Finance Board – Meeting held on Thursday 16 November 2023

Present:

Commissioners:
Denise Murray Finance Commissioner, Chair
Ged Curran, Commissioner

Members:
Cllr Dexter Smith – Leader with responsibility for Improvement and Recovery
Cllr Wal Chahal Deputy Leader and Lead for Financial Oversight & Council Assets

Officers:
Stephen Brown, Chief Executive and Head of Paid Services (remote)
Sue Butcher – ED Children's Services, Chief Executive Slough Children's Services
Adele Taylor – Executive Director of Finance and Commercial Services and S151 Officer
Patrick Hayes – Executive Director Housing, Property & Planning
Marc Gadsby – Executive Director People and Adult Services
Hitesh Jolapara – Interim Deputy Director of Financial Management
Tom Mulloy – Deputy Director Financial Management
Ruth Hodson – Deputy Director Financial Management
Satbachan Seehra – Head of Financial Governance, Internal Audit
Dean Tyler – Associate Director of Strategy & Insight

Secretariat:
Nasreen Brittain – Executive Assistant to the Commissioners (minutes)
Claire Willerton - Chief of Staff to the Commissioners

Not In Attendance:
Chair, Gavin Jones, Lead Commissioner; Denise Murray, Finance Commissioner; Ged Curran, Commissioner.

Also present:
Patrick O'Connor (Conservative Group Political Officer)

Apologies for Absence:
Gavin Jones, Lead Commissioner, Sarah Hayward – ED Strategy & Improvement, Cllr Pavitar Mann – Leader for the Opposition, Stephen Taylor, Monitoring Officer

Minutes

1. **Welcome and Introductions and Declarations of Interest**

   1.1 Thomas Mulloy and Ruth Dodson were introduced and welcomed to the team.

2. Minutes of the Meeting held on Thursday 12 October 2023

2.1 That the minutes of the meeting held on 12 October 2023 be approved as a correct record.

3. Finance Update (Adele Taylor)

3.1 In-year budget monitoring pressures (slide 4)

- Budget monitoring now going to December cabinet.
- Total service budget variance is £15.6m. Corporate budgets £11.368m, variance of £5.2m.
- Still seeing increased demand in adults and temporary accommodation.
- Mitigations: review of all reserves and release as necessary, ensure all income is being collected and track in year savings to manage demand.
- Have been looking at accrues and checking where things are at end of last year. Recognise there are ups and downs on those which may go into period 7. If that happens, period 6 will be adjusted.
- There was more interest to be claimed.

3.2 Areas of Pressures:

(a) Marc Gadsby reported a variance of £9m. it was about rebasing as the budget was insufficient for 23/24. Therefore, the majority of the £9m was related to the rebasing rather than the actual pressures. Denise wanted to clarify the budget looked as though it had already been baselined and wanted to be clear it could not be baselined again. The Service would need to operate within the set budget. Regarding adult social care will have delivered approx. £14m this year. Marc confirmed they continued to deliver savings, challenge opportunities, possible increase in fees and charges, maximise use of grant income. Adele confirmed there were some one-off issues contained for this year, but acknowledged this could not continue. Were also utilising money from better care fund from Frimley NHS Foundation. It was also reliant on the savings being delivered.

(b) **Temporary Accommodation**:
The team had been reviewing every person in temporary accommodation. Seeing pressure from asylum seekers coming out of hotel accommodation and presenting as homeless, therefore requiring temporary accommodation. The team were looking at how these pressures can be reduced for next year. Pat confirmed there are no more hotels due to close in the area. The feeling was more people will be put in the Ibis Hotel. Nothing on the list for closure in

the Borough, however, there was not full confidence in this message.

(c) **Slough Children's First:** Sue remained reasonably confident the company would balance its accounts. Savings of 500,000k had been made and were looking at more. They were reducing legal fees from JLT, with more rigour being applied. Turnover in the Company as whole was lower than it had been for some time, and recruitment was also going well. Were looking at sustainability going forward, particularly with the administration side. When an Agency person left, they would now need to be replaced by a permanent member of staff, not another agency person. Caseloads were currently satisfactory. Workflow was improving, although slightly higher in care experience, which was not desirable. The biggest challenge in terms of control was unaccompanied asylum-seeking children. Judicial reviews had also created challenges.

