SLOUGH BOROUGH COUNCIL

REPORT TO:	Cabinet
DATE:	21 September 2022
SUBJECT:	Financial Update Report – 2022/23
PORTFOLIO:	Cllr Anderson. Lead Member for Financial Oversight and Council Assets
CHIEF OFFICER:	Steven Mair, Executive Director Finance and Commercial (Section 151 Officer)
WARD(S):	ALL
KEY DECISION:	No
EXEMPT:	No
DECISION SUBJECT TO CALL	No

APPENDICES:

Ai – General Fund Forecast
Aii – General Fund Year to Date
Bi – Savings Programme by Executive Directorate
Bii – Savings Programme by Portfolio
Ci – General Fund Capital Programme Monitor
Cii – HRA Capital Programme Monitor
D – blank
E – HRA Forecast
F – School Balances
Gi – Capital slippage 2021/22 to 2022/23 – General Fund
Gii – Capital slippage 2022/23 to 2023/24 – General Fund
Hi – Capital slippage 2021/22 to 2022/23 – HRA
Hii – Capital slippage 2022/23 to 2023/24 – HRA
I – Virements
J – Adults savings recast

1 Summary and Recommendations

1.1 This report sets out:

- the forecast monitoring position as at month 4 2022/23, covering revenue (including DSG and schools, Treasury Management (including asset sales) and Pensions) and capital for both the General Fund and the HRA (Sections 2 to 13)
- risks, mitigations and caveats/requirements associated with the information

1.2 In respect of the above it should be noted that:

1.2.1 The Council's forecast revenue and capital outturn positions for 2022/23 as at period 4 (P4, 31 July 2022) are noted along with a number of risks associated with this and how these have been mitigated to deliver a balanced forecast at this stage in the year. This is subject to delivery of all savings by all Executive Directors, assumed asset sales and closed and audited accounts for all years.

1.2.2 The projected forecast, variances and service level budgets are ongoing work in progress and reflect the work and investigations able to be undertaken up to this point in time. There will be substantial further work and cleansing required in order to get the budgets at a service level to the standard normally expected, this is necessitated because of the inherited inaccuracies such as under or overstated budgets on grants, rental income and expenditure and recharges to capital or the HRA. Corrections have been factored into the Capitalisation Direction (CD) adjustments in the 2022/23 budgets to support the Council with historical budgeting issues, but these will need to be refined to ensure the budget goes precisely where needed. This review and refinement work will be ongoing through the autumn.

<u>Overall Capitalisation Direction</u>

1.2.3 A key element of the Council's financial recovery plan set out in September 2021, the Council's Treasury Management Strategy (TMS) approved in March 2022 and the SUR disposals strategy approved in July 2022 is to reduce the Council's historic over-reliance on temporary borrowing in order to reduce interest rate risk and to reduce the annual level of Minimum Revenue Provision (MRP) charges. The debt reduction strategy is predicated on a programme of generating capital receipts which can then be applied to repay temporary borrowing and reduce the Council's Capital Financing Requirement (CFR), which determines the amount of MRP payable. The disposals profiling is based on a set of assumptions regarding:

- the assets potentially surplus to requirements,
- the timing and value of these, and
- progress along a pipeline of work required to get them ready for disposal.

1.2.4 The list and profiling is reviewed and updated on a regular basis based on:

- progress,
- potential issues that could delay, and
- governance requirements.

1.2.5 Progress in 2022/23 is principally arising from the work on the accounts identifying accessible receipts, the review of the companies including SUR and the disposal of assets. Currently the benefits of this work combined with the output of elements of the Council's financial recovery strategy which 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 – ongoing since July 2021
- produce and have audited high quality accounts – ongoing since July 2021

This means that at the moment the outturn for 2022/23 is forecasting a reduction in the budget and the 2022/23 CD of £25.5m. Clearly as with all estimates this is subject to change and will be kept under review during the year but represents the start of the Council seeing the benefits of the financial recovery strategy it agreed in 2021

Recommendations:

1.3 That Cabinet approve:

- The virements between directorates and from budgeted Capitalisation Direction as set out in Appendix I and which have been applied in the presentation of 2022/23 budgets throughout the report.

- That approval to virements within a given directorate that do not affect the overall net budget for the directorate ("net-nil") is delegated to the Executive Director and the S151 Officer

- The capital slippage from 2021/22 into 2022/23 for the General Fund (£1.959m) and the HRA (£3.983m)

- The removal of the £2.085m IT infrastructure refresh capital budget on the basis that it is already correctly included in the revenue budget.

- The capital slippage from 2022/23 into 2023/24 for the General Fund (£16.497m) and the HRA (£15.374m)

1.4 That the Cabinet note the following:

- that there are a number of continuing pressures arising in the 2021/22 outturn which continue into 2022/23 but have been addressed as planned through the 2022/23 Capitalisation Direction

- that the 2022/23 forecast year-end position for the General Fund, taking account of use of all capitalisation direction amendments, is a fully balanced position. However, within this, there is an overspend of £7.616m across service areas, including a shortfall on in-year savings of £4.439m against the total target of £19.958m, and including the loss set out in the latest SCF business plan. This is then balanced through an improvement in the collection fund position, the application of settlement monies received, the impact of capital receipts on MRP and a reduction in the use of capitalisation

- that additional provision of £4.4m has been made for cost of living/inflation impacts above what was originally allowed for in the 2022/23 budget

- that the DSG balance is forecast to be a cumulative deficit of £28.863m by the end of this financial year with plans to reduce this to a balanced in-year position by 2025/26

- that maintained schools are projecting a reduction in balances by 31 March 2023 from £9.555m to £5.465m, with 4 out of 16 schools expecting to be in deficit with an aggregate deficit of £0.647m

- that the HRA is forecasting an improved position against 2022/23 revenue budget of £8.811m, with a contribution to the HRA reserve projected of £0.577m

- that the revenue budgets as presented in this report assume that the virements as set out in Appendix I have been approved.

- that the capital budgets as presented in this report assume that the slippage put forward for both the General Fund and the HRA has been approved.

- that the capital programme budget for the General Fund for 2022/23 is proposed to reduce from £45.259m to £28.655m through slippage of underspends from 2021/22 and reprofiling of project budgets into future years, and that an overspend of £0.069m is currently forecast.

- that the capital programme budget for the HRA for 2022/23 is proposed to reduce from £22.111m to £13.185m through slippage of underspends from 2021/22 and reprofiling of project budgets into future years, and that the forecast as at P4 is balanced.

Reason

1.5 In July 2021, the Council's Section 151 officer highlighted that projected in-year overspending coupled with the correction of various historical issues was expected to significantly exceed levels of available reserves even after allowing for the 'minded to' Capitalisation Direction of £12.2m used in the Council's budget report.

1.6 Since then the Council has had discussions with the Department for Levelling Up, Homes and Communities (DLUHC) about its financial position. To reduce the burden of borrowing costs on revenue budgets, the Council has scaled back its capital investment plans significantly from where they once were.

1.7 When the Council's budget was set in March 2022, the Council's net reserves position at 31 March 2023 was originally estimated to be c£307m in deficit, and DLUHC indicated a 'minded to' approval for this sum to be subject to a capitalisation direction, (£84m of this sum related to 2022/23), to enable the Council to manage its revenue position. However, this was heavily dependent on the Council delivering its annual asset sales and revenue savings targe. It is imperative that the Council manages both revenue and capital spending within approved budget limits, and all members, corporate directors and responsible officers are taking responsibility for managing services within these constraints.

1.8 There are significant uncertainties connected with the current geo-political and economic landscape from which pressures which may come to bear on both the council and local residents and business, such as significant rises in inflation, interest rates, changes in availability of supplies and services and supplier resilience among other issues, and how this impacts demand from individuals and businesses both on council services as well as fees and charges.

1.9 Given the magnitude and complexities of the Council's financial position the position is kept under continuous review across revenue, capital, asset sales, savings, DSG, accounts and all other matters. Inevitably the situation will change and so this will be tracked and managed to ensure the Council remains within the original estimates and the position improves.

Commissioner review

1.10 *"This report sets out the forecast position for the current year which indicates a balanced position on the general fund. It is also likely that the original requirement of £84m of capitalisation direction for the year will be reduced given adjustments to the prior year position. However, within these figures, it is clear that there is a shortfall against the savings targets within the directorates of £4.439m in total, against a savings target of £19.958m, a shortfall of 22%. Whilst this shortfall was known early in the year, the only action identified to reduce the position has been to introduce charging for green waste (amounting to some £0.180m in the current year), despite this issue being highlighted on many occasions through the Finance Board.*

This shortfall has been funded by increased corporate savings and adjustments (including a reduced requirement for MRP arising from prior year capital receipts reducing the Capital Financing Requirement).

The council though remains in a very serious financial position with the medium term financial strategy requiring not only significant asset disposals to fund the capitalisation directions, but also substantial year on year savings to reset its base budget to its income streams. It is therefore very disappointing to see the level of non-delivery in savings target in the current year. It is imperative that the Council improves its financial management including identification of savings at an early stage to allow sufficient time for the construction of delivery plans, and then close monitoring to ensure savings are achieved.

The Commissioners therefore expect to see a robust Scrutiny process for the 2023/24 budget with detailed examination of the savings plans and confirmation from each Executive Directors and Cabinet Member that savings plans are in place and regular monitoring and reporting will be instigated."

