



**COUNCIL**

**24 FEBRUARY 2021**

**SUPPLEMENTARY AGENDA**

**PART I**

**4. MAIN DEBATE - 2021/22 COUNCIL TAX AND GENERAL FUND AND CAPITAL BUDGETS**

Please find attached the following revised report and updated appendices:

1. **REVISED** Final General Fund and Council Tax Setting 2020/21 Report (Pages 3 – 32) – *replaces Pages 11 – 36 of the original agenda.*

[Note: The Strategic Director (CF) advises that the revised report contains the latest position on the finance settlement and the consultation on the future of New Homes Bonus. The report also includes a revision to the presentation of business rates in the General Fund to make the accounts easier to understand and compare expenditure between years, as well as providing an update on business rates for 2021/22]

2. **REVISED** Appendix A (General Fund Budget Summary) relating to the above report (Pages 33 – 34) – *replaces Pages 37 – 38 of the original agenda.*

[Note: Consequent to the revisions made to the above report.]

3. **UPDATED** Appendix F (Council Tax Resolution 2021/22) to the above report (Pages 35 – 38) – *replaces Pages 53 – 56 of the original agenda.*

[Note: Updated to include Council Tax precept figures for Hertfordshire County Council and Hertfordshire Police Authority.]

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**Meeting**                    **COUNCIL**

**Portfolio Area**        Resources

**Date**                      **24 FEBRUARY 2021**



## FINAL GENERAL FUND AND COUNCIL TAX SETTING 2021/22

### KEY DECISION

**Authors**                    Clare Fletcher | 2933

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### 1. PURPOSE

- 1.1 To consider the Council's draft 2021/22 General Fund Budget, Council Tax Support Scheme and draft proposals for the 2021/22 Council Tax.
- 1.2 To consider the projected 2020/21 General Fund Budget

### 2. RECOMMENDATIONS

That Council approve the following recommendations:

- 2.1 That the 2020/21 revised net expenditure on the General Fund of £12,196,410 be approved.
- 2.2 That a draft General Fund Budget for 2021/22 of £10,635,570 be proposed for consultation purposes, with a contribution from balances of £326,067 and a Band D Council Tax of £220.57 (assuming a 2.32% increase).
- 2.3 That the Risk Assessment of General Fund balances of £3,650,000 be approved.
- 2.4 That the contingency sum of £400,000 within which the Executive can approve supplementary estimates, be approved for 2021/22, (reflecting the level of balances available above the minimum amount).
- 2.5 That the 2021/22 Fees and Charges increase of £131,700 be noted as approved at the January (Appendix I to this report).

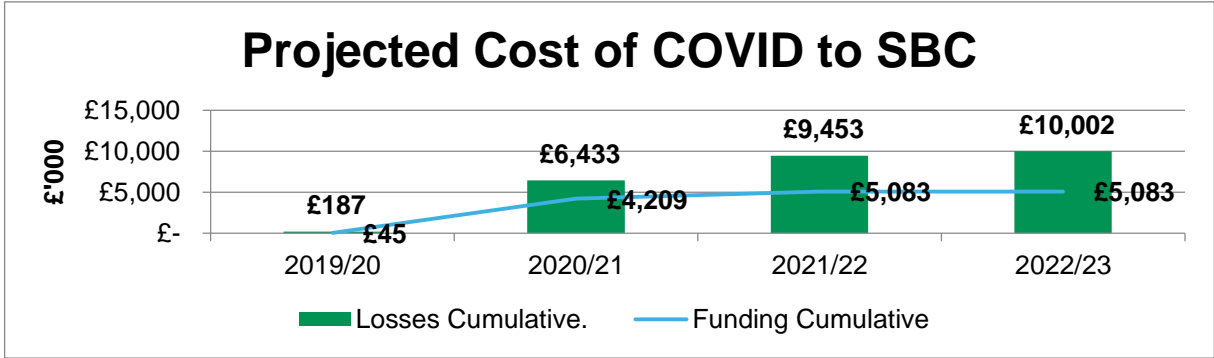
- 2.6 That the 2021/22 proposed Financial Security Options of £1,703,728 of which £1,462,182 relates to the General Fund (Appendix C to this report) be approved.
- 2.7 That the Growth bids of £260,365 of which £166,966 relates to the General Fund (Appendix E to this report), are approved in principle as set out in the report and the priority order of implementation is approved as set out in paragraph 4.3.2.
- 2.8 That the General Fund pressures of £656,540 are noted, (Appendix E to this report).
- 2.9 That the 2021/22 Council Tax Support scheme is approved as set out in section 4.8 to this report.
- 2.10 That use of New Homes Bonus be noted section 4.4 refers.
- 2.11 That the Executive approve the Financial Security targets for the General Fund as set out in section 4.11.
- 2.12 That the Executive approves the use of the additional COVID grants as set out in sections 4.5 and 4.6.
- 2.13 That the Executive request the Senior Leadership Team to identify further options totalling £500K which could be implemented if the impact of COVID and other recessionary pressures are worse than projected (paragraph 4.1.5 refers).
- 2.14 That the Executive request the Senior Leadership Team to bring forward a Productivity Focused Transformation Programme by June 2021 to set out the plan for future savings (paragraph 3.9 refers).
- 2.15 That in accordance with the Council's Budget and Policy Framework Procedure Rules, the Council be recommended to continue with the current Co-operative Corporate Plan, subject to further review in Autumn 2022, (paragraph 4.16.4-4.16.5 refers).
- 2.16 That the comments from Overview and Scrutiny, Leaders Financial Security group and all Member group update (as set out in paragraphs 4.1.2-4.1.4) be noted.
- 2.17 That Members note the Equalities Impact Assessments appended to this report in Appendices G and H

### **3. BACKGROUND**

- 3.1 This report is an update on the Council's Draft General Fund and Council Tax setting report 2021/21 presented to the January 2021 Executive meeting. This report gives any updates on the 2021/22 and 2020/21 budgets, including Financial Security options and growth bids and pressures, Council Tax and Council Tax Support scheme.
- 3.2 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.

3.3 The January Draft General Fund report set out the impact of COVID on the Council’s General Fund budgets (£9.7Million assumed in the Draft General Fund report), with a further £500K of costs assumed for homeless and election costs resourced from COVID funding included in the provisional finance settlement, (see paragraph 4.5.6-4.5.7). The projected gap between government funding and losses has necessitated the General Fund Financial Strategy (MTFS) to be updated with mitigating actions on three occasions during 2020, (June, September and December 2020 Executive meetings). Members approved financial resilience measures that improved General Fund balances for this and future financial years.

The projected financial impact of COVID on the Council’s finances and updated for the assumed additional costs of homeless and elections and business rate losses and is set out below. This is a projected £4.9Million gap in funding which has been funded from the measures set out in previous MTFS update reports. Members should note that any forecasts will depend on prevailing economic conditions and how quickly the Councils income streams can ‘bounce back’.



3.4 The funding gap has been reduced by a series of measure such as, use of ring fenced capital receipts and Locality Review capital receipts to minimise revenue contributions to capital by some £2.6Million in total, alongside the use of business rate gain reserves, one off saving measure and the use of balances.

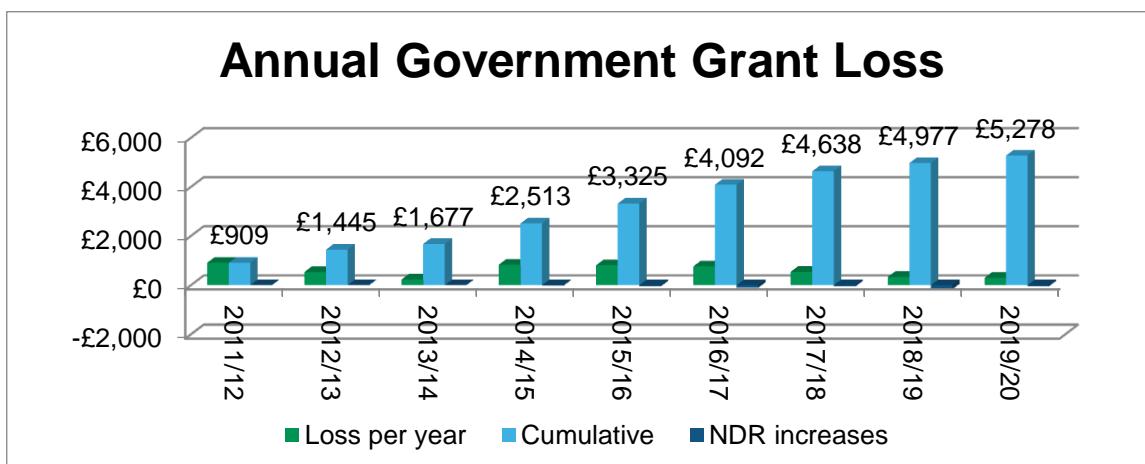
3.5 Most of the measures taken above are one off in nature (i.e. NDR reserve, use of ring-fenced receipts) and if losses are higher than estimated then additional measures will need to be taken. Additional risk mitigation measures approved as part of the Financial Security Report to the December Executive were:

- Increase risk assessment of balances for further COVID losses £1.2Million
- Income equalisation reserve of £250K to absorb in year income losses if lower than budgeted, including fee increases for 2021/22

3.6 The Finance settlement was published on the 17 December and consultation finished on the 14 January and published on the 4 February and the 2021/22 finance settlement for SBC is set out in section 4.5 to this report.

