

SLOUGH BOROUGH COUNCIL

REPORT TO: Cabinet **DATE:** 16th July 2018

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PORTFOLIO: Councillor Swindlehurst: Leader of the Council

PART I **KEY DECISION**

2018-2022 MEDIUM TERM FINANCIAL STRATEGY

1 Purpose of Report

The aim of the Medium Term Financial Strategy (MTFS) is to model possible income, expenditure and resource requirements, over a four year period (2018/19 to 2021/22), to inform officer and member discussions regarding the Council's financial position. It sets out the known financial challenges facing the Council, at the current time, and highlights available solutions.

Obviously, the assumptions and figures within the MTFS will change during the course of the year as further information is released by government and detailed work is undertaken by officers. Updates to the MTFS will be submitted to the October 2018 and December 2018 Cabinet meetings.

The MTFS is submitted for approval and, if agreed, will be used to inform the revenue budget building process for 2019/20 and beyond.

2 Recommendation(s)/Proposed Action

The Cabinet is requested to resolve that the Council's Medium Term Financial Strategy for 2018-2022 as set out in this report be approved.

3. The Slough Joint Wellbeing Strategy, the JSNA and the Five Year Plan

3a. Slough Joint Wellbeing Strategy Priorities

The report indirectly supports all of the strategic priorities and cross cutting themes. The maintenance of good governance within the Council to ensure that it is efficient, effective and economic in everything it does achieve through the improvement of corporate governance and democracy by ensuring effective management practice is in place.

3b **Five Year Plan Outcomes**

The report helps achieve the Five Year Plan outcomes by contributing to the Council's financial planning and ensuring the five outcomes are adequately resourced.

4 **Other Implications**

(a) Financial

Detailed within the report.

(b) Risk Management

Risk	Mitigating action	Opportunities
Legal	None	None
Property	None	None
Human Rights	None	None
Health and Safety	None	None
Employment Issues	A number of posts may be affected by changes proposed during the revenue budget process 2019/20 to ensure the Council adheres to its Medium Term Financial Plan. If necessary these will be managed through the council's restructure, redundancy and redeployment policy and procedure.	None
Equalities Issues	Equalities Impact Assessments will be undertaken and considered as budget growth and savings options are identified during the course of this financial year.	None
Community Support	None	None
Communications	None	None
Community Safety	None	None
Financial	Detailed within the report	None
Timetable for delivery	None	None
Project Capacity	None	None

Other	The MTFS is not a fixed set of numbers and is necessarily based on various financial forecasts and assumptions that will inevitably change during the year. Regular MTFS updates will be provided to Cabinet during the course of 2018/19.	None
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(c) Human Rights Act and Other Legal Implications

The Council has a number of statutory functions to perform. Any savings made to address the current funding shortfall currently outlined in the Medium Term Financial Strategy must not undermine the Council's responsibilities to provide minimum levels of provision in key areas.

The Council has a legal duty to set a balanced budget when it agrees its revenue budget 19/20 at the Full Council meeting in February 2019. The Medium Term Financial Strategy assists the Council in making appropriate financial choices to realise this legal duty.

(d) Equalities Impact Assessment

Equalities Impact Assessments will be undertaken and considered as budget growth and savings options are identified during the course of this financial year. The EIA's, for all proposed growth and savings, will be reported as part of the overall revenue budget setting report to be presented at full Council in February 2019.

(e) Workforce

The implications on the overall workforce will be considered as revenue budget proposals are developed during 2018/19.

5 Supporting Information

5.1 Summary

5.1.1 Local authorities in England are facing unprecedented challenges with regards to financial resilience and ongoing stability. The Local Government Association (LGA) has warned that councils in England face an overall funding gap of £5.8bn by 2020. In addition, local authorities are experiencing substantial pressures on social care and housing services. There is, therefore, a great deal of public concern and scrutiny regarding the financial resilience of all local authorities and Slough BC is most certainly not immune.

- 5.1.2 Unprecedented challenges require robust responses. Ever since the age of public sector austerity was introduced, by central government following the financial crash in 2008, local authorities have been seeking to manage increasing demand for statutory services within ever reducing levels of funding. Going forward, Slough Borough Council must ensure it has both the method and the financial means to continue to serve its local residents and businesses. It must be clearly stated at the outset of this report that this will not be an easy process – the majority of quick financial wins the Council could make were made over the past ten years, and still government funding levels have continued to fall.
- 5.1.3 The Medium Term Financial Strategy sets out the background to the Council's current financial position; estimates its future financial position; and highlights some of the possible solutions to deliver a balanced position over the period of the MTFS (2018/19 to 2021/22). The Council has a legal duty to balance expenditure with estimated income to ensure that the Council has a sustainable financial position. As the financial environment inevitably changes, the MTFS guides the Council's financial plans to ensure resources are available to operate all its services.
- 5.1.4 The Council has made significant investments (approx. £50m) in developing a commercial property portfolio to provide future revenue income streams. If needed, some of these commercial investments could be quickly liquidated in the event that more challenging financial events occur. Obviously this solution, if implemented, would come at a financial cost to the Council as the associated revenue stream would be ended. The MTFS does not propose liquidating any of SBC's commercial property portfolio.
- 5.1.5 Therefore the Council must also maintain an appropriate level of easily accessible financial reserves to protect the Council against future budgetary impacts and the continued financial pressures and constraints that the Council faces. The Council must also manage the risks surrounding its budget estimates to ensure that they are robust and to ensure that the budgets ultimately agreed are managed and delivered in year.
- 5.1.6 It is imperative that the Council's finances are robust and that value for money is secured across all service areas. Financial planning over a 4 year period enables the Council to fully consider the implications of future funding scenarios and prepare appropriate action as necessary.
- 5.1.7 Given the scale of ongoing reductions in central government funding for local authorities and the current restrictions on increasing council tax (whereby any increases over 3% require a local referendum), simply maintaining the current levels and delivery of existing services is not an option open to the Council in the future.
- 5.1.8 It can be seen, in Table 1 below, that the Council is becoming, year-on-year, much less reliant on Government funding. Recognising its crucial dependency on council tax and business rates income, the Council agreed the following key outcomes within its Five Year Plan:

