SLOUGH BOROUGH COUNCIL

REPORT TO:	Cabinet
DATE:	21 November 2022
SUBJECT:	Financial Update Report – 2022/23
CHIEF OFFICER:	Steven Mair, Executive Director Finance and Commercial (Section 151 Officer)
WARD(S):	ALL
PORTFOLIO:	Cllr Anderson. Lead Member for Financial Oversight and Council Assets
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 – HRA Forecast
E – Virements
F – School Balances

1 Summary and Recommendations

1.1 This report sets out:

- the forecast monitoring position as at month 6 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 6 (P6, 30 September 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.

Overall Capitalisation Direction

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 note the following:

- 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 £7.322m across service areas, comprising a shortfall on in-year savings after mitigations of £4.309m against the total target of £19.958m, and including the loss set out in the latest SCF business plan of £5.175m. 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 the revenue budgets as presented in this report assume that the virements as set out in Appendix E have been approved;

- that the General Fund Capital Programme is forecasting an underspend of £0.700m at a spend of £27.955m;

- that the HRA is forecasting a contribution to the HRA reserve of £1.827m, a £0.850m adverse variance against budget;

- that the HRA Capital Programme is forecasting on budget at a spend of £10.720m;

- that the DSG balance is forecast to be a cumulative deficit of £27.290m by the end of this financial year with plans to reduce the in-year movement to a balanced 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.

Reason

1.4 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.

1.5 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.

1.6 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 target. 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.

1.7 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.

1.8 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

1.9 The Commissioners have reviewed the report, agree with the contents and approve the virements noted in the report and Appendix E.

2 Forecast outturn – P4 2022/23

2.1 General Fund (GF) Forecast Outturn

2.1.1 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.

2.1.2 The Council's forecast shows a slight improvement on P4 with a £7.3m overspend on service area budgets (P4: £7.6m), 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.

2.1.3 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 after £1.6m of mitigations; 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 £1.2m partially mitigating the above. It must be noted that the forecast does not yet take account of the pressures and challenges faced by the Temporary Accommodation service, which is undergoing further review and analysis and so at this stage has only been reflected as an estimated risk at £1m.

2.1.4 The table below sets out a summary of the variances by directorate and key budget lines. Commentary can be found in section 3. In addition to the above variance of £7.3m, there are risks of £2.772m and opportunities of £0.672m which may arise subject to review, decisions or actions but have not yet been integrated into the core forecast.

2.1.5 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 E to this report and Appendix I to the P4 monitoring report.

Table 1 – General Fund Revenue Forecast P6 2022/23 – by Directorate

	Current Budget	Forecast Outturn	Full Year Variance	Risks	Opps
Directorate	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
People (Adults)	28,441	28,441	-	962	(500)
People (Children) excl. SCF	7,754	7,789	35	200	-
Slough Children First Contract	31,435	36,875	5,440	-	(122)
Place & Community	11,540	14,896	3,356	1,100	(50)
Chief Operating Officer	20,261	18,895	(1,366)	510	-
Finance & Commercial	8,787	8,644	(143)	-	-
Service Total	**108,218**	**115,541**	**7,322**	**2,772**	**(672)**
Corporate Budgets	83,434	53,135	(30,299)	-	-
Expenditure Total	**191,652**	**168,675**	**(22,977)**	**2,772**	**(672)**
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)**	**(168,675)**	**22,977**	**2,772**	**(672)**
Balanced budget position	**-**	**-**	**-**	**2,772**	**(672)**

Table 2 - General Fund Revenue – P6 2022/23 year to date position

	Budget Year to Date	Actual Year to Date	Variance
Directorate	**£'000**	**£'000**	**£'000**
People (Adults)	14,220	14,860	640
People (Children) excl. SCF	3,877	1,465	(2,412)
Slough Children First Contract	15,717	17,520	1,803
Place & Community	5,769	2,755	(3,015)
COO	10,130	9,638	(492)
Finance & Commercial	4,394	17,009	12,615
Service Total	**54,107**	**63,247**	**9,139**

2.1.6 The year to date position as set out above shows the actuals recorded in the general ledger against budget for the first six 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 3 below against each directorate, with further detail at a service level in Appendix Aii.

3 Forecast Outturn 2022/23 – Service commentary

3.1 People (Adults)

3.1.1 The Adults directorate is forecasting at P6 to be in line with the budget of £28.441m at the year end. Although the expectation is for all savings to be delivered in the current financial year, there is approximately £1.578m shortfall in financial benefits that is forecast to occur in the current year due to delays in commencing some of the projects. This is offset by other variances noted below and the projects are expected to provide a full year effect in 2023/24.

3.1.2 At a service level, there are underspends being reported in Commissioning (£0.620m), Community Team for People with Learning Disabilities (CTPLD) (£0.090m), and the Safeguarding Partnership Team (£0.111m). There is also an underspend within Adults Management (£1.431m) which mitigates the pressures in areas including Localities Social Work (£1.669m) and Mental Health (£0.583m).

