

**Meeting:** EXECUTIVE

Portfolio Area: Resources

**Agenda Item:**

**6**

**Date:** 24 JANUARY 2017

## **DRAFT 2017/2018 COUNCIL TAX SETTING AND GENERAL FUND BUDGET**

### **KEY DECISION**

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#### **1. PURPOSE**

- 1.1 To consider the Council's draft General Fund Budget for 2017/18 and projected 2016/17 General Fund Budget and draft proposals for the 2017/18 Council Tax.

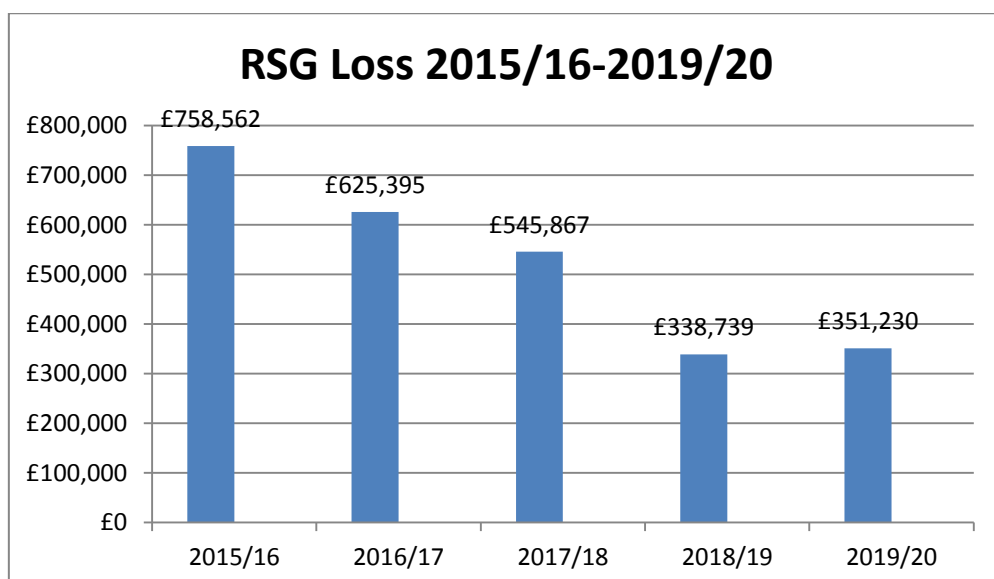
#### **2. RECOMMENDATIONS**

- 2.1 That the 2016/17 revised net expenditure on the General Fund of £10,145,820 be approved.
- 2.2 That a draft General Fund Budget Requirement for 2017/18 of £8,738,231 be proposed for consultation purposes, with a contribution from balances of £386,858 and a Band D Council Tax of £198.52 (assuming a £5.00 on a band D or a 2.58% increase) be approved.
- 2.3 That the updated position on the General Fund Medium Term Financial Strategy (MTFS), as shown at Appendix A and the Risk Assessments of General Fund Balances, as shown at Appendix B to this report, be approved.
- 2.4 That a minimum level of General Fund reserves of £2,656,223, in line with the 2017/18 risk assessment of balances, as shown at Appendix B to this report, be approved.
- 2.5 That the contingency sum of £400,000 within which the Executive can approve supplementary estimates, be approved for 2017/18, (unchanged from 2016/17).

- 2.6 That the 2017/18 proposed Fees and Charges increase of £190,030 (Appendix C) be included in the draft budget.
- 2.7 That the 2017/18 proposed concessions (Appendix E) be approved.
- 2.8 That the 2017/18 proposed Budget Options of £237,690 (Appendix F) be included in the draft budget for consideration by the Overview & Scrutiny Committee.
- 2.9 That the 2017/18 proposed Growth options of £143,700 (Appendix G) be included in the draft budget for consideration.
- 2.10 That the decisions taken on recommendations 2.2 – 2.9 above be referred to the Overview and Scrutiny Committee for consideration in accordance with the Budget and Policy Framework rules in the Council’s Constitution.

**3. BACKGROUND**

- 3.1 This report presents the Council’s draft General Fund net expenditure for 2017/18 taking account of the savings, pressures and growth items. The General Fund Budget forms part of the Council’s Budget and Policy Framework. Under Article 4 of the Constitution, the Budget includes: the allocation of financial resources to different services and projects; proposed contingency funds; setting the council tax; the council tax support scheme; decisions relating to the control of the Council’s borrowing requirement; the control of its capital expenditure; and the setting of virement limits.
- 3.2 The Council’s Financial Strategy (MTFS) was reported to Executive in September 2016. The report highlighted the need for on-going savings to fund inflation and service pressures compounded by the loss of a further £1 Million of central government funding to 2019/20.
- 3.3 The financial position for Stevenage has been challenging in recent years with some £2.62Million of Revenue Support Grant (RSG) being withdrawn between 2015/16-2019/20 and an overall loss of £4.9Million since 2010/11.