- Outcome 3: Slough will be an attractive place where people choose to live, work and stay
- Outcome 4: Our residents will live in good quality homes
- Outcome 5: Slough will attract, retain and grow businesses and investment to provide opportunities for our residents

5.1.9 This Medium Term Financial Strategy requires the Council to take a more commercial approach to its finances and to commence increasing its readily available financial reserves to ensure SBC is financially resilient for the future. The Council can only operate within its financial means. The implications of this approach are set-out, in more detail, later in this report.

5.1.10 Officers and Members believe the Council is well prepared to meet the financial challenges that lie ahead, whilst recognising that the necessary response is not easy and will inevitably require difficult choices to be made. SBC has a strong history of ensuring a balanced budget is delivered each year; has successfully delivered a number of change and transformation projects in recent years; whilst being at the forefront of many local authority innovations, for example setting up James Elliman Homes to start addressing Temporary Accommodation issues and the Council's partnership with Morgan Sindall Investment Limited – Slough Urban Renewal (SUR). At the same time, the Council has maintained investment in its infrastructure through the approval of capital budgets to deliver a variety of programmes, including the substantial enhancement of the borough's leisure facilities.

5.1.11 This Medium Term Financial Strategy (MTFS) sets out the context for the 2019/20 revenue budget. The guiding principles behind the MTFS, going forward, are:

- 1) The Council will immediately commence unwinding its reliance on revenue receipts from Slough Urban Renewal (SUR), our joint venture partnership with Morgan Sindall Investments Limited to fund the revenue budget.
- 2) The Council will seek to increase its financial reserves (excluding schools) towards £30m over the next four years.
- 3) From 2021/22, SUR revenue receipts will only be used to increase general reserves or reinvest in commercially focussed invest to save schemes.

5.2 Available Resources

Table 1: Funding summary associated with the MTFS 2018 to 2022

	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m
Business Rates	43.3	32.8	30.4	31.0
Revenue Support Grant	-	6.1	5.5	4.9
New Homes Bonus	2.8	2.7	2.2	2.0
Other Core Spending Power Grants	0.3	-	-	-
Council Tax	55.8	58.7	61.8	65.0
Collection Fund	-	-	-	-
Total Resources	102.2	100.3	99.9	102.8

5.2.1 Each year, the Council receives the following main sources of funding:

NNDR (Business Rates)

5.2.2 The amount of retained Business Rates is determined as the Council's best estimates of the amount it will receive from businesses for the year ahead. These estimates are formally submitted to central government.

5.2.3 For 2018/19 the government has agreed that the six Berkshire authorities can form a Business Rates pilot scheme within Berkshire. This means, for 2018/19, all Business Rate income will be retained within Berkshire. However, as part of the deal, the six authorities will not receive any Revenue Support Grant funding from Government. The pilot scheme allows the Council to retain 30% of any business rate gains in the year, with a minimum gain of £1m for each Berkshire authority. 70% of the gains will be provided to the Thames Valley Berkshire LEP to provide a 'strategic fund' to specifically invest around £25m in the Slough Transit Network and Reading Mass Rapid Transit Network.

5.2.4 Officers anticipate an additional £1.4m will be received during 2018/19 compared to what the Council would have received under the current local government funding regime. The model, in Table 2 below, assumes a full reset of the business rates system in 2020/21, with business rates income equal to the NNDR Baseline and a change to Baseline Need. The funding from business rates retention and the assumptions built into the modelling are shown, in more detail, below.