3.7 The ability to deal with the COVID funding gap must be considered in the context of a decade of government funding cuts, which has meant most Councils including SBC have needed to have on-going Financial

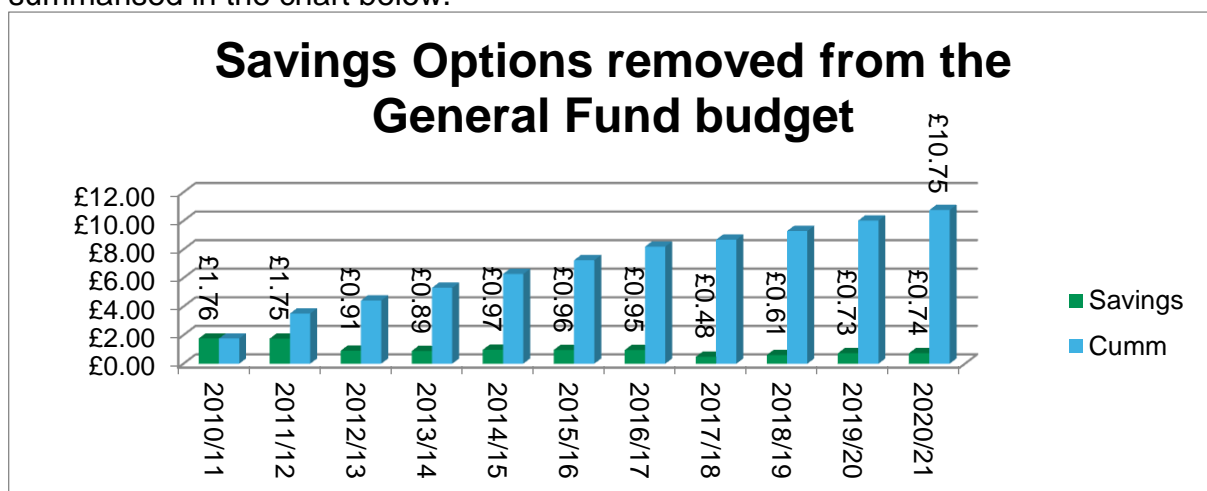
Security savings target to fund inflationary and service pressures along with the absorption of central government grant losses which were £5.3Million by 2019/20.



3.8 The government has taken measures to stop Councils raising funding via commercial investment, by curtailing the use of PWLB borrowing if a Council's Capital Strategy includes investment property purchases. From 26 November 2020, new restrictions were implemented which mean Councils are precluded from access to cheap Public Works Board (PWLB) funding if Capital Strategies include purchase of Commercial Investments, whether from borrowing (not just from PWLB) or other means. SBC's Investment Strategy Fund has been deleted from the SBC Capital Strategy to allow continued use of PWLB including £50Million Housing Revenue Account borrowing for this and next year. However, the new rules also reversed the 100bsp increase announced October 2019 for all but housing, which will improve the viability of business cases for regeneration and other programmes.

3.9 The January Draft budget report included of General Fund savings of £1,462,182 and Fees and Charges of £131,700, with a funding gap of £2.419Million for 2022/23-2024/25. The drive for budget reductions has been in place for the last ten years as a result of lower government funding, (see paragraph 3.7), while at the same time resourcing new priorities such as regeneration, absorbing inflationary pressures and addressing other central government policy changes e.g. apprenticeship levy, national insurance increases, reductions in housing benefit administration grant and service pressures from welfare reforms. The total quantum of identified savings implemented since 2010/11 is

summarised in the chart below.



The ability to keep delivering significant levels of savings has become more difficult, with total value of annual savings reductions declining. There have been new initiatives introduced such as the Council's 'Cooperative Commercial and Insourcing Strategy'. This will contribute to future years' options but cannot be solely relied on in a period where income streams are vulnerable to recessionary impacts. Similarly there is an ongoing need to improve productivity and secure efficiencies by transforming how we work, in part also to ensure that the new Cooperative Working model is fully embedded. The alternative to using these methods is to make service reductions and due to the challenge for 2021/22 in a limited way this has been unavoidable in order to set a balanced budget.

- 3.10 The impact of COVID has increased the difficulty of meeting the MTFS key principle: 'achieve an on-going balanced budget by 2022/23 by ensuring inflationary pressures are matched by increases in fees and income or reductions in expenditure'. This was updated in the September 2020 MTFS to the following year, 2023/24. This principle is critical as the managed use of balances in the MTFS starts to converge with minimum balance levels.
- 3.11 Whilst the MTFS contains projections of future income levels and assumptions of savings required, there is difficulty in projecting financial resources beyond this year, due to:
- The impact of COVID on income and expenditure next year is difficult to predict and will depend on whether the economy can recover sufficiently.
  - BREXIT deal and any potential increase in cost of goods and contracts.
  - Increased welfare pressures as a result of higher unemployment, an increase in Council tax support numbers has been built into the council tax base.
  - The government's further one year funding settlement, (rather than a multi-year settlement). The proposals for the Fair Funding review and any reset of business rates, now deferred to 2022/23 means considerable uncertainty about future funding. Councils like Stevenage have benefited from business rate gains in the last few years to fund regeneration aims and

support General Fund balances, a full reset would see those gains disappear through an adjustment to the tariff payable to the government

- Government measures beyond 2021/22 to reduce public spending.

3.12 The January Draft report included a 2.32% increase in Council tax (or £5 on a Band D) as allowed for in the provisional finance settlement. However due to the increase in discounts the tax base is projected to reduce for the first time in 10 years and the projected increase in council tax income is estimated to be only £128,559. The level of council tax increase will not be decided until the February Council meeting.

3.13 The Budget and Policy Framework Procedure Rules in the Constitution, prescribe the Budget setting process, which includes a consultation period. The timescale required to implement this process is outlined below:

Date	Meeting	Report
Dec-20	Executive	Financial Security Report with 2021/22 savings proposals for the General Fund and HRA ✓
	Overview and Scrutiny	Financial Security Report with the three year savings proposals for the General Fund and HRA ✓
Jan-21		Draft 2021/22 General Fund budget, Council Tax and Council Tax Support ✓
	Overview and Scrutiny	Draft 2021/22 General Fund budget, Council Tax and Council Tax Support ✓
Feb-21	Executive	Final 2021/22 General Fund budget, Council Tax and Council Tax Support ✓
	Overview and Scrutiny	Final 2021/22 General Fund budget, Council Tax and Council Tax Support ✓
	Council	Final 2021/22 General Fund budget, Council Tax and Council Tax Support

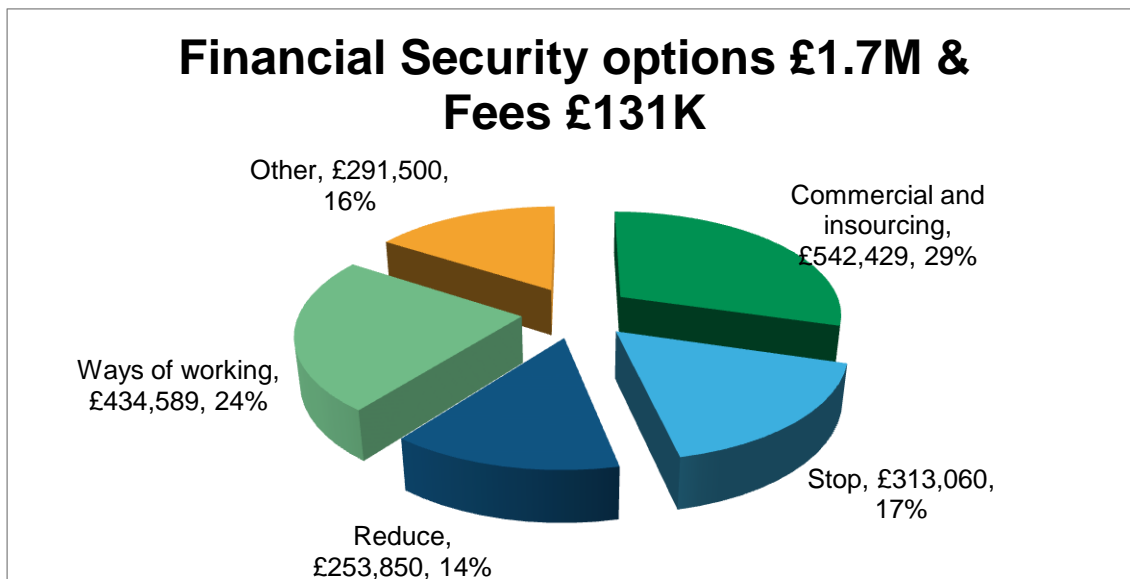
#### 4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

##### 4.1 Financial Security Options

4.1.1 The Financial Security approved options of **£1.704Million** of which General Fund Options totalled £1.462Million and HRA £242K remain unchanged. A summary of the proposed options (including fees and



charges see section 4.2 below) are shown below and the options are detailed in Appendix C & I.



4.1.2 Leaders Financial Security Group (LFSG) reviewed the options as requested at the December Executive and 44 out of 45 options were fully supported with five out of six members supporting the remaining option, FS28- reducing LCB's. There were also a number of specific comments raised which were:

- FS6 -Leaving grass longer in the parks- LFSG asked whether sowing meadow flowers could be considered (when the budget position allowed), as and the AD Stevenage Direct Services reported that allowing grasslands to grow won't generate beautiful looking wildflower meadows per se and in many locations will simply achieve long grass / meadowland. Paths would be mowed two metres wide as Members wanted to be assured that there would be enough mown space in the parks to walk and for residents to be able to fulfil recreational needs.
- FS7 – Stop strimming round objects- LFSG requested that strimming was completed around park seats to ensure they were useable for the public
- FS13 Cease Community Transport- LFSG supported the saving, noting the difficulties of operating the service and the cost. The Members were advised that users were charged £3-4 per trip and that there are taxi firms in the town that can cater for disabled users.
- FS26 close the print room- Some LFSG members had concerns about the June deadline for councillors using digital devices by June and some members would need greater support than others. LFSG also had concerns about the ability to read some reports (finance papers on a digital device). The Strategic Director (S151) noted that report content would need to be suitable for on screen viewing. The AD ICT and Transformation undertook to work up a timetable for implementation and that if necessary the timescale may need to be reviewed.
- FS28- Reducing LCB's this option was supported by five out of six LFSG Members, the question of why the Youth Mayors LCB was higher than ward Members, the Strategic Director (S151) responded

that both had been reduced by 40% and that in addition a process for carrying forward a proportion of LCB monies was being reviewed.