3.1.2 Reablement, Rehabilitation and Recovery (RRR) & Long-Term Occupational Therapy (OTs) is expected to deliver on budget.

3.1.3 In Commissioning, the underspend of £0.620m 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.

3.1.4 CTPLD is forecasting a £0.090m underspend, of which £0.210m is staff related, again primarily due to vacancies. Despite the increased provision for transitions activity (young people needing care support transferring to adult care), there is a risk of unexpected activity materialising by year end. There is currently an underlying net overspend of £0.120m in client related expenditure. Ongoing analysis is being undertaken to help identify any opportunities for joint funding and cost management. 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.

3.1.5 Reablement, Rehabilitation and Recovery (RRR) & Long-Term Occupational Therapy (OTs) (nil variance) 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 £0.111m is projected primarily due to staff vacancies.

3.1.6 A £1.669m overspend within the Localities Social Work area is attributable to £0.752m staffing overspend due to combination of £0.172m overspend in Transformation & Business Admin, where there is insufficient budget, and £0.572m on using agency staff to cover critical vacancies. A £4.3m underlying increase in placement budgets is being offset in the forecast by £2.5m of savings anticipated to be delivered to mitigate this in-year, and which is in the process of being delivered and verified; £0.460m adjustment for D2A expenditure to be funded by Health. Additionally, there is £1.136m overspend forecast in income, however further budgetary alignment is required to ensure the variance reflects the operational arrangements. The overspend has been mitigated by £0.236m underspend in Direct Payments (recoupment) and applying £1.600m one-off non-recurrent funding. There is a low risk, estimated at £0.962m, that some of the savings relating to activity management and practice changes may not generate the benefits to the service however, this is being monitored and managed as part of the budget management discussions.

3.1.7 The Mental Health Service is projecting an overspend of £0.582m of which £0.867m relates to packages of care and £0.303m relates to Direct Payments. Every effort is being made to deliver further efficiencies by year end through improved demand management and care management planning, this is expected to help mitigate the outturn pressure by approximately £0.500m by year, however this is not yet within the forecast but treated as an opportunity. In addition, underspends in staffing of £0.324m and Income of £0.264m should contribute towards an improved position by year end.

3.1.8 The £1.430m underspend within Adults management is due in large part to external government grants.

3.1.9 Public Health expenditure is from a ringfenced grant and is projecting a balanced 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, and a virement is to be proposed to reflect this dependency on the grant. No issues have been identified in this regard.

3.1.10 Although the year to date expenditure compared against budget shows an overspend of £0.640m, in line with underlying full year projections, there are material adjustments for both income and expenditure that are yet to be processed.

3.1.8 Overall, 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 is being delivered outside the Transformation programme. Adults are currently projecting that their savings initiatives will all be on target to complete and deliver in the year, however there is a shortfall of **£1.578m** forecast in financial benefits for 2022/23. These projects are projected to deliver the full year equivalent in 2023/24.

3.2 People (Children)

3.2.1 The People (Children) directorate is forecasting an overspend position for 2022/23 of £0.034m, excluding the impact from the contract with Slough Children First which is referenced further below.

3.2.2 Children's Centres and Family Hub report an **overspend of £0.025m.** This is due to the delay in the project to re-model our 10 children's centres. Although the overspend has improved since period 4 due to additional staff vacancies within the service which has mitigated most of the shortfall in the savings target for 2022/23, some of these are one-off savings and not ongoing. 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.

3.2.3 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.

3.2.4 The year to date position as set out reflects an underspend of £1.120m which is expected to reverse in due course. For Schools Services, there are payments of some £0.411m 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 (£0.373m) and Inclusion (£0.217m) are yet to be called on; and outstanding recharges for Education Standards Service will be actioned later in the year (£0.184m).

3.2.5 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.

3.3 Slough Children First Contract

3.3.1 The core contract between the Council and the company is budgeted at £31.435m for the year. The company is projecting a loss of £5.175m in 2022/23, based on the latest (July) version of their business plan which is yet to be approved by the Council, and which includes investment costs. The P6 forecast excluding investment costs is a loss of £4.710m. This projection 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. The business plan assumed a spend to save investment ask of circa £1.285m, aimed at reducing future years' costs in Early Years and Prevention, is approved and incurred in the year. The council has approved a request of £0.343m which when added to the underlying forecast will result in a forecast loss of £5.053m. This potential variation to the business plan projection is reflected as an opportunity of £0.122m.

3.3.2 The change in the company's own forecast (£4.710m) from last month is a worsening of £0.810m which reflects the removal of (£500k) Public Health income, (£100k) of additional placement expenditure, (£284k) pressure in salaries and (£84k) in overheads, offset by a reduction in expected legal fees of £148k

3.3.3 The company's 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 plan also includes additional investment of £1.285m which forms part of the £5.175m loss that is intended to reduce costs in future years. Given the deterioration of the forecast the company is approaching this level of loss without incurring any additional investment. Further details on savings shortfall are set out in Appendix B, but the shortfall is included within the loss projected per above.

