

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 re-sourced.

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	None

	and assumptions that will inevitably change during the year. Regular MTFS updates will be provided to Cabinet during the course of 2018/19.	
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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, estimate its future financial position, and highlights some of the key strands 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 enables the Council to continue to ensure resources are available to operate all its services.
- 5.1.4 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.
- 5.1.5 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.
- 5.1.6 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. Further, the Council is currently facing numerous significant financial challenges: the demand for services is increasing (particularly with regard to Adult's Social Care, Children's Services and Homelessness/Temporary Accommodation).
- 5.1.7 This Medium Term Financial Strategy requires the Council to take a more commercial approach to its finances and the significantly increase its 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.
- 5.1.8 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 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 main-

tained 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.

5.1.9 This Medium Term Financial Strategy (MTFS) sets out the updated Council's future financial plans and the context for the 2019/20 revenue budget. The guiding principles behind the MTFS are as follows:

- 1) The Council will operate within its financial means.
- 2) The Council will seek to increase its financial reserves to the unitary average over the next four years (approximately £30m).
- 3) The Council will use Slough Urban Regeneration (SUR) profits to firstly increase reserves and then to fund one off growth initiatives.

5.2 Medium Term Financial Strategy as at July 2018

5.2.1 Cabinet approved the Medium Term Financial Strategy for 2018-2022 at a meeting on the 16th July 2018, as follows

Table 1: MTFS 2018 to 2022 as at July 2018

	19/20 £'000	20/21 £'000	21/22 £'000	22/23 £'000
<i>Ctax Increase Assumption</i>	3.00%	3.00%	3.00%	3.00%
Base Position	101,002	100,309	99,898	102,824
Base Budget Changes	3,694	3,694	3,694	
Directorate Growth	925	725	725	
Estimated Pressures	3,200	1,000	1,000	650
Revenue Impact of Capital Programme	1,321	711	656	30
SUR Income	(1,500)	(750)	0	490
SUR Income (Previous Year)	4,239	1,500	750	770
Savings Identified	(2,081)	(445)	(200)	1,200
Transformation Fund Savings	(7,650)	(4,600)	(3,100)	
Total Forecast Expenditure	103,150	102,144	103,423	105,964
COUNCIL TAX	58,664	61,759	64,973	68,996
Retained Business Rates	32,793	30,370	30,977	31,700
Revenue Support Grant	6,122	5,527	4,920	4,920
New Homes Bonus - Estimated	2,730	2,242	1,954	1,310
TOTAL ESTIMATED FUNDING AVAILABLE	100,309	99,898	102,824	106,926
CURRENT FUNDING GAP	(2,841)	(2,246)	(599)	962

5.2.2 The MTFS allows for an annual increase in council tax of 3% per annum for the next three years. Under current government rules, if the Council requires a council tax increase of more than 3% it must undertake a local referendum to ascertain support for the increase.

5.3 Updated MTFS as at October 2018

5.3.1 Further work has been undertaken by officers over the summer period (July to September 2018) including a review of the key assumptions contained within the MTFS, an assessment of current savings plans and various budget challenge sessions by Directorate.

5.3.2 The latest position on the MTFS, arising from the above work, is provided below:

Table 2: MTFS 2018 to 2022 as at October 2018

	19/20	20/21	21/22	22/23
	£'000	£'000	£'000	£'000
<i>Ctax Increase Assumption</i>	3.00%	3.00%	3.00%	3.00%
Base Position	101,002	100,543	99,851	102,689
Base Budget Changes	3,694	3,140	3,140	3,140
Directorate Growth	2,155	800	725	725
Estimated Pressures	3,200	1,000	1,000	1,000
Revenue Impact of Capital Programme	1,321	711	656	656
SUR Income	(1,500)	(750)	0	0
SUR Income (Previous Year)	4,239	1,500	750	0
Savings Identified	(5,691)	(445)	(200)	0
Transformation Funs Savings	(4,633)	(4,015)	(3,030)	0
Total Forecast Expenditure	103,787	102,484	102,892	108,210
COUNCIL TAX	58,983	62,081	65,482	68,996
Retained Business Rates	32,793	30,370	30,977	31,700
Revenue Support Grant	6,122	5,527	4,920	4,920
New Homes Bonus - Estimated	2,645	1,873	1,310	1,310
TOTAL ESTIMATED FUNDING AVAILABLE	100,543	99,851	102,689	106,926
CURRENT FUNDING GAP	(3,244)	(2,633)	(203)	(1,284)

5.4 Updates to the Medium Term Financial Strategy

5.4.1 Since the July 2018 Cabinet meeting the MTFS has been updated as follows:

Base Position/Estimated Funding Available

5.4.2 The Base Position reflects the previous year's maximum available resources. Following a review, various changes have been made to the MTFS's Base Position and Estimated Funding Available as follows:

- A review of households deemed 'long-term empty' has resulted in 74 new households being added to the council tax register. The addition of these new households will increase the Council's overall taxbase and its New Homes Bonus allocation.