- FS45-Cease cash collections, LFSG asked that signage for car parks was clear at the entrance that cash was no longer taken and that alternative arrangements were made for the payment for disabled parking permits.

4.1.3 An **all Member** session on the 2021/22 General Fund budget was held on the 11 January 2021 and a number of questions were raised about staff redeployment and ensuring that the impact of measures such as not strimming round objects was properly assessed. Members also requested that consideration be given when finances improve to relook at the following spend items;

- Level of LCB budgets for each ward member
- The reintroduction of the graduate scheme
- The community transport scheme

4.1.4 **Overview and Scrutiny** considered the savings options on the 26 January and a number of issues were raised which are summarised below and also comments raised in part from the LFSG and all Members session scrutiny. These are summarised as:

- Concern about leaving longer grass in parks and ensuring that adequate signage was displayed regarding ticks;
- One member of the committee asked why the Youth Mayor reduction in grant was not the same as the Member allocation, the Member was advised that the reduction for both was 40% and that the Youth Mayor allowance was utilised in conjunction with the Youth Council.
- The CFO confirmed that ability to carry forward a proportion of LCB's would be considered and reported back to Members.

4.1.5 In addition the Executive approved a recommendation in the draft budget report to identify a further £500K of options by March 2021 to potentially consider if the financial position worsened as a result of COVID. The CFO deems this necessary in light of the on-going COVID impact on the Councils finances. The Senior Leadership Team is recommended to identify further options by March 2021. This means further action can be taken quickly if required to ensure the resilience of General Fund balances.

4.1.6 The Financial Security options include a number of service reductions and this has been inevitable based on the level of savings required, EQIA's have been completed for these options and are included in Appendix G and H to this report.

## **4.2 Fees and Charges**

4.2.1 2021/22 fees and charges were scrutinised by LFSG and approved as part of the Draft January report and totalled £131,700. The majority of fee increases agreed were recommended for a February 2021 implementation, with the exception of garage rent increases which are implemented in April 2021.

4.2.2 As a result of the continuing lock down restrictions for the retail sector, it was agreed at the January Executive to defer implementation of the market fees and charges until 1 July 2021 at a reduction in fee income for 2021/22 of £2,000.

#### 4.3 Growth and Service Pressures

4.3.1 The Draft January 20201 report recommended the inclusion of growth and pressures as summarised below and detailed in Appendix E. This remains unchanged from that report.

	2021/22
Growth	£166,966
Pressures	£656,540
Total	<b>£823,506</b>

4.3.2 The growth options recommended related to Council priorities and all are on-going cost to the General Fund. Due to the current financial position (as a result of COVID), the CFO recommended in the January 2021 report that the growth is not implemented until such time income budgets in particular are in line with the assumptions in the 2021/22 budget. Review points are suggested every quarter a part of quarterly monitoring. The process to add additional costs into the General Fund is on prioritisation to ensure affordability. The prioritisation recommended as set out in the Draft General Fund budget to the January Executive is as follows:

Priority	Growth	General Fund	HRA	Total
1	Mainstream No More -Core	£37,500	£12,500	£50,000
2	New Commercial Officer post	£33,000	£22,000	£55,000
3	Seed money for CNM	£18,000	£0	£18,000
4	Mainstream culture post	£50,000	£0	£50,000
5	Enhanced Information Governance Service.	£28,466	£12,200	£40,666
	Total	<b>£166,966</b>	<b>£46,700</b>	<b>£213,666</b>

4.3.3 The pressures totalling £656,540 are deemed unavoidable and therefore no prioritisation has been given and are included in the 2021/22 budget.

#### 4.4 New Homes Bonus (NHB)

4.4.1 The January 2021 budget report identified an increase in the number of affordable properties in Stevenage giving an additional £67,480 of NHB for 2021/22, this is a one off payment and no other payments are due, as new NHB is based on the threshold calculation for new properties in the tax base which was not reached. The January 2021

report recommended this additional funding supported the projected capital funding gap as a result of funding reductions to the NHB scheme.

4.4.2 The Locality Reviews disposal sites approved by Members at the September 2020 and January 2021 Executive, provide funding for loss of NHB and crucially removes revenue contributions to capital (RCCO) from the General Fund, increasing General Fund balances over the medium term by £474K per year. This is summarised in the table below and shows this measure can remain in force until 31 March 2027. This would leave £104K of receipts and the end of that period but would be insufficient to avoid RCCO beyond 2027/28 so additional sites will be required for disposal or future capital spend reduced from then onwards.

Spend Requirements :	21/22	22/23	23/24	24/25	25/26	26/27	Total
£'000							
Contribution to Capital Reserve	£0	£7	£250	£250	£250	£250	£1,007
Play & Bins (Capital)CNM	£0	£284	£220	£0	£0	£0	£504
Contribution to RCCO GF	£474	£474	£474	£474	£474	£474	£2,844
<b>Total</b>	£474	£765	£944	£724	£724	£724	£4,355
Receipts required each year	(£474)	(£765)	(£944)	(£724)	(£724)	(£724)	(£4,355)
Estimated receipts remaining							<b>(£104)</b>

4.4.3 The Financial Settlement did trail changes to the NHB scheme with the government and this has subsequently been announced on the 10 February 2021. The proposed consultation includes:

- raising the baseline percentage
- rewarding improvement on average past housing growth
- rewarding improvement or high housing growth
- support infrastructure investment in areas with low land values
- introducing a premium for modern methods of construction (MMC)
- introducing an MMC condition on receipt of funding
- requiring an up-to-date local plan

4.4.4 Consultation is open for eight weeks from the 10 February and an assessment will be made of the impact for the Council.

## 4.5 Finance Settlement

4.5.1 The finance settlement published 17 December 2020 included additional COVID funding allocations. A summary of the non-COVID funding is shown below. The Finance settlement was presented to parliament on the 4 February 2021 and remains unchanged for SBC.

Final Finance Settlement (2021/22)	
Business Rates:	
Business Rates	£2,585,301
Under indexing	£129,104
Total Business Rates	<b>£2,714,405</b>
NHB (legacy payments)	£365,478
Lower Tier services grant*	£140,043
<b>Total</b>	<b>£3,219,926</b>

- 4.5.2 The level of lower tier grant (one off) was based on 2013/14 Settlement Funding Assessment levels (£86Million nationwide) and used to fund a 'floor', to ensure that no authority has a total 'Core Spending Power' less than in 2020/21. The Lower tier service grant increased the SBC's core spending power (government calculation) up to 2020/21 levels as is demonstrated below. This is shown in core resources of the General Fund.

Core Spending Power Calculation			
	2020/21	2021/22	Variance
Assumed Council Tax	<b>£5,988,685</b>	<b>£6,236,612</b>	<b>£247,926</b>
Business Rates:			£0
Business Rates	£2,572,439	£2,572,439	£0
Under indexing	£103,104	£134,035	£30,931
Total Business Rates	<b>£2,675,543</b>	<b>£2,706,474</b>	<b>£30,931</b>
NHB (legacy payments)	£784,378	£365,478	(£418,901)
Lower Tier services grant	£0	£140,043	£140,043
<b>Total Core Spending Power</b>	<b>£9,448,606</b>	<b>£9,448,606</b>	<b>£0</b>

- 4.5.3 The Government remains committed to reforming local government finance and this will include the fair funding review and reset of business rates. However the statement on the review was, "There may be an opportunity to do so next year and my department will work with the Treasury to review that" and when further pressed, the Secretary of State was "**not able to confirm when we will bring that forward**". No further detail had been published at the time of writing this report.
- 4.5.4 The government also published a response to Sir Tony Redmond's Independent review into the oversight of local audit and the transparency of local authority financial reporting. A full response will be made by the government in spring 2021. The majority of the recommendations have been agreed, or partly agreed. This included :
- Introduction of a new standardised statement of service information and costs which will need to be presented alongside the accounts.
  - The recommendation to re-extend the deadline for audited financial statements to 30 September

- The proposed creation of an Office of Local Audit and Regulation. The government will make.
- 4.5.5 Funding of £15Million was announced to support authorities with the anticipated rise in audit fees for 2021/22, with funding to be allocations to be confirmed in the new year. No further details had been published at the time of writing this report.
- 4.5.6 The government also announced **£1.55 billion COVID-19 Expenditure Pressures Grant – Allocations**. This funding un-ring - fenced and payable in April 2021, (£500,208, unchanged from the January report) and is to fund:
- Adult social care, children’s services, public health services,
  - household waste services,
  - **Shielding the clinically extremely vulnerable, homelessness and rough sleeping, domestic abuse**
  - Managing excess deaths,
  - Support for re-opening the country
  - **The additional costs associated with the local elections in May 2021.**
- 4.5.7 **Councils have been advised that they should plan on the basis of not receiving any additional funding for the above pressures.** Members approved in the January 2021 report to ring fence this for the purposes identified above on the basis that no further funding will be made available.
- 4.5.8 The government also announced a **Local Council Tax Support grant**, (£670million) of new, un-ringfenced funding that will be provided to authorities in recognition of the increased costs of providing local council tax support following the pandemic. It was allocated on the basis of each billing authority’s share of the England level working-age local council tax support caseload, adjusted to reflect the average bill per dwelling in the area. **The indicative funding allocation for Stevenage was £118,850** and Members approved in the January 2021 report to use it to support General Fund balances **and is shown in core resources of the General Fund.**
- 4.5.9 The government published the **Local tax income guarantee** for 2020/21, this compensated local authorities for 75% of irrecoverable losses in council tax and business rates income in respect of 2020-21, based on:
- For council tax, a comparison of each authority’s council tax requirement and an adjusted Net Collectable Debit.
  - For business rates, this is broadly a comparison of income as calculated in the National Non-Domestic Rates (‘NNDR’) statistical collection forms 1 and 3.
- 4.5.10 This is estimated to be £195,389 for business rates with nothing projected for council tax and is payable after the NNDR3 (the actual outturn for 2020/21) is completed, (July 2021). The amount of compensation may change based on the outturn position and is 75%

of losses and included in the 2020/21 working budget, but budgeted to be transferred to the NDR reserve to match the projected deficit which must be repaid to the Collection Fund over a three year period as directed by the government.

