communities (DLUHC).

2.2 The scheme consists of two parts. The first part makes provision for pension age claimants which is prescribed on a national basis and cannot be amended by local authorities. Pension age claimants receive a 100% discount on their Council Tax and therefore have a nil charge as required by the Regulations.

Provision for pension age claimants

2.3 There are approximately 2,700 pension age claimants who fall into three prescribed classes which are as follows:

a) Class A – pensioners whose income is less than the applicable amount
b) Class B – pensioners whose income is greater than the applicable amount, and
c) Class C – alternative maximum Council Tax reduction

2.4 There are no plans to revise or to vary this part of the scheme.

Provision for working age claimants

2.5 The second part of the current scheme makes provision for approximately 6,600 working age claimants which the Council has discretion on.

2.6 The current scheme for working age applicants is an income banded/grid scheme means test, which compares income against a range of discounts available. This scheme applies only to a person who:

a) has not attained the qualifying age for state pension credit, or
b) has attained the qualifying age for state pension credit if they, or their partner, is a person on Income Support, on an income-based Jobseekers Allowance, on an income related Employment and Support Allowance or on Universal Credit.

2.7 To obtain a reduction under the current scheme the individual (or partner) must:

a) have not attained the qualifying age for state pension credit, or
b) they have attained the qualifying age for state pension credit and they or their partner is a person on Income Support, on income-based Jobseekers Allowance or on income related Employment and Support Allowance, or a person with an award of Universal Credit
c) be liable to pay Council Tax in respect of a dwelling is which they are solely or mainly resident
d) is not deemed to be absent from the dwelling
e) not fall within a class of person prescribed for the purposes of paragraph 2(9) of Schedule 1A to the Local Government Finance Act 1992 and excluded from the authority's scheme
f) be somebody in respect of whom a maximum Council Tax Support amount can be calculated
g) not have capital savings above £16,000
h) not have income above the levels specified within the scheme
i) be a person in respect of whom a day in which they are liable to pay Council Tax in respect of which the person's income is within a range of incomes specified within Schedule 1 of the scheme, and
j) has made a valid application for reduction.

2.8 The authorities current CTRS means that the maximum discount allocated to a working age claimant is 80%. Depending on their circumstances the amount of discount will reduce and is calculated on the basis of the following banded scheme based on weekly income as shown in Table 1 below:

Table 1 – Current Banded Scheme

Discount Band & Discount Award	**Single**	**Couple**	**Lone Parent with one dependent child or young person**	**Couple with one dependent child or young person**	**Lone Parent with two or more dependent children or your persons**	**Couple with two or more dependent children or young persons**
Band 1 80%	£0.00 - £76.00	£0.00 - £119.30	£0.00 - £163.43	£0.00 - £206.69	£0.00 - £232.76	£0.00 - £276.02
Band 2 65%	£76.01 - £107.08	£119.31 - £150.38	£163.44 - £232.75	£206.70 - £276.01	£232.77 - £302.77	£276.03 - £345.33
Band 3 50%	£107.09 - £138.16	£150.39 - £181.47	£232.76 - £267.41	£276.02 - £310.67	£302.08 - £336.72	£345.34 - £379.98
Band 4 35%	£138.17 - £169.25	£181.48 - £212.55	£267.42 - £336.72	£310.68 - £379.98	£336.73 - £406.05	£379.99 - £449.31
Band 5 20%	£169.26 - £200.33	£212.56 - £243.64	£336.73 - £406.05	£379.99 - £449.31	£406.06 - £475.35	£449.32 - £518.61
Band 6 0%	£200.34 and above	£243.65 and above	£406.06 and above	£449.32 and above	£475.36 and above	£518.62 and above

Note: All incomes shown in the table are weekly, discount bands vary depending on both weekly income and household, and any applicant with capital greater than £16,000 shall not be entitled to any Council Tax Support whatsoever.

2.9 The amount of discount to be granted is to be based on the following factors:

a) the maximum Council Tax Support as defined within the scheme
b) the Council Tax family as defined within the scheme
c) the income of the applicant as defined within the scheme
d) the capital of the applicant within the scheme.

2.10 Where an applicant or partner is in receipt of a 'relevant benefit' namely Income Support, Income Related Employment and Support Allowance, Income Based Job Seekers Allowance or Universal Credit (with no other income or income as specified in Schedule 3), discount will be awarded at Band 1 level.

Proposed working age scheme

2.11 Following a period of consultation on whether to revise the current working age CTRS the Council is proposing to make changes to:

a) provide targeted to support to those households on the lowest incomes
b) make the scheme easier for residents to understand and access
c) provide greater stability to those who are in receipt of support
d) make the scheme work better with the Universal Credit award system
e) build in capacity to better manage demand, and
f) reduce administration costs which will ultimately prevent any additional costs being added to the Council Tax.

2.12 The revisions to the scheme include:

a) Passported cases (where the applicant or partner is in receipt of Income Support, Income-based Job Seeker's Allowance, or Income-Related Employment Support

Allowance) along with residents whose income does not include earnings will receive the maximum discount of 100%

b) the scheme will no longer limit the support to Council Tax at Band C level
c) the maximum amount of support for people who are not working will increase
d) for residents who are working only your earnings will be taken into account to calculate you CTRS
e) we will no longer apply Earned Income Disregards or Child Care cost disregards
f) for residents who are working their CTRS will be calculated based on the 7 income bands their level of earnings places them in. These income bands will be the same for all household types
g) the minimum level of CTRS will change from £1.00 to £0.01 per week
h) non-dependent deductions will still apply but will change to £11.00 per week where they are working 16 hours or more on average and their gross income is greater than or equal to £200.00 per week. A £5.00 deduction will apply where their gross income is less than or equal to £199.99 per week. This will apply regardless of what the income is
i) the maximum capital limit will reduce from £16,000 to £6,000.

2.13 All other parts of the existing scheme will remain unchanged including:

a) Disability Benefits such as Personal Independence Payment (PIP) and Disability Living Allowance (DLA) will continue to be disregarded
b) no Non-dependent deduction will apply where the customer or partner is in receipt of Disability Benefits such as PIP and DLA
c) no Non-dependent deduction will apply where the Non-dependent is either a full-time student or is aged under 18-years
d) War Pensions and War Disablement Pensions will continue to be disregarded in full
e) backdating will remain at 1 calendar month
f) the minimum income floor for a self-employed person declaring less income than the national living wage will have their CTRS calculated on a notional income equal to that of the national living wage.

2.14 To simplify the current CTRS scheme we proposing to increase the number of bands from 6 to 8 and in each of those bands the reduction in Council Tax increases with those in band 1 with the lowest incomes not having any Council Tax to pay.