Figure 1: Funding from Business Rates Retention

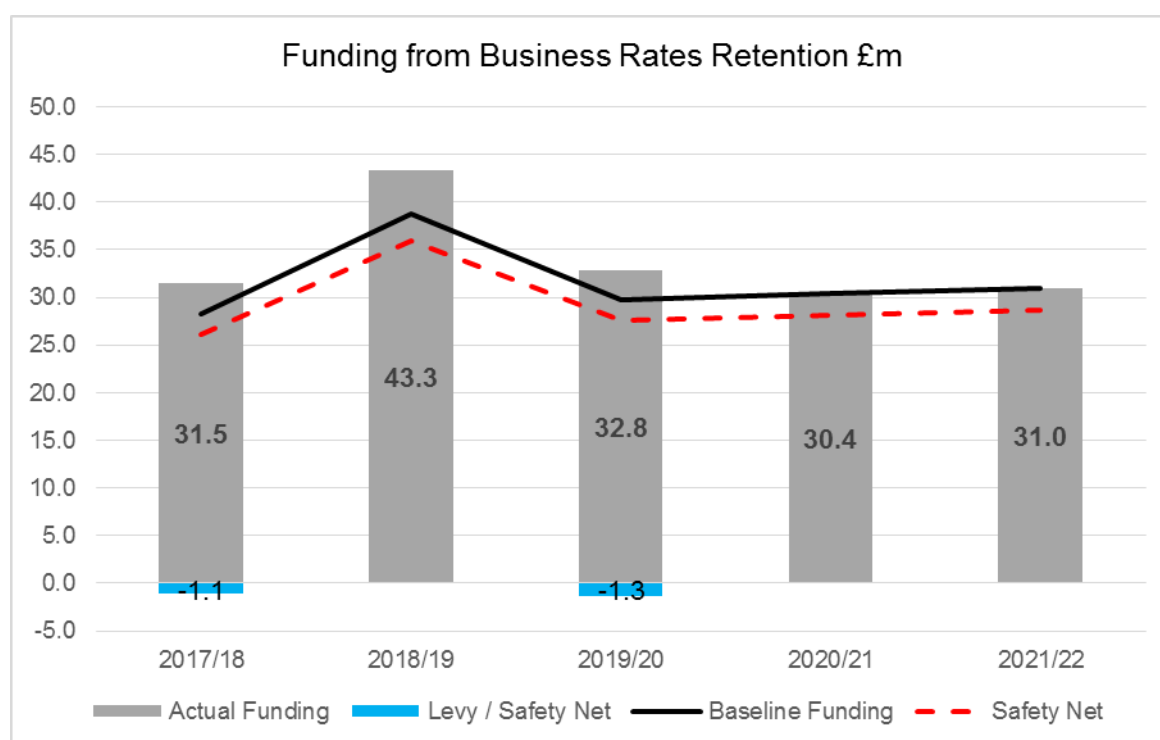


Table 2: Business rates assumptions

National Assumptions	2017/18	2018/19	2019/20	2020/21	2021/22
RPI - Multiplier Increase	2.0%	3.0%	2.2%	2.0%	2.0%
NDR Multiplier	0.46600	0.4800	0.491	0.500	0.510
Baseline safety net	-7.5%	-7.5%	-7.5%	-7.5%	-7.5%
Levy rate	39.5%	0.0%	39.4%	0.0%	0.0%

Revenue Support Grant (RSG)

- 5.2.5 The Council ordinarily receives Revenue Support Grant (RSG) direct from central government. The level of RSG a local authority receives is based on government's determination of local authorities 'needs' balanced against the government's deficit reduction plans.
- 5.2.6 It can be seen that the level of government funding for Slough Borough Council has reduced by 53.8% between 2017/18 and 2019/20. As stated in 5.2.3 above, for 2018/19, the Council's RSG will be included as part of the increase in SBC's business rate receipts due to our participation in the Berkshire Pilot Business Rates Pooling Scheme.
- 5.2.7 As the Pilot is currently only established for one financial year it is assumed that RSG will be paid from 2019/20 onwards. The level of RSG funding for local government is set in the government's Comprehensive Spending Review (CSR). The last CSR was published in 2015 and covered 2016/17 to 2019/20. Therefore, local authorities have no current information regarding the level of

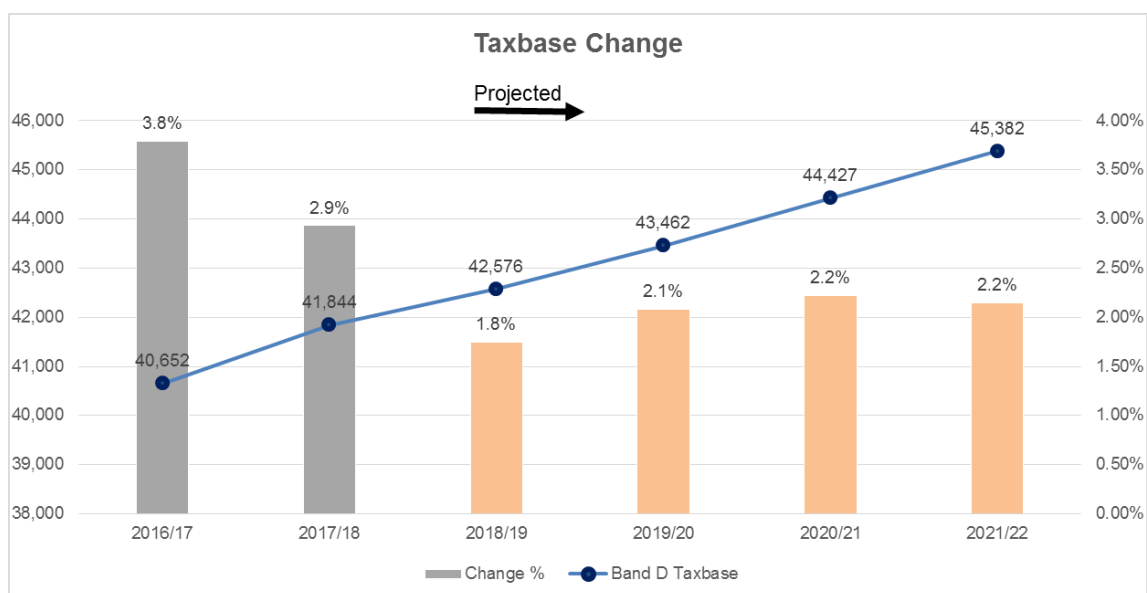
government funding they can expect to receive from 2020/21 and beyond. The next CSR is anticipated to be published in Spring 2019 and should cover the period 2020/21 to 2023/24. Until the government publishes the next CSR, which would allow officers to update the model's assumptions, it is assumed that RSG will reduce in line with the expected NNDR baseline funding decreases.