Transfer to (from) Collection Fund	2020/21	2021/22	2022/23	2023/24	Total
Income tax funding (NDR)	(£195,390)	£0	£0	£0	(£195,390)
Trf. to and (from) NDR reserve	£195,390	(£65,130)	(£65,130)	(£65,130)	£0
Repay Deficit to Collection Fund		£86,839	£86,839	£86,839	£260,518
<b>Total net cost to General Fund</b>	<b>£0</b>	<b>£21,709</b>	<b>£21,709</b>	<b>£21,709</b>	<b>£65,128</b>

4.5.11 There is also an extension of the Sales Fees and Charges scheme based on the 2020/21 income budgets. This is estimated at £255K in the budget and will run for the first three months of 2021/22.

4.5.12 A full summary of the 2021/22 Finance settlement is shown below:

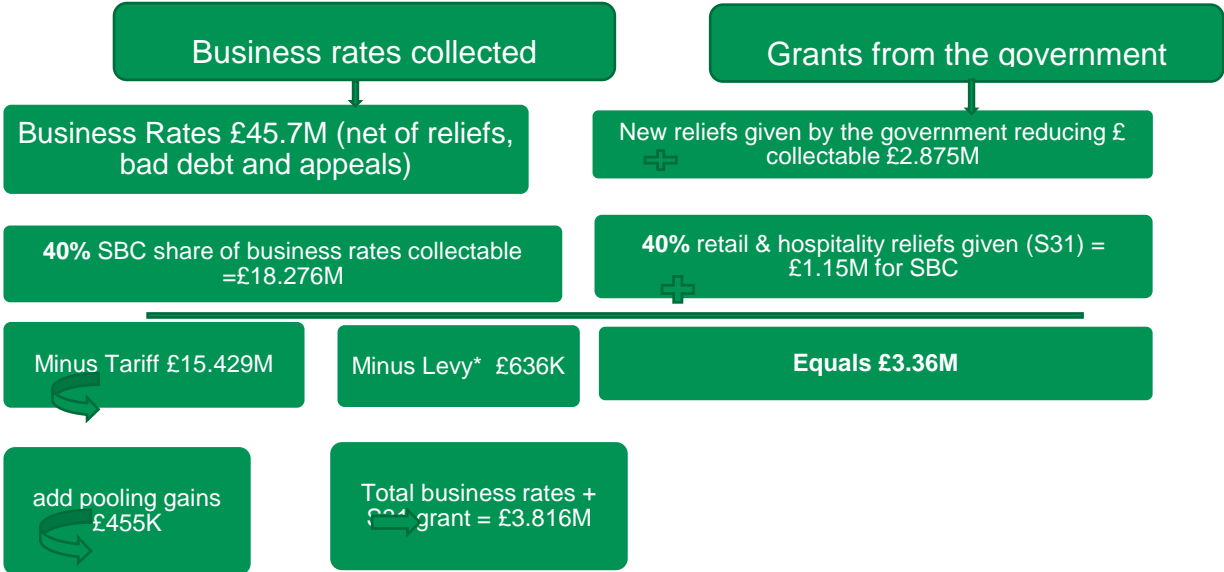
Finance Settlement	
<b>2021/22</b>	
<b>Non COVID related funding:</b>	
Business Rates	£2,585,301
Under indexing	£134,035
<b>Total Business Rates</b>	<b>£2,719,336</b>
NHB (legacy payments)	£365,478
Lower Tier services grant	£140,043
Redmond Review (higher audit fees)	TBC
<b>Government Support non COVID</b>	<b>£3,224,857</b>
<b>COVID related costs:</b>	
Share of £1.55Billion	£500,208
Local Government Support grant (£670M) (indicative)	£118,859
Income Guarantee Scheme (estimated)	£255,000
<b>Government Support COVID</b>	<b>£874,067</b>
<b>Total 2021/22</b>	<b>£4,098,924</b>
<b>2020/21</b>	
Local tax income guarantee for NNDR	£195,389
<b>Grand Total</b>	<b>£4,294,313</b>

#### 4.6 Business Rates 2020/21

4.6.1 The government calculates the value of business rates kept by Stevenage and this is called the baseline need. The base line need for 2020/21 was £2.572Million, there is also an assumption that £103K would be payable in Section 31 grants to compensate Councils for changes to increases in business rates the government has made in previous years, (including moving from RPI to CPI for the annual increase, which is a lower inflation index and under-indexing), that have reduced the amount collectable.

4.6.2 The £2.572Million is much lower than SBC’s 40% share of the business rate yield after any reliefs of £18.3Million, (100% circa £45M). This is because the government applies a ‘tariff’ which reduces that 40% share down to the ‘base line need’, (before any growth), the tariff for 2020/21 payable to the government is £15.43Million. After that a ‘levy’ is applied to any gains **above that baseline need, at rate of 50%**.

4.6.3 The original budget business rates the Council assumed for 2020/21 was £3.816Million, which included Hertfordshire pooling gains of £455K. This means Stevenage had £1.28Million of business rates above the baseline assessment that could be retained by SBC.



*\*not all gains above the baseline of £2.57Million are subject to the levy of 50%*

4.6.4 The Hertfordshire pool is where a number of councils come together to maximise gains by reducing the amount of levy payable to the government. The pool which included Stevenage in 2020/21, (the first time since 2015/16) was estimated to increase business rate gains by £455K. The Pool governance states that any safety net payments to be a first call on the pool (where pool members fall below their base assessment), with the balance of benefits then shared 70% Districts, 15% County Council and 15% growth fund plus any gains that would have been paid if the pool didn’t exist. In the event of an overall loss, i.e. safety net payments exceed levy retained, this would similarly be split.

4.6.5 In summary the 2020/21 General Fund budget included :

- S31 grants of £1.15Million shown in net General Fund expenditure
- Business rates of a net £2.67Million shown in core resources (from the Collection Fund, net of the tariff and including business rate gains from the pool).

Business Rate Income	2020/21
Business Rates from Collection Fund fixed	(£18,276,130)



<b>Business Rate Income</b>	<b>2020/21</b>
Tariff fixed for 2020/21	£15,429,346
Levy Due (will change depending on actual gains)	£636,470
Gains due from the pool reducing the levy due (can change)	(£455,000)
<b>Total Business Rates</b>	<b>£2,665,314</b>
S31 Grants in General Fund net expenditure (will change based on actual reliefs given)	(£1,150,231)
<b>Total business rates kept by SBC</b>	<b>(£3,815,545)</b>

- 4.6.6 However, the level of S31 grants can be different from the original budget, as they are accounted for in the **year they are raised**, while assumed business rates from the Collection Fund are **fixed** for the year, regardless of the level of business rates collected, (the £2.67Million). It can take up to two years for the impact of changes between original budget and outturn for that year.
- 4.6.7 The impact described in para. 4.6.6 can cause some distortions to the General Fund and there is a huge distortion in 2020/21 because the **government increased the level of additional retail and hospitality reliefs from £925K to £21Million**, as the government extended retail and hospitality reliefs to the whole sector in March 2020. This means SBC's share of S31 grants has **increased to £9.55Million** to be paid in year while still taking the budgeted income from the Collection Fund, a total of £12.14Million for 2020/21, or £8.6Million too much, (estimated at £8Million in the draft report). To make this more transparent and easier to understand the presentation of business rates in the General Fund has been revised to aid comparison between financial years and the changes between the February Executive report and this report are set out in paragraph 4.6.14.
- 4.6.8 The 2020/21 NDR position is summarised below and shows that the increase in S31 grants requires a repayment back to the Collection Fund of £8.6Million, (of which £8.39Million relates to S31 grants). Members approved the transfer of the 'overpayment' relating to S31 grants to a reserve to be repaid to the Collection Fund in 2021/22.

<b>Business rates 2020/21</b>				
	<b>2020/21 Original £'000</b>	<b>2020/21 Year end £'000</b>	<b>2020/21 should have been</b>	<b>Variance (repaid to Collection Fund)</b>
<b>Core Resources:</b>				
Business Rates(from)/to Collection Fund	(£2,847)	(£2,847)	£5,780	£8,627
S31 income	(£1,150)	(£9,546)	(£9,546)	£0
Levy	£636	£623	£623	£0
Pooling gains	(£455)	(£368)	(£368)	£0
<b>Total Business rates &amp; S31 grant</b>	<b>(£3,816)</b>	<b>(£12,138)</b>	<b>(£3,511)</b>	<b>£8,627</b>

- 4.6.9 As stated in paragraph 4.5.9-4.5.10, the government has determined that the losses that have arisen between the 2020/21 Original and

projected NDR must be spread over a three period (with the exception of the overpayment arising from the increased S31 grants and locally determined discretionary reliefs) .The repayments/(returns) to/from the Collection Fund for 2019/20-2020/21 are summarised below. The CFO recommends that the 2020/21 gains from business rates are transferred to the allocated reserve until they are realised and transferred back to the General Fund in 2022/23, or at the earliest when the 2020/21 outturn position is known (July 2021), (see also paragraph 4.5.10).