- 3.4 The loss of government grant has meant a need for a net reduction in the General Fund budget and Members have approved savings in excess of £12million from the General Fund budget since 2007/08 and £8.2Million since 2010/11. This has meant that despite the last recession and increasing pressures on services Members have set budgets since 2010/11 with a minimal draw on General Fund reserves, (excluding the impact of Non Domestic Rates (NDR) accounting regulations).
- 3.5 A key MTFs principle is ‘to remove the General Fund’s reliance on RSG by 2019/20 and achieve an on-going balanced budget by 2021/22 by ensuring inflationary pressures are matched by increases in fees and income or reductions in expenditure’.
- 3.6 At the November 2016 meeting, the Executive approved a further round of budget options and growth bids to be included in the 2017/18 Budget, after taking into consideration expected budget pressures.
- 3.7 In terms of Government funding, notification of the provisional 2017/18-2019/20 Finance Settlement and New Homes Bonus (NHB) allocation were received on 15 December 2016 and detailed in paragraph 4.9 and 4.7 respectively. These were broadly in line with the four year settlement deal the Council signed up to.
- 3.8 The Budget and Policy Framework Procedure Rules in the Constitution, prescribe the Budget setting process, which includes a minimum consultation period of three weeks. The timescale required to implement this process is outlined below:

<b>24 January 2017</b>	<b>Executive</b>	Draft Council tax setting and General Fund 2017/18 Budget (incorporating savings)
<b>25 January 2017</b>	<b>Overview &amp; Scrutiny</b>	Draft Council tax setting and General Fund 2017/18 Budget (incorporating savings)
<b>22 February 2017</b>	<b>Executive</b>	Final Council tax setting and General Fund 2017/18 Budget (incorporating savings)
<b>23 February 2017</b>	<b>Overview &amp; Scrutiny</b>	Final Council tax setting and General Fund 2017/18 Budget (incorporating savings)
<b>28 February 2017</b>	<b>Council</b>	Final Council tax setting and General Fund 2017/18 Budget (incorporating savings)

- 3.9 The overall net General Fund Budget detailed in this report includes budget savings and revenue growth and the Local Government Finance Settlement.

## 4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

### 4.1 Net Budget Requirements

#### 4.1.1 General

The 2016/17 projected and the 2017/18 draft General Fund net expenditure is summarised in Appendix A. This includes the changes from the November MTFS update and a summary of the 2017/18 changes are shown in the table below with commentary provided in paragraphs 4.1.2-4.1.9.

	2017/18	2017/18	2017/18	
General Fund Budgets	General Fund November MTFS £	Draft Budget £	variance £	
Original Budget	£9,130,150	£9,130,150	£0	
Reported Budget Monitoring Adjustments	(£456,770)	(£441,680)	£15,090	Ongoing net budget pressures identified at 2nd quarter (para. 4.1.2 refers)
Borrowing, interest charges, change to government grants	£343,650	£344,390	£740	Increase in Minimum Revenue Provision for 2017/18 now included in MTFS
Prior Year budget options and Growth	(£360,750)	(£360,770)	(£20)	
2017/18 Budget Options	(£285,280)	(£237,690)	£47,590	Saving deferred until 2018/19 at the November Executive (para. 4.1.3 refers).
2017/18 Growth	£440,800	£440,800	£0	
2017/18 Salary Inflation	£434,380	£444,690	£10,310	(para 4.1.4 refers)
2017/18 other Inflation	£255,640	£265,080	£9,440	Increase costs of ICT subscriptions. (para. 4.1.5 refers)
Recharges	(£39,630)	(£139,550)	(£99,920)	Additional recharges to HRA (includes impact of SMR and other changes to recharges. (para. 4.1.6 refers)
Other Fees and charges	(£190,030)	(£190,030)	£0	
Other Adjustments	£115,274	£140,500	£25,226	Reduction in Council tax and benefits admin grant (para. 4.1.7 refers)
	<b>£9,387,434</b>	<b>£9,395,890</b>	<b>£8,456</b>	<b>Total Net Spend Differences</b>
S31 grant (Business Rates)		(£270,800)	(£270,800)	Now shown in the budget ( MTFS included in total NDR income) (para 4.1.8 refers)
<b>Total Net budget</b>	<b>£9,387,434</b>	<b>£9,125,090</b>	<b>(£262,344)</b>	

