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EXECUTIVE

Date: Wednesday, 11 September 2019
Time: 2.00pm,
Location: Shimkent Room, Danesill House, Danestrete
Contact: Ian Gourlay

Members: Councillors: S Taylor (Chair), Mrs J Lloyd (Vice-Chair), L Briscoe, R Broom, J Gardner, R Henry, J Hollywell and J Thomas

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AGENDA

PART 1

1. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

2. MINUTES - 10 JULY 2019

To approve as a correct record the Minutes of the meeting of the Executive held on 10 July 2019 for signature by the Chair.

Page Nos. 5 - 14

3. MINUTES OF THE OVERVIEW & SCRUTINY COMMITTEE AND SELECT COMMITTEES

To note the following Minutes of the Overview & Scrutiny Committee and Select Committees –

Environment & Economy Select Committee – 25 June 2019
Community Select Committee – 3 July 2019
Overview & Scrutiny Committee – 15 July 2019
Environment & Economy Select Committee – 29 July 2019

Page Nos. 15 - 32

4. CORPORATE PERFORMANCE 2019/20 - QUARTER ONE

To highlight the Council's performance across key priorities and themes for quarter one 2019/20.

Page Nos. 33 - 68

5. MEDIUM TERM FINANCIAL STRATEGY UPDATE - GENERAL FUND 2019/20 - 2023/24

To update Members on any changes to the Strategy approved by Members in September 2018, to advise Members on the current and future position of the Council's General Fund budget over the next five years and to update Financial Security targets for the period 2020/21 – 2022/23.

Page Nos. 69 - 104

6. 1ST QUARTER REVENUE MONITORING 2019/20 - GENERAL FUND AND HOUSING REVENUE ACCOUNT

To update Members on the General Fund and Housing Revenue Account (HRA) projected 2019/20 net expenditure and seek approval to amend the General Fund and HRA budgets as part of the quarterly review of revenue budgets.

Page Nos. 105 - 116

7. 1ST QUARTER CAPITAL MONITORING 2019/20 - GENERAL FUND AND HOUSING REVENUE ACCOUNT

To provide Members with an update on the Council's 2019/20 capital programme and to seek approval for the revisions to the General Fund and Housing Revenue Account capital programme.

Page Nos. 117 - 138

8. ANNUAL TREASURY MANAGEMENT STRATEGY REVIEW OF 2018/19

To review the operation of the 2018/19 Treasury Management and Investment Strategy.

Page Nos. 139 - 162

9. URGENT PART I BUSINESS

To consider any Part I business accepted by the Chair as urgent.

10. EXCLUSION OF PRESS AND PUBLIC

To consider the following motions –

1. That under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as described in paragraphs1 – 7 of Part 1 of Schedule 12A of the Act as amended by Local Government (Access to Information) (Variation) Order 2006.

2. That Members consider the reasons for the following reports being in Part II and determine whether or not maintaining the exemption from disclosure of

the information contained therein outweighs the public interest in disclosure.

11. WEST OF STEVENAGE SITE - ACCESS

To updated and advise Members on the status of negotiations in relation to access to the West of Stevenage housing site.

12. URGENT PART II BUSINESS

To consider any Part II business accepted by the Chair as urgent .

NOTE: Links to Part 1 Background Documents are shown on the last page of the individual report, where this is not the case they may be viewed by using the following link to agendas for Executive meetings and then opening the agenda for Wednesday, 11 September 2019 –
http://www.stevenage.gov.uk/have-your-say/council-meetings/161153/

Agenda Published 3 September 2019

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STEVENAGE BOROUGH COUNCIL

EXECUTIVE
MINUTES

Date: Wednesday, 10 July 2019
Time: 2.00pm
Place: Shimkent Room, Daneshill House, Danestrete

Present: Councillors: Sharon Taylor OBE CC (Chair), Mrs Joan Lloyd (Vice-Chair), Lloyd Briscoe, Rob Broom, John Gardner, Richard Henry, Jackie Hollywell and Jeannette Thomas.

Start / End Time: Start Time: 2.00pm
End Time: 3.56pm

1 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

There were no apologies for absence.

Councillor Jeanette Thomas declared a personal interest in Item 4 - 4th Quarter Capital Monitoring Report 2018/19: General Fund and Housing Revenue Account, in relation to the debate regarding The Oval Community Centre Boiler, in view of her role as the Chair of The Oval Community Association.

2 MINUTES - 12 JUNE 2019

It was **RESOLVED** that the Minutes of the Executive held on 12 June 2019 be approved as a correct record for signature by the Chair.

3 MINUTES OF THE OVERVIEW & SCRUTINY COMMITTEE AND SELECT COMMITTEES

It was noted that a Portfolio Holder Advisory Group Meeting had been arranged to consider the Homelessness & Rough Sleeper Strategy and Housing Older Persons Strategy.

The Interim Strategic Director advised that clarification regarding the number of rough sleepers in the Town had been provided to both Executive and Overview & Scrutiny Committee Members.

It was **RESOLVED** that the Minutes of the following meetings of the Overview & Scrutiny Committee and Select Committees be noted –

Community Select Committee – 4 June 2019
Overview & Scrutiny Committee – 19 June 2019

4 **4TH QUARTER REVENUE MONITORING REPORT 2018/19 - GENERAL FUND AND HOUSING REVENUE ACCOUNT**

The Executive endorsed the Leader's concerns regarding the delay to completion of the Council's 2018/19 due to the capacity/resourcing issues experienced by the External Auditor, especially in the light of the close down of accounts deadline being brought forward to 31 July 2019. Members noted that the Assistant Director (Finance & Estates) had raised these concerns with Public Sector Audit Appointments (PSAA), and asked her to bring the PSAA's response to the Executive when received.

The Portfolio Holder for Resources presented the report and advised that the General Fund net expenditure was £127,000 underspent for 2018/19 (£719,000 services underspends, of which £592,000 was requested for carry forward to 2019/20). Following a contribution from balances of £671,000 the General Fund balance at year-end was £4.8Million.

The Portfolio Holder for Resources stated that the 2018/19 Housing Revenue Account net deficit was £282,000 less than the budget, and £36,000 had been identified and requested for carry forward. The HRA balance at year-end was £21.3Million. Total HRA balances were £42.3Million, including capital reserves of £10Million restricted use 1-4-1 receipts and £11Million restricted to capital investment in the housing stock and repayment of debt.

In response to questions, the Assistant Director (Finance & Estates) advised:

- Paragraph 4.2.7 – Investment Property income – Officers were actively pursuing the acquisition of 2 office blocks in the town that had been recently marketed. Counsel's opinion was to be sought on the feasibility of the Council acquiring investment property located outside of the Borough;
- Paragraph 4.5.3 – The one year only additional income from Commercial Property rent reviews saving of £26,790 related to the payment of backdated rent following the completion of a rent review.

It was **RESOLVED**:

General Fund

1. That the 2018/19 actual net expenditure on the General Fund of £9,263,688 be noted, subject to the 2018/19 audit of the Statement of Accounts.

2. That new carry forward requests totalling £591,770 be approved for the General Fund (Paragraph 4.3.1 of the report).

3. That the ongoing pressure from 2019/20 of £15,800 on the General Fund be approved.

4. That the 2019/20 one year only saving of £26,790 on the General Fund be approved.

Housing Revenue Account

1. That the 2018/19 actual in year deficit on the HRA of £2,812,606 be noted, subject to the 2018/19 audit of the Statement of Accounts.

2. That new carry forward requests totalling £35,740 be approved for the HRA (Paragraph 4.7.7 of the report).

3. That the ongoing saving of £30,730 on the HRA be approved, this will contribute towards the Council's Financial Security objectives for 2019/20.

Reason for Decision: As contained in report.
Other Options considered: As contained in report.

5 4TH QUARTER CAPITAL MONITORING REPORT 2018/19 - GENERAL FUND AND HOUSING REVENUE ACCOUNT

The Portfolio Holder for Resources presented the report and confirmed that General Fund capital expenditure for 2018/19 was £8.057Million, which was £3,557Million lower than that estimated in the Third Quarter Monitoring report, largely due to a land assembly purchase (£2.8Million) due to be completed in March 2019 and now scheduled for the summer of 2019. The 2019/20 General Fund capital programme had been updated and was now forecast to be £34.299Million.

The Executive noted that the HRA capital expenditure for 2018/19 was £22.366Million, some £251,000 lower that that estimated in the Third Quarter Monitoring report. The 2019/20 HRA capital programme had been updated and was now forecast to be £33.725Million.

In response to a question, the Assistant Director (Finance & Estates) confirmed that the recommended figure of £591,000 for a budget for Registered Provider grants related to one specific scheme. The Executive supported the Leader's revision to this recommendation to increase this figure to £1.5million, in order to provide greater flexibility.

The Interim Chief Executive agreed to update Members on the land assembly issues relating to the slippage on regeneration schemes during 2018/19.

The Interim Strategic Director advised that the contract for the provision of Sprinkler systems had experienced difficulties was being re-procured. He undertook to provide Members with an indicative timeframe for the contract.

In relation to Paragraph 4.3.7 of the report – Boiler Update, Members reported that the boilers at the Oval Community Centre and St. Nicholas Community Centre were still experiencing problems. Officer undertook to check on the current status of all the boilers listed in the report and advise Executive Members and relevant Ward Members of the expected timescales for rectification of any outstanding problems.

In respect of Paragraph 4.4.4 of the report – New build and acquisitions programme, officers were requested to ensure that the branding signage for the Ditchmore Lane development clearly stated that the site was being developed by Stevenage Borough Council.

It was **RESOLVED**:

1. That the 2018/19 General Fund capital expenditure outturn of £8,057,387 be noted (subject to the completion of the 2018/19 external audit of accounts).

2. That the 2018/19 HRA capital expenditure outturn of £22,365,948 be noted (subject to the completion of the 2018/19 external audit of accounts).

3. That the funding applied to the 2018/19 General Fund capital programme be approved, as summarised in Paragraph 4.2.4. of the report.

4. That the funding applied to the 2018/19 HRA capital programme be approved as summarised in Paragraph 4.5.1. of the report.

5. That the 2019/20 General Fund capital programme net changes of £934,040 reduction be approved comprising of £3,252,450 slippage from 2018/19 (as detailed in Paragraph 4.3.8 of the report), £4,905,630 re-profiled into 2020/21, £60,610 minor budget changes reduction and £779,750 funding for additional expenditure (as detailed in Appendix A to the report).

6. That the 2019/20 HRA capital programme net changes of £15,084,628 comprising £736,700 slippage from 2018/19 and £15,821,328 re-profiled into 2020/21 be approved, as summarised in Paragraph 4.6.1 and detailed in Appendix B to this report.

7. That the urgent schemes requiring funding detailed in Paragraph 4.3.3 of the report be approved.

8. That Executive recommend to Council the approval of a budget of £1.5million for Registered Provider grants, in line with the reasoning in Paragraph 4.3.4. of the report.

Reason for Decision: As contained in report.
Other Options considered: As contained in report.

