

Meeting: EXECUTIVE / COUNCIL

Agenda
Item:

7

Portfolio Area: Resources

Date: 22 FEBRUARY 2017 / 28 FEBRUARY 2017

2017/2018 COUNCIL TAX SETTING AND GENERAL FUND BUDGET

BUDGET & POLICY FRAMEWORK

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1. PURPOSE

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

2. RECOMMENDATIONS

EXECUTIVE

- 2.1 That the following proposals be recommended to Council on 28 February 2017:
- 2.2 That the 2016/17 revised net expenditure on the General Fund of £10,139,310 be approved.
- 2.2 That Council be recommended to approve a draft General Fund Budget Requirement for 2017/18 of £8,950,125 be proposed for consultation purposes, with a contribution from balances of £432,095 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 advice of the Assistant Director (Finance and Estates) on the robustness of the draft budget and the adequacy of reserves (Appendix C) be noted.
- 2.4 That a minimum level of General Fund reserves of £2,656,938, in line with the 2017/18 risk assessment of balances, as shown at Appendix H to this report, be approved.

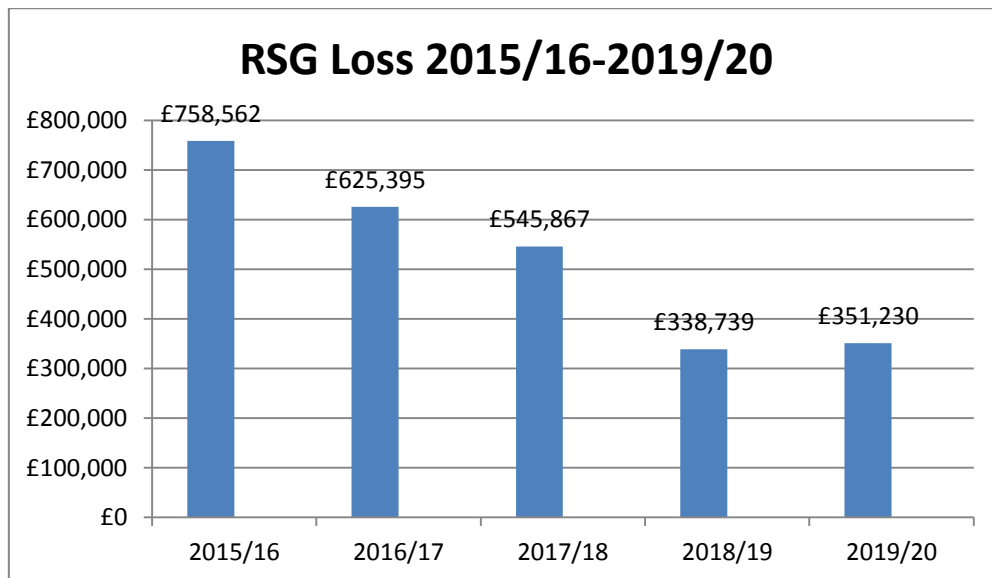
- 2.5 That the contingency sum of £400,000 within which the Executive can approve supplementary estimates, be approved for 2017/18, (unchanged from 2016/17).
- 2.6 That the 2017/18 proposed Fees and Charges increase of £190,030 (Appendix F) be approved.
- 2.7 That the 2017/18 proposed concessions (Appendix G) be approved.
- 2.8 That the 2017/18 proposed Financial Security budget options of £226,190 (Appendix D) be approved.
- 2.9 That the 2017/18 proposed Growth options of £143,700 (Appendix E) be approved.
- 2.10 That it be noted that the General Fund Medium Term Financial Strategy continues to meet the financial objectives set by the Chief Finance Officer