Council Tax

5.2.8 Another main source of funding is derived from council tax receipts. The overall amount raised is based on the council taxbase (i.e. the number of properties in the borough) multiplied by the average band D Council Tax amount. For 2018/19 the overall council tax for Slough Borough Council increased by 4.5%. 3% of this increase was due to the government's Adult Social Care precept and only 1.5% for the Council to fund all other services.

5.2.9 The council taxbase is assumed to increase annually by the average increase in the preceding two years across the MTFs. This is shown in Figure 2 below:

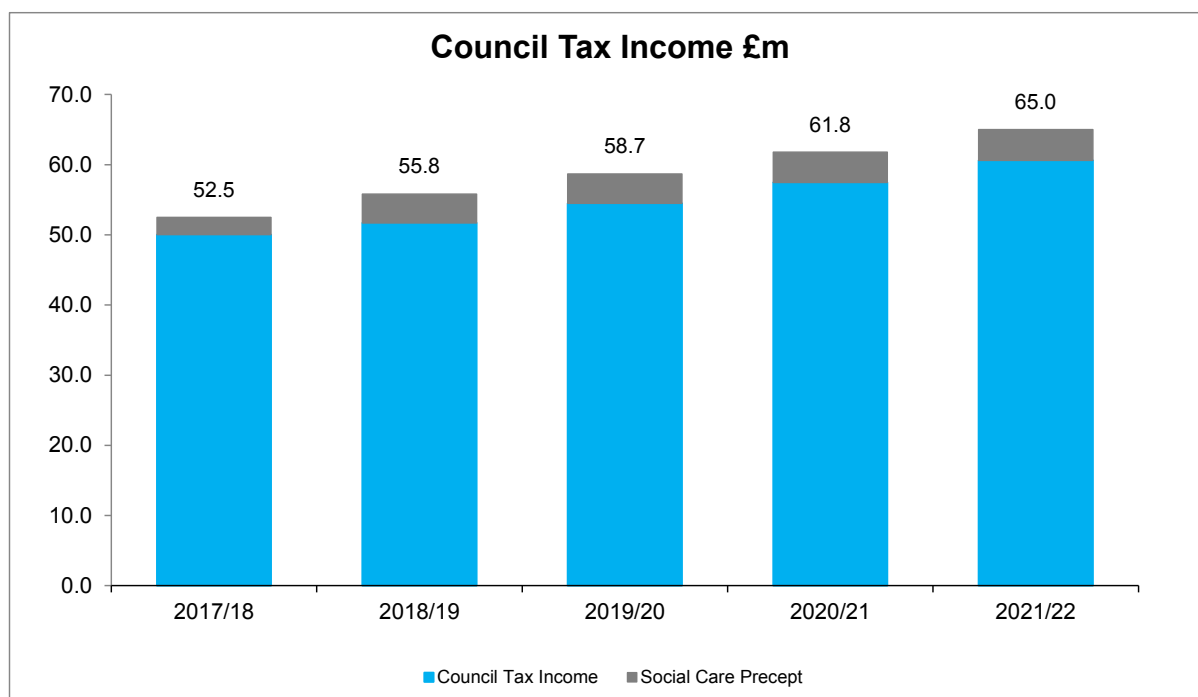
Figure 2: Council Taxbase changes



5.2.10 The MTFs allows for an annual increase in council tax up the government's maximum allowed (2.99%) under the current rules. Anticipated council tax receipts (including the Adult Social Care levy) are shown in Figure 3 below.

5.2.11 Full council agrees, in February each year, the level of council tax required for the forthcoming financial year. A 1% reduction in the MTFs's assumed council tax increase would require compensatory savings of £558k to be found. The level of council tax to be set will be considered during the revenue budget 2019/20 discussions.

Figure 3: Projected Council Tax Income



Specific Grants

5.2.12 The Council also receives funding via specific government grants.

5.2.13 Specific grant income streams are generally announced at the Local Government Finance Settlement. The main specific grant that impacts on the Council's net revenue budget, relates to the New Homes Bonus.

5.2.14 The New Homes Bonus is a grant paid by central government to local councils to reflect and incentivise housing growth in their areas. It is based on the amount of extra council tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use.

5.2.15 Significant changes were made to the New Homes Bonus scheme in 2018/19 (e.g. from 2018-19 the government decided to withhold payments from authorities not supporting housing growth and also agreed a reduction in the number of years local authorities could benefit from the scheme). However it is still anticipated that New Homes Bonus payments will continue to be paid during the life of the MTFS.

