SLOUGH BOROUGH COUNCIL

REPORT TO:	Cabinet
DATE:	27 February 2023
SUBJECT:	Financial Update Report – P9 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 Cabinet 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 9 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 9 (P9, 31 December 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 ongoing and complete delivery of all savings as projected 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 has been substantial ongoing work and cleansing required to date in order to get the budgets at a service level to approach 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 further refinement will be needed on an ongoing basis to ensure the budget sits precisely where needed.

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 considered to be 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 £24.2m. 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 following:

- that the fully-funded capital scheme proposed to make efficient use of the DfT grant to a projected value of £1.943m as set out in paragraph 9.5 of this report be added to the capital programme

- the virements as set out in Appendix E.

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 £4.256m across service areas, comprising a further anticipated ask from SCF for contract funding support of £2.760m, shortfalls on savings initiatives within Council directorates of £2.1m and a range of other broadly offsetting under and overspends. This position is then balanced through an improvement in the collection fund position, underspends in Treasury and corporate budgets and the use of capitalisation;

- that the General Fund Capital Programme is forecasting an underspend of £2.633m at a spend of £26.022m;

- that the HRA is forecasting a surplus and contribution towards capital funding and HRA reserves of £2.604m, a £0.073m adverse variance against budget;

- that the HRA Capital Programme is forecasting to underspend against budget by £3.761m;

- that the DSG balance is forecast to be a cumulative deficit of £27.108m by the end of this financial year, reflecting an in-year deficit of £1.638m, 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 £6.478m, with 4 out of 16 schools expecting to be in deficit with an aggregate deficit of £0.741m.

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, risks in supplier resilience and continuity 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 are content with this report.

2 Forecast outturn – P9 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 reduction in the overspend on service area budgets to £4.3m (P6: £7.3m). This reflects a revision in the presentation on the SCF contract following Cabinet approval of £1.515m in additional contract payments relating to 2022/23 and which has accordingly been loaded into the budget for the contract. The latest review of company projections indicates that a further request for retrospective funding relating to 2022/23 of £2.760m will come forward in 2023/24 and this is now forecast as the overspend to the agreed contract budget.

2.1.3 Further changes include the recognition of commercial rent reductions as a consequence of the asset disposal programme of circa £0.8m, a shortfall in the projected income from parking of £0.6m and £0.3m from a reduced level of benefits overpayments being collected. These are offset by reduced expenditure on concessionary bus fares of £0.3m, a reduction in the cost of energy to the general fund of £0.3m, early delivery of the garden waste subscription service and staff underspends across Place and Strategy & Improvement.

2.1.4 The above service variances are offset by an improved collection fund position of £2.5m, underspends in Treasury Management and other corporate budgets of £1.3m, and the utilisation of £0.5m from the CD in order to balance the budget. It should be noted that this still leads to a total dependency on capitalisation of just over £60m, i.e. that Council expenditure is projected to exceed its income and funding sources by this amount, and that the budget is only balanced by means of a capitalisation direction of circa £60m for the year.

2.1.5 Table 1 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 service variance of £4.3m, there are risks of £1.6m and opportunities of £0.750m which may arise subject to review, decisions or actions but have not yet been integrated into the core forecast.

2.1.6 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.

Table 1 – General Fund Revenue Forecast P9 2022/23 – by Directorate

	Current Budget	Forecast Outturn	Full Year Variance	Risks	Opps
Directorate	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
People (Adults)	28,768	28,768	-	949	(700)
People (Children) excl. SCF	8,046	8,126	80	200	-
Slough Children First (SCF) Contract	32,950	35,710	2,760	-	-
Place & Community	18,924	19,481	557	-	(50)
Housing & Property	(2,642)	(31)	2,611	500	-
Strategy & Improvement (formerly COO)	17,519	15,925	(1,594)	-	-
Finance & Commercial	7,996	7,838	(158)	-	-
Service Total	**111,561**	**115,817**	**4,256**	**1,649**	**(750)**
Corporate Budgets	77,849	51,877	(25,972)	-	-
Expenditure Total	**189,410**	**167,694**	**(21,716)**	**1,649**	**(750)**
Council Tax	(65,103)	(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	(4,626)	(4,626)	-	-	-
Funding Total	**(105,355)**	**(107,855)**	**(2,500)**	**-**	**-**
Capitalisation Direction	(84,055)	(59,839)	24,216	(1,649)	750
Total	**(189,410)**	**(167,694)**	**21,716**	**(1,649)**	**750**
Balanced budget position	**-**	**-**	**-**	**-**	**-**

Table 2 - General Fund Revenue – P9 2022/23 year to date position

	Budget Year to Date	Actual Year to Date	Variance
Directorate	**£'000**	**£'000**	**£'000**
People (Adults)	21,577	26,163	4,586
People (Children) excl. SCF	6,036	5,187	(849)
Slough Children First contract	23,576	23,576	-
Place & Community	15,030	11,595	(3,435)
Housing & Property	(2,538)	(20)	2,517
Strategy & Improvement	13,139	10,636	(2,503)
Finance & Commercial	6,821	13,972	6,971
Service Total	**83,641**	**90,929**	**7,287**

2.1.6 The year to date position as set out above shows the actuals recorded in the general ledger against budget for the nine months of the year to date. 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 a nil variance at P9, against a revised budget of £28.768m at the year end. This is the same as reported in P6. Although the expectation is for all savings to be delivered in the current financial year, there is approximately £0.916m 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 service level, there are underspends being reported in Commissioning (£0.838m), Reablement, Rehabilitation and Recovery (RRR) & Long-Term Occupational Therapy (OTs) - (£0.047m), Adults Management (£0.151m) and the Safeguarding Partnership Team (£0.211m). These underspends mitigate the pressures in areas including Localities Social Work - £0.513m, Community Team for People with Learning Disabilities (CTPLD) - £0.396m, and Mental Health - £0.337m.