2 Indicative Outturn 2021/22 and consequence for 2022/23

2.1 The table below shows a draft summary outturn position for 2021/22 before funding and capitalisation is applied. As noted in Section 1.2 above, this is subject to change from adjustments under consideration which affect the outturn by directorate and changes to prior years accounts yet to be formally closed may also impact. The table below presents a draft net overspend against budget of £7.846m before funding. This position was anticipated and allowed for in the preparation of the capitalisation direction in 2021/22, through the creation of a number of allowances for emerging pressures. Some of these variances are one-off in nature, while some are ongoing and are anticipated to impact on 2022/23 and which need to be addressed in order to avoid future pressures on the budget. An assessment of the split of variances between these two categories is set out below:

Table 1 – Draft Outturn 2021/22 – ongoing/one-off variance analysis

Variance to Budget Ongoing vs One-off	Total £'000	Adults £'000	Children £'000	Place £'000	Resources £'000	Corporate Budgets £'000
Ongoing	13,455	1,584	429	4,719	3,734	2,989
One-off	(5,610)	(1,084)	1,842	(1,668)	3,332	(8,032)
Total	**7,846**	**500**	**2,271**	**3,052**	**7,066**	**(5,043)**

2.2 As can be seen from the table above, nearly £13.5m of expenditure in excess of the budget is anticipated to continue into 2022/23 and needs to be funded on an ongoing basis. The CD set out a number of adjustments which are planned to be applied in order to resolve the above issues on a permanent basis. These are as set out below in Table 2. Most of these balances have already been applied to service budgets for 2022/23, but may require refinement and reallocation between service areas in order for the budget support to be applied to the correct areas, hence further virements will be required.

Table 2 – Use of CD in 22/23 to address issues brought forward from 21/22

Capitalisation Direction Use in 2022/23	**Total £'000**
Historical budget pressures	6,654
Staffing incorrectly capitalised	1,450
Borrowing pressures	2,100
Interest rate pressures	2,000
Resilience monies – back-office functions	1,251
Total	**13,455**

2.3 The resilience monies noted above are part of a £6.1m total balance in 2022/23. This reflects that some of the continuing cost of providing resilience commenced in 2021/22. As will be seen later in the report, it has been anticipated that there will be further issues to be addressed during 2022/23 and for which the Capitalisation Direction has been tailored.

2.4 In summary, the submitted Capitalisation Direction made accurate estimates to address the issues emerging in the 2021/22 outturn and on an ongoing permanent basis into 2022/23.

3 Forecast outturn – P4 2022/23

3.1 General Fund (GF) Forecast Outturn

3.1.1 In March 2022, the Council approved the GF revenue budget for 2022/23. A balanced budget was approved by members, based on:

- delivery of in-year savings totalling £19.958m
- utilisation for revenue purposes of a Capitalisation Direction of £84.055m in order to deliver a balanced budget
- a number of Capitalisation Direction adjustments within the above £84.055m to address issues that may arise in the course of the year or to address historical issues which are carried into the year from 2021/22 and earlier.

3.1.2 The forecast GF position as at the end of July 2022 (P4) is a balanced budget. This is comprised of a £7.6m overspend on service area budgets, an allowance for additional cost of living/inflation costs and savings pressures of £4.4m, offset by an improved collection fund position of £2.5m, the impact of £5.6m of 2022/23 increased settlement funding, a reduction in the projected MRP requirement of £10.7m, the rephasing of an impairment against a subsidiary company loan of £1.8m, and a £16.9m reduction in the anticipated requirement for other capitalisation adjustments (to cover emerging pressures such as growth, underlying budget pressures from previous year, service resilience, SCF losses and other additional capitalisation). This consequently leads to a reduction in the overall projected call on capitalisation direction of £25.5m in 2022/23 to £58.6m.

3.1.3 Some key points to note from the service forecast are that the additional cost in light of rising energy prices has been set at £1.0m for the general fund (a further £0.9m for the HRA and £1.159m for PFI schools); the savings shortfall is currently projected at £2.1m on council service areas; the impact arising from the SCF company is set as £5.4m based on the latest business case projection and increased contract cost back to SBC; meanwhile there are net underspends across other service areas of approximately £0.9m partially mitigating the above.

3.1.4 The table below sets out a summary of the variances by directorate and key budget lines. Commentary can be found in section 4. In addition to the above variance there are risks of £0.707m and opportunities of £1.171m which may arise subject to certain decisions or actions but have not yet been integrated into the core forecast.

3.1.5 The reported variances are subject to change as more information comes to light through the progress on closing the prior year accounts, and the ongoing review, scrutiny and challenge of all budgets and spend. The budgets below reflect a small number of virements made since the budget was set in March. For further details please see Appendix I.

Table 3 – General Fund Revenue Forecast P4 2022/23

	Current Budget	Forecast Outturn	Full Year Variance	Risks	Opps
Directorate	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
People (Adults)	28,441	28,441	-	-	-
People (Children) excl. SCF	7,754	8,031	277	-	-
Slough Children First Contract	31,435	36,875	5,440	250	(941)
Place & Community	11,515	14,530	3,015	457	(230)
Chief Operating Officer	20,286	19,684	(1,069)	-	-
Finance & Commercial	8,787	8,739	(48)	-	-
Service Total	**108,218**	**115,833**	**7,616**	**707**	**(1,171)**
Corporate Budgets	83,434	52,841	(30,593)	-	-
Expenditure Total	**191,652**	**168,674**	**(22,977)**	**707**	**(1,171)**
Council Tax	(65,102)	(65,102)	-	-	-
Business Rates – Local Share	(37,326)	(37,326)	-	-	-
Collection Fund Deficit	8,151	5,651	(2,500)	-	-
Revenue Support Grant	(6,451)	(6,451)	-	-	-
Other Grants	(6,868)	(6,868)	-	-	-
Funding Total	**(107,597)**	**(110,097)**	**(2,500)**	**-**	**-**
Capitalisation Direction	(84,055)	(58,578)	25,477	-	-
Total	**(191,652)**	**(168,674)**	**22,977**		
Balanced budget position	**-**	**-**	**-**		

Table 4 - General Fund Revenue - P4 2022/23 year to date position

	Budget Year to Date	Actual Year to Date	Variance
Directorate	**£'000**	**£'000**	**£'000**
People (Adults)	9,480	14,722	5,242
People (Children) excl. SCF	2,585	424	(2,161)
Slough Children First Contract	10,478	11,477	999
Place & Community	3,782	2,190	(1,591)
COO	6,827	6,689	(138)
Finance & Commercial	2,864	19,823	16,960
Service Total	**36,017**	**55,325**	**19,311**

3.1.7 The year to date position as set out above shows the actuals recorded in the general ledger against budget for the first four months of the year. A significant number of accounting adjustments have yet to be undertaken (e.g. internal recharges, accruals, drawing down of grants from the balance sheet, or the budget profile not matching actuals) and so the figures do not yet reflect underlying performance. A review has been undertaken however to assess for any underlying issues which impact the outturn and have not been raised in the forecast. Commentary on this position is included in section 4 below against each directorate, with further detail at a service level in Appendix Aii.

4 Forecast Outturn 2022/23 – Service commentary

4.1 People (Adults)

4.1.1 The Adults directorate is forecasting at P4 to be in line with the budget of £28.441m at the year end. This assumes that all savings will be delivered on time and to scale, and that pressures brought into the year from 2021/22 will be managed and mitigated through application of the Capitalisation Direction.

4.1.2 At a service level, there are underspends being reported in Commissioning (£0.567m), Community Team for People with Learning Disabilities (CTPLD) (£0.456m), Reablement, Rehabilitation and Recovery (RRR) & Long Term Occupational Therapy (OTs) (0.293m) and the Safeguarding Partnership Team (£0.129m). These are offset by overspends in Localities Social Work (£0.935m) and Mental Health (£0.509m).

4.1.3 In Commissioning, the underspend of £0.567m is mainly due to staff underspends arising from vacancies. Any plans to recruit into the posts will affect future projections and need to be closely monitored.

4.1.4 CTPLD is forecasting a £0.456m underspend, of which £0.270m is staff related, again primarily due to vacancies. Despite a reduction in client activity projections for the period, there is underlying risk of transitions activity (young people needing care support transferring to adult care) exceeding the provision in the budgets. Further analysis will be undertaken to understand the extent any recent reductions have been a result of management action or ordinary attrition within the cohort. Any opportunities for joint funding, in line with the Transformation programme will also be explored. This service represents a significant portion of the Adults' budget and any significant change in activity would have a detrimental effect on the Directorate's outturn. Focus will be placed on understanding the underlying activity and trends to monitor this.

4.1.5 RRR and Long Term OTs (£0.293m underspend) is funded from the Better Care Fund and any underutilisation of the fund will be managed as part of the wider Adults budget management. The Safeguarding Partnership Team underspend of £0.129m is projected primarily due to staff vacancies.

4.1.6 Public Health expenditure is from a ringfenced grant and is projecting a balnaced budget. An exercise has been undertaken to reconfirm that the share of spend on PH outcomes outside of the immediate PH function is aligned and in accordance with conditions. No issues have been identified in this regard.

4.1.7 The year to date expenditure compared against budget shows an overspend of £5.473m, however there are material adjustments for income that are yet to be processed which will more accurately align with the outturn forecast. These include £3.807m for BCF funding, £1.085m for Government grants (including Adults Social Care Grant, ILF), £0.333m relating to other income, and £77k for the capitalisation of equipment cost. The remaining £0.171m relates to other minor profile adjustments to better align spend with the budgets.

4.1.8 The directorate has an in-year savings target of **£5.9m** already allocated to the budget. The Adult Social Care Transformation programme is to deliver **£4.771m** of 2022/23 savings target. The remaining **£1.129m** of the savings was to be delivered outside the Transformation programme. Adults are currently projecting that their savings will all be on target in total. The composition of the savings however has changed since the original budget was approved in March 2022. Appendix J sets out the original and revised savings profile with changes in the values achievable by each proposal along with an indication of the proposals which have been rescoped and combined into the new profile.

4.2 People (Children)

4.2.1 The People (Children) directorate is forecasting an overspend position for 2022/23 of £0.277m, excluding the impact from the contract with Slough Children First which is referenced further below. This variance is driven by a projected shortfall in the delivery against the savings target of £1.109m. It is assumed that any overspends arising in 2021/22 of an ongoing nature have been addressed through the application of capitalisation direction.