- 4.1.2 **Budget Monitoring Adjustments** -The MTFS update in Appendix A has been updated for the quarterly monitoring adjustments which were approved at the November Executive and which had an impact on the 2017/18 budget).
- 4.1.3 **Budget Options** - At the November Executive Members deferred one budget option totalling £47,590 until 2018/19 and this has been reflected in the revised MTFS and the 2017/18 original budget.
- 4.1.4 **Salary Inflation** - The estimated salary inflation for the General Fund of £444,690 is £10,310 higher than estimated in the November MTFS update. This figure includes any job evaluation re-gradings.
- 4.1.5 **Contractual Inflation** - There has been an increase in ICT inflation costs attributed to the relative weak pound to the dollar this has increased inflation costs by £14,690 which has been partly offset by a reduction in other inflation of £5,250. Some inflationary pressures were already included in the November MTFS i.e. business rate additional costs of £65,830 as a result of changes to the 2017 valuation list.
- 4.1.6 **The General Fund recharges** - Some costs are recharged to the HRA and Capital for support services provided. There has been a 2017/18 increase of £139,550 compared to the MTFS assumption of £39,630 or £99,920 higher. Reasons for the increase include:
- Revision of time allocations for the Senior Management Team.
  - Increased use of the depot by the Repairs Service with the new stores area.
  - Revisions to time allocations for support services
  - Increase in business rates for 2017/18 which impacts on recharges to the HRA.
- 4.1.7 **Other Changes** - There were net 'other changes' to the General Fund budget of £25,226 of which £30,950 related to a reduction in 2017/18 housing benefit subsidy funding (notified to the Council on the 20 December 2016), which has been partly offset by other net spend reductions of £5,724.
- 4.1.8 **NDR S31 grants** – These grants are given by the Government to compensate councils for central government initiatives which reduce the NDR yield and so the amount individual councils would retain.
- 4.1.9 Examples of S31 reductions include reductions to small business rate relief paid, retail and long term empty reliefs. S31 grants are paid in the year they are due but any consequential changes increasing/decreasing the NDR yield will be accounted for in 2017/18 accounts. The MTFS 2017/18 projections had not made any assumptions about S31 grant and the matching reduction in NDR yield. However for the current year NDR gains are projected which require a levy payment of £166,292 in 2016/17 and the surplus repaid to the General Fund in 2017/18 of £362,132.

## **4.2 Consultation**

- 4.2.1 To inform the budget process officers have previously gathered the views of Stevenage residents and stakeholders through consultation, finding out their preferences for reducing services, increasing fees and charges and increasing Council Tax. This has been supported by the bi-annual Residents' Survey to inform spend and growth priorities as well as translating this into the Council's priorities for residents under the Councils 'Future Town Future Council' programme and as set out in the Corporate Plan. These findings are considered as part of Council's final decision in setting the Budget and any future budget reduction options.
- 4.2.2 This year there are no General Fund budget options which require an Equalities Impact Assessment or external consultation with residents and stakeholders. There is an assumed budget option reduction by 2018/19 of £126,000 for the General Fund (£63,000 for the Housing Revenue Account) which will be delivered by the new Senior Leadership Team through better more efficient ways of working. Staff and relevant stakeholders will be consulted as part of the Senior Management Review 2 (SMR2) over the coming months.

## **4.3 Budget options**

- 4.3.1 At the November Executive, 2017/18 net General Fund budget options of £237,690 were approved and detailed in Appendix A. One budget option for £47,590 (and recommended for approval at the November Executive) has been deferred until 2018/19.
- 4.3.2 There are still unidentified budget options target in the MTFS for future years which total £1M for the period 2018/19-2019/20. This is in addition to increases in fees and charges and council tax. Options are required to fund inflationary pressures while at the same time absorbing reductions in government grants.

## **4.4 Revenue Growth**

- 4.4.1 At the November Executive, Members approved growth bids totalling £143,700 in 2017/18 and these are detailed in Appendix G.

## **4.5 Inflation and Salaries**

- 4.5.1 Provision for inflation in the draft figures has been included based on estimates for utility increases and for known contractual inflation increases assumed within the individual contracts.
- 4.5.2 Salary inflation is based on a 1% pay increase plus known incremental pay changes and the number and cost of staff in the pension scheme. The Transitional Vacancy provision applied to salary budgets remains unchanged at 4.5%.
- 4.5.3 The total amount of inflation included in the General Fund budget for 2017/18 is £530,160 (before any recharges to the HRA). Inflationary

pressures and grant cuts requires the General Fund to have a balance of budget options, fee and council tax increases. However no inflationary increases have been applied to budgets, except where specific advice has been obtained e.g. public utilities or where there is a contractual requirement to do so.

#### 4.6 2016/17 Working Budget

4.6.1 The 2016/17 General Fund projected budget is now estimated to be £10,145,820 which is £182,550 higher than the working budget reported at the November Executive. The reasons for the increase are detailed in the table below.