2.15 In addition to reduce the amount of administration with the current scheme we are proposing making all income bands the same for all household types, also making the scheme less confusing for residents. The proposed bands are shown in Table 2 below:

Table 2 – Proposed New Bands

Discount Band	Current Scheme Discount	Proposed Scheme Discount	Proposed Weekly Earnings Threshold
Band 1	80%	100%	No earnings
Band 2	65%	75%	<£115.38
Band 3	50%	60%	£115.39 - £184.61
Band 4	35%	40%	£184.62 - £253.84
Band 5	20%	30%	£253.85 - £323.07
Band 6	0%	20%	£323.08 - £392.30
Band 7		10%	£392.31 - £461.53
Band 8		0%	£461.54 and above

2.16 The proposal will also mean a simpler application process. The application form will be shorter, and less evidence will be required. This will mean residents will know their whether they are eligible more quickly and should receive any reduction they are entitled to more promptly.

2.17 Residents will be able to see any CTRS they are entitled to on the face of their Council Tax bill, rather than receiving separate, lengthy CTRS notification letters. The time saved by the Council will allow us to provide a better service to our residents.

2.18 The proposed scheme provides additional support to those with the lowest household incomes. As a direct result of this our modelling shows that over 5,300 of the current 9,300 households in receipt of CTRS will be better off. Inevitably, some households will have a little more to pay, but it is proposed for 2023/24 to protect their current levels of reduction using the Council Tax Support fund.

2.19 Where an applicant experiences exceptional hardship, they will be able to apply for additional support from the Council under its Council Tax Hardship Scheme.

2.20 In addition to the additional funding Slough is proposing adding to the CTRS scheme for 2023/24, the government has as part of its 2023 Council Tax Support Fund allocated the Council £0.253m in additional funding to provide support to the most vulnerable households in England. The government expect us to use the majority of our funding allocation to reduce bills after the allocation of funding from the proposed CTRS scheme by up to a further £25 should there be a balance left to pay. The Council can use its remaining allocation as we see fit to support vulnerable households with Council Tax bills. The proposal is to use this funding to support initially any resident who as a result of the changes to the scheme will have more to pay.

2.21 We will review the impact of the proposed changes in 2023/24 and come forward with further proposals and consult to vary the scheme for 2024/25 should that be required.

Consultation on proposed scheme

2.22 The Council has consulted with residents and third parties on the proposed new scheme. The consultation ran for a period of 4-weeks and finished on 16 February 2023. The consultation was accessible on the Council website. Unfortunately, response to the consultation was very low.

2.23 Of the two responders one was content with the proposed changes to the scheme, and the other did not believe the additional funding went far enough when Council Tax was increasing by 9.99%.

3 Implications of the Recommendations

3.1 Financial implications

3.1.1 The gross cost of the current scheme is £8.815m and is spread across the Council, Fire and Police in accordance with the proportion of Council Tax each levy.

3.1.2 If the Council Tax for 2023/24 increases by 9.99%, the increase in gross cost is estimated to be £0.881m. That would increase the gross cost of the current scheme to £9.696m, £8.532m to Slough.

3.1.3 To ensure the most vulnerable households on the lowest incomes are supported, it is proposed that an additional £1.2m of the additional Council Tax raised is used to target support where required. This will increase the total gross cost of the scheme to £10.900m and £9.592m to Slough.

3.1.4 This additional funding for the scheme allows the increase of percentages given in each band and introduces a further two bands. We estimate through modelling it will remove 38% of those currently in receipt of CTRS from having to make any payment in 2023/24. See Appendix A for the full financial modelling of the proposed scheme.

3.2 Legal implications

3.2.1 Section 13A(2) of the Local Government Finance Act 1992 states that each billing authority mut make a scheme specifying reductions which are to apply to amounts of council tax in respect of dwellings where persons are considered by the authority to be in financial need. This is referred to as a council tax reduction scheme. The Council also has a power to reduce council tax liability in other cases as it sees fit under section 13A(1)(c).

3.2.2 Schedule 1A of the 1992 Act prescribes requirements for a council tax reduction scheme. Paragraph 3 states that before making a scheme the authority must consult any major precepting authority which has power to issue a precept, publish a draft scheme in such manner as it thinks fit and consult such other persons as it considers are likely to have an interest in the operation of the scheme.

3.2.3 Case law has determined that for consultation to be lawful, it must be undertaken as a formative stage, for a sufficient period, provide sufficient information to allow respondents to provide an informed response and that the results must be taken into account by the decision-maker. The decision-maker is Full Council by virtue of s.67 of the 1992 Act which confirms that the function of making or revising a council tax reduction scheme is a function that must be discharged only by the authority.

3.3 Risk management implications

3.3.1 The risks in Table 3 below have been considered:
Table 3 – Risks Considered

Risk	Description	Action to avoid or mitigate risk	Mitigated risk rating
Forecast cost of scheme falls short of estimate	Claimants may have reduced benefits 'unnecessarily'	Use of data modelling tools and data analysis	Likelihood Low Impact Low
Forecast cost of scheme excessive	Unidentified increase in service demand	Use of data modelling tools and data analysis	Likelihood Low Impact Medium
Reduced amount of discount awarded to claimants	Claimants suffer hardship through increased payments	Use of data modelling tools and analysis, Council Tax Hardship Fund and Council Tax Support Fund	Likelihood Low Impact Medium

Effect on collection	Potential for arrears not to be cleared within the relevant financial year leading to delays in collecting liability and impacting in-year collection	Increasing the % discount awarded for the households with the lowest income will remove over 38% of current applicants from having to pay any council tax reducing the amount of recovery required to collect	Likelihood Low Impact Low

3.4 Equality implications

3.4.1 The EIA is attached as Appendix B.

3.5 Workforce implications

3.5.1 The proposed scheme will make it quicker and easier to process CTRS applications. The service is currently developing a structural re-design and any processing time savings as a result of this report will be captured as part of that process.

4 Background Papers

None.

Appendix A – Financial Modelling for New Scheme

The Council Tax Reduction Scheme (CTRS) consists of two parts. The first part makes provision for 2,663 non-working age claimants which is prescribed on a national basis and cannot be amended by local authorities. The second part of the scheme makes provision for 6,606 working age claimants. CTRS expenditure in 2022/23 is estimated at £8.815m. This costs £3.250m for non-working age claimants and £5.565m for working age claimants.

As a direct result of the proposed changes to the scheme for 2023/24, 5,357 current working age claimants will pay less in Council Tax. Of these **3,552 of the most vulnerable working age households currently paying 20% towards their Council Tax would not have to pay any in 2023/24.**

The financial modelling for the proposed 2023/24 CTRS is based on an uplift in current expenditure by 9.99% for the proposed increase in Council Tax and then to add an additional £1.200m of revenue funding to the scheme out of the additional 5% Council Tax increase. The objective of the updated scheme is to ensure additional help is targeted to the most vulnerable residents on lower incomes.

The increase in Council Tax and the additional funding proposed will increase the estimated CTRS spend by £2.084m to £10.900m in 2023/24. When test billing is undertaken in late February 2023 more accurate estimates will be able to be made.

Table 1 below shows the breakdown of CTRS expenditure by group description comparing the proposed 2023/24 scheme with that of the current scheme. All groups will see an overall increase in funding. This increase in broken down to £0.363m for the 2,663 non-working age cases and £1.721m for the 6,606 working age cases.