6 GAMBLING ACT 2005 - REVIEW OF STATEMENT OF PRINCIPLES

The Portfolio Holder for Communities, Community Safety and Equalities presented the report and advised that a number of additions and amendments to the existing Statement of Gambling Principles were consulted upon, to reflect the update in Guidance published by the Gambling Commission. The proposed revised Statement required new Gambling operators to prepare local premises risk assessments, and the Council would be producing a local area profile to act as a guide which operators could use when undertaking and preparing such risk assessments.

The Senior Environmental Health & Licensing Manager advised that the date of the General Purposes Committee meeting set out in the report should be 5 (not 6) June 2019. He informed the Executive of the number of gambling premises in Stevenage, and commented that gambling-related complaints were at a low level in the town.

Members noted that the Licensing Team had participated in National Licensing week in June 2019. A number of premises were visited, all of which were compliant with the rules and regulations related to gambling operators. A number of premises had installed IT systems, enabling frequent gamblers to self-exclude from gambling should they so wished.

The Executive agreed that the issues raised by the General Purposes Committee should be picked up by the Executive Member for Communities, Community Safety & Equalities and fed back to that Committee, namely:

- whether or not it would be permissible to require existing Gambling Premises Licence Holders to submit Risk assessments to the Council otherwise than in connection with a new application; and
- the powers available to the Council in the future (either as Landowner, Licensing Authority or Planning Authority) to place restrictions on the quantity of betting premises in the Borough.

It was **RESOLVED**:

1. That the proposed Stevenage Borough Council Gambling Act Statement of Principles 2019-2022 (attached at Appendix A to the report) be noted and agreed.

2. That the Stevenage Borough Council Gambling Act Statement of Principles 2019-2022 be recommended to the Council for adoption.

Reason for Decision: As contained in report.
Other Options considered: As contained in report.

7 COMMUNITY INFRASTRUCTURE LEVY (CIL)

The Portfolio Holder for Environment and Regeneration presented the report and referred to the consultation exercises carried out in the CIL Preliminary Draft Charging Schedule between September and October 2018 and the Draft Charging Schedule between April and May 2019, details of which were set out in the report. The next stage in the process was to submit the Draft Charging Schedule for independent examination, which would consider the evidence base and consultation responses, as well as the proposed CIL charging rates.

The Portfolio Holder for Environment and Regeneration reminded Members that Section 106 monies would still be used for site specific mitigation, particularly for the larger schemes i.e. where a whole school was required as part of a specific development (e.g. North Stevenage and West of Stevenage) or where road/cycleway improvements were required within or in close proximity to the development. Section 106 would only be allowed for infrastructure that was directly related to the scheme and was required in order for the development to be acceptable.

The Assistant Director referred to Paragraph 5.12 of the report, relating to funding for the creation of a proposed CIL Officer to manage and administer the CIL process, the cost of which would be refunded from CIL receipts when received. On this basis, the Executive supported an additional recommendation regarding the creation of this post and a supplementary estimate of £15,000 (in 2019/20) and £21,000 (in 2020/21-2021/22) to fund it.

It was **RESOLVED**:

1. That the outcomes of the Preliminary Draft Charging Schedule (PDCS) consultation be noted (responses summary attached as Appendix A to the report).

2. That the outcomes of the Draft Charging Schedule (DCS) consultation be noted (responses summary attached as Appendix B to the report).

3. That officers put together options relating to the governance of spending CIL monies, in consultation with the Portfolio Holder for Environment and Regeneration and Planning and Development Committee, and bring a recommendation to Executive within the next report on CIL.

4. That the Draft Charging Schedule (attached as Appendix C to the report) be submitted for independent examination.

5. That a supplementary estimate is approved for £15,000 (in 2019/20) and £21,000 (in 2020/21-2021/22) for a CIL Officer, which will be refunded from CIL receipts when received.

Reason for Decision: As contained in report; and 5. To manage and administer the CIL process
Other Options considered: As contained in report.

8 2018/19 ANNUAL REPORT AND PERFORMANCE OVERVIEW

The Interim Chief Executive introduced the report with the assistance of a slide presentation. In terms of Corporate Performance for 2018/19, he advised that, at Quarter 4, 44 performance measures were at Green status, 3 at Amber, 5 at Red and 3 with statistics not available.

The Interim Chief Executive commented that the areas of Improvement focus for the fourth quarter concerned Health and Safety Compliance of Assets; Customer Service Centre; Major Voids Works; and Sickness absence. Performance against these measures had already improved during Quarter 1 of 2019/20, and it was anticipated that Sickness absence rate would lessen following the imminent appointment of First Care. The 3 performance measures with statistics not available related to community safety indicators monitored by the Police. However, it was hoped that the Police “Athena” system would be improved to allow for the monitoring of these indicators going forward.

The Executive supported the style and content of the Annual Report set out at Appendix 2 to the report.

It was **RESOLVED**:

1. That the progress on the delivery of the Future Town Future Council (FTFC) programme, together with the overall performance and achievements of the Council during 2018/19, be noted.

2. That the content of the Council's draft Annual Report 2018/19, attached at Appendix 2 to the report, be agreed.

3. That delegated authority be given to the Interim Strategic Director (Communities), following consultation with the Leader, to approve any final changes to the Annual Report prior to its publication.

4. That the suite of 2019/20 performance measures set out at Appendices 3a and 3b to the report be noted.

5. That improvement activity in the Customer Service Centre is noted and future plans to improve performance during 2019/20 are endorsed (outlined in Paragraphs 3.121 to 3.123 of the report).

6. That the steps that were carried out during 2018/19 to improve management of sickness absence across the Council are built upon for 2019/20 (outlined in Paragraphs 3.124 to 3.128 of the report).

7. That improvements to ensure the Council's Health and Safety compliance tasks are completed and certified on time are noted, with the view that this is continued throughout 2019/20 with the new contractor (outlined in Paragraphs 3.82 to 3.84 of the report).

8. That it be noted that improvements to the Housing Repairs service have been implemented and further works to enhance this function are in progress (outlined in Paragraphs 3.98 to 3.101 of the report).

Reason for Decision: As contained in report.
Other Options considered: As contained in report.

9 PROCUREMENT OF A PRINCIPAL CONTRACTOR AT SYMONDS GREEN

The Portfolio Holder for Housing, Health and Older People presented the report which outlined the progress in the construction of 29 apartments that would be made available for Council ownership and made available at social rents for the affordable housing scheme on the site of the former Symonds Green Annex.

The Housing Development Officer stated that the report sought delegated authority for the Deputy Chief Executive to award a contract following a successful procurement exercise, after consultation with the Portfolio Holder for Housing, Health and Older People. This would enable an early start on site that would help to deliver the scheme quickly, but also utilise more 1 for 1 funds that were available to the Council on a time limited basis.

It was agreed that further consideration be given to the idea of a bid relating to Community Co-operative funding in respect of the long term management of the development should be given by the Housing Development & Regeneration Executive Committee.

It was further agreed that a Member Group should be convened to provide guidance to the approved developer on the street name of the development.

It was **RESOLVED**:

1. That the Symonds Green scheme concept objectives, as developed by the Council's Housing Development team in consultation with the Executive Housing Development Committee throughout 2018/19, be noted

2. That the Deputy Chief Executive be given delegated authority to award and finalise the terms of the contract with the winning bidder, after an officer panel has concluded an evaluation of tenders received and having consulted the Portfolio Holder for Housing, Health and Older People.

Reason for Decision: As contained in report.
Other options considered: As contained in report.

10 URGENT PART I BUSINESS

None.

11 EXCLUSION OF PRESS AND PUBLIC

It was **RESOLVED:**

1. That, under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as described in Paragraphs 1 to 7 of Schedule 12A of the Act, as amended by SI 2006 No. 88.

2. That, having considered the reasons for the following items being in Part II, it be determined that maintaining the exemption from disclosure of the information contained therein outweighed the public interest in disclosure.

12 PART II MINUTES - EXECUTIVE - 12 JUNE 2019

It was **RESOLVED** that the Part II Minutes of the meeting of the Executive held on 12 June 2019 be approved as a correct record for signature by the Chair.

13 PROCUREMENT OF A PRINCIPAL CONTRACTOR AT NORTH ROAD

The Executive considered a report in respect of the procurement of a principal contractor for the housing scheme at North Road.

The Housing Development Officer answered a number of Members' questions regarding the report.

It was **RESOLVED** that recommendations contained in the report be approved.

Reason for Decision: As contained in report.
Other Options considered: As contained in report.

14 PROCUREMENT APPROACH TO THE REGENERATION SCHEME AT KENILWORTH CLOSE

The Executive considered a report in respect of the procurement approach with regard to the proposed regeneration scheme at Kenilworth Close.

The Housing Development Officer answered a number of Members' questions regarding the report.

It was **RESOLVED** that recommendations contained in the report, including an addition to recommendation 2.5, be approved.

Reason for Decision: As contained in report.
Other Options considered: As contained in report.

15 URGENT PART II BUSINESS

None.

CHAIR

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STEVENAGE BOROUGH COUNCIL

ENVIRONMENT & ECONOMY SELECT COMMITTEE
MINUTES

Date: Tuesday, 25 June 2019
Time: 6.00pm
Place: Shimkent Room, Daneshill House, Danestrete

Present:	Councillors: Michael Downing (Chair), Adam Mitchell CC (Vice-Chair), Doug Bainbridge, Sandra Barr, Stephen Booth, Adrian Brown, Jim Brown, Teresa Callaghan, David Cullen and Loraine Rossati.
Start / End Time:	Start Time: 6.00pm End Time: 7.04pm

1 **APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST**

Apologies for absence were received from Councillor Jody Hanafin.

There were no declarations of interest.

2 **MINUTES - 28 FEBRUARY 2019**

It was **RESOLVED** that the Minutes of the Environment & Economy Select Committee meeting held on 28 February 2019 be approved as a correct record and signed by the Chair.

3 **MINUTES - 13 MARCH 2019**

It was **RESOLVED** that the Minutes of the Environment & Economy Select Committee meeting held on 13 March 2019 be approved as a correct record and signed by the Chair.

4 **TERMS OF REFERENCE**

It was **RESOLVED** that the Terms of Reference for the Select Committee, as agreed at the Annual Council meeting on 22 May 2019, be noted.

5 **WORK PROGRAMME 2019/20**

The Select Committee considered its draft Work Programme for 2019/20.