3.3.4 In the forecast, the transformation funding anticipated from DfE has been removed, reflecting a £0.990m shortfall. This is offset by assumed increases in income from the Home Office for UASCs and other grant income, such that income overall is projected to be £0.688m adverse to budget. Safeguarding and family support is forecasting an adverse variance of £1.115m, reflecting the continuation of the Innovate teams to manage high caseloads throughout the year, compared to the funding ending in June. Additional family support costs, which include assessment costs as an alternative to residential, interpreting and S17 support have been high to date, with weekly support costs being reviewed.

3.3.5 Children Looked After and Support Services is forecast with a £2.409m adverse position due to increased numbers and higher weekly rates of children in looked after placement settings compared to lower numbers in foster care at rates which are lower. A contributor to this position being overspent is the 16-25year old accommodation project which received no viable bids initially, although discussions are progressing with an existing provider to provide a number of more affordable beds.

3.3.6 Heads of Service has a forecast £0.765m adverse to budget, predominantly based on the level of activity in Children in Need (CIN), Child Protection Plans (CP) and Children Looked After (CLA) driving the level of legal advice and assuming the high levels of costs for disbursements are included based on past year trends.

3.3.7 There are a number of other under and overspends in other service areas, including a £0.115m underspend on the fostering agency (reflecting, among other factors, edge of care services diverting children out of care or remaining at home), an underspend on Corporate expenditure of £0.167m and an underspend on Transformation of £0.492m.

3.3.8 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 and progress needs to be seen in line with the business plan.

3.3.9 In the year to date, the company is reporting a loss of £2.417m, which is £1.803m adverse to budget excluding the invest to save costs pending approval. This is comprised of an underachievement on income of £0.736m and an overspend on costs of £1.067m. Within income, £0.495m of the loss relates to the removal of transformation funding from the DfE, with other income being the remaining £0.241m. Strengthening Families income is now profiled as per budget and no longer a year to date variance, with this catch up accounting for £308k of the favourable income movement in month. Health remains behind budget expectation (£305k) year to date. Public health contributions remain in the year to date profile and will show an adverse movement next month.

3.3.10 Spend to date is £1.067m adverse to budget year to date, with the main variances against placements, care leavers and staff costs. As the Innovate Teams are continuing but unfunded past June, there is an unbudgeted variance of £0.5m for the 2 teams, offset by £0.1m for vacancies. Placement costs are £0.4m adverse to budget; volumes are now slightly above expectations, the mix of placement setting is driving higher cost through a higher number in residential and independent settings. Care leavers costs are £0.4m adverse to budget with both volumes and rates higher than budgeted. Volumes are up due to UASC numbers while negotiations continue with a view to reducing rates in respect of the 18+ tender.

3.4 Place and Community

3.4.1 The Place & Community directorate is forecasting an overspend of £3.356m against a budget of £11.540m. This assumes that the recurrent issues embedded in the 2021/22 outturn have been 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 of £1.007m, an unachievable budgeted cost recovery surplus of £1.376m on Highways and increased costs on CCTV maintenance and repairs, coupled with reduced incomes, of £0.135m. These overspends are offset by additional income of £0.180m from garden waste collection and underspends of £0.810m on staffing costs due to unfilled vacancies.

3.4.2 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 used 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 alongside an impact on the HRA of an additional £866k. Subject to future prices, this should reduce in the future as council assets are disposed of and energy consumption reduces.

3.4.3 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 recurrent 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, taking account of the recent establishment restructure.

3.4.4 The forecast overspend is based on issues anticipated as being over and above issues arising in 2021/22 and addressed by the CD but this will be kept under review through the above budget realignment process.

3.4.5 Asset Management is forecasting an overspend of £1.869m, arising because the Highways programme of work is lower than originally budgeted and therefore the budgeted cost recovery surplus is unachievable (£1.376m), together with a variance of £0.492m (part of the overall £1m energy pressure) arising due to spiralling energy costs.

3.4.6 Environmental Services is forecasting an overspend of £0.342m. The main reason for the overspend is due to the pressure on energy costs of £0.785m because of the energy crisis (part of the overall £1m energy pressure). This is offset by savings on staffing costs of £0.263m due to unfilled vacancies and £0.180m additional income from garden waste collection which will be implemented from November of this year.

3.4.7 The Infrastructure service is reporting an underspend of £0.638m. The underspend is due to energy costs allocated to Infrastructure being lower than budget. The energy budgets are due to be realigned to allocate them according to where the costs are being incurred.

3.4.8 Place Strategy is forecasting an overspend of £1.645m 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 floor space is not now expected to take place and is unlikely to be achieved in future years unless the Council moves out of the building (subject to the disposal strategy). Energy cost increases result in a budget pressure of £0.345m (part of the overall £1m energy pressure).

3.4.9 Localities and Neighbourhoods is reporting an overspend of £0.211m. 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. This is offset by underspends of £0.318m resulting from current vacancies in the service.

3.4.10 Learning Skills & Employment service is reporting a projected underspend of £0.230m arising from current vacancies, partially offsetting the above pressures.

3.4.11 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.