- There will be an increase in costs associated with the new local government pay spine regulations, that come into force in 2019/20, as salary costs will increase when some spinal points merge.

5.4.3 The financial effect of these updates can be seen below:

	19/20	20/21	21/22	22/23
	£'000	£'000	£'000	£'000
Base Position				
Additional Houses - New Homes Bonus	0	200	0	0
Adjustments to Taxbase	0	34	(47)	0
	0	234	(47)	0
Base Budget Changes				
New Pay spine reflected in 2019/20	0	(554)	(554)	0
	0	(554)	(554)	0

5.4.4 Officers have reviewed the currently agreed growth items and have re-profiled the amount of growth required for the harmonisation of Library Staff, following the insourcing of the service back from Essex CC. In 18/19, as agreed previously, the required harmonisation costs will be funded from the Harmonisation Specific Reserve. The updated MTFs currently includes the following growth items.

	19/20	20/21	21/22	22/23
	£'000	£'000	£'000	£'000
Directorate Growth				
Library Staff Harmonisation - Reprofiled	75	75	0	0
ASC - Demographic Growth	700	700	700	700
ASC - care Act Responsibilities	25	25	25	25
CLS - Employment Opportunities for Slough Residents	50	0	0	0
	850	800	725	725

5.5.3 The MTFs includes a number of current directorate pressures that may need to be funded in future years. These pressures are under constant review.

	19/20
	£'000
Current Directorate Pressures	
Temporary Accommodation	1,000
Schools PFI	800
CLS - Demographic Growth (including efficiencies)	1,400
	3,200

Star Chambers

5.5.4 The Star Chamber process, to date, has highlighted further growth and savings proposals that may impact on the MTFs. At a high-level, Directorates have currently identified the amounts in the table below. For completeness, these amounts have been included as part of the MTFs update. However, Cabinet will only take a decision on whether or not the growth and/or savings are required from 2019/20 onwards following the preparation and consideration of detailed Business Cases and Equality Impact Assessments. These

Star Chamber meetings are ongoing and additional savings proposals will be identified in the next few weeks.

Star Chamber	Growth £'000	Savings £'000
Adults	0	125
CLS	0	1,000
Finance and Resources	605	1,095
Regeneration and Housing	700	1,390
Reduction in Transformation Savings	1,305	3,610

Transformation Fund

- 5.5.5 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, to give 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 £19.545m is anticipated to be spent in accordance with this direction over the period 2016/17 to 2018/19, resulting in total net benefits of £18.979m by the end of 2021/22. A full list of the current projects and their expected benefits can be found at Appendix A.
- 5.5.6 Officers have requested each Directorate reviews the relevant Transformation Fund projects within their areas of responsibility to ensure the expected level of savings are reasonable and the associated business cases are sound. In addition, it has been deemed prudent to add a 15% contingency each year of the programmed savings to allow for any slippage in the amount of savings to be achieved.
- 5.5.7 Following the recent review, the following update to the planned Transformation Programme has been made to the MTFS:

Transformation Fund Changes	19/20 £'000	20/21 £'000	21/22 £'000
Recommissioning of major contracts	250	0	0
Development of income generation proposals	450	0	0
Council Tax and NNDR Collection	(200)	(400)	0
Resident Consultations	(200)	0	0
Customer and Accommodation	(1,500)	0	0
3rd and 4th Tier Restructures	(1,000)	0	0
Contingency Allowance	(817)	(885)	(428)
Reduction in Transformation Savings	(3,017)	(1,285)	(428)

5.6 Sensitivity Analysis

5.6.1 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 B.

Table 4: High Risk – Sensitivity Analysis

5.7 The Revenue Budget Setting Process

5.7.1 The publication of this MTFs update continues the revenue budget setting process for 2019/20 and beyond. As stated in the previous Cabinet report the Finance Team continue to perform a detailed analysis of the Council's current revenue budget by service area. The initial Budget Challenge Sessions have been undertaken during September and October. The information received in these meetings are being processed and checked financially. A further round of Star Chambers will commence in late-October/November.

5.7.2 A further updated MTFs containing all new information - including the final re-

Factor	Controllable by SBC	Base Assumptions	Key Risks	Likelihood of different outcome	Opportunities	Financial Implication	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	£4.633m for 19/20.	<p>S151 to ensure Transformation Fund operating in line with MHLG guidance. Half year updates will be provided to Council showing progress against savings targets.</p> <p>A 15% contingency has been built into the transformation fund savings but any additional slippage on forecast savings plans will result in additional savings required to be found.</p>
Closing the Financial Gap	Yes	The remaining financial gap will be closed by February 2019.	Savings will not be achieved.	High		£3.244m	<p>Fundamental root and branch review of Council's Gross Income and Expenditure. Production of detailed budget statements for all service areas to inform Star Chamber Budget Sessions during October and November. Regular reports to Cabinet.</p>

sult of the Budget Challenge Sessions - and any further changes in assumptions will be presented to Cabinet in December 2018.

6. Comments of Other Committees

None

7. Conclusion

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

8. Background Papers

Held within the Finance Department.