The following observations were made in respect of the Work Programme:

- Fairlands Valley Park – the review would be linked to the Parks and Open Spaces Strategy and would tie in with a broader review of Sports and Leisure opportunities in the town being conducted by the Community Select Committee. There was therefore the possibility for a joint meeting of both Select Committees later in the review process. Members' requested that the review include an assessment of the Park's green links to other areas of the town;

- Rail Timetable and 5th Platform Update for Stevenage Rail Station – the Chair announced that the Select Committee meeting to consider this matter would take place on 29 July 2019, at which Govia Thameslink and Network Rail representatives would provide this update. Officers were tasked with investigating the position with regard to the lift at the Station, which appeared to be non-operational for significant periods of time;
- Emerging Transport Strategy – the finalised Strategy was currently out for consultation, was scheduled to be considered by the Executive in October 2019, and had been subject to a Portfolio Holder Advisory Group meeting involving Members of the Committee in late 2018. The Select Committee requested that it received a copy of the consultation findings when available in September 2019, prior to its submission to the Executive and noted that the Strategy would receive review by the Overview and Scrutiny Committee. Officers were requested to clarify in the Strategy the position with regard to bus services operating along Gunnelswood Road It was agreed that a copy of the consultation response be circulated to Members when it was available;
- Climate Change Strategy – the Strategy would be produced and considered by a People's Assembly before being submitted to the Executive towards the end of 2019. The Select Committee requested that it considered the Strategy prior to its submission to the Executive. Going forward, it was suggested that, during 2020/21, Executive Members should be invited to attend Select Committee meetings to answer a series of questions regarding the action taken to expedite the Strategy in their respective portfolio areas;
- Update on Maintenance of Trees, Hedges and Shrub Beds Review – the Select Committee would receive the original review report, the Executive Member response, and an update against each of the actions;
- Update on 2016 Business Technology Centre (BTC) Review – the contract had been retained by WENTA following a tendering exercise. Again, the Select Committee would receive the original review report, the Executive Member response, and an update against each of the actions. The possibility of a site visit to the BTC and/or holding the Select Committee meeting at the venue was also suggested; and
- Policy Development Items (Design Guide Supplementary Planning Guidance; Parking Supplementary Planning Guidance; Review of Bring Bank Recycling Sites; Economic Development Strategy; Town Centre Parking Strategy) – these items would remain on the Work Programme, but for the various reasons outlined to Members, the Strategic Director was unable to provide firm indications as to when they would be ready for consideration by the Select Committee.

It was **RESOLVED** that the Select Committee's Work Programme for 2019/20 be updated, as outlined above.

6 LOCAL NEIGHBOURHOOD CENTRES REVIEW - SCOPING DOCUMENT

The Select Committee considered a draft scoping document for the review of the Local Neighbourhood Centres.

The following comments were made by Members in respect of the draft scoping document:

- The review should focus on issues surrounding the types of retail units, environmental maintenance, employment units, transport and parking;
- The Scrutiny Officer was requested to provide a summary document for the review, including a broad description/definition of a Neighbourhood Centre, a list of the Neighbourhood Centres in Stevenage, the number of units in each, and a description of the physical assets;
- The review should consider 3 Neighbourhood Centres of varying size and success. Suggestions included The Oval and Oaks Cross;
- The preponderance of ATM Cash Machines in Neighbourhood Centres which levied a usage charge was also mentioned, and it was agreed that this issue also be investigated as part of the review; and
- In broad terms, the review would consider the environmental/maintenance and the services on offer in the Neighbourhood Centres.

It was **RESOLVED** that the scoping document for the Local Neighbourhood Centres Review, as amended, be agreed.

7 REVIEW OF LOCAL POST OFFICE SERVICES IN STEVENAGE - SCOPING DOCUMENT

The Select Committee considered a draft scoping document for the review of Post Office Services in Stevenage.

The Chair commented that the Town Centre and Neighbourhood Post Offices with retail outlets appeared to operate on different business models, some with dedicated counters and others sharing the tills used by retail shoppers.

The Scrutiny Officer advised that two witnesses had agreed to provide evidence as part of the review, namely Mr Peter Hall (National Federation of Sub Post Offices) and Mr Chris Newbitt (Manager of Symonds Green Co-op Sub Post Office). No response had been received from the Town Centre Post Office in W H Smith. The Scrutiny Officer was asked to make contact with the Post Office operator in Waitrose in the High Street, with a view to involving them in the review; and to explore the generic Web-based services offered by the Post Office.

As with the Local Neighbourhood Centres review, the Scrutiny Officer was requested to provide a summary document for the review, including Post Office locations in the town, types of services offered, and possible comparisons with services provided in other New Towns.

The Select Committee felt that the summary document suggestion was a good idea, and hence the Scrutiny Officer was asked to prepare such documents for all future reviews.

It was **RESOLVED** that the scoping document for the review of Post Office Services in Stevenage, as amended, be agreed.

8 **URGENT PART 1 BUSINESS**

None.

9 **EXCLUSION OF PUBLIC AND PRESS**

Not required.

10 **URGENT PART II BUSINESS**

None.

CHAIR

STEVENAGE BOROUGH COUNCIL

COMMUNITY SELECT COMMITTEE
MINUTES

Date: Wednesday, 3 July 2019
Time: 6.00pm
Place: Shimkent Room - Daneshill House, Danestrete

Present:	Councillors: Sarah Mead (Chair), Margaret Notley (Vice Chair), Stephen Booth, Adrian Brown, Teresa Callaghan, Alex Farquharson, John Mead, Claire Parris and Loraine Rossati
In Attendance:	Ryan Ansell (Community Sports and Leisure Development Officer) and Rob Gregory (Assistant Director - Communities & Neighbourhoods)
Start / End Time:	Start Time: 6.00pm End Time: 7.35pm

1 **APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST**

Apologies for absence were received on behalf of Cllr L Harrington.

There were no declarations of interest.

2 **MINUTES - 4 JUNE 2019**

It was **RESOLVED** that Minutes of the Community Select Committee meeting held on 4 June 2019 are approved as a correct record for signature by the Chair.

3 **SPORTS AND LEISURE ACROSS THE TOWN**

The Community Sports and Leisure Development Officer introduced his presentation and informed the Committee that Stevenage Leisure Limited (SLL) managed a number of sports centres in Stevenage on behalf of the Council. The presentation covered the following:

- Leisure Providers
- Community Sports Network
- Sports Clubs
- Outdoor Facilities/Activities
- Leisure 50
- School Sports
- Projects & Events

The Committee raised the following issues:

- There was scope to increase the offer at Fairlands Valley Centre to include a themed area for children and adult parties and treetop, nets and zip wire activities

- Information on activities, available times and costs should be available at the site of the boat house
- The sailing centre operators should liaise with the SBC communications team regarding adding to the Council website course costs, boat hire costs and arrangements and more sailing centre publicity material (including videos)
- The Council should launch a campaign to raise the profile of activities at the Sailing Centre and to address the misconception that sailing was an elitist activity
- Providing links to private sports and leisure operators via the Council website
- The tennis courts at the King George V Playing Fields were in a state of disrepair
- There was good attendance at the Park run events

The Assistant Director (Communities & Neighbourhoods) informed Members that the family changing village was now the industry standard for changing rooms. Members were advised that site managers would be available to answer questions during planned site visits to Stevenage sports and leisure facilities. An innovation group involving SBC and SLL had been set up to explore ways of boosting attendance at sports and leisure facilities in Stevenage. The Assistant Director (Communities & Neighbourhoods) acknowledged that a pay and play arrangement would be less restrictive and less costly than the sailing courses currently on offer at the Fairlands Valley Park and Sailing Centre. No adverse reports had been received following a series of water quality tests at the main lake at Fairlands Valley in the last two years. Members were informed that new sports and leisure providers would be operating in Stevenage as part of the regeneration programme.

The Community Sports and Leisure Development Officer responded to Members' questions. It was stated that there was one set of the specialist equipment (Anti-Gravity Treadmill and Functional electrical stimulation Bike) available to all SLL exercise referral members to help with a range of medical conditions including Multiple Sclerosis, Parkinson's and stroke rehabilitation. Members were informed that the family changing village was an open changing area with individual cubicles. This eliminated the requirement to lock down large areas for cleaning or maintenance. It was confirmed that schools and evening clubs used facilities at the swimming centre. The Community Sports and Leisure Development Officer stated that the mobile vertical 6 metre climbing wall was available for use at Fairlands Valley Park and Sailing Centre, King George V Playing Fields (Stevenage Day) and other events around the town. User numbers for the climbing wall were below expectations. It was noted that Marriotts Sports Centre had an open membership scheme. Marriotts Sports Centre was funded primarily via its operations as a community interest company. In general, there was good coverage of junior football activities in Stevenage. The Council did not monitor the usage of green gyms. However, this would change if the Council acquired the latest green gym models that could be linked to mobile phone applications. The Committee was informed that Stevenage Sporting Futures (school sports) programme was funded by Stevenage Borough Council and other external partners. Members were notified that parents were invited to final week events of the Go 2 Project. The Community Sports and Leisure Development Officer highlighted other project and events including Hertfordshire Year of Physical Activity (2018), Stevenage Cycling Festival, Stevenage Walking Festival, Sport in the Park, Herts Big Hit Project and Satellite

Clubs. Attendance statistics and user feedback had been used to review the Hertfordshire Year of Physical Activity (2018). It was confirmed that there was a bike hire and maintenance service at the Cycle Hub. Members were informed that the Council operated a number play centres that provided free, adult supervised, open access play opportunities for children aged between 5 and 14 years. There were also a number of private summer camp operators that catered for a wider age range. Stevenage Football Club Academy recruited young people for under-9 to under-18 teams via a range of methods including scouting, trials and holiday clubs. The Academy offered programmes such as football coaching for women and young girls. It was reported that there was a mix of private and Council-owned tennis facilities in Stevenage.

The Committee commended the Community Sports and Leisure Development Officer (a former SBC apprentice) for the informative presentation.

With regard to the sports and leisure review, the Chair advised Members to seek relevant case studies from residents. Some Members stated that due to work commitments, they were available for site visits after 1800hrs during work days. At least one Member expressed an interest in conducting site visits on Saturdays. One Member indicated that she was not available for site visits between 17 August and 31 August 2019.

It was **RESOLVED:**

1. That the update be noted

2. That the revised Provision of Sports & Leisure Opportunities Scoping Document be adopted

3. That the references to “Theresa Callaghan” and “Lou Rossati” in the scoping document be amended to “Teresa Callaghan” and “Loraine Rossati” respectively

4. That the Assistant Director (Communities & Neighbourhoods) facilitates the Committee’s visits to sports and leisure facilities in Stevenage

5. That the Assistant Director (Communities & Neighbourhoods) liaises with Stevenage Leisure Limited regarding the provision of attendance statistics, membership figures, demographic breakdown of sports and leisure facility users

6. That the Scrutiny Officer provides a provisional timetable for visits to Stevenage sports and leisure facilities

7. That the Scrutiny Officer provides a sports and leisure questionnaire template for use by Members at their surgeries

4 **URGENT PART 1 BUSINESS**

None.

5 **EXCLUSION OF PUBLIC AND PRESS**

Not required.

6 **URGENT PART II BUSINESS**

None.

CHAIR

STEVENAGE BOROUGH COUNCIL

OVERVIEW AND SCRUTINY COMMITTEE
MINUTES

Date: Monday, 15 July 2019
Time: 6.00pm
Place: Shimkent Room, Daneshill House, Danestrete

Present:	Councillors: Lin Martin-Haugh (Chair), Philip Bibby CC (Vice-Chair), Sandra Barr, Jim Brown, Laurie Chester, Michelle Gardner, Andy McGuinness, Adam Mitchell CC, Robin Parker CC and Claire Parris.
Start / End Time:	Start Time: 6.00pm End Time: 7.40pm

1. **APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST**

Apologies for absence were received from Councillors M Downing, S-J McDonough, J Mead and S Mead.