3.4.12 Opportunities reported of £0.050m relate to additional parking income arising from the Thames Valley University site. There are risks within the accommodation service of an estimated £1.000m relating to Temporary Accommodation and the potential increase in costs from demand growth which was not built into budgeted pressures. The projection and assumptions will continue to be worked on as detail on the actual growth and trend in household numbers is not currently available. Within Planning, there are further risks flagged amounting to £0.100m, relating to the need for in-year funding for the next Local Plan for which the business plan is being prepared, and a potential shortfall on digital advertising revenue against target.

3.4.13 The year-to-date analysis for Place indicates an underspend of £3.015m 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 £1.456m. 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 £3.224m. Offsetting this would be recharges to the HRA for expenditure incurred to date – this would add to the underspend by £0.889m. This then would result in an adjusted position of an overspend of £1.597m, which is comprised of £0.867m non-achievement of savings (OH rent and leisure mgmt. fee), offset by other net variances of a favourable £0.89m. Energy costs are only showing an overspend of £0.096m compared to the year-to-date budget and the overspend is expected to have been much higher 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 reasonable based on the year to date.

3.4.14 Following a consultation the Directorate returned to being two Directorates, namely Property & Housing and Place & Communities, on 7 October 2022. Group Manager service portfolios and cost centres are to be realigned and relabelled to enable ease of understanding, with virements on a net-nil basis (ie with no change to the combined budget envelope) to correct budgetary alignment across cost centres and across account codes. This will provide a more coherent, accountable and better understood structure from which to drive efficiencies and service improvements.

3.5 Resources – Combined Finance & Commercial and COO Position

3.5.1 The year-end forecast position as at period 6 is an underspend of £1.509m against the budget of £29.047m. Since the appointment of the Chief Operating Officer, service areas have been allocated between COO and Finance & Commercial under the S151 Officer. These budgets have therefore now been 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 or within the two directorates in future reports.

3.6 Chief Operating Officer Directorate

3.6.1 The Chief Operating Officer directorate has been allocated £20.261m from the original Resources directorate and is projecting an underspend for the full year of £1.366m. This is spread across the departments with underspends in IT (£0.833m), HR (£0.324m), Democratic Services (£0.198m), Business Services (£0.133m), Strategy & Innovation (£0.044m) and Communications (£0.058m). Overspends are anticipated across Customer Services (£0.195m) and Electoral Services (£0.029m).

3.6.2 IT is projecting an underspend of £0.833m. The variance is directly attributable to delays in the restructuring of the service coupled with challenges in attracting and recruiting staff of the necessary calibre. 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. The figure excludes an additional carry forward request of £0.510m to fund extra projects that were delayed in 2021/22. Approval of the carry forward request is not automatic and will be considered by commissioners in due course if put forward. If the carry forward request for this addition is approved, the outturn underspend will be revised and reduced to £0.323m for the current year.

3.6.3 HR is projecting a favourable variance of £0.324m due to vacancies within the HR service arising from the delay in the restructure with a knock-on effect of a consequent delay in the training programme. There are plans to progress recruitment to the vacant posts to build resilience to support the wider organisation moving forward. In Democratic Services, the reported underspend of £0.198m 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 £0.044m is due to an underspend on the Chief Executive

Officer salary budget as a consequence of the function being undertaken by a Commissioner for part of the year.

3.6.4 In Communications, the underspend of £0.058m 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. The service is looking into reducing printing machines as part of the current cost cutting strategy across the council.

3.6.5 Business Service is forecasting an underspend of £0.133m. The significant improvement from P4 reported figures (being £0.296m overspend) arises from a projection of extra income of £0.122m, additional recharge from the Slough Children First SLA of £0.197m, business rate reduction of £0.068m, £0.028m decrease in overtime expenses and £0.014m improvements across the wider service. Within the budgets, there is a pressure in Building Management from business rates and running costs at St Martin's Place (£0.352m), for which the budget had previously been removed as a budget saving. However, underspends from in-year vacant and unfilled posts and increased income generated have offset 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. This service will be transferring out of COO to the new Housing directorate in due course.

3.6.6 Customer Services are projecting an overspend of £0.195m. 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(£0.117m), and an increase in recharge to the HRA (£0.010m).

3.6.7 The Electoral department is presently reporting a budget pressure of £0.020m, mainly due to printing and postage in Elections £0.009m, and computing licences in Electoral Registration of £0.009m.

3.6.8 In respect of the year-to-date position, COO is showing a net underspend of £0.492m. This aligns with reported underspends in the forecast position across the directorate as well as delays in the current IT modernisation programmes spend which will be carried forward into next financial year.

3.6.9 The forecast underspend of £1.366m does not incorporate a carry forward request to fund £0.510m of delayed expenditure on IT projects from 2021/22. If this roll-forward is agreed, then the risk reported of £0.510m would be realised and the forecast underspend revised down to £0.856m.

3.7 Finance & Commercial

3.7.1 The Finance & Commercial directorate has been allocated £8.787m from the original Resources directorate and is projecting an underspend for the full year of (£0.143m). This is spread across the departments with underspends in Revenue and Benefits of (£0.094m) and in Commercial of (£0.087m), while an overspend is currently projected in Financial Governance - Investigations of £0.038m.