5.3 Expenditure

Table 3: Anticipated Expenditure 2018/19 to 2021/22

	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m
Base Position	100.475	101.002	100.309	99.898
Base Budget Changes	3.694	3.694	3.694	3.694
Directorate Growth	2.845	0.925	0.725	0.725
Estimated Pressures	0.000	3.200	1.000	1.000
Revenue Impact of Capital Investment	0.250	1.321	0.711	0.656
SUR Income	(4.239)	(1.500)	(0.750)	0.000
SUR Income previous year	4.758	4.239	1.500	0.750
Savings Identified	(4.541)	(2.081)	(0.445)	(0.200)
Transformation Fund Savings	(2.240)	(7.650)	(4.600)	(3.100)
Total Forecast Expenditure	101.002	103.150	102.144	103.423
Expected Funding Receipts	101.002	100.309	99.898	102.824
Current Funding Gap to be bridged	0.000	2.841	2.246	0.599

5.3.1 The Council's base budget for 2018/19 was set at £101.002m and it is against this figure that all adjustments are completed. The adjustments include:

- a) Base budget changes: increases due to non-pay and pay pressures across the Council.
- b) Directorate growth: these items were identified in the Revenue Budget Report 2018/19 presented at Full Council in February 2018. They are detailed in Appendix A below. All growth assumptions will be reviewed as part of the revenue budget setting process 2019/20.
- c) Estimated pressures: this represents the financial impact of the currently estimated pressures officers report are likely to require resolution during the revenue budget process. They have not been agreed and will need to be verified throughout the revenue budget process. They are included to ensure their possibility is taken into account within the current financial model. The estimated pressures for 2019/20 represent:
 - £1,000k – Temporary Accommodation and Homelessness
 - £800k – Additional funding required to meet the Council's contractual 'affordability gap' for the Schools PFI
 - £1,400k – Increased demographics relating to Children's Services

Thereafter £1m, as yet unknown, pressures are assumed per annum.

If it is found that the Council does not need to fund any of these pressures, the level of required savings will reduce.

- d) Revenue impact of capital investment: the amount of revenue funding required to meet the Council's capital borrowing requirements in line with its capital strategy.
- e) SUR Income: In 2018/19, revenue receipts generated from Slough's partnership with Morgan Sindall Investments Limited – Slough Urban Renewal (SUR) - were used to fund the Council's revenue budget. The Council forecasts over £30m in revenue receipts will be generated from this partnership between 2019 and 2025.
- f) SUR Income Previous Year: As noted earlier in this report, the guiding principles behind the MTFs, going forward, include: "The Council will immediately commence unwinding its reliance on revenue receipts from Slough Urban Renewal (SUR), our joint venture partnership with Morgan Sindall Investments Limited to fund the revenue budget" and "from 2021/22, SUR revenue receipts will only be used to increase general reserves or reinvest in commercially focussed invest to save schemes". It is recognised that this departure from the previous MTFs will take two years to unwind.
- g) Savings identified: the current savings already identified as part of the revenue budget process 2018/19 are outlined in Appendix B below. These savings will be reviewed during the revenue budget setting process 2019/20.
- h) Transformation fund savings: In December 2017, the Secretary of State announced, alongside the provisional local government finance settlement, the continuation of the capital receipts flexibility programme for a further three years. This programme provides local authorities the continued freedom to use capital receipts from the sale of their own assets (excluding Right to Buy receipts) to help fund the revenue costs of transformation projects and release savings. A total of £19.5m has been planned to be spent in accordance with this direction over the period 2016/17 to 2018/19, resulting in total net benefits of £24.8m by the end of 2021/22. A full list of the current projects and their expected benefits can be found at Appendix C. These projects will be fundamentally reviewed during the revenue budget setting process 2019/20.
- i) Savings to be identified : The remaining savings that will need to be found, each year, to ensure the Council is able to fulfil its legal duty and set a balanced budget. The Medium Term financial plan assumes that each year's budget gap is closed, so that the Council's budget requirement is contained within the available funding.

5.4 The Budget Challenge

- 5.4.1 Table 4, below, highlights the scale of the financial challenge facing the Council in implementing this MTFs.

Table 4: The Budget Challenge

	2019/20	2020/21	2021/22
	£m	£m	£m
Savings Identified	2.081	0.445	0.200
Transformation Fund Savings	7.650	4.600	3.100
Current Funding Gap	2.841	2.246	0.599
	12.572	7.291	3.899

5.4.2 It can be seen that the Council will be seeking to reduce its expenditure by £23.762m over the course of the MTFS, with £12.572m to be realised in 2019/20.

5.4.3 It is only right the MTFS clearly highlights the risks associated with this challenge:

- 1) Delivery: In order to set a balanced budget the Council must ensure that the savings set out in the MTFS are delivered. As part of the revenue budget process 2019/20 all service areas will be required to prepare robust savings proposals which will then be subject to scrutiny and challenge by Senior Officers, Members and Independent advisors.
- 2) Timing: If savings were to slip into proceeding years the financial gap would not be closed. That is why the Council is starting the revenue budget process now, to ensure all savings proposals are able to be implemented at the start of the financial year or even earlier where possible.
- 3) Availability of resources: The Council has various uncontrollable costs (i.e contractual payments to the Slough Children's Trust amount to over £24m per annum) which will not be able to be reduced over the course of the MTFS. Therefore the Council will need to examine all elements of its overall income and expenditure to find the level of savings required. As noted previously in this report, this will not be an easy process.

5.5. Sensitivity Analysis

5.5.1 Officers have undertaken a sensitivity analysis considering the main financial risks and sensitivities within the proposed Medium Term Financial Strategy. The factors deemed to be 'High Risk' are highlighted in Table 4 below. The full analysis is at Appendix D.