Transfer to (from) Collection Fund	2021/22	2022/23	2023/24	Total
2019/20 gains returned to the General Fund	(£821)			(£821)
Return of overpayment from 2020/21	£8,396			£8,396
Spreading of 2020/21 losses	£87	£87	£87	£261
<b>Total</b>	<b>£7,662</b>	<b>£87</b>	<b>£87</b>	<b>£7,836</b>

*\*the council claimed £195K from the income guarantee which is set at 75% of losses, this is an estimate only but has been included in the 2020/21 accounts*

#### **Business Rates 2021/22**

- 4.6.10 The 2020 Finance Settlement in December announced no increase in NDR for businesses next year and this means the Council will receive Section 31 grant to compensate for the uplift loss on business rates collectable (September CPI , 0.5%).
- 4.6.11 Business rates have been calculated for 2021/22 (NDR 1 has been completed) and the business rates retained by the Council are above the baseline need calculated by the government. There is an estimated £586,555 of gains after the levy has been applied as summarised below.

Business Rates	2021/22
Share of collectable business rates	(£ 18,185,764)
Tariff payable	£15,429,346
Total From Collection Fund	(£ 2,756,418)
Estimated S31 grants payable	(£ 815,225)
<b>Total Business rate income</b>	<b>(£ 3,571,643)</b>
Levy due	£412,639
<b>Total Retained business rates</b>	<b>(£ 3,159,004)</b>
Base line need	(£ 2,572,439)
<b>Gains above the base line</b>	<b>(£ 586,565)</b>

- 4.6.12 Projecting Business Rates for 2021/22 gains is very difficult, with potentially more business failures, which will impact on the level of collectable business rates for 2021/22, if retail and hospitality sector is impacted further by COVID. So although gains are currently forecast

(with an assumed increase in bad debts allowance), a total of £474,440 (or 80%) has been transferred to the NDR allocated reserve. This should not be returned to the General Fund until 2023/24, to ensure that the gains are realised and is currently included in allocated reserves balances.

- 4.6.13 The Council (via the Executive) must approve the level of estimated 2021/22 business rates it will receive by 31 January each year, this was delegated to the CFO following consultation with the Portfolio Holder for Resources by the due date. Since the approval of NDR 1 and the level of business rates for 2021/22, Councils have been advised to hold billing businesses for their 2021/22 business rates until after the Chancellor budget on the 3 March 2021. This indicates further reliefs will be offered above that contained within in the estimate and potentially increasing business rate S31 grants in 2021/22.
- 4.6.14 The presentation of the General Fund has now been revised, (since the report to the February Executive 2021), to show all business rated income in core income and not in the net cost of services. This is to allow comparison between years for the net cost of services. This means that S31 grants and the transfer to and from the allocated reserve are now shown in core resources. (See paragraph 4.10.1). The reconciliation of the entries in core resources for business rates is shown below.

<b>Business rates entries in Core Resources</b>			
	<b>2020/21 Original £'000</b>	<b>2020/21 Year end £'000</b>	<b>2021/22</b>
Retained Business Rates	(£2,665)	(£2,592)	(£2,344)
S31 income	(£1,150)	(£1,150)	(£815)
transfer to (from) Collection Fund	£0	£0	(£734)
<b>Total</b>	<b>(£3,815)</b>	<b>(£3,741)</b>	<b>(£3,893)</b>
<b>Made up of:</b>	<b>2020/21 Original £'000</b>	<b>2020/21 Year end £'000</b>	<b>2021/22</b>
S31 income	(£1,150)	(£9,546)	(£815)
Business Rates(from)/to Collection Fund	(£2,847)	(£2,847)	(£2,756)
Levy	£637	£624	£413
Pooling gains	(£455)	(£368)	£0
transfer to (from) S31 reserve (was in net expenditure)	£0	£8,396	(£8,396)
Repay Collection Fund for 2020/21 overpayment	£0	£0	£8,396
Transfer of 2019/20 gains from the Collection Fund	£0	£0	(£821)
Repay Collection Fund for 3 year spreading of deficit	£0	£0	£87
<b>Total Business rates &amp; S31 grant</b>	<b>(£3,815)</b>	<b>(£3,741)</b>	<b>(£3,893)</b>

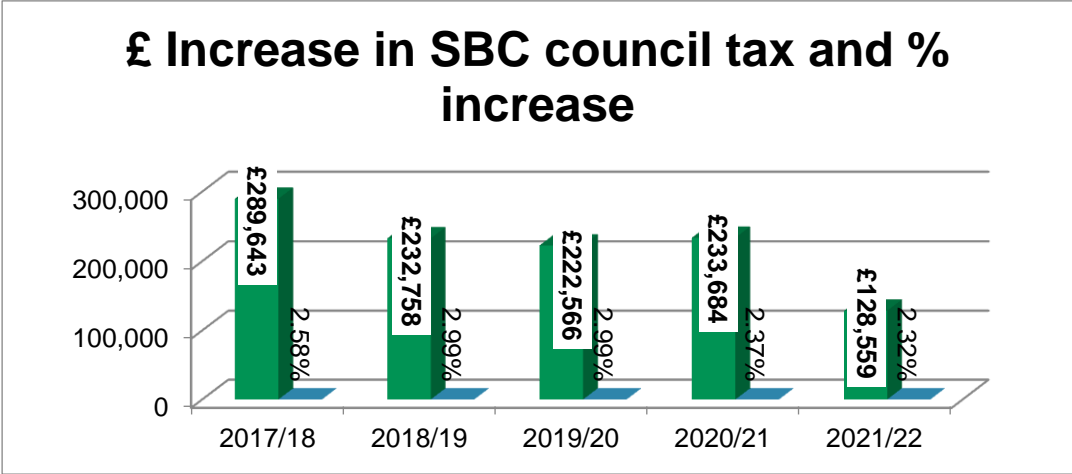
**4.7 Council Tax**

4.7.1 Part of the budget setting process includes consideration of council tax levels. The finance settlement allows for a 2% or £5.00 on a Band D (2.32%), whichever is the greater, before a referendum on an amount above this is required. The provisional settlement consultation does not closed until 14 January but the Draft Budget assumes the 2.32% increase.

4.7.2 The table below shows the increase per property band based on a 2.32% increase.

Council Tax increase Stevenage Precept 2021/22				
Council Tax band	2020/21	2.32% increase	Total cost per year	Total cost per week
A	£143.71	£3.33	£147.05	£2.83
B	£167.67	£3.89	£171.56	£3.30
C	£191.62	£4.45	£196.06	£3.77
D	£215.57	£5.00	£220.57	£4.24
E	£263.47	£6.11	£269.59	£5.18
F	£311.38	£7.22	£318.60	£6.13
G	£359.28	£8.34	£367.62	£7.07
H	£431.14	£10.00	£441.14	£8.48

4.7.3 Increasing council tax by 2.32% versus 1.99% nets the Council an additional £19,697 per year. Due to the projected tax base for 2021/22 being 0.17% lower than the 2020/21 tax base, (due to increased reliefs and CTS projections) the increase in the council tax with a 2.32% increase is only £128,559 additional income, much lower increase for SBC than in previous years, (see para.4.5.8 re council tax support grant funding).



4.7.4 Council tax is a key funding resource and locally raised taxation has become more important to the General Fund as central funding has reduced or risk transferred to local authorities in terms of regulations and policy changes regarding business rates and new homes bonus,

all be it constrained in terms of level of increase. As in previous years the council tax increase will not be agreed until the February Council meeting, but is recommended by the CFO.

#### 4.8 Council Tax Support

- 4.8.1 A local CTS scheme cannot be revised for at least one financial year. A Billing Authority (SBC) must consider whether to revise or replace its scheme with another on an annual basis.
- 4.8.2 Any revision to a scheme must be made by the Council by the 11 March, immediately preceding the financial year in which it is to take effect and will require consultation with those affected. Additionally consideration should be given to providing transitional protection where the support is to be reduced or removed.
- 4.8.3 The Council must, in the following order, consult with major precepting authorities (i.e. Hertfordshire County Council and Police and Crime Commissioner for Hertfordshire), publish a draft scheme in such manner as it thinks fit, and consult such other persons as it considers are likely to have an interest in the operation of the scheme. The CFO wrote to both precepting authorities regarding the proposal for 2020/21 and at the date of writing the report HCC had no objections to the scheme proposed and no response had been received from the PCC.
- 4.8.4 The current **working age** scheme requires those all maximum benefit to pay 8.5% of their council tax bill for the year. This equated to £138.10 for a band c council home in 2020/21 (an additional 25% discount for a single person) or £2.66 per week.
- 4.8.5 Members approved in the October Executive Council Tax Support report to retain the existing scheme for 2021/22. **Members are recommended to agree the existing scheme updated for benefit changes for 2021/22.**

#### 4.9 General Fund Net Expenditure

- 4.9.1 The 2020/21 projected and the 2021/22 draft General Fund net expenditure is summarised below. The January report identified a 2021/22 net budget **decrease** of £467,100 compared to the December's MTFS and included £177,101 of additional COVID losses. In this update the budget has **increased** by £833,080, however this is primarily related to the transfer of business rate gains to an allocated reserve until they are realised (2020/21 and 2021/22 gains).

