

Meeting: EXECUTIVE

**Council Agenda
Item:**

5A

Portfolio Area: Resources

Date: 16 FEBRUARY 2016

2016/2017 COUNCIL TAX SETTING AND GENERAL FUND BUDGET

KEY DECISION

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1. PURPOSE

- 1.1 To consider the Council's Final General Fund Budget for 2016/17 and projected 2015/16 General Fund Budget and proposals for the 2016/17 Council Tax for recommendation to Council.

2. RECOMMENDATIONS

- 2.1 That the following proposals be recommended to Council on 24 February 2016.
- 2.1.1 That the Budget summarised at Appendix A to this report, be the Council's General Fund Budget for 2015/16 and 2016/17. A further update on the budgets will be given at the March Executive as part of the quarterly monitoring process.
- 2.1.2 That a General Fund Budget Requirement for 2016/17 of £7,660,769 be approved, with a contribution from balances of £1,469,381 and a Band D Council Tax of £192.27 (assuming a 1.99% increase), be approved as reflected in the draft council tax resolution at Appendix B to the report.
- 2.1.3 That the risk assessments of General Fund Balances of £2,796,985, as shown at Appendix I to this report be noted
- 2.1.4 That the advice of the Chief Financial Officer on the robustness of the draft budget and the adequacy of reserves (Appendix C) be noted.
- 2.1.5 That the contingency sum of £400,000 within which the Executive can approve supplementary estimates, be approved for 2016/17.

- 2.1.6 That the 2016/17 proposed Fees and Charges increase of £201,440 (Appendix F) be approved.
- 2.1.7 That the 2016/17 proposed Concessions Policy (Appendix G) and proposed concessions (Appendix H) be approved.
- 2.1.8 That the 2016/17 proposed Savings of £233,090 (Appendix D) be approved.
- 2.1.9 That the 2016/17 proposed Growth options of £60,160 (Appendix E) be approved.
- 2.1.9 That it be noted that the General Fund Medium Term Financial Strategy continues to meet the financial objectives set by the Chief Finance Officer.

3. BACKGROUND

- 3.1 This report presents the Council's final General Fund net expenditure for 2016/17 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 2015. The report highlighted the need for on-going savings against a backdrop of further government grant reductions. In recognition of further cuts 2016/17 onwards, the Council's MTFS in September forecasted a loss of Government grant of £1.183Million (including 2015/16 freeze grant not included in RSG for that year) between 2016/17-2019/20.
- 3.3 At the November 2015 meeting, the Executive approved a range of savings and growth bids to be included in the 2016/17 Budget after taking into consideration expected budget pressures.
- 3.4 The provisional 2016/17-2019/20 Finance Settlement was received on 17 December 2015 and was a reduction in grant of £661,893 and a further £1,039,724 between 2017/18-2019/20 .
- 3.5 At the December Executive Members considered the draft 2016/17 budget but did not approve the Community Transport saving of £14,050 (S35) and asked officers to review the budgets to see if an alternative saving could be identified.
- 3.5 The Budget and Policy Framework Procedure Rules in the Constitution, prescribe the Budget setting process, which includes a minimum consultation period for the Overview & Scrutiny Committee of three weeks. The timescale required to implement this process is outlined below:

19 January 2016	Executive	Draft Council tax setting and General Fund 2016/17 Budget (incorporating savings)
20 January 2016	Overview & Scrutiny	Draft Council tax setting and General Fund 2016/17 Budget (incorporating savings)
16 February 2016	Executive	Final Council tax setting and General Fund 2016/17 Budget (incorporating savings)
17 February 2016	Overview & Scrutiny	Final Council tax setting and General Fund 2016/17 Budget (incorporating savings)
24 February 2016	Council	Final Council tax setting and General Fund 2016/17 Budget (incorporating savings)

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 Overview & Scrutiny Committee

- 4.1.1 The Committee met on the 20 January 2016 and the Assistant Director (Finance) presented the draft proposals for the 2016/17 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.
- 4.1.3 A question was asked concerning the requirement to identify an alternative savings option to compensate for the Executive's decision not to realise Community Transport Service savings of £14,050. The Committee was advised it was a matter of principle to seek to do so that the savings target identified in the Council's Medium Term Financial Strategy was achieved and savings shortfalls were not funded from reserves which in the long term would be unsustainable.

4.2 Community Consultation

- 4.2.1 In setting the Budget 2014/15, the PBB process was informed by an extensive amount of consultation seeking residents' preferences for reducing services, increasing fees and charges and increasing Council Tax. Consultees were also asked what they deemed to be the most important services provided by the Council. This was captured via a range of activities

including a town-wide postal Residents' Survey with 1,294 residents (carried out every two years) and a one-off telephone survey with 1,000 residents.

- 4.2.2 The findings informed Council's final decision on the Budget for 2014/15 and influenced the proposals that formed the Budget for the following two years.
- 4.2.3 As the previous year's results were still valid, consultation for PBB2 was on a smaller scale with views sought from 152 people. An online and hard copy survey was carried out as a means of testing the validity of the previous year's consultation. This confirmed that the views of residents relating to Budget-setting had not changed.
- 4.2.4 This year has seen a return to our bi-annual Residents' Survey, which included questions relating to Council priorities, service delivery and the Council's Budget for 2016/17. Using a postal method once again we achieved 1,356 responses between June and July.
- 4.2.5 The Council supplemented this with an interactive event at Stevenage Day in June 2015. It included three activities asking residents to consider what were the top three priorities should be from a list of nine, how we should distribute our spend across a range of 18 public services, and their preferences as to how the Council should fill its Budget gap.
- 4.2.6 Our consultation activities were conducted in line with government guidelines, the Gunning Principles (endorsed by the Supreme Court in 1985), the Council's co-operative commitment to involve the public in decision-making and our Consultation and Engagement Strategy to 2016.
- 4.2.7 A summary of the findings, with comparisons to previous years, is shown over the following paragraphs.
- 4.2.8 Council Priorities-Respondents to the Residents' Survey were given a list of 16 possible priorities and asked to choose which ones the council should focus on, and then rank their top three. The results are overleaf:

Residents' Survey (SBC Priorities)

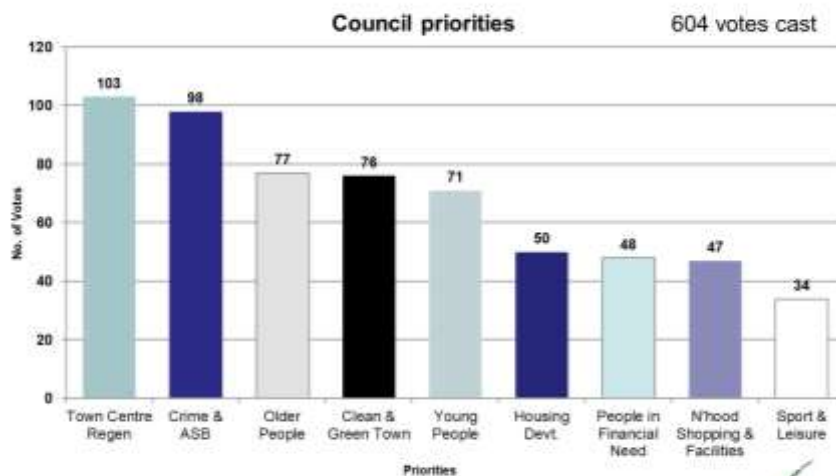
Priority	Rank	2013
Tackling crime and anti-social behaviour	1	1
A regenerated town centre	2	★
A range of housing including affordable housing to buy or rent	3	2
Clean streets, pavements and cycleways	4	3
Good shopping facilities in the town centre	5	★
Activities and support for younger people	6	4
Activities and support for older people	7	5
Good household waste and recycling facilities	8	
A thriving business sector	9	
Services to help people in need (e.g. foodbanks, support for the Citizens Advice Bureau, Council Tax support)	10	

- Participants were then asked to rank them 1, 2 and 3 (1 being the most important).
- With the exception of 'A regenerated town centre' and 'Good shopping facilities in the town centre' which were new for 2015, the remaining options of the top seven are the same as in 2013.

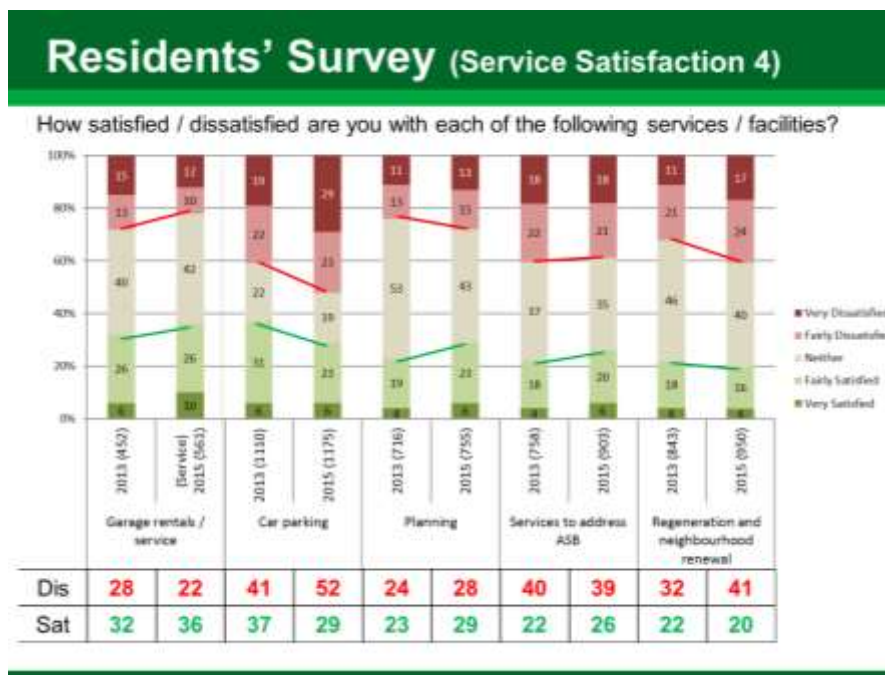


Participants at Stevenage Day were given three 'votes' and asked to choose three priorities from a choice of nine. The result is below:

Stevenage Day (SBC Priorities)

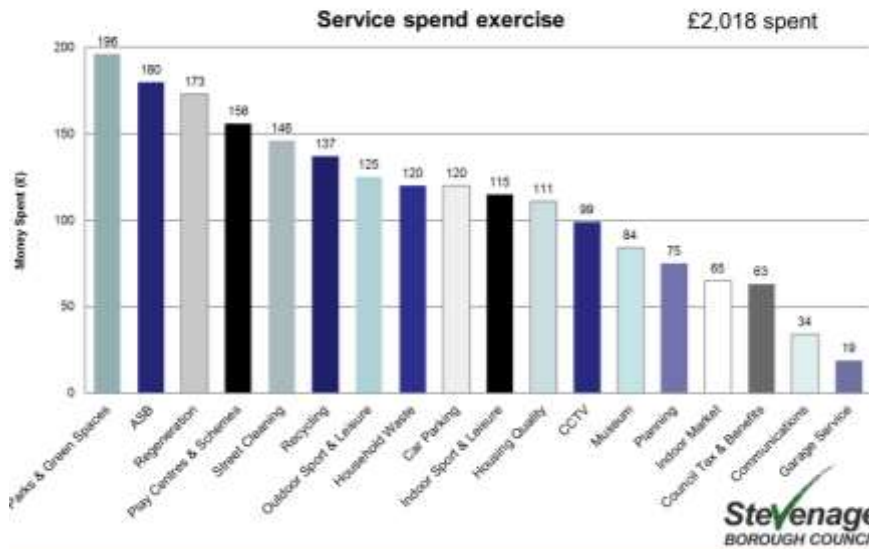


4.2.9 Service prioritisation- Respondents to the Residents' Survey were asked to rate their satisfaction with up to 18 council services. The three showing the highest rates of satisfaction are shown in the first chart below, and those with the lowest levels are in the second chart:



4.2.10 Participants at Stevenage Day were given 10 stickers each representing £1 of council money, and asked to spend it across 18 services shown – confirming that they didn't have enough money to spend on all of the services equally. The result overleaf shows that the category 'Parks and green spaces' was given the highest amount of money. This service has seen the highest level of satisfaction among Residents' Survey respondents. 'Anti-Social Behaviour (ASB) and 'Regeneration' were second and third in terms of funding.

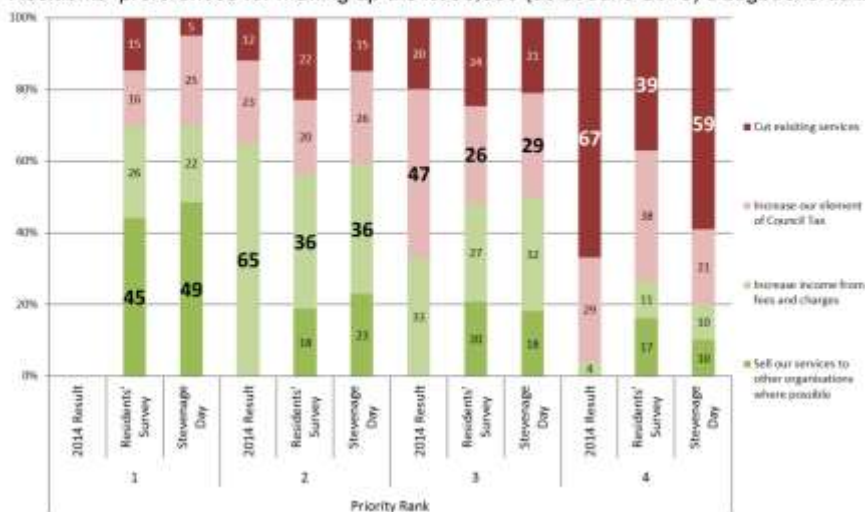
Stevenage Day (Spend on Services)



4.2.11 Budget shortfall- At both Stevenage Day and in the Residents' Survey we asked respondents to tell us their preferences as to how the Council can make up the shortfall in its Budget. In the previous two years' consultation, we have asked people to rank their preference for (1) increasing our income from fees and charges, (2) increasing our element of Council Tax and (3) cutting services (with one being their preferred option and three being the least). We included an extra option for this year, to sell our services to other organisations, which was the first preference of participants. With that exception, the order of the original three remains the same as in 2014, as shown below:

Budget Shortfall

Residents' preferences for making up the £900,000 (as at June 2015) Budget shortfall.



4.2.12 The next stage of public consultation has involved the Heads of Service consulting on individual proposals where required, with people who are likely to be affected or who have a particular interest in them. This will, and

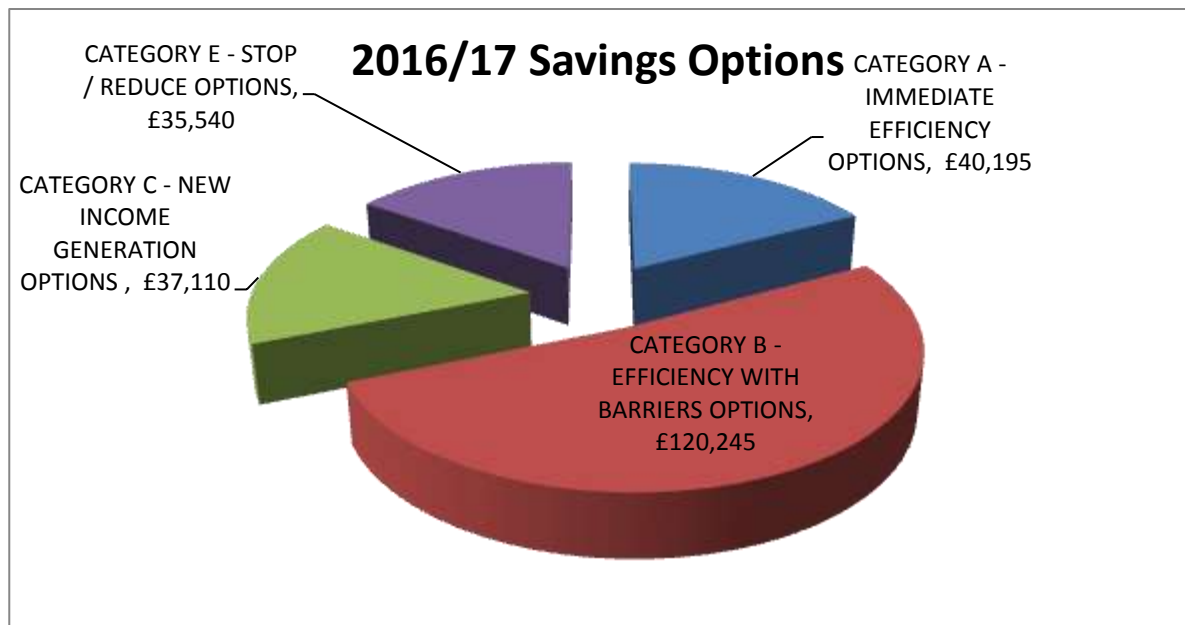
has, helped to inform any associated Equality Impact Assessments. These officers are now considering the appropriate methods, timescales and the stakeholders with whom to consult.

4.3 2016/17 Budget Savings

4.3.1 At the November Executive, 2016/17 net General Fund savings of £261,230 were approved, however this was projected to be £233,090 at the January Executive, a reduction of £28,140. The reason for the reduction was a recommended phased introduction of supported housing careline charges to non HRA tenants. This has been recommended to ensure that all service users charges are treated equitably and phased in over a three year period.

4.3.2 At the January Executive Members did not approve savings option S41 Community Transport reduction in escorted hours (£14,050) for inclusion in the final 2016/17 budget. Members requested that an alternative option be identified. Officers have recommended that a replacement option relating to an estimated reduction in the cost of agency staff be approved. A review of council wide use of agency budgets has identified that this saving could be achieved (£25,000 has already been removed) with the introduction of the new agency contract from 1 April 2016. However this will need to be monitored closely when the contract starts in April 2016.

4.3.3 With the inclusion of this replacement saving the savings total remains unchanged at £233,090 for 2016/17. A summary of the PBB3 new savings are summarised in the chart below.

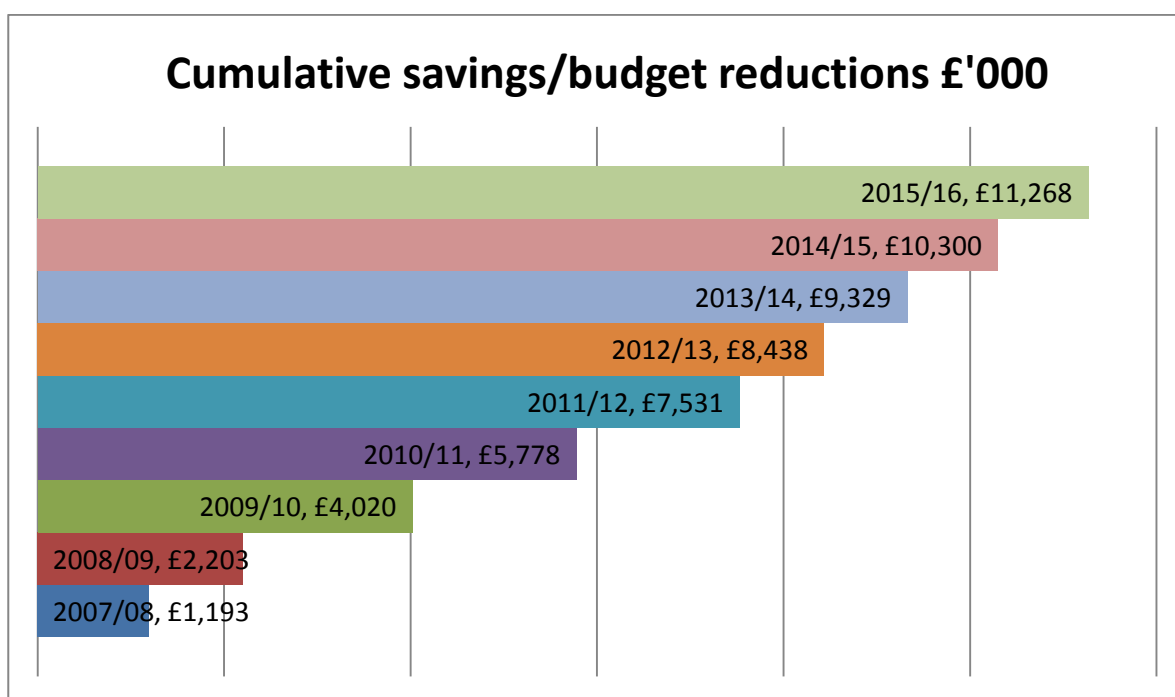


4.3.4 There are some prior year budget options which impact on 2016/17 which total **£322,950** and are summarised in Appendix D. These include:

- Option to alleviate parking congestion at the Lister Hospital/Corey's Mill Lane. (PBB1 S103) – (£57,600 in 2016/17).

- Saving option 'Reduction in grants to voluntary services' (PBB1 S62) –This saving was re-profiled as part of the 2015/16 budget setting process and grant reductions of **£18,400** have been budgeted for.

4.3.5 The Council has been delivering savings since 2007/18, initially to remove an identified budget gap and from 2010/11 as a result of government funding cuts. The Council's net expenditure budget was £15Million in 2007/08 compared with a proposed £9.1Million for 2016/17. The chart below summarises the Councils track record in removing savings from the General Fund budget.



4.3.6 There are unidentified savings targets in the MTFs in future years which were not identified as part of the PBB3 process, totalling £1.484Million. The future Town Future council priority 'Financial Security' will be key in delivering these savings on-going, with future government funding reductions being the main driver in the need for on-going level of savings required for the General Fund.

4.3.7 All customer or front facing savings have the Portfolio holder identified and involved in the implementation of the saving.

4.4 Revenue Growth

4.4.1 At the November Executive Members approved growth bids totalling £60,160 in 2016/17 and on-going £50,160 per year, these are detailed in Appendix E and remain unchanged from the January Executive report.

4.5 Fees Charges and Concessions

- 4.5.1 The 2016/17 Fees and Charges increases were approved at the January 2016 Executive and remain unchanged at £201,440. However Members should note that £5,700 of the fees is not on-going. (Appendix F).
- 4.5.2 The Fees and Charges increases were be introduced in January 2016 with the exception of the increase in pre-application advice (1 December 2015) and garages (April 2016) .
- 4.5.3 In constructing the 2016/17 budget the Leader Services Priority Group (LSPG) also reviewed the level of concessions given as part of its fees and charges review. This highlighted a disparity in the range of discounts given and applicability criteria. Subsequently a policy for concessions was approved at the January Executive and remains unchanged and is shown in Appendix G. The policy recommends concessions based for those in receipt of benefits and under school age, rather than the diverse eligibility criteria currently used. It is proposed that the maximum concession given is 35% of the full price from 1 April 2016, reducing to a maximum 25% in 2017/18.
- 4.5.4 The impact of the new concessions will be reviewed once implemented and any savings will contribute to future savings targets.

4.6 Finance Settlement

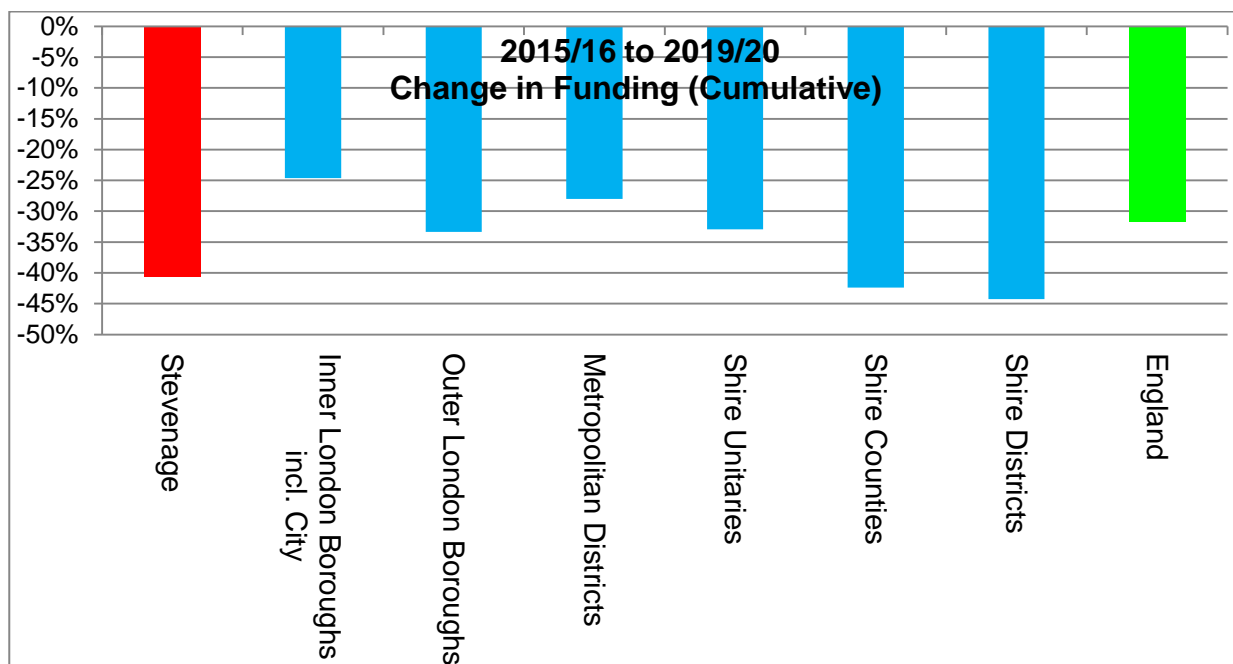
- 4.6.1 The provisional settlement was announced on the 17 December 2015 for 2016/17 - 2019/20. The overall grant loss for 2016/17 (compared to 2015/16) is £661,893 and over the four year settlement, a loss of £1.7Million. The provisional settlement for Stevenage can be summarised as follows:

	Government Settlement			Funding Loss £
	RSG £	NDR £	Total £	
2016/17	1,235,836	2,354,253	3,590,089	(661,893)
2017/18	689,969	2,400,557	3,090,526	(499,563)
2018/19	351,230	2,471,376	2,822,605	(267,921)
2019/20	0	2,550,365	2,550,365	(272,240)
Total	2,277,034	9,776,551	12,053,586	(1,701,617)

**The grant figures shown exclude any loss of Business Rates below the safety net*

- 4.6.2 There was no government offer for a freeze grant from 2016/17 onwards, and the General Fund MTFs had assumed this, together with a budgeted increase in council tax of 1.99% for 2016/17.
- 4.6.3 The government uses its Spending Funding Assessment (SFA) which it uses as a measure. The methodology adds together authorities' SFA amount and their forecast council tax income for 2016/17 (based on

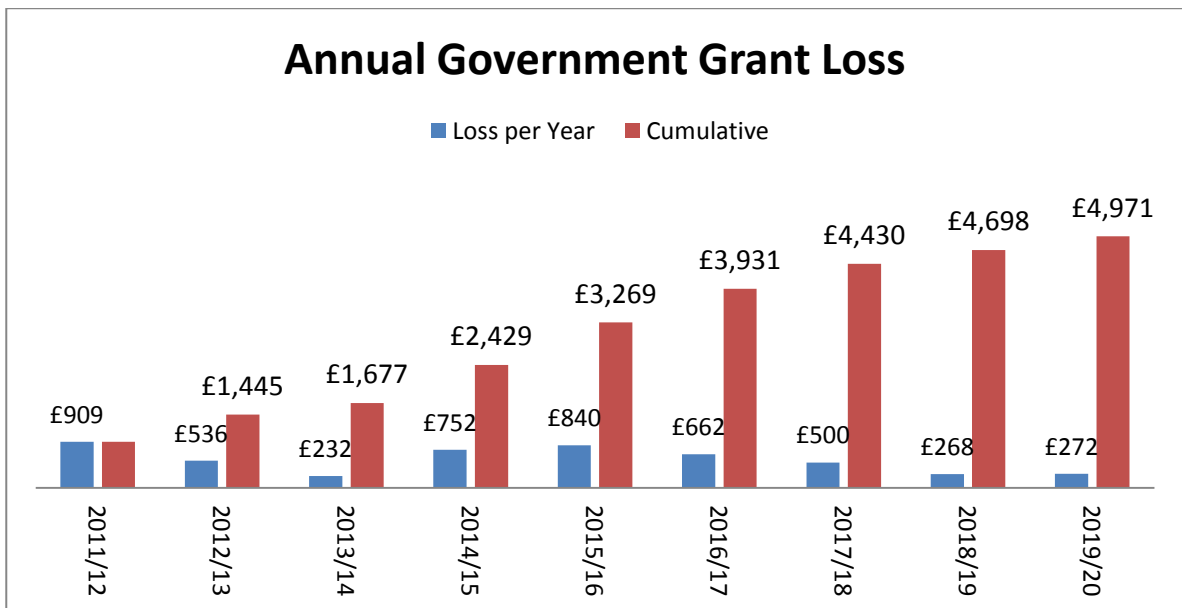
individual authorities' actual council tax levels), before applying a percentage reduction. Although shire districts were the group of authorities with the highest reduction in funding over the four year period, Stevenage has a smaller council tax base compared to some of its shire district neighbours and therefore the withdrawal of RSG does not happen until 2019/20, unlike some other council's which see no RSG from 2017/18. The national level of grant cuts summarised by Authority type is summarised in the chart below.



4.6.4 It is difficult to measure the level of grant loss since 2011/12, as combined with grant reductions a number of grants have been added to the settlement. However with the exception of homeless grant all have been subsumed within the settlement, these include:

- 2013/14 Council tax Support Grant £852,039
- Various years freeze grants £300,843
- 2013/14 Homeless grant £71,067

The chart overleaf summarises grant losses of some £4.971 Million since 2010/11, which has driven the need to make significant budget cuts and also for the foreseeable future.



4.6.5 The Government has stated that councils can sign up to the four year funding settlement to 2019/20. Councils will need to request this and have an efficiency plan in place, though the government does not state what such a plan should look like. It is important to note that the government have qualified the offering by stating that final grant determinations 2017/18 onwards will still be subject to change, as the business rates multiplier changes. The government also says future years could change 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. The government has not indicated what the formal process for this request is.

4.6.6 A proportion of Government Support is from retained Non-Domestic Business Rates (NDR) raised in Stevenage, (2015/16, £2,334,796 assumed by the government). 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 2015/16 Stevenage was in the Hertfordshire pool and pay a smaller levy.

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 proceeding the financial year to which it relates. The NNDR1 contains details of the rateable values shown for the authority's local rating list at 30 September 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 19 January that delegated authority be given to the Assistant Director (Finance), following consultation with the Portfolio Holder for Resources, to approve the NDR Tax Base 2016/2017 and that the Chair of the Overview & Scrutiny Committee be requested to consider a waiver of the call-in period in order for this decision to meet the 31 January statutory deadline.

4.7.4 The 2015/16 projected outturn position is estimated to be £46,777,548, which is £939,891 lower than previously estimated. The yield has reduced for a number of reasons including reduction in the valuation of doctors surgeries (£399K), office conversions to residential (£90K higher than the £514K already estimated), buildings demolished or removed from the rating list (£451K estimated one year impact only). The impact for Stevenage is that the retained business rates will be £220,595 lower than previously estimated as summarised in the table below and detailed in the 2016/17 NNDR report.

	Compare 2015/16 Original v Projected			Payment in year	
	NNDR 1 2015/16 £	Projection 2015/16 £	Var to NNDR 1 £	2015/16	2016/17
Net yield	47,717,439	46,777,548	(939,891)		
Stevenage share of yield	19,086,976	18,711,019	(375,956)	19,086,976	
Tariff	(16,238,125)	(16,238,125)	0	(16,238,125)	
Share net of tariff	2,848,851	2,472,894	(375,956)	2,848,851	(375,956)
S31 grant payable*	384,820	427,004	42,185	427,004	
Baseline Funding Level	2,334,796	2,334,796	0		
Gains before levy applied	898,874	565,102			
Gains applicable for levy	856,916	529,039			
Levy that would be due	(428,458)	(264,520)	163,938	(264,520)	
Pooling gains	198,762	148,000	(50,762)	148,000	
Retained Business Rates	3,003,974	2,783,379	(220,595)	3,159,335	(375,956)
Estimated				3,003,974	0
Variance				155,361	(375,956)
					(220,595)

4.7.5 For 2016/17 the NDR due to Stevenage is based on the projected yield for that year and is detailed in the table below. The table shows that no levy payment would be due to the government, however there is a small gain as a result of income not subject to the levy (£27,948).

Stevenage Share	NNDR 1 2016/17 £
Stevenage share (40%)	18,457,170
Tariff	(16,373,443)
Share net of tariff	2,083,727
S31 grant payable	268,338
Baseline Funding Level	2,354,253
losses before levy applied	(2,189)
Levy that would be due	0
S31 grant not in levy	30,137
Retained rates	2,382,201
Increase above the baseline	27,948

4.7.6 Based on the level of anticipated business rate gains for Stevenage, the Council was not asked to be a member of the Hertfordshire pool for 2016/17.

4.7.7 The business rate income included in the General Fund for 2016/17 relates to 2014/15, 2015/16 and 2016/17 and is summarised in the table below.

Business Rates Income included in 2016/17 General Fund			
	2016/17 £	2015/16	2014/15
Business Rates due:			
Business rates due	2,083,727	(375,957)	(559,827)
S31 grant payable*	298,474		
Retained Business Rates	2,382,201	(375,957)	(559,827)
			1,446,416

()= return of monies to the collection fund

4.7.8 The business rates retained regime can cause fluctuations in General Fund income as demonstrated in this report and the February 2016/17 General Fund report will include this impact in the 2016/17 risk assessment of balances. More detailed information regarding the 2015/16 and 2016/17 NDR yield can be obtained from the NNDR tax base report 2016/17.

4.7.9 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 MTFS budgets for a 1.99% council tax increase for 2016/17. 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.

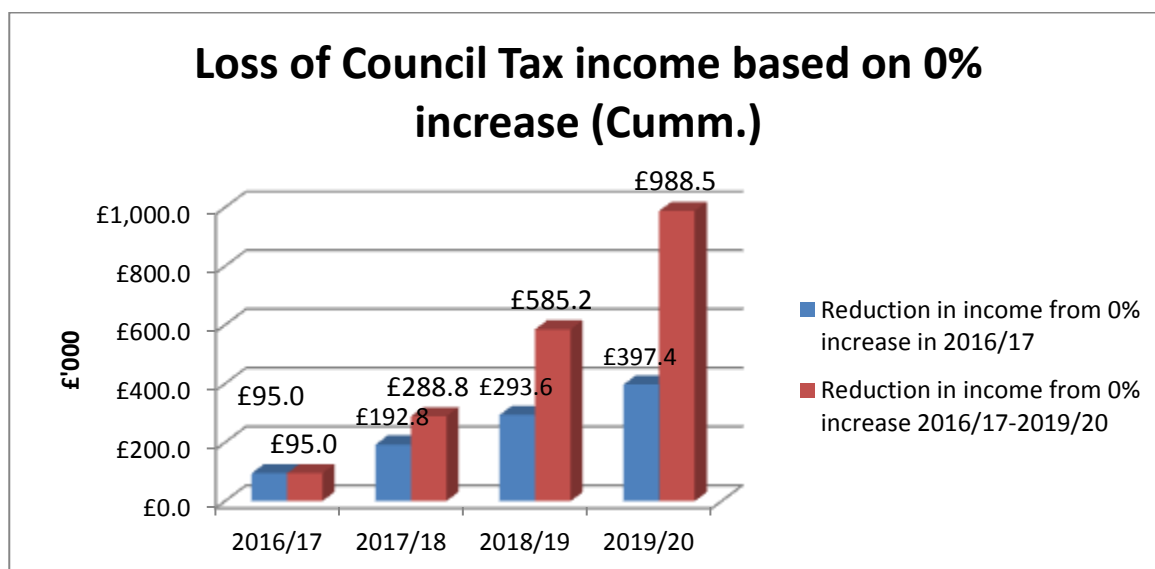
4.8.2 The 2016/17 council tax increase budgeted for is lower than the current government referendum threshold of 2%. The Government has the power to cap local authorities if they deem their council tax increase to be excessive above which a referendum on the increase would be triggered. Since 2009/10 a freeze grant has been offered by the government and the council has chosen to freeze council tax and take the grant. This year's finance settlement did not make any commitment to a freeze grant for 2016/17.

4.8.3 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 67% of core resources will be generated from council tax.

	% of Net budget							
Year:	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Council Tax	51.7%	45.9%	49.5%	49.4%	57.8%	57.6%	62.1%	66.9%
RSG	46.0%	33.3%	27.0%	18.8%	13.5%	7.7%	4.1%	0.0%
NDR	0.0%	20.9%	24.2%	42.2%	12.6%	26.9%	29.0%	31.4%

4.8.4 The Collection Fund is currently in surplus and an estimated contribution to the General Fund of £142,000 in 2015/16 and in 2016/17 there will be an estimated contribution to the General Fund of £299,368.

4.8.5 If in February the Council choose not to approve a 1.99% increase in council tax the impact would be a loss of income of £94,982 and £397,426 cumulatively to 2019/20. A 0% increase between 2016/17 and 2019/20 would be a loss of total income of £988,527 (to 2019/20), based on a 1% increase in the council tax base for growth.



4.8.6 With the increasing importance of council tax as a major source of income to the General Fund, as outlined in paragraph 4.8.3 and with the level of savings required as a result of future grant cuts (section 4.6) it is recommended that council tax is increased to minimise the level of alternative budget cuts to be made, in line with the consultation results summarised in this report.

4.9 General Fund budget 2015/16

4.9.1 The revised General Fund budget is now projected to be **£9,850,550** a reduction of £209,370, of which £45,880 relates to an increase in Section 31 grant for NNDR, however in total there is a loss of NNDR income relating to 2015/16 of £220,595, (section 4.7 refers.).

4.9.2 The changes to the 2015/16 budget are shown in the table below.

	2015/16 Estimate £	Commentary
Revised Budget reported January Executive	10,059,920	
Increased S31 grants (NNDR)	(45,880)	S31 grants increased but overall there is a reduction of £220,595 in 2015/16 NNDR as a result of reductions to the net yield.
Increased Postage costs	18,390	Postage volume has increased and the budget had previously absorbed the last increase in price. The 2016/17 budget has been increased and will be monitored during 2016/17 for any further pressures.
Reduction in salary costs	(63,000)	Salary costs are projected to be lower for 2015/16 as a result of vacancies.
Lift Maintenance	8,030	There has been an increased cost of lift maintenance (council offices) causing a pressure in 2015/16.
Reduction in vehicle fuel costs	(9,000)	Fuel prices are lower than estimated for.
Reduction in tyre costs	(10,000)	Vehicle tyre costs are lower as a result of procurement activity
Reduction in Alternative Financial Model (AFM) recycling monies	10,230	Monies accrued and subsequently received were lower for 2014/15
Reduction in General Fund housing grants	(68,000)	£35,000 not likely to be spent in 2015/16 as a result of the private sector lettings project starting part way in 2015/16. A further underspend of £25,000 has arisen as the CAB caseworker invoice for 2015/16 was paid in 2014/15 causing a one off in year underspend.

	2015/16 Estimate £	Commentary
Other budget adjustments	(50,140)	a number of budgets have been reviewed and the 2015/16 expenditure reduced. The 2016/17 budget has already been adjusted.
Total Changes	(209,370)	
	9,850,550	

4.9.3 A further update on the 2015/16 budget will be reported as part of the 2015/16 quarterly monitoring to the March Executive. Members will be aware that the General Fund Capital Reserve is part funded from an assumed revenue underspend of £350,000 per year. Part of this underspend reported above may be used if at the year end underspends are less than £350,000.

4.10 General Fund budget 2016/17

4.10.1 The 2016/17 budget is now projected to be £9,130,150 an increase of £146,250 over that previously reported, however £82,650 relates to a assumed reduction in NNDR section 31 grants. The NNDR estimates had not been finalised at the time of writing the January Executive report.

	2016/17 Estimate £	Commentary
Revised Budget reported January Executive	8,983,900	
Reduced S31 grants (NNDR)	82,650	The level of S31 reliefs anticipated for 2016/17 is lower as one of the retail reliefs is no longer given.
Reduction in Alternative Financial Model (AFM) recycling monies	16,490	Latest projections shown that the income is estimated at £135,370 versus the previous projection of £151,860.
Review of salary budgets	27,090	A review of the overtime and casual budgets for 2016/17 has identified a reduction of £24,300 and an increase in fixed term posts £51,390.
Adjustment to the Building Control partnership first year saving	20,020	The start date for the partnership was budgeted at 1 April, for estimate purposes it has been assumed at a 6 month saving for year one.

	2016/17 Estimate £	Commentary
Total Changes	146,250	
	9,130,150	

4.11 Projected General Fund Balances

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

	2015/16 Estimate	2015/16 Projected	2016/17 Estimate
Net Expenditure	10,401,200	9,850,550	9,130,150
Use of/ (Contribution to) Balances	(537,994)	(817,002)	1,469,381
Budget Requirement	10,939,194	10,667,552	7,660,769
Revenue Support Grant	(1,861,231)	(1,861,231)	(1,235,836)
Business Rates	(2,622,853)	(2,732,331)	(2,083,727)
Section 31 grants shown in core resources 2015/16	(381,120)	0	0
Return /Contribution to Collection Fund (NDR)	(1,179,888)	(1,179,888)	935,784
Collection Fund Surplus	(142,003)	(142,003)	(299,368)
Council Tax Requirement	4,752,099	4,752,099	4,977,622
Council Tax Base	25,207	25,207	25,889
Council Tax Band D	188.52	188.52	192.27
Council Tax Band C	167.57	167.57	170.91

4.11.2 Total available balances and reserves as at 31 March 2017 are estimated to be £5,437,941 after a contribution from balances of £1,469,381, as shown in the table below.

GENERAL FUND BALANCE:	2014/15 Actual £	2015/16 Original £	2015/16 Projected £	2016/17 Estimate £
BALANCE 1 APRIL	(4,816,814)	(6,090,320)	(6,090,320)	(6,907,322)
USE OF BALANCES IN YEAR	(1,273,506)	(537,994)	(817,002)	1,469,381
GENERAL FUND BALANCE 31 MARCH	(6,090,320)	(6,628,314)	(6,907,322)	(5,437,941)

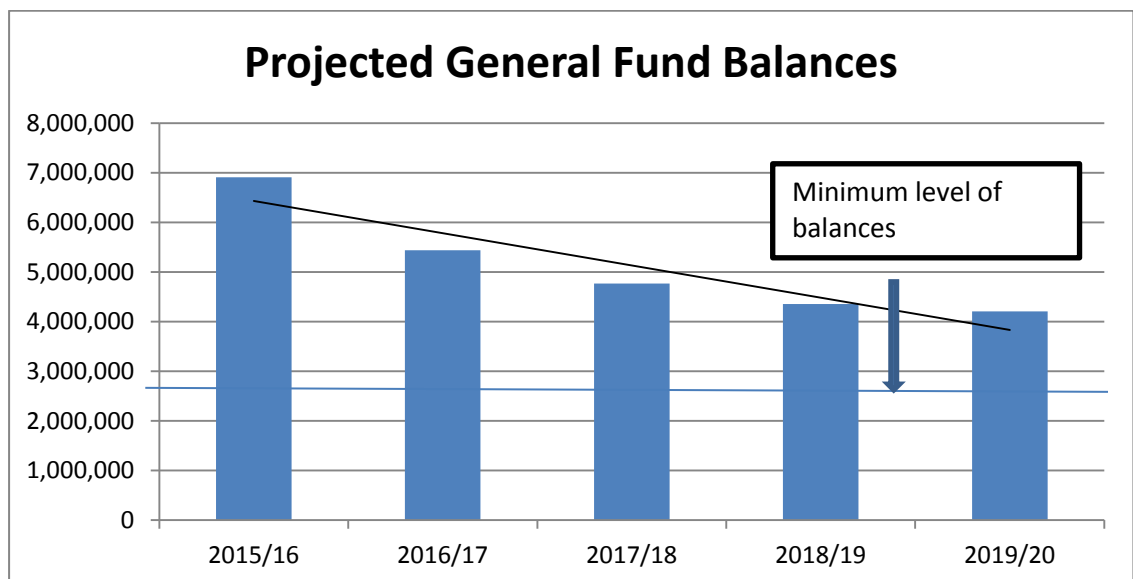
4.11.3 The Council aim is to set a balanced budget and although there have been contributions to balances in previous years there is a significant draw on balances for 2016/17. However £935,784 is attributable to NDR adjustments for previous years when General Fund surpluses were generated. Excluding the impact of prior year NDR adjustments there is an additional £533,597 draw on balances. A summary of the pressures and reductions in

the 2016/17 budget, resulting in the draw on balances is shown in the table below.

Pressures on Revenue:	£	Reductions Proposed	£
Inflation	393,044	Council tax increases	(225,523)
Government tax changes	260,299	Return of council tax surpluses	(299,368)
NDR reductions (2015/16)	935,784	Fee increases	(201,440)
Central government grant loss	661,893	savings (incl prior year impacts)	(556,040)
Growth bids	60,160	NDR (above the baseline amount)	(27,948)
Budget pressures reported qrt 1 & 2	119,770		
other budget pressures	348,750		
Total	2,779,700	Total	(1,310,319)
Net Use of Balances			1,469,381

4.11.4 . When considering the level of draw on balances the following points need to be considered:

- The MTFS has identified future savings to be delivered of some £1.484Million to 2019/20.
- The profile of government funding cuts has not been smoothed equally over the four year settlement with 39% of cuts being taken in the first year.
- The level of General Fund balances is above the 2016/17 risk assessed General Fund minimum balances of £2,796,785. The minimum level being needed to meet unforeseen expenditure and/or income losses arising in the year. As shown in the chart below and for the MTFS period.



- The MTFS reported to the January Executive as part of the draft budget report identified a reducing draw on balances over the MTFS period to enable a measured approach to funding reductions through the 'Financial Security ' priority.

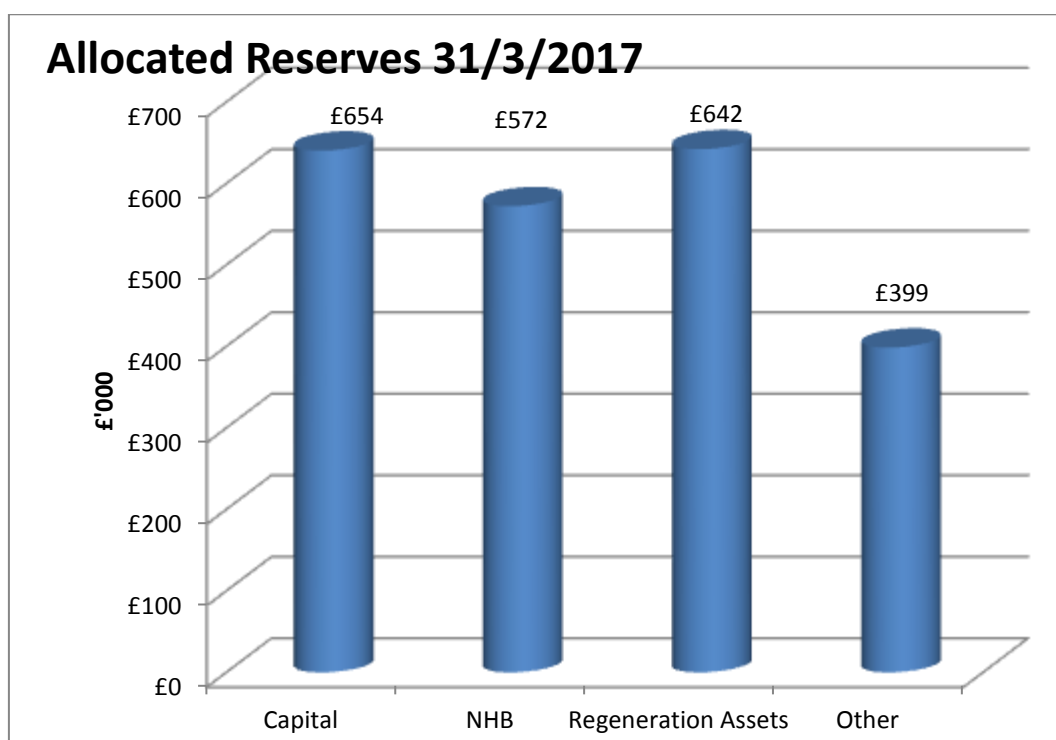
4.11.7 In context of the MTFS, the 2015 revised MTFS principles to meet the General Funds 'financial Freedom' objective were:

- To remove the General Fund's reliance on RSG by 2019/20 by removing £418,000 reduction in RSG for the next four years; and
- To 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.

The MTFS will be updated for the final 2016/17 budget and the four year financial settlement and the future years' savings target will be adjusted accordingly to meet the MTFS principles if required.

4.12 Allocated Reserves

4.12.1 The Council also holds allocated reserves which are ring fenced for specific expenditure requirements. Following a review of these reserves there is projected balance of £2.267Million as at 31 March 2017. However this includes £0.654Million required for future capital spending purposes and £0.572Million in the New Homes bonus reserve before any monies are allocated to new schemes. An analysis of the allocated reserves is shown in the chart and table below.



Allocated Reserves	Balance as at 1 April 2015	Estimated Movements in Year	Forecast Balance as at 31 March 2016	Estimated Movements in Year	Forecast Balance as at 31 March 2017
	£'000	£'000	£'000	£'000	£'000
Capacity Building	(185)	185	0		0
Planning Delivery Grant	(170)		(170)		(170)
New Homes Bonus (NHB)	(201)	33	(168)	(404)*	(572)
Regeneration Assets	(633)	(404)	(1,037)	395	(642)
NDR Reserve	(172)		(172)		(172)
Financial Security	(100)	(50)	(150)	150	0
Local Authority Mortgage Scheme	(28)	(14)	(42)	(15)	(57)
Single Capital Reserve	(947)	398	(549)	(105)	(654)
Total Allocated reserves	(2,436)	148	(2,288)	21	(2,267)
* Before any funds are allocated to newly approved NHB schemes in 2016-17					

4.12.2 The Capacity Building Reserve has been returned to the General Fund in 2015/16 to support the increase costs of the Revenue and Benefits welfare pressures.

4.12.3 The Planning Delivery Grant reserve is being held for any costs associated with the local plan adoption. Members will be updated as part of the quarterly monitoring process on the amounts to be utilised.

4.12.4 The allocated reserves includes New Homes Bonus (NHB) which is projected to total £572,000 as at 31 March 2017, if no new schemes were to be approved. There is uncertainty about the future governance of NHB, the government has signalled intent to revise the scheme. Currently the General Fund (£200,000) and the Capital Reserve (£250,000) assume an annual contribution, together with a proposed £433,000 to help fund neighbourhood improvements and a £100,000 contribution to the apprenticeship scheme.

4.12.5 The Regeneration Assets (formerly Town Square reserve) is estimated to have a balance of £642,000 by 31 March 2017. 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. Any balances remaining will be used to help repay any debt outstanding.

4.12.6 The Financial Security Reserve was set up to help pump prime the Future Town Future Council outcomes and an assumption for budgeting purposes has been made that the reserve will be spent by 31 March 2017. A more detailed resourcing report will be brought to the Executive in March 2016.

4.12.7 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.

4.12.8 The Single Capital Reserve is used to fund capital expenditure and also new capital bids that have been recommended by the Leaders Services Priority Group (LSPG) and included in the Final 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 2015/16 underspends that would be transferred as approved by Members).*

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 2016/17, this remains unchanged from the previous 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 2016.

5.3.2 To inform the decisions about the Budget 2016/17 officers have undertaken Brief Equality Impact Assessments (EqIAs) for service-related budget savings proposals. These have considered appropriate evidence and

findings of consultation with various stakeholders to inform the decision by Council in February 2016. Where there is a potentially negative impact, officers have identified further action needed to inform a final decision and to mitigate the impact where this is possible. These EqIAs were drafted and included in the November 2015 report to Executive, and where necessary have been updated and the impacts included in the overarching EQIA in Appendix J.

- 5.3.4 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 2016.
- 5.3.3 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 K.

BACKGROUND DOCUMENTS

- BD1 - NNDR Taxbase 2016/17
<http://www.stevenage.gov.uk/content/committees/156350>
- BD2 - Draft 2016/17 Council Tax Setting and General Fund Budget
<http://www.stevenage.gov.uk/content/committees/139616/139705/139725/155104>

APPENDICES

Appendix A - 2014/15 working & 2015/16 Summary General Fund Budget

Appendix B - Final Council Tax Resolution

Appendix C - Robustness of the Final Budget and Adequacy of Reserves

Appendix D –Savings Proposals 2015/16

Appendix E- Growth Bids 2015/16

Appendix F - Fees and Charges 2015/16

Appendix G- Concessions Policy

Appendix H- 2016/17 Concessions

Appendix I – Risk Assessment of General Fund balances 2016/17

Appendix J- General Fund and HRA EQIA

Appendix K-Council wide staffing EQIA