3.3 Capital Receipts Reserve – CRR Update:

a. The biggest issue was that some of the receipts had been considered general fund receipts when they were revenue receipts. There was also an assumption that **all** receipts could be used, rather than just the general ones.

b. HRA: the asset sale was found to be HRA ringfenced as the original purchase was made by utilising funds held within the HRA, meaning it could not be used to fund the repayment of CD. Work carried out to date had identified it should have been classified as general fund. Subject to approval, the ringfence could be removed. Total CD as per current budget for the years up to 31 March 2023 was £211m. and £39m worth of general fund capital receipts had been used to pay the CD, leaving a balance of £172m. however, this could be further reduced to £41m if the decision could be made to apply £130m worth of HRA receipts to general fund. Number of surplus receipts were more on the HRA side rather than general funds.

c. Next steps were to firm up the work to reduce capitalisation requirement by first applying its own resources e.g., earmarked reserves, legacy surplus if applicable, review of provisions etc. Update HRA 30-year Business Plan (due early next year) to ensure its sustainability without utilisation of the HRA non-RTB Capital Receipts. Consider applying for removal of HRA ringfencing of assets disposed of – and update workings including MRP/Interest costs impact – and feed into the MTFS. Consider any further assets that may be surplus to requirements.

d. Denise requested a clear steer from Pat regarding the ask in relation to the HRA and whether it was healthy together with the business plan that had been produced in 2022. Pat responded there were a lot of assets that had been discovered in the HRA which would be declared. This provided a cushion and could be used to pay back into the general fund. How best to treat this for the Authority as a whole still needed to be worked out. There were also a significant number of sites that would be brought forward, e.g., Langley College site.

e. Denise asked about any implications for tenants and HRA. There was a draft 30-year model, was there sufficient to meet decent homes requirement and building safety; and was the HRA safe? Pat responded that most of the housing stock was brick built, so it was much safer. Necessary to make sure charges and recharges were brought up to date as they had not been reviewed for many years. That said, he expected to be able to have the model completed in a few weeks. Denise reiterated that sight of the 30-year plan for Commissioners was key. And wanted to know what was in the HRA reserve. Pat felt it was sizeable and would provide the actual figure to commissioners offline.

Action: Pat to provide commissioners with the HRA reserve fund figure

Adele confirmed they would need to work through the implications of the reason this issue had occurred in the first instance.

f. Denise reported that as a result of this issue there was a significant implication on the finances, requiring the Authority to re-review the balance sheet. Capacity to deliver this piece was assisted by Tom Mulloy who had recently joined the team. The finance team has been tasked with reviewing the items on the balance sheet. And to look at how to focus the work and energy into prioritizing it. Ged acknowledged that this was a very difficult challenge which would require unusual levels of concentration. The team, however, had come together quickly and turned around results swiftly. The team would need to be specific, and not work to generalities. It would also need to have tighter timeframes which it worked to in order to deliver.

g. Ged went on to reflect the Leader and Deputy Leader had some uncomfortable choices to make regarding revenue and services. Would need to present the application for additional government funding soon, and that would require hard figures and clear information on what would be done and by whom. If additional resources were required, then the team would need to have those in place soonest.

h. Adele was very aware of these issues and the difficulty faced; and confirmed she and the team were working to a timetable. Cllr Chahal commented that the administration also understood this was a very serious matter. Adele confirmed she would get a timetable to the commissioners very soon. He was meeting with each ED to look at spend in each area. His stance was detailed and strong, i.e., could not exceed what was budgeted for. The Administration accepted these would be hard decisions, but they would be taken if necessary.

Action: Adele: this week to give the commissioners a timetable of the work to be done together with assurance which they can take to the dept for additional funds request and what the ask will be around HRA.

3.4 Medium Term Financial Plan - Overview of the last four weeks:

a) The last report to Finance Board came after the 1st round of Growth and Savings submissions. At that point the annual gap to be closed was £7.5m in 24/25, £6.9m in 25/26, £5.4m in 26/27 and £12.1m in 27/28. Focusing on 24/25 there were Growth bids totalling £15.7m and savings proposals amounting to £11.0m.

b) A series of challenge sessions, chaired by the ED Finance with each directorate, had been undertaken in readiness for Star Chamber sessions with lead members, w/c 20 November.

c) Estimates for the contribution from Business Rates and Council Tax had been produced, and estimates for Government Grants updated in the light of the release of the September CPI information.

d) Uncertainties remained in respect of the impact of potential changes to the Capital Receipts Reserve. These had a significant impact on the gap to be closed.