There were no declarations of interest

2. **MINUTES - 19 JUNE 2019**

It was **RESOLVED** that Minutes of the meeting of the Committee held on 19 June 2019 are approved as a correct record for signature by the Chair.

3. **PART I DECISIONS OF THE EXECUTIVE**

The Committee considered the decisions on the following matters arising from the Executive held on 10 July 2019.

Minutes of the Executive – 12 June 2019

Minutes of the Overview & Scrutiny and Select Committees

4th Quarter Revenue Monitoring Report 2018/19 – General Fund and Housing Revenue Account

In response to a Member's question the Assistant Director (Finance & Estates) outlined the policy for purchasing commercial properties. There were different rules for local authorities to pension funds particularly relating to properties outside the geographic area of the individual Council. Additionally the potential risks had to be considered.

Members expressed concern regarding delays on the part of the External Auditor to complete the work on the Statement of Accounts. The Assistant Director (Finance &

Estates) explained that whilst there was no risk for SBC this would cause some problems and she anticipated that discussion would be necessary to renegotiate the fee.

4th Quarter Capital Monitoring Report 2018/2019 – General Fund and Housing Revenue Account

Richard Protheroe, the Interim Strategic Director, explained why it had been necessary to re-run the procurement process for the sprinkler systems as there had been a problem with the Procurement Framework whereby a bid had been received from a company that was not allowed to be included. He stated that unfortunately this would delay the work for 2 to 3 months.

The Interim Strategic Director updated the progress on the boiler works for a number of Community Centres. Members were of the view that the Council should not sign off on the works until the Community Centre Managers had confirmed that the boilers were working as they should.

In response to Members' questions the Assistant Director (Finance & Estates) explained the Council benefited from providing grants to Registered Social Landlords as in return nomination rights were given for the individual schemes.

Gambling Act 2005 – Review of Statement of Principles

The Committee concurred with the issues raised by the General Purposes Committee and the Executive regarding the submission of risk assessments and identifying what powers the Council had to limit the number of betting premises in the Borough.

Community Infrastructure Levy (CIL)

The Planning Policy Manager answered a number of Members' questions on CIL and S.106 funding in relation to the Council and HCC.

She stated that the proposed post of CIL Officer would be funded by 5% of CIL monies local authorities are allowed to keep to administer CIL.

Regarding the level of the CIL rates, the Committee was informed that a number of developers had argued that the rates were too high, whereas both HCC and NHDC had questioned whether they were too low. The next stage in the process was to submit the Charging Schedule for independent examination when the evidence base and the consultation responses were to be considered and the proposed CIL rates examined.

A Member queried the use by HCC of S.106 monies for the provision of Schools as he understood that local authorities could no longer build schools. The Assistant Director (Finance & Estates) undertook to clarify what the process was.

2018/19 Annual Report and Performance Overview

Procurement of a Principal Contractor at Symonds Green

It was **RESOLVED** that the Part I decisions of the Executive are noted.

4. **URGENT PART I DECISIONS AUTHORISED BY THE CHAIR OF THE OVERVIEW AND SCRUTINY COMMITTEE**

None

5. **URGENT PART I BUSINESS**

None

6. **EXCLUSION OF PRESS AND PUBLIC**

It was **RESOLVED:**

1. That, under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as described in Paragraphs 1 to 7 of Schedule 12A of the Act, as amended by SI 2006 No. 88.

2. That, having considered the reasons for the following items being in Part II, it be determined that maintaining the exemption from disclosure of the information contained therein outweighed the public interest in disclosure.

7. **PART II MINUTES - 19 JUNE 2019 - OVERVIEW & SCRUTINY COMMITTEE**

It was **RESOLVED** that Part II section of the minutes of the meeting of the Committee held on 19 June 2019 are approved as a correct record for signature by the Chair.

8. **PART II DECISIONS OF THE EXECUTIVE**

The Committee considered the Part II decisions on the following matters arising from the Executive held on 10 July 2019.

Part II Minutes – Executive – 12 June 2019

Procurement of a Principal Contractor at North Road

Procurement approach to the Regeneration Scheme at Kenilworth Close

It was **RESOLVED** that the Part II decisions of the Executive are noted.

9. **URGENT PART II BUSINESS**

None.

CHAIR

STEVENAGE BOROUGH COUNCIL

ENVIRONMENT & ECONOMY SELECT COMMITTEE
MINUTES

Date: Monday, 29 July 2019
Time: 6.00pm
Place: Autun Room, Daneshill House, Danestrete

Present:	Councillors: Michael Downing (Chair), Adam Mitchell CC (Vice-Chair) , Doug Bainbridge, Adrian Brown, Teresa Callaghan, Jody Hanafin and Loraine Rossati.
Also Present:	Councillor Lloyd Briscoe (Portfolio Holder for Economy, Enterprise & Transport) Mr Phil Daniels (Turnback Project Manager, Network Rail) Mr Paul Codd (Stakeholder Manager, Govia Thameslink Railway) Mr Trevor Mason (Principal Engineer – Transport & Policy, Hertfordshire County Council)
Start / End Time:	Start Time: 6.00pm End Time: 6.57pm

1 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were received from Councillors Stephen Booth and Jim Brown.

There were no declarations of interest.

2 MINUTES - 25 JUNE 2019

It was **RESOLVED** that the Minutes of the meeting of the Environment & Economy Select Committee meeting held on 25 June 2019 be approved as a correct record and signed by the Chair.

The Chair drew Members' attention to the provisional date of 3 September 2019 for the Select Committee's next meeting, at which it was hoped that consideration would be given to the provision of Post Office services in the Borough. He asked Members to pencil in this date in their diaries/calendars.

3 STEVENAGE RAIL STATION UPDATE

The Network Rail (NR) and Govia Thameslink Railway (GTR) representatives gave presentations which provided updates on the Stevenage Turnback (5^{th} Platform) project, the Govia Thameslink Spring 2019 timetable and the wider works along the East Coast Main Line (ECML) in support of the King's Cross remodelling project.

The Network Rail (NR) representative advised that the Stevenage Turnback (5th Platform) project would provide a new bi-directional running line (2km) running parallel with the existing ECML into the new platform where services would terminate, also enabling passengers to interchange. Major works were planned as part of the upcoming engineering work on the ECML in August 2019, Christmas 2019 and February 2020. Access to the new platform would be via a new footbridge, with stairs and a lift down to platform level.

The NR representative showed a series of slides regarding the proposed new layout and some photographs of the work that had already been completed on site. He also introduced some design images of the north end of the new Platform 5, looking from various directions.

In terms of the current status and progress of works, the NR representative advised that planning permission had been obtained; there were ongoing land negotiations with the Council and land had been acquired from Legal & General; operational readiness discussions were ongoing with the Department of Transport and Govia Thameslink Railway; re-grading works were ongoing at the south end of the site; sheet piling was underway at north and south ends of the site; overhead line piling and track excavation had been completed in the north and central areas; and the changeover of a telecommunications mast and removal of the old mast had been completed.

In respect of future works, the Committee was informed that overhead line works were planned for the August 2019 Bank Holiday weekend, detailed design for the remaining works was continuing and integration would take place with other projects, such as the King’s Cross Track Improvement scheme.

The Govia Thameslink Railway (GTR) representative referred to the major incidents that had occurred on 25 July 2019 due to the extremely hot weather. Three areas of track lost overhead power cables. One of these, the Midland Main Line just north of St. Pancras, was still to be fully repaired, and had been operating on a reduced service. It was hoped that normal service would resume on 30 July 2019.

The GTR representative stated that, for the period 22 June – 20 July 2019, 73.2% of overall GTR services had been on time (ie. all stations called within 59 seconds of arrival time) and only 4.1% of services had been cancelled. For Stevenage, 72.5% of Thameslink trains had been on time and 5.3% had been cancelled. Between 2010 and 2019 there had been a 38% increase in the number of departures per day; a 92% increase in the number of seats available per day; and a 231% increase in passenger capacity.

In relation to the new 5th Platform, the GTR representative explained that the new 717 class trains were gradually replacing the old 313 class trains. It was hoped that the 717 trains would be fully operational on the Hertford North line by the summer of 2020. Whilst the 5th Platform works were taking place, there were two temporary bus services per hour to Hertford North (130-200 passengers per day) and one service per hour to Watton-at-Stone (30-40 passengers per day). Prior to May 2019, a maximum of 350 passengers used the service per day. As an example, he added that, inclusive of the temporary bus service, a journey from Stevenage to Cuffley would take 56 minutes in peak hours and 42 minutes off peak.

With regard to the East Coast Main Line upgrade, the GTR representative advised that, once completed, this significant investment would enable an additional two long-distance services an hour into and out of London and would improve train service reliability for all operators, including GTR. This would include the remodelling of King's Cross (track not station), the Stevenage Turnback and power supply upgrades. In respect of the King's Cross remodelling, the track infrastructure had life expired. The remodelling would result in six tracks into King's Cross, with signalling control being moved to York. 148 new signals would be created, as would 6km of new track, 31 switches/crossings and 15km of overhead line replacement.

The GTR representative referred to wider ECML upgrades, including seven months of intensive overnight and weekend maintenance from Winter 2019 to Summer 2020 on the Northern City Line, points replacement at Newark, and the Werrington Grade Separation. Disruption on the network would take place at the August Bank Holiday weekend and over Christmas in 2019; a series of weekend closures during 2020; and reduced King's Cross availability during 2021 (50% capacity, whilst the other 50% was being remodelled, with possible greater use of St. Pancras).

In respect of the August 2019 Bank Holiday (24-25 August) weekend, the GTR representative explained that a "Do not travel" message had been promoted. There would be 130 miles of line closures, including service to and from King's Cross/St. Pancras and Moorgate. It was accepted that it was essential for some passengers to travel, and bus services would be provided between 5.00am and 11.00pm on these days, in order to transport passengers to stations on the Bedford to St. Pancras line and Greater Anglia line. These changes would be communicated to passengers through a variety of methods. Feedback from the weekend closure would be evaluated and used in the modelling of similar weekend closures over the coming year.