4.2.2 In terms of the 2022/23 savings, the target of £1.109m is expected to fall short by £0.277m. This is caused by a delay on the project to reshape the Council's children's centres provision which is yet to be presented to Cabinet and will need to undergo a statutory consultation process. The project outcomes are to reach a broader client group and to look at opportunities for alternative use of some of the buildings to support early years provision. Out of the saving of £0.456m set out in Appendix B, the remaining £0.179m has already been delivered through actions in the prior year. All other savings are currently expected to deliver to budget.

4.2.3 There is a potential risk to the forecast outcome in respect of home to school transport and the impact of the higher fuel prices and general inflation. Some of the service is subject to reprocurement or extension of contracts which take effect from the autumn term and hence may be subject to price increases. An estimated £200k has been reflected in risks therefore, although this is purely an estimate needing subsequent review and revision and is not based on concrete data or calculations.

4.2.4 The year to date position as set out reflects an underspend of £2.161m which is expected to reverse in due course. For the Management division, payments for the Regional Adoption Agency are made quarterly in advance; in Schools Services, there are payments of some £0.800m due to transport providers which remain uninvoiced and for which the prior year accruals have reversed; grants anticipated to be paid to third parties for Early Help (£0.923m) and Inclusion (£0.250m) are yet to be called on; and outstanding recharges for Education Standards Service will be actioned later in the year (£0.141m).

4.2.5 Commentary on the Dedicated Schools Grant can be found later on in this report in section 11. Section 12 then has an update on maintained schools' balances and schools in deficit.

4.3 Slough Children First Contract

4.3.1 The core contract between the Council and the company is budgeted at £31.435m for the year. The company is forecasting a loss of £5.175m in 2022/23, based on the latest (July) version of their business plan which is yet to be approved. This business plan also reflects income on the core contract of £31.700m which is £0.265m higher than budget and hence an increased cost is implied for the Council. Together, this means that the cost to the council from both the increased contract cost plus company losses is an adverse £5.440m. This assumes a spend to save investment ask of circa £1.4m, aimed at reducing future years' costs in Early Years and Prevention, is approved. The council is currently minded to approve a request of £0.343m which when added to the underlying forecast would result in a loss of £4.233m. This potential change is reflected as an opportunity of £0.941m.

4.3.2 The company budget incorporated a net reduction of £2.673m in the income anticipated from the Council under the contract. It also had to fund £2.052m of growth within the contract price so had to deliver £4.725m of gross savings. The company is currently not anticipating delivering all of its savings and is experiencing growth in caseloads that had not been anticipated, both contributing to the overspend. The business case also includes additional investment of £1.424m which forms part of the £5.175m loss that is intended to reduce costs in future years. Further details on savings shortfall are set out in Appendix B, but the shortfall is included within the loss projected per above.

4.3.3 In the forecast, the transformation funding anticipated from DfE has been removed, reflecting a £0.990m shortfall. There are significant overspends on agency (£1.518m), placement allowances (0.881m), other child support costs (£0.953m) and legal fees (£0.733m). These are offset by underspends in staff salaries, transformation costs, other overheads and increased income from the core contract of c£0.265m and other income of £0.200m.

4.3.4 If the company does overspend in the way currently forecast, the loss may ultimately fall to the Council, as it would be unable to repay the £5.000m loan granted by the Council to cover working capital. The loss is therefore a pressure that needs to be addressed.

4.3.5 In the year to date, the company is reporting a loss of £1.584m, which is £0.999m adverse to budget excluding invest to save costs which are pending approval. This is comprised of an underachievement on income of £0.715m and an overspend on costs of £0.284m. Within income, £0.330m of the loss relates to the removal of transformation funding from the DfE, while the remaining £0.385m is expected to be recouped over the remainder of the year. However, it also assumes a £0.250m contribution from the Public Health grant which is yet to be confirmed and so presents a potential risk.

4.3.6 Spend to date is £284k adverse to budget year to date, with the main variances against agency, placements and other child support costs. As the Innovate Teams are now unfunded, there is an additional unbudgeted variance of £128k for the 2 teams in July, with additional costs of £20k for community-based assessment fees for a Parent & Child assessment as an alternative to residential care. Actual legal costs for April – June have now been received, resulting in a release of an over accrual of £67k in month. Care leavers continue to be a key variance in costs due to the failed procurement of semi-independent housing for care leavers. Within this cohort are 8 unfunded unaccompanied asylum seeking children, and for those with funding there is still a full year variance of £450k of spend over and above the Home Office grant, until such time as alternative housing options can be sourced.

4.3.7 While the company is reflecting the above loss in the year to date, the Council side of the contract in Children's is not currently aligned to this due to a lag in the invoicing from SCF on the contract which means that the contract budget of £10.478m is showing an underspend in the ledger of £2.088m rather than being in line with budget as presented by SCF. The year to date loss of the company of £0.999m as discussed above would then be on top of the contract position. The position in the table above has therefore been adjusted to reflect the underlying consolidated loss of £0.999m.

4.4 Place and Community

4.4.1 The Place & Community directorate is forecasting an overspend of £3.014m against a budget of £11.515m. This assumes that the ongoing issues embedded in the 2021/22 outturn are resolved through the application of £5.3m in Capitalisation Direction adjustments. The main operational variances which are driving this overspend are non-delivery of savings £1.3m Observatory House rent and £0.529m leisure management fee), increases in the anticipated cost of energy bills attributable to the general fund (£1.007m), a reduction in cost recovery income on Highways (£0.379m), offset by staff vacancy underspends (£0.251m).

4.4.2 It should be noted that the energy price to be paid in 2022/23 has been fixed following approval at Cabinet, so the key variable which will impact on outturn is the volume of energy use by the council. An analysis of the impact of the increased prices on the council indicates that there will be an increase in cost for the general fund of circa £1.0m, which is reflected in Place's forecast (down from the £2.0m previously assumed), alongside an impact on the HRA of an additional £866k.

4.4.3 Through the review of the 2021/22 outturn for the directorate it was identified that service budgets contained a number of significant variances due to insufficient or too much budget being held for external grants, sponsorship and rental income, recharges to capital or the HRA, savings to be achieved not allocated, as realignments to the budget had not kept pace with the changing shape and cost of services. A review of the ongoing budget issues to be addressed anticipates that the impact on 2022/23 is containable within the £5.3m capitalisation identified for Place budgets with some budget potentially to cover the resourcing issues in Temporary Accommodation/rough sleeping, although the allocation of this additional budget across the services is likely to require recalibration. An extensive exercise is underway to assess the budget realignments required and undertake virements to correct these over the summer.

4.4.4 The forecast overspend is based on issues anticipated as being over and above issues arising in 21/22 and addressed by the CD but this will be kept under review through the above budget realignment process.

4.4.5 Asset Management is forecasting an overspend of £0.871m, arising because the Highways programme of work is lower than originally budgeted and therefore the expected credit recharge of overhead costs is not achievable (£0.379m), together with a variance of £0.492m (part of the overall £1m energy pressure) arising due to spiralling energy costs.

4.4.6 Environmental Services is forecasting an overspend of £0.785m. The main reason for the overspend is due to the pressure on energy costs because of the energy crisis (. part of the overall £1m energy pressure). The Council is working through the plans to implement charges for garden waste collection from November of this year. This is anticipated to bring in £0.180m additional income for 2022/23, which has been reflected as an opportunity at P4. This will be reflected in the forecast once the report has been approved by Cabinet.

4.4.7 The Infrastructure service is reporting an underspend of £0.594m. The underspend is due to energy costs allocated to Infrastructure being lower than budget by £0.639m (part of the overall £1m energy pressure). This is made up of a Street Lighting underspend of £0.919m being offset by an overspend in gas and electricity costs of £0.280m. This is reduced by an overspend of £0.045m caused by increased costs in Transport Planning.

4.4.8 Place Strategy is forecasting an overspend of £1.648m due to an unachievable saving on rental income, and higher energy costs. The saving target (£1.3m) was set on the assumption that the Council would rent floor space in Observatory House in 2022/23 pending a decision on sale of the building or further rental of space. However, the rental of the floor space has not been achieved to date. Energy cost increases result in a budget pressure of £0.345m (part of the overall £1m energy pressure).

4.4.9 Localities and Neighbourhoods is reporting an overspend of £0.532m. The main reason for the overspend is a pressure of £0.529m on the leisure management fee which was renegotiated for 2022/23 in light of the pandemic.

4.4.10 Partially offsetting the above pressures is a projected underspend of £0.251m. due to staffing costs arising from current vacancies.

4.4.11 The savings target for Place for 2022/23 amounts to £7.453m, against which a shortfall of £1.829m is set out above, comprised of the £1.3m rental income target at Observatory House and £0.529m leisure management fee shortfall. All other savings are currently expected to deliver in full.

4.4.12 Opportunities reported of £0.230m are comprised of £0.180m garden waste net income, and the potential for £0.050m of additional parking income arising from the Thames Valley University site. There are risks flagged amounting to £0.457m, relating to the need for funding for the next Local Plan for which the business plan is being prepared, and a potential shortfall on digital advertising revenue against the savings target.

4.4.13 The year to date analysis for Place indicates an underspend of £1.591m, however there are a number of contributing factors for which adjustments would need to be considered. Firstly, the position is artificially improved by prior year end accruals reversing in 2022/23 but which have yet to be matched with the invoices anticipated – adjusting for this would bring the underspend down by £3.475m. There is also income currently reflected which needs to be deferred to a later period, adjusting for which would bring the underspend down by a further £1.654m. Slightly offsetting this would be recharges to the HRA for expenditure incurred to date – this would add to the underspend by £3.052m This then would result in an adjusted position of an overspend of £0.486m, which is comprised of £0.610m non-achievement of savings (OH rent and leisure mgmt. fee), offset by other net variances of a favourable £0.124m. Energy costs are only showing an underspend of £0.019m compared to the year-to-date budget when they are expected to show an overspend due to spiralling energy costs, as forecast. This would need further review but it is suspected that the invoices have not all come through yet. At this stage therefore the forecast appears to be reasonable based on the year to date.