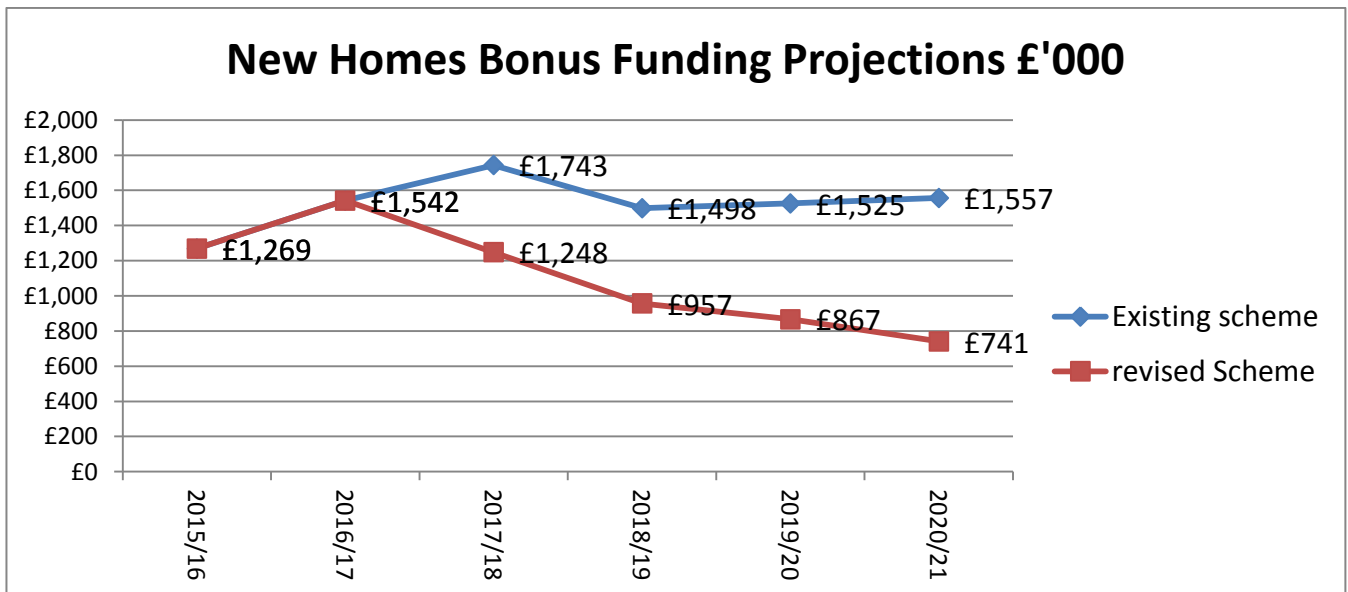
	2016/17	
General Fund Budgets	General Fund Working budget	
Working Budget	£9,963,270	2016/17 working budget (Approved Executive 22 November -2nd quarter budget monitoring report)
Impact of 2017/18 savings options	£89,130	Implementation costs relating to Senior Management Review reported in the Financial Security Report to the November Executive.
Reduction in projected NDR S31 grants	£27,670	The amount of projected reliefs granted is projected to be lower, however the increased NDR yield will not be included in the General Fund until 2017/18, (NDR paid in account in year and adjustments for higher/lower yield are recognised in future years).
Revenues and Benefits saving option	£53,750	This saving was due to be realised in 2017/18 but included in the 2016/17 budget in error.
Other	£12,000	Other minor adjustments
<b>Total Net budget</b>	<b>£10,145,820</b>	

#### 4.7 New Homes Bonus

4.7.1 The Council receives New Homes Bonus (NHB) for every additional property in its tax base (at 80% of the equivalent national average value Band D property) and receives the gain for six years. It has been the Council's policy to date not to rely on temporary income streams to fund permanent services, which includes the use of New Homes Bonus (NHB). To date, only **£200,000 has been added to the General Fund base budget from NHB (and £250,000 for capital)**. It continues to be the view of the Assistant Director (Finance and Estates), that it is prudent to use NHB funding to support one-off projects rather than support on-going revenue spend on services.

4.7.2 The Government signalled its intent to reduce the number of years (a NHB amount once awarded is given), from six to four years. The scheme had been consulted on in 2016 (closing date 10 March 2016) but no announcement was made until December 2016.

4.7.3 The new scheme reduces the amount of NHB from six to four years as per the consultation, however with five years being awarded in 2017/18 reducing to four years in 2018/19. In addition the Government has only awarded NHB above a 40% threshold and has top sliced some funding for 2017/18 for adult social care. The impact of the scheme changes under the existing and new scheme are shown in the chart below.



*Note: 2018/19 onwards based on a £250K in year allocation*

4.7.4 The NHB allocation has ringfenced funding of £450K to support the General Fund and Capital. Additional priority initiatives such as an apprentice programme and the Co-operative Neighbourhood Improvement programme attracted a further £533K of funding, with the remainder being used for other council priorities. The impact of the NHB funding reduction will mean a review of a number of schemes that have been supported in previous years to determine whether they should be a permanent service/activity, (funded via growth in the General Fund) or ceased.