COUNCIL

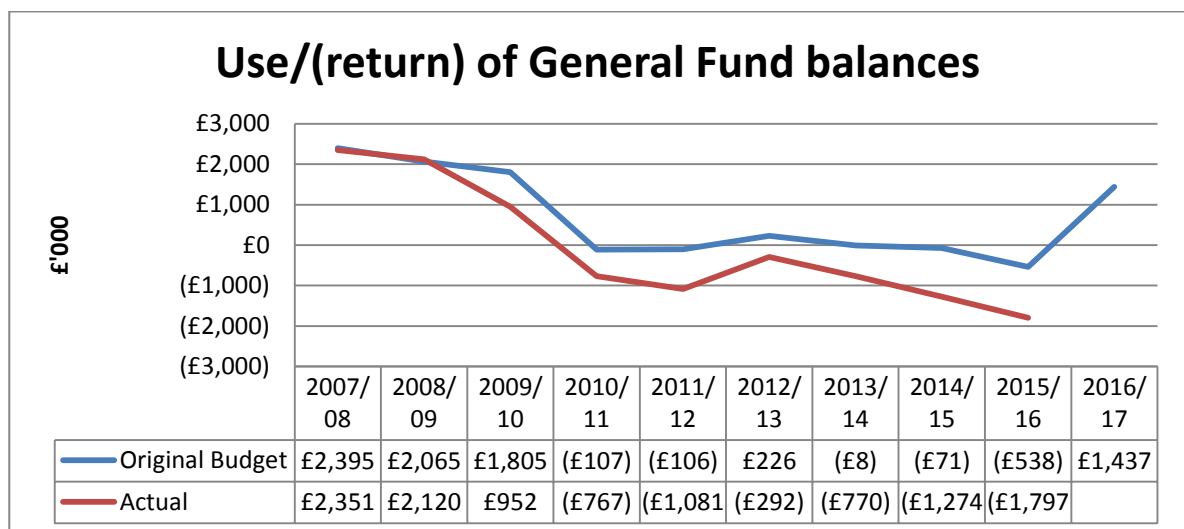
- 2.11 Recommendations from the Executive meeting on 22 February 2017 will be circulated on a Supplementary Agenda.

3. BACKGROUND

- 3.1 This report presents the Council's General Fund net expenditure for 2017/18 taking account of the Financial Security Option, 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 £1.2Million 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 in the main 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 4.6 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:

24 January 2017	Executive	Draft Council tax setting and General Fund 2017/18 Budget (incorporating savings)
25 January 2017	Overview & Scrutiny	Draft Council tax setting and General Fund 2017/18 Budget (incorporating savings)
22 February 2017	Executive	Final Council tax setting and General Fund 2017/18 Budget (incorporating savings)
23 February 2017	Overview & Scrutiny	Final Council tax setting and General Fund 2017/18 Budget (incorporating savings)
28 February 2017	Council	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 financial Security options, revenue growth and the Local Government Finance Settlement.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 Overview and Scrutiny Committee

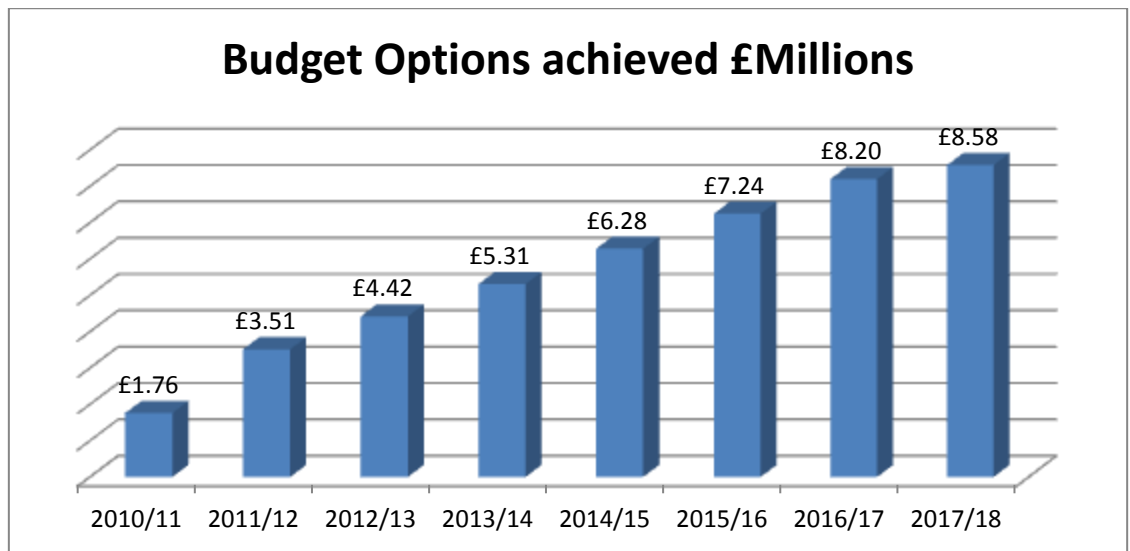
- 4.1.1 The Committee met on the 25 January 2017 and the Assistant Director (Finance and Estates) presented the draft proposals for the 2017/18 council tax setting and General Fund Budget.
- 4.1.2 The Committee was reminded that the report was before them as a Budget and Policy Framework item and any comments made would be incorporated into the final report that the Executive would consider for recommendation to Council in February. The committee did not recommend any changes to the draft budget.