Summary of 2021/22 budget movements		£	On-going £
2021/22 budget (now excluding S31 grants)		£10,129,550	
<b>Changes reported at the Draft General Fund report:</b>			
COVID related		£58,240	
Non COVID related		(£385,300)	(£282,439)
Total changes reported Draft Budget January 2021 Executive		<b>(£327,060)</b>	<b>(£282,439)</b>
<b>New Reported variations:</b>			
Reduction in garage borrowing costs due to reduction in PWLB rates and re-profiling of the capital budgets		(£108,230)	(£51,500)

Summary of 2021/22 budget movements		£	On-going £
Lower NDR S31 grants estimated in Final budget		£34,780	
Removal of CCTV company dividend - not achievable		£50,000	£50,000
Additional cost of replacing paving slabs		£6,000	
Net transfer of NDR gains to future years (see para 4.6.9 & 4.5.11)		£864,310	
Other minor differences		(£13,780)	£52,900
<b>Total budget movements</b>		<b>£833,080</b>	<b>£51,400</b>
<b>Updated General Fund 2021/22 net budget</b>		<b>£10,635,570</b>	<b>(£229,539)</b>

- 4.9.2 There is an on-going positive impact on balances for future years of £229,539, however £163,192 relates to increased recharges to the HRA which may in future years swing back to the General Fund. There is still a need to find financial security saving for future years to ensure, (that in line with the MTFs) there is move from the current draw on balances per year to a contribution to balances by 2023/24, (revised from 2022/23 in the September 2020 MTFs update).
- 4.9.3 **The 2020/21 General Fund working budget increased** by £457,810 in the draft budget report and included £362,240 of COVID related costs. The 2020/21 General Fund budget has now projected to **reduce** by £132,650 due to the COVID funding that related to use of marshals and compliance measures in the town centre which is now being recognised in the budget.
- 4.9.4 There are remaining entries relate to matching NDR costs to the years they are repayable in\* and the revised General Fund budget is now £11,056,840 and recommended for approval.

Summary of 2020/21 budget movements		£
Working Budget		£11,189,490
Local tax income guarantee (COVID)*		(£195,390)
Reduction in transfer to reserve for 2020/21 pooling gains as they are projected to be £87K lower		(£87,300)
Transfer income guarantee COVID funding to NDR reserve (para. 4.5.11 refers)*		£195,390
COVID funding Marshals - NEW		(£45,350)
<b>Total Movements</b>		<b>(£132,650)</b>
<b>Updated General Fund 2020/21 net budget</b>		<b>£11,056,840</b>

#### 4.10 Projected General Fund Balances

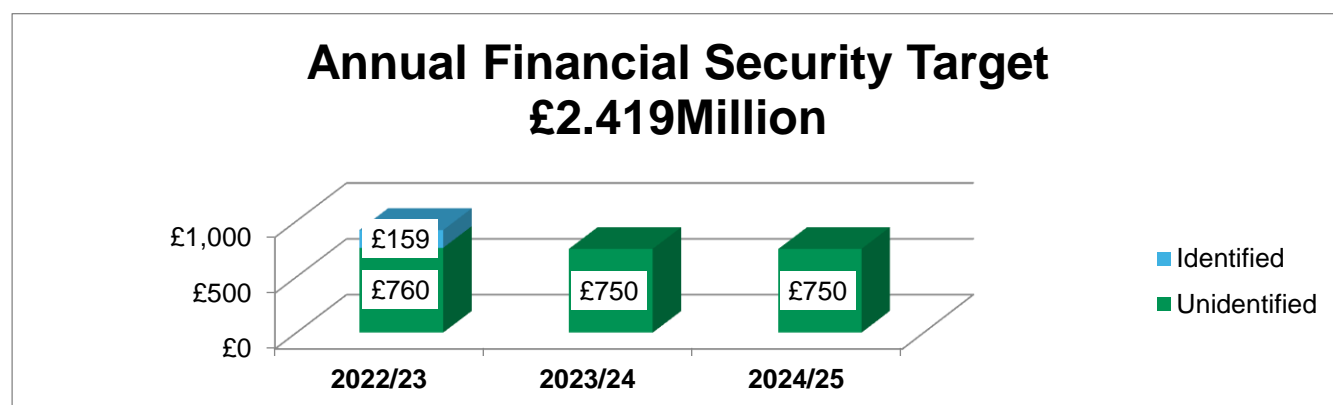
- 4.10.1 The projected General Fund balances and council tax requirement are shown below.

General Fund Budget revised table	2020/21 Estimate	2020/21 Projected	2021/22 Estimate
Net Expenditure excluding S31 grants	£10,220,060	£12,196,410	£10,635,570
(Use of)/ Contribution to Balances	(£349,030)	(£2,409,851)	(£326,067)
<b>Budget Requirement</b>	<b>£9,871,030</b>	<b>£9,786,559</b>	<b>£10,309,503</b>

General Fund Budget revised table	2020/21 Estimate	2020/21 Projected	2021/22 Estimate
Business Rates	(£2,665,314)	(£2,591,503)	(£2,343,779)
S31 grants NNDR	(£1,150,230)	(£1,139,570)	(£815,229)
Contribution to Collection Fund (NDR) (net of transfer from reserves of £8.39Million) 2020/21	£0	£0	£86,839
Contribution/(from) to Collection Fund (NDR) pre 2020/21	£380	£380	(£821,127)
Lower Tier Grant	£0	£0	(£140,043)
Local Government Support grant	£0	£0	(£118,859)
<b>Total Government Support &amp; Retained business rates</b>	<b>(£3,815,164)</b>	<b>(£3,730,693)</b>	<b>(£4,152,197)</b>
Collection Fund Surplus (ctax)	(£67,265)	(£67,265)	(£40,151)
Council Tax Requirement	£5,988,601	£5,988,601	£6,117,154
Council Tax Base	27,781	27,781	27,734
Council Tax Band D	£215.57	£215.57	£196.06
Council Tax Band C	£191.62	£191.62	£171.56

#### 4.11 Revision of Financial Security Targets Future Years

4.11.1 The Financial Security target for 2022/23-2024/24 is £2.419Million (unchanged from the January 2021 report), as summarised below. This will need to be reviewed at the next MTFS update to ensure firstly that there is a contribution to balances by 2023/24 and secondly to reflect any further impacts of COVID on the General Fund.



4.11.2 Officers are working on an additional 500K of options that could be implemented if the General Fund financial resilience reduced and minimum balance levels were breached. These will be brought back to the Executive.

4.11.3 The Financial Security savings options going forward are anticipated to be driven through the Transformation and Commercial and Insourcing Strategy. If sufficient savings cannot be identified through these initiatives then the probability of further service reductions is likely as the ability to deliver efficiency savings has diminished.

## 4.12 General Fund Reserve Projections

4.12.1 General Fund balances are projected to be £4.5Million by 2024/25 which means a reduction of £2.43Million from balances held at 1 April 2020.

Balances £'000	2020/21	2021/22	2022/23	2023/24	2024/25
Revised Balances at 31 March each Year:	(£ 6,930)	(£ 4,520)	(£ 4,194)	(£ 4,205)	(£ 4,249)
use of balances	£2,410	£326	(£ 11)	(£ 44)	(£ 251)
General fund Balance 1 March	(£ 4,520)	(£ 4,194)	(£ 4,205)	(£ 4,249)	(£ 4,500)
Minimum	(£ 2,920)	(£ 3,650)	(£ 3,200)	(£ 3,000)	(£ 2,900)
Var	(£ 1,600)	(£ 544)	(£ 1,005)	(£ 1,249)	(£ 1,600)

4.12.2 The projected year end balances for 2021/22 are £544K above the risk assessed balances of £3.65Million, however this is a minimal cushion against COVID losses, which need to be reassessed as a result of the extended lockdown into 2021/22 and potentially implementing the further £500K of options.

4.12.3 The level of balances as a result of the package of Financial Security options recommended for approval has significantly improved the Council's financial resilience. There are still risks:

- Realising the level of business rate gains for 2020/21, the MTFs assumes (and as updated by the completion of the NDR 1) that £938K of the £1.28Million total gains will be realised. This will not be known until the NNDR3 claim is submitted post April 2021 and the pooling gains realised from the Hertfordshire Pool (£367K). However the pooling element of the gains has not been realised in the General Fund until 2022/23. In the current economic position this still remains a risk but the risk is reduced in 2020/21 by deferring a proportion of the gains until 2022/23.
- Increased COVID losses for 2020/21 and 2021/22
- Ability to implement the level of savings outlined in the report

4.12.4 There is also financial risk associated with more innovative Financial Security options versus stopping services and cutting spend. While these options are preferable to reducing/stopping services they may be a departure from 'normal' council operations and require careful implementation and monitoring.

## 4.13 Risk Assessment of General Fund balances

4.13.1 The General Fund balances have been risk assessed for 2021/22 and the minimum level of balances required is £3.65Million

4.13.2 The risk assessment of balances includes amounts for general overruns in expenditure and losses of income (1.5% of the gross value) and in addition for specific risks.

4.11.3 A new risk that has been added to the risk assessment of balances includes:

- Increased cost COVID in 2021/22 estimated to be £1.2Million in addition to that assumed within the budget.

## 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 2020/21, this remains unchanged from the current year, however due regard will need to be given to breaching minimum balances.

#### 4.15 Allocated Reserves

4.15.1 The allocated reserves as at 31 March 2022 are estimated to be £2.826 Million, which is a reduction of £1.572 Million (36% of total reserves) from 1 April 2020. The allocated reserves are summarised in the following table.

