

## Slough Borough Council

<b>Report to:</b>	Cabinet
<b>Date:</b>	21 July 2025
<b>Subject:</b>	2026/27 MTFS update incorporating emerging issues
<b>Portfolio:</b>	Councillor Smith – Leader of the Council Councillor Chahal – Lead Member for Finance, Assets and Transformation
<b>Chief Officer:</b>	Annabel Scholes, Executive Director Corporate Resources
<b>Contact Officer:</b>	Dave McNamara, Director Financial Management & Strategy
<b>Ward(s):</b>	ALL
<b>Key Decision:</b>	YES
<b>Exempt:</b>	NO
<b>Decision Subject To Call In:</b>	YES
<b>Appendices:</b>	Appendix 1- Corporate planning by quarter timetable  Appendix 2 - MTFS Budget Assumptions – Sensitivity

### 1. Summary and Recommendations

- 1.1 This report provides provide an update on the alignment of Corporate & Financial Planning with a specific requirement to refresh the Medium-Term Financial Strategy (MTFS) reflecting on emerging pressures in the early months of 2025/26 and extending the duration and the principles of the strategy to 2029/30.
- 1.2 This report reflects an approach whereby emerging pressures, the identification of priority areas of service delivery, and the uncertainty of resource levels means the current situation is fluctuating. A degree of sensitivity will need to be applied that can be validated through the year to inform the 2026/27 budget setting and the development of a MTFS.
- 1.3 Following the Spending Review on 11 June, the Government announced details of Fair Funding 2; a consultation on the government's proposed approach to local authority funding reform through the Local Government Finance Settlement from 2026/27 on 20 June. The consultation closes on 15 August 2025.

- 1.4 In the Spending Review of Local Government Finance, the Government has committed to multi-year finance settlements that will provide a degree of certainty and assist in the development of a robust MTFs.
- 1.5 The Council's financial position remains acute. The council is already in receipt of Exceptional Financial Support, and in the 2025/26 approved budget was forecasted to total £348m through Capitalisation Directions by financial year 2027/28 of up to £348m which needs to be repaid. In the meantime, the annual cost of servicing the current debt relating to the CD is £6m.
- 1.6 Like all local authorities, the council is having to cope with ongoing excessive pressures in adult social care, special education needs and particularly, temporary accommodation. Ongoing pressures within children's social care have been contained within Slough Children First.
- 1.7 In order to develop proposals to present a balanced MTFs over the lifetime of the strategy, the council is in the process of evaluating emerging pressures and how they might be mitigated to deliver a balanced budget. Therefore, it is essential that directorates in consultation with Members identify savings or alternative income generation of opportunities.

## **Recommendations:**

Cabinet is recommended to note:

- a) the refresh of the MTFs approved by Council on 6 March 2025 is projecting a revised estimated gap of £20.519m in 2026/27. The sensitivity range is between £8.077m and £36.967m;
- b) that by 2029/30 the estimated budget gap is £28.037m (paragraph 5.6) and falls within a sensitivity range of between £9.708m and £53.818m based on work undertaken to date;
- c) the emerging financial position within which the 2026/27 budget and 2026-30 Medium-Term Financial Strategy (MTFS) will be developed
- d) the emerging financial position within which the 2026/27 budget and 2026-30 Medium-Term Financial Strategy (MTFS) will be developed;
- e) the need to invest further in transformation and the ongoing development and implementation of the business case that aligns with the Council's future operating model;
- f) the principles and strategies for addressing the budget gap will be refined through the work with the strategic partner and member workshops over the course of the summer; and
- g) the launch of the consultation on Fair Funding, Government's consultation on Changes to Local Government finance and the initial assessment.

Cabinet is recommended to approve:

- h) the timetable for agreeing the 2026/27 budget and 2026-30 MTFs.

## **2. Commissioner Review**

- 2.1 The development of robust refreshed Medium-Term Financial Strategies, Capital Strategy and Treasury Management Strategy, aligned with the Councils new Operating Model and appropriately resourced Transformation Plans, will be

crucial for the Council to demonstrate its ability to achieve financial sustainability for the financial period 2026/27 to 2029/30.

- 2.2 Commissioners welcome this early report in providing a forward look and the range of the potential gaps in the budget requirement that could emerge if the risks highlighted within the report are not mitigated.
- 2.3 The developing budget strategy is likely to involve difficult choices about priorities and the setting out of the key strategic principles within which the 2026/27 strategies will be refreshed. A holistic approach will be required, which seeks to balance the uncertainty over resource levels, growing demand, emerging cost pressures, transformation investment, risks and opportunities management, and the identification of deliverable multi-year savings plans.
- 2.4 This will be an iterative approach requiring horizon scanning, plausible scenario planning and sensitivity analysis, as the assumptions will be clarified and / or subject to change during the process.

The Commissioners are content with the recommendations within this report.