## 4.8 Balances and Reserves

4.8.1 All balances and reserves are considered to be available to meet annual deficits.

4.8.2 General Fund available reserve balances as at 31 March 2018 are estimated to be £4,881,912 (after a contribution from balances of £386,858). The General Fund position is summarised in the table below.



<b>General Fund Balances</b>	<b>2016/17 Estimate</b>	<b>2016/17 Projected</b>	<b>2017/18 Estimate</b>
Opening balance	(7,887,792)	(7,887,792)	(5,268,770)
Use of/ (Contribution to) Balances	1,437,060	2,619,022	386,858
Closing balance	(6,450,732)	(5,268,770)	(4,881,912)

*\*based on a 2.58% or £5 on a band D in 2017/18 see section 4.10*

4.8.3 Members should note that in 2016/17 there is a significant return of NDR to the Collection Fund of £935,784 relating to previous years and carry forwards of £422,000. That notwithstanding, the level of balances will have reduced by £3,005,880 between 1 April 2016 and the 31 March 2018. The MTFS however projects that the draw on balances will reduce over the next few years and meet the MTFS principle outlined in paragraph 3.5. The projected level of balances is shown in the table below.

<b>General Fund Balances £'000</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
Opening balance 1 April	(£7,888)	(£5,269)	(£4,882)	(£4,657)	(£4,630)
Use of/ (Contribution to) Balances	£2,619	£387	£225	£27	(£120)
Closing balance 31 March	(£5,269)	(£4,882)	(£4,657)	(£4,630)	(£4,751)

4.8.4 The 2017/18 risk assessed General Fund minimum balance is estimated to be £2,656,223. This is needed to meet unforeseen expenditure and/or income losses arising in the year and to meet expenses arising before income is received. These balances may change with the finalisation of the Business Rates report to the Executive. It should be noted that while General Fund balances are higher than the minimum level identified for 2017/18 there are significant further savings still to find for future years.

4.8.5 There are also some future unquantifiable risks to the General Fund in terms of the impact of 100% retention of Business rates from 2019/20. The Council is likely to get some financial responsibilities in exchange for Local Government retaining 100% of the business rates income.

#### **4.9 Allocated Reserves**

4.9.1 The Council also holds allocated reserves which are ring fenced for specific expenditure requirements. Current projections are that £0.98Million will be in reserves as at 31 March 2018. An analysis of the allocated reserves is shown in the following table.

Movements to/from Allocated Reserves £'000					
Allocated Reserve	Balance as at 1 April 2016	Anticipated transfer to/from reserves	Forecast balance as at 31 March 2017	Anticipated transfer to/from reserves	Forecast balance as at 31 March 2018
<b>Revenue Reserves:</b>					
New Homes Bonus	(1,365)	638	(727)	655	(72)
Future Town Future Council	(337)	250	(87)	87	0
Planning Delivery	(170)	170	(0)	0	(0)
Regeneration Assets	(968)	415	(552)	(49)	(601)
LAMS default	(42)	(15)	(57)	(15)	(71)
NDR	(172)	0	(172)	0	(172)
Insurance Reserve	0	(97)	(97)	34	(63)
Town Centre	(30)	12	(19)	19	0
<b>TOTAL REVENUE RESERVES</b>	<b>(3,084)</b>	<b>1,373</b>	<b>(1,711)</b>	<b>731</b>	<b>(980)</b>
<b>Capital Reserves:</b>	0	0	0	0	0
Capital Reserve	(1,167)	1,167	0	0	0
<b>TOTAL CAPITAL RESERVE</b>	<b>(1,167)</b>	<b>1,167</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL ALLOCATED RESERVES</b>	<b>(4,251)</b>	<b>2,540</b>	<b>(1,711)</b>	<b>731</b>	<b>(980)</b>

*\*Assumes all new NHB monies allocated and spent in year*

- 4.9.2 The allocated reserves include those for New Homes Bonus (NHB). The monies assumed for 2017/18 are outlined in section 4.7 above. The balance on the reserve as at 31 March 2018, relates to projects committed and due to be spent in the following year.
- 4.9.3 The Planning Delivery Grant reserve is being held for any costs associated with the local plan adoption. It is assumed that the monies will be spent by March 2017, with any unspent balances returned to General Fund reserves.
- 4.9.4 It is estimated that there will be a balance of £732,000 in the Regeneration Assets by 31 March 2018. This reserve is ring fenced for any surpluses/deficits relating to the asset and will be used to cover any future fluctuations in costs or rental stream and repairs required. Any balances remaining will be used to help repay any debt outstanding or help meet the Council's regeneration ambitions.
- 4.9.5 The Local Authority Mortgage scheme reserve is held to cover the potential for any mortgage defaults on the Local Authority Mortgage Scheme introduced in 2012. The reserve contains investment income generated from the deposits placed over and above the Council's average interest rate earned for the year. At the time of writing the report there had been no defaults requiring utilisation of the reserve.
- 4.9.6 The insurance reserve has been set up in 2016/17 from monies reclaimed back from HCC for tree works that related to trees that were its

responsibility and not the Council's. It is proposed that this reserve will be used to do works to prevent future insurance claims where there is no revenue budget to do the works. This reserve will be called on as and when works are identified.