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 Financial Security option 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 Financial Security options

- 4.3.1 At the November Executive, 2017/18 General Fund options totalling £237,690 were approved, these options were included for consideration as part of the budget and policy framework at the January Executive.
- 4.3.2 Since that date one option, (FS4 Energy Efficiency measures) has changed from £20,480 to £8,980, a reduction of £11,500 as some of the measures will not be in place until part way through the year and others cannot be implemented. There is a reduction in the capital budget of £17,000 relating to the non-implementation measures. The revised Financial Security options are detailed in Appendix D.
- 4.3.3 There is still unidentified Financial Security target in the MTFs for future years which totals £1M for the period 2018/19-2019/20. This is in addition to modelled 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.
- 4.3.4 Officers will be using the Financial Security work stream and working with the Leaders Financial Security Group to identify and deliver options throughout the coming months.
- 4.3.5 Central Government austerity measures have been in place, with subsequent reductions in Local Government funding since 2010/11. By 2019/20 there will have been the complete removal of Revenue Support Grant and a total of £4.9Million grant removed. During the period 2010/11-2017/18 Members will have approved a total £8.58Million of budget options as shown in the chart below.



4.4 Revenue Growth

4.4.1 At the November Executive, Members approved growth bids totalling £143,700 in 2017/18, these options were included for consideration as part of the budget and policy framework at the January Executive. There is no change to these bids which are detailed in Appendix E.

4.5 Fees Charges and Concessions

4.5.1 The 2017/18 Fees and Charges increases were approved at the November Executive totalling £190,030. The fee options were included for consideration as part of the budget and policy framework in the January Executive. There is no change to these fee increases which are detailed in Appendix F.

4.5.2 The Fees and Charges increases (with the exception of garages) were introduced from January 2017.

4.5.3 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.

4.5.4 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 G.

4.5.5 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.

4.6 Finance Settlement

- 4.6.1 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 overleaf:

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

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

- 4.6.2 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.
- 4.6.3 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 will retain the rest. In 2016/17 an estimate of £166,292 in levy payments has been made as Stevenage's projected income for business rates is higher than the baseline. The 2016/17 NDR gain of £362,132 will be paid in 2017/18.
- 4.6.4 The 2017/18 draft budget did not contain any assumptions regarding 2017/18 Business Rate gains or losses. The amount of NDR to be retained by the Council has now been calculated and is included in section 4.7 below. 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 had meant a delay in the projections being finalised. The NDR yield forecast for 2017/18 was approved by delegated authority to meet the statutory 31 January deadline.