4.5 Resources – Combined Finance & Commercial and COO Position

4.5.1 The year-end forecast position as at period 4 is an underspend of £1.116m against the budget of £29.073m. Since the appointment of the Chief Operating Officer divisions have now been allocated between COO and Finance & Commercial under the S151 Officer. These budgets are therefore now split and are presented under two separate directorates set out below. As this is worked through in detail in the ledger to set up the appropriate hierarchies, there may be budgets that need refinement and reallocation between the two directorates in future reports.

4.6 Chief Operating Officer Directorate

4.6.1 The Chief Operating Officer directorate has been allocated £20.286m from the original Resources directorate and is projecting an underspend for the full year of £1.069m. This is spread across the departments with underspends in IT (£0.880m), HR (£0.233m), Democratic Services (£0.210m), Strategy & Innovation (£0.172m) and Communications (£0.073m). Overspends are anticipated across Business Support (£0.296m), Customer Services (£0.184m) and Governance (£0.019m).

4.6.2 IT is projecting an underspend of £0.880m. The variance is directly attributable to delays in the restructuring of the service coupled with challenges in attracting and recruiting high calibre staff. The projection assumes that a third of the extra staff approved as part of the restructure will be in post by October 2022. The IT contracts and modernisation programme budgets are currently being projected at a nil variance. It is anticipated that any underspend on the modernisation programme will be carried forward in earmarked reserves due to the nature of the projects.

4.6.3 HR is projecting a favourable variance of £0.233m mainly due to 5 part-year vacancies within the HR service and a delay in the training programme. There are plans to progress recruitment to the vacant posts in order to build resilience to support the wider organisation moving forward. In Democratic Services, the reported underspend of £0.210m results from challenges in recruiting to the expanded team. Consequently, the service is currently operating with some posts currently unfilled. The underspend in Strategy & Innovation of £0.172m is due to an underspend on the Chief Executive Officer salary budget as a consequence of the function being undertaken by a Commissioner.

4.6.4 In Communications, the underspend of £0.073m is due to in-year staff vacancies in addition to cancelled events and citizenship newsletter following management decisions. These underspends offset the current £0.061m pressure on the printing budget. The service has experienced issues regarding the legacy recharge income target of £0.219m based on the click rate of council-wide printing. As the click rate is low due to hybrid working, the internal charge per click to services has been raised to 3p which reduces the potential pressure to £0.061m.

4.6.5 Business Support is forecasting an overspend of £0.296m at period 4. The pressure in Building Management is mainly due to business rates and running costs at St Martin's Place (£0.352m), for which the budget had previously been removed as a budget saving, and unrealised income generation from the leasing of floors 4 and 5 of Observatory House (£0.217m). There are also other minor unachievable net income targets of £0.042m. However, there is a combined underspend of £0.288m from in-year vacant and unfilled posts to partly net off the above pressure. Close attention to the delivery of the outturn will be required due to the dependency on decisions and action in respect of the asset disposal programme and decisions being taken by the Place directorate on longer term plans.

4.6.6 Customer Services are projecting an overspend of £0.184m. The main driver of this pressure is the extra 18 interim staff (£0.422m projected forecast till March 2023 against a budget of £0.030m) approved in the Customer Service Contact to improve response rates. However, mitigating plans in place to offset this pressure are lower spend in the Telephony system (£0.070m), staff vacancy in the wider service(£0.129m), and an increase in recharge to the HRA (£0.010m).

4.6.7 The Governance department is presently reporting a budget pressure of £0.019m, mainly due to printing and postage in Elections £0.009m, and computing licences in Electoral Registration of £0.009m.

4.6.8 In respect of the year to date position, COO is showing a small net underspend of £0.138m. Within this, the Business Support division is showing an underspend of £0.886m as a result of a salary miscoding of staff who are currently in other directorates. The salaries will be journaled out into the correct service area in due course. Other services across COO are consequently showing overspends which correspond to this issue, along with recharges to other directorates which have yet to be processed. Adjusting for these it is anticipated that the service would still be showing an underspend which aligns with the forecast position.

4.7 Finance & Commercial

4.7.1 The Finance & Commercial directorate has been allocated £8.787m from the original Resources directorate and is projecting an underspend for the full year of £0.048m. This is spread across the departments with underspends in Operational Finance of £0.110m and in Commercial of £0.011m, while overspends are currently projected in Revenues & Benefits (£0.034m) and Investigations (£0.039m).

4.7.2 In Operational Finance, the forecast underspend of £0.110m arises from a swift recovery of £0.110m in overpayments of leasehold insurance premia for 2021 and 2022. The overpayments arose in error through a change of system by the provider.

4.7.3 The overspend in Investigations (£0.034m) is mainly down to legacy income from court proceeds which is not expected to be delivered, offset by internal recharge income not budgeted, while there is an overspend in Revs & Bens in respect of the cost of agency staff.

4.7.4 In the year to date, Finance & Commercial is showing an overspend against budget of £16.960m. There is a variance of £14.389m in Revenues & Benefits which results from benefit payments made which have yet to be offset by grants to be drawn down from the balance sheet. There is also a £1.484m variance in Operational Finance is due to expenditure on the Covid Winter Grant and Lateral Flow Testing. The respective grant income is yet to be applied. The variance in the directorate is therefore mainly due to adjustments often undertaken at year end as well as internal recharges which have yet to be undertaken and is not indicative of any underlying issues or overspends which need to be forecast.

4.7.5 The Resources directorate is currently forecasting to deliver against all of its savings targets amounting to £2.823m.

4.7.6 One post which was initially assumed to be in the Resources directorate has been transferred to the Children’s service, for which a virement of £27k has been effected. Further virements for Capitalisation Direction monies transferred have also been reflected in respect of Insurance, Agresso technical support and historical budgeting issues. For further details see Appendix I.

4.8 Corporate Budgets

4.8.1 A forecast underspend of £30.593m has been projected as at P4. The majority of this underspend is due to the release of cost budgeted to account for the Capitalisation Direction as the pressures and impacts anticipated are manifesting through service area forecasts, or as it is identified that capitalisation adjustments are no longer deemed necessary. This variance is therefore comprised of a number of factors as set out below.

4.8.2 Due to ongoing work relating to the prior years, projections of the asset sales, improved cash flow monitoring, the minimum revenue provision (MRP) requirement for 2022/23 has been revised downwards creating an underspend of £10.727m. The impairment of the SUR loan assumed an impact of £1.800m in 2022/23 but which will correctly be adjusted for in full in a prior year, meaning this adjustment is no longer needed in 2022/23, creating an underspend.

4.8.3 While inflation for staff salaries and contracts was provided for in the budget, recent and projected inflation rates indicate that there will be a greater impact on the council's cost of delivering services. While it is hard to establish with certainty what the inflation impact on the council will ultimately be, we have set aside additional provision for up to £1m in light of the staff settlement currently on the table for unions to consider, and a further £2m for other contract pressures which may transpire as contracts are renewed, reprocured or have annual contractual inflation adjustments applied. Further provision of £1.4m has also been made in the event that certain savings are found not to deliver cashable savings.

4.8.4 The budget recognised that £5.6m of additional funding was announced in the final settlement agreement, with a placeholder for the spend that this would be attributed to. As the Council is now one third of the way through the year it is appropriate that the actual position is reported and thus shows as an underspend in the forecast which thus contributes corporately as an underspend.

4.8.5 As planned and allowed for in the capitalisation direction, further balances amounting to £16.866m have been released in respect of allowances for costs envisaged in the Capitalisation Direction and which were anticipated would manifest through service budgets. This has correctly been adjusted in order to offset the £7.616m deficit projected across service areas, the cost of living and savings pressures mentioned above, and to release other capitalisation adjustments that had been envisaged but are no longer expected to materialise or to the extent originally foreseen. This will need to be kept under review as the year progresses as there may be further matters arising for which capitalisation may be required and so the amount released may need to be flexed. By reducing the amount expected to be incurred and capitalised, the draw on capitalisation will be reduced.

4.9 Funding

4.9.1 An updated review of the collection fund indicates that it has the capacity to release £2.500m more than was originally budgeted. Whilst this is subject to audit review as outstanding accounts are completed, it is anticipated that as historic underfunding of the bad debt and appeals provision in prior years is resolved through the Capitalisation Direction, the Council will see an improvement in the Collection Fund position from 2022/23 onwards. This additional funding is therefore available to the Council in 2022/23. Through the application of a smoothing reserve, this benefit will be carried forward for a number of years.

Table 5 – Collection Fund estimate 2022/23

Collection Fund	Budget £'000	Actuals £'000	Forecast £'000	Variance £'000
Council Tax	(65,402)	(19,066)	(65,402)	0
Business Rates	(28,875)	(14,048)	(31,375)	(2,500)
Total	**(94,277)**	**(33,114)**	**(96,777)**	**(2,500)**

5 Treasury Management

5.1 A key element of the Council's financial recovery plan and the Council's Treasury Management Strategy (TMS) approved in March 2022 is to reduce the Council's historic over-reliance on temporary borrowing in order to reduce interest rate risk and to reduce the annual level of Minimum Revenue Provision (MRP) charges. The debt reduction strategy is predicated on a programme of asset sales to generate capital receipts which can then be applied to repay temporary borrowing and reduce the Council's Capital Financing Requirement (CFR), which determines the amount of MRP payable. The disposals profiling is based on a set of assumptions regarding the assets potentially surplus to requirements, the timing and value of these, and their current progress along a pipeline of work required to get them ready for disposal. The list and profiling is reviewed and updated on a regular basis based on progress, potential issues that could delay, and governance requirements.