During the course of the presentations, the following matters were raised:

- The NR representative confirmed that the Stevenage Turnback works were on schedule for completion in time for implementation within the Summer 2020 timetable;
- A Member who was a regular commuter raised the safety issue of Platform 1 at Stevenage Railway Station, which she felt was dangerous due to its narrow width in places, especially during the crowded peak periods and with the additional trains to St. Pancras. The GTR representative undertook to look into this issue;

- The same Member commented that the new carriages contained less seats which meant that passengers joining trains at Stevenage during peak hours invariably had to stand for their journey. The GTR representative explained that there were no plans for either additional trains or more trains to be of 12 carriage length, as the both the number of trains per hour and the size of the fleet were at maximum levels;
- In terms of the service on the Hertford North line once the Stevenage turnback facility had been completed, the GTR representative confirmed that there would be two trains per hour throughout the day;
- The Portfolio Holder for Economy, Enterprise & Transport commented that he had been in discussion with County Councillor Derrick Ashley (HCC Executive Member with responsibility for Public Transport matters), who shared Members' concerns regarding the condition of Stevenage Railway Station. Business leaders also felt that the Station was a very poor gateway to the town. County Councillor Ashley would be pursuing the issue of potential improvements to the Station at a higher level;
- A Member considered that, as well as the look of the Station, there were a number of practical issues that needed addressing, including the improved availability of the toilets and lifts (both of which were frequently closed); the robustness of the entrance/exit gates, which often broke down due to the volume of commuters during busy periods; and the number of empty shop units on the concourse. The Chair commented that responsibility for maintenance of the street lift rested with the Borough Council. The GTR representative appreciated the issues raised and advised that Gregg's would shortly be opening one of those shop units;
- In response to a Member's question regarding the level of digital services on the ECML, the NR representative stated that there were currently no digital signals on the line. The use of digital signals would be piloted between Moorgate and Drayton Park stations before being rolled out to the remainder of the ECML. However, the current fleet of trains was digitally ready, and so there would be no need for a fleet upgrade once the signals had been upgraded;
- In response to a further question, the GTR representative confirmed that once the Stevenage Turnback facility had been completed and the 5th platform was operational, the journey times to and from Moorgate would not be drastically quicker, possibly a few minutes per journey;
- A number of Members commented that the GTR service had been much more reliable since the Summer timetable had been introduced.

In terms of the widespread desire to improve the appearance of Stevenage Railway Station, the HCC Principal Engineer – Transport Policy & Monitoring commented that this was an issue that could be raised as part of the process when the Thameslink franchise was renewed (currently planned for 2021).

It was **RESOLVED** that the updates on the Stevenage Turnback (5th Platform) project, the Govia Thameslink Spring 2019 timetable and the wider works along the East Coast Main Line in support of the King's Cross remodelling project be noted.

4 URGENT PART 1 BUSINESS

None.

5 **EXCLUSION OF PUBLIC AND PRESS**

Not required.

6 **URGENT PART II BUSINESS**

None.

CHAIR

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Part I – Release to Press

Stevenage BOROUGH COUNCIL

Agenda item: ##

Meeting Executive

Portfolio Area All

Date 11 September 2019

CORPORATE PERFORMANCE QUARTER ONE 2019/20

NON KEY DECISION

Authors Katrina Shirley/Chloe Norton | 2018/2501

Contributor Charlie Smith, Assistant Directors | 2457

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1 PURPOSE

1.1 To highlight the Council's performance across key priorities and themes for quarter one 2019/20.

2 RECOMMENDATIONS

2.1 That the delivery of priorities which form the Future Town, Future Council Programme and performance of the Council across the key themes for quarter one 2019/20, together with the latest achievements, be noted.

2.2 That officers are requested to scope a potential new FTFC workstream called "Place of Choice", with a view to feeding this into the wider annual review of FTFC programme projects and deliverables for 2020/21.

2.3 That actions to ensure the prompt certification of health and safety compliance of non-domestic/non-commercial council buildings in accordance with the compliance contract are noted and endorsed (para 3.86 and 3.87).

2.4 That improved performance in the Customer Service Centre is noted and continuing plans to sustain and improve performance are endorsed (para 3.101 to 3.107).

2.5 That the impact of the rise in long term sickness on average sickness absence levels is noted and that ongoing implementation of improved practices to support sickness absence management is endorsed (para 3.117 to 3.121)

3 BACKGROUND

3.1 Members approved the Cooperative Corporate Plan in December 2016. It reflects the Council's continuing focus on cooperative working and outlines the key outcomes and priorities for the town over the next five years through the Future Town, Future Council (FTFC) Programme as seen in Figure 1.

Figure 1: Future Town, Future Council Programme

3.2 The FTFC Programme was reviewed in March 2018 to ensure that it continued to reflect the Council's priorities. As it was apparent that working in partnership is embedded in the culture of the Council and there is a strong framework for future collaboration with other public sector bodies, the Partner of Choice Programme was closed. Development of partnerships continues as part of day-to-day business and any new shared service proposals will be considered and implemented within the Financial Security Programme.

3.3 Following further consideration of the scope of the FTFC programme, it is proposed that officers start to work on a potential new workstream called "Place of Choice". This would incorporate key strategic areas of focus that are key to developing a strong place narrative for the town, such as the Local Plan, economic development, community wealth building, cultural development, improving health and addressing climate change.

3.4 Council services are organised into nine Business Units across three themes: Customer, Place and Transformation and Support. This structure is focused on delivering the right services, to the right standards, at the right time for the town's residents and businesses, using the most cost/resource effective delivery models.

3.5 In addition to monitoring progress on the delivery of the FTFC Programme, performance across these (Council Service) themes is monitored throughout the year to highlight achievements and identify any areas for improvement.

3.6 A complete set of performance measures across all themes (FTFC programme, and the customer, place, and transformation and support themes) is attached as Appendix One. Summaries of performance measure result status are outlined at paragraph 3.8 (FTFC focus) and paragraph 3.80 (Corporate Focus).

Future Town, Future Council Programme progress update

3.7 The focus and scope of the FTFC programmes is outlined in Appendix Two. Delivery of the agreed outcomes is monitored to ensure that the Programme remains on track.

3.8 In addition to the monitoring of programme milestones, thirteen measures aligned to FTFC delivery were monitored and reported on for April to June 2019. The overview of FTFC focused results for April 2019 to June 2019 is outlined below:

Number of Measures Reported	Meeting or exceeding target	Amber Status (within a manageable tolerance)	Red Status (urgent improvement action required)
13	13	0	0

3.9 Programme delivery updates for the FTFC Programmes together with an outline of any focused activity being implemented to keep the programmes on track are set out in the following paragraphs.

External Facing Future Town, Future Council Programmes

Stevenage Town Centre Regeneration Programme

3.10 **Programme Outcomes**

- A new vibrant town centre delivered through a phased regeneration programme
- Two major regeneration schemes to advance – one completed by 2021 and one to begin 2019/20

3.11 During 2019/20 the programme is primarily focused on:

- Achieving vacant possession of Swingate House
- Advancing the SG1 scheme
- Progressing the bus interchange project in line with milestones
- Beginning works on the Town Square Public Realm and 'North Block' improvements
- Supporting the LEP (Local Enterprise Partnership) to ensure there are robust governance arrangements in place for the regeneration of Stevenage
- Launching the fresh marketing brand, 'Stevenage Even Better' and opening the visitor centre to celebrate and promote the regeneration of the town

3.12 **Programme Delivery Update**

3.13 The Regeneration team have worked closely with developer Mace, to progress the development agreement for SG1. The development agreement was signed in April 2019 and contracts exchanged. Work on design development and interdependencies between projects and the programme continues to be monitored by the Regeneration team. Pre-application engagement with the Planning team is on-going, with a focus on design and delivery. An SG1 public consultation event with Mace has taken place since the end of quarter one (19th-21st July) in the former Subway unit, with a wide-ranging publicity campaign to promote the consultation. Engagement events with staff, Members and Stevenage First Board are being planned via an internal working group.

3.14 Construction work has begun on the Queensway North site. Hoarding was erected in May 2019 which will remain in place for approximately 18 months whilst construction takes place. Phase 1 of construction will concentrate on the new retail, leisure and office space that the scheme offers.

3.15 Work continues on the relocation of the bus interchange. Discussions have taken place through the Scape framework regarding the RIBA Stage 4 designs. Approval was granted for the next stage of work with Wilmott Dixon at the Executive meeting in June 2019, with delegated authority given to the Strategic Director to proceed with the full contract.

3.16 Proposals for designs and construction to proceed to the next stage for the Town Square and North Block were approved at the June Executive meeting.

3.17 Construction of a new CCTV control room has nearly completed this quarter to facilitate the move from Swingate House to Cavendish Road. Tenants are in the process of relocating including the Citizens Advice Bureau to Daneshill House and Age Concern to the indoor market. This is anticipated to be completed by the end of quarter two.

3.18 Physical works and content have been completed for the visitor centre site. Tri-partite delegates from Ingelheim and Autun were given a guided tour as part of their visit and feedback was used ahead of the official opening in July. The official promotion of both the "Stevenage Even Better" website and social media will follow the Mace public consultation in quarter two. Branded marketing materials have been purchased to support events.

Housing Development Programme

3.19 **Programme Outcomes**

- Increased number of affordable houses in Stevenage
- Improved access to the housing market in Stevenage for a greater number of residents

3.20 During 2019/20 the programme is primarily focused on:

- Completing and letting 54 new affordable homes across a number of schemes and 11 private sale homes
- Starting work on a further 295 new/replacement homes across a range of planned schemes including sites at Shephall Way, North Road and Symonds Green
- Exploring the viability of other potential areas of development across the town including opportunities to work in partnership with other providers
- Continuing to work with partners to enable the delivery of affordable homes
- Forming a Wholly Owned Company to support the delivery of new homes

3.21 **Programme Delivery Update**

3.22 The open market acquisitions programme has been scaled up this financial year. The ambition is to purchase properties to be converted for those with additional accessibility requirements as there is a current lack of suitable housing stock. Some larger sized properties will also be purchased in order to meet the housing needs of large families on the waiting list for whom there are very limited housing options available within the Council's current stock. In quarter one a further three open market acquisitions have been completed. Several properties are going through the purchase process and the Housing Development team are working with colleagues from Legal Services to achieve completion on these properties.

3.23 The development at Ferrier Road is progressing well. Delays were incurred due to access and material supply issues; however the scheme is still anticipated to complete in quarter two as planned.

3.24 The contractor for Burwell Court and Ditchmore Lane is on site and the sites are both progressing well. At Burwell Court the fixtures are almost complete and internal fittings are due in quarter two. At Ditchmore Lane, the roof is now tiled, windows are fitted, insulation is being installed and internal plastering is in progress.

3.25 A contractor for the demolition of buildings in phase one has been appointed for the Kenilworth Close (236 homes) scheme. Since the end of quarter one, a report has been taken to the Executive (July) to seek approval for the procurement approach to the scheme as well as anticipated funding requirements.

3.26 The schemes at North Road (21 Homes), Shephall Way (9 Homes) and Symonds Green (29 Homes) were granted planning permission at the 30th of May Planning Committee. At the end of quarter one, all 3 schemes were out to tender for employers agents at each site and there was significant interest from potential suppliers. The deadline for submission was the 5th of July, and Executive reports seeking delegated authority to appoint contractors at these sites were considered at the July Executive meeting. It is anticipated that contractors for all sites will be appointed by the end of quarter two.

Co-operative and Neighbourhood Management (CNM) Programme

3.27 **Programme Outcomes**

- Public spaces are more attractive, better cared for by the Council, residents and partners, and help to give people pride in the place they live
- Residents feel that they can work with the Council and other organisations to help meet the needs of the local area
- The Council's Community centres are efficiently run, well-managed and most importantly, meet local needs
- Staff better understand the town's communities and so are more able to facilitate the change that is required

3.28 During 2019/20 the programme is primarily focused on:

- Developing the Council's approach to co-operative neighbourhood management, working initially with Stevenage Direct Services, Housing and Investment and Communities and Neighbourhoods
- Continuing the planned roll-out of neighbourhood improvements, with consultation and engagement work starting in Bedwell and Longmeadow
- Completing the Community Centre Review
- Progressing the Garage Programme
- Reviewing and reshaping resident involvement activity in response to the Community Engagement Framework

3.29 **Programme Delivery Update**

3.30 Neighbourhood improvements in in St Nicholas and Martins Wood continued this quarter. Improvements have been made to the ABC park (formally Wellfield Court play area). Outreach youth work has been developed in partnership with the Oval Community Centre in Martins Wood and the first session held in quarter one was well attended. A mass clear up of the Oval supported by the Neighbourhood Warden team, brought out 12 volunteers of all ages to clear litter and improve the street scene. Current and past community mapping/engagement exercises will be used to inform participatory budget spend. This is likely to be used in partnership with local businesses and community groups celebrating the diversity of the local area.