4.7 Business Rates

- 4.7.1 The Business Rates Retention Scheme which commenced on 1 April 2013 requires the Executive to formally approve the NNDR1 by the 31 January immediately preceding the financial year to which it relates. The NNDR1 contains details of the rateable values shown for the authority's local rating list and enables the Council to calculate the expected income in respect of business rates for the year - a proportion of which the Council retained from 2013/14 onwards.
- 4.7.2 Using a revised government form (NNDR1), the Council is able to estimate the gross yield from business rates to reflect local intelligence about likely increases, or decreases, in the business rates that can be collected for the year.
- 4.7.3 The Executive resolved on the 24 January that delegated authority be given to the Assistant Director (Finance and Estates), following consultation with the Portfolio Holder for Resources, to approve the NDR Tax Base 2017/2018 and the Chair of the Overview & Scrutiny Committee waived call-in period in order for this decision to meet the 31 January statutory deadline.
- 4.7.4 Periodically the rateable value of business properties are reviewed, generally every five years, however it has been seven years since the last revaluation during which time the economy and businesses have seen the impacts of recession and government spending reductions. Revaluation is undertaken to maintain the accuracy of the rating system, by reflecting changes in the property market since the last revaluation in 2010.
- 4.7.5 A revaluation will alter the rateable value (RV) and therefore the amount that local authorities can collect in business rates. It is intended to be neutral and the Government consulted last year on how to achieve this. Overall the RV increased nationally by 11%, but for Stevenage it reduced by £2.7Million (from a £111.8Million RV to £109.1Million before the multiplier is applied), which is a 2.5% reduction.
- 4.7.6 The revaluation process is meant to be cost neutral. This means the multiplier which is applied to the RV must also reduce by 11%, so the value of the total amount of business rates collected would be the same as before the 2017 valuation.
- 4.7.7 For the 2016/17 projected net yield the position is now estimated to be £47,048,255, which is £905,331 higher than the estimate. The yield has increased mainly due to more properties in the rating list compared to the estimate and a reduction in the amount of empty reliefs given. The impact for Stevenage is that the retained business rates will be £173,722 higher than previously estimated as summarised in the table below and detailed in the 2016/17 NNDR report.

	Compare 2016/17 Original v Projected			Payment in year	
	NNDR 1 2016/17 £	Projection 2016/17 £	Var. to NNDR 1 £	2016/17	2017/18
Net yield	46,142,924	47,048,255	905,331		
Stevenage share of yield	18,457,170	18,819,302	362,132	18,457,170	
Tariff	(16,373,443)	(16,373,443)	0	(16,373,443)	
Share net of tariff	2,083,727	2,445,859	362,132	2,083,727	362,132
S31 grant payable*	298,470	276,351	(22,119)	276,351	
Baseline Funding Level	2,354,253	2,354,253	0		
Gains before levy applied	27,944	367,957			
Gains applicable for levy	(566)	332,584		0	
Levy due 50%	0	(166,292)	(166,292)	(166,292)	
Retained Business Rates	2,382,197	2,555,918	173,722	2,193,786	362,132
Estimated				2,382,197	0
Variance				(188,411)	362,132
					173,722

4.7.8 For 2017/18 the NDR due to Stevenage is based on the projected yield for that year and is detailed in the table below. The table shows a levy payment would be due to the government of £264,843 and an overall gain of £303,443 for 2017/18.

Stevenage Share	NNDR 1 2017/18 £
Stevenage share (40%)	16,876,393
Tariff	(14,306,740)
Share net of tariff	2,569,653
S31 grant payable	362,351
Baseline Funding Level	2,402,318
Gains before levy applied	529,687
Levy that would be due	(264,843)
S31 grant not in levy	38,600
Retained rates	2,705,761
Increase above the baseline	303,443

4.7.9 The Government has made an assumption about the future level of appeals and has adjusted the 2017/18 multiplier by £0.021, (or £2,228,995). It is very difficult to ascertain the level of appeals that will be lodged because:

- Stevenage has reduced rates overall, does this mean there will be less appeals?

- The Government has changed the appeals process to ‘check, challenge, appeal’ it is not clear at the challenge phase whether this will speed up/reduce appeals.
- Will appeals be as high as when the 2010 list, (still outstanding £5.5Million)?

A value similar to that assumed in the multiplier for new appeals as a result of the 2017 rating list has been added to the allowance for appeals in the 2017/18 estimates, (£2,200,000).

- 4.7.10 At the January Executive Members approved the recommendation to transfer any gains for 2017/18 to an allocated reserve in case they are either required for appeals which arise in 2017/18 or alternatively become available to contribute towards the Council’s regeneration ambitions.
- 4.7.11 The business rate income included in the General Fund for 2017/18 relates to 2015/16, 2016/17 and 2017/18, includes the transfer to reserves and is summarised in the table below.