5.2 The forecast borrowing of £570m at 31 March 2023 remains well within the Council's operational boundary of borrowing of £677m.

5.3 Although temporary borrowing is forecast to reduce by £115m, interest payable on temporary borrowing is forecast to increase by £4.7m. This exceeds the £4.1m already included in the Capitalisation Direction for interest rate rises by £0.6m. Average interest rates on temporary borrowing was around 1.1% at the beginning of the year. These rates are forecast to increase to an average of 2.8-3.5% by the end of 2022/23. To reduce the rate exposure it may be necessary to lock into current PWLB rates for 2-3 years for a tranche of borrowing of up to £50m to replace temporary borrowing.

5.4 As part of the debt reduction strategy, the Council's investments in pooled property funds were divested between March and July 2022. The investments yielded a gain of £0.813m since 31 March 2021 – a return of 3.9%. The £18.6m realised has been used to repay temporary borrowing.

5.5 The Council has authorised lending to third parties up to a cap of £90m. Currently the loans outstanding total £76m comprising:

Table 6 – Loans to other entities

	£000s
James Elliman Homes	51,700
SUR LLP - senior debt	6,165
SUR LLP - loan notes	3,427
GRE 5 Ltd	10,000
Slough Children First Ltd	5,000
St Bernards School	66
Total advanced	**76,358**

5.6 The poor financial performance of Slough Children First raises concerns about whether the company will be able to repay the loan within the original expected timeframe. Allowance had been included in the Capitalisation Direction for possible impairment of the loan according to proper accounting practise. As their draft business plan shows a return to a surplus position by 2028/29 there is potentially no need to impair the loan. However, an allowance has been made in the revised CD against annual losses through to 2027/28 with the loan impairment slipped to the end of the profiled period as a contingency against the turnaround succeeding.

5.7 The £10m loan to GRE 5 Ltd was executed in June 2022. Repayment is secured against funding from Homes England. However it remains uncertain whether the funding will be sufficient to meet the loan liability. Therefore an impairment allowance of £10m has been retained within the Capitalisation Direction.

6 Savings Programme

6.1 The Council's original 2022/23 budget was based on the delivery of £19.958m in savings. The projected savings to be delivered in the year of £15.020m, together with £0.499m of mitigations within SCF amount to a total delivery of £15.519m (or 77%) and a shortfall of £4.439m.

6.2 The delivery of the savings programme and emerging in-year pressures on delivery are summarised in the table below, with detail from the directorate commentaries in Section 4 repeated beneath for convenience:

Table 7 – Savings Programme Summary 2022/23

Directorate	Savings Target £'000	Savings at Risk £'000	Forecast Delivery £'000	Savings Mitigations £'000	Residual Gap £'000
People (Adults)	5,900	-	5,900	-	**-**
People (Children)	1,109	277	832	-	**277**
Slough Children First Contract	2,673	2,832	(159)	499	**2,333**
Place & Community	7,453	1,829	5,624	-	**1,829**
Resources	2,823	-	2,823	-	**-**
Total Savings/ Budget Programme	**19,958**	**4,938**	**15,020**	**499**	**4,439**

6.3 People (Adults) are currently projecting that their savings will all be on target, both for the suite of savings relating to the transformation programme, comprised of a number of proposals, and the other additional savings put forward. The composition of the savings however has changed since the original budget was approved in March 2022. Appendix J sets out the original and revised savings profile with changes in the values achievable by each proposal along with clarity on the proposals which have been combined and rescoped into the revised profile of proposals.

6.4 The target set for People (Children) of £1.109m is expected to fall short by £0.277m. This is caused by a delay on the project to reshape the Council's children's centres provision which is yet to be presented to Cabinet and will need to undergo a statutory consultation process. The project outcomes are to reach a broader client group and to look at opportunities for alternative use of some of the buildings to support early years provision. Out of the saving of £0.456m set out in Appendix B, the remaining £0.179m has already been delivered through actions in the prior year. All other savings are currently expected to deliver to budget.

6.5 SCF is projecting a significant shortfall against its savings proposals, with a £2.333m adverse variance to the target. The full details of the savings proposals and shortfalls are set out in Appendix B. The shortfall is assumed to be contained within the overall deficit projected by the business case of £5.175m and hence this shortfall is not an additional variance on top of that deficit. The net saving target of £2.673 also included some pressures, hence the savings at risk being in excess of this. Mitigations of £0.499m have been identified in order to reduce the impact.

6.6 Place is projecting a shortfall of £1.829m against the target of £7.453m. This is comprised of £1.300m against rental income from Observatory House and £0.529m on the management fee contract with the council's leisure provider. The shortfall on the leisure management fee is crystallised as the management contract value for 2022/23 has been negotiated and confirmed.

6.7 Resources savings of £2.823m are projected to be on target. These will need to be separated out to illustrate those savings being delivered by either COO or Finance & Commercial and will be updated for in the next report.

7 Capitalisation Direction 2022/23

7.1 As discussed in section 2.2 above, there are a number of ongoing budget issues from 2021/22 carrying into 2022/23 but which are resolved as planned through the proposed adjustments through the Capitalisation Direction. Added to this, the forecast above incorporates potential shortfalls in the delivery of 2022/23 savings initiatives and other service pressures which have come to light. These will all need to be mitigated through both in-year service mitigations and capitalisation adjustments.

7.2 The summary of pressures brought forward and in-year are as follows, together with the mitigations against these:

Table 8 – Mitigations against 2022/23 outturn

	Total	Adults	Children	Place	Resources	Corporate Budgets
	£'000	£'000	£'000	£'000	£'000	£'000
2021/22 Ongoing issues	13,455	1,584	429	4,719	3,734	2,989
CD budget allocated: Historical budget pressures	(6,654)	-	(858)	(3,865)	(1,931)	-
CD budget allocated: Staff incorrectly capitalised	(1,450)	-	-	(1,450)	-	-
Borrowing costs – from CD	(2,100)					(2,100)
Interest rate costs – from CD	(2,000)					(2,000)
CD budget allocated: Resilience for back-office functions	(1,251)				(1,251)	
Position before 22/23 issues	**-**	**1,584**	**(429)**	**(596)**	**552**	**(1,111)**
Assumed rebalancing across services	-	(1,584)	429	596	(552)	(1,111)
Savings at risk in 2022/23 (excl.SCF)	2,106		277	1,829		
SCF deficit and contract pressure	5,440		5,440			
Other service pressures	1,012			1,012		
Other service variances	(942)			174	(1,116)	
Cost of living and savings pressures	4,400					4,400
Settlement funding - costs provided	(5,600)					(5,600)
MRP per CD reduced	(10,727)					(10,727)
SUR and other CD adjustments reduced	(18,666)					(18,666)
Collection Fund uplift	(2,500)					(2,500)
Total	**(25,477)**	**-**	**5,717**	**3,015**	**(1,116)**	**(33,093)***

* Includes £2.5m which is reported under Funding in Table 3

7.3 The £6.654m for historical budget pressures, £1.450m capitalisation budget correction, and £1.251m back-office resilience adjustments have been allocated directly into the service budgets as stated in this report (NB some residual virements are needed to align Agresso with where the actual budget requirement sits).

7.4 The above application of Capitalisation Direction against issues brought into the year from 2021/22 and release of CD budget to offset issues arising in-year or deemed to be in excess of requirements therefore demonstrates that the budget for 2022/23 can be brought back into balance with a reduced call on the Capitalisation Direction.

7.5 It is imperative that officers working with Lead Members responsible for delivering savings in the year deliver their savings plans in full as the council's long-term financial position and budget delivery is dependent on this. Any non-delivery will have to be offset by other equally compensating savings.

7.7 A summary of the change in use of capitalisation in respect of 2022/23 is as follows:

Table 9 – Proposed Capitalisation Direction for 2022/23

	Budget £'000	Revised Estimate £'000	Movement £'000
Roll forward of budget pressures	1,000		(1,000)
Original Capitalisation Direction	3,000		(3,000)
Additional Growth for new years of MTFS	1,065		(1,065)
Increase Reserve Levels	1,000	1,000	-
Companies	2,300	5,940	3,640
Incorrect capitalisation of staff costs	2,450	2,450	-
Minimum Revenue Provision (MRP)	28,985	18,258	(10,727)
Fund Redundancy Costs for 2 years	7,500	7,500	-
Emerging Pressures, Contingencies, and Provisions	31,755	23,430	(8,325)
Additional Capitalisation	5,000	-	(5,000)
Total	**84,055**	**58,578**	**(25,477)**

8 HRA

8.1 The HRA is forecasting a net contribution to reserves of £0.577m as at P4. This assumes the potential drawdown of £8.2m from the HRA Reserve at year end would no longer be required. The underspend would be achieved based on HRA not making an RCCO contribution of £5.2m which was included in the expenditure budget for 2022/23.

8.2 A £3.5m expenditure budget for refunds to tenants affected by the Southwark / Thames Water judgement is no longer required as the estimated potential liability has been recognised and provided for within the 2018/19 accounts.

8.3 There is the expectation that an underspend of £1.459m will be realised on interest payable on HRA loans based on the chargeable amount in 2021/22. This would be monitored monthly to ensure the position still holds.

8.4 A pressure of £0.397m is envisaged on the Repairs and Maintenance budget due to contractual inflation but which is likely to be mitigated by a supply side challenge on the part of the contractor who is unlikely to fully resource all its projects.

8.5 The proposed salary inflation offered to the union creates a pressure of £0.158m on the staffing budget. Other pressures include the costs of agency staff and temporary staff supporting the implementation of the new Housing Management System. The cost is unbudgeted as the assumption was for it to be charged under capital. The increased use of agency staff is due to the current state of flux between Our Futures transformation and the 'to be' structure which would be implemented. The pressures will be partly mitigated by the vacancies within the service.