3.1.3 In Commissioning, the underspend of (£0.838m) is due in the main to staff vacancies of (£0.595m) plus (£0.243m) government grant yet to be allocated, which will be redistributed into the care & support budgets, in line with the grant conditions.

3.1.4 CTPLD is forecasting a £0.396m overspend, due primarily to an underlying net overspend of £0.752m in client related expenditure, offset by underspend of £0.367m in staffing due to vacancies. The ongoing Transformation programme is expected to deliver further efficiencies to help manage expenditure by year end. Approximately £0.380m of the client pressure is due to Transitions clients, where insufficient provision was allocated during the 2022/23 budget setting process.

3.1.5 Although the Reablement, Rehabilitation and Recovery (RRR) & Long-Term Occupational Therapy (OTs) is forecasting £0.047m underspend; it is funded from the Better Care Fund and any underutilisation or additional call on the fund will be managed as part of the wider Adults financial management process. The Safeguarding Partnership Team underspend of £0.211m is projected primarily due to staff vacancies.

3.1.6 The Localities Social Work area is projecting an overspend of £0.513m, of which £0.984m is due to net client expenditure, being mitigated by an underspend of (£0.475m) in staffing. There is a risk, estimated at £0.949m, that some of the savings relating to 2022/23 are not deliverable due to underlying demand pressures from hospital discharges, however these are being managed as part of the budget management discussions with an opportunity for further efficiencies of £0.300m by repurposing grant funding to activity to support hospital discharge.

3.1.7 The Mental Health Service is projecting an overspend of £0.337m of which £0.783m relates to packages of care and £0.055m relates to Direct Payments. Further opportunities for efficiencies through improved demand management activities and care management planning have been identified, this could help mitigate the outturn pressure by approximately £0.400m by year end, which is not yet within the forecast. In addition, underspends in staffing of £0.491m and additional income of £0.021m are contributing towards mitigating the overspend.

3.1.8 The £0.151m underspend within Adults Management is due in large part to external funding to support pressures in other service areas.

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 has been undertaken to reflect this redistribution of the grant.

3.1.10 Although the year-to-date expenditure compared against budget shows an overspend of £4.586m, there are material accounting adjustments for grant income yet to be received or processed including £1.759m for BCF (Better Care Fund) and £1.799m for PH (Public Health). Additionally, the council's accrual accounting arrangements compensates for usual payment lag on expenditure items, which are also accounted for in the projections.

3.1.11 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 but monitored within 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 £0.916m 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 £0.080m, excluding the impact from the contract with Slough Children First which is referenced further below.

3.2.2 Children’s Centres and Family Hub overspend of £0.040m and is due to the delay in the project to re-model our 10 children’s centres. 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. This has had an impact on the directorates savings plans for 2022/23 and will mean the service will be overspent at the end of the financial year.

3.2.3 The Team responsible for children with Special Educational Needs and Disability (SEND) are forecasting a £0.283m overspend due to recruiting permanent members of staff and having to use more expensive agency staff to fill the gaps and here have been £0.060m of unexpected legal costs relating to 2021-22 charged to this financial year.

3.2.4 The contract with the Regional Adoption Agency is forecasting a £0.071m overspend as there is insufficient budget to meet higher contract costs.

3.2.5 School Services is forecasting a £0.232m underspend which relates to the home to school transport service which is seeing reduced expenditure following policy changes from the start of the 2022/23 academic year and writing back of accruals relating to 2021/22.

3.2.6 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 £0.200m 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.

3.2.7 The year to date position as set out reflects an underspend of £0.849m which is expected to reverse in due course. For Schools Services, there are payments of some £0.200m 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 outstanding recharges for Education Standards Service will be actioned later in the year (£0.184m).

3.2.8 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 was originally budgeted at £31.435m for the year but following decisions to uplift the contract payment in respect of 2022/23, this now stands at £32.950m. This incorporates a virement for uplifts of £0.343m agreed by Cabinet in September, and £1.172m agreed in December 2022. There was also a further payment agreed retrospectively in respect of 2021/22 which will be paid by SBC in order to assist SCF with its cashflow position but will be reflected back into SBC's 2021/22 accounts. The company's December forecast now reflects a deficit, even after the above agreed uplifts, of £4.136m. Of this, it is expected that a further contract variation with the Council is anticipated of £2.760m which is reflected in the forecast outturn of the council in Table 1 above. The balance of the deficit is not reflected as this will remain with the company.

