

Chief Executive response to s114 notice

Summary:

Steven Mair Slough Borough Council's newly appointed S151 officer has issued a Notice under Section 114 of the Local Government Finance Act (1988) that available resources are unlikely to meet planned budgetary demands in the financial year 2021/22.

All essential services, including those listed below, will continue to be delivered to residents:

- waste collection
- education services
- children's and adults' social care
- public health services
- planning and housing services
- road maintenance; and
- library services.

The Members of Slough Borough Council recognise the gravity of the situation it faces and are committed to all efforts needed to place the Council on a secure, long term financial footing.

Over the coming months, the Council will be taking steps to improve its financial position which will include a review and disposal of some assets that are either outside of the borough or do not generate material revenue, and by identifying nonessential services that will in the future be delivered more efficiently. The new Council executive team, Council officers and political leadership are determined to minimise the impact of any incoming changes to residents and will be working closely with the Ministry of Housing, Communities and Local Government (MHCLG) to reduce, as far as possible, any potential disruption. We will also consult residents widely on any proposed measures.

Council officers and political leadership have been taking urgent action to improve the state of the council's finances, including the implementation of a transformation programme, and we expect these efforts to continue with the support of the MHCLG. Details of the ongoing transformation of the way the Council operates are below.

Background

In 2019 Slough Borough Council commenced a programme called 'Our Futures' to change how the Council supports its residents. The Council has also recently appointed a new S151 officer - Steven Mair. Additional specialist resources were brought in to understand the nature and scale of the problems, which has culminated in the issuing of a s114 Report on 2nd July.

The Section 114 Notice identifies that Slough's financial problems result from a series of financial issues over a number of years. This new Council Executive team has already taken significant steps to address these. However, the scale of the task

is becoming more apparent, as the new Finance Team continue to identify significant legacy issues in the Council's finances.

However, the Section 114 Notice has accurately and in detail identified how far the Council's approach was from satisfactory in terms of financial responsibility. This is being addressed and new personnel have been appointed in key positions to embed prudence throughout our operations. The Notice also provides an estimate of the scale of the deficit in 2025 if further action is not taken. The Council is already taking steps to ensure this scenario does not occur and to close the deficit as soon as reasonably practical.

Slough has also been heavily impacted by the effects of Covid-19. We are not alone in this. In addition, the population of Slough has seen infection rates and job losses resulting from Covid-19 disproportionate to neighbouring Boroughs and most of the UK. Slough has had a significant increase in the number of people requesting Council Tax support which has impacted Council Tax revenues.

During this period, the Council was also unwilling to adopt a heavy-handed approach to tax recovery from those businesses and residents who were struggling to get back on their feet in the months between lockdown. This has further negatively impacted our finances; however, we believe that this was the right approach given the circumstances faced by many in the Borough.

The Council has been in discussions with the MHCLG since the end of last year regarding the need for additional support. The level of additional financing required has grown due to a number of factors, including the identification of additional financial issues. As such, the Council, along with the divestment of assets and significant short and long term savings measures already implemented, will require additional support from the MHCLG.

The Council is committed to working with all stakeholders to ensure the necessary steps are taken to balance the 22/23 budget. The extent of the measures required will be evident by September 2021, and additional necessary action will be taken by April 2022 at the latest.

The speed at which Slough's economy recovers from the impact of the pandemic will also be a key factor in the strength of the Council's finances going forward. As such, it will also be essential to ensure that any cost saving measures or efficiencies in service provision do not hinder its businesses from a return to normal trading nor reduce the attractiveness of Slough as a commercial hub.

Section 114 report

This report sets out areas and measures in relation to the Council's finances and governance which require urgent attention. These measures are underpinned by a detailed action plan, and the S151 officer, working with colleagues, is leading on its implementation.

I, the S151 officer and the Council's Executive Board are completely committed to making whatever changes are required to put Slough Borough Council on a sound financial footing.

Detailed response to section 114 findings

Below is a list of the changes already being planned and implemented to address the immediate issues identified in the report. Central to embedding the necessary changes will be a Finance Team with the necessary organisational profile, skills, experience, development programme and resilience. The S151 officer, with my full support, has already started to put that in place.