### 3. Report

#### Introductory paragraph

- 3.1 The council's budgetary and policy framework within the council's constitution requires the council to set out a budget for the forthcoming financial year and MTFs. Legislatively, the council is required to set a balanced budget and council tax by 11 March of the preceding financial year.
- 3.2 The MTFs seeks to take into consideration the council's 'A Fresh Start Corporate Plan 2023 – 2027' which sets out the council's vision and what the council hopes to deliver. The three key priorities are:



- 3.3 In delivering the priorities the council seeks to be:



Resident  
Focused



Providing  
financial  
sustainability



Enabling  
residents and  
communities



Strengthening  
partnerships

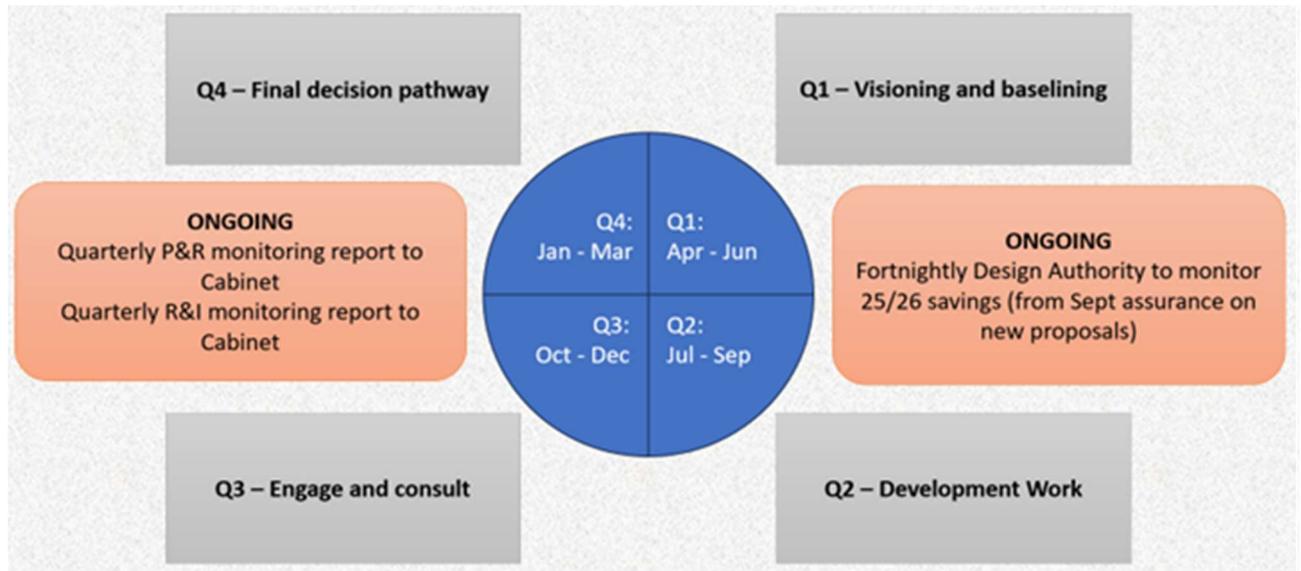


Building  
trust

- 3.4 This report presents the first iteration of the MTFS for 2026/27 to 2029/30, taking into consideration the council's corporate plan, the national context and economic outlook for local government and then how this may impact on the council.
- 3.5 The approach taken applies a degree of sensitivity analysis which can then be refined throughout the period.

#### 4. Integrated Planning

- 4.1 It is important for the council to deliver on its strategic priorities and plans. By aligning strategic goals with operational objectives the council can manage its finances and resources proactively, ensuring all parts of the council are working towards the same goals. It will also help to ensure consistency and challenge across the organisation and provide an opportunity to develop service delivery options to meet any changes in political priorities.
- 4.2 The integrated approach aligns strategic and political priorities within transformation and medium term financial planning. This enables the council to move from annual savings proposals to a strategic review of services and priorities and a reset of resources through iterative corporate planning and engagement with Members and residents.
- 4.3 This is a key commitment in the improvement and recovery plan. In articulating what this looks like we are clear that within the timeframe of this improvement and recovery plan, the council expects to have made progress towards embedding its long-term vision, delivery of its corporate priorities and to be meeting its statutory obligations as well as sustaining continuous improvement and transformation and improvement. Priorities set out how the council meets the diverse and intersectional needs of Slough's community.
- 4.4 The approach being put in place brings together business planning, financial planning and risk management to inform council decision making. This is to ensure focus is on priority outcomes, making the best use of resources, tracking delivery and value for money. It enables considered choices in a changing environment particularly with resource and demand challenges and other uncertainties.
- 4.5 The annual cycle for the council has been split into quarters with each having a clear theme to cover the activities which take place and how those activities fit into the wider whole.



4.6 A detailed programme plan sits below each quarter's theme, tracking delivery of activities and highlighting the interdependency of key deliverables throughout the year. A draft corporate planning by quarter timetable is at Appendix 1.