3.3.2 Given the recent change in Chief Executive of the company, the business case of the company will be under review. Looking ahead to 2023/24 therefore, the budget will be set at a level which ensures sufficient cashflow for the company until a revised business plan can be developed. The forecast of the contract payment for 2022/23 will remain at the payment that has been agreed, and a virement put in place to amend the budget accordingly. Subject to further work on the business plan, the £5m loan previously advanced to the company would not be able to be repaid for some time and may be at risk of irrecoverability.

3.3.3 The company's own forecast now reflects a deficit in year of £4.136m, with expenditure of £44.370m compared to total income of £40.234m. Expenditure is £4.818m higher than budget, mitigated by the additional income agreed with the Council (£1.515m) less lost DfE Transformation income of £0.990m. The main drivers of the adverse variance in expenditure are Safeguarding & Family Support (£1.186m), Children Looked After and Support Services (£3.455m), and Heads of Service (£0.759m), mitigated by savings against Transformation of £0.455m.

3.3.4 In the company 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 core contract, the Home Office for UASCs and other grant income, such that income overall is projected to be £0.683m favourable to budget.

3.3.5 Safeguarding and family support is forecasting an adverse variance of £1.186m, 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.

3.3.6 Children Looked After and Support Services is forecast with a £3.455m 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. There are high volumes of UASC and the threshold number of 43 has been reached with 46 under 18s in the cohort. No further UASC are being accepted by the company through the national transfer scheme at this stage, and one has been transferred to another authority.

3.3.7 Heads of Service has a forecast £0.759m 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. Legal fees make up £0.585m of the variance.

3.3.9 If the company does continue to overspend in the way currently projected, the increased losses may ultimately fall to the Council, as SCF 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 Spend to date is now £4.225m adverse to budget year to date, with an overall deficit of £4.675m but does not reflect any of the additional income agreed with the Council. Income is consequently £1.156m over budget in the year to date. Staff and agency costs combined are over budget by £1.142m, due to the Innovate Teams continuing unfunded past June, offset by vacancies in other teams. Placement costs are £1.066m adverse to budget; average volumes are now over budget by 6 and weekly rates higher than budget by £46. There have been 3 new high-cost residential placements, including one parent and child placement and 8 additional UASCS placed into care in December. Care leavers costs are £0.5m adverse to budget with both volumes and rates higher than budgeted. Volumes are up due to UASC numbers while negotiations continue with a local provider with a view to reducing rates.

3.4 Place and Community

3.4.1 The Place & Community directorate is forecasting an overspend of £0.557m against a budget of £18.925m. The variance spread across the departments consists of overspends of £2.730m with underspends of £2.173m. The main operational variances which are driving this overspend are non-delivery of savings (£0.520m leisure management fee), an overspend in the anticipated cost of energy bills attributable to the General Fund of £0.692m, a shortfall in Parking income of £0.642m, an overspend of £0.214m in Parks & Open Spaces due to an income target from S106 receipts and partner contributions which is no longer deliverable and partner contributions and other pressures amounting to £0.662m. These overspends are offset by underspends of £1.489m on staffing costs due to unfilled vacancies, £0.343m reduction in payments to bus companies for concessionary fares because of reduced services offered by the bus companies on behalf of SBC, additional income of £0.178m from garden waste collection, and other underspends amounting to £0.163m.

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 £0.692m, which is reflected in Place's forecast alongside an impact on the HRA of an additional £0.536m. The overspend is due to elevated costs of gas and electricity as a result of the war in Ukraine. Subject to future prices, this should reduce in the future as council assets are disposed of and energy consumption reduces.

3.4.3 Asset Management is forecasting an overspend of £0.107m due to unachievable recharge income in the Contracts Management service. The forecast includes use of £1.9m from a DfT capital grant to mitigate the pressure on Highways which was previously reported because of the budgeted cost recovery surplus on the Highways programme. The approach to taking advantage of the grant is an early application of a saving proposal being put forward for the 2023/24 budget. The spend will instead be reported through the capital programme with further commentary in the capital section of this report.

3.4.6 Environmental Services is forecasting an underspend of £0.293m. The main reason for the underspend relates to £0.329m saving on salaries due to vacancies and additional income of £0.178m from the garden waste subscription. This is offset by an overspend of £0.214m in Parks & Open Spaces resulting from an income target from S106 receipts and partner contributions which is no longer deliverable.

3.4.7 Place Management is forecasting an overspend of £0.571m. This is made up of an overspend on Energy costs of £0.692m due to the on-going energy crisis and an unachievable sponsorship income target on Economic Development of £0.173m. This is mitigated by underspends on staffing of £0.219m due to unfilled vacancies and an underspend of £0.076m on transport related expenditure costs.

3.4.8 Localities and Neighbourhoods is projecting an overspend of £0.112m. The main reason for the overspend is a pressure of £0.520m on the leisure management fee which was renegotiated for 2022/23 in light of the pandemic. This is offset by underspends of £0.408m resulting from current vacancies in the service.

3.4.9 Learning Skills & Employment service is forecasting an underspend of £0.533m arising from current vacancies, partially offsetting the above pressures.

3.4.10 Public Protection is projecting an overspend of £0.084m arising on CCTV.

3.4.11 The Infrastructure service is reporting an overspend of £0.509m. The main reasons for this are a shortfall in Parking income of £0.642m due to increased compliance in on-street parking and bus lane enforcement and increased civil enforcement contract costs of £0.299m relating to a significant increase in inflation. This is offset by underspends in the payment to bus companies for concessionary fares of £0.343m and in Highways amounting to £0.089m.