8.6 The nationwide increase in energy cost is projected to create a pressure of £0.866m though this will be mitigated by the underspends mentioned above.

8.7 Dwelling and Non-dwelling rents are forecast to be in line with budget at year-end.

8.8 A detailed table on the HRA revenue forecast position is set out in Appendix E.

9 Capital Programme

9.1 The Council started 2022/23 with an approved gross capital expenditure budget of £45.259m for the General Fund capital programme. The large proportion of this was either to be funded by external grant or covered within the capitalisation direction. Since the budget was approved, some key factors need to be addressed and adjusted for in the capital budget. These are as follows:

- The IT transformation projects budget which was approved of £2.085m is also reflected in the capitalisation direction and is expected to be revenue in nature, so will be removed from the capital budget.

- The outturn position on the 2021/22 capital programme shows a significant underspend against budget and some of this is proposed to be carried into 2022/23 to allow consideration to be given to completing key projects and programmes of works, hence needs to be added into the 2022/23 capital programme. Detail on this slippage is set out later in this report for Cabinet to consider and approve. The addition to the 2022/23 General Fund programme budget from this is a gross spend of £1.978m.

- There are some projects with budget in 2022/23 which are on hold or for which the timetable of works are being updated, leading to the expected profile of expenditure pushing out into future years.. The future of these projects will be considered as part of the 2023/24 budget. This accounts for a reduction in the gross spend budget of £16.497m in the current year. This combined with the IT infrastructure refresh adjustment amounts to a reduction of £18.582m.

9.2 On the basis that (and subject to) the slippage and above matters being approved and accepted, the revised general fund capital budget becomes £28.655m.

9.3 The detail on the breakdown of this budget by project is provided in Appendix Ci. The position in relation to the forecast will be reviewed regularly with project managers as part of the monthly budget monitoring process. A summary of the budget and forecast position is set out below:

Table 10 – General Fund Capital Programme 2022/23

Directorate Name	Original Budget 2022/23	2021/22 Slippage	Original budget plus 21/22 Slippage	Reprofiled budget to be slipped or released	Revised Budget 2022/23
	£000	£000	£000	£000	£000
People (Adults)	353	(122)	231	0	231
People (Children)	2,037	29	2,066	335	1,731
Place	38,784	2,071	40,855	14,162	26,693
Corporate Operations (COO)	2,085	0	2,085	2,085	0
Finance and Commercial	2,000	0	2,000	2,000	0
General Fund Total	**45,259**	**1,978**	**47,237**	**18,582**	**28,655**

Directorate Name	Revised Budget 2022/23	Full Year Projection	2022/23 Full Year Variance
	£000	£000	£000
People (Adults)	231	224	(7)
People (Children)	1,731	1,742	11
Place	26,693	26,758	65
Corporate Operations (COO)	0	0	0
Finance and Commercial	0	0	0
General Fund Total	**28,655**	**28,724**	**69**

9.4 The council is currently forecasting a gross expenditure of £28.724m, creating a variance of £0.069m against the revised gross budget, as set out in Appendix Ci. As stated above, the IT Infrastructure Refresh Programme (£2.085m) has been removed from the forecast as it is incorporated within the CD. The contingency of £2m within Finance and Commercial has been removed.

9.5 In Place, a forecast overspend of £0.065m is currently projected. This is stated after bringing slippage into the year of £2.071m and pushing £14.162m out into later years. For instance, the Park and Ride project is currently not going ahead although an alternative is being worked on. The ‘Stoke Road TVU Junction’ project is expected to slip into 2023/24 hence the in-year budget has been reprofiled by 50% (£3.729m), leaving £2.5m projected for the current year. The A4 Safer Roads project has been reprofiled into 2023/24 hence a budget reduction of £1.511m, leaving only £0.200m of spend in the current year. Most of these projects are funded by a combination of grants and borrowing. The projects with variances are a £0.050m underspend on Burnham Station LEP which is not required, £0.140m on the decarbonisation scheme grant funded by Salix and for which the balance will be returned to Salix, and £0.090m on the cemetery extension which is not required once the defects period has expired. The Old Library Site development has £0.185m slippage from the prior year but will cost £0.505m to conclude and so will overspend by £0.320m. There is a further £0.025m spend on the Community Investment Fund which was unbudgeted but committed.

9.6 In Children’s, the original budget of £2.037m has been reduced to £1.731m to reflect updated profiling and slippage into 2023/24. The Schools Modernisation Programme is projected to move into 2023/24 and so the budget reprofiled from £1.2m to £0.9m. The budget for ‘Special School Expansion – Primary, Secondary and Post 16’ has been reduced by £0.035m considering the latest understanding. A

£0.011m overspend on SEN Resource Expansion will arise as there is no budget for the project in 2022/23.

9.7 In Adults, the original budget of £0.353m has been reduced to £0.231m to account for overspends in the prior year. The Learning Disability Programme budget has been reduced by £0.015m to offset the overspend in 2021/22. No further expenditure is envisaged on this project, leaving a residual underspend of £0.007m. The budget for Suitable Home Ownership for people with Learning Disability has been reduced from £0.331m to £0.224m in order to offset the £0.107m overspend in 2021/22, with the forecast to budget at present.

Table 11 – HRA Capital Programme 2022/23

Programme Name	Original Budget 2022/23	2021/22 Slippage	Original budget plus 2021/22 Slippage	Reprofiled budget to be slipped	Revised Budget 2022/23
	£000	£000	£000	£000	£000
RMI Capital Programme	4,126	1,176	5,302	-	5,302
Planned Maintenance Capital	1,201	717	1,918	-	1,918
Affordable Homes	16,784	2,090	18,874	(15,374)	3,500
General Fund Total	**22,111**	**3,983**	**26,094**	**(15,374)**	**10,720**

Programme Name	Revised Budget 2022/23	Full Year Projection	Full Year Variance
	£000	£000	£000
RMI Capital Programme	5,302	5,302	0
Planned Maintenance Capital	1,918	1,918	0
Affordable Homes	3,500	3,500	0
General Fund Total	**10,720**	**10,720**	**0**

9.8 The Council's HRA capital budget started 2022/23 with a gross capital expenditure budget of £22.111m. Subject to approval of slippage as set out later in this report, there is £3.983m of unspent budget from 2021/22 to be carried into 2022/23. Having reviewed the latest expected profiling of the capital projects within the Affordable Homes programme, the original budget is proposed to be more than halved by £15.374m to £10.720m in order to reflect the revised profiling of works into future years, not due to the funds not being required. The detail on the breakdown of this revised budget by project is provided in Appendix Cii. A summary of the budget and forecast position is set out in Table 10 above and at this stage shows a nil variance.

9.9 The Repairs, Maintenance and Improvement (RMI) Capital Programme is expected to hit its target in terms of completing the 2021/22 and 2022/23 programme. This includes boiler replacements, kitchen and bathroom replacements, communal wiring upgrades, fire risk assessments etc. The £1.176m slippage from 2021/22 is required to complete this programme.

9.10 The Planned Maintenance Capital programme is projecting £1.918m of expenditure in 2022/23. Of this amount, £0.717m is to be agreed as slippage from 2021/22. These works such as roof replacements, door entry replacements and structural works have already been committed and it is expected they will be fully delivered in this financial year.

9.11 The Affordable Homes Programme is made up of Tower and Ashbourne and other Affordable Homes projects. The £16m original budget for Tower and Ashbourne has been reduced to £2.500m considering the expected slippage in this project to 2023/24 and to offset the £0.168 overspend from 2021/22. The delay has been due to the CPO being actioned in order to get a vacant possession. The £2.500m will cover the costs of demolition, tendering fees and other preliminary costs.

9.12 The Affordable Homes project is made up of two small sites each with a planned development of eight units of property. This project has been held up so only £0.216m of the entire £2.258m available for slippage from 2021/22 is required in this financial year, with the rest to be carried further forward into 2023/24. The expectation is that the original budget of £0.784m and the slippage into the current year of £0.216m will be sufficient to meet the project costs in 2022/23.

9.13 Capital Slippage for approval

9.13.1 The capital programme for 2021/22 ended the year with an overall underspend of £15.141m for the General Fund and £3.983m for the HRA. It is proposed that £1.978m be slipped into future years for the General Fund, and £3.983m for the HRA. This represents a reduction in the level of General Fund capital expenditure programme by £13.163m. A summary of the outturn position and slippage from 2021/22 is set out in the table below:

Table 12 – Capital outturn 2021/22 and proposed slippage

Directorate	Revised Budget 2021/22	Outturn	2021/22 Full Year Variance	% spend	Slippage / Carry forward
	£000	£000	£000	%	£000
General Fund:					
People (Adults)	948	1,083	135	114%	122
People (Children)	720	344	(376)	48%	(29)
Place	26,925	19,238	(7,688)	71%	(2,071)
Corporate Operations	2,378	1,749	(629)	74%	0
Finance & Resources	6,582	0	(6,582)	0%	0
	37,553	**22,413**	**(15,141)**		**(1,978)**
Housing Revenue Account:					
RMI Capital Programme	5,975	4,799	(1,176)	80%	(1,176)
Planned Maintenance Capital	2,223	1,506	(717)	68%	(717)
Affordable Housing	4,303	2,213	(2,090)	51%	(2,090)
HRA Grand Total	**12,501**	**8,518**	**(3,983)**		**(3,983)**
Total Expenditure	**50,054**	**30,931**	**(19,124)**		**(5,961)**

9.13.2 Appendices Gi (General Fund) and Hi (HRA) set out in more detail the variances and slippage proposed from 2021/22 into 2022/23 on a project by project basis. **Cabinet is requested to approve the slippage as set out in order to enable key**

schemes to continue in 2022/23. In some cases, there are projects whereby there was an overspend in 2021/22 and it is proposed that the budget in 2022/23 is reduced accordingly. The detail on this is set out in Appendix Ci (General Fund) and Cii (HRA).