Allocated Reserve	Balance as at 1 April 2020	Anticipated transfer to/from reserves	Forecast balance as at 31 March 2021	Anticipated transfer to/from reserves	Forecast balance as at 31 March 2022
New Homes Bonus	(£630)	£169	(£461)	£227	(£234)
Business Rates Reserve	(£1,235)	(£680)	(£1,915)	£617	(£1,298)
Business Rates Reserve S31 grants	£0	(£8,396)	(£8,396)	£8,396	£0
Regeneration Assets	(£1,122)	£660	(£462)	(£221)	(£684)
Insurance Reserve	(£103)	£35	(£68)	£0	(£68)
Regeneration Fund (SG1)	(£826)	£229	(£597)	£399	(£198)
Town Centre	(£34)	£0	(£34)	£0	(£34)
Transformation Reserve	(£60)	£0	(£60)	£0	(£60)
Planning Delivery Grant	(£40)	£40	£0	£0	£0
Income equalisation reserve	£0	£0	£0	(£250)	(£250)
Rough Sleeper & Homeless reserve	(£347)	£154	(£193)	£193	£0
<b>Total</b>	<b>(£4,398)</b>	<b>(£7,789)</b>	<b>(£12,187)</b>	<b>£9,361</b>	<b>(£2,826)</b>

14.5.2 Reserves have increased from the draft budget as there are 2020/21 and 2021/22 NDR gains forecast which are held in reserves until realised and the revision to recognising business rate gains and the income guarantee compensation for business rates. The use of reserves does not take into account any use of the Income Equalisation reserve which may be required in 2021/22 and assumes the level of business rates as set out in paragraph 4.12.3.

#### 4.16 Consultation

4.16.1 The residents' survey has not been completed this year due to COVID and would be in principle completed next year. The previous survey (2017) asked for the views of residents and stakeholders on their preferences for reducing services, increasing fees and charges and increasing Council Tax. Residents were asked how best to make the savings required by ranking the options provided from 1 to 5, with 1 being the most preferred option and 5 being the least preferred

option. The results are shown in the table below. A number of the savings options relate to new ways of working (24%)

Table 13: Resident's preferences for means of making savings. Rank analysis.

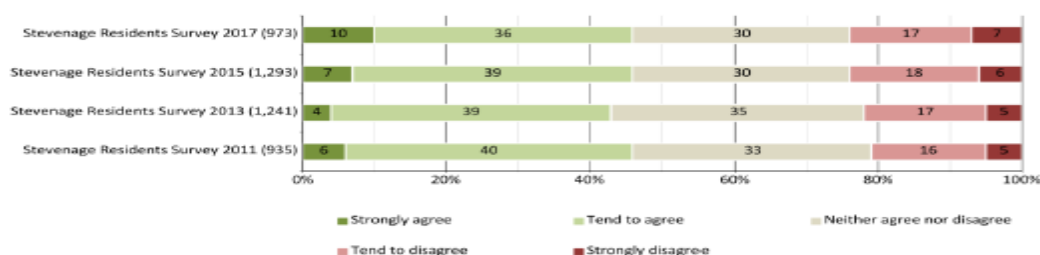
Option	Overall Rank
Reduce time and money spent on paperwork by interacting with more residents and customers online	1
Spend less by reducing or cutting the services that you tell us are not a priority	2
Increase income from fees and chargeable services, to keep the council's element of Council Tax as low as possible	3
Increase our element of Council Tax (for example from 48p per day to 50p per day)	4
Make money by selling more of our services to residents and customers	5

4.16.2 The 2017 residents' survey asked residents a number of questions relating to how the Council conducts its financial affairs. Residents were asked whether the council tax represented value for money and only 7% strongly disagreed as shown in the chart below.

#### Value for money

*To what extent do you agree or disagree that the Council Tax paid to Stevenage Borough Council provides good value for money?*

Figure 50: Responses to whether residents agree or disagree that the Council Tax paid to Stevenage Borough Council provides good value for money



4.16.3 The Financial Security package includes staff related options for which informal consultation has commenced, however all the option will be subject to the outcome of the formal consultation process. The impact on staff is summarised below, this is subject to consultation.

Option	No of staff	Redundancy	Vacant /retire/ turnover/no impact
Community Transport	5	4	1
Director support	1	0	1
Member Services	1	0	1
Constitutional services	3	0	3
CSC/Customer focus	7	2	5
Print Room	1	1	0
Facilities Management	4	0	4
Revs and Bens	1	0	1
Financial Services	3	0	3
<b>Total</b>	<b>26</b>	<b>7</b>	<b>19</b>

4.16.4 The General Fund MTFs has a set of principles used for financial purposes, one of which is to ensure that resources are aligned with the

Council's Corporate Plan and Future Town Future Council (FTFC) priorities and that growth is limited to the Council's top priorities. The Corporate Plan is included in the Budget and Policy Framework and is therefore subject to Council approval.

4.16.5 The current FTFC Co-operative Corporate Plan was approved as a five year plan from 2016 to 2021 and is therefore due for revision. At the present time Member and officer focus continues to be on responding to the COVID-19 pandemic, and EU transition. Furthermore, the Covid-19 recovery plans agreed by the Executive in July 2020 will help shape the Council's priorities and programmes and associated funding for the coming financial year. In this context, officers proposed to the Executive at its December meeting that the current plan and existing FTFC programmes are extended into 2022/23. This will provide officers and Members with the opportunity to thoroughly review the plan. Having considered this proposal, Executive resolved that, in accordance with the Council's Budget and Policy Framework Procedure Rules, the Council be recommended to continue the adoption of the current Co-operative Corporate Plan, subject to further review in Autumn 2022.'

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

4.17.1 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.

4.17.2 The Council has evolved its budget strategy to meet the ongoing challenging economic conditions whether because of funding cuts, welfare reforms or inflationary increases and latterly to meet the financial threat of COVID. The financial strategy to deal with this is the 'Financial Security' strand of 'Future Town Future Council'.

4.17.3 Officers regularly update the MTFs to ensure that a clear financial position for the Council can be demonstrated over the next five years. This medium term view of the budget gives a mechanism by which future 'budget gaps' can be identified allowing for a measured rather than reactive approach to reducing net expenditure. The Financial Security year round approach to identifying budget options means that work is on-going throughout the year to bridge the gap.

4.17.4 The Council has taken significant steps over recent years to balance its budget and one of the principle aims of the MTFs is 'achieve an on-going balanced budget by 2023/24 by ensuring inflationary pressures are matched by increases in fees and income or reductions in expenditure'.

4.17.5 The impact of COVID has increased the need to implement further financial resilience measures, which were contained in the June 2020 COVID Recovery MTFs report, September 2020 MTFs and in the December 2020 Financial Security Report. This has been a difficult

budget to set but financial resilience measures taken/for approval have increased the security of the Council's position, these are:

- Monthly monitoring of COVID financial impacts to allow any required financial remedies to be taken quickly.
- Holding General Fund capital and revenue expenditure in 2020/21 (June 2020 COVID Recovery MTFS report).
- Reduce the use of reliance on Revenue Contributions to Capital (RCCO) by identifying sites for disposal and using capital receipts rather than revenue (September 2020 MTFS report).
- Identification of sufficient level on-going Financial Security options to ensure General Fund balances are above or a the minimum level required for 2021/22.
- Identify £500K of further options to be worked up by March 2021, that if required can be implemented if the financial challenges in 2021/22 are worse than currently projected.
- Increase the level of minimum balances required to reflect an allowance for further COVID losses (December 2020 Financial Security Report)
- Implement an Income Equalisation Reserve of £250K to allow for fluctuations in fee increases realised and income during 2021/22 (December 2020 Financial Security Report).
- Ring-fence COVID funding in the provisional settlement for housing and a COVID secure election in 2021/22.
- Recommended approval of Financial Security options and fees of £1.5Million
- Recognising 2021/22 business rate gains when realised and 80% are not in the 2021/22 General Fund budget.

4.17.5 There is small contribution to balances projected in 2023/24, however there is a significant draw on balances through the MTFS period and a need to deliver savings through the MTFS period, this is also in the context of COVID and Brexit on the Council's finances.

4.17.6 The current projections of balances and the measures the Council has taken to date and as set in this report have meant the level of balances projected are sufficient to set the 2021/22 budget, if all options included in the report are approved. **However the CFO considers that as set out in the December Financial Security report, further options of a minimum £500K should be considered by the Executive so that additional action can be taken quickly if the financial position worsens or options recommended for approval are not delivered early on 2021.**

4.17.7 While delivering one of the most difficult budgets, the Council is also continuing with one of its most ambitious phases with the Council looking to redevelop and regenerate the town centre and at the same time improve the housing market in Stevenage. Both these priorities come with the risk of potentially needing to invest more resources. There is a ring fenced reserve for Regeneration and further estimates of resources have been included in the General Fund MTFS.

## **5. IMPLICATIONS**

### **5.1 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 Risk Implications**

5.3.1 There are risk implications to setting a prudent General Fund budget if the Fees and charges (Appendix I) and Financial Security options (Appendix C) are not achieved and crucially if future options are not found to meet the targets outlined in the report. The risk to financial security has also been increased as a result of COVID but decisive measures have been taken as outlined in paragraph 4.17.4.

5.3.2 The Council's ambitions have meant significant growth bids and service pressures included in the MTFs assumptions. However, decisions to invest are backed by business cases to do so.