3.4.12 The savings target for Place for 2022/23 amounts to £ 4.551m, against which a shortfall of £0.520m leisure management fee is set out above. All other savings are currently expected to deliver in full.

3.4.13 Opportunities reported of £0.050m relate to additional parking income arising from the Thames Valley University site.

3.4.18 The year-to-date analysis for Place indicates an underspend of £3.435m. However, there are material accounting adjustments which would need to be considered. Firstly, there is income received in advance from grants amounting to £1.194m currently reflected which needs to be deferred to a later period. Other adjustments include depreciation £0.515m and non-achievement of savings £0.285m. Accrual accounting arrangements are in place to consider payment on expenditure items whereby invoices have not all come through yet and this has been reflected in the forecast. At this stage therefore the forecast appears reasonable based on the year to date.

3.5 Housing, Property & Planning

3.5.1 Housing, Property & Planning Directorate has been newly formed and was carved out of the Place directorate. Work is ongoing to get the directorate set-up in Agresso (SBC’s financial system) though efforts have been made to manually create the budget position for the new directorate as at period 9.

3.5.2 The Housing, Property & Planning Directorate has been allocated a net credit budget of £2.642m and is forecasting an outturn of £0.031m credit balance. This represents a projected overspend for the full year of £2.611m. The main variances straddle Accommodation (£1.105m), Planning (£0.141m), Place Strategy (2.060m), and Business Services (£0.253m). An underspend of £0.947m is forecast within Place Delivery and this is due mainly to unfilled vacancies.

3.5.3 In Accommodation, the forecast overspend of £1.105m is primarily in the Temporary Accommodation area and reflects national trends. In Slough there are now estimated to be around 610 households in temporary accommodation and this represents an increase of around 155 since the start of the financial year. The increased numbers have added around £0.730m in net costs and existing landlords have increased nightly costs of accommodation by around 10% during the first few months of the year resulting in an increase in forecast net costs of circa. £0.170m. The minor housing benefit adjustment results in a pressure of £0.170m while £0.030m is due to late invoices relating to the last financial year. There is a risk of £0.5m assigned to temporary accommodation above the £1.105m reported overspend while the trend and data on volumes is being understood. This is being monitored on a regular basis to ascertain if it will materialise.

3.5.4 The projected overspend of £0.141m in Planning is due mainly to a reliance on contract staff in Building Control as the service has struggled to attract permanent staff due to market conditions and competition for resource. There has also been an underachievement of land use charge income.

3.5.5 In Place Delivery, a projected underspend of £0.947m is due to unfilled vacancies within the service and some posts that were filled in the last quarter of the year.

3.5.6 Place Strategy is forecasting an overspend of £2.060m. This emanates from an unachievable savings of £1.3m on rent for letting floors within Observatory House. A rental income target was set on the assumption that the Council would rent out floor space in Observatory House pending a decision on sale of the building or further rental of space. £0.760m is the further shortfall in commercial rent expected this year due to commercial properties being sold in line with the Council's asset disposal programme.

3.5.7 Business Services is forecasting an overspend of £0.253m. The pressure arises from an overspend on the Bouygues contract of £0.400m as final invoices and payments are clarified, a decline of £0.030m in venue hire income from Britwell Community Hub and £0.140m increase in maintenance and repairs costs. These pressures are partly offset by a virement of £0.329 budget to cover business rates which were put forward in a prior year as a budget saving. There are also underspends from in-year vacant and unfilled posts and increased income generated in other hubs to have reduced the above pressure to the current level. 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 Place directorate on longer term plans. Some of the overspend on the Bouygues contract may transfer into other directorate budgets as the cost drivers and recharges are clarified.

3.6 Strategy & Improvement (formerly Chief Operating Officer)

3.6.1 The new Strategy & Improvement directorate (formerly Chief Operating Officer) has been allocated £17.519m (following the transfer of the Business Services to Housing & Property) from the original Resources directorate and is projecting an underspend for the full year of (£1.594m) which is a favourable change of (£0.345m) from last reported figure. The movement is spread across Business Services (£0.106m), Democratic Services (£0.114m), HR (£0.090m), IT (£0.028), Strategy & Innovation (£0.084m) and added pressures of £0.064m in Elections and other net pressures of £0.013m. The main variance is spread across the departments with underspends in IT (£0.866m), HR (£0.391m), Democratic Services (£0.284m), Strategy & Innovation (£0.142m), Business Services (£0.150m) and Communications (£0.035m). Overspends are anticipated across Customer Services £0.181m and Electoral Services £0.093m.

3.6.2 IT is projecting an underspend of £0.866m. 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 assumed that a third of the extra staff approved as part of the restructure will be in post by Jan 2023 however this has not materialised hence the increase of £0.028m in the underspend. 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.

3.6.3 HR is projecting a favourable variance of £0.391m, an increase of £0.090m due to unfilled posts when recruitment of permanent staff yielded no positive results. The principal variance is 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 ongoing plans to progress recruitment to the vacant posts to build resilience to support the wider organisation's undertaking moving forward.

