

## **Cabinet – Extraordinary Meeting held on Wednesday, 9th March, 2022.**

**Present:-** Councillors Swindlehurst (Chair), Mann (Vice-Chair), Akram, Anderson, Bains, Carter, Hulme and Pantelic

**Also present:-** Councillors Gahir and Smith

**Apologies for Absence:-** None

### **PART 1**

#### **77. Declarations of Interest**

No interests were declared.

#### **78. Section 25 Report**

The Leader of the Council made some introductory remarks about the budget reports to be considered and the Council's overall financial position.

The Cabinet noted the letter to the Leader of the Council of 7<sup>th</sup> March 2022 from the Minister at the Department of Levelling Up, Housing & Communities (DLUHC), which stated that she was minded to approve capitalisation directions for the period between 2018-19 to 2022-23. This was contingent on the Authority reporting to the Department the final amounts identified for which it required capitalisation for each year, with the agreement of the Authority's external auditors and endorsed by the Best Value Commissioners.

The Leader stated that he recognised the seriousness of the financial problems the Council faced and expressed gratitude to DLUHC for the support they were providing to the Council as set out in the letter of 7<sup>th</sup> March. The Cabinet thanked the new finance team for the extensive work they had undertaken in the past year to start to rectify the deficiencies and recognised the role of Commissioners in supporting the Council in its recovery and improvement. The serious financial issues the Council faced had built up over many years and the Leader acknowledged that the leadership took its share responsibility for the problems. The Cabinet was committed to resolving the issues over the coming years and the budget in front of Members was a significant milestone on the road to financial recovery.

The Lead Member for Financial Oversight, Council Assets & Performance and the Director of Finance gave a comprehensive overview of all of the budget reports that the Cabinet was requested to recommend to Council on 10<sup>th</sup> March 2022. The reports had been scrutinised by the Overview & Scrutiny Committee on 8<sup>th</sup> March 2022 and the directorate savings proposals had all been considered by the scrutiny panels between November 2021 and January 2022.

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The Lead Members highlighted the importance of the Section 25 report which set out of the Director of Finance's recommendations including the risks when considering the 2022/23 Budget. The Cabinet noted the comments of the Commissioners which stated that the budget reports exposed the "recklessness" of the way the Authority had managed its affairs over the past few years; confirmed that the Budget reports met the requirements of the Directions the Council was under; and emphasised that no variation to the proposals could be made without the prior approval of Commissioners.

The Director of Finance summarised the budget reports. The Council faced a financial deficit of £223.1m up to the end of the current financial year and a further estimated £84.1m for 2022/23. The current estimates for 2022/23 showed that the budget requirement was 78 per cent greater than sources of funding. It was only with confirmation of significant financial support for the Council from the DLUHC that the Director of Finance could provide members with some assurance on the robustness of the budget estimates and the adequacy of reserves. The assumptions that underpinned the budget included asset sales and capital receipts of up to £600m in the coming years and an annual savings requirement of £20m.

The capital programme had been scaled back to a minimum in view of the financial position with projects totalling £165m over the next five years, of which £73m were General Fund and £92m Housing Revenue Account. The Treasury Management Strategy was now properly aligned to the capital programme and a 6 month update would be provided to Cabinet later in the year. Council Tax was proposed to be increased by a total of 2.99% for 2022/23, which comprised of 1.99% plus a further 1% for the adult social care precept.

The Cabinet also received an update on the significant deficit of the Dedicated Schools Grant (DSG) and the progress that was being made to address the issues. The Council Tax Support Scheme would remain unchanged other than an annual uprating of 3.1%.

The Lead Member highlighted that all departments would be required to operate to the strict cash limited budgets set. Work on the 2023/24 budget and the Medium Term Financial Strategy would continue immediately with savings proposals for 2023/24 due to be identified by the end of May 2022.

The Cabinet then considered each budget report in turn, beginning with the Section 25 report. An amendment was noted to paragraph 2.3 to clarify that the Cabinet was requested to recommend approval to Council on 10<sup>th</sup> March 2022. This was agreed.

Lead Members asked a number of questions, including whether the Director of Finance was confident that all of the major financial risks and issues had been identified. The Director of Finance responded that a very comprehensive and rigorous approach had been taken by the range of financial experts brought into the Council, although no guarantee could ever be given that no future issues would be identified.

Councillor Smith was invited to speak and he commented that it was a “high risk budget” and that the Council was only able to be able to set a budget due to Government support. He said that the capitalisation direction was not confirmed as it relied on each year’s accounts being signed off. The Leader responded to the points raised and reiterated that he had acknowledged the Government’s support and that the Cabinet was committed to delivering the much more robust financial plan as set out in the detailed and high quality budget papers. The Director of Finance provided assurance that the Government’s “minded to” support was a standard way of operating in relation to capitalisation directions.