3.7.2 Revenue and Benefits are currently underspending by £0.094m arising from vacancies within the service. The service is currently experiencing challenges in recruiting staff due to neighbouring boroughs offering higher remuneration for similar posts. Also, there is a probability that the service underspend might be higher as some of the extra funds given to the service from the CD funds are still unspent. The Service manager is preparing a schedule of planned expenditure and a request for carry forward to fund delayed projects. All carry forward requests are not automatic approvals and are subject to formal approval.

3.7.3 In the Commercial Service, the forecast underspend of £0.087m arises from delays in the restructure team restructure with RSM procurement staff transferring in-house imminently.

3.7.4 The overspend in Financial Governance - Investigations (£0.038m) is down to legacy income from court proceeds which is not expected to be delivered £0.033m and the rest from overspend on staffing.

3.7.5 In the year to date, Finance & Commercial is showing an overspend against budget of £12.615m. There is a variance of £9.768m in Revenues & Benefits. This arises from the quarterly returns done by the service following which grants can be drawn down from the balance sheet to offset spends in the revenue account. There is also a £0.862m variance in Operational Finance due to expenditure on the Covid Winter Grant and Lateral Flow Testing. The respective grant income is yet to be applied. Strategic Finance has also £1.375m overspend which predominantly relates to agency spend yet to be recharged to the relevant services across the borough. 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.

3.7.6 The Resources directorate is currently forecasting to deliver against all its 2022/23 savings targets amounting to £2.823m. The savings splits into Chief Operating Officer (COO) £1.772m and Finance & Commercial (FC) £1.051m.

3.7.7 A £0.025m virement in P6 of IT budget has been made to transfer to the Place directorate. For further details see Appendix E.

3.8 Corporate Budgets

3.8.1 A forecast underspend of £30.299m has been projected as at P6. The majority of this underspend is due to the release of costs 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.

3.8.2 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.

3.8.3 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. The pay settlement should be known soon, at which point this will be distributed to service areas to cover the cost uplift.

3.8.4 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 half 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.

3.8.5 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 been adjusted in order to offset the £7.327m deficit projected across service areas, the cost of living 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.

3.9 Funding

3.9.1 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 3 – Collection Fund estimate 2022/23

Collection Fund	Budget £'000	Actuals £'000	Forecast £'000	Variance £'000
Council Tax	(65,402)	(36,377)	(65,402)	0
Business Rates	(28,875)	(16,150)	(31,375)	(2,500)
Total	**(94,277)**	**(52,526)**	**(96,777)**	**(2,500)**

4 Forecast Outturn commentary – by Cabinet Portfolio

4.1 The summary of the forecast analysis by lead member portfolio recasts the above variances as follows:

Table 4 - General Fund Revenue Forecast P6 2022/23 – by Portfolio

	Current Budget	Forecast Outturn	Full Year Variance	Risks	Opps
Portfolio	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Council Recovery, Forward Strategy, Economic Development	2,743	2,473	(270)	-	-
Children's Services, Lifelong Learning & Skills	39,993	45,238	5,245	-	(122)
Customer Services, Procurement & Performance	15,456	14,401	(1,055)	510	-
Financial Oversight & Council Assets	2,093	4,048	1,955	-	-
Housing & Planning	4,083	4,083	-	1,100	-
Leisure, Culture & Community Empowerment	43	254	211	-	-
Public Protection, Regulation & Enforcement	(1,084)	(927)	157	-	-
Social Care and Public Health	28,441	28,441	-	962	(500)
Transport & The Local Environment	16,450	17,530	1,080	-	(50)
Service Total	**108,218**	**115,541**	**7,322**	**2,772**	**(672)**

4.2 The variances are explained in detail in the above service area commentaries, so the explanations by portfolio are in summary form below. A more detailed breakdown of the portfolio budgets, forecasts and variances by service area are set out in Appendix Aiii, and the analysis of performance against savings is set out in Appendix Bii.

4.3 Council Recovery, Forward Strategy, Economic Development - £(0.270)m

- Communications £(0.057)m – in-year staff vacancies in addition to cancelled events and citizenship newsletter, offsetting the pressure from under-recovery on printing recharge income due to reduced internal printing volumes.
- Democratic Services £(0.198)m – vacancies due to challenges in recruiting to the team
- Governance £0.029m – a projected overspend in the Elections department due to printing, postage and licences in electoral registration.
- Strategy & Innovation £(0.044)m – underspend on the CEO office due to the role being covered on a part-time interim basis

4.4 Children's Services, Lifelong Learning & Skills - £5.245m

- Children's Centres/Family Hubs £0.026m – due to the delay in the project to re-model the 10 children's centres. Although the overspend has improved since period 4 due to additional staff vacancies within the service which has

mitigated most of the shortfall in the savings target for 2022/23, some of these are one-off savings and not ongoing.
- Learning, Skills & Employment £(0.230)m – staff vacancies
- Slough Children First £5.440m – see section 3.3 above for extensive commentary