3.6.4 In Democratic Services, the reported underspend of £0.284m (also a favourable movement of £0.114m from last reported figures arising from delays in recruitment) 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 £0.142m is due to the chief executive position being undertaken by a Commissioner for part of the year.

3.6.5 In Communications, the underspend of £0.035m 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.

3.6.6 Customer Services are projecting an overspend of £0.181m. The main driver of this pressure is the extra 18 interim staff (£0.400m projected forecast till March 2023 against a budget of £0.030m) brought in to improve response rates. However, mitigating plans in place to offset this pressure are lower spend in the Telephony system (£0.060m), staff vacancy in the wider service(£0.165m), and an increase in recharge to the HRA (£0.010m) and other minor pressures amounting to £0.046m. The part of Business Service remaining with the Strategy & Improvement directorate (following the transfer of the greater part of the Business Service) is reporting an underspend of £0.150m arising from staffing vacancies of (£0.125m) and (£0.025m) increase in HRA recharge.

3.6.7 The Electoral department is presently reporting a budget pressure of £0.093m, mainly due to a new initiative to send out household notification letters (HNL) £50k for the forthcoming elections, printing and postage in Elections £0.018m, and computing licences in Electoral Registration of £0.021m and other minor pressures of £0.004m.

3.6.8 In respect of the year-to-date position, Strategy & Improvement is showing a net underspend of £2.503m. 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 Strategy & Improvement directorate is currently forecasting to deliver against all its 2022/23 savings targets amounting to £1.421m. The residual £0.351m of savings sits within the part of Business Services that has transferred across to Housing & Property.

3.7 Finance & Commercial

3.7.1 The Finance & Commercial directorate has a budget of £7.996m (including 2022/23 salary uplift and after viring £1.1m insurance contingency back to Corporate Budgets due to a CD revision) after separation out from the Resources directorate and is projecting an underspend for the full year of £0.158m, an unfavourable swing of £0.012m from figures last reported. The shift from last month is split into an adverse movement in Commercial of £0.049m, with a slight improvement in Revenue & Benefits of (£0.015m) and Financial Governance of (£0.022m). The core variance is spread across the departments with variances in Revenue & Benefits of (£0.166m), Commercial of (£0.009m) and £0.016m in Financial Governance - Investigations.

3.7.2 Revenue & Benefits are currently projected to underspend by £0.166m arising primarily from a shortfall in the collection of benefits overpayments of up to £0.300m and the increased use of overtime £0.134m, offset by the release of grant funding of £0.600m. Although the service is operating at full staff capacity with the use of interims to fill vacant posts, there is a need for overtime to clear the backlog. The service has experienced challenges in recruiting staff due to neighbouring boroughs offering higher remuneration for similar posts. The service manager is working on a restructure to address the issues within the service. The service has applied an unused one-off unringfenced grant of £0.600m to offset these pressures.

3.7.3 In the Commercial Service, the forecast underspend of £0.008m with an adverse shift of £0.049m arises from the delay in the restructure and the transfer of RSM procurement staff now transferred in-house.

3.7.4 The overspend in Financial Governance - Investigations (£0.016m) is down to legacy income from court proceeds which is not expected to be delivered (£0.034m) however a reduction in staffing costs of (£0.022m) has reduced the pressure. As referenced above, £1.1m is being vired back to Corporate Budgets as it has been established that an adjustment will be made to insurance balances in a prior year and hence this budget is no longer required in the Insurance department.

3.7.5 In the year to date, Finance & Commercial is showing an overspend against budget of £6.971m. There is a variance of £6.631m 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 an underspend variance of (£1.845m) in Operational Finance due to grant from the Contain Outbreak Management Fund which will be transferred back to the balance sheet. Strategic Finance also holds a £1.748m spend balance which relates to agency spend yet to be recharged to the relevant services across the Council. 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 Finance & Commercial (FC) directorate is currently forecasting to deliver against all its 2022/23 savings targets amounting to £1.051m.

3.8 Corporate Budgets

3.8.1 A forecast underspend of £25.972m has been projected as at P9. 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, amounting to £24.663m. Further to this, there is an underspend of £1.309m comprising of an expected over-delivery on treasury management of £0.520m and £0.789m of underspends on other corporate budget lines. 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, and improved cash flow monitoring, the minimum revenue provision (MRP) requirement for 2022/23 has been revised downwards creating an underspend of £11.312m. 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, other than to cover costs of around £0.195m, creating an underspend.

3.8.3 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. Of this, £2.242m was in respect of adult social care grant which is being vired across to Adults. The residual balance of c£3.4m has therefore been released as an underspend which thus contributes corporately to offset the overspends being reported in other service areas.

3.8.4 As planned and allowed for in the capitalisation direction, £5m accounted for as a contingency within the £84m anticipated capitalisation has been released as it is not expected to be needed. A further £1.1m in the original CD was expected in order to recreate the necessary insurance provision appropriate for the Council. An adjustment has since been applied to a prior year in the model and hence this provision is no longer required and has been released as unspent. The savings contingency of £2.3m has also been released in order to offset the known savings shortfalls which have materialised in the service areas and which are reported on elsewhere in this report.