At the conclusion of the discussion the Cabinet agreed to recommend the report to full Council on 10<sup>th</sup> March 2022.

**Recommended to Council –**

On the basis of the risks and issues raised in paragraphs 2.1 and 2.2 and the rest of the report, in the opinion of the Director of Finance, Cabinet recommended to Council to approve the budget on the basis that:

- a) the proposed level of Council reserves were adequate to support the budget for 2022/23 having regard to an assessment of current financial and other risks set out extensively in the report and assuming these risks do not increase beyond those that can be contained by the Council. It should also be noted that matters would continue to be identified and will change throughout the coming financial year and beyond
- b) the estimates are robust for the calculation of the budget within the confines of the many risks noted throughout the report. Particular attention was drawn to the following specific conditions and risks:
  - (i) the recommended level of general balances, for 2022/23 was £20m, although this was the bare minimum as a percentage of Net Revenue Expenditure, and placed the Council in the lowest quartile in comparison to similar authorities
  - (ii) the budget which has levels of contingency and conditions built in to reflect the considerable risks the Council was facing and was predicated on continuing support from DLUHC ;
  - (iii) agreement of the Capitalisation Directive for 2022/23 and future years as proposed to DLUHC in February 2022 at estimated figures of £223m to 31/3/22 and £84m for 2022/23
  - (iv) agreement by DLUHC that they would agree to capitalisation directions or other support to equal the actual figures for the outstanding,

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current and forthcoming years as the accounts for the years are closed

- (v) agreement by DLUHC that they would agree to capitalisation directions or other support to equal the estimated figures for future years as the budgets are prepared for these future years
- (vi) agreement by DLUHC that they would agree to capitalisation directions or 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. Further that they would agree to finance/support on a recurrent basis any recurrent gap that would arise if the £20m annual level of savings was not achieved in a sustainable manner
- (vii) the current level of Council general reserves outside of the support from DLUHC relating to specific risks and specific initiatives was currently nil. These reserves would be established and built up over time once a more stable finance base had been created.
- (viii) as at the end of December 2021, the Council had a small amount of earmarked reserves of £14m. 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 cannot be used for general purposes

	£m
Better Care Fund	1.3
Grants for closed businesses	5.3
Business Support Grant	4.3
Outbreak Management Fund	1.4
Other	2.1
<b>Total</b>	<b>14.4</b>

- (ix) as the Council had no complete and fully accurate accounts since 2015/16 and would not have these complete up to 31/3/22 until well into the financial year 2022/23 the financial position was subject to considerable potential change which may impact on the robustness of the budget
- (x) the Council embed the good practise now being designed but notes that this would take time to fully develop and thus as with the accounts the various estimates would be subject to change
- (xi) the Council had a major dependency on asset sales which would significantly impact on the budget for 2022/23 and beyond and which will thus again affect the level of robustness of the budget

**79. 2022/23 Revenue Budget**

The Cabinet considered the revenue budget report for 2022/23. A supplementary agenda had been issued which contained the following:

- A revised recommendation in section 1 of the report to clarify that Cabinet was being asked to recommend the Members Allowances Scheme to Council for approval
- A revised Appendix B on the Council Tax Resolutions which replaced the version published in the original agenda pack.
- An addendum to the report on seeking approval of further recommendations on the acceptance of Indicative Capitalisation Directions for 2016/17 to 2022/23 following the Letter from Minister of 7<sup>th</sup> March 2022.

Councillor Smith was invited to speak and commented on the adult social care savings and budget. The Director of Finance explained the accounting adjustment that had been made to separate the base budget from income such as the Public Health Grant and Better Care Fund but this adjustment did not impact on the budget available for services. There was £2m of growth in the budget to take account of inflation and demand. The Executive Director People (Adults) summarised the progress in implementing the Adult Social Care Transformation Programme which aimed to deliver £9m of savings over three years. The Lead Members responsible for adult and children's services both explained the work taking in place to continue to support vulnerable people in Slough. The recent improvements in children's services were noted as had been discussed by Cabinet in February 2022 when the Slough Children First interim business plan was approved.

At the conclusion of the discussion, the Cabinet agreed to recommend the revenue budget and all the recommendations set out in the Supplementary Agenda, including the acceptance of indicative capitalisation directions to Council on 10<sup>th</sup> March 2022.