9.13.3 In Adults, the project Suitable Home Ownership for People with Learning Disability overspent by £0.107m and this will be removed from the budget in 2022/23. Two other schemes overspent but will not be continuing in 2022/23 and so their budgets in 2022/23 will be reduced by the overspend and forecast to nil (Learning Disability Project and Care Act: Social Care IT Development).

9.13.4 Children's directorate requests £29K from the Haybrook College project budget to be slipped into 2022/23. This amount is required to fund the commitment made by Slough Borough Council (SBC) to Haybrook College. SBC leased a building on 323 High Street to Haybrook College and within the lease is a commitment to fund some internal works up to a capped amount (£150K). The seven-year lease expires in July 2024 and £121K has already been spent on internal works by SBC as part of the terms of the lease.

9.13.5 In Place, there are slippage requests in respect of the following schemes:

- A slippage of £0.127m into 2022/23 is required for the completion of maintenance works under the cemetery extension project and for the retention payment following the expiry of the defect liability period in July 2022.
- The Disabled Facilities Grant (DFG) underspent by £0.395m, partly due to the impact of Covid as it meant visits / assessment targets were not met. This is being requested for slippage to ensure the needs of eligible residents are met.
- There is a slippage request of £0.391m for the Compulsory Purchase Order Reserve. This is meant to cover outstanding payments for the Public Enquiry at 69 Bradley Road, Slough and the compensation to the mortgagee of 24 Dawes Moor, Slough. There are also some minor legal fees to be met from this slippage.
- £0.619m slippage is requested to complete the Public Sector Decarbonisation Scheme project funded entirely by a capital grant from Salix (on behalf of BEIS, The Department for Business, Energy and Industrial Strategy) for heat decarbonisation measures such as solar panels, air source heat pumps and building insulation measures. The project was originally planned for six sites, but Wexham School pulled out of the project. Due to project delays, the contract was extended (with Salix's approval). The slippage will fund capital works on the replacement sixth site St Mary's CoE School; committed spend on sites 1 – 5; contingency for electrical upgrade works; additional project management support; and legal fees for contract extension
- £0.237m slippage is required for capital works following the stock condition survey project. This will fund the completion of work at the Elliman Resource Centre. The slippage will also fund Westpoint asbestos works which were previously delayed due to environmental issues
- The Hub Development programme is requesting a slippage of £0.997m. This will fund the completion of contract works to the Britwell GP Clinic which is programmed for completion in 2022 and payment of retention following the end of defects liability period in May 2023. Within this amount is £0.67m

which represents the balance of funding owed to the DfE for Grove Academy's S278 works.

- Thames Valley University Site project requires a slippage of £0.104m from the £0.233 reported underspend. This would fund commitments such as business rates and costs of legal consultants
- Development of Old Library Site project reported an underspend of £0.185m. The underspend is retention money set aside for contractors so needs to be slipped into 2022/23
- St. Martins Place project requires a slippage of £20K from the £0.117m reported underspend. This will fund compliance related works
- Langley High Street Improvement is a street widening project which recorded an overspend of £0.979m in 2021/22. The overspend was due to incorrect assumptions around the profiling and timing of expenditure and so it is proposed that the 2022/23 budget be reduced by this amount.

9.13.6 The HRA underspent budget in 2021/22 across all three main programmes of works – see Appendix Hi. A slippage request of £1.18M has been made for the RMI Capital Programme to ensure the scheduled programme proceeds. The slippage request will cover the following:

- Boiler Replacement and Heating - £0.25m is required for the ongoing replacement of boilers and heating systems. The 2021/22 replacement programme was not completed, and this funding will ensure the programme of work gets completed
- Kitchen and Bathroom Replacement - £0.196m is requested to complete the programme of works following the stock condition survey
- Garage and Environmental Improvements - £0.289m is requested to fund the completion of the improvement works and some external decoration works
- Capitalised Repairs - £0.222m is requested to fund large scale repairs delayed due to section 20 compliance
- Major Aids and Adaptations - £0.119m is requested to fund some major aids & adaptations works including two property extensions for which costs have been agreed and earmarked against this budget
- Carbonisation Works - £0.1m is requested to fund planning works for implementation of the decarbonisation scheme

9.13.7 A slippage request of £0.72m has been made for the Planned Maintenance Capital Programme. The slippage request will cover the following:

- Roof Replacement – Slippage of £0.284m will fund a programme of work which is based on the stock condition survey. These works are deemed essential as they impact on the structure of the housing assets
- Structural: A slippage of £56K is sought to fund necessary external structural works. The works didn't commence on time in 2021/22 due to staff shortages
- Security and Controlled Entry Modernisation - slippage of £0.378m is required to fund the Door Entry Replacements to blocks and security fire alarms to de-designated units

9.13.8 The Affordable Homes Programme had a revised capital budget of £4.3m in 2021/22 and recorded an outturn of £2.2m resulting in an underspend of £2.09m. The underspend is due to enabling works delay which impacted on the project timetable. From this, slippage of £2.2258m is requested for Affordable Homes to fund the enabling works for two sites. Based on this slippage being approved, the 2022/23 budget can be reprofiled to 2023/24. Offsetting this, the overspend on the

Tower and Ashbourne project of £0.168m will be offset to reduce the 2022/23 programme budget.

9.13.9 In addition to the slippage from 2021/22, a review of projects originally budgeted for 2022/23 has clarified that a number of these are now anticipated to be delayed into 2023/24. It is therefore advisable that at the same time as adjusting for slippage from the prior year, a reprofiling of 22/23 budgets into 23/24 is undertaken to avoid having to report excessive capital underspends through the year when an updated profile is recognised. This will also reduce the amount requested for slippage from underspends in a year's time. The adjustments proposed are set out in Appendices Gii (General Fund) and Hii (HRA). These result in £16.497m being slipped for the General Fund and £15.374m for the HRA. This is a significant reduction in the capital programme for 2022/23 compared to the budget but is considered to be appropriate in light of the Council's current circumstances. **Cabinet are requested to approve these changes to reflect a more suitable profile of budget and reduce slippage requested at the end of the year**. Appendices Gii (General Fund) and Hii (HRA) set out the commentary on individual projects but is predominantly due to two factors. Firstly projects for which the start date is later than originally assumed for the budget (e.g. Stoke Road TVU junction and A4 Safer Roads) and a number no longer expected to start this year. There are also a number of schemes which without external grant funding will not be undertaken and so while these have been slipped into 2023/24 for now, when the next full capital programme budget refresh is undertaken for the next 5 year plan, these will be reassessed as to whether they can be undertaken in 2023/24 or postponed until funding can be identified.

10 Flexible Capital Receipts Strategy

10.1 There is no Transformation Fund available in 2022/23 as all capital receipts from the disposal of assets will be applied towards the reduction of Council borrowing.

11 Dedicated Schools Grant

11.1 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.

11.2 Slough's original deficit management plan was shared with the DfE in July 2021. The management plan indicated that the deficit could potentially grow to £43m by 2024/25 if no mitigating actions were taken. Action is now being taken to reduce this significantly and it is anticipated that the annual in year deficit will be eliminated by 2025/26

11.3 The recent history of the DSG deficit has been an outturn position in 2020/21 that 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 proactive actions taken since May 2021 an overspend of £4.9m was achieved, a reduction of £2.3m when compared to last year's position. This and the forecast position in 2022/23 of a £3.393m overspend has taken place due to increased leadership and focus on this area, additional scrutiny and improved panel processes. The majority of the deficit in 2021/22 is as a result of pressures on the High Needs Block and can be summarised as follows:

Table 13: DSG Outturn 2021/22

Area of spend	Amount (£m)
Planned place funding	0.3
Top-up funding within in-borough settings	1.8
Special school top ups	2.4
Out of borough	0.2
Early Years	0.2
Total overspend	**4.9**

11.4 The DSG forecast for 2022/23 is a deficit of £3.393m, against grant funds of £77.064m, after taking account of mitigations identified as part of the Council's DSG Management Plan. The overspend can be attributed to the pressures from the High Needs (HN) Block, which mainly relates to increased demand for out of borough SEN placements and places at Special schools and a failure to address the issues in previous years.

Table 14 – DSG Forecast 2022/23

Block	Revised Budget 2022/23	Forecast Position 2022/23	Variance	Cumulative Surplus/ Deficit
	£'000	£'000	£'000	£'000
Schools Block	37,960	37,573	(387)	(268)
High Needs Block	23,619	27,399	3,780	29,243
Early Years Block	14,461	14,461	0	(110)
CSS Block	1,024	1,024	0	(2)
Total	**77,064**	**80,457**	**3,393**	**28,863**

11.5 The projected in-year deficit for 2022/23 is much reduced from the deficit of £4.855m in 2021/22, reflecting the ongoing work by officers to turn the deficit situation around.

11.6 The cumulative DSG deficit is forecast to rise from £25.5m to £28.9m by 31 March 2023, which is mainly due to the overspend on the High Needs Block.

11.7 In response to the growing pressure on the DSG as a result of increasing demand on the High Needs Block, the DfE undertook a consultation seeking to clarify the accounting arrangements. The government response was published on 30 January 2020 which set out a number of regulatory changes.

11.8 The Local Authorities (Capital Finance and Accounting) (England) Regulations were amended to require any deficit on a local authority's DSG account to be carried forward to be funded from future DSG income unless permission is sought from the secretary of state for education to fund the deficit from general resources. The change in regulation only applies to financial years beginning on 1st April 2020, 1st April 2021 and 1st April 2022.