4.5 Customer Services, Procurement & Performance - £(1.055)m

- Customer Services £0.195m – 18 additional interim staff in place to improve response rates, mitigated by staff vacancies and reduced telephony costs
- HR £(0.324)m – vacancies in the service, delay in the restructure and consequent underspend on training programme
- IT £(0.839)m – delays in the restructure, challenges recruiting calibre staff. Potential carry forward request of £0.510m to be spent from 2021/22 on the modernisation programme, if agreed could result in a reduced underspend risk of this amount.
- Commercial £(0.087)m – delay in the team restructure and recruitment with RSM staff transferring in-house

4.6 Financial Oversight & Council Assets - £1.955m

- Asset Management £0.492m – higher than budgeted energy costs
- Place Strategy £1.645m – unachievable rental income target at Observatory House of £1.3m, and higher energy costs of 0.345m
- Business Support £(0.126)m – Costs on St Martin’s Place for which budget was previously removed £0.352m, offset by additional income from SCF service level agreement recharge, reduced business rate for the current year, some posts held vacant and reduced spend on overtime
- Financial Governance £0.038m – income from court proceeds not meeting expectations
- Revenues, Benefits & Charges £0.094m – due to staff vacancies within the service
- Also, Corporate Budgets (£30.593m) – as set out in more detail earlier in this report, release of Capitalisation Direction budgets to offset other pressures or not required, in addition to increased income from the collection fund and budget settlement, whilst creating allowances for cost of living pressures that are anticipated may arise.

4.7 Leisure, Culture & Community Empowerment - £0.211m

- Localities & Neighbourhoods £0.211m – pressure of £0.529m on the leisure management fee, offset by underspends of £0.318m from current vacancies

4.8 Public Protection, Regulation & Enforcement - £0.157m

- Public Protection £0.157m – increased costs on CCTV maintenance and repairs

4.9 Social Care & Public Health - £0m

- The variance on this portfolio exactly matches the People (Adults) directorate for which the commentary is set out in detail earlier in this report (see 3.1 above)

4.10 Transport & The Local Environment - £1.080m

- Asset Management £1.377m – arising because the Highways programme of work is lower than originally budgeted and therefore the expected income is unachievable
- Environmental Services £0.342m – pressure on energy costs of £0.785m due to energy price rises. This is offset by savings on staffing costs of £0.263m due to unfilled vacancies and £0.180m additional income from garden waste collection which will be implemented from November.
- Infrastructure £(0.639)m – the budget pressure relating to increased energy costs of £1m was allocated to this service and not spread across all areas evenly, hence an underspend appears after accounting for the service position on this.

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.

5.2 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.

5.3 The Council's borrowing outstanding at 30 September 2022 was as follows:

Table 5 – Council borrowing outstanding

Type	31 March 2022		30 September 2022	
	£000	£000	£000	£000
Temporary Borrowing		343,500		285,000
Long Term Debt				
Market Loans	8,000		8,000	
Other	5,000		5,000	
PWLB HRA	115,841		115,841	
PWLB non HRA	249,569		245,082	
Total Long-Term Borrowing		378,410		373,923
Total Borrowing		**721,910**		**658,923**

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

5.5 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 were around 1.1% at the beginning of the year. Temporary borrowing rates are forecast to increase to an average of 3.8-4.2% by the end of 2022/23.

5.6 Since the last Financial Update, the availability of temporary borrowing from other local authorities has significantly reduced. Therefore a 3 year £40m maturity loan from the PWLB has been taken out. This reduces the interest rate risk by fixing the rate for three years and reduces the risk from the reduced availability of temporary borrowing. The interest on the PWLB loan is expected to be equivalent of the forecast temporary borrowing rates.

5.7 The Council's investments and cash balances outstanding at 30 September 2022 were as follows:

Table 6 – Investments and Cash balances

Type	**£000**	**£000**
Santander Business Reserve Account		4,000
Aberdeen Liquidity Fund	10	
Legal & General Fund	10	
Federated Prime Rate Cash Fund	335	
Morgan Stanley Fund	2,500	
Total Money Market Funds		2,855
Lloyds Bank Group Account Balances		2,483
Total Investments and Cash at 31 September 2022		**9,338**

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

Table 7 – Loans to other entities

	£000s
James Elliman Homes	51,700
SUR LLP - senior debt	2,585
SUR LLP - loan notes	3,427
GRE 5 Ltd	10,000
Slough Children First Ltd	5,000
St Bernards School	67
Total advanced	**72,779**

5.9 The continued 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.

5.10 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 £13.572m, together with £2.077m of mitigations within Adults and SCF amount to a total delivery of £15.649m (or 78%) and a shortfall of £4.309m.