e) Business cases for each of the proposals have been in the process of being developed.

f) Had not anticipated anything from the upcoming budget from government.

g) Impact of capital receipts and other issues: the impact of not receiving capital receipts on the MTFS was twofold – loans that were maturing would need to be refinanced due to the lack of a capital receipt to provide cash flow; this created an interest cost; and the Minimum Revenue Provision (MRP) needed to be recalculated.

h) The interest cost requirement partly due to interest rates, and partly due to the need to borrow more than just the loans that were maturing, created a net cost of £4m.

i) The cost of MRP had initially been looking like it was reducing, a contribution of £4.7m in 24/25; however, there was now an estimated £3m pressure in 24/25. This was a swing of £7.7m.

j) There were provisional figures from Business Rates that bring the headline figures down. Until this was completely resolved there was potential for this number, and its contribution to the MTFS, to change.

A high-level summary showed a gap for next year of £9.4m.

k) Adele reported that things should be ok for 23/24, there could be a very small potential reduction in cost, however, there were many moving parts and some of those movements had been bigger than expected. Denise expected some of the figures to be locked down now, e.g., council tax base, and business rates. She also reminded the Council that any borrowing for Councils in intervention carried a premium to the borrowing rate, which must be included in the numbers when referencing any additional borrowing. The bottom line remained quite stark.

3.5 MTFS Assumptions – Pressures:

a) **Inflationary Pressures:** The Pay Award this year would be 6%; in 24/5, 4%, and then 2% per year thereafter. The Pay Award had been announced for 23/24 but the numbers had not yet been re-worked. This work was urgently underway.

b) CPI in 24/25 would be 2.9% and contract price pressures would be in line with CPI; in 25/26 CPI would be 2.2% and would then fall to 2% p.a. Contracts increased in line with that. The basis for the CPI assumption was HM Treasury forecasts from May 2023; a prudent approach on pay was that it would increase by more than inflation in 24/25 and then fall back in line.

c) **Growth Pressures**: The figure used was the total of the growth pressures put forward by Directorates and for the phasing of the Senior Restructure in respect of posts funded from the temporary Transformation Budget. Much of the pressure was addressing current year overspends, notably Adult Social Care and Homelessness

d) SCF was provided a contract uplift of £4.4m virement from Contingency in 23/34, and this was made permanent from 24/25

e) Other pressures included loss of income from asset sales, reserves where there was an increase from a £1m transfer to reserves to a £2m transfer to reserves. Companies' pressures reflected the expected surplus or loss of each of the Council's companies. It included the latest version of SCF's business plan showing their expenditure coming down slightly from the 23/24 figures, and then in 27/28 the impact of the Impairment of the loan to them. Minimum Revenue Provision figures had been re-calculated based on asset sales to date, forecast timing of future sales, and the forecast gap in this and future years.

3.6 Funding:

a) Revenue Support Grant would increase by the value of CPI in September according to the LG finance settlement announced in December 2022.

b) Council Tax would increase by the maximum allowed, 4.99%, including increasing the Adult Social Care precept by 2% in 2024/25. The MTFS further assumed the Government would extend beyond 24/25 the ability of Councils to increase the precept by 2%. There was an acknowledged risk with this.

c) Social Care Grant figures were mostly based on Pixel's model, which were in turn based on Government announcements of the totality of those grants in future years. The finance team had however departed from Pixel's model in respect of the Market Sustainability grant; the MTFS assumed the grant ended and was not replaced, whereas Pixel assumed it continued. The Council's assumption was felt to be more prudent.

d) Savings. The level of savings required was the balancing figure, required to ensure the Council stuck to the trajectory for a reducing budget gap in line with the last submission to DLUHC.

3.7 Summary of actions:

a) Timetable: Scrutiny work was taken in October to get some challenge around the pressures faced and the savings delivered. Scrutiny next due to meet end Jan24. Would be going out with savings and growth proposals before then. Adele would do a closed session with Scrutiny early Jan24, to allow for area-specific scrutiny. Draft budget was going to December cabinet which had included political engagement. Once the draft budget had been approved, a briefing session would be organised.

Action: Adele: Public engagement date would be provided to Commissioners.

Work with opposition groups if they wanted to present an alternative shadow budget was also in hand. The Leader and Stephen Brown reported that the Labour group had formed a shadow group, but this was not formally constituted at this time, as there wasn't one in the constitution. Would see how it developed over the coming months and take a view then.