3.8.5 Further allowances for costs envisaged in the Capitalisation Direction and which were anticipated would manifest through service budgets have been aligned with need, such as the negotiated staff settlement and contract inflation arising through the cost of living crisis and supplier pressures, and where appropriate they have been allocated to service areas as set out in Appendix E. The increases agreed by Cabinet in respect of the SCF contract in recent months (£1.515m in aggregate) have also been addressed through this mechanism. An amount still remains provided for in respect of inflation which will be carried forward into 23/24 if not fully utilised, along with the agreed £1m to be added into the general fund to build it further for the future resilience of the Council. The overall position on the capitalisation requirement continues to be kept under review as there may be further matters arising for which capitalisation may be required and so the amount released or utilised may need to be further flexed. By reducing the amount expected to be required, the draw on capitalisation will be reduced.

3.9 Funding

3.9.1 A 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 This is underway and will be released separately in due course.

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.

5.3 The Asset Disposal programme has yielded capital receipts of £173m to date and is forecast to yield £200m by the end of March 2023. Consequently, the Council is on track to reduce its exposure to temporary borrowing to £133.5m by the end of March and fully repay temporary borrowing by September 2023. This is two years ahead of forecasts made at the beginning of 2022.

5.4 Consequently the Council's borrowing outstanding at 31 March 2023 is forecast to be:

Table 4 – Council borrowing outstanding

Type	31 March 2022		31 March 2023	
	£000	£000	£000	£000
Temporary Borrowing		336,500		133,500
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		307,499	
Total Long-Term Borrowing		378,410		436,340
Total Borrowing		**714,910**		**569,840**

5.5 The forecast borrowing of £570m at 31 March 2023 remains well within the Council's operational boundary of borrowing of £757m.

5.6 Because repayment of temporary borrowing has been accelerated, whilst temporary borrowing rates have increased significantly overall to around 3.8%-4.2%, the reduction in borrowing means that the average interest rate payable by the Council is remaining around 1.51% from around 1.1% at the start of 2022/23. Interest on temporary borrowing has increased for the year by £1.3m but has been offset by an increase in investment income of £1m and the net position remains within £2m included in the Capitalisation Direction for interest rate rises.

5.7 The Council's investments and cash balances outstanding at 31 January 2023 were as follows:

Table 5 – Investments and Cash balances

Type	£000	£000
UK Debt Management Office		85,500
Aberdeen Liquidity Fund	10,000	
Insight Liquidity Fund	9,982	
Legal & General Fund	10,000	
Federated Prime Rate Cash Fund	10,000	
Morgan Stanley Fund	2,050	
Total Money Market Funds		**42,031**
Loans to other local authorities		5,000
Lloyds Bank Group Account Balances		306
Total Investments and Cash at 31 January 2023		**132,837**

5.8 The Council has authorised lending to third parties up to a cap of £90m. Currently the loans outstanding total £69m comprising:

Table 6 – Loans to other entities

Borrower	Balance outstanding at 31 January 2023
	£000
GRE5 Ltd	9,613
James Elliman Homes Ltd	51,700
Slough Children First Ltd	5,000
SUR – loan notes re Old Library Site	2,885
TOTAL	**69,198**

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 in line with proper accounting practice. 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 £5m 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 £13.891m, together with £1.203m of mitigations within Adults and SCF amount to a total delivery of £15.094m (or 76%) and a shortfall of £4.864m.

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 7 – Savings Programme Summary 2022/23

Directorate	Savings Target £'000	Forecast Delivery £'000	Savings at Risk £'000	Savings Mitigation £'000	Residual Gap £'000
People (Adults)	5,900	4,984	916	916	**-**
People (Children)	1,109	832	277	-	**277**
Slough Children First Contract	2,673	(351)	3,024	287	**2,737**
Place & Community	4,551	4,031	520	-	**520**
Housing & Property	2,253	1,953	1,300		**1,300**
Strategy & Improvement (formerly COO)	1,772	1,772	-	-	**-**
Finance & Commercial	1,051	1,051	-	-	**-**
Total Savings/ Budget Programme	**19,958**	**13,921**	**6,037**	**1,203**	**4,834**

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 **£0.916m** forecast in financial benefits for 2022/23. These will be mitigated as noted above in section 3. 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 £3.024m adverse variance to the target before mitigations. The full details of the savings proposals and shortfalls are set out in Appendix Bi. The net saving target of £2.673m included some pressures, hence the savings at risk being in excess of this. Mitigations of £0.287m have been identified in order to reduce the impact, comprising reductions in S17 expenditure on statutory services following investment in Early Help (£0.070m), and additional Strengthening Families and COMF funding (£0.217m).

6.6 Place is projecting a shortfall of £0.520m against the target of £4.551m. This is on the management fee contract with the Council’s leisure provider. This shortfall on the leisure management fee is crystallised as the management contract value for 2022/23 has been negotiated and confirmed.

6.7 Housing & Property is projecting a shortfall of £1.300m against the target of £2.253m. This is against rental income from Observatory House.

6.8 Strategy & Improvement (formerly COO) directorate are projected to be on target with their £1.421m savings.

6.9 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 Significant work has been ongoing through the recent MTFP and budget setting process to refine the CD workings both for the past, current and future years. The latest projection shows a significant reduction in the size of capitalisation anticipated to be required in respect of the 2022/23 financial year.