## 5. Refresh of MTFS

- 5.1 This report is the first refresh of the MTFS approved by Council on 6 March 2025 which commences the process of setting the 2026/27 budget and MTFS to 2029/30. The report takes into consideration potential financing implications arising from the Fair Funding 2 review, emerging pressures and other adjustments. Due to the uncertainty of the updates and the need for further scrutiny, the presented budget gap falls within a range of potential sensitivity which is subject to ongoing review over summer.
- 5.2 The council continues to engage Pixel Financial Management Limited to provide government funding projections. Cabinet should note that government launched the Fair Funding 2 consultation in June 2025 which will close in August 2025.
- 5.3 The consultation marks the government's next step in introducing a fairer funding system that targets money where it is most needed, using the best available evidence, to take account of the different needs and costs faced by local authorities in urban and rural areas, and the ability of individual local authorities to raise council tax.
- 5.4 Key elements of the proposals include:
- a) A multi-year settlement covering 2026/27 to 2028/29 (the first since 2016/17) which will add certainty from a financial planning perspective;
  - b) A revised needs assessment, leading to significant redistribution of funding across local government;
  - c) A reduction in the number of formulae used for distribution of resources; and
  - d) The Introduction of bespoke, new formulae for high cost areas, e.g. temporary accommodation.

5.5 The council will be responding to the consultation presenting its case for fairer funding. The outcome of this review and notified funding will not be known until late November at the earliest.

5.6 This following table presents Cabinet with a refresh of the MTFS budget gap but it is important to note the sensitivity ranges in conjunction with this table.

<b>MTFS Scenario Planning</b>	<b>2026/27 £m</b>	<b>2027/28 £m</b>	<b>2028/29 £m</b>	<b>2029/30 £m</b>
Underlying Gap rolled forward		20.519	28.393	28.373
Reduction in use of CD	6.557	7.692	1.460	0.000
Pay Award (note 1)	2.276	1.468	1.497	1.527
Contract Inflation (note 2)	6.110	3.425	3.494	3.564
Emerging pressures (para 5.6)	13.856	5.000	5.000	5.000
Capital financing, time limited budgets, pension Deficit, companies, reserves	2.162	1.226	1.253	(0.163)
<b>TOTAL GROWTH / PRESSURES</b>	<b>30.961</b>	<b>39.330</b>	<b>41.098</b>	<b>38.301</b>
<b>FINANCING (note 3)</b>				
Grants, including provisional settlement	(14.145)	(4.274)	(6.759)	(4.007)
Council Tax - 4.99%	(4.224)	(5.070)	(5.349)	(5.642)
Business Rates	9.963	(0.567)	(0.617)	(0.615)
<b>TOTAL FINANCING</b>	<b>(8.406)</b>	<b>(9.911)</b>	<b>(12.725)</b>	<b>(10.264)</b>
<b>SAVINGS</b>	(2.036)	(1.025)	0.000	0.000
<b>GAP TO BE CLOSED</b>	<b>20.519</b>	<b>28.393</b>	<b>28.373</b>	<b>28.037</b>
In year movement		7.874	(0.020)	(0.336)
Approved MTFS (March 2025)	13.169	18.681	21.787	21.946
Overall movement in MTFS Gap				6.091

5.7 The approved MTFS (March 2025) revisions made in the table above moves the opening budget gap from £13.169m to £20.519m. It is important to note that these changes are not finalised and will require further review prior to any formal Member approval. The movement has been summarised in the next table:

	<b>2026/27</b> <b>£m</b>
MTFS Gap in Budget Report	13.169
Revised Gap carried forward	
Variation in pay award (note 1)	0.837
Variation in contract inflation	4.687
Emerging pressures	8.856
Other adjustments	(0.473)
<b>SUBTOTAL</b>	<b>13.907</b>
Government Funding Review	(6.557)
<b>TOTAL MOVEMENT</b>	<b>7.350</b>
<b>REVISED GAP</b>	<b>20.519</b>

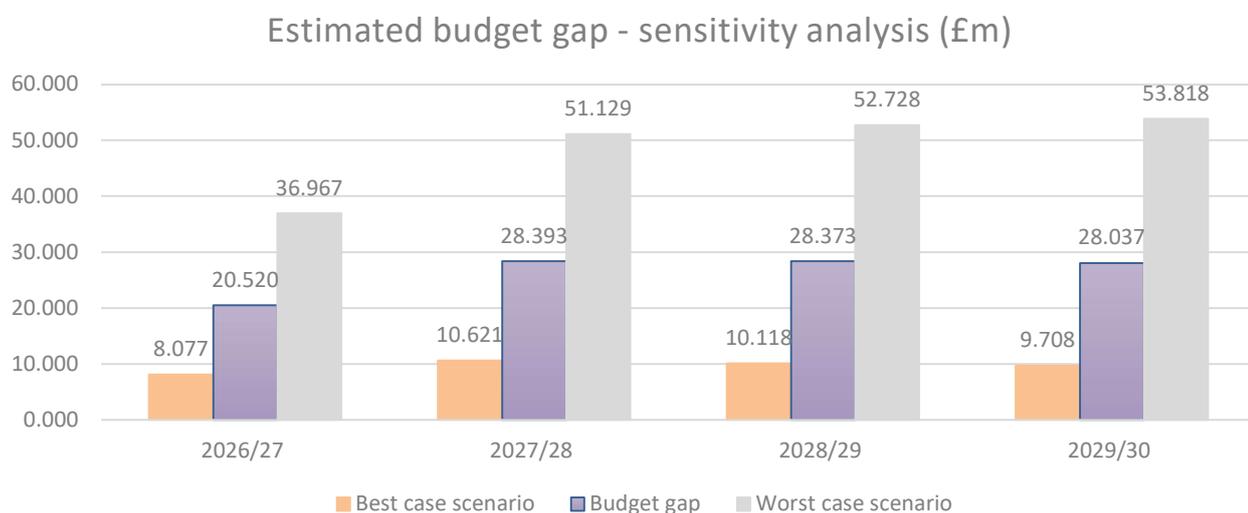
Note 1 – Pay award has been increased. The original MTFS assumed 2% p.a. but based on the latest recommended pay award circular, the 3.2% pay award from 2025/26 will impact on 2026/27. 2% pay award is assumed thereafter.