4. *Finance Improvement Action Plan (Adele Taylor)*

4.1 Adele updated on the recent position on the improvement action plan.

(a) Review finance procedures to determine if they remain fit for purpose, with external support as required update was Annual review not yet due but also awaiting start of permanent new Director and team to lead this process.

b) Reporting by exception. Completion of statements of accounts for all outstanding years including VFM (Value for Money). Government introducing a backstop for outstanding accounts and producing a disclaimer opinion. Treasury management reports deferred to December. Denise commented that with regards to the accounts and a change in the of code and practice, it was still anticipated that **all** accounts would still need to be produced, so would need to work to a timetable that they would be produced for public inspection, where questions could be raised. The provisional date was March 24, subject to final approval. Denise considered that so many actions were green which was a concern considering the current challenges being faced. Adele to review this over the next month and reflect on the rag rating of some of the actions. (Action Adele).
Ged reiterated that the finance improvement action plan would be a key document for the next Board, and if done properly would have a major impact on things.

5. Internal Audit (Satbachan Seehra)

5.1 Update on Internal Audit Actions

(a) **21/22 internal audits**: Actions completed as at end of October number 238 or 73% of the total due. A concerted effort was being made by CLT to close the remaining 89 actions or 27% that were overdue.

(b) **22/23 internal audits:** 225 actions had been raised for 2022/23. As of end of October 2023, 59 actions or 26% were overdue and 97 or 43% complete. 69 actions or 31% were not due.

(c) **23/24 internal audits:** 4 audit reports had been finalised with 5 audit reports are in draft status. 66 actions had been raised for 2023/24. 8 actions or 12% are overdue and 27 actions or 41% are not due. 22 or 33% of actions had not been allocated.

(d) 23/24 four audits had been finalised, with five in management review.

(e) Denise wanted to understand the progress regarding zero tolerance and none to be outstanding, and what the delivery was to be against that target. Adele was confident that they would be as close to that as possible by end of the year.

They were ensuring that they had the evidence that things were not outstanding. Some actions were no longer relevant as had been superseded; and evidence for those needed to be provided as well. Focussing efforts on the risk areas. Wanted to close off 23/24 swiftly and needed to close off the newer items more quickly. Area of concern was Agresso.

6. Benefits Update (Adele Taylor)

6.1 Positive impact of the improvements made by the service continue to reflect on the volume of work outstanding and the speed of processing. DWP also aware of the progress made to date.

6.2 The data move within the Council caused one day's loss of data collection but didn't impact negatively on the overall figures. The overall process had gone very well

6.3 Business rates in-year collection rate was 65.3% for October. This was 0.2% lower than the 65.5% target and equal to the same month last year.

6.4 Council tax in-year collection rate was 63.78% for October. This was 0.37% behind the adjusted collection target of 64.15% and 0.52% ahead of the same month last year. The estimated full in-year collection for 2023/24 was 94.6%.

The average eventual collection for Council Tax was 99.6%, which was 1.3% ahead of that used in the 2023/24 budget.

The reason for the collection targets being adjusted was due to a one-off payment of £2.056m relating to Energy Support Fund payments in September 2022 which over inflated collection by 2.05%. 94.6% was the normal rate of collection. Were continuing to implement automation with Direct Debits and Refunds going live this November. Denise reflected this was a positive move and good work had been done

Action Adele: Recommendations from DWP to be shared with Commissioners.

Denise thanked the team for their hard work.

7. Asset Disposal Update (Pat Hayes)

7.1 Have had good offers on the next tranche of sales, so were moving those forward. 165 Bath Road had received £9m but it was felt this site was worth significantly more than that. Aqua Sulis has been re-let. St Martin's Place had now had the restrictive covenants removed so could progress towards sale with an improved value. Pat was hopeful it would attract significant interest from developers.

Action Pat Hayes: Pat to share the other pipeline with Commissioners.

Action: Pat to identify on the schedule with an asterix which sites were the HRA ones.

Action: Going forwards, figures needed to be presented as net, not gross.

8. AOB

8.1 Terms of Reference

(a) Broadly updated with new attendees and context amended to bring in line with the Directions. Attendees asked to review and approve offline.

8.2 Cllr Chahal thanked Denise Murray for stepping to assist the finance team during week of 6 November. The Leader echoed this sentiment

Date of next meeting
The next meeting is scheduled to be held on Thursday 21 December at 10am.

(Note: The Meeting opened at 9am and closed at 11am)