**Recommended to Council –**

The Cabinet agreed to recommend the following to full Council:

1. Approval of the 2022/23 budget to enable the Council Tax for 2022/23 to be set;
2. Approval of the Model Council Tax Resolution 2022/23 as set out in Appendix B;
3. Delegate authority to the Director of Finance, 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;

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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. £223.1m up to 2021/22
  - b. £84.1m for 2022/23
  - c. £171.1m for beyond 2022/23
5. Approve the Capital Receipts Flexibility Strategy as agreed in 2021/22.
6. Approve the overall General Fund revenue budget of £191.7m, to include:
  - a. growth for pressures for contract inflation and pay inflation of £8.178m
  - b. proposed savings by directorate of £19.959m
7. Approval of the Members Allowances Scheme for 2022-23 at Appendix I

The noted the following:

8. The balanced budget position for 2022/23 requiring savings of £19.959m and the projected financial deficit between 2023/24 to 2028/29
9. The inclusion within the Capitalisation Direction of £1m per year from 2022/23 onwards as a means to rebuild the General Fund and Earmarked Reserves balance
10. The intention to increase Council Tax by 1.99% in 2022/23
11. The intention to increase Council Tax by a further 1% in 2022/23 in respect of the Adult Social Care Precept
12. The assumed funding for the protection of social care 2022/23 through the Better Care Fund
13. That due regard has been had to the s.25 report by the Director of Finance at Appendix H

The following was Resolved:

14. Approval of the Fees and Charges Policy Framework, with a recommendation that Council approve this for non-executive functions

The Cabinet approved the recommendations in the Supplementary Agenda containing an Addendum: Acceptance of Indicative Capitalisation Directions for 2016/17 to 2022/23 and agreed to recommend to full Council:

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- i. Acceptance of the capitalisation direction of £223m up to 31.03.22
- ii. Acceptance of the capitalisation direction of £84.1m for the 2022/23 financial year
- iii. Acceptance of the accompanying conditions set out in the report.

Noted that:

- i. The capitalisation direction was not a grant. The Council needed to fund the revenue expenditure capitalised from disposing of assets to repay the resulting debt.
- ii. The Council was in a precarious state and will be required to request future capitalisation directions to balance future years budgets, estimated at an additional £172m, £479m in total
- iii. The minded to directions would be converted into actual directions on an annual basis as the accounts for each year are closed and audited.

### **80. Capital Programme 2022/23 to 2026/27**

The Cabinet discussed the proposed Capital Programme for 2022/23 to 2026/27.

The capital programme had been reduced by circa £90m to help reduce the borrowing requirement. This had been achieved following a review of all the schemes and removing those that were unaffordable. The Council had successfully secured external funding for a number of projects and these would continue and the Cabinet would seek to find future funding schemes for infrastructure projects where possible. Lead Members emphasised the importance of effective procurement and project management to deliver the schemes that remained in the programme within their funding envelope. The Director of Finance commented that the capitalisation request included provision in invest of the core services to effectively deliver projects including procurement. The Cabinet also requested that equality implications be fully considered in the delivery of each project.

Councillor Smith addressed the Cabinet and expressed his opposition to the £4.7m capital expenditure on the Colnbrook park and ride scheme and raised concerns about the financial risks and apparent delay in completing the fire safety works at Nova House. The Leader responded to the points raised by stated that the funding for the park and ride had been successfully secured from the Local Enterprise Partnership and would not therefore add to the Council's borrowing and the project was part of delivering on the Council's agreed strategy to promote sustainable transport. In relation to Nova House the Leader referred Councillor Smith to the reports to Cabinet and Council in the summer of 2021.

At the conclusion of the discussion the Cabinet agreed to recommend the capital programme to full Council on 10<sup>th</sup> March 2022.

**Recommended** – That the Cabinet recommend to full Council to approve the Capital Programme as set out in Appendix A to the report for 2022/23 to 2026/27.

### **81. Treasury Management Strategy 2022/23**

The Cabinet considered the Treasury Management Strategy 2022/23 which was now fully aligned with the capital programme.

The Lead Member commented that it demonstrated the plan to reduce borrowing and that a prudent approach had been taken with regards to capital receipts so it may be possible to bring borrowing costs down more quickly. The Council still held a significant amount of short term debt and whilst there was a risk that rising interest rates would make future borrowing more expensive it also provided an opportunity to repay this debt without early exit costs that longer term would have as capital receipts were generated.

At the conclusion of the discussion the Cabinet agreed to recommend approval of the Treasury Management Strategy to Council.

#### **Recommended to Council –**

The Cabinet agreed to recommend the following to full Council:

- a. Approval of the Treasury Management Strategy (TMS) for 2022/23 including:
  - i. the Annual Investment Strategy for 2022/23 (Appendix 2)
  - ii. Minimum Revenue Provision Policy Statement for 2022/23 (Appendix 1)
  - iii. the Prudential Indicators for the period 2022/23 to 2024/25 (Section 4)
- b. Agreed that the MRP policy as set out in the TMS for 2022/23 should also apply for the financial year 2021/22.