Note 2 – Contract inflation has increased. This was originally based on 2% but has increased to 3.6%, in line with CPI forecasts for September 2025 including other confirmed contractual commitments, reverting to 2% in later years.

Note 3 – financing figures have been amended to reflect the latest pixel model at time of writing

Underlying assumptions within the table can be seen in

5.8 Appendix 2. The budget gaps for future years fall within a range of sensitivity applied to emerging pressures, pay award, contract inflation and funding reform which will continue to be refined over the summer. This includes ongoing corporate leadership team scrutiny, any updates following the finalising of 2023/24 and 2024/25 accounts and saving proposals to close the budget gap. The next graph presents the sensitivity ranges which are currently being worked on to assess the budget gap which will be updated for reporting to Cabinet in the autumn.



The budget gaps presented in paragraph 5.6 continues to assume that the Exceptional Financial Support remains as per the published budget and is as follows:

	Up to 2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Total £m
Exceptional Finance Support	298.645	23.078	15.709	9.151	1.460	0	348.045

## 6. Emerging Pressures in 2025/26

6.1 The Section 25 statement that was published alongside the 2025/26 budget and MTFS to 2028/29 outlined the challenges in setting the 2025/26 budget, in being a one year budget due to the well publicised challenges the council faces, the council's improvement and recovery journey and reliance on government for exceptional financial support.

6.2 Early reporting during quarter 1 is indicating emerging pressures which have been reflected in the revised budget gap in addition to the growth already incorporated into the 2025/26 budget. The following table identifies whether the pressure continues into future years. The figures are moving through a due diligence process within the design authority and officer review meetings chaired by the MD/Commissioner and therefore maybe subject to change.

	<b>2025/26 Growth</b>	<b>Emerging Pressure</b>	<b>Impact on 2026/27</b>	<b>Additional MTFS Pressure</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Temporary Accommodation	7.465	5.000	Yes	tbd
Adults Social Care – Increased Demand	12.054	3.600	Yes	Yes
Adults Social Care – Provider Uplift		2.710	Yes	No
Inclusion	1.000	1.450	Yes	No
Waste Disposal		1.096	Yes	No
<b>Total</b>		<b>13.856</b>		

- 6.3 There remains an opportunity to mitigate the pressures although there is a risk that these remain constant or worsen following the deep dive activity underway. This has been reflected in the sensitivity range shown earlier in this report. The emerging pressures include:

Pressures previously identified as budget risks:

- a) Temporary accommodation – the need to develop a robust data model to model trends and future predictions to develop scenarios for forecasting;
- b) Adult social care increased demand – the directorate are evaluating the demand trends for the life of the MTFs which is not currently reflected in the table above.
- c) Adult social care provider uplift - For the last two years there has been additional pressure on provider uplifts, but these have been linked to increases in the National Living Wage above inflation and then increases in Employer National Insurance Contributions. For 2026/27 the assumption is that provider uplifts for social care providers should mirror inflation and be contained within the general assumptions on cost inflation;

New pressures:

- d) Inclusion – This relates to increased demand on Education, Health and Care Plans
- e) Waste disposal – The service are currently reviewing the additional costs associated with waste disposal.

- 6.4 As part of the budget process, all pressures and opportunities to balance the budget and MTFs will require a business case to be developed that will be scrutinised by the Design Authority. The principles and strategies for addressing the budget gap will be refined through the work with the strategic partner and member workshops over the course of the summer.

- 6.5 A similar approach should be taken to transformational projects and the development of the Target Operating Model. The recent appointment of external consultants as the council's diagnostic partner will provide the necessary impetus to develop the programme further. The transformation team have estimated that the further investment required on future projects could potentially exceed £10m. This is not incorporated within the budget gap. Funding for this

will need to be identified once further detail is available on types of projects. This will facilitate an evaluation of whether the flexible use of capital receipts principles could be applied which could require Council approval.