Table 4: High Risk – Sensitivity Analysis

Factor	Controllable by SBC	Base Assumptions	Key Risks	Likelihood of different outcome	Opportunities	Financial Implications	Controls
Transformation Fund	Yes	Transformation Fund projects will realise substantial savings.	Savings will not be achieved	High	Additional invest to save projects can be pump-primed across the MTFS.	£7.065m for 19/20. Slippage on forecast savings plans will result in additional savings required to be found.	\$151 to ensure Transformation Fund operating in line with MHLG Guidance. Half-year update provided to Council showing progress against savings targets.
Closing the Financial Gap	Yes	The remaining funding gap will be closed by February 2019.	Savings will not be achieved	High		£2.841m	Fundamental root & branch review of Council's Gross Income & Expenditure. Production of detailed budget statements for all Service Areas to inform Star Chamber Budget Challenge Sessions in September. Regular reports to Cabinet

5.6 Reserves Strategy

5.6.1 Compared to many local authorities, Slough Borough Council has relatively low levels of financial reserves. Table 5, below, clearly shows how reserves set aside for specific purposes have decreased while general reserves have slightly increased. The Schools' Reserve has decreased due to the Academisation of many Slough Schools over the past four years, e.g. Schools take their reserves with them when they turn into Academies.

Table 5: Change in Reserves 2014/15 to 2017/18

	£'000	£'000	£'000	£'000
	2014-15	2015-16	2016-17	2017-18
Earmarked Reserves	11,009	8,289	4,898	4,575
General Fund Balance	8,143	8,101	8,123	8,712
	19,152	16,390	13,021	13,287
Schools Reserve	7,827	7,857	2,258	1,292

5.6.2 The majority of Berkshire authorities are in a similar position to Slough following the disaggregation of the former County, and have similarly low levels of reserves. Slough Borough Council does, however, hold over £100m of investments across a range of categories as can be seen in Table 6 below. These investments provide substantial income to the Council which is used to offset borrowing and other revenue costs. Officers have assessed these investments as either Red, Amber or Green depending on how quickly the

Council could realise the investments as cash. Obviously, if these investments were used to address short term funding pressures there would be a consequential negative impact on the amount of income the Council would receive. It is for this reason that the MTFs does not propose liquidating investments to increase the Council's financial reserves.

Table 6: Investments Held

	£m	
Wexham Nursery Loan Note	10	Red - Could realise in over 3 months
James Elliman Homes	10	Amber/Red - No member appetite to realise
SAB - Commercial Property	50	Amber - Could realise in less than 3 months
Business Reserves	18	Green - Could realise in less than 1 month
Instant Access Cash	14	Green - Could realise in less than 1 week
	102	

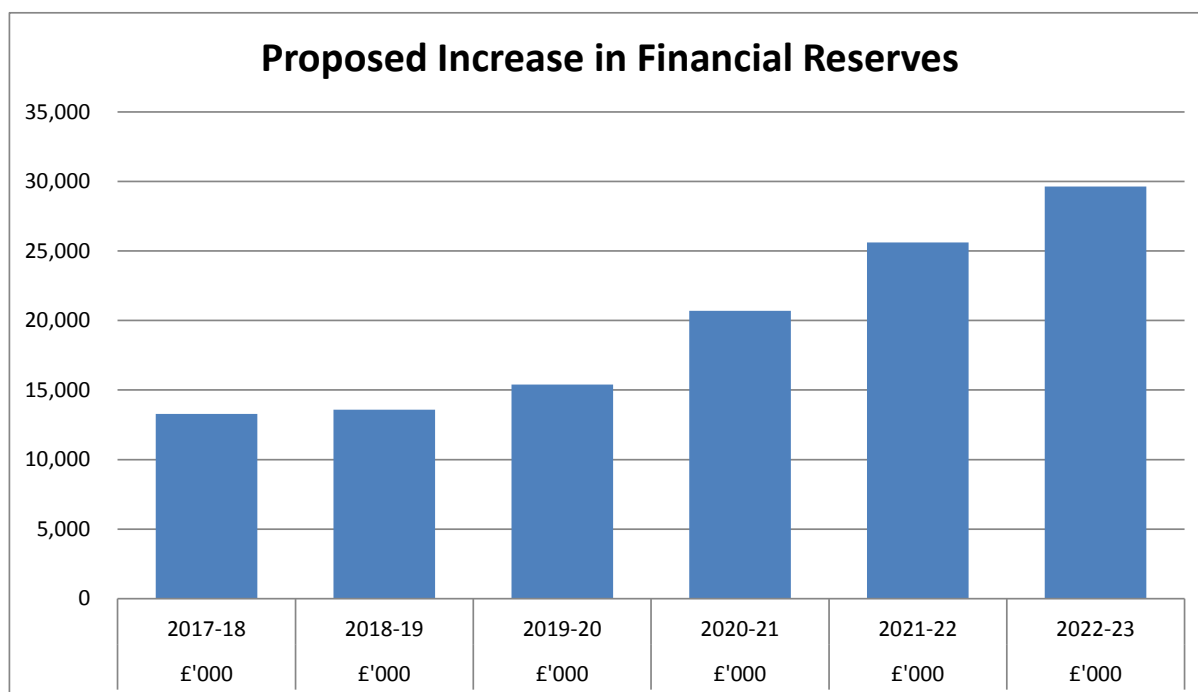
5.6.3 The Council is fortunate that it entered into a partnership with Morgan Sindall Investments Limited to create Slough Urban Renewal (SUR). This partnership allows the council to receive a 50% share of 'profits' from private house sales built on previously owned council land. As noted earlier in this report, the current financial profile indicates the Council can expect to receive over £30m in revenue receipts from its SUR partnership between 2019 and 2025.