- 4.9.7 The Capital Reserve is used to fund capital expenditure and also new capital bids that have been recommended by the Leaders Financial Security Group and included in the draft Capital Strategy to this Executive. It is intended that any budgets not required to fund borrowing should also be transferred into the reserve to build up balances to fund future capital programmes. *(Note: the projection shown does not assume any 2016/17 underspends that would be transferred as approved by Members).*

#### 4.9 Finance Settlement

- 4.9.1 The provisional four year settlement was announced on the 17 December 2015 for 2016/17 - 2019/20. The provisional settlement for Stevenage for which the Council approved signing up for the four year deal is summarised as follows:

<b>Original Finance Settlement (2016/17)</b>			
	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Revenue Support Grant	£689,969	£351,230	£0
Business Rates	£2,400,557	£2,471,376	£2,523,219
<b>Total</b>	<b>£3,090,526</b>	<b>£2,822,605</b>	<b>£2,523,219</b>
<b>Revised Finance Settlement (2017/18)</b>			
	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Revenue Support Grant	£689,969	£351,230	£0
Business Rates	£2,402,318	£2,479,606	£2,540,661
<b>Total</b>	<b>£3,092,286</b>	<b>£2,830,836</b>	<b>£2,540,661</b>
<b>Variance</b>	<b>£1,760</b>	<b>£8,231</b>	<b>£17,441</b>

*\*The grant figures shown exclude any loss/gain of Business Rates below the safety net/above the base line.*

- 4.9.2 The 2017/18-2019/20 grant figures are slightly higher and will be based on slightly different inflation increases for future NDR annual uplifts. However, the Government has said that this could change in future years owing to unforeseen events but does not indicate if this includes unforeseen economic events such as failing to meet its fiscal targets for a budget surplus.
- 4.9.3 A proportion of Government Support is from retained Non-Domestic Business Rates (NDR) raised in Stevenage. This is a base line calculation, if the Council's share is less than the Government's assumptions a proportion will have to be met from the General Fund (up to the prescribed

safety net of 7.5%). Similarly any increases in the Business Rates yield would normally mean that for any increase above SBC's baseline funding level the Government will take 50% in a levy payment and the Council retain the rest. In 2016/17 an estimate of £131,542 in levy payments has been made as Stevenage's projected income for business rates is higher than the baseline. The 2016/17 gain of the same amount will be paid in 2017/18.

4.9.4 The MTFs and 2017/18 draft budget includes no assumption for 2017/18 Business Rate gains. At the time of writing this report the projected NDR yield was being forecast. The 2017 revaluation and the need for software suppliers to make adjustments to accommodate the changes compounded by the timing of the NDR 1 form release have meant a delay in the projections being finalised. The NDR yield forecast for 2017/18 has to be approved by the Executive before 31 January 2017 and may require a delegated approval.

#### 4.10 Council Tax

4.10.1 Part of the budget setting process includes consideration of council tax levels. The September MTFs included a 1.99% council tax increase for 2017/18. The Government has decided to continue to allow local authorities to increase their council tax by less than 2% without having to hold a referendum. Also as permitted for 2016/17, the Government proposes that shire district councils and lower-quartile Police and Crime Commissioners have the flexibility to set increases of 2% or £5, whichever is the greater.

4.10.2 With diminishing central government support locally raised taxation becomes more important to the General Fund in sustaining services for the future. The table below shows that by 2019/20 the MTFs assumes that 69% of core resources will be generated from council tax (based on a 1.99% council tax increase annually).

	% of Net budget							
Year:	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
<b>Council Tax</b>	51.7%	45.9%	49.5%	47.1%	58.1%	59.6%	64.1%	68.6%
<b>RSG</b>	46.0%	33.3%	27.0%	17.9%	13.5%	7.6%	4.1%	0.0%
<b>NDR</b>	0.0%	20.9%	24.2%	40.2%	12.6%	28.6%	29.1%	31.1%
<b>Balances</b>	2.3%	-0.1%	-0.7%	-5.2%	15.7%	4.2%	2.6%	0.3%
<b>Balances</b>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

4.10.3 As stated in paragraph 4.10.1 the Government is proposing to allow Shire District Councils the option to increase council tax by £5 which would equate to an increase of £30,671 to the council tax yield compared to the modelled increase of 1.99%. The table below summarises the additional council tax income.