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 3 repeated beneath for convenience:

Table 8 – Savings Programme Summary 2022/23

Directorate	Savings Target £'000	Forecast Delivery £'000	Savings at Risk £'000	Savings Mitigations £'000	Residual Gap £'000
People (Adults)	5,900	4,322	1,578	1,578	**-**
People (Children)	1,109	832	277	-	**277**
Slough Children First Contract	2,673	(29)	2,702	499	**2,203**
Place & Community	7,453	5,624	1,829	-	**1,829**
COO	1,772	1,772	-	-	**-**
Finance & Commercial	1,051	1,051	-	-	**-**
Total Savings/ Budget Programme	**19,958**	**13,572**	**6,386**	**2,077**	**4,309**

6.3 People (Adults) are currently projecting that their savings actions will all be complete and delivered by the end of the year, both for the suite of savings relating to the transformation programme (£4.771m), comprised of a number of proposals, and the other additional savings put forward (£1.129m). However, there is a shortfall of **£1.578m** forecast in financial benefits for 2022/23. These will be mitigated as noted above. These projects are projected to deliver the full year equivalent in 2023/24.

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 £2.702m adverse variance to the target before mitigations. 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 £2.673m 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, comprising negotiations on contract reductions (£0.141m), reductions in S17 expenditure on statutory services following investment in Early Help (£0.079m), and additional Strengthening Families and COMF funding (£0.279m).

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 Chief Operating Officer (COO) directorate are projected to be on target with their £1.772m saving.

6.8 The Finance & Commercial (FC) Directorate is currently forecasting to deliver against all its 2022/23 savings targets amounting to £1.051m.

7 Capitalisation Direction 2022/23

7.1 As discussed in the P4 monitoring report, 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 9 – 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	(1,784)		(242)	515	(1,509)	(548)
Cost of living and savings pressures	3,000					3,000
Settlement funding - costs provided	(3,358)					(3,358)
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)**	**-**	**5,475**	**3,356**	**(1,509)**	**(32,799)***

* Includes £2.5m which is reported under Funding in Table 1

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 10 – 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 budget presented in period 6 has been restated to align with the approved budget by full Council in March 2022. The HRA net budget for 2022/23 is a credit of £2.677m (net contribution to HRA Reserves).

8.2 The HRA is currently forecasting a net contribution to reserves of £1.827m as at P6. This represents a reduction of £0.850m in the potential contribution to the HRA Reserve at year end.

8.3 An underspend of £0.324m is projected on the Repairs and Maintenance budget. This is premised on a supply side constraint i.e. inability of the supplier to fully resource all its projects in this financial year.

8.4 The proposed salary uplift proposed to unions would create a pressure of £0.158m on the staffing budget. Other pressures include the cost of agency and temporary staff supporting the implementation of the new Housing Management System. The cost is unbudgeted as the original 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 and contributions from HRA Reserves.

8.5 The nationwide increase in energy cost is projected to create a pressure of £0.750m though this will be partly mitigated by some of the underspends mentioned above.

8.6 An overspend of £0.167m in interest payable cost is projected based on the actual amount paid in 2021/22.

8.7 An underspend of £0.200m in depreciation charges is projected based on the actual amount paid in the last financial year.

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

8.9 A detailed table on the HRA revenue forecast position is set out in Appendix D.

9 Capital Programme

9.1 The 2022/23 capital budgets have been restated for slippage as approved in the P4 monitor. The revised General Fund capital budget is £28.655m.

9.2 The breakdown of this budget by project is provided in Appendix Ci. The forecast is 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 11 – General Fund Capital Programme 2022/23

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	1,220	(511)
Place	26,693	26,511	(182)
General Fund Total	**28,655**	**27,955**	**(700)**

9.3 The council is currently forecasting a gross expenditure of £27.955m, creating a variance of £0.700m against the revised gross budget, as set out in Appendix Ci.

9.4 In Place, a forecast underspend of £0.182m is currently projected. This is due to some projects being on hold or for which the timetable of works have been updated which may result in some of the works being staggered into 2023/24. For instance, £1.100m of the £8.500m earmarked for the Nova House cladding works will not be spent this year. Some of the works relating to Sutton Lane Gyratory will slip to 2023/24 hence a £1.780m underspend. The ‘Stoke Road TVU Junction’ project has experienced delays so £0.250m of the earmarked £2.500m will not be spent this year. Other 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 of funding will be returned to Salix, and £0.090m on the cemetery extension which will not be required once the defects period has expired. The Old Library Site development has £0.185m slippage from the prior year but will cost £0.537m to conclude and so will overspend by £0.352m. This overspend will be offset from the sales proceed of some of the apartments when completed. There is a further £0.025m spend on the Community Investment Fund which was unbudgeted but committed. Due to a miscommunication, the Slough Station (Stoke Road) project with a budget of £2.950m was assumed to commence in 2023/24 and so the budget slipped, but has now started and is expected to be completed in this financial year. This therefore offsets the other underspends against budget to derive a net underspend for the directorate of £0.182m.

9.5 In Children’s, a forecast underspend of £0.511m is projected. The projects with variances are: a £0.172m underspend on Primary Expansions due to delays in ongoing discussion with SUR; a £0.200m underspend on ‘Special School Expansion – Primary, Secondary & Post 16’ due to revised timetabling of works, and £0.150m underspend on the Secondary Expansion Programme due to delays in resourcing the project. A £0.011m overspend on SEN Resource Expansion will arise as there is no budget for the project in 2022/23.