Table 1 – Households Receiving CTRS by Type and Current and Future Expenditure

Group Description	Case Count	£000 Current Expenditure	£000 23/24 with 9.99% CTax Increase	£000 Change in Award	% Change in Award
Elderly - Non-Passported - Other	829	875.8	992.5	116.7	13.3%
Elderly - Non-Passported - Severe Disability	166	183.9	204.5	20.6	11.2%
Elderly - Non-Passported - War Pensioners	2	1.2	1.4	0.2	19.3%
Elderly - Non-Passported - Working	40	41.4	46.1	4.7	11.3%
Elderly - Passported - Disabled Child Premium	1	1.2	1.3	0.1	9.9%
Elderly - Passported - Enhanced Disability	1	1.8	2.0	0.2	9.9%
Elderly - Passported - Other	1,174	1,583.0	1,747.1	164.1	10.4%
Elderly - Passported - Severe Disability	449	560.3	616.6	56.3	10.1%
Elderly - Passported - War Pensioners	1	1.1	1.2	0.1	9.9%
Working Age - Non-Passported - 1 Child	1,510	1,162.1	1,430.8	268.7	23.1%
Working Age - Non-Passported - 2 Child +	2,472	1,914.7	2,351.2	436.5	22.8%
Working Age - Non-Passported - Couple	182	156.2	242.7	86.5	55.3%
Working Age - Non-Passported - Working	1,179	983.6	1,414.9	431.3	43.8%
Working Age - Passported - Disabled Child Premium	55	58.9	80.6	21.7	36.8%
Working Age - Passported - Enhanced Disability	505	592.4	807.5	215.1	36.3%
Working Age - Passported - Other	288	299.5	418.0	118.5	39.6%
Working Age - Passported - Severe Disability	415	398.0	541.1	143.1	36.0%
Grand Total	**9,269**	**8,815.1**	**10,899.5**	**2,084.4**	**23.6%**

As a direct result of the proposed changes to the scheme for 2023/24:

- 3,552 of the most vulnerable working age households currently paying 20% towards their Council Tax will now not have to pay any in 2023/24.
- 1,805 working age households will be better off under the new simpler and easy to maintain scheme.
- 1,249 cases that would be worse off under the proposed changes will receive funding in 2023/24 to ensure that they will be no worse off from the changes, utilising the Council Tax Support Fund (CTSF).

A full breakdown on those who will pay less and those who will pay more in 2023/24 is shown in Table 2 below.

We will consult on further revisions to the CTRS scheme in 2024/25.

Table 2 – Breakdown of Cases Better or Worse Off

Group Description	Count	Reduction in Council Tax Payment	Increase in Council Tax Payment
Working Age - Non-Passported - 1 Child	1,510	1,100	410
Working Age - Non-Passported - 2 Child +	2,472	1,689	783
Working Age - Non-Passported - Couple	182	159	23
Working Age - Non-Passported - Working	1,179	1,148	31
Working Age - Passported - Disabled Child Premium	55	55	0
Working Age - Passported - Enhanced Disability	505	505	0
Working Age - Passported - Other	288	286	2
Working Age - Passported - Severe Disability	415	415	0
Grand Total	6,606	5,357	1,249

Examples of cases where under the proposed new scheme some households will pay more Council Tax and the reasons for this are shown below:

Working Age – Non-Passported – 1 Child – 410 Cases

Example 1 - A single parent with one child and two non-dependents. Their previous entitlement was £20.50 per week, £1,066 for the year as they were income band 2 (65% - £163.44 to £232.75 per week). As they have capital above the new £6,000 limit (reduced from £16,000) they lose their entitlement under the proposed scheme but £1,066 will be paid from the CTSF. The Council Tax band is E.

Example 2 - A single parent with one child whose income consisted of Universal Credit, Child Benefit and Earnings. Their previous entitlement was £6.21 per week, £323 for the year as they were in income band 4 (35% - £267.42 to £336.72 per week). The new entitlement reduces to £3.87 per week, £201 for the year as they are now in income band 6 (20% - £323.08 to £392.30 per week). A reduction of £122. This will be paid from the CTSF. The Council Tax band is A.

Working Age – Non-Passported – 2 Child+ - 783 Cases

Example 3 - A single parent with three children whose income is Universal Credit, Child Benefit and Earnings. Their previous entitlement was £11.04 per week, £574 for the year as they were in income band 4 (35% - £336.73 to £406.05 per week). The new entitlement is £6.88 per week, £357.76 as they are now in income band 6 (20% - £323.08 to £392.30 per week). A reduction of £216.32. This will be paid from the CTSF. The Council Tax band is C.

Example 4 - A couple with two children whose income is Universal Credit, Child Benefit and Earnings. Their previous entitlement was £9.66 per week, £502.32 for the year as they were in income band 4 (35% - £379.99 to £449.31). The new entitlement is £6.01 per week, £312.52 as they are now in income band 6

(20% - £323.08 to £392.30 per week). A reduction of £189.80. This will be paid from the CTSF. The Council Tax band is B.

Working Age – Non-passported – Couple – 23 Cases

Example 5 - A couple with three non-dependants on the claim. The couple's income is Earnings for the claimant and DLA for the partner. The three non-dependents are working. The previous entitlement was £15.77 per week, £820.04 for the year as they were in income band 3 (50% - £150.39 to £181.47). The new entitlement is £13.76 per week, £715.52 as they are in income band 4 (40% - £184.62 to £253.84). A reduction of £104.52. This will be paid from the CTSF. The Council Tax band is C.

Example 6 - A couple with one non-dependent, a student on the claim. The couple's income was Earnings for the claimant. The previous entitlement was £15.77 per week, £820.04 for the year as they were in income band 3 (50% - £150.39 to £181.47 per week). The new entitlement is £13.76 per week, £715.52 for the year as in income band 4 (40% - £184.62 to £253.84). A reduction of £104.52. This will be paid from the CTSF. The Council Tax band is C.

Working Age – Non-passported – Single – 31 Cases

Example 7 - A single person whose income is Universal Credit and PIP. Their previous entitlement was £16.56 per week, £861.12 as they were in income band 1. The new entitlement is £0.00 as they have capital that exceeds the new £6,000 limit. A reduction of £861.12. This will be paid from the CTSF. The Council Tax band is B.

Example 8 - A single person whose income in Universal Credit. Their previous entitlement was £14.19 per week, £737.88 for the year as in income band 1. The new entitlement is £0.00 as they have capital that exceeds the new £6,000 limit. A reduction of £737.88. This will be paid from the CTSF. The Council Tax band is A.

Working Age – Passported – Other – 2 Cases

Example 9 - An Income Support case where the household is made up of a couple with two non-dependents. The non-dependents income is one on Universal Credit and one is Working. The previous entitlement was £10.92 per week, £567.84 for the year as in income band 1 (80% - No Earnings). A £10 per week non-dependent deduction was taken for the one that was working. The new entitlement is £9.80 per week, £509.60 for the year as still in income band 1 (100% - No Earnings) but we now make a £11.00 non-dependant deduction for the one who is working and a £5.00 non-dependent deduction for the one receiving Universal Credit. A reduction of £58.24. This will be paid from the CTSF. The Council Tax band is A.