## 7. BUDGET RISKS

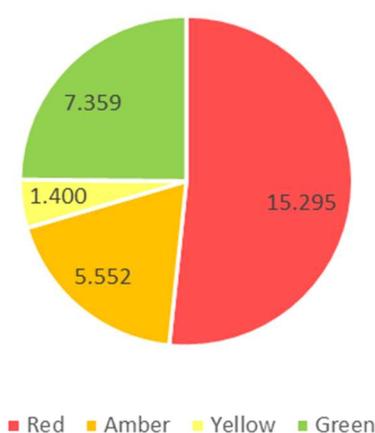
- 7.1 The budget setting for 2025/26 included an assessment of financial risks. As presented earlier in this report, three risks have materialised and been incorporated into the MTFS refresh and have therefore been removed from the budget risk assessment. It is important to note that an evaluation is continuing of all budget risks including risk arising from a review of quarter 1 budget monitoring.
- 7.2 Budget risks have been assessed using the council's corporate risk management approach to evaluating risks.

Risk Category	Red £m	Amber £m	Yellow £	Green £	Total £m
Inflation	0.000		1.317		1.317
Demand	0.000			0.000	0.000
Savings	1.595	5.302	0.083	4.909	11.889
Companies	13.700				13.700
Corporate	0.000			2.000	2.000
Financing costs		0.250		0.450	0.700
<b>Total</b>	<b>15.295</b>	<b>5.552</b>	<b>1.400</b>	<b>7.359</b>	<b>29.606</b>

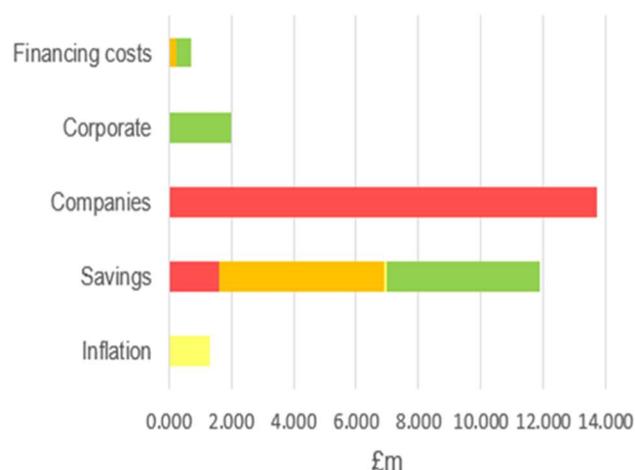
Note – the quantified risks do not currently include any assumption on the outcome of the closure of 2023/24 and 2024/25 accounts.

- 7.3 The current quantified budget risk assessment for 2025/26 is £29.606m of which £15.295m remains as red RAG rating. If risks are not mitigated this will impact on the council's resilience to manage within its resources. The pie chart below shows the risk profile for 2025/26 and the graph shows the spread of risk.

## Budget risk profile 2025/26



## Risk Categorisation



## 8. HRA Business Plan

- 8.1 Council approved the 30-year Business Plan for the Housing Revenue Account (HRA) in March 2025 considering both the Revenue and Capital position. The Revenue Business plan over a 5-year period projects total income of £243m and expenditure of £224.41m. The HRA Capital Programme provides for a total capital investment of £105.52m over the next 5 years and a total of £746.57m over the 30-year period.
- 8.2 Council approved increases to both Housing Revenue Account (HRA) dwelling rents, affordable housing rents, garage rents of 2.7% based on the September CPI of 1.7% plus 1% and 12% based on phased full costs recovery tenant service charges from 7th April 2025.
- 8.3 The 30-year Business Plan for the Housing Revenue Account (HRA) will be updated for 2026/27 and will reflect any additional funding requirement attributed to the refreshed Housing Investment Programme resulting from the housing regulator inspection completed in June 2025.

## 9. Dedicated Schools Grant

- 9.1 The Dedicated Schools Grant is made up of 4 discrete blocks.

Central Services Block	This is one of four blocks of Dedicated Schools Grant (DSG) allocated to local authorities to carry out functions on behalf of pupils in both maintained schools and academies. There are two distinct elements within this block: the 'ongoing responsibilities', comprising of funds previously separately specified by the Department for Education (DfE) and retained centrally (admissions, copyright licenses and servicing schools forum). the 'historic commitments' previously known as 'combined services'.
Early Years Block	The early years block funds all factors relating to three and four year-olds and disadvantaged two-year-olds in nurseries,

	private, voluntary and independent settings, and maintained schools.
High Needs Block	The high needs block covers place funding for special schools/academies and units, top-up funding for high needs pupils, alternative provision and education otherwise than at school, and funding for local authority central special educational; needs services.
Schools Block	The schools block will fund all primary and secondary schools pupils that are not funded through high needs or early years blocks. This money is passported by the Council to Local authority Maintained Schools. Academies receive Schools Block funding directly from the DfE

9.2 The following table sets out the summary DSG position for 2024/25

	<b>Expenditure</b>	<b>Income</b>	<b>Net spend</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>DSG: Schools</b>	40.734	-40.856	-0.122
<b>DSG: CSSB</b>	0.967	-0.964	0.003
<b>DSG: Early Years</b>	19.662	-20.632	-0.970
<b>DSG: High Needs</b>	31.751	-28.511	3.240
<b>In-year DSG position</b>	<b>93.114</b>	<b>-90.963</b>	<b>2.151</b>
<b>Plus Safety Valve</b>		-2.070	-2.070
<b>Net movement in DSG 2024/25</b>	<b>93.114</b>	<b>-93.033</b>	<b>0.081</b>
	<b>Brought forward</b>	<b>Net movement</b>	<b>Carry forward</b>
<b>DSG 2024/25</b>	<b>10.136</b>	0.081	<b>10.217</b>

9.3 Overall, the provisional outturn indicates that the DSG is overspent by £2.151m for 2024/25, before taking account of the £2.070m Safety Valve support from DSG which resulted in a net overspend of £0.081m for the year.