These efforts will continue until all involved are satisfied that sufficient and lasting improvements have been made. Embedding better practise will inevitably take time beyond the design of improved processes.

The Audit and Corporate Governance Committee will have a key role in overseeing and monitoring the planned improvements to how we manage our finances and to governance.

Areas and measures being undertaken

- Improve the processes to build a robust 21/22 and 22/23 budget, including public consultation and consideration by the Scrutiny committee. This will recognise the uncertainty around future annual settlements. The process for this has already been designed, implementation as below;
- Introduce rigorous spend control measures, already implemented and which will operate until at least 31/3/22;
- Verify the savings identified in the 21/22 budget, officers to draft by 30/9/21;
- Identify savings for the 2022/23 budget, with strong business cases and other required documentation, clear accountability, ownership, and monitoring, officers to draft by 30/9/21;
- Review the Capital Programme, so that it ultimately covers 5 years and likewise everything in it is supported by robust business cases and dependence on external borrowing is reduced, officers to draft initial work by 31/10/21. This will be an improved programme but work will need to continue beyond this date to secure a fully rigorous and proper programme;
- Refresh the Treasury Management Strategy to reflect best practice by 31/8/21 and beyond;
- Develop an initial robust long term financial plan by 31/10/21;
- Produce the Council's accounts for 2019/20, 2020/21 and 2021/22 – date to be determined depending upon issues identified;
- Budget and account properly for MRP, effective now;
- Put in place appropriate governance arrangements for companies in which the Council has an interest to monitor performance and mitigate risk, ensure their management accounts and reports are vigorous and transparent and review the role of elected members in those entities among other matters – begun and ongoing;
- Budget and account properly for insurance, PFI, charges that can and cannot be capitalised and all other matters going forward - ongoing;

- Improve the organisational profile, skills, experience, development programme and resilience of the Finance Team. This work is ongoing, with a new proposed structure by October 2021, implemented by April 2022;
- Continue the ongoing review of the Council's financial systems, processes & budgets, including general ledger reports and the fixed asset register. Ongoing to March 2022 and beyond;
- Improve Council Tax and Business Rate collection, to enable accurate assessment of Council revenue;
- Review the management of the Dedicated Schools Grant to get the annual overspends into balance by 2024/25;
- Improve the monitoring and operation of the Collection Fund and the transformation projects. Plan to be published by 31/10/21;
- Develop plans to address schools' budget deficits and excess surpluses – ongoing;
- Review the Housing Revenue Account – October 2021;
- Identify asset sales to reduce borrowing and finance any capitalisation direction – ongoing;
- Improve management of the Council's contracts to ensure compliance and mitigation of risks – ongoing;
- Introduce a solid and consistent approach to business cases to support the evaluation of projects and programmes, to ensure they are aligned with the Council's priorities, supported by the senior leadership, stakeholders are engaged, and all options are considered – already begun and ongoing;
- Review the Council's Procurement Function, develop procurement and contract management guidance and training and commence the recruitment of procurement officers - ongoing ;
- Review all Third Party Spend to ensure value for money, risk management and forward planning – ongoing.

NB - all dates are initial target dates for officers, work will continue well beyond those dates on a continuous improvement programme and embedding good practise will take time beyond the initial dates.

Slough's long term sustainable future

It is important to match Council resources with demand for services and with what it is reasonable to ask residents to pay. I have therefore begun a project to 'right size' the Council to ensure it can live within its means and enable residents, Councillors, and staff to look forward with confidence. This will include reviewing the level of services provided, challenging non-core activities, maximising income, reviewing major contracts, and exploring alternative delivery models.

Councillors

It is important that Slough's elected representatives are fully involved in responding to our financial issues and shaping the organisation which emerges. I will therefore provide regular updates to both Cabinet and Council, starting in September, including on the workstreams set out above.

I further propose that our Scrutiny arrangements be amended to provide that the main committee oversees the right sizing programme, with a subcommittee or panel dedicated to each service area.

I hope the above demonstrates that we are aware of what needs to be done, are already striving to make the necessary improvements and are determined to reduce as much as possible the impact on residents.

Josie Wragg

Chief Executive, July 2021