Council Tax Increases	2017/18	2018/19	2019/20	Total
MTFS Council Tax increase %	1.99%	1.99%	1.99%	
Year on year increase in tax base	3.12%	0.97%	0.68%	
MTFS Council Tax	£5,268,840	£5,426,010	£5,571,796	£16,266,646
Increase for Year	(£ 258,897)	(£ 157,171)	(£ 145,786)	(£ 561,853)
Increase if £5 band D 2017/18	(£ 30,671)	(£ 31,586)	(£ 32,435)	(£ 94,693)

4.10.4 As in previous years the council tax increase will be consulted on, however the final decision will not be confirmed until the February Council meeting. However based on the increasing financial dependency the General Fund budget has on council tax the Assistant Director (Finance and Estates) recommends a £5.00 increase or 2.58% increase be approved for consideration by Overview and Scrutiny Committee. The comparison between a 1.99% increase and a 2.58% increase for the Stevenage element of the council tax is shown below.

Stevenage Council Tax Element					
	2016/17	1.99% increase	Increase per year	£5 on a band d or 2.58%	Increase per year
Band A	£129.01	£131.58	£2.57	£132.35	£3.34
Band B	£150.52	£153.52	£3.00	£154.40	£3.88
Band C	£172.02	£175.44	£3.42	£176.46	£4.44
<b>Band D</b>	<b>£193.52</b>	<b>£197.37</b>	<b>£3.85</b>	<b>£198.52</b>	<b>£5.00</b>
Band E	£236.52	£241.23	£4.71	£242.64	£6.12
Band F	£279.53	£285.09	£5.56	£286.75	£7.22
Band G	£322.53	£328.95	£6.42	£330.87	£8.34
Band H	£387.04	£394.74	£7.70	£397.04	£10.00

4.10.5 The Government has also announced an increase to the flexibility offered on the use of the Adult Social Care precept. The policy intention set out at the time of the 2016-17 Settlement was that this would be 2% per year up to 2019-20. In recognition of the particular pressures on adult social care services, especially in the next two years, social care authorities (Hertfordshire County Council) have the freedom to increase by up to 3% in 2017-18 or 2018-19, but still cannot exceed 6% in total over the three-year period and councils will be required to publish a description of their plans.

#### 4.11 Fees Charges and Concessions

4.11.1 The 2017/18 Fees and Charges increases were approved as the November Executive and total £190,030, the fee increases are shown are in Appendix C.

4.11.2 The Fees and Charges increases (with the exception of garages) will be introduced from January 2017.

4.11.3 Leaders Financial Security Group (LFSG) have also reviewed the level of concessions given as part of its fees and charges review. The proposed concessions for 2017/18 are shown in Appendix E. The maximum concession given is 25% of the full price from 1 April 2017.

4.11.4 A review of the hall hire in pavilions etc. was undertaken by the LFSG and the charges for existing, not for profit organisations, have been updated and are included in Appendix E.

4.11.5 A sample of the concessions applied for have been checked for eligibility, 80% were deemed to have been applied for correctly and officers will be working with Revenue and Benefits colleagues to highlight those concessions fraudulently obtained.

## 4.12 Projected General Fund Balances

4.12.1 The projected General Fund balances and council tax requirement are shown below. This does not include the revenue consequences of the Draft Capital growth bids which would add £16,790 to the 2017/18 net expenditure. If these bids are approved for inclusion in the capital programme at this Executive meeting they will be included in the final General Fund report to the February Executive.

	2016/17 Estimate	2016/17 Projected	2017/18 Estimate
Net Expenditure	9,130,150	10,145,820	9,125,090
(Use of)/ Contribution to Balances	(1,437,060)	(2,619,022)	(386,858)
Budget Requirement	7,693,090	7,526,798	8,738,231
Total Government Support (Revenue Support Grant and Retained Business Rates)	(3,319,563)	(3,319,563)	(2,821,486)
Estimated NDR levy		166,292	
(Return) /Contribution to Collection Fund (NDR)	935,784	935,784	(478,057)
Collection Fund Surplus	(299,368)	(299,368)	(139,102)
Council Tax Requirement	5,009,943	5,009,943	5,299,586
Council Tax Base	25,207	25,207	26,695
Council Tax Band D	193.52	193.52	198.52
Council Tax Band C	172.02	172.02	176.46

\*based on a 2.58% or £5 on a band D in 2017/18

### **4.13 Contingency Sums**

- 4.13.1 The Executive will recall that a Contingency Sum needs to be determined by the Council as part of the Budget and Policy Framework in order to avoid the need for Council to consider all supplementary estimates during the course of the year. This contingency sum constitutes an upper cumulative limit during the financial year within which the Executive can approve supplementary estimates, rather than part of the Council's Budget Requirement for the year. A sum of £400,000 is proposed for 2017/18, this remains unchanged from the current year.