7.7 A summary of the change in use of capitalisation in respect of 2022/23 is as set out in the table below. This remains subject to change in light of the outstanding audits for prior years, final outturn for the year by Council services including savings delivery, and any significant emerging pressures:

Table 8 – Projected 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	4,773	3,708
Increase Reserve Levels	1,000	1,000	-
Companies	2,300	7,010	4,710
Incorrect capitalisation of staff costs	2,450	2,450	-
Minimum Revenue Provision (MRP)	28,985	17,673	(11,312)
Fund Redundancy Costs for 2 years	7,500	7,500	-
Emerging Pressures, Contingencies, and Provisions	31,755	19,602	(12,153)
Additional Capitalisation	5,000	-	(5,000)
Other forecast outturn variances	-	(169)	(169)
Total	**84,055**	**59,839**	**(24,216)**

8 HRA

8.1 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 £2.604m as at P9. This represents an increase of £0.777m when compared to the £1.827m reported in P6.

8.3 An underspend of £1.167m is projected on the Repairs and Maintenance budget. The underspend is mainly due to reduced expenditure on voids, electrical works, and lift maintenance work.

8.4 An overspend of £0.428m is projected on the Supervision and Management budget. 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 and contributions from HRA Reserves if required.

8.5 A pressure of £0.443m is reported against the Rent, Rates and Taxes budget. This emanates mainly from the nationwide increase in energy cost though this will be partly mitigated by some of the underspends mentioned above.

8.6 An overspend of £0.027m in interest payable cost is projected based on the estimated interest payable on all HRA loans.

8.7 Dwelling rent is forecast to exceed the budget by £0.028m at year-end.

8.8 Non-dwelling rent and service charge income are forecast to fall below the budget at year-end by £0.306m and £0.117m respectively. This is due to garage and shop rent being below the projected level and outstanding service charge income. There is an ongoing review aimed at ensuring debt recovery.

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

9 Capital Programme

9.1 The General Fund revised capital budget in 2022/23 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 9 – 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)	1,825	1,818	(7)
People (Children)	1,731	756	(975)
Housing, Property & Planning	11,084	9,682	(1,402)
Place	14,015	13,766	(249)
General Fund Total	**28,655**	**26,022**	**(2,633)**

9.3 The council is currently forecasting a gross expenditure of £26.022m, creating a variance of £2.633m against the revised gross budget, as set out in Appendix Ci.

9.4 The previous budget and forecast for Place Directorate has been split to reflect the Housing, Property & Planning Directorate that has been carved out of it. A forecast underspend of £0.249m is projected for the current Place Directorate. 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, some of the works relating to Sutton Lane Gyratory will slip to 2023/24 hence £1.822m underspend. Other projects with variances are: a £0.304m underspend on Flood Defence, a £0.320m overspend on Stoke Road TVU Junction, a £0.050m underspend on Burnham Station LEP which is not required, a £0.627m underspend on Langley High Street Improvements; £0.140m underspend on the decarbonisation scheme grant funded by Salix and for which the balance will be returned to Salix. The Old Library Site development has £0.185m slippage from the prior year but will cost £0.862m to conclude and so will overspend by £0.677m. 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. £0.103m earmarked as retention payment for LED Upgrade project is no longer required as fund exist for this within the retention payments account in the balance sheet.

9.5 An opportunity has been identified to mitigate some of the financial pressures faced by SBC by rebadging some qualifying revenue expenditure (£1.943m) against the Transport and Highways capital grant underspend from previous years which sits within the SBC balance sheet. This project has therefore been shown as added to the capital programme forecast but leaving the budget unchanged. This scheme is fully funded by the DfT grant and so places no financial pressure on the programme and creates no borrowing requirement to support it. The scheme was not set out in the original budget and so a recommendation has been included in this report to approve the addition of this initiative to the programme.

9.6 In Children's, a forecast underspend of £0.975m is projected. The projects with variances are: a £0.172m underspend on Primary Expansions due to delays in ongoing discussion with SUR; a £0.300m underspend on Schools Modernisation Programme due to delays in agreeing SBC energy projects with schools; a £0.340m underspend on 'Special School Expansion – Primary, Secondary & Post 16' due to revised timetabling of works, £0.145m underspend on the Secondary Expansion Programme due to delays in resourcing the project, and a £0.029m underspend on Haybrook College. 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, 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. The Disabled Facilities Grant project is being forecast to budget. This project has been moved from Place Directorate to Adults where it is better aligned with service activity.

9.8 In Housing, Property & Planning, a forecast underspend of £1.402m is projected. £1.1m of the underspend is due to rephasing of the cladding work at Nova House that will continue into 2023/24. Other projects with variances are: a £0.200m underspend on capital works based on stock condition surveys, a £0.068m underspend on Thames Valley University Site, a £0.1m underspend on Farnham Road Leisure Centre, and a £0.067m overspend on Britwell Hub Development.

Table 10 – 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	4,406	(896)
Planned Maintenance Capital	1,918	1,853	(65)
Affordable Homes	3,500	700	(2,800)
General Fund Total	**10,720**	**6,959**	**(3,761)**

9.8 The 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 an underspend of £3.761m. It is expected that the underspend will be requested to be rolled forward into 2023/24, at which point a review of plans in light of the 23/24 capital programme will be undertaken.