11.9 It is not yet clear whether this change in regulations will continue in subsequent financial years. If it does not continue and based on the Council's deficit projections, the financial position would worsen by an additional £43m and therefore it is imperative that the pressures are managed in an appropriate and effective way.

11.10 In order to address the pressures being faced, the following governance structure was implemented to ensure there is oversight of the delivery of the DSG Action Plan:

- 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 11.8

- SEND 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 and Adult Social Care. This Board provides challenge and oversight of the DSG Management Plan and links to improving SEND outcomes and reports up to the SEND Strategic Board.

11.11 Options reviewed and implemented by the DSG Finance Group set up by the Director of Finance (S151) to reduce the in-year deficit include:

- ➢ Collaborative work is being undertaken with the local Clinical Commissioning Group (CCG) and care partners, to establish stronger working relationships. There is a local tripartite panel in place to make decisions around joint funding – SBC are requesting review of the ToR and decision-making processes, resolution of funding disputes, and future developments.

- ➢ The authority is currently reviewing the local offer for Alternative Provision (AP), to ensure that we secure sufficient places to meet our statutory 6-day provision for P-Ex pupils, and to work with providers to develop a traded model over time to support schools in identifying how best to purchase any additional AP interventions.

- ➢ Review of bandings to encompass a blended approach of top-ups and fixed costs will support with cost-effective commissioning, as LA can plan around mostly static costs in our IB maintained special schools.

- ➢ Our commissioning approach will be to develop cost-effective commissioning of places from OOB maintained special and independent non-maintained special schools to ensure we have sufficient, good quality, affordable places to meet the needs of all children and young people with SEND in SBC, throughout all phases.

- Capital investment initiatives have been used to support the expansion of two resource bases in primary sector, and development of one new resource base in secondary sector, to meet growing demand for specialist provision supporting ASD and complex needs

11.12 Furthermore, the Council is currently in discussion with the DfE in relation to participating in its safety value programme.

11.13 Council officers have met with the DfE, and a series of workshops have taken place over July and August to review the DSG management plan in more detail as part of the Safety Valve programme. Meetings to discuss the Management Plan with the DfE will continue until February 2023 as a minimum. The Council will be required to submit an initial proposal for addressing the in-year deficit by 13 January 2023 with the final proposal required by 3 February 2023 and notification of approval expected in March 2023.

11.14 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. Once the agreement is reached, the Council will be required to submit quarterly monitoring reports in which progress towards reaching and sustaining an in-year balance on its DSG account, as set out in the agreement, should be demonstrated.

12 Maintained Schools

12.1 There are 2 main pressures on school budgets in 2022/23: the National Insurance Health and Social Care levy and increases in energy costs. The DfE have allocated schools a supplementary grant to cover these additional costs. Maintained primary and secondary schools are receiving this grant to cover both these new burdens while maintained nursery schools are only receiving grant to cover the additional costs of the national insurance costs.

12.2 In 2023/24 the schools supplementary grant will be included in the DSG allocations through the schools block and the early years block.

12.3 The maintained schools of Slough Borough Council are projecting a retained balances position of £5.465m as at 31 March 2023. This compares to a closing position at March 2022 of £9.555m. Within this projection, 4 of the 16 schools are expecting to be in deficit at March 2023, with a combined deficit of £0.647m. Appendix F sets out the balances position by school and which schools are currently or projecting to be in deficit. The schools are required to produce a recovery plan which sets out how they will return to a balanced position within a three-year period. Council officers and Schools Management Resource Advisors (funded by the DfE) are working with the schools to ensure that these plans are produced, are considered to be robust, and are monitored to follow progress against the plans.

13 Pensions

13.1 Currently the Council is paying annual employer contributions to the pension fund of £14.3m comprising normal contributions of £9.3m and deficit funding contributions of £5.0m.

13.2 At the last triennial funding valuation the Council's pension fund funding level was 78% of total liabilities representing a deficit of £74.7m at 31 March 2019. The Council's strategy to address the deficit has been to make lump sum contributions to meet the deficit over 20 years.

13.3 The deficit contributions agreed in the 2019 valuation were below those recommended by the actuary as set out below.

Table 15 – Pension deficit contributions

Year	Deficit Contributions		
	Recommended	Actual	Under charge
	£m	£m	£m
2020/21	4.4	3.5	(0.9)
2021/22	6.9	4.3	(2.6)
2022/23	6.5	5.0	(1.5)
	17.8	**12.8**	**(5.0)**

13.4 A pension funding deficit is similar to a loan in that it comprises principal in the form of the deficit at the valuation date (£74.7m at 31 March 2019) and interest to be incurred over the recovery period. By setting deficit funding contributions £5m less than the actuarial recommendation, this will have incurred an additional £4.3m over the above triennial period.

13.5 Based on the current strategy, the Council will need to pay the pension fund £181m of deficit contributions by 2039/40 to clear the deficit. The deficit contributions include £106.3m of interest over the recovery period.

13.6 If the Council were to make an additional deficit contribution of £99m in 2024/25 this would eliminate the need to make deficit contributions. This would save the Council £51.9m in interest over the 16 years 2024/25 to 2039/40. This is £51.9m more beneficial than paying off MRP, which does not generate a revenue saving. For 2024/25 this would save the Council £5.0m per annum in deficit contributions, which is more than one third of the target annual revenue budget savings of £14m. This matter is being explored at the moment

13.7 A key risk from making additional contributions to the pension fund is from adverse investment market movements resulting in falls in asset values. Whilst this would imply that the funding level would decline, in practice the future value of liabilities tends to reduce in parallel, thus mitigating the effect of falls in market prices.

13.8 Currently the pension fund is being subject to the next triennial funding valuation based on data at 31 March 2022. Preliminary results from the Pension Fund indicate an improvement in the funding level of the pension fund overall. Nonetheless, the actuary is still projecting a substantial funding deficit, which continue to require employers (including Slough Borough Council) to make ongoing deficit funding contributions. The above estimates will be updated when the actuarial results have been finalised between Berkshire Pension Fund and the actuary.

14 Implications of the Recommendations

14.1 Financial implications

14.1.1 The financial implications are contained within this report.

14.2 Legal implications

14.2.1 Section 31 of the Local Government Finance Act 1992 requires the Council to set a balanced budget at the start of each financial year.

14.2.2 Section 28 of the Local Government Act 2003 requires all local authorities to review actual expenditure against this budget on a regular basis during the year. Where it appears that there has been a deterioration in the financial position, the local authority must take such action as is necessary to deal with the situation.

14.2.3 The Secretary of State for Education made a direction under s.15 of the Local Government Act 1999 on 1 December 2021 (which has subsequently been updated). The Direction required an action plan to achieve financial sustainability and to close the long-term budget gap. The finance action plan was first reported to cabinet in September 2021 and has been regularly updated since. This report contains significant information on the work undertaken to achieve financial sustainability and to close the long-term budget gap, although the Council will still need a capitalisation direction for some years to come. In addition, the appointed commissioners have reserve powers to exercise the function of 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 of the budget and scrutinising all in-year amendments to annual budgets. The finance commissioner has been fully involved in the budgeting process and in reviewing in-year adjustments.

14.3 Risk management implications

14.3.1 In addition to the risks set out above given the level of financial uncertainty, emerging issues and the restricted financial resources available to the Council, there is clearly a risk that the revenue savings for 2022/23 will prove difficult to deliver. Realising the forecast outturn will be dependent on:

- achievement of in-year savings, across all directorates including the Children's company
- delivery of the transformation programme and associated planned savings in People Adults of £5.9m
- all other Departments delivering the savings put forward and absorbing any further emerging cost pressures

- ➢ the Capitalisation Direction being sufficient to cover on a permanent basis any deficits, shortfalls in savings delivery, new pressures, cost of living and economic impacts that may arise

- ➢ Government funding being made available should there be further waves of Covid which require council

14.3.2 To mitigate risks the Council is continuing to:

- ➢ engage in regular discussion with DLUHC regarding additional financial support through the Capitalisation Direction and other means

- ➢ prioritise preparation and audit of prior years' financial statements so that the historical financial position can be ascertained with certainty,

- ➢ move forward with the Finance Action Plan and strengthen financial management so that all Council functions and services operate within their approved budget on a consistent basis

- ➢ strengthen financial controls through the robust ECP process, procurement review board, and realignment of directorate budgets

- ➢ ascertain whether any additional savings can be implemented during the current financial year

- ➢ Apply Capitalisation Direction appropriately to offset adverse financial positions, having reviewed and challenged them first.

- ➢ Report the current position regularly to all forums.

14.4 Environmental implications

14.4.1 None

14.5 Equality implications

14.5.1 There are no identified equality implications from this report. Equality impact assessments will be completed for new savings proposals.

14.6 Procurement implications

14.6.1 None

14.7 Workforce implications

14.7.1 None

14.8 Property implications

14.8.1 Delivery of savings depends in some directorates on asset disposals, as reported to Cabinet on 21 June and 20 September 2021.

15 Background Papers

- Revenue Budget Report, March 2022 Full Council
- Capital Strategy, March 2022 Full Council
- S114 Notice, July 2021 Full Council

Sign off procedure (NOT TO BE INCLUDED IN PUBLISHED REPORT)

Statutory Officers: (*Finance and legal colleagues should be involved in projects etc from start of the work so that all financial and legal implications can be fully considered throughout. Minor reports should be provided to legal and finance 5 days before Executive Board meeting)*

Approved by or on behalf of s.151 Officer

Name:
Date:

Approved by or on behalf of Monitoring Officer

Name:
Date:

Approved by Executive Board:

Date:

Other officers consulted (consult officers as appropriate):

Procurement:

Name:
Date:

Equalities:

Name:
Date:

Communications:

Name:
Date:

Lead Member consulted:

Name:
Date:

Ward Councillors notified: YES/NO

Call in waived by Chair of Overview & Scrutiny: YES/NO (for completion by Democratic Services)