Example 10 - A Employment Support Allowance IR case where the claimant is a single person and has three non-dependents on the claim, two receiving Universal Credit and the other with the lowest deduction applied. The previous entitlement was £14.92 per week, £775.84 for the year as they were in income band 1 (80% - No Earnings). There was a non-dependent deduction of £5 per week for the one with the lowest deduction applied. No non-dependent deductions were taken for the two in receipt on Universal Credit. The new entitlement is £10.80 per week, £561.60 for the year as they are still in band 1 (100% - No Earnings) but we now make three non-dependent deductions of £5 for each non-dependent. A reduction of £214.24. This will be paid from the CTSF. The Council Tax band is A.

Financial Impact on Households with more Council Tax to pay

Table 3 below breaks the 1,249 cases with more to pay into bandings of £100 annual increased Council Tax payments up to £1,000 and then £1,000 and above.

To get to this figure we have calculated the total award for 2022/23 and then subtracted it from their total CTS award that will be awarded using the new scheme 2023/24.

Table 3 – Banded Increase in Council Tax payments for 2023/24

Group Description	Count	£0 to £99.99	£100 to £199.99	£200 to £299.99	£300 to £399.99	£400 to £499.99	£500 to £599.99	£600 to £699.99	£700 to £799.99	£800 to £899.99	£900 to £999.99	£1000 & above
Working Age - Non-Passported - 1 Child +	410	168	103	69	31	9	14	1	2	3	4	6
Working Age - Non-Passported - 2 Child +	783	241	133	175	152	23	35	5	6	2	4	7
Working Age - Non-Passported - Couple	23	6	2	5	0	2	3	0	1	1	1	2
Working Age - Non-Passported - Working	31	2	4	1	1	0	2	4	3	7	5	2
Working Age - Passported - Disabled Child Premium	0	0	0	0	0	0	0	0	0	0	0	0
Working Age - Passported - Enhanced Disability	0	0	0	0	0	0	0	0	0	0	0	0
Working Age - Passported - Other	2	1	0	1	0	0	0	0	0	0	0	0
Working Age - Passported - Severe Disability	0	0	0	0	0	0	0	0	0	0	0	0
Grand Total	1,249	418	242	251	184	34	54	10	12	13	14	17
Mid-point Estimate		£20900	£36300	£62750	£64400	£15300	£29700	£6500	£9000	£11050	£13300	£25500

It is not possible with the modelling tool to accurately calculate the total additional Council Tax of those 1,249 households who would pay more before additional support. So, by taking the mid-point of each banding and multiplying that number by the total number of households in that band we can estimate the total additional Council Tax. The estimated total mid-point increase in Council Tax for the 1,249 households is approximately £0.295m.

The additional funding that is available above that £1.2m already placed in the scheme is £0.293m so, we can off-set in full the estimated total increase for these households in 2023/24.

We will consult on further revisions to the CTRS scheme in 2024/25.

Financial Impact on Households with less Council Tax to pay

Table 4 below breaks the 5,357 cases with less to pay into bandings of £100 annual increased Council Tax payments up to £1,000 and then £1,000 and above.

To get to this figure we have calculated the total award for 2022/23 and then subtracted it from their total CTS award under the new scheme for 2023/24.

Table 4 – Banded Reduction in Council Tax payments for 2023/24

Group Description	Count	£0 to £99.99	£100 to £199.99	£200 to £299.99	£300 to £399.99	£400 to £499.99	£500 to £599.99	£600 to £699.99	£700 to £799.99	£800 to £899.99	£900 to £999.99	£1000 & above
Working Age - Non-Passported - 1 Child +	1,100	229	141	125	322	123	67	15	32	10	16	20
Working Age - Non-Passported - 2 Child +	1,689	333	230	191	323	208	152	42	88	20	32	70
Working Age - Non-Passported - Couple	159	8	15	20	14	33	11	7	13	4	1	33
Working Age - Non-Passported - Working	1,148	45	84	155	529	121	63	36	46	24	20	25
Working Age - Passported - Disabled Child Premium	55	1	0	2	29	17	4	2	0	0	0	0
Working Age - Passported - Enhanced Disability	501	1	11	27	147	192	106	13	2	0	1	1
Working Age - Passported - Other	282	3	6	28	123	65	21	5	19	3	2	7
Working Age - Passported - Severe Disability	409	0	1	0	324	71	11	1	0	0	0	1
Grand Total	5,343	620	488	548	1,811	830	435	121	200	61	72	157
Mid-point Estimate		£31000	£73200	£137000	£633850	£202500	£239250	£78650	£150000	£51850	£68400	£235500

By taking the mid-point of each banding and multiplying that number by the total number of households in that band we can estimate the total additional reduction in Council Tax to the household. The estimated total mid-point reduction in Council Tax for the 5,343 households is £1.901m.

Appendix B - Equality Impact Assessment

SUMMARY RAG RATING

The outcome of this EIA has been assessed to be:	🟩

SECTION 1:

Title	Proposed new Council Tax Reduction Scheme for 2023/24
What are you analysing? - What is the policy/project/activity/strategy looking to achieve? - Who is it intended to benefit? Are any specific groups targeted by this decision? - What results are intended?	Slough is proposing a 9.99% increase in its Council Tax in 2023/24 after receiving dispensation from Government to charge 5% more than other councils without the need for a referendum. In the correspondence from the Department for Levelling Up, Housing and Communities, officials confirmed that Ministers were conscious of the effects of a large increase in Council Tax on taxpayers in Slough, especially those on lower incomes. The Governments expectation is that the Council takes steps to mitigate the impact on those least able to pay and acknowledges the steps taken by the Council to protect those on the lowest income and in receipt of Council Tax Support. Slough is proposing to add £1.2m in additional funding to the Council Tax Support Scheme for 2023/24 to target additional support to those working age households and revising certain aspects of its current scheme to make it simpler to understand and easier to administer. The government has provided Slough with an additional £0.253m in additional funding to support vulnerable households with Council Tax and Slough is proposing to add £0.040m to the Council Tax Hardship Fund. These additional funds will ensure no current recipient of Council Tax Support will be worse off should their circumstances remain the same as 2022/23.
Details of the lead person completing the screening/EIA	(i) **Full Name:** Andy Jeffs (ii) **Position:** Interim Head of Transactions - Revenues, Benefits and Charges (iii) **Service Area:** Finance (iv) **Email Contact Details:** andy.jeffs@slough.gov.uk (v) **Date:** 17/02/2023
Date sent to Finance	21/02/2023
Version number and date of update	1

SECTION 2:

2.1	**Please provide an overview of who uses/will use your service or facility and identify who are likely to be impacted by the proposal** • *If you do not formally collect data about a particular group then use the results of local surveys or consultations, census data, national trends or anecdotal evidence (indicate where this is the case). Please attempt to complete all boxes.* • *Consider whether there is a need to consult stakeholders and the public, including members of protected groups, in order to gather information on potential impacts of the proposal*