3.31 A series of ward walkabouts with senior leaders, elected ward members and relevant SBC officers have been carried out to highlight areas in need of attention, inform future projects and celebrate recent successes. A future briefing session will be planned for members to share the findings.

3.32 The garage improvement programme is now aligned to the major flat block refurbishment contract. Eight garage sites have been completed to date and these will be used to evaluate the approach and processes in place to ensure the intended outcomes of the garage programme are achieved. In conjunction with the works being completed, the refurbishment team are working with Neighbourhood Wardens and local residents to resolve any known antisocial behaviour issues surrounding these blocks.

3.33 Planning is now underway for the roll out of CNM in Bedwell and Longmeadow. The Community Development team have scheduled meetings with ward members to discuss delivery/engagement plans for each ward. They are also focussing weekly walkabouts in both areas to gain a detailed understanding of the communities and to begin building relationships with local partners. The first “Our Neighbourhood” action groups for both wards are scheduled for quarter two.

3.34 The community centre review has now progressed to consultation implementation. This phase of delivery will explore community association participation and modelling under a new Cooperative Compact. It will also include wide community consultation and focus groups on the future model development for the delivery of community building services. A number of consultation events were carried out in quarter one, including activities at Stevenage Day, community centre focus groups and via the Customer Service Centre.

3.35 The Community Select Committee’s review of resident involvement is now complete with clear actions defined in the development of a wider Community Engagement Framework and toolkit for the Council. This will help to inform the development of existing resident involvement groupings linked to Housing and Investment.

3.36 Work has begun on developing the model for future Neighbourhood Management. A working group session was held in quarter one and the Community Development Manager worked with Stevenage Direct Services and Housing & Investment exploring joint ways of embedding area based working in practical delivery, with a dedicated workshop held with Housing and Investment staff as part of the Housing and Investment Away Day. Community development areas have now been adjusted to North, Central and South to reflect existing County Council working boundaries. A Portfolio Holder Advisory Group (PHAG) meeting will be held in quarter three to help inform the model.

Excellent Council Homes Programme

3.37 **Programme Outcome**

- Transforming the Housing and Investment service to better meet the needs of its customers

3.38 During 2019/20 the programme is primarily focused on:

- Delivery of a major refurbishment programme to our flat blocks (incorporating the MRC, lift replacements and retrofitting of sprinklers)
- Implementation of a new area-based co-operative neighbourhood management approach in conjunction with staff from Stevenage Direct Services and Communities and Neighbourhoods
- The launch of a new online account where customers will be able to access housing services 24/7
- Providing staff with the right business tools and software to enable them to work more effectively out in the community
- Completing the final phases of the Housing and Investment Future Council Business Unit Review
- Delivery of the Homelessness and Rough Sleepers Initiative Strategy and Housing Older Persons Strategy

3.39 **Programme Delivery Update**

3.40 The surveys for the blocks identified for work to be carried out in year 2 of the Major Refurbishment Contract (MRC) have begun. Each block has a resident consultation meeting scheduled where the residents are invited to come along, meet their contractor and are able to find out more details about what they can expect.

3.41 A review has been carried out on the work undertaken in year 1 and the standard of works completed to date is considered high. Resident feedback on the standard of work will be captured on completion of works to the block.

3.42 With regard to the lift refurbishment programme, further work is being carried out to identify the costs associated with the blocks where there is only one lift. Work is underway on the lifts at Brent and Harrow Court. Residents are being kept informed of progress as there have been some delays.

3.43 Delays in the procurement process for work on the sprinkler systems have been experienced, however it is anticipated that these works will be on site during Q1 2020/21.

3.44 The development of a new area-based co-operative neighbourhood management approach with Communities & Neighbourhoods and SDS has begun. More details on progress can be seen in paragraph 3.36.

3.45 Work has progressed with the customer self service module of the Northgate system. A test area has been created by the Systems Administration team and the development of individual pages to access customer housing information such as contact details, rent account and repairs are being configured. It is anticipated that the system will go live in quarter four.

3.46 The focus on mobile working has continued this quarter. A digital application that is integrated with housing back office systems, RAPID, allows officers to spend more time on site and have all information at the ready. Workshops on RAPID were held in May for Housing and Investment team members that are interested in using the application. The Housing Supply team are currently exploring how it can help them undertake property surveys more quickly and upload related photos straight into the Northgate housing system.

3.47 Preparatory work on the final phases of the Housing and Investment Future Council Business Unit Review was undertaken throughout quarter one. Support is being provided by HR colleagues with a view to launch the review in late September 2019. The Housing and Investment teams continue to be kept informed about changes and progress to the programme via regular newsletters, blogs on the intranet as well as away days.

3.48 Consultation on the draft Homelessness and Rough Sleeper Strategy 2019-2024 took place in quarter one and is continuing in quarter two, with feedback being incorporated into the document. The strategy will be presented to the Executive in October 2019. Guidelines received from the Ministry of Housing, Communities and Local Government have stated that all local authorities must publish their homelessness strategies on their websites by 31 December 2019.

3.49 Consultation and research on the Housing for Older Persons Strategy was undertaken throughout quarter one and continued into quarter two. Work has now started to bring the research and consultation together to produce the strategy and action plan. The strategy is expected to be recommended to the Executive in December 2019.

Connected to our Customers Programme

3.50 **Programme Outcomes**

- Use of self-service is encouraged, so more time can be spent with customers that need extra help
- Increased customer satisfaction for residents interacting with key services
- Online customer data will be protected, better used to provide useful insight, and the technology reliable
- The Council uses technology to meet its ambitions and make its workforce more modern, efficient and responsive to customer needs.
- A simple and clearer website with more self-service choices

3.51 During 2019/20 the programme is primarily focused on:

- New website testing and launch
- Finalising procurement of the digital platform and plans for implementation.
- Phased implementation of digital platform capabilities starting with replacement CRM and quick wins for self-serve options
- Customer and Business Account functionality placed into the new website, providing a single view of the customer and establishing a new centralised digital customer relationship
- Developing a service redesign approach that will optimise new technology and new ways of working
- Developing a Channel Shift Strategy which will clearly set out the Council's approach to optimising the take-up of the new digital services whilst ensuring access for everyone, so that no-one is left behind
- Implementation of the Environmental Services case management system; integration into the digital platform to enable self-serve
- Working with services to understand desired new ways of working and technology to support mobile, agile and area working.
- Planning for how the Council wants to work from the new Public Sector Hub

3.52 **Programme Delivery Update**

3.53 Content of the current website has been reviewed in readiness for the launch of the improved website. The Digital team have also been working closely with officers to review existing microsites linked to Stevenage Borough Council. A supplier has been selected to undertake accessibility testing of all the Council's website pages and content. Members have been engaged in starting to test the website. The website is due to be launched in quarter three.

3.54 A preferred supplier of a new digital platform has been selected. The new software platform will enable a new customer record management system to be developed and will assist in integrating back office systems with customer facing online service channels.

3.55 Project management training was given to 15 officers across the Digital, Business Improvement and Housing & Investment teams. This will ensure that projects within the Connected to our Customers (CTOC) programme follow the same approach.

3.56 Stevenage Borough Council hosted a "Digital Herts" event in June. This gave delegates from across the Hertfordshire districts an opportunity to discuss digital transformation, accessibility, other digital related topics and a chance to network and share information. The event was very successful with the majority of districts being represented.

3.57 The programme sponsor (AD for Digital and Transformation) is currently reviewing the programme following the agreed revised re-scope in quarter one. A governance review is underway which will make sure there are robust measures in place to monitor the progress of the programme.

Internal Facing Future Town, Future Council Programmes

Financial Security Programme

3.58 **Programme Outcomes**

- To meet the Financial Security three year savings target
- To ensure that the General Fund expenditure equals income without the use of balances from 2022/23 onwards
- To ensure the Housing Revenue Account has sufficient funding to meet the capital needs of the Housing Asset Management Strategy and identified revenue needs
- To identify Financial Security options using the three revised workstreams (efficiency, commercial and improved processes), before recommending any service rationalisation options, as summarised below.

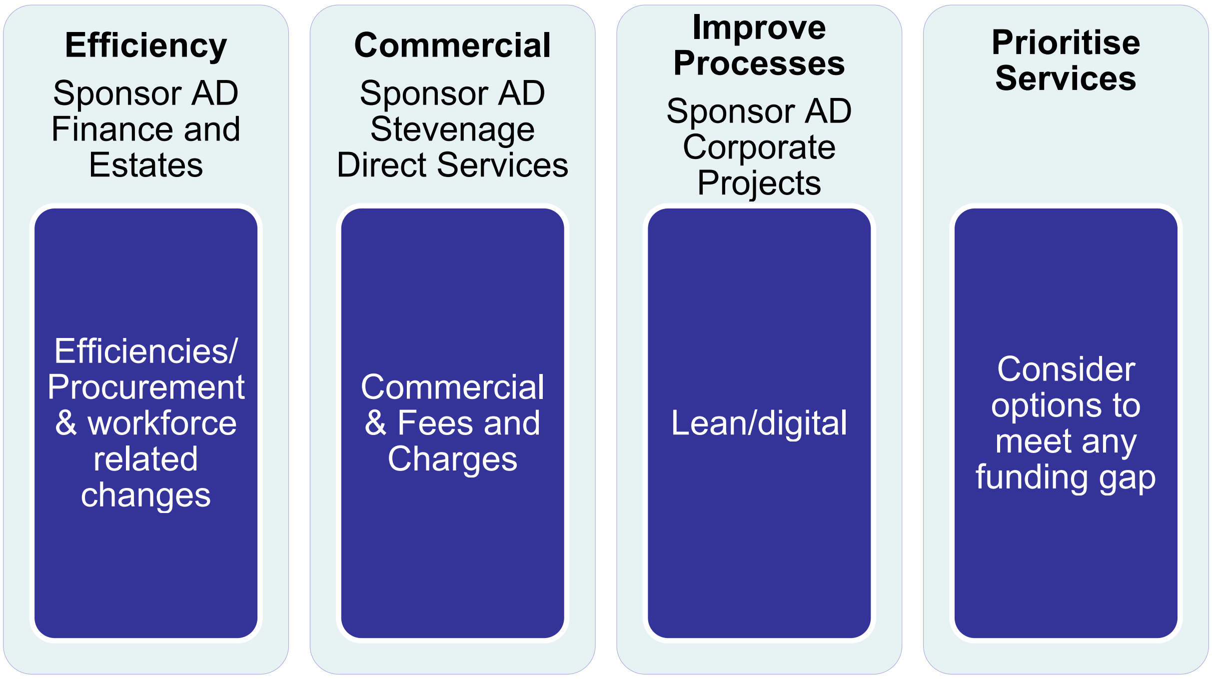

Figure 2: Financial Security Work streams.