### **82. Update on Dedicated Schools Grant Management Plan**

The Cabinet considered a report on the Dedicated Schools Grant (DSG) Management Plan. It was noted that the DSG deficit had been growing since 2015/16 mainly due to the pressures from additional funding in the High Needs Block and a lack of management action to May 2021.

The financial implications and risks were noted. The Director of Finance stated a significant amount of work had taken place to address the issue and anticipated overspend forecast of £7.2m this year had been reduced £4.9m as a result of this work. It was recognised that the DSG funding issues were a national problem and the DSG 'safety valve' programme was noted.

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The Cabinet supported the work set out in the management plan and agreed to recommend the report to Council for noting.

**Recommended –** That the Cabinet note the following and recommend the report to Council for noting:

- the forecast position for DSG spend in 2021/22 to 2024/25
- the overarching issues that have resulted in the DSG deficit and the actions taken to date to address these
- the Council has been invited to take part in the 'safety valve' intervention programme with the DfE which is expected to commence in April/May 2022.

### **83. Council Tax Support Scheme 2022-23**

The Cabinet considered the Council Tax Support Scheme for 2022/23. It was proposed that the scheme would remain unchanged for the next year, other than the uprating of income bands in line with inflation of 3.1%.

The Cabinet agreed to recommend the scheme to full Council for approval on 10<sup>th</sup> March 2022.

**Recommended –** That the Cabinet recommend to Council that the Council Tax Support Scheme remain unchanged for 2022-23 and that as allowed within the scheme the income bands are updated once more in line with inflation (3.1%) to protect the most vulnerable from the ongoing and significant cost of living rises.

### **84. Revenue and Capital Monitoring Report - 2021/22 [Quarter 3 - December 2021]**

The Director of Finance summarised the budget monitoring report for Quarter 3 to the end of December 2021.

The report set out the work undertaken to control spending and achieve savings during the year and the forecast year-end position for the General Fund was an overspend of £292k. Further work would be required to reduce that figure by the end of the year. The Cabinet recognised that that this figure excluded the estimated £95m of exceptional issues which were included in the capitalisation direction.

The report was noted.

**Resolved –**

That the following be noted:

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- The forecast year-end position for the General Fund revenue budgets was a net adverse variance of £292k. The current forecast assumed Covid-19 pressures will be funded from additional grants received in year and will continue to be monitored monthly and reported alongside any grant funding provided to mitigate the spend or lost income.
- That there were a number of exceptional issues, estimated to be £95m, not included in the forecast above that were included in the Capitalisation Direction request to DLUHC.
- The DSG balance was forecast to be a cumulative deficit of £25.5m by the end of this financial year.
- At end of December 2021, the HRA was forecasting a surplus of £0.927m for 2021/22, however this may change as work progresses on the Business Plan. Any surplus will be transferred to the HRA reserves at year-end.
- The additions and reductions to the capital programme set out in appendix E.
- The forecast capital programme outturn for the General Fund for 2021/22 was currently £55m, of which £12m is to be financed from new borrowing.
- The forecast capital programme outturn for the HRA for 2021/22 was currently £13.0m.

### **85. Extension of Internal Audit Contract**

The Cabinet considered a report that sought approval to extend the current Internal Audit contract with RSM Risk Assurance Services LLP through the NHS SBS Framework for one year with an option to extend for a further year.

The current contract would end on 31 March 2022 and if the contract was not extended the Council would not have an internal audit service, which was a statutory requirement. The Audit & Corporate Governance Committee had agreed its preference in December 2021 that in the longer term the internal audit service be brought back in house. The progress and timetable to deliver the in house service was set out in the report. The extension would provide time to finalise and implement the future arrangements.

The Cabinet asked for confirmation that the Commissioners requirement that separate arrangements were put in place for the audit of the procurement and contract management processes by a third party were put in place to avoid a conflict of interest. Assurance was provided that independent arrangements would be put in place to ensure a conflict of interest was avoided in this regard.

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At the conclusion of the discussion the Cabinet agreed the recommendation to extend the current contract and requested an update be provided to Lead Members later in the year.

### **Resolved –**

- (a) Approved the extension of the Internal Audit Contract for 1 year to cover the work needed to complete the Head of Internal Audit Opinion for 2022/23 and with an option for a further extension of 1 further year to provide flexibility should recruitment of an in-house team take longer than expected or be unsuccessful.
  
- (b) Delegated authority to the Director of Finance, in consultation with the Lead Member for Forward Strategy and Corporate Resources and the Lead Member for Financial Oversight, Council Assets and Performance to award a contract to RSM Risk Assurance Services LLP for the provision of internal audit services in line with an internal audit plan to be agreed with the council and approved by the Audit and Corporate Governance Committee.

Chair

(Note: The Meeting opened at 6.30 pm and closed at 8.51 pm)