Equality Characteristic	**Current or expected make up of service users**	**Over-represented or Under-represented relative to overall size in local population?**
Sex	There is a higher proportion of male claimants than female compared to population size.	Certain household types are more likely to be female, for instance sole parent households.
Ethnicity	Data not available.	Data not available.
Disability	There is some data to indicate that claimants with a disability are a higher proportion than the population size.	Some individuals with a disability may be less able to work or earn less meaning they are more likely to be a claimant.
Sexual orientation	Data not available.	Data not available.
Age	Claimants are split into working age and pension age due to the different schemes in place.	Working age adults are more impacted than pension age adults.
Religion or belief	Data not available.	Data not available.
Gender Identity	Data not available.	Data not available.
Pregnancy/Maternity	Data not available.	Women who are pregnant or on maternity leave may be more likely to be a claimant, but there is no data to confirm this.
Marriage/Civil Partnership	Data not available.	Households who are couples, especially those with children, are potentially impacted to a greater extent,

			however there is no data to indicate whether these households are married or in a civil partnership.

2.2 Are there any groups with protected characteristic that are overrepresented in the monitoring information relative to their size of the population? *If so, this could indicate that the proposal may have a disproportionate impact on this group even if it is a universal service.*	The Council's Council Tax Reduction Scheme (CTRS) consists of two parts. The first part makes provision for non-working age claimants which is prescribed on a national basis and cannot be amended by local authorities. The second part of the scheme makes provision for working-age claimants which the Council do have discretion on. The Council is proposing to amend it's current scheme to provide additional support the claimants on the lowest incomes. There are some claimants that due to the proposed changes in the scheme will have to pay more in Council Tax. In mitigation the Council proposes using additional funding to off-set this increase in 2023/24 so that no claimant is worse of if their circumstances have not changed. We will further consult on the scheme for 2024/25.
2.3 Are there any groups with protected characteristics that are underrepresented in the monitoring information relative to their size of the population? *If so, this could indicate that the service may not be accessible to all groups or there may be some form of direct or indirect discrimination occurring.*	N/A

2.4 Does the project, policy or proposal have the potential to disproportionately impact on people with a protected characteristic? If so, is the impact positive or negative?

	None	**Positive**	**Negative**	**Not sure**
Men or women	☐	☒	☒	☐
People of a particular race or ethnicity (including refugees, asylum seekers, migrants and gypsies and travellers)	☐	☐	☐	☒
Disabled[1] people (consider different types of physical, learning or mental disabilities)	☐	☒	☒	☐
People of particular sexual orientation/s	☒	☐	☐	☐

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[1] Disability discrimination is different from other types of discrimination since it includes the duty to make reasonable adjustments.

People in particular age groups (consider in particular children, under 21s and over 65s)	☐	☒	☒	☐
People who are intending to undergo, are undergoing or have undergone a process or part of a process of gender reassignment	☒	☐	☐	☐
Impact due to pregnancy/ maternity	☐	☒	☒	☐
People of particular faiths and beliefs	☐	☐	☐	☒
People on low incomes*	☐	☒	☒	☐

***People with in some equality groups are more likely to be on low incomes (e.g. single parents (mainly women), people with disabilities, some ethnic minority groups etc). This is especially important when you are looking at fees, charges and access to services.**

2.5	**Based on your responses, should a full, detailed EIA be carried out on the project, policy or proposal**
	Yes ☒ No ☐
2.6	**Provide brief reasons on how you have come to this decision?**
	The modelling as shown that 2,663 non-working age claimants will not be impacted by the proposed changes to the scheme. It has also shown that out of the remaining 6,606 working age claimants, 5,357 will be better off, with 3,552 of the most vulnerable households currently paying 20% paying nothing under the new scheme. The modelling also shows that without additional help 1,249 working-age claimants will have more to pay. The Council will mitigate this by using additional funding. We will also consult on the 2024/25 scheme later this year.

If the answer in 2.5 above is "No" then sections 3 and 4 are not required to be completed.

SECTION 3: ASSESSING THE IMPACT

In order to be able to identify ways to mitigate any potential impact it is essential that we know what those potential impacts might be. Using the evidence gathered in section 2, explain what the potential impact of your proposal might be on the groups you have identified. You may wish to further supplement the evidence you have gathered using the table below in order to properly consider the impact.

Protected Group		Positive impact?			Negative impact? If so, please specify the nature and extent of that impact	No specific impact	If the impact is negative how can it be mitigated? Please specify any mitigation measures and how and when they will be implemented	What , if any, are the cumulative effects of this decision when viewed in the context of other Council decisions and their equality impacts
		Eliminate discrimination	Advance equality	Good relations				
Gender	Men		Yes		Yes		A large proportion of CTRS recipients are men. Some claimants would be better off and some worse off without any mitigation. Any reduction in CTRS in 2023/24 will be mitigated via the council tax hardship fund.	The Council is conscious of the impact of its decisions as a whole on those households on low income. There is no evidence to show that this will impact men more than women.
	Women		Yes		Yes		A proportion of CTRS recipients are female single parents. Some claimants would be better off and some worse off without any mitigation. Any reduction in CTRS in 2023/24 will be mitigated via the council tax hardship fund.	The Council is conscious of the impact of its decisions as a whole on women, particularly as they are more likely to be a sole carer of children and access specific services more than men. It is therefore important to mitigate the impact for those households who are on low incomes.

Race	White					Yes	There is no evidence to show the impact on specific ethnic groups, although some may be more likely to be on low incomes and claiming support. The mitigation will ensure that households on low incomes, who may be more likely to be of a certain ethnic group, are supported.	
	Mixed/Multiple ethnic groups					Yes		
	Asian/Asian British					Yes		
	Black/African/Caribbean/ Black British					Yes		
	Gypsies / travellers					Yes		
	Other ethnic group					Yes		
Disability	Physical		Yes		No		The 975 residents in receipt of CTRS with a stated disability will all pay less Council Tax in 2023/24 than in 2022/23. The nature of the disability is not always known, but this applies to all categories of disability.	As individuals with disability will be more likely to access certain council services than the population as a whole, it is important to ensure that there is mitigation in place to support those who are on low incomes.
	Sensory		Yes		No			
	Learning Difficulties		Yes		No			
	Learning Disabilities		Yes		No			
	Mental Health							

Protected Group		Positive impact?			Negative impact?	No specific impact	What will the impact be? If the impact is negative how can it be mitigated? (action)	What are the cumulative effects
		Eliminate discrimination	Advance equality	Good relations				
Sexual Orientation	Lesbian, gay men, bisexual					Yes		
Age	Older people (50+)		Yes		Yes		The impact of the proposed change will affect working age people as opposed to those of pension age. The government have recognised that low-income pensioners cannot be expected to increase their income through paid work and therefore are protected from any reduction in CTRS. Some claimants will be better off and some worse off. Any reduction in CTRS in 2023/24 will be mitigated via the hardship fund.	
	Younger people (16 - 25)		Yes		Yes		There may be an adverse effect on those under 25 as they receive reduced amounts of benefit based on age. This should not impact many people. Care leavers are exempt from Council Tax. Any	

							reduction in CTRS in 2023/24 will be mitigated.	
	Children (under 16)		Yes		Yes		Children of low-income families may also be adversely affected if their parent(s) have to find additional money to cover a reduced CTRS amount. Our CTRS scheme will continue to provide a more generous means test for those with dependent children or young persons.	
Gender Reassignment						Yes		
Impact due to pregnancy/maternity						Yes		
Groups with particular faiths and beliefs						Yes		
People on low incomes			Yes		Yes		Our modelling indicates 1,249 households will receive less in CTRS in 2023/24. 5,357 households on the lowest income will see an increase in the CTRS in 2023/24. 3,552 will pay no Council Tax a reduction of 20%. Any reduction in CTRS in 2023/24 will be mitigated.	