3.59 During 2019/20 the programme is primarily focused on:

- Identifying Financial Security options that meet the three year target (£2.2 million General Fund and £1 million Housing Revenue Account) and as amended by the report to the September Executive for the General Fund MTFS and the November Executive for the HRA.
- Identification of Financial Security options to meet the General Fund and HRA funding gap for the period 2020/21-2022/23 via the Financial Security workstreams
- The financial security options should include the output from the review of leases for the Commercial Portfolio, to ensure they are reviewed in a timely manner to protect the Council's revenues

- Purchase of Investment Properties to meet the General Fund target of £200,000
- Completion of Locality Reviews to meet the objectives of the General Fund Asset Management Strategy
- Review of fee-earning services to determine fee versus cost
- Identify options to improve productivity via use of digital interventions
- Review of budgets for cross-cutting reviews
- Presentation of Financial Security options to the Leader's Financial Security Group before approval by the Executive in November 2019

Programme Delivery Update

3.60 The Financial Security programme has been redesigned into three main strands (from an original five) with three Assistant Directors taking key leads in these areas.

3.61 The 2019/20 savings packages approved in January/February Council have been implemented and currently the vast majority of these savings are expected to be achieved during 2019/20. As at the end of the quarter, £12k of savings options (split 50/50 between HRA and GF) were not expected to be achieved in year but officers are currently looking at any mitigations. This is reviewed on a monthly basis and reported to the Strategic Leadership Team.

3.62 The Financial Security Group met with Assistant Directors to discuss early ideas for options for the 2020/21 budget and beyond. Initial ideas were discussed by the Senior Leadership Team in July 2019; however the options identified do not reach the target or cover the additional pressures identified in the MTFS to the September Executive. These ideas are being followed up and explored in more depth.

Employer of Choice Programme

3.63 **Programme Outcomes**

- Improved employee engagement
- Right person, right place, right time – recruiting/retaining staff to hard to fill posts
- Improved managerial competency
- Improved reputation as a place to work
- Evidence of staff progressing to higher grades and new roles

3.64 During 2019/20 the programme is primarily focused on:

- Establishing a compelling employer brand with a competitive pay and benefit offer, including development of the new e-recruitment module of the HR System
- Developing and implementing a competency framework for staff from Grade 1- 9 of the Council's pay structure
- Enabling new ways of working to equip staff for the future including policies, practices and culture

- Developing digital skills and tools to enable staff self-service.
- Creating a new Learning and Development Strategy

3.65 **Programme Delivery Update**

3.66 Work continues on the new Corporate Intranet, including the development of Single Sign On functionality. This will mean that the intranet will immediately launch, without the requirement for a password, when employees log on. This is currently in test phase and expected to go live in quarter two.

3.67 During this quarter, progress has been made with the Council's Competency Framework for grades 1-9, the Customer Charter and the re-launch of Corporate Values. A communications plan has been developed and agreed and will link to the Council's employer brand.

3.68 Market analysis and review of the Council's current pay options offer are underway. The review of Standby and Callout is now agreed and consultation is complete with Trade Unions. Work is now progressing with individual employees and Business Units to introduce the new ways of working.

3.69 A draft Annual Leave Purchase Scheme Policy has been prepared and consultation with Trade Unions has completed. Resolution of some technical tax and pension queries are being dealt with by the Legal team, but it is anticipated the policy will launch in late September.

3.70 Learning needs analysis has now been collated from Business Units and plans are being made to engage other key stakeholders (Information Governance, Safeguarding, Health and Safety etc.) to identify all corporate learning needs to develop a comprehensive Learning & Development offer. Development programmes for the Strategic Leadership Team and 4th tier leaders for 2019/20 have also been agreed this quarter.

3.71 The development and test of the Learning and Development Module for staff is now complete and available on the "MyView" system.

3.72 The current framework for recruiting agency staff is due to expire in 2020. An options appraisal for the procurement of a new framework has been prepared.

3.73 Progress has been made in preparing for the launch of First Care (Third Party Sickness Reporting Facility) in quarter three of 2019/20. Work is also underway to procure a new digital Health and Safety System.

Performing at our Peak Programme

3.74 **Programme Outcomes**

- The provision of high quality performance management tools
- Streamlined governance structures that ensure effective and timely decision making
- A strong performance culture is embedded across the organisation

3.75 During 2019/20 the programme is primarily focused on:

- Enhancing our business insight through data connectivity, and ensuring service managers have the right skills to use the tool robustly to analyse information and make informed decisions that result in improved services for our customers
- Developing our insight culture through the effective engagement and use of our new tools and procedures, to enable lasting performance improvement
- Delivering a new scheme of delegations to officers in respect of Executive powers

3.76 **Programme Delivery Update**

3.77 A new data analyst started in post this quarter and is working with performance measure 'owners' to review the potential to extract performance data automatically from systems and to input it directly into the Inphase performance management system. Automatic data extraction and connectivity will enable Business Units to focus more on performance improvement planning and less on data entry in future. This is also in line with the recommendations of an Internal Audit on Data Quality carried out in 2018/19.

3.78 An initial scoping meeting for the development of the Scheme of Delegations was held in April. Progress on this project was subsequently affected by the extended election period. Arrangements for the scheme to be reported to the Executive are under review.

Corporate Performance highlights and areas for improvement

3.79 Results for the full set of current corporate performance measures across all themes (FTFC programme and the Customer, Place and Transformation and Support themes) are attached as Appendix One. The overview of corporate focused results for April 2019 to June 2019 is outlined below:

3.80

Number of Measures Reported	Meeting or exceeding target	Amber Status (within a manageable tolerance)	Red Status (urgent improvement action required)	No Data
42	36	2	2	2*

* BTC1a New jobs created through the Business & Technology Centre (BTC) & BTC1b New business start up in BTC: The new BTC contract went live in July 2019 and these measures will therefore be reported from Q2 onwards. Targets will be provided per quarter, reflecting the new contract.

3.81 A summary of highlights and areas for improvement for April 2019 to June 2019 is set out in the following paragraphs across the three key delivery themes: Customer, Place, and Transformation and Support.

A: Customer Theme

3.82 The Customer Theme incorporates the following Business Units:

- Housing and Investment
- Communities and Neighbourhood

Housing and Investment

Highlights and Achievements

3.83 A successful event was held to celebrate 100 years of social housing. Visits were arranged with those council tenants who will become 100 years old this year and also to the 100th letting. A time capsule was also buried at a new build scheme, which will be named after Christopher Addison, the minister responsible for the introduction of key housing legislation in 1919.

3.84 The Housing team, alongside colleagues in Stevenage Direct Services and Environmental Health, were finalists in the Chartered Institute of Housing's "Housing Heroes" team of the year award. This was to recognise the collaborative approach taken to resolve issues at Brent Court earlier in the year.

3.85 Delivery of a major refurbishment programme to the Council's flat blocks (incorporating the MRC, lift replacements and retrofitting of sprinklers) is now included in the scope of the Excellent Council Homes programme and delivery updates on these aspects are summarised in paragraphs 3.40 to 3.43. Progress in relation to other elements of the overall housing major works investment programme includes the following:

- 246 street properties have been completed to date and there has been 100% satisfaction based on the 171 returns received
- Standard window, door and insulation works have been identified, which will be delivered across the town
- In terms of the heating refurbishment programme, works have progressed well at Pinewoods, Wellfield Court and Grosvenor Court despite some difficulties encountered due to additional fire stopping works being required. The lessons learned from this this will be applied to future works.

Spotlight: Health and Safety compliant non-domestic/non-commercial Council buildings (falling under the compliance contract)

3.86 The percentage of health and safety compliant assets (statutory definition) has improved significantly since last quarter. The compliance team is now working with the contractor to ensure this level is maintained.

3.87 The percentage of assets known to be health and safety compliant (SBC definition) is under target in quarter one. Whilst there is evidence that the servicing and inspection of assets have improved (visits to complete both statutory and SBC-defined activities are undertaken at the same time), the contractor has not produced the required certification or supporting documentation. The compliance team is working with the contractor to ensure that the necessary assurance is given, to enable performance to be fully reported in future months.

- Assets 5a: Percentage of (Council) assets known to be Health and Safety compliant (statutory): target 100%, March 2019 achieved 91%, June 2019 achieved 99.6%
- Assets5b: Percentage of (Council) assets known to be Health and Safety compliant (as per SBC enhanced definition): target 100%, March 2019 achieved 91%, June 2019 achieved 91%

3.88 It should be noted that performance measures 'assets 5a' and 'assets 5b' relate to council premises such as civic offices, community centres, play centres, pavilions, cemetery buildings, depots etc. and refer to Compliance Services via the ComplyFirst Framework. These services relate to the provision of regular compliance servicing and related maintenance of fire, water, electrical, gas, air conditioning and minor building works. Officers are currently working on a corporate landlord project to map the management of compliance across all council buildings and this could impact on the future definition of these measures.

Communities and Neighbourhoods

Highlights and Achievements

3.89 The Youth Council launched the Co-operative Youth Work Fund, which will provide small grants determined by young people to meet local needs.

3.90 Stevenage Day marked its 60th anniversary in June and was a success, with an estimated 30,000 attendees over the course of the day. The Council's presence was enhanced this year, with a central SBC village and associated Council sponsored activities.

3.91 The official launch of the Cultural Strategy took place in the town square, supported by the Arts Council and coinciding with the 25th anniversary of Stevenage Festival.

3.92 Stevenage Against Domestic Abuse launched its first "Safe Space" in North Hertfordshire, building on the success of the Stevenage model and further developing the Council's partnership with North Hertfordshire District Council.

<u>B: Place Theme</u>

3.93 The Place Theme incorporates the following Business Units:

- Planning and Regulation
- Stevenage Direct Services
- Regeneration
- Housing Development

(The Regeneration and Housing Development Business Units are primarily focused on delivery of the Stevenage Town Centre Regeneration and Housing Development Programmes of FTFC. Delivery updates for these programmes are summarised in paragraphs 3.10 to 3.18 and 3.19 to 3.26 respectively)

Planning and Regulation

Highlights and Achievements

3.94 After over a decade in the making and over a year being held by the Security of State, in May 2019 SBC proudly adopted its new Local Plan for Stevenage. The Plan sets the planning policies up until 2031 for 7,600 new homes and space for over 2,000 new jobs; a revitalised town centre; 3 new sustainable neighbourhoods with the protection of our green infrastructure.

3.95 The Council completed the second round of the statutory consultation on the potential Community Infrastructure Levy (CIL) in May 2019. CIL would be a mandatory floor space charge on new development in the borough which would be used to fund key infrastructure to support growth in Stevenage. Officers are now working towards the 5th September Examination in Public on the rates.

3.96 Planning applications continue to be determined within corporate and statutory targets.

Stevenage Direct Services (SDS)

Highlights and Achievements

3.97 Significant focus has been placed on reviewing and enhancing health and safety arrangements at the Cavendish Road Depot. Governance mechanisms, risk assessment and working practices have been reviewed. This work has been informed by independent external audits of the main workstreams in the unit. Follow up external audits have confirmed the improvements made and compliance with assessment thresholds for all areas audited. Ongoing monitoring and action plans are now implemented to ensure this position is maintained.

3.98 Repairs are being fixed promptly and time taken to complete them continues to be better than the target level. The team have placed major focus on a case management approach to each case dealt with. This, coupled with efforts to review and improve processes, has improved performance and productivity.

- RepTime1: Emergency Repairs - Average end to end repairs time (days), June 2019: target 1 day, achieved 0.79 days.
- RepTime2: Urgent Repairs - Average end to end repairs time (days), June 2019: target 5 days, achieved 2.83 days.
- RepTime3: Routine Repairs - Average end to end repairs time (days), June 2019: target 20 days, achieved 6.45 days.

3.99 The changes within the Repairs and Voids service continue to have a positive impact on the turnaround times of both standard General Needs voids and Major Works general need voids. Major works voids were an area of focus for improvement in 2018/19 and re-let times have continued to reduce during quarter one, now being well below the target. Successful collaborative work is taking place between the Project Officers and the Lettings Team to reduce unnecessary work.

- Voids General Needs: The time taken to re-let standard general needs voids (days) June 2019: target 32 days, achieved 31.39 days
- Voids General Needs Major Works: The time taken to re-let major works general needs voids (days), June 2019: target 65 days, achieved 51.92 days

C: Transformation and Support Theme

3.100 The Transformation and Support Theme incorporates the following Business Units:

- Corporate Services
- Digital and Transformation
- Finance and Estates

Corporate Services/Digital and Transformation

Highlights and Achievements

Customer Services

3.101 Service delivery through the Customer Service Centre (CSC) was first identified as a focus for improvement (spotlight) at quarter three 2017/18 (March 2018 Executive). Since then, the CSC Improvement Plan has supported the recovery of performance levels and in quarter one 2019, the CSC achieved its corporate performance measure targets

- CSC4: Percentage of telephone calls to the Customer Service Centre answered within 20 seconds: target 50%, April to June 2019 achieved 61.3%
- CSC12: Percentage of calls abandoned in the Customer Service Centre: target 10%, April to June 2019 achieved 7.2%
- CSC5: Percentage of walk-in customers to the Customer Service Centre served within 20 minutes: target 75%, April to June 2019 achieved 81.2%

3.102 Historical performance data demonstrates performance in the Customer Service Centre is closely related to the amount of skilled advisers available.

3.103 Activities to recruit, train and on-board specialist skills has reduced the number of vacancies. The improved training delivery and upskilling of CSC advisers is having a positive impact on performance.

3.104 In addition, effective resource planning is helping to ensure that sufficient staff are available to meet customer demand and to provide a more consistent level of service to customers.

3.105 Collaborative working with other service areas across the organisation is also key to driving further improvements in performance.

3.106 Self service facilities through the Connected to our Customers Programme are being planned to help meet service demand for walk-in customers.

3.107 The focus on this service area will be retained until initial performance improvement can be seen to be sustained across the full set of CSC measures.

Technology

3.108 Progress has been made on the joint ICT strategy during quarter one and the strategy is now in draft format. Staff and members from across the IT partnership are being consulted, to ensure a united vision for the IT service over the next three years.

3.109 The security & network team have begun to implement a new email and website security software which will go live in quarter two. This will improve the Council's security regarding all email and web traffic.

3.110 Software to enable the management of mobile devices and laptop security arrangements has also been installed this quarter and setup will continue through quarter two. This is part of the software enhancement needed to assist with the Council's rollout of Office 365.

3.111 Azure AD has been implemented this quarter, which is the first step to applying the Council's network for the 'Cloud'. This has enabled the IT team to start applying 'Single Sign On' (SSO) for a number of applications and will also allow the use of two factor authentications (2FA) in the future.

Our staff

3.112 Following the introduction of a new appraisal approach, 'REAL Conversations', council business units have achieved the target of 100% of employees engaging in regular and meaningful REAL conversations with their managers. These conversations typically include objectives, development, engagement and wellbeing, but they are also tailored to individuals.

- Appraisal completion rate to corporate deadlines: target 100%, April to June 2019 achieved 100%

Spotlight: Agency Usage

3.113 There are three types of agency use within the Council. Firstly, there are a number of short term assignments within SDS to cover sickness and leave. It is anticipated that this will be resolved through the next phase of the SDS Business Unit Review. The second category is interim assignments to cover key strategic roles within the establishment whilst the Council progresses through the change programme of Business Unit Reviews. These will conclude when the permanent appointments are made. The third category comprises one-off project based agency assignments.

3.114 As explained above, agency usage is likely to remain slightly higher whilst the programme of Business Unit Reviews continues. The current status of this measure is amber.

- Agency usage as a percentage of the total workforce: target 12%, April to June 2019 achieved 13.2%

3.115 The figure of 13.2% agency usage is profiled as follows:

- 5.2% are workers covering on an ad-hoc basis at Cavendish Road
- 6.04% are agency workers covering established posts
- 1.97% are covering key strategic projects

3.116 Recruitment is underway for a number of key posts across the Council that will enhance capacity and key skills.

Spotlight: Sickness Absence

3.117 Sickness Absence has increased slightly this quarter; however it is 0.22 days per FTE less than the same time last year.

- Sickness absence rate for the current workforce (per FTE): target 8 days, twelve months to March 2019 achieved 8.86 days; twelve months to June 2019 achieved 9.49 days

3.118 The rise in sickness has been due to an increase in the number of complex long term sickness absences (60% of sickness).

3.119 At June 2019, 4 out of 10 business units were achieving their individual sickness absence service targets. Stevenage Direct Services sickness absence levels have also decreased to an average of 11.96 days and are now only slightly above the unit's target of 11 days. Service managers are provided with access to real time sickness information to support absence management through the HR system 'MyView'.

3.120 The Council is currently working to introduce a third party sickness reporting service, which is due to go live in quarter three. This service will provide advice and challenge on fitness for work to both individuals and managers and ensure consistency of approach/advice on sickness absence. They will also follow up to ensure appropriate application of policy and return to work and provide regular and timely management information.

3.121 The Senior Leadership Team will continue to monitor the performance and management of sickness absence until revised policy and practice results in a sustained reduction in levels of sickness absence.

Finance and Estates

3.122 The Revenues and Benefits service continues to exceed targets for Council Tax collection rates.

- Percentage of Council Tax collected: April to June 2019 target 33%, achieved 33.3%.

Spotlight: New Housing Benefit Claims and Change Events

3.123 In quarter one, on average the time taken to process new housing benefit claims and change events was 1.45 days above target (amber measure). The continuing impact of Universal Credit means that claims are more complicated and more time is being spent on individual claims. This is partly as a result of officer time being allocated to the annual audit process. However, cumulative performance improved in July 2019 (11.78 days) and it is anticipated that the measure will be within target at the end of quarter 2.

- Time taken to process Housing Benefit new claims and change events: April to June 2019 target 12 days, achieved 13.45 days.

Senior Leadership Team Perspective

3.124 Good performance across all three key delivery themes (Customer, Place, Transformation and Support) has been achieved in quarter one, with the majority of corporate performance measures meeting or exceeding targets. Outcomes that significantly exceed expectations (measures achieving 'green plus' status) include the following:

- % telephone calls to the CSC answered within 20 seconds and CSC walk-in customers served within 20 minutes
- % of tenants satisfied with internal and external works
- % repairs fixed first time and average responsive repair end-to-end times
- time taken to re-let general needs major works voids
- % houses in multiple occupation (HMOs) that are broadly compliant
- % planning applications determined within national target timescales

3.125 The Senior Leadership Team request that the Assistant Directors responsible for areas of improvement focus assess the factors impacting on performance and develop/implement plans that will provide sustainable performance improvement.

3.126 At the end of 2018/2019, the following improvement plans were identified for ongoing focused monitoring by the Senior Leadership Team:

- Embedding the new service model in the Customer Service Centre to continue to enhance resilience and increase the availability, skills and knowledge of customer service advisers
- Implementing actions to ensure that compliance of non-domestic council buildings with Health and Safety regulations is effectively monitored and recorded
- Improving practices in relation to sickness absence management
- Sustaining and enhancing improvements to the repairs and voids service

Customer Service Centre

3.127 As reported in paragraph 3.101, new improvement measures in place from 2018/19 have improved and stabilised CSC performance results. There are some key activities that have supported recovery:

- Implementation of a new resource planning function
- New recruitment practices and training to upskill CSC advisers
- Review and re-design of the CSC's performance framework
- Re-focus on sickness management
- Additional management posts – increased available resource for both service and team development

3.128 Based on historical performance trends and known challenges in relation to management capacity during July and August, it is anticipated that cumulative results in quarter two may be lower than in quarter one, although performance is still forecast to meet target levels. Performance is expected to be back on track throughout September and into quarter three, subject to sickness absence reducing in line with expectations and provided there are no reductions in resource or significant increases in contact volumes. The CSC continues to work with back office services to ensure that avoidable contact from customers is reduced.

Health and Safety Compliance of non-domestic/non-commercial Council Buildings (under the compliance contract)

3.129 It is positive to report that in quarter one the contractor achieved 99.60% compliance in respect of servicing and inspecting assets that have a statutory health and safety requirement, with the two tasks they failed to complete in time being completed on 1st July. However, concerns continue with regard to the provision of certification and documentation associated with servicing and inspection in accordance with the Council's enhanced definition, resulting in no change to reported performance (91% of properties are known to comply). Officers are continuing to work with the contractor to ensure performance levels are maintained in relation to both performance measure Asset 5a (statutory definition) and Asset 5b (SBC definition).

Repairs and Voids Service

3.130 As noted above, high levels of performance in the repairs service have been sustained into 2019/20. A key focus during 2018/19 was on re-let times for major works voids, which were classified as having a 'red' status throughout the year. Performance has significantly improved in this area, with the time taken in quarter one being 51.92 days compared to 80.67 days at March 2019.

Sickness Absence

3.131 The management of sickness absence was initially identified as a 'spotlight' area at March 2018 Executive and has continued to be a focus for the Senior Leadership Team. Whilst sickness absence improved throughout the year to December 2018, an increase was observed in quarter 4 of 2018/19 and this trend has continued into 2019/20, in the main associated with an increase in the number of complex long term sickness absences. Improvement plans advised in previous performance reports continue to be implemented.

3.132 In view of the above assessment, at June 2019, the following improvement plans have been identified for ongoing focused monitoring by the Senior Leadership Team:

- Ensuring that pressure continues to be applied to the contractor to enable compliance with Health and Safety regulations to be effectively monitored and recorded (paragraph 3.86-3.87 refers)
- Continuing to embed the new service model in the Customer Service Centre (paragraphs 3.101 to 3.107 refer)
- Managing sickness absence more effectively and aligning it to council health and well-being policy. (paragraphs 3.117 to 3.121 refer)

3.133 The Senior Leadership