5.3.3 The Council faces considerable risks with future reductions to central government grant funding and the ever changing landscape of Local Government Finance. Areas of risk include:

- Fair Funding Review – still to be concluded
- Business rates reset and the ability for Council's to retain growth in the yield-still to be concluded
- Changes to borrowing rules- PWLB changes November 2020 meaning the inability to spend for yield and borrow from PWLB.
- Ensuring sufficient funding for government initiatives such as rough sleeper and COVID pressures.

5.3.2 Risk implications are dealt within the body of the report and specifically within sections 4.12, 4.13 and 4.17.

### **5.4 Equalities and Diversity Implications**

5.4.1 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 need to:

- Remove discrimination, harassment, victimisation and any other conduct that is unlawful under this Act
- Promote equal opportunities between people who share a protected characteristic and those who do not
- Encourage good relations between people who share a protected characteristic and those who do not.

5.4.2 These duties are non-delegable and must be considered by Council when setting the Budget in February 2021.

5.4.3 To inform the decisions about the Budget 2021/22 officers have begun Equality Impact Assessments (EqIAs) for service-related savings proposals. These are currently in draft form, since they must consider appropriate evidence and the findings of consultation with various stakeholders to inform the decision by Council in February 2021. Where there is a potentially negative impact, officers will collect further information and identify actions to mitigate the impact as far as possible. These EqIAs are summarised and attached in **Appendix H** with further information on the process to date and planned activity. EqIAs for future years' savings will be presented alongside the draft Budget for the relevant year.

5.4.4 An overarching EqIA will also be developed once individual EqIAs are finalised for Council in February 2021. This will consider the collective impact of the Budget on people with protected characteristics.

5.4.5 As well as considering the impact on service delivery and equality, an EqIA concerning all strands of potential discrimination will be required by the Head of Paid Service on proposed redundancies and restructures per savings proposal and as a whole. It is proposed that this will be produced alongside the required restructure consultation documents as it is only at this stage that the actual impact on staff will start to be known. As the proposals will be delivered over a range of different timescales, the whole, i.e. combined EqIA, will be reviewed periodically with the Council's Strategic Management Board. All staff impacts are summarised at **Appendix G**.

## **5.5 Climate Change Implications**

5.5.1 The Council declared a climate change emergency at the June 2019 Council meeting with a resolution to work towards a target of achieving net zero emissions by 2050.

5.5.2 To support the work required to achieve this aim, time limited resources have been included in the 2021/22 budget.

## **BACKGROUND DOCUMENTS**

BD1 General Fund Medium Term Financial Strategy (2020/21-2024/25)

BD2 Financial Security Options (December 2020 Executive)

BD3 Draft General Fund budget (January 2021 Executive)

## **APPENDICES**

- A General Fund Budget summary
- B Risk Assessment of Balances
- C Financial Security Options 2021/22
- D Robustness of Estimates
- E Growth Bids and Pressure 2021/22
- F Draft Council Tax resolution
- G Staff EQIA
- H Financial Security Options EQIA
- I Fees and Charges 2021/22

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**General Fund Summary**

	Actual 2019/20 £	Original Budget 2020/21 £	Working Budget 2020/21 £	Original Budget 2021/22 £
<b>Summary of Expenditure</b>				
<b>Portfolio:</b>				
Community Services	4,433,156	4,380,490	4,397,260	4,161,710
Housing Services	2,723,595	1,614,520	1,873,900	2,658,140
Environmental Services	6,143,136	7,040,200	10,518,140	7,914,320
Local Community Budgets	92,108	100,800	109,000	68,300
Resources	(6,064,944)	(3,075,010)	(5,122,260)	(4,201,150)
Resources - Support	564,000	160,930	418,160	70,690
Trading Accounts - Direct Services	0	(1,870)	12,870	(36,440)
<b>Net General Fund Expenditure</b>	<b>7,891,049</b>	<b>10,220,060</b>	<b>12,207,070</b>	<b>10,635,570</b>
Retained Business Rates (NDR)	(2,909,395)	(2,665,314)	(2,591,503)	(2,343,779)
S31 Grants (*net of transfer to S31 reserve in 2020/21)	(925,904)	(1,150,230)	(1,150,230)	(815,229)
Transfer to/from Collection Fund *net of transfer from S31 reserve 2021/22	(380,962)	380	380	(734,288)
(NDR)				
Transfer to/from Collection Fund (Council Tax)	(55,621)	(67,265)	(67,265)	(40,151)
Lower Tier grant	0	0	0	(140,043)
Council tax support	0	0	0	(118,859)
District Precept	(5,754,911)	(5,988,601)	(5,988,601)	(6,117,154)
<b>Use of General Fund Balances</b>	<b>(2,135,744)</b>	<b>349,030</b>	<b>2,409,851</b>	<b>326,067</b>
<b>General Fund Balance:</b>				
Balance 1 April	(4,794,061)	(6,929,805)	(6,929,805)	(4,519,954)
Use of Balances in Year	(2,135,744)	349,030	2,409,851	326,067
<b>General Fund Balance 31 March</b>	<b>(6,929,805)</b>	<b>(6,580,775)</b>	<b>(4,519,954)</b>	<b>(4,193,887)</b>
<b>Allocated Revenue Reserves:</b>				
Balance 1 April	(3,311,142)	(4,398,550)	(4,398,550)	(12,187,243)
Use of Balances in Year	(1,087,408)	(653,790)	(7,788,693)	9,360,648
<b>Allocated Revenue Reserves Balance 31 March</b>	<b>(4,398,550)</b>	<b>(5,052,340)</b>	<b>(12,187,243)</b>	<b>(2,826,595)</b>
<b>Total Revenue Reserves</b>	<b>(11,328,355)</b>	<b>(11,633,115)</b>	<b>(16,707,198)</b>	<b>(7,020,483)</b>
<b>Council Tax Bands for 2021/22</b>		<b>2020/21</b>		<b>2021/22</b>
2.32% Increase on Band D Property:				
BAND A		143.71		147.05
BAND B		167.67		171.55
BAND C		191.62		196.06
BAND D		215.57		220.57
BAND E		263.47		269.59
BAND F		311.38		318.60
BAND G		359.28		367.62
BAND H		431.14		441.14

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## APPENDIX F

### STEVENAGE BOROUGH COUNCIL

Wednesday 24 February 2021

#### FORMAL COUNCIL TAX RESOLUTION INCORPORATING PRECEPTS FROM HERTFORDSHIRE COUNTY COUNCIL AND THE HERTFORDSHIRE POLICE AND CRIME COMMISSIONER

#### COUNCIL TAX RESOLUTION

#### **SETTING THE AMOUNT OF COUNCIL TAX FOR THE COUNCIL'S AREA**

1. That the following be approved:
  - a. the revised working revenue estimates for the year 2020/21 amounting to £12,196,410 and the revenue estimates for 2021/22 amounting to £10,635,570;
  - b. the contribution from balances totalling £2,409,851 in 2020/21;
  - c. the contribution from balances totalling £326,067 in 2021/22.
2. That it be noted that at its meeting on 20 January 2021 the Executive calculated the amount of 27,733.8 Band D equivalent properties as its council tax base for the year 2021/22 in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992 made under Section 31B of the Local Government Finance Act 1992 as amended by Section 74 of the Localism Act 2011.
3. That the following amounts be calculated by the Council for the year 2021/22 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992 as amended by Section 74 of the Localism Act 2011:
  - a. £90,231,878 Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2)(a) to (f) of the Act, less the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3)(a) to (d)
  - b. £84,114,724 Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3)(a) to (d) of the Act.
  - c. £6,117,154 Being the amount by which the aggregate at 3a above exceeds the aggregate at 3b above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year.
  - d. £220.57 Being the amount at 3c divided by the amount at 2 above, calculated by the Council, in accordance with Section 31B (1) of the Act, as the basic amount of its council tax for the year

e.	<u>Valuation Bands</u>	
	A	£ 147.05
	B	£ 171.55
	C	£ 196.06
	D	£ 220.57
	E	£ 269.59
	F	£ 318.60
	G	£ 367.62
	H	£ 441.14

Being the amounts given by multiplying the amount at 3d. above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

4. a. That it be noted that for the year 2021/22 Hertfordshire County Council have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

Valuation Bands

	Basic Amount Of Council Tax	Adult Social Care Charge	2021/22 Council Tax
A	£ 879.57	£ 100.85	£ 980.42
B	£ 1,026.17	£ 117.65	£ 1,143.82
C	£ 1,172.76	£ 134.46	£ 1,307.22
D	£ 1,319.36	£ 151.27	£ 1,470.63
E	£ 1,612.55	£ 184.89	£ 1,797.44
F	£ 1,905.74	£ 218.50	£ 2,124.24
G	£ 2,198.93	£ 252.12	£ 2,451.05
H	£ 2,638.72	£ 302.54	£ 2,941.26

- b. That it be noted that for the year 2021/22 Hertfordshire Police Authority have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992 and amended by Section 27 of the Police and Magistrates' Court Act 1994, for each of the categories of the dwellings shown below:

Valuation Bands

A	£ 142.00
B	£ 165.67
C	£ 189.33
D	£ 213.00
E	£ 260.33
F	£ 307.67
G	£ 355.00
H	£ 426.00

5. That, having calculated the aggregate in each case of the amounts at 3e. and 4a. and b. above, the Council in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts for council tax for the year 2021/22 for each of the categories of dwellings shown below:

Valuation Bands

A	£1,269.47
B	£1,481.04
C	£1,692.61
D	£1,904.20
E	£2,327.36
F	£2,750.51
G	£3,173.67
H	£3,808.40

6. To determine in accordance with Section 52ZB Local Government Finance Act 1992 that the Council's basic amount of Council Tax for 2021/22 is not excessive in accordance with principles approved by the Secretary of State under Section 52ZC having calculated the aggregate in each case of the amounts at 3e.

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