SECTION 4: ACTION PLAN

4.1 Complete the action plan if you need to reduce or remove the negative impacts you have identified, take steps to foster good relations or fill data gaps.

Please include the action required by your team/unit, groups affected, the intended outcome of your action, resources needed, a lead person responsible for undertaking the action (inc. their department and contact details), the completion date for the action, and the relevant RAG rating: R(ed) – action not initiated, A(mber) – action initiated and in progress, G(reen) – action complete.

NB. Add any additional rows, if required.

Action Required	Equality Groups Targeted	Intended outcome	Resources Needed	Name of Lead, Unit & Contact Details	Completion Date (DD/MM/YY)	RAG
Increase funding in the council tax hardship fund to support those who will have received less support in 2023/24 due to the changes to the scheme.	Age, sex, disability, ethnicity.	To ensure households on low income are supported.	Additional funding some of which has been provided by the Government for council tax hardship funds.	Andy Jeffs – Finance – Transactions – andy.jeffs@slough.gov.uk	Incorporated into decision on CTSS.	Green
Liaison with Slough CAB to establish what scope they have to support affected residents who may require advice and budgeting support. This should include targeted support for those who may have communication difficulties, including English	Age, sex, disability, ethnicity	To ensure households have access to support and guidance	None	Andy Jeffs – Finance – Transactions – andy.jeffs@slough.gov.uk	31/03/23	Green

not being first language or due to disability.						
Review the Council Tax recovery process for those in receipt of CTRS	Age, sex, disability, ethnicity.	To ensure recovery action and additional costs are minimised	None	Andy Jeffs – Finance – Transactions – andy.jeffs@slough.gov.uk	31/03/23	Green
Provide training to Revenues, Benefits and Customer Services on changes to include signposting to other help available	Age, sex, disability, ethnicity.	To ensure residents receive the best service and are aware of additional help	None	Andy Jeffs – Finance – Transactions – andy.jeffs@slough.gov.uk	31/03/23	Green
Monitor and review the impact of the changes to the scheme for 2023/24 and diarise a further consultation and review of the CTRS scheme for 2024/25	Age, sex, disability, ethnicity.	To ensure the impact of changes to the scheme are identified and fed into the review for 2024/25	None	Andy Jeffs – Finance – Transactions – andy.jeffs@slough.gov.uk	30/06/23	Green

Appendix A

Equality Impact Assessment Decision Rating Guide

PLEASE SEE PAGE 1 FOR THE RATING OF THIS PROPOSAL

Decision	Action	Risk
As a result of performing the EIA, there is a risk that a disproportionately negative impact (direct, indirect, unintentional or otherwise) exists to one or more of the nine groups of people who share a protected characteristic under the Equality Act 2010. It is not clear if mitigating actions are possible.	**Further advice should be taken**	**Red** 🟥
As a result of performing the EIA, there is a risk that a disproportionately negative impact (as described above) exists to one or more of the nine groups of people who share a protected characteristic under the Equality Act 2010. However, this risk may be removed or reduced by implementing mitigating actions.	**Proceed pending agreement of mitigating action**	**Amber** 🟨
As a result of performing the EIA, the proposal does not appear to have any disproportionate negative impact on people who share a protected characteristics or anticipated impacts will be either positive or neutral.	**Proceed**	**Green:** 🟩

Council Tax Support Scheme

This scheme relates to the financial year beginning with 1 April 2023 and should be cited as Slough Borough Council – Council Tax Support Scheme. S13A and Schedule 1a of the Local Government Finance Act 1992.

Table of Contents

Glossary

Capital	Money or other assets owned or jointly owned by a person.
Capital Disregard	Windrush Compensation Scheme.
Change of Circumstance	Any change of circumstances affecting entitlement to CTS, including but not limited to changes to income, liability, household members or residence that would affect entitlement to CTS.
Council Tax payer	Person liable to pay Council Tax on the property.
Council Tax Support (CTS)	The Slough Borough Council scheme.
Default scheme - Pensioner	The default scheme contained in the Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012 SI 2886/2012
Banded Scheme - Working Age	Council Tax Support for Working Age customers will be calculated against an income banded scheme.
Dispute	Where the CTS recipient disagrees with the amount of CTS awarded or the refusal to award CTS applicant.
Disregards	Deductions allowed against the income.
Earned Income	Has the meaning given with paragraphs 18 and 21 of Schedule 1 of the Prescribed Requirements Regulations.
Excess Income	The amount the taxpayer’s weekly income exceeds their applicable amount for pensioner claims.
Extended Reduction - Pensioner	An amount awarded for a period after the applicant, or their partner has started work or increased their hours of work and is therefore no longer entitled to a qualifying benefit or qualifying contributory benefit.

Income - Pensioner	Income from all sources not limited to earnings. Some income will be wholly or partly disregarded.
Income – Working Age	Council Tax Support will be calculated solely on earnings to set the appropriate band.
Local Authority Error	Change following a Local Authority or official error
Maximum liability	The maximum liability is the maximum band after any Council Tax discounts or band reductions awarded under the Local Government Finance Act 1992. For example, single person discounts or band reductions due to disability.
Minimum Income Floor	A self-employed person declaring less income than the national living wage will have their Council Tax Support calculated on a notional income equal to that of the national living wage.
Non-Dependant	Anyone who lives with you and is not your partner, a dependent child, joint tenant or sub-tenant.
Non-Dependant Deduction	An amount deducted from your entitlement depending on the Non-Dependants circumstances.
Overpayment	Any amount of CTS awarded to which the recipient is not entitled.
Pension Age	The age at which a person is eligible to claim State Pension Credit. Please note the age is changing to reflect the equalisation of pension ages between men and woman and the planned increase in retirement age.
Premium	An additional element forming part of the applicable amount relating to the individual or couple’s circumstances. For working age claimants there will be no applicable amounts as an income banded scheme calculates entitlement by categorising income against the correct band.
Prescribed Requirements Regulations	Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 SI 2885 2012.