### **4.14 Chief Finance Officer's Commentary**

- 4.14.1 The Chief Finance Officer is the Council's principal financial advisor and has statutory responsibilities in relation to the administration of the Council's financial affairs (Section 151 of the Local Government Act 1972 and Section 114 of the Local Government Finance Act 1988). This commentary is given in light of these statutory responsibilities.
- 4.14.2 The Council has evolved its budget strategy to meet the ongoing challenging economic conditions whether because of funding cuts, welfare reforms or inflationary increases. The financial Strategy to deal with this has gone from budget cuts to Priority Based Budgeting approach and now to the 'Financial Security' strand of 'Future Town Future Council'.
- 4.14.3 Officers regularly update the MTFs to ensure that a clear financial position for the Council can be demonstrated over the next five years. This medium term view of the budget gives a mechanism by which future 'budget gaps' can be identified allowing for a measured rather than reactive approach to reducing net expenditure. The Financial Security year round approach to identifying budget options means that work is on-going throughout the year to bridge the gap.
- 4.14.4 The government funding figures published in December show that between 2017/18 and 2019/20 all the RSG will be removed from the Council's core funding.
- 4.14.5 The Council has taken significant steps over recent years to balance its budget and as stated in paragraph 3.5 one of the principle aims of the MTFs is 'to remove the General Fund's reliance on RSG by 2019/20 and achieve an on-going balanced budget by 2021/22 by ensuring inflationary pressures are matched by increases in fees and income or reductions in expenditure'. There continues to be a draw on balances through the MTFs (see paragraph 4.8.3), but based on current forecasts this diminishes through the MTFs period but still equates to a £3Million draw on balances between 2016/17 and 2019/20. This forecast is also reliant on identifying and delivering savings of £1Million currently unidentified for the period 2018/19-2019/20).
- 4.14.6 The last few years have seen considerable risk passed from central to local government associated with the localisation of business rates, localisation of council tax support, and the welfare reform programme.

Accordingly, the risk assessment of balances has been updated to reflect these risks as our understanding of the impacts is becoming better understood.

- 4.14.7 The updated MTFS (Appendix A) shows that in future years there is still a draw on General Fund balances. This is the impact of on-going increases in inflationary pressures compounded by projected government funding cuts. The next update of the MTFS will review the following assumptions:
- Borrowing costs
  - Transfers to/from allocated reserves
  - Inflation assumptions
  - Future years budget options targets

## **5. IMPLICATIONS**

### **5.1 Policy and Financial Implications**

- 5.1.1 The report deals with Council policy and finances and as such all implications are contained in the main body of the report.

### **5.2 Legal Implications**

- 5.2.1 The Council is required to set a balanced budget each year. The Local Government Finance Act 1992 requires the Council to estimate revenue expenditure and income for the forthcoming year from all sources, together with contributions from reserves, in order to determine a net budget requirement to be met by government grant and council tax.

### **5.3 Equality and Diversity Implications**

- 5.3.1 In carrying out or changing its functions (including those relating to the provision of services and the employment of staff) the Council must comply with the Equality Act 2010 and in particular section 149 which is the Public Sector Equality Duty. The Council has a statutory obligation to comply with the requirements of The Act, demonstrating that as part of the decision-making process, due regard has been given to the needs described in the legislation. These duties are non-delegable and must be considered by Council when setting the Budget in February 2017.
- 5.3.2 To inform the decisions about the Budget 2017/18 officers undertook Brief Equality Impact Assessments (EqIAs) for service-related budget savings proposals at the November Executive. Based on the package that was approved at November and included in this report no EQIA's were deemed required.
- 5.3.3 An overarching EqIA has been developed that summarised the individual EQIA's for both the HRA and the General Fund options and considers the collective impact of the Budget on people with equality characteristics. A draft is attached at Appendix H and will be finalised for Council in February 2017.



5.3.5 Stevenage Borough Council has developed a full EqIA to assess the impact of historical redundancies and restructures on the Council's workforce since the start of the savings process in December 2010. It identifies the potential impact of the current savings proposals in terms of staff who are affected by possible redundancy and redeployment within the Council. The staffing EqIA is shown in Appendix I.

## **BACKGROUND DOCUMENTS**

None

## **APPENDICES**

- Appendix A - Medium Term Financial Strategy (MTFS)
- Appendix B - Risk Assessments of General Fund Balances
- Appendix C – Fees and Charges Increases
- Appendix D- Concessions Policy
- Appendix E- 2017/18 Concessions
- Appendix F - 2017/18 Budget Options
- Appendix G- 2017/18 Growth Options
- Appendix H- General Fund and HRA EQIA
- Appendix I-Council wide staffing EQIA