9.4 This takes the cumulative DSG position from £10.136m at the start of 2024/25 to £10.217m at the end.

9.5 Schools Block. The only variance on this is an underspend on the Growth Fund, which had been anticipated during the year.

9.6 Central School Services Block. This effectively broke even, with on a very minor £3k variance.

9.7 Early Years. The service underspent by £1m, around 5% of the overall budget. Further analysis of this is needed to understand it. There looks to be some underspending in Early Years support services and there may have been lower take up of Disabled Access Fund. A potential reason is that the EY DSG income that Slough receives is not guaranteed to match the expenditure; for 2 year olds from families with high deprivation indicators and for 3 and 4 year olds,

income is based 5/12th January 2024 census and 7/12th January 2025 census; expenditure is based on participation in summer 2024, autumn 2024 and spring 2025.

- 9.8 High Needs. The High Needs variance 2025/25 was £3.2m and it arose because EHCPs were issued at a higher rate during 2024/25 and whilst this reduced the backlog it increased costs. During 2024/25, there were problems with matching pupil and financial data, which have not been fully resolved. This led to uncertainty about the true financial position and a break-even was forecast for much of the year, albeit with caveats about that uncertainty. The backlog will be cleared during 2025/26 but more new EHCPs are being issued than are being ceased, so the unmitigated trajectory for 2025/26 and beyond is higher spend.
- 9.9 Schools Forum received a report on the 7<sup>th</sup> May relating to the [High Needs Update](#). The report set out the position at the end of the year and provided an estimate for the next three years, culminating in an accumulated deficit of approximately £35m whereby annual expenditure is forecast to increase from £41.455m in 2024/25 to £62.155m in 2026/27 with annual funding increasing by only £4m in the same period.
- 9.10 The Council entered into a Safety Valve agreement with the Department for Education covering covers the financial years from 2022/23 to 2026/27. In return for a phased payment of £27m the Council committed to achieving a positive in-year balance on its Dedicated Schools Grant (DSG) account by the end of 2025/26 and in each subsequent year. The Council has already received payments totalling £17.3m. The remaining Safety Valve payments in 2025/26 and 2026/27 total £9.720m, which is less than the cumulative £10.217m carry forward at the end of 2024/25. Without mitigations over the next couple of years, Slough will not achieve its Safety Valve target of removing the cumulative DSG by March 2027. The position beyond the period of the agreement is uncertain as further deficits are not covered by the initial funding. To address this will require the development of separate management strategies or adjustments to the existing plan. The Council remains in discussion with the Department for Education to resolve this.

## **10. Capital Programme**

- 10.1 Council approved a year Capital Programme of £105.601m including Capitalisation Directions in March 2025 with £53.347m planned for 2025/26. There are inherent risks associated with such a programme relating to project management, procurement and also with ensuring compliance with project terms and conditions including timeliness of delivery.
- 10.2 In September Cabinet will receive proposals to revise the scale of the programme due to slippage of £10.353m brought forward from 2024/25, other adjustments of £0.680m and reprofiling of £12.943m of planned expenditure from 2025/26 to later years.

## **11. Spending Review and Fair Funding 2 Consultation.**

- 11.1 The Fair Funding 2 consultation was launched in June 2025. An initial analysis at a national level indicates that the change in needs assessment will shift resources away from Inner London and Shire Districts towards Counties and Unitaries.
- 11.2 The Council uses work undertaken by Pixel, a consultancy in Local Government Finance, widely used throughout the sector, in order to assess the impact on funding. Pixel have previously provided modelling based on a number of different fairer funding scenarios. Based on previous scenarios, the move to distributing resources based on need would benefit Slough in that it more closely recognises the needs of the residents of the Borough.
- 11.3 There are also proposed changes to the way in which Business Rates are collected, the amounts retained locally and how any national surplus is redistributed. On the information currently available and the proposed direction of travel it is probable that the Council will retain less directly generated income but that this will be offset by the amount received through the distribution of the national surplus which will be done on assessment of need.

### **Specific Grants**

- 11.4 A number of specific grants will be rolled into the Funding assessment, including New Homes Bonus, Recovery Grant, Minimum Funding Guarantee, Market Sustainability & Improvement Fund and Social Care Grant. Better Care Fund will continue be paid outside of RSG (but within the overall settlement) so that it can be pooled with NHS, as currently.
- 11.5 A number of other grants will be consolidated and grouped by theme:
- Homelessness & Rough Sleeping
  - Public Health
  - Crisis and Resilience (inc Household Support Fund)
  - Children's Families and Youth Grants

Again this will simplify the system, and it will be key to ensure that the council receives their fair share of these grants.