Taper	The rate at which CTS is withdrawn if the income including tariff income is greater than the applicable amount or living allowance. Not applicable to working age customers who will have their CTS calculated under a banded income scheme.
Tariff income – Pensioners (Default)	Income generated by savings and capital between the lower and upper capital thresholds.
Work	Employed or self-employed.
Working Age	The age below which a person or couple is eligible to claim State Pension Credit.
1992 Act	Local Government Finance Act 1992.

1 Introduction

Slough Borough Council (SBC) Council Tax Reduction Scheme is based on the default scheme and prescribed requirements regulations **for pension age customers**, except where the contrary is set out within the scheme. Definitions and detail from the regulations are not replicated in this document and the detail can be found by following the links below.

Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 SI 2885/2012 (as amended)

Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012 SI 2886/2012 (as amended)

The Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) Regulations 2023 (legislation.gov.uk)

The Council Tax (Demand Notices and Reduction Schemes) (England) (Amendment) Regulations 2022 (legislation.gov.uk)

The scheme for **working age applicants** is an income banded scheme, which compares income against a range of discounts available. Full details of the working age scheme of the authority are contained within this document.

The scheme for working age only applies to a person who:

a. has not attained the qualifying age for state pension credit; or
b. has attained the qualifying age for state pension credit if he, and his partner, is a person on income support, on an income-based Jobseeker's Allowance, on an income-related Employment and Support allowance or on Universal Credit.

- The number of calculations following changes in Universal Credit will be reduced under the banded scheme as we will only make adjustments if the change affects the banding group. This reduces the regular monthly changes brought about by Universal Credit therefore reducing the possibility of monthly rebilling.

- Only earned income will be used in the calculation within the banded scheme. All other income will be disregarded. I.e. Disability Living Allowance, War Pensions and Child Benefit will continue to be disregarded in the calculation.

- For working age claims, the weekly liability will be reduced if there is a Non-Dependant deduction.

- A minimum income floor will apply for the self-employed. A self-employed person declaring less income than the national living wage will have their

Council Tax Support calculated on a notional income which is equivalent to that of the national living wage.

- All payments made under the £150 Energy Rebate Scheme 2022 are to be treated as local welfare provision and will be disregarded in the calculation of Council Tax Support for both pension age (prescribed) and working age claims (banded).

2 Classes of Persons

2.1 Classes of persons excluded from the scheme

Classes of persons to be excluded from the scheme are as set out in the prescribed requirements regulations, including persons treated as not in Great Britain and persons subject to immigration control.

2.2 Classes of person entitled to a reduction under this scheme

Pensioners

Classes A-C Pensioners who fall within any of classes A to C in the prescribed requirements regulations.

Working age persons

Persons who are not pensioners who have no earned income will fall into income band 1 of the scheme – please see the table below.

Persons who are not pensioners who have earned income will receive a maximum level of support depending on what earnings threshold they fall into, as per the table below. Earned income will be calculated net of income tax, national insurance and 50% of pension contributions, there will be no other deductions.

Income Band	Discount off CT liability (9.99%)	Earnings threshold (weekly)
1	100.00%	No earnings
2	75.00%	<£115.38
3	60.00%	£115.39-£184.61
4	40.00%	£184.62-£253.84
5	30.00%	£253.85-£323.07
6	20.00%	£323.08-£392.30
7	10.00%	£392.31-£461.53
8	0.00%	£461.54 and above

Persons in receipt of Universal Credit will have their Council Tax Support calculated using the earnings verified by the DWP on their Universal Credit award. For the sake of clarity universal credit earnings are calculated by reducing the gross earnings during the universal credit assessment period by any tax, national insurance or 50% pension contributions assessed by the secretary of state for work and pensions (DWP).

Persons not in receipt of Universal Credit will be required to evidence their circumstances, such as earnings.

Persons who do not have any earned income will have all other income disregarded and be placed in Band 1 of the above table and receive a maximum award of 100%.

3 Maximum Council Tax Support for the purposes of calculating eligibility for support under this scheme and amount of reduction

3.1 Maximum Council Tax Support under this scheme: For classes A to C, the maximum council tax reduction is as set out in regulation 29 of the default scheme.

3.2 Maximum Council Tax Support under this scheme: For persons who are not pensioners the maximum Council Tax Support is calculated as per section 2.2. Non-dependant deductions will be calculated as per section 4.

4 Non-dependant deductions: pensioners and persons who are not pensioners

The non-dependant deductions for pensioners (classes A –C) are as set out in the prescribed requirements regulations.

The non-dependant deductions for working age from 1st April 2023 are as set out in appendix B.

5 Amount of reduction under this scheme

5.1 Amount of reduction under this scheme

Council Tax Support will then be calculated as per section 2.2.

5.2 Where a working age person is not in receipt of earned income, the award is

- the actual liability for the Council Tax at 100%
- less any non-dependant deductions set out in appendix B

5.3 Where a working age person is in receipt of earned income, the award is

- the actual liability for the Council Tax
- less any non-dependent deductions set out in appendix B
- less the contribution, depending on earnings threshold as per the table below

Income Band	Contribution towards Council Tax Liability (9.99%)	Earnings threshold (weekly)
1	00.00%	No earnings
2	25.00%	<£115.38
3	40.00%	£115.39-£184.61
4	60.00%	£184.62-£253.84
5	70.00%	£253.85-£323.07
6	80.00%	£323.08-£392.30
7	90.00%	£392.31-£461.53
8	100.00%	£461.54 and above

6 Capital

The capital rules for calculating eligibility for a reduction are as set out in the default scheme, save that for working age – where capital exceeds £6,000, there will be no entitlement to Council Tax Support.

Income and capital payments in relation to the Windrush Compensation Scheme will be disregarded in line with Housing Benefit regulations.

7 Extended reductions and qualifying conditions for an extended reduction

Extended reductions and qualifying conditions for extended reductions for those of pensionable age will be as set out in the default scheme.

8 Procedural Matters

8.1 Applications

CTS will only be paid upon receipt of an application. Applications must be made in writing and received by SBC's Revenues and Benefits Service designated offices or received electronically via SBC's website or in some other format as SBC may decide. If a request for CTS is received by the Revenues and Benefits Service by any means including one that is not in the correct format SBC will invite the applicant to complete an appropriate application. If the applicant does so and it is received within one month of being asked to do so then the application date will be the date the original request was received.

When an application for CTS is made during the same week as the Council Tax liability start date, the CTS award will commence from the liability start date. For applications made outside the first week of liability, the CTS award will commence from the following Monday of the date of application.

If a claim is made for Housing Benefit and the person claiming is also liable for Council Tax at the same dwelling then the Housing Benefit claim will be treated as a claim for Council Tax Support.

For those of working age, where an application is defective or incomplete and the applicant or the person acting for them has not supplied all the information requested or properly completed an application form within one month (or such longer period as SBC considers reasonable) of being asked to do so then SBC will decide that the applicant no longer wishes to apply for council tax support.

Where following a change of circumstance the person receiving a reduction is asked to supply evidence or information in support of their claim and fails to do so within one month (or such longer period as SBC considers reasonable) then the CTS award will be amended based upon an adverse inference of the information held from the date the change of circumstances occurred. This could lead to the council tax support award being ended.