9.9 The Repairs, Maintenance and Improvement (RMI) Capital Programme is the largest proportion of the overall budget and includes boiler replacements, kitchen and bathroom replacements, communal wiring upgrades, fire risk assessments etc. Works orders have been issued to contractors for the full value of works as budgeted above. However, there have been delays in issuing the s20 notices to leaseholders to inform them of the expected contribution they are to make on the works to their premises and so the delays will lead to underspends. This is mostly reflected within garage and environmental improvements (£0.5m underspend), which also includes redecorations. Major aids and adaptations is the other main area of underspend at £0.211m below budget.

9.10 The Planned Maintenance Capital programme is being forecast slightly under budget by £0.050m. This covers works such as roof replacements, door entry replacements and structural works which have already been committed and it is expected they will mostly be fully delivered in this financial year with a small underspend expected on structural works.

9.11 The Affordable Homes Programme is made up of Tower and Ashbourne and other Affordable Homes projects. Both projects are forecast to underspend as the Council development programme will no longer be going ahead. The forecast of £0.700m covers the security costs for the Tower and Ashbourne sites, settlement cost of the compulsory purchase order (CPO) and cost of utilities work carried out at the Quantock Close site.

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 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 £1.638m 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 11: 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 £1.638m, 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 12 – 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	37,524	(436)	(317)
High Needs Block	23,619	25,706	2,087	27,550
Early Years Block	14,461	14,461	0	(110)
CSS Block	1,024	1,024	(13)	(15)
Total	**77,064**	**78,702**	**1,638**	**27,108**

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 £27.1m by 31 March 2023, which is mainly due to the overspend on the High Needs Block.

11.7 In 2020, the Government introduced a statutory override for a period of three years (up to end of March 2023) that meant that local authorities' DSG deficits could be separated from their wider accounts. The Government has agreed to extend the DSG statutory override by a further three years. In the case of Slough, the DSG is forecast to reach a cumulative deficit of over £27.1m by March 2023 and so having a separation of this from the Council's own reserves is critical.

11.8 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.

11.9 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

11.10 Furthermore, The Council has been participating in the DfE's Safety Valve programme and has been engaging with the DfE on a bi-monthly basis and in doing so the DfE has been offering challenge and support to the process of recovery. The meetings have been focused on providing an effective service and achieving financial sustainability rather than simply reducing expenditure. Feedback from the meetings have been positive, the DfE have been very complimentary and pleased with the progress made by the Council. In particular, the commissioning work and the financial modelling. They have commented positively on the pro-active and comprehensive nature of the Council's responses to queries all of which is taking the DSG issue forward.

11.11 The Council submitted its initial proposal to the DfE on 13th January 2023 with a feedback session held on 23rd January 2023. The feedback session was very positive, and the Council submitted a final proposal on the 3rd February 2023.

11.12 If the proposals are agreed to by the Secretary of State, they will form the basis of a published agreement in early 2023. The agreement will require the Council to implement reforms to the agreed timetable, alongside maintaining an agreed savings profile. It will also set out additional funding which the department will release to support the reduction of the cumulative deficit.

11.13 A separate report is to be presented to Cabinet with a more detailed update on the DSG's deficit and management plan.

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 is 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 (to be announced later in December 2022) will be included in the DSG allocations through the schools block and the early years block.

12.3 The 16 maintained schools of Slough Borough Council are required to send in a budget monitoring report each quarter. As at quarter 2 the maintained schools are projecting a retained balances position of £6.478m as at 31 March 2023. This represents an increased surplus of £1.013m above that projected at quarter 1 but is less than the closing position at March 2022 of £9.555m. Within this projection, 4 of the 16 schools are expecting to be in deficit at 31 March 2023, with a combined deficit of £0.741m. Appendix F sets out the balances position by school and which schools are currently in or projecting to be in deficit. Schools in deficit 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) will be working with the schools during the spring 2023 term to ensure that these plans are produced, are considered to be robust, and are monitored to follow progress against the plans by the schools Governing Bodies.

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 as at 31 March 2022. The Council's strategy to address the deficit has been to make lump sum contributions to meet the deficit over 12 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 13 – 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 12 year recovery period. The total contributions required to fund the deficit are £70.6m which comprises the funding deficit of £51.1m plus interest of £19.5m.

13.6 The actuary has provided an update of the total deficit at 31 March 2023 (based on the 31 March 2022 triennial valuation estimates) which reports the deficit reducing slightly to £48.6m.

13.7 The actuary reported that a payment in October 2023 of £51.08m would settle the deficit in full. This is higher than the £48.6m due to accrued interest up to October 2023.

13.8 Using the updated information, if the Council made a lump sum contribution in October 2023 of £51.08m to Berkshire Pension Fund this would save the Council £14.48m in interest over the 12 year deficit recovery period. The aim would be to fund a lump sum contribution from capital receipts under the Flexible Use of Capital Receipts Direction 2022 in 2023/24. However, this will only be possible if the Asset Disposal programme generates sufficient capital receipts in 2023/24 to repay all temporary borrowing (£133.5m) by September 2023 and sufficient to meet the lump sum. Currently the Executive Director Property, Planning and Housing is forecasting generate capital receipts of c.£200m from asset disposals in 2023/24.

13.9 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