### **Other Features**

- 11.6 Council Tax Equalisation – this will apply a “resource adjustment” based on councils’ ability to raise council tax (based on the council tax base, and allowing for deprivation as a proxy for council tax support) which will, in broad terms, divert resources from wealthier areas.
- 11.7 In addition to changes around assumptions relating to Council Tax the Government are reviewing how Council Tax support for vulnerable families is

being funded. This will support areas of high need where a significant proportion of the population would qualify for Council Tax support.

- 11.8 SEND Deficits - the override will be extended to the end of 2027/28. Whilst no solution is offered as yet, the government is making clear that a solution needs to be found, though there is no commitment to provide additional funding.
- 11.9 Transitional Support and Damping – the impact of this consultation will result in winners and losers, and a large number of authorities are likely to require some sort of transitional support.

### Implementation

- 11.10 There is a commitment that no authorities will suffer a reduction in their current level of funding (i.e. a 0% floor). In the past, funding of this transitional support has not come from additional resources being put into the overall system, but rather, by scaling back some of the gains across the winners (damping). The level of damping, and how this is allocated over the three year settlement, will have an impact on the level of new resources available to the council.
- 11.11 The transitional support will be based on the funding assessment, assumed council tax levels, other grants and business rates. Whilst this spreads the impact of resource allocation changes over a wide range of funding, this does highlight the interdependence of all the funding elements within the system.

### Local Context

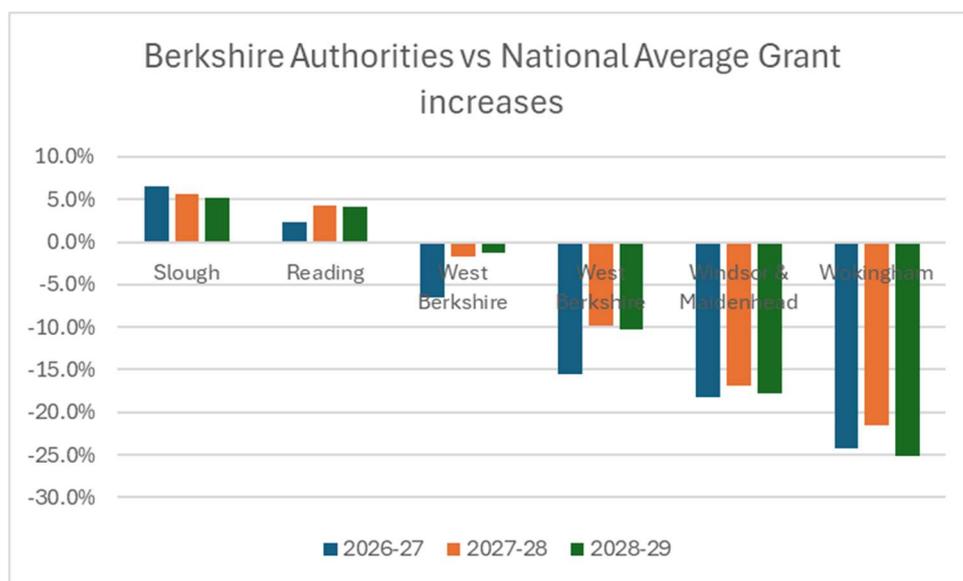
- 11.12 Whilst the content of the consultation looks extremely promising, the funding position still needs to be viewed holistically, with some of these elements being less clear than others currently.
- 11.13 The latest modelling indicates that RSG will increase by £35.75m in 2026/27. However, this is offset by £22.65m of grants that are rolled into RSG
- 11.14 It is a particular concern that the model currently suggests that there will be a £8.6m reduction in redistributed business rates – and whilst the national surplus will be rolled forward into RSG from which the Council will benefit, but not to the same extent.
- 11.15 The table below indicates net funding changes compared to the current MTFs, but this is susceptible to change as the implication of the funding changes become clearer.

<b>MOVEMENTS in RESOURCES</b>	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
RSG/Settlement	-38.795	-4.274	-6.758	-4.007
Grants	24.667	0	0	0
Business Rates	9.963	-0.567	-0.617	-0.615
Council Tax	-4.224	-5.070	-5.349	-5.642
<b>Total</b>	<b>- 8.389</b>	<b>- 9.911</b>	<b>- 12.724</b>	<b>- 10.264</b>

The four-year modelling suggests that, even allowing for damping the council can expect significant increases in net resource levels over the next 4 years including Council Tax increases of 4.99% p.a. and increases in the Tax Base.

11.16 The Council needs to adopt a prudent approach to any changes in the funding distribution that will become clearer following the end of the consultation and when the Government starts confirming its proposal, which is likely to be from September onwards, although ideal for financial planning.

11.17 In relative terms, fair funding modelling indicates that the council's grant increases will be well in excess of the national average, in contrast to neighbouring authorities across Berkshire, which highlights that an overhaul of the system has been well overdue for Slough given it has high needs relative to neighbouring authorities.



## 12. RESERVES

12.1 The council maintains usable reserves to fund specific projects including meeting specific commitments, provide a working balance to meet uneven cashflows or as a contingency to meet costs for unforeseen events or emergencies including risks should they materialise that cannot be mitigated.