Business Rates Income included in 2017/18 General Fund			
	2017/18 £	2016/17	2015/16
Business Rates due:			
Business rates due	2,304,810	362,133	115,924
S31 grant payable*	400,951		
Retained Business Rates	2,402,318	362,133	115,924
Transfer to Allocated Reserve	303,443		
			3,183,818

- 4.7.12 The business rates retained regime can cause fluctuations in General Fund income as demonstrated in this report and is reflected in the use of an allocated reserve for the amount the council would have to fund if the level of business rates were to reduce (£172,000).
- 4.7.13 Members should also note that the Government is proposing that business rates will all be retained locally and will be reviewing its allocation methodology.

4.8 Council Tax

- 4.8.1 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 is allowing district local authorities to set increases of up to 2% or £5 on a Band D, whichever is the greater. This is the limit without having to hold a referendum. At the January Executive Members approved a 2.58% or £5.00 on a Band D property, however this will only be decided on

the 28 February at the Council meeting. The increased level of income generated from a 2.58% council tax increase is demonstrated in the table below.

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)

4.8.2 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	£153.51	£2.99	£154.40	£3.88
Band C	£172.02	£175.44	£3.42	£176.46	£4.44
Band D	£193.52	£197.37	£3.85	£198.52	£5.00
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

4.8.3 As the switch from central to locally raised resources continues, with the erosion of Revenue Support Grant (RSG), local 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 70% of core resources will be generated from council tax (based on a 2.58% council tax increase for 2017/18 and 1.99% annually).

Year:	% of Net budget							
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Council Tax	51.7%	45.9%	49.5%	47.1%	58.1%	58.0%	65.9%	70.5%
RSG	46.0%	33.3%	27.0%	17.9%	13.5%	7.4%	4.2%	0.0%
NDR	0.0%	20.9%	24.2%	40.2%	12.6%	30.1%	26.7%	28.6%
Balances	2.3%	-0.1%	-0.7%	-5.2%	15.7%	4.6%	3.2%	0.9%
Balances	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

4.8.4 The County Council will have the flexibility to increase their share of the council tax by up to 4.99% as the Government has also announced 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, in addition to the 1.99%, before a referendum must be held.

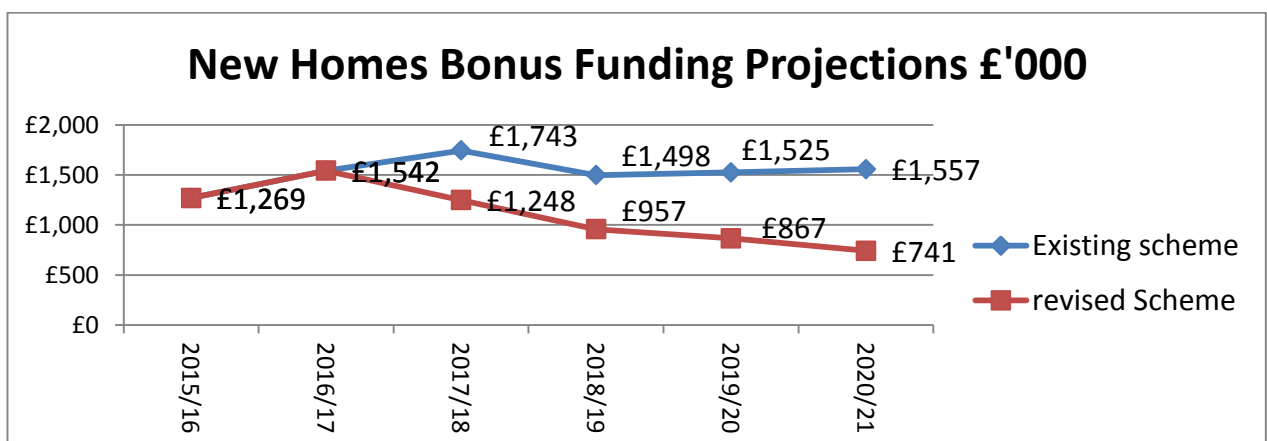
4.8.5 The Police Commissioner also has the flexibility to increase their proportion of the council tax by £5 on a band D or up to 2% and has set this increase for 2017/18 . If all preceptors increased council tax by the maximum allowable amount before a referendum on the increase is held, the increase for 2017//18 would be 4.53% or £69.21 on a Band D property per year.

4.9 New Homes Bonus

4.9.1 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.

4.9.2 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.

4.9.3 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 following chart.



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

4.9.4 The NHB allocation has been used to support priority initiatives such as an apprentice programme and the Co-operative Neighbourhood Improvement programme. 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.

4.10 2016/17 Working Budget

4.10.1 The 2016/17 General Fund projected budget is now estimated to be £10,139,310 which is £6,500 lower than the working budget reported at the January 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)
Reported in January	£182,550	Changes to the budget reported at the January Executive. (Includes £89,130 for implementation costs for the Senior Management Review and £27,670 for less S31 NDR grants than budgeted for).
Impact of 2017/18 savings options	£65,490	Further Implementation costs relating to Senior Management Review to that reported in January 2017.
Increase in Development Control Income	(£72,000)	Income projected for the year is more than budgeted for.
Total Net budget	£10,139,310	

4.11 2017/18 General Fund budget

4.11.1 The 2017/18 General Fund budget is now estimated to be £9,382,220 which is £257,130 higher than the January projection. However £211,890 relates to changes NDR projections including the transfer to the allocated reserve as a result of higher NDR retained income (see paragraph 4.7.10). The remaining net pressures of £45,240 reflect the real increase in General Fund costs. The reasons for the increases are detailed in the table below.

	2017/18	
General Fund Budgets	General Fund budget	
Original budget	£9,125,090	Budget reported at the January Executive
Revenue impact of Capital bids	£16,790	The revenue impact of the Capital Strategy is a net cost to the General Fund (relates to the playground works and additional on street parking bays).
Increased inflation costs	£23,500	The fuel costs for the council fleet have been revised upwards based on anticipated price increases.
Budget options	£11,500	The budget options have reduced by £11,500 as a result of a reduction in the energy efficiency savings projected for 2017/18 (see par 4.3.2).
Section 31 grants	(£91,550)	The projection of NDR section 31 grants is now projected to be a total of £362,350, which is £91,550 higher than the current budget). However this is just switching funding from NDR core resources to the net budget.
Transfer to reserves	£303,440	At the January Executive Members agreed to transfer any NDR gains to an allocated reserve to be used to contribute towards the Council's regeneration aims or fund the cost of future appeals (not yet known).
Other adjustments	(£6,550)	Other minor adjustments.
Total Net budget	£9,382,220	

4.12 Projected General Fund Balances

4.12.1 The projected General Fund balances and council tax requirement are shown below.

	2016/17 Estimate	2016/17 Projected	2017/18 Estimate
Net Expenditure	9,130,150	10,139,310	9,382,220
(Use of)/ Contribution to Balances	(1,437,060)	(2,612,512)	(432,095)
Budget Requirement	7,693,090	7,526,798	8,950,125
Total Government Support (Revenue Support Grant and Retained Business Rates)	(3,319,563)	(3,319,563)	(3,259,623)
Estimated NDR levy		166,292	226,243

	2016/17 Estimate	2016/17 Projected	2017/18 Estimate
(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*

4.12 Balances and Reserves

4.12.1 All balances and reserves are considered to be available to meet annual deficits. General Fund available reserve balances as at 31 March 2018 are estimated to be £4,843,185 (after a contribution from balances of £432,095). The General Fund position is summarised in the following table.

General Fund Balances	2016/17 Estimate	2016/17 Projected	2017/18 Estimate
Opening balance	(7,887,792)	(7,887,792)	(5,275,280)
Use of/ (Contribution to) Balances	1,437,060	2,612,512	432,095
Closing balance	(6,450,732)	(5,275,280)	(4,843,185)

4.12.2 The underlying use of balances, when carry forwards and the impact of prior year's council tax and NDR balances are removed, is a draw on balances of £1Million in 2016/17 and 2017/18, but reducing to £267K use of balances in 2018/19 as shown in the table below.

General Fund Balances	2016/17 Projected	2017/18 Estimate	2018/19 Estimate
Use of/ (Contribution to) Balances	2,612,512	432,095	267,757
Exclude:			
Carry Forwards	422,321	0	0
prior year impact of NDR paid to/(from) Collection Fund	935,784	(478,057)	0
Exclude prior year impact of CTAX	(299,368)	(139,102)	0
Total	1,058,737	(617,159)	0
Add NDR surplus in future years (re 2016/17)	(362,132)		
surplus on CTAX paid 2017/18	(171,185)		
Adjusted Total	1,020,458	1,049,254	267,757

4.12.3 There are projected Financial Security budget options required for 2018/19 are £709,700 of which £418,100 has yet to be identified, the total is summarised in the table below, (£373,987 for 2017/18). The 2018/19 draw on balances has reduced compared to 2016/17 and 2017/18 partly due to the higher Financial Security target in 2018/19, together with £269,000 of prior year growth items which drop out of the budget in 2018/19.

General Fund	2017/18	2018/19
Financial Security Options :		
Prior year savings	(147,797)	(33,540)
HR restructure		(58,000)
2017/18 options	(226,190)	(11,470)
Senior management review (2)		(126,000)
2018/19 options agreed in principle		(62,590)
Unidentified		(418,100)
Total Financial Security Options	(373,987)	(709,700)

4.12.4 The 2017/18 options were less than in previous years which has allowed the Senior Management Review process to be implemented. The Financial Security team are currently looking at options to help meet future years targets. The Property Investment Strategy to this Executive will contribute to this.

4.12.5 The 2017/18 risk assessed General Fund minimum balance is estimated to be £2,656,938, (Appendix H). This is needed to meet unforeseen expenditure and/or income losses arising in the year and to meet expenses arising before income is received. It should be noted that while General Fund balances are higher than the minimum level identified for 2017/18, but there are significant further savings still to find for future years.

4.12.6 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.

4.13 Allocated Reserves

4.13.1 The Council also holds allocated reserves which are ring-fenced for specific expenditure requirements. Current projections are that £1.284Million 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
Revenue Reserves:					
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)	(303)	(475)
Insurance Reserve	0	(97)	(97)	34	(63)
Town Centre	(30)	12	(19)	19	0
TOTAL REVENUE RESERVES	(3,084)	1,373	(1,711)	428	(1,284)
Capital Reserves:	0	0	0	0	0
Capital Reserve	(1,167)	1,167	0	0	0
TOTAL CAPITAL RESERVE	(1,167)	1,167	0	0	0
TOTAL ALLOCATED RESERVES	(4,251)	2,540	(1,711)	428	(1,284)

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

4.13.2 The allocated reserves include those for New Homes Bonus (NHB), the monies assumed for 2017/18 are outlined in section 4.9 above. The balance on the reserve as at 31 March 2018, relates to projects already committed and due to be spent in 2018/19.

4.13.3 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.

4.13.4 It is estimated that there will be a balance of £601,000 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.

4.13.5 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.

- 4.13.6 The NDR reserve is to cover the cost the Council would have to fund if NDR income falls below the base line assessment which equates to 6.5% or £172,000. In addition a further £303,440 has been transferred to the reserve in 2017/18 which is the NDR gains for 2017/18 which the January Executive agreed to ring-fence for regeneration or future unknown appeals.
- 4.13.7 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.
- 4.13.8 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).*

4.14 Contingency Sums

- 4.14.1 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.

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 EQIAs were deemed required.
- 5.3.3 An overarching EqIA has been developed that summarised the individual EQIAs 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 I and will be finalised for Council in February 2017.
- 5.3.4 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 J.

BACKGROUND DOCUMENTS

- BD1 - 2017/18 Council Tax Setting and Draft General Fund Budget
<http://www.stevenage.gov.uk/content/committees/160923/160931/160995/20170124-Item6.pdf>
- BD2 - General Fund Medium Term Financial Strategy (2016/17 – 2020/21) (September Executive)
<http://www.stevenage.gov.uk/content/committees/160923/160931/160995/167541>

APPENDICES

Appendix A - 2016/17 working & 2017/18 Summary General Fund Budget
Appendix B - Final Council Tax Resolution
Appendix C - Robustness of the Final Budget and Adequacy of Reserves
Appendix D –Financial Security Options 2017/18
Appendix E- Growth Bids 2016/17
Appendix F - Fees and Charges 2017/18
Appendix G- 2017/18 Concessions
Appendix H – Risk Assessment of General Fund balances 2017/18
Appendix I- General Fund and HRA EQIA
Appendix J-Council wide staffing EQIA