TRANSFORMATION FUND PROJECTS – UPDATED

Directorate	Transformation Fund	Expenditure			2017/18		2018/19		2019/20		2020/21		2021/22		Total		Total	
		16/17	17/18	18/19	Cash	Non Cash	Cash	Non Cash	Cash	Non Cash	Cash	Non Cash	Cash	Non Cash	Cash	Non Cash	Benefit	
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
ASC	Adult Social Care Reform	1.046				2.000		2.000		1.000						0.000	5.000	3.954
F&R	Recommissioning of major contracts	0.703	0.317						0.500	0.200		0.300	0.200		1.100	0.600	0.680	
CLS	Slough Children's Trust	2.469	2.299	0.500		2.000		2.000		2.000		2.000		0.000	10.000		4.732	
CLS	Slough Children's Trust - Agility	0.654						0.299		0.299			0.299		0.000	1.495		0.841
REGEN	Development of income generation proposals from capital asset:	0.060			1.000			1.000		1.200					3.200	0.000		3.140
REGEN	Development of Housing Company	0.055	0.045			0.200		0.200		0.200					0.200	0.400		0.500
F&R	Head of Customer and Digital/Business Analysts	0.126													0.000	0.000		(0.126)
F&R	Council Tax and NNDR Collection	0.270		0.060			0.600		0.400		0.200		0.000		1.200	0.000		0.870
REGEN	Housing Regulations Team - Business Development Manager	0.076							0.100		0.050		0.050		0.200	0.000		0.124
CHIEF EXEC	Insourcing Environmental Services	0.130	0.720					1.000							0.000	1.000		0.150
REGEN	Local Plan		0.135	0.110											0.000	0.000		(0.245)
REGEN	Homelessness Prevention Strategy		0.100	0.513					0.200		0.200		0.200		0.000	0.800		0.187
F&R	Counter-Fraud Invest to Save		0.042					0.400		0.100		0.500			0.600	0.400		0.958
F&R	Senior Management Restructure		0.300				0.640								0.640	0.000		0.340
REGEN	Landlords Registration/HMO Licensing		0.078					0.100		0.100		0.050			0.000	0.250		0.172
REGEN	Private Sector Acquisition Team (Housing)		0.406					0.200		0.100	0.200	0.100	0.100		0.200	0.500		0.294
REGEN	Economic Development		0.025			0.080									0.000	0.080		0.055
CLS	Capita Transformation Project			0.121											0.000	0.000		(0.121)
CLS	Children Learning & Skills			1.500								0.500		0.500	0.500	0.500		(0.500)
REGEN	Bus Lane Cameras			0.790					0.350	0.440					0.350	0.440		0.000
F&R	Resident Consultations			0.420											0.000	0.000		(0.420)
F&R	Customer & Accommodation			2.000							1.500		1.500		3.000	0.000		1.000
REGEN	Electric Vehicle Initiatives			0.750					0.500		0.500		0.500		1.500	0.000		0.750
REGEN	Town Centre Growth Bid			0.475						1.000		1.000			0.000	2.000		1.525
F&R	3rd & 4th Tier Restructures			1.000							1.000				1.000	0.000		0.000
	Contingency			0.000					-0.818		-0.885		-0.428		-2.131	0.000		(2.131)
F&R	Slough Academy - Reduce Agency Spend			0.750					0.500		0.750		0.750		2.000	0.000		1.250
CHIEF EXEC	Waste & Environment Insourcing (Pump Prime Sales)			0.500					0.500		0.500		0.500		1.500	0.000		1.000
		5.589	4.467	9.489	1.000	4.579	2.240	6.399	4.632	5.439	4.015	3.849	3.172	3.199	15.059	23.465		18.979

Sensitivity & Risk Analysis

Appendix B

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	£59.0m in 2019/20. A 3% increase in council tax per annum and historic growth levels in Taxbase.	Taxbase growth levels are not realised	Low	3% is the highest council tax increase that can be levied without a referendum.	1% change in Taxbase or council tax Results in £558k impact on MTFS	Work being undertaken to investigate properties deemed to be empty. Taxbase agreed in December each year.
Funding - Specific Grants	No	£2.6m 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	£2.6m assumed for 2019/20	Briefings from Financial Networks

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	£2.2m – mainly within the Adult Directorate	Demographic Growth means more funding is needed.	Medium	Social Care Green Paper in Autumn 2019.	Unknown	Regular budget monitoring.
Directorate Pressures	Partial	£3.2m built in for 2019/20	Additional pressures are identified	Medium	Pressures may not arise	Unknown	Regular budget monitoring. Q3 Monitoring report will be used to inform pressures for proceeding revenue budget.
Revenue Impact of Capital Investment	Yes	£1.32m 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.

Factor	Controllable by SBC	Base Assumptions	Key Risks	Likelihood of different outcome	Opportunities	Financial Implications	Controls
SUR Profits	Partial	£0 revenue receipts used to fund revenue budget from 2021/22 onwards	House sales to 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		£5.691m 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	£4.633m 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.

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		£3.244m	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 October/November. 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