12.2 In setting the 2025/26 budget on 6 March 2025 the council was anticipating that at 31 March 2025 the council would hold reserves of £35.957m, of which £22.0m would be set aside to meet unforeseen costs. In progressing the completion of the Statement of Accounts for 2023/24 the position has changed which is reported elsewhere on this agenda.

12.3 For the council to be financially sustainable in the longer term, it is imperative that the council can live within its resources and increase reserves to mitigate against unforeseen events or risks that may materialise.

- 12.4 CIPFA publish a financial resilience index on key metrics across all English councils. One metric measures the percentage of usable reserves (excluding public health and schools). In 2022/23, the latest available information, council's nearest neighbours held between 23.66% and 94.32% of usable reserves compared to their net revenue expenditure. Whilst this provides comparative data, the council will need to consider its reserve strategy.
- 12.5 As part of the council's recovery and improvement plan, a reserves strategy will be developed that enables reserves to be replenished and set at an appropriate level to manage its financial health and risks.

### 13. Implications of the Recommendation

#### 13.1 Financial implications

- 13.1.1 This report outlines the council's approach for Cabinet to consider the budget 2026/27 and MTFS including the national and local context for developing next year's budget. As such, the report is a financial report with implications set out throughout the report.
- 13.1.2 This report will be refreshed during the autumn which in turn will be recommended by Cabinet for budget approval by Full Council in February 2026.

#### 13.2 Legal implications

- 13.2.1 Section 31A of the Local Government Finance Act 1992 requires the Council to set its council tax following consideration of the Council's estimated revenue expenditure for the year in order to perform its functions, allowances for contingencies in accordance with proper practices, financial reserves and amounts required to be transferred from general fund to collection fund. The Council is required to make estimates of gross revenue expenditure and anticipated income, leading to a calculation of council tax requirement for the following financial year and the setting of an overall budget to ensure proper discharge of the Council's statutory duties and to lead to a balanced budget.
- 13.2.2 The Council is currently under the intervention of MHCLG, has reliance on exceptional financial support to balance its budgets over the medium-term and has appointed commissioners. This is due to a finding that it has failed to meet its best value duty under the Local Government 1999. The best value guidance highlights indicators of potential failure and indicators of a well-functioning authority. Under use of resources, a characteristic of a well-functioning authority is one where there is collective accountability for the budget and medium-term financial plan and regular financial reports to Cabinet. An indicator of potential failure is the absence of a deliverable medium-term financial plan, consistent overspends, frequent use of virements, no credible plan to reduce unaffordable debt and maintain sustainable finances and recurrent non-delivery of savings.

#### 13.3 Risk management implications

13.3.1 Risk management implications, particularly in relation to budget risk are set out in the body of the report.

#### 13.4 Equality implications

13.4.1 Whilst there are no equality implications directly arising from the recommendations of this report, as the Council develops its proposals for the Medium Term Financial Strategy, consideration will need to be given into how individual proposals are developed and what the implications are when they are implemented.





## Appendix 2

### MTFS Budget Assumptions – Sensitivity to provide budget gap range

<b>Temporary Accommodation</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
Best case (-£5m)	0.000	0.000	0.000	0.000	0.000
Budget gap	5.000	5.000	5.000	5.000	5.000
Worst case (+5m)	10.000	10.000	10.000	10.000	10.000

<b>Adults Social Care – Increased Demand</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
Best case (-£1.4m)	2.200	2.200	2.200	2.200	2.200
Budget gap	3.600	3.600	3.600	3.600	3.600
Worst case (+£1.4m)	5.000	5.000	5.000	5.000	5.000

<b>Adults Social Care – Provider Uplift</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
Best case	2.500	2.800	3.000	3.300	3.700
Budget gap	2.710	2.710	2.710	2.710	2.710
Worst case	5.500	6.100	6.700	7.300	8.100

<b>Inclusion</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
Best case (£1m)	1.000	1.000	1.000	1.000	1.000
Budget gap	1.450	1.450	1.450	1.450	1.450
Worst case (£1.5m)	1.500	1.500	1.500	1.500	1.500

<b>Waste Disposal</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
Best case (-£0.5m)	0.596	0.596	0.596	0.596	0.596
Budget gap	1.096	1.096	1.096	1.096	1.096
Worst case (+£0.5m)	1.596	1.596	1.596	1.596	1.596

<b>Placeholder - pressure</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
Best case			0.000	0.000	0.000
Budget gap			5.000	5.000	5.000
Worst case			10.000	10.000	10.000

<b>Pay award</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
Best case (-1%)		1.534	0.713	0.720	0.727
Budget gap		2.231	1.439	1.468	1.497
Worst case (+1%)		2.928	2.180	2.245	2.312

<b>Contract inflation</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
Best case (-1%)		2.974	1.131	1.143	1.154
Budget gap		4.075	2.284	2.330	2.377
Worst case (+1%)		5.177	3.460	3.564	3.671

<b>Financing (council assessment against Pixel model)</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
Best case		-9.942	-13.931	-20.659	-24.312
Budget gap		-6.557	-10.098	-16.099	-19.336
Worst case		-2.249	-5.219	-10.295	-13.004