9.6 In Adults, a forecast underspend of £0.007m is projected. This represents the residual amount from the Learning Disability Programme budget. No further expenditure is envisaged on this project. The Suitable Home Ownership for people with Learning Disability project is being forecast to budget.

Table 12 – HRA Capital Programme 2022/23

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

9.8 The Council's HRA capital budgets have been restated for slippage as approved in P4 monitor. The revised HRA capital budget is £10.720m. The breakdown of this budget by project is provided in Appendix Cii. A summary of the budget and forecast position is set out in Table 12 above and shows a nil variance.

9.9 The Repairs, Maintenance and Improvements (RMI) Capital Programme is expected to hit its target in terms of completing the programme. This includes boiler replacements, kitchen and bathroom replacements, communal wiring upgrades, fire risk assessments etc. There are some reallocations of budget lines within this category as set out in Appendix Cii, with more planned for kitchens, bathrooms and electrical systems and less spend planned for garage and environmental improvements.

9.10 The Planned Maintenance Capital programme is being forecast to budget. This covers works such as roof replacements, door entry system 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. Both projects are forecast to budget having been reprofiled at P4.

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 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 £4.7m was achieved, a reduction of £2.5m when compared to last year's position. This and the forecast position in 2022/23 of a £1.820m 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	1.6
Special school top ups	2.4
Out of borough	0.2
Early Years	0.2
Total overspend	**4.7**

11.4 The DSG forecast for 2022/23 is a deficit of £1.820m, 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 in 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	25,826	2,207	27,670
Early Years Block	14,461	14,461	0	(110)
CSS Block	1,024	1,024	0	(2)
Total	**77,064**	**78,884**	**1,820**	**27,290**

11.5 The projected in-year deficit for 2022/23 is much reduced from the deficit of £4.732m 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 £27.3m 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 11.11

- 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 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 allocated schools a supplementary grant to cover these additional costs and since then it has been announced that the NI increase will be rescinded from November 2022, limiting the impact on schools and the energy cap will be reviewed in March 2023. 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 in 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 Since the previous Financial Update Report, the actuary has published draft results from the March 2022 actuarial valuation which shows a significant improvement in the funding level from 77.3% in 2019 to 86.3% in 2022. This is a £22.7m reduction in the funding deficit from £73.8m to £51.1m. The Council's strategy to address the deficit has been to make lump sum contributions to meet the deficit over 18 years.

13.3 Because the funding deficit has reduced, the actuary has recommended reduced deficit contributions compared with the current level for 2022/23 as set out below. The total of £14.120m is a £1.009m reduction on the 2022/23 contribution rate.

Table 15 – Pension deficit contributions

Year	Deficit Contributions	
	Recommended	Reduction compared with 2022/23
	£000s	£m
2022/23 - current contribution	5,043	
Proposed deficit contributions:		
2023/24	4,530	(513)
2024/25	4,700	(343)
2025/26	4,890	(153)
	14,120	**(1,009)**

13.4 However at the same time the actuary has recommended an increase in the primary contribution rate from 15% to 17.2% of pensionable pay. The primary contribution rate is the rate for benefits earned in the current year. The increase in the primary contribution rate reflects:

- increasing inflation which drives up pension liabilities; and
- falling investment returns which reduce the value of pension assets.

13.5 A pension funding deficit is similar to a loan in that it comprises principal in the form of the deficit at the valuation date (£51.1m at 31 March 2022) and interest to be incurred over the 18 year recovery period. The interest is estimated to be circa £72.5m based on previous information from the pension fund. This would result in the Council paying total deficit contributions of £123.6m over the recovery period.

13.6 If the Council were to make an additional deficit contribution of circa £55m in 2023/24 this would eliminate the need to make deficit contributions. Based on the deficit contributions in Table 15, this would save the Council an average of £4.7m per annum. This is more beneficial than paying off MRP. This matter is being explored with Royal Berkshire Pension Fund 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.

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 The Council’s financial recovery plan is heavily dependent on delivery of the asset disposal strategy. The scale and rate of asset disposals has the following implications:

- the quantum of capital receipts which can be generated by the Council, which can then be applied to reduce external borrowing and fund the Capitalisation Direction;
- this in turn generates cash savings from reducing the interest charges on external borrowing;
- generates budget savings by reducing the Capital Financing Requirement and thus reducing the level of MRP which benefits the revenue budget.

14.8.2 In addition as part of the asset disposal strategy there is a review of the Council’s asset portfolio to ensure that it is appropriate to deliver services to residents going forward. This in turn is expected to result in a rationalisation of the asset portfolio which will in turn generate savings in operational budgets from reduced maintenance, heating, lighting and capital investment.

15 Background Papers

- Revenue Budget Report, March 2022 Full Council
- Capital Strategy, March 2022 Full Council
- S114 Notice, July 2021 Full Council
- Period 4 Financial Update Report, September 2022 Cabinet

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)