Where an application is made for Universal Credit, Income Support, Jobseekers Allowance (Income Based) or Income Related Employment and Support Allowance and the Department of Work and Pensions or the CTS applicant makes SBC aware of this fact within one calendar month of them becoming entitled to one of the above benefits then the date of application will be treated as made on the date they become entitled to one of the above benefits.

Notwithstanding other paragraphs within this section, the authority will determine the method by which claims are to be made as well as where claims should be sent or delivered.

Applications for CTS can be made up to 13 weeks in advance prior to an event that would entitle them to CTS.

8.2 Backdating an award

For those of Pensionable age the rules for backdating a claim are set out in the default scheme and prescribed requirement regulations.

For those of working age where an applicant requests backdating for a period prior to the effective date of claim, the authority may, at its discretion, backdate the claim up to one calendar month prior to the date it was made or treated to be made provided continuous good cause is proven.

9 Effective date of a change of circumstance

For those of Pensionable age the effective date of a change of circumstance is as set out in the default scheme.

For those of working age the effective date of a change of circumstances is as set out Regulation 107 of the Default regulations. However, where an applicant is required to notify a change of circumstances and:

(a) the change of circumstances is a change of circumstances that is required by this scheme to be notified and
(b) that change of circumstances is notified more than one month after it occurs, or such longer period as may be allowed and
(c) the superseding decision is advantageous to the claimant,

the date of notification of the change of circumstances may be treated as the date on which the change of circumstances occurred.

A longer period of time may be allowed for the notification of a change of circumstances in so far as it affects the effective date of the change where special circumstances are relevant and as a result of those special circumstances it was not practicable for the applicant to notify the change of circumstances within one month of the change occurring.

In determining whether it is reasonable to allow a longer period of time regard shall be given to the principle that the greater the amount of time that has elapsed between the date one month after the change of circumstances occurred and the date the application for a superseding decision is made, the more compelling should be the special circumstances on which the application is based.

10 Reconsideration & Appeals

If you disagree with the decision, you have one calendar month from the date of decision to request a reconsideration or statement of reasons in writing.

If as a result of the reconsideration the decision is upheld then if you are still not happy with the decision, you can then ask for an appeal against the decision.

If you disagree with our decision about your council tax reduction, in some cases you will be able to appeal to the Valuation Tribunal. The Tribunal is independent of SBC.

You can appeal to them regarding SBC’s decision about:

- whether you are entitled to a council tax reduction

- how much of a reduction SBC have awarded you under the local scheme.

The Tribunal cannot hear appeals about what is SBC's scheme, only about the way the scheme has been applied in your case.

The stages to making an appeal are:

1. You must first contact SBC in writing explaining why you believe the decision to be wrong. SBC have 2 months to reply to your contact.

2. If SBC do not agree with your reasons for the decision being wrong, you can then appeal to the Valuation Tribunal.

3. If you decide to appeal, you must contact the Valuation Tribunal within 2 months of SBC decision and include a copy of the decision with your appeal form. You can either submit and electric appeal form, download a copy of the decision with your appeal form.

4. If SBC have failed to respond to your contact at point 1 above within 4 months you can refer your matter to the Valuation Tribunal without SBC's decision.

Further details can be obtained from the Valuation Tribunal at the following link. You will be able to download the appeals form or complete the online form from this link also. Should you wish to contact the Valuation Tribunal their contact details can also be obtained from the link below.

https://www.valuationtribunal.gov.uk/your-appeal-type/council-tax/council-tax-reduction/

11 Discretionary Reduction see Part 3 of Schedule 1 of the default scheme (Discretionary Council Tax Hardship payment)

Where an application to the authority is made under the Discretionary Relief Scheme, it shall be determined in accordance with the policy of the authority for that year and be made –

(a) In writing, or.

(b) By means of an electronic communication in accordance this scheme or.

(c) Where the authority has published a telephone number for the purpose of receiving such applications, by telephone or;

(d) Via SBC's website.

The applicant must state why the request is being made and supply such evidence and information as the Council may require in support of the request.

If for any reason the request is not in a form that SBC can accept then the applicant will be supplied with a suitable form.

Where practicable and the local authority is aware, the authority will make claimants aware of their ability to apply for support.

Applications will be considered based on hardship and remain discretionary.

12 Time and manner of granting relief and recoveries / overpayments

Where the Council Tax payer is entitled to an increase or decrease in their reductions following a reported change of circumstance, SBC will issue a substitute demand notice taking into account the increase or decrease in liability.

SBC will:

(a) Recover over-entitlement of council tax support – this will be treated as an underpayment of Council Tax and collected via Council Tax enforcement methods;

(b) Take recovery action according to the circumstances of the applicant.

(c) Credit the Council Tax account with any underpayment of CTS.

Effective from 1 April 2023

Appendix A Non-Dependant deductions

Description	Deduction
Where the non-dependant is in remunerative work and his gross average income is of £200.00 or more per week.	£11.00 per week
Where the non-dependent is in receipt of Pension Credit, Income Support, Income Based Jobseeker's Allowance, Income Related Employment and Support Allowance, an award of Universal Credit without earnings. On a contributory benefit such as new style Employment and Support Allowance, new style Job Seeker's Allowance. Working less than 16 hours per week on average; or working 16 hours or more per week on average but gross average income of £199.99 or less per week. This will also apply to any non-dependent not in receipt of any income or in receipt of any other income.	£5.00 per week
Where the non-dependent is under 18 years of age or a full time student. No deduction shall apply where the applicant or their partner is in receipt of the care component of Disability Living Allowance at any rate or receiving the Daily Living component of the Personal independence Payment or registered Blind or in receipt of Armed Forces Independence Payments.	£0.00 per week

Where the non-dependent is a member of a couple, only one deduction shall apply, the highest.

Explanatory Notes

These Regulations amend the Council Tax (Demand Notices) (England) Regulations 2011 (S.I. 2011/3038) ("the 2011 Regulations") and the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 (S.I. 2012/2885) ("the 2012 Regulations").

The 2011 Regulations make provision about matters to be contained in, and information to be supplied with, council tax demand notices. Regulation 2 amends the 2011 Regulations to provide that demand notices relating to liability to pay council tax for 1st April 2022 in respect of dwellings in valuation bands A to D must contain prescribed information in relation to the Government's rebate scheme to provide financial support in respect of energy bills ("the Energy Rebate Scheme 2022").

Section 13A of the Local Government Finance Act 1992 (“the 1992 Act”) requires each billing authority in England to make a scheme specifying the reductions which are to apply to amounts of council tax payable by persons, or classes of person, whom the billing authority considers are in financial need. The 2012 Regulations prescribe matters which must be included in such a scheme in addition to those matters which must be included in such a scheme by virtue of paragraph 2 of Schedule 1A to the 1992 Act.

Regulation 3 amends the 2012 Regulations to provide that billing authorities’ schemes must include provision that any payments made under the Energy Rebate Scheme 2022 are not to be taken into account in determining council tax reductions.