5.6.4 There is undoubtedly significant uncertainty with regard to the future macro-economic climate. The impact of Brexit on businesses, house prices, central government tax receipts etc. is a particular unknown. Therefore, to provide significant future financial resilience for the borough and to avoid the remote possibility of having to liquidate profitable investments in case of emergency the Medium Term Financial Strategy proposes using SUR's expected revenue receipts only to increase the Council's financial reserves and to fund one-off growth initiatives.

5.6.5 Following financial planning discussions between senior officers and Lead Members, it was agreed that the Council should, going forward, seek to increase its financial reserves to avoid the possibility that commercial investments may need liquidating. Subsequent discussions, including with officials from the Ministry of Housing and Local Government (MHLG) and the Local Government Association (LGA), have defined an appropriate benchmark to aim for, across the MTFs, as approximately 30% reserves as a proportion of Net Revenue Expenditure. For Slough this equates to approximately £30m.

5.6.6 Figure 4, below, highlights the impact of adopting this strategy on the Council's financial reserves.

Figure 4:



5.7 The Revenue Budget Setting Process

- 5.7.1 The publication of this MTFS signals the start of the revenue budget setting process for 2019/20 and beyond. The Finance Team have commenced a detailed analysis of the Council's current revenue budget by service area with a view to the Council holding its first Budget Challenge Sessions in September 2018.
- 5.7.2 An updated MTFS containing all new information - including the result of the Budget Challenge Sessions - and any change in assumptions, will be presented to Cabinet in October 2018.

6 Comments of Other Committees

- 6.1 This report has not been considered by any other committees.

7 Conclusion

- 7.1 The MTFS is intended to ensure the Council is on a sound financial footing for the future. The Cabinet is asked to approve the MTFS detailed above

8. Background Papers

- 8.1 Working papers held within the Finance Department.

Appendix A

SLOUGH BOROUGH COUNCIL

GROWTH

2019 - 2022

Ref	Directorate	Service	Service Lead	Latest Position			Growth Bid Title
				19/20 £'000	20/21 £'000	21/22 £'000	
1	Adults and Communities	Learning & Community	PW	150			Library Staff Harmonisation
2	Adults and Communities	Adults and Communities	A Sinclair	700	700	700	Demographic growth
3	Adults and Communities	Adults and Communities	A Sinclair	25	25	25	Care Act 2014 - additional statutory responsibilities
4	Children Learning and Skills	Various	P Wright / S Hall / R Dcosta / K Gandhi	50			Developing and implementing a model to increase employment opportunities for Slough residents, focusing on those most vulnerable
				925	725	725	

Appendix B

SLOUGH BOROUGH COUNCIL

SAVINGS PROPOSALS

2019 - 2022

Item	Directorate	Service	Cost Centre	Service Lead	Latest Position			Savings Item	Service Delivery	R A G Rating
					19/20	20/21	21/22			
					£'000	£'000	£'000			
Adult and Communities	Adult and Communities	Adult Social Care - Commissioning		C Brewin	0	150	200	Extra Care Housing	Delivery of new extra care housing service in 2020/21 will deliver new ways of meeting needs at reduced costs compared to care home and people living in own home. Capital investment of £1m in the capital programme.	GREEN
Adult and Communities	Adult and Communities	Communities and Leisure		K Gandhi	1,321	(155)		Leisure Services - leisure contract management savings	Following the re-letting of the leisure contract to a new provider - Everyone Active (SLM) the council has negotiated a favourable financial situation over the next 10 years of the contract. At present the savings put forward have taken into account ongoing business rates payments for buildings still to be occupied. Ongoing discussions with the valuation team may be more favourable but at this stage cannot be confirmed. In addition there could still be pressures on the revenue budget from ongoing legal disputes with the incumbent provider SCL. There are also small savings from contract negotiations on the TVAC contract	GREEN
Adult and Communities	Adult and Communities	Communities and Leisure		PW	88	0		£300k cost neutral for the Curve + service efficiencies (@10%) -		AMBER
Below the Line	Below the Line	Below the Line		NW	50	0		Increased Treasury Management Returns	Through amendments to the TM Strategy. Deliverable so long as the capital programme remains constrained for General Fund schemes as these will quickly erode the overall Treasury Management portfolio.	GREEN
Place and Development	Place and Development	Planning and Transport		SD	8	0		At least a 35% reduction in subsidy through additional income from discretionary work, expected increase in application numbers off the back of local plan review/growth agenda and review of fees and charges.		AMBER
Place and Development	Place and Development	Planning and Transport		SD	11	0		Reduction in subsidy through additional income from pre-application and increased planning application numbers off the back of the local plan review/growth agenda.		GREEN
Place and Development	Place and Development	Building Management		CD	10	0		Additional income - Maximise Use of Office Space	Embed flexible and mobile working to get better use of office space. Develop commercial approach to floor space at SMP through external lettings. Range of options being considered.	GREEN
Place and Development	Place and Development	Building Management		CD	5	0		FM Contracts Review	Review all FM Contracts to establish if savings can be made.	GREEN

Appendix B (Cont.)

Item	Directorate	Service	Cost Centre	Service Lead	Latest Position			Savings Item	Service Delivery	R A G Rating
					19/20	20/21	21/22			
					£'000	£'000	£'000			
Finance and Resources	Finance and Resources	Finance		NW	35			Audit fee reductions		AMBER
Place and Development	Place and Development	Planning and Transport		SD	3			Re-negotiate landfill monitoring contract		GREEN
Regeneration	Regeneration	Regeneration delivery		JC	200	100		Income Generation		AMBER
Place and Development	Place and Development	Environmental Services		RW	250	350		Self Services to other local authorities		AMBER
Regeneration	Regeneration			JC	100			Sponsorship of Town Centre assets		AMBER
Total Savings					2,081	445	200			

Sensitivity Analysis

Appendix D

Factor	Controllable by SBC	Base Assumptions	Key Risks	Likelihood of different outcome	Opportunities	Financial Implications	Controls
Funding - Business Rates	No	£32.8m in 2019/20	Businesses leave Slough or do not pay NNDR	Medium	Possibility of Business Rates Pilot extending into 2019/20 - Council would realise approx £1m benefit.	1% change in Business Rates equates to £330k	Obtain independent external analysis of future trends and undertake investigative work and legal proceedings against non-payers
Funding - Council Tax	Partial	£58.7m in 2019/20. The Council agrees a council tax level at the maximum currently allowed by Government; and historic growth levels in taxbase.	Taxbase growth levels are not realised	Low		A 1% change in taxbase or council tax increase assumptions would result in a £558k negative impact on the MTFS	Work being undertaken to investigate properties deemed to be empty. Taxbase agreed in December each year.
Funding - Specific Grants	No	£2.8m assumed for 2019/20	Government makes further changes to New Homes Bonus Scheme	Low - Government unlikely to make further revisions as only introduced recent changes for 2018/19	Government under significant pressure relating to Adults Social Care and Children's Services - may result in additional specific grant	£2.8m assumed for 2019/20	Briefings from Financial Networks

Sensitivity Analysis

Appendix D

Factor	Controllable by SBC	Base Assumptions	Key Risks	Likelihood of different outcome	Opportunities	Financial Implications	Controls
Base Budget Changes - Inflation	Partial	2% increase per annum in pay; contractual prices funded	National Pay Schemes are agreed at higher levels. Contractual inflation when linked to inflation	Medium	N/A	1% change in pay inflation equates to approx £500k	Detailed analysis undertaken by Finance Staff each year
Directorate Growth	Yes	£0.925m - mainly for Adult Social Care	Demographic Growth means more funding is needed.	Medium	Social Care Green Paper in Autumn 2019.	Unknown	Regular budget monitoring.
Estimated Pressures	Partial	£3.2m built in for 2019/20	Additional pressures are identified	Medium	Pressures may not arise	Any reduction in the estimated pressures would result in less savings being required.	Regular budget monitoring. Q3 Monitoring report will be used to inform pressures for proceeding revenue budget.
Revenue Impact of Capital Investment	Yes	£1.75m for 2019/20 to provide for prudential borrowing impact on revenue budget	Impact on revenue of capital programme	Medium	Capital programme can be reduced as necessary	Unknown	Statutory duty for Council to receive report and agree prudential indicators.

Sensitivity Analysis

Appendix D

Factor	Controllable by SBC	Base Assumptions	Key Risks	Likelihood of different outcome	Opportunities	Financial Implications	Controls
SUR Income	Partial	£0 revenue receipts used to fund revenue budget from 2021/22 onwards	House sales stall	Low	House prices may increase above expected profits	Significant reduction in usage within revenue budget, therefore any potential slippage on forecasted receipts are unlikely to impact on MTFS	Regular discussions with SUR regarding expected revenue receipts
Savings Identified	Yes	Savings previously agreed will be delivered.	Savings will not be achieved	Low		£2.081m in 19/20	The majority of savings relate to a contractual payment owed to the Council by a supplier
Transformation Fund	Yes	Transformation Fund projects will realise substantial savings.	Savings will not be achieved	High	Additional invest to save projects can be pump-primed across the MTFS.	£7.065m for 19/20. Slippage on forecast savings plans will result in additional savings required to be found.	S151 to ensure Transformation Fund operating in line with MHLG Guidance. Half-year update provided to Council showing progress against savings targets.

Sensitivity Analysis

Appendix D

Factor	Controllable by SBC	Base Assumptions	Key Risks	Likelihood of different outcome	Opportunities	Financial Implications	Controls
Closing the Financial Gap	Yes	The remaining funding gap will be closed by February 2019.	Savings will not be achieved	High		£2.841m	Fundamental root & branch review of Council's Gross Income & Expenditure. Production of detailed budget statements for all Service Areas to inform Star Chamber Budget Challenge Sessions in September. Regular reports to Cabinet
Reserves Strategy	Yes	SUR revenue receipts will be used to increase reserves to approx £30m	SUR revenue receipts are lower than expected	Low	SUR revenue receipts are higher than expected.	Council reserves are increased at a slower than anticipated rate.	Regular monitoring of expected revenue receipts