

**Meeting: EXECUTIVE**

**Agenda Item: 4**

Portfolio Area: Resources

**Date: 21 JANUARY 2014**

## **DRAFT 2014/2015 COUNCIL TAX SETTING AND GENERAL FUND BUDGET**

### KEY DECISION

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### REASON FOR URGENCY

As the General Fund forms part of the Council's Budget and Policy framework it is necessary for the Executive to consider these proposals in the January cycle of meetings in accordance with the Constitution so that this report can be submitted for recommendation to the Council meeting on 26 February 2014.

#### **1. PURPOSE**

- 1.1 To consider the Council's draft General Fund Budget for 2014/15 and projected 2013/14 General Fund Budget and draft proposals for the 2014/15 Council Tax.

#### **2. RECOMMENDATIONS**

- 2.1 That the 2013/14 revised net expenditure on the General Fund of £10,719,350 be approved.
- 2.2 That a draft General Fund Budget Requirement for 2014/15 of £9,627,320 be proposed for consultation purposes, with a contribution to balances of £176,634 and a Band D Council Tax of £192.10 (assuming a 1.90% increase) be approved for consideration by the Overview & Scrutiny Committee.
- 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 for consideration by the Overview & Scrutiny Committee.
- 2.4 That a minimum level of General Fund reserves of £2,579,243, in line with the 2014/15 risk assessment of balances, as shown at Appendix B to this report, be approved for consideration by the Overview & Scrutiny Committee.

- 2.5 That the contingency sum of £400,000 within which the Executive can approve supplementary estimates, be approved for 2014/15, (unchanged from 2013/14) approved for consideration by the Overview & Scrutiny Committee.
- 2.6 That the 2014/15 proposed Fees and Charges increase of £353,480 (Appendix C) be approved for consideration by the Overview & Scrutiny Committee.

### **3. BACKGROUND**

- 3.1 The Council's Financial Strategy (MTFS) was reported to Executive in July 2013. This outlined the impact of the United Kingdom budget deficit at a national, local and Stevenage level. At the national level public sector debt was predicted to be higher than previously forecast and to fall at a slower rate than forecast which has implications for deeper public spending cuts. The Council's MTFS in July forecasted a loss of Government grant of 42% between 2010/11-2016/17 with an assumed reduction in Government Support of 8% in 2013/14 (£383,857) and a further 8% and 7.55% for 2014/15 and 2015/16 respectively.
- 3.2 The financial position for Stevenage has been difficult in recent years but Members have approved savings in excess of £8million from the General Fund budget since 2007/08 and despite the recession and increasing pressures on services Members have set a balanced budget since 2010/11 with a minimal draw on General Fund Reserves.
- 3.3 At the November 2013 meeting, the Executive approved a range of savings and forward plan bids to be included in the 2014/15 Budget after taking into consideration expected budget pressures.
- 3.4 The provisional 2013/14 and 2014/15 Finance Settlement was received on 18 December 2013 and detailed in paragraph 4.9.
- 3.6 This report presents the Council's draft General Fund net expenditure for 2014/15 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; decisions relating to the control of the Council's borrowing requirement; the control of its capital expenditure; and the setting of virement limits.
- 3.7 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:

21 January 2014      Executive proposes draft General Fund Budget and Council Tax Base

- 23 January 2014 Overview & Scrutiny Committee considers the draft Budget
- 11 February 2014 Executive considers Final General Fund and recommends Budget to Council
- 17 February 2014 Scrutiny Overview Committee comments and recommends Budget to Council
- 26 February 2014 Council approves the General Fund Budget and Council Tax

3.8 The overall net General Fund Budget includes budget savings and revenue growth and the effects of the (provisional) Local Government Finance Settlement.

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

##### **4.1 Recessionary Pressures**

- 4.1.1 The Council has continued to experience pressures on its budgets and in particular the impact of welfare reforms on both its General Fund and HRA budgets, requiring additional spend to be included for the Customer Services Centre, the Revenues and Benefits Partnership and Housing Services.
- 4.1.2 Performance of some key income streams, in Planning related services and trade waste are projected not to meet original budgeted income levels. Both officers and Members are aware that the Council's fees and charges are sensitive to economic pressures and are now set in accordance with principles agreed at the November 2010 Executive and have been scrutinised by the Leader's Services Priority Group (LSPG). The fee increases are summarised in Appendix C and total increases of £353,480 in line with the November update of the MTFs.
- 4.1.3 The following assumptions have been built into the 2013/14 and 2014/15 revenue and capital budgets, the Medium Term Financial Strategy and Capital Strategy projections:
  - i. Income from investments will continue to be minimal with an average interest rate of 0.55% on investments has been predicted for 2014/15;
  - ii. As in previous years the General Fund capital programme is heavily reliant on prudential borrowing and debt costs of £539,890 (excluding the Town Square purchase) have been included in the 2014/15 budget.
  - iii. The Council Tax Base is projected to be 24,822.9 Band D equivalent properties which is 0.02% higher than the November MTFs or £745 higher in cash terms. A projected surplus on the Collection Fund for 2014/15 of £124,616 has been included in the General Fund projections.

## 4.2 Net Budget Requirements

### 4.2.1 General

The 2013/14 projected and the 2014/15 draft General Fund net expenditure is summarised in Appendix A. This includes the following elements:

- i. **Base adjustments** - these adjustments are as a result of previous years' savings, forward plan bids that have reduced or dropped out in line with previous budget approvals. These include prior year savings and growth bid year on year changes. The 2017/18 base adjustments have decreased by £79,000 which is the local elections budget not required in that year.
- ii. **2013/14 Heads of Service Pressures/Savings** – the insurance increased cost of £21,478 for both 2013/14 and 2014/15 was reported as part of the November update on the MTFs. But the figures have been updated to reflect the (1) welfare pressure reported at the November Executive in the CSC, (2) time limited post in Human Resources and (3) work on a shared Building Control Hertfordshire service requiring set up monies.
- iii. **Carry Forwards and Supplementary Estimates** - these adjustments (2013/14) were reported as part of the July and November MTFs.
- iv. **Government cuts/tax initiatives** – these budgets relate to reductions in grants, changes to Council Tax Support and Business Rates together with 2012/13 and 2013/14 grant for implementing a Council Tax freeze. The second year of the 2013/14 freeze grant (paid in 2014/15) is now included in Government Support line below Net Expenditure. The Government has indicated this grant will be included on-going in the Revenue Support Grant (RSG) base. An amount of £2,400 has also been included in 2013/14 for SBC share of setting up the Business Rates Pool.
- v. **Inflation Assumptions** – the retail price index (RPI) was 3.2% for September 2013. The inflation assumptions for 2014/15 have been made based on pay inflation of 1%, utility inflation of 11.2% and 6.4% for electricity and gas respectively, (contract renegotiated, 1 October 2013) and contractual inflation based indices specific to individual contracts. General inflation has only been added to budgets which have contractual commitments. The total inflation included in the 2014/15 General Fund budgets is £595,524 which is £130,806 lower than reported in November. The main reduction relates to pay inflation which is £93,878 lower than estimated, this is a combination of fewer increments paid (staff at top of grade) and lower pension and on-costs. Future pay inflation has been reduced by £75,000 per year, In the November update a similar increase was added to the MTFs for 2015/16 onwards for single status pay inflation as all staff would be eligible for increments, (if not at the top of a grade).
- vi. **Budget Monitoring Adjustments**- these adjustments have been reported as part of the current budget monitoring process at the September and November Executive.

- vii. **Borrowing Costs** –these adjustments are based on the borrowing need required to fund the General Fund capital programme and the total cost of borrowing by 2017/18 is estimated to be £1,4million. A debt cap has been set by the Strategic Director (Resources) of £1.5million for borrowing costs in the General Fund. The Capital report to this Committee identifies the issues relating to the cost of capital.
- viii. **2014/15 Savings options** – the 2014/15 savings options formed part of a three year package which was agreed at the November Executive. In order to take a longer term view and to change the focus needed for setting prudential budgets, a new approach of Priority Based Budgeting (PBB) was developed for the financial years 2014/15 to 2016/17. Future years savings options will be approved as part of the appropriate years budget. 2014/15 Savings Options included in the draft budget total £1,169,570, this is £52,060 lower than included in the November savings report to the Executive, (see paragraph 4.4). Estimated implementation costs for 2015/16 savings of £51,510 has been included for MTFs for 2014/15 (Appendix A), but these savings have yet to be approved as part of the 2015/16 budget setting process and as such have not been included in the 2014/15 draft budget.
- ix. **2014/15 Growth Bids** – There were no growth bids requested for approval in the November Executive report.
- x. **Budget Setting Changes (Changes Since November Executive)** - total £109,269 and £107,185 respectively for 2013/14 and 2014/15, these include:
- Redundancy costs relating to the shared service for ICT (already approved July Executive) and a further £72,060 relating to the Human Resources service. (2013/14)
  - Higher housing benefit net cost as a result of the increase in projected benefits to be paid next year, (£50,820, 2014/15)
  - On-going pressure on Revenue and Benefits Partnership from welfare reforms (£100,000, 2014/15)
  - Lower business rates on council properties ( saving of £45,810, 2014/15)
  - Removal of time limited posts from the budget (saving of £54,657, 2014/15)

4.2.2 A summary of the 2014/15 changes are shown in the table overleaf:

## Changes in the General Fund budget between November and January

		2013/14	2014/15	
<b>MTFS</b>	<b>Net Expenditure November Executive</b>	<b>10,579,245</b>	<b>9,650,732</b>	
(ii)	Heads of Service Pressures	35,520		Welfare Reform Pressures reported November Executive and Building Control set up costs
(iv)	Government Initiatives	2,400	54,967	Business Rates pooling set up costs and transfer of freeze grant to RSG.
(v)	Inflation:			
	Pay inflation salaries	0	(93,878)	Lower increment, pension and on-cosst than estimated
	Contractual inflation	0	(36,928)	Lower contract inflation as partly offsert by higher income
(vi)	Budget Monitoring	25,000	25,000	
(vii)	Borrowing costs	(32,084)	(80,308)	Lower capital borrowing costs and higher investment interest
(viii)	Savings Options		52,060	Reduction in savings to be realised
(x)	Budget Setting	109,269	107,185	
	<b>Total Adjustments</b>	<b>140,105</b>	<b>28,098</b>	
	<b>Net Expenditure January Executive</b>	<b>10,719,350</b>	<b>9,678,830</b>	

### 4.3 Budget Consultation

4.3.1 Consultation - The Council undertook a series of consultation exercises to support the PBB process is prioritising services and savings options for the period 2014/15- 2016/17 in response to the forecasted Government funding reductions. The consultations were conducted in line with Government guidelines and with the Council's Co-operative commitment to involve the public in decision making.

4.3.2 In order to ensure that a cross-section of residents were involved, a variety of consultation methods were used. Employees were also given extensive opportunities to contribute and provide suggestions for savings. The programme consisted of:

- Two Café Choice events were held in the town centre on 24 July and 5 September 2013
- A telephone survey involving 1,000 residents (ensuring the sample included a representative quota of council tenants) conducted by Opinion Research Services (ORS) between 22 July and 7 August 2013
- An on-line survey via the SBC website which commenced 5 August 2013
- A series of 'Money Matters' presentations for staff between 25 July and 5 August 2013
- Four staff focus groups held between 21 August and 3 September 2013
- A staff suggestion email box

- Staff suggestion boxes in Daneshill House and Cavendish Road.

4.3.3 To facilitate the consultation exercise, all participants were given the background to the required savings and were asked:

- 1) Which of three options they preferred to help us achieve a balanced budget, maximising income from fees and charges, cutting existing services and increasing council tax?
- 2) They were then asked how important selected services were in making Stevenage a good place to live. Respondents were then asked the second part of this question which was to rank their top three services in order of their importance to the respondent.
- 3) The third question covered how much the respondents agreed or disagreed that users of services should make more of a contribution to the costs of the service. (A second part of this question covered whether or not Stevenage residents should receive discounts compared to users who live outside of the town).

4.3.4 The Consultation responses were as follows:

Respondents gave a strong preference to maximising income. Their second preference was for increasing Council Tax and their least preferred option was for cutting services.

The three most important services for making Stevenage a good place to live were tackling crime and anti-social behaviour, activities for younger people and parks and open spaces.

4.3.5 The majority of respondents agreed that service users should make a greater contribution to use services including leisure services, play services and community centres. These were also the services which respondents suggested Stevenage users should have provided at a discount.

4.3.6 As a result of the above consultation responses a Café Choice was held 7 December 2013 to test residents' views on 16 savings proposals covering the options of maximising income from fees and charges, cutting existing services and increasing council tax. Seventy residents were asked to what extent each proposal would affect them. Those who indicated that a proposal would affect them a lot were asked supplementary questions to find out why they would be affected. Two suggestions received a significant numbers of responses indicating they would affect residents a lot. They were:

- The introduction of car parking charges which 43% of respondents said would affect them a lot. All of the responses referred to the roads near the Lister Hospital and the most stated reason was costs which would be incurred in keeping out-patient appointments.
- Increasing the Council Tax which 39% of respondents said would affect them a lot. All of these responses mentioned the difficulties of budgeting for bills on a fixed low income.

#### **4.4 Budget Savings**

4.4.1 At the November Executive, 2014/15 net General Fund savings totalling £1,221,630 were approved, this has been revised to £1,169,570, a reduction of £52,060. The reasons for the reductions are:

- Savings option S111 –savings on cleaning contract. This saving has not be realised when the contract was awarded (£3,000 saving lost).
- Saving option S57b –Reduction in Members Local Community budgets (LCB) by 50% or £1,650. This saving option has been revised to a reduction of £1,300 per LCB reducing the saving by £14,000.
- Savings Option S102- Introduction of mobile ANPR cameras, as a result of current government thinking regarding the banning of the use of enforcement cameras this saving will not be pursued. (Saving lost £39,060).
- New savings option- Production of Council Tax leaflet on line only- additional saving £4,000.

4.4.2 The 2015/16 savings are currently forecast to be £487,220, with a further £143,370 in 2016/17. There is still an unidentified savings target in 2016/17 of £500,000 which was not identified as part of the PBB process. The Local Government funding settlement is a key element to the on-going level of savings required for the General Fund.

#### **4.5 Revenue Growth**

4.5.1 At the November Executive there were no growth items put forward by Heads of Service.

#### **4.6 Inflation and Salaries**

4.6.1 Provision for inflation in the draft figures has been included on the following basis:



Inflation Assumptions	2014/15 Estimate %
	%
Payroll	1
General (Average)	2.82
Fuel	2
Utilities (1 April-30 September 2014)	6.4-11.2
Utilities (1 October -31 March 2015)	15

As agreed in the savings options previously approved by Members no inflationary increases have been applied, except where specific advice has been obtained e.g. public utilities or where there is a contractual requirement to do so.

- 4.6.2 The Transitional Vacancy provision applied to salary budgets remains at 4.5%.

#### **4.7 Budget Strategy**

- 4.7.1 The 2014/15 General Fund net expenditure of £9,627,320 is a decrease of £287,976 the July MTFS projections and £28,098 higher than reported to the November Executive. There has been a 2013/14 net increase in expenditure of £140,105 compared to the November Executive report.

- 4.7.2 Following the update of the Council's Medium Term Financial Strategy to take into account 2014/15 estimate budget changes, it is projected that the Council will continue to need to find savings annually for the General Fund.

#### **4.8 Balances and Reserves**

- 4.8.1 All balances and reserves are considered to be available to meet annual deficits.
- 4.8.2 Total available balances and reserves as at 31 March 2015 are estimated to be £3,820,720 (after a contribution to balances of £125,124 and excluding 2015/16 saving implementation costs). The 2014/15 risk assessed General Fund minimum balance is £2,579,243, this is needed to meet unforeseen expenditure and/or income losses arising in the year and to meet expenses arising before income is received.
- 4.8.3 The Council also holds earmarked reserves which are ring fenced for specific revenue expenditure requirements. These reserves have been reviewed. A summary of the projections on the remaining earmarked reserves are shown overleaf.

<b>Earmarked Reserves</b>	<b>Balance as at 1 April 2013 £</b>	<b>Approved transfers to/from reserves £</b>	<b>Projected Balance as at 31 March 2014 £</b>	<b>Budgeted transfers to/from reserves £</b>	<b>Forecast Balance as at 31 March 2015 £</b>
Capacity Building	(374,910)	374,910	0	0	0
De-minimis Capital	(163,300)	30,460	(132,840)	(60,000)	(192,840)
Single Status	(29,501)	29,501	0	0	0
Planning Delivery Grant	(320,034)	150,000	(170,034)	0	(170,034)
New Homes Bonus	(296,231)	(394,688)	(690,919)	(459,070)	(1,149,989)
ICT	(80,000)	(47,500)	(127,500)	(75,000)	(202,500)
Town Square	(61,305)	(253,230)	(314,535)	(185,080)	(499,615)
Local Authority Mortgage Scheme	(3,800)	(14,500)	(18,300)	(14,500)	(32,800)
<b>Total Earmarked reserves</b>	<b>(1,329,081)</b>	<b>(125,047)</b>	<b>(1,454,128)</b>	<b>(793,650)</b>	<b>(2,247,778)</b>

4.8.4 The Earmarked reserves include New Homes Bonus (NHB) which is projected to total £1,149,989 as at 31 March 2015, this includes the 2014/15 payment of £218,424. The Government announced in the Autumn Statement that they would be carrying out an evaluation of New Homes Bonus by Easter 2014 and consultation on measures to improve the incentive provided by NHB. Appendix E identifies the New Homes Bonus cash received by year and the schemes that have been allocated money by Members.

4.8.5 The Town Square reserve is estimated to be £499,615 by 31 March 2015, 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 and to contribute towards the regeneration costs for the Town Centre.

4.8.6 A further £395,340 relates to spend on the Council's assets (ICT reserve and deminimus reserve). A review of the use of these reserves will take place prior to the February Executive as these resources could be used to support the 2014/15 Capital Programme.

4.8.7 The Local Authority Mortgage scheme reserve 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 11 offers to first time buyers were in progress or completed relating to the Council's £500,000 outlay, with an indemnity total of £366,261, leaving a further £133,739 to be allocated to potential first time buyers.

#### **4.9 Provisional Finance Settlement**

4.9.1 The provisional settlement was announced on the 18 December 2013 for both 2014/15 and 2015/16. The total 2014/15 grant was £49,432 less than previously estimated and the total 2015/16 grant was £34,851 lower than included in the MTFS. The overall grant loss for 2014/15 and 2015/16 is £1,533,301, which is £34,714 more than included in the MTFS. The provisional settlement for Stevenage can be summarised as follows:

	FORMULA GRANT			MTFS*			Versus MTFS
	Grant	Decrease	Decrease		Decrease/ (Increase)	Decrease	Decrease
	£	£	%	£	£	%	£
<b>2013/14</b>	5,680,270			5,680,407			137
<b>2014/15</b>	4,910,811	769,459	13.55%	4,960,243	720,164	12.68%	49,432
<b>2015/16</b>	4,146,969	763,842	15.55%	4,181,820	778,423	15.69%	34,851
<b>Total</b>		<b>1,533,301</b>			<b>1,498,587</b>		<b>34,714</b>

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

4.9.3 The MTFS has been updated to include future assumptions about Government grant from 2016/17 onwards. Previously a 7% grant cut had been assumed for 2016/17 and 2017/18, (excluding the element relating to Council Tax Support grant). This has been updated to assume a 3% cut on all grant with the exception of Council Tax Freeze grant which the Government has indicated will not be subject to cuts. A summary of the changes are shown in the table below.

Changes to Government Support Assumptions					
	2014/15	2015/16	2016/17	2017/18	
Support	49,432	34,851	(79,522)	(181,140)	decrease/(increase)
variances:					
Settlement excl freeze grant	49,432	224,751	224,751	110,378	Based on provisional settlements change year on year
2013/14 Freeze grant		(54,830)	(54,830)	(54,830)	Included in Settlement on-going
2011/12 Freeze grant		(135,070)	(135,070)	(135,070)	Included in Settlement on-going
reduce cut from 7% to 3%			(114,373)	(101,618)	
<b>Total Changes</b>	<b>49,432</b>	<b>34,851</b>	<b>(79,522)</b>	<b>(181,140)</b>	

4.9.4 A proportion of the Government Support is retained from National Non-Domestic Business Rates (NNDR) raised in Stevenage, (2014/15, £2,291,019). The Government share of Business Rates raised is based on collecting a calculated level of Rates. If this is not less than the Governments 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 will mean that for every 1% increase the government will take 50% in a levy payment and the Council will retain 40% which could equate to £178,000. The NNDR yield forecast for 2014/15 has to be approved by the Council before 31 January 2014.

4.9.5 Members will be updated in a separate report to this Committee about the estimated Business Rates yield and the Council's intention to join a Business Rates pool with four other Hertfordshire Authorities, (Hertfordshire County Council, Dacorum Borough Council, Hertsmeire Borough Council and Broxbourne Borough Council). No assumptions about losses below the safety net or retained gains have been included in this report.

## 4.10 Council Tax

4.10.1 As noted in the Background section of this report, the Budget setting process includes consideration of Council Tax levels. The November 2013 MTFS assumed a 1.9% Council Tax increase for 2014/15. 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.

4.10.2 As part of the Autumn Statement the chancellor signalled his intention to set a variable capping threshold for different types of Authorities, this has yet to be announced together with any Government proposal for council tax freeze grant. The Council Tax increase will be finalised at the Council meeting on 26 February 2014. There will be an estimated contribution from balances of £450,723 in 2013/14 and in 2014/15 there will be a contribution to balances of £176,634.

### Projected Council Tax Position 2014/15

	2013/14 Estimate	2013/14 Projected	2014/15 Estimate
Net Expenditure	£10,147,320	£10,719,350	£9,627,320
Use of/ (Contribution to) Balances	(8,230)	450,723	(176,634)
Budget Requirement	£10,155,550	£10,268,627	£9,803,954
Total Government Support	(5,495,587)	(5,608,664)	(4,910,812)
Collection Fund Surplus	(27,393)	(27,393)	(124,616)
Council Tax Requirement	£4,632,570	£4,632,570	£4,768,526
Council tax Base	24,573	24,573	24,823
Council Tax Band D	188.52	188.52	192.10
Council Tax Band C	167.57	167.57	170.76

4.10.3 The Government has the power to cap local authorities if they deem their Council tax increase to be excessive, this has yet to be set for District Authorities for 2014/15. The 2013/14 cap was set at 2% by the Government.

## 4.11 Contingency Sums

4.11.1 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 limit 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 2014/15.

## 4.12 Chief Finance Officer's Commentary

4.12.1 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.

- 4.12.2 The Council has successfully adapted its budget strategy to the ongoing challenging economic conditions. Officers have kept the medium term financial strategy under constant review 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 provides an early warning mechanism of future 'budget gaps' which remain likely with the ongoing cuts in public expenditure and funding levels from central government.
- 4.12.3 The Council has taken significant steps over recent years to balance its budget. Since 2010/11 the net contribution to/from balances is considered to be within acceptable tolerance levels. For 2014/15 a net contribution to balances of £176,634 is forecast.
- 4.12.4 Given the continuing uncertainties of the economic environment and the scale of future expenditure reductions required year on year, there will inevitably be significant risks involved in delivering a balanced budget in the future. Whilst considerable pressure exists on the Council's budget because of the severely reduced level of resources available for District's in the future, further advanced forward planning to deliver a sustainable budget is now in an advanced state of preparation through the new Priority Based Budgeting process. It is forecasted that the Council will need to find a further £2 million of on-going savings from its base budget between 2015/16 and 2016/17. The Priority Based Budgeting process undertaken during late 2013 has shaped a significant amount of the savings requirement up to 2016/17, however a number of the proposals are complex to implement and work has already commenced on their implementation.
- 4.12.5 2013/14 marked one of the most significant periods of change within Local Government Finance in recent years. New risks have needed to be managed with the financial risks associated with the localisation of business rates, localisation of council tax support, the welfare reform programme, and the 2014 comprehensive spending review all now a reality. Accordingly, the risk assessment of balances has been updated to reflect these risks as our understanding of the impacts is becoming better understood.
- 4.12.6 The updated MTFs (Appendix A) shows that in future years there is an increasing draw on General Fund balances (2015/16 £436,171 and 2016/17 £281,059). This is the impact of on-going increases in inflationary pressures compounded by projected government funding cuts. A review is currently being undertaken of the following assumptions:
- Borrowing Costs
  - Transfers to/From Earmarked Reserves
  - Inflation assumptions
  - Future Years Savings 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 Act replaced three previous equality legislations – the Race Relations Act (section 71), the Sex Discrimination Act (section 76A) and the Disability Discrimination Act (section 49A). 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 2014.

5.3.2 To inform the decisions about the Budget 2014/15 officers have undertaken Brief Equality Impact Assessments (EqIAs) for service-related budget savings proposals. 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. A summary of these EqIAs is currently being updated and will be published with the February Final General Fund report.

5.3.3 Stevenage Borough Council is developing 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 will also identify the potential impact of the current savings proposals in terms of staff who are affected by possible redundancy and redeployment within the Council. The final EqIA will be included in the February Executive report for consideration by Council in February 2014.

## **BACKGROUND DOCUMENTS**

- BD1 November Executive Report (part 2)
- BD2 July Executive General Fund Medium Term Financial Strategy

## **APPENDICES**

- Appendix A - Medium Term Financial Strategy (MTFS)

- Appendix B - Risk Assessments of General Fund Balances
- Appendix C – Fees and Charges Increases
- Appendix D- 2014/15 Savings Options
- Appendix E- New Homes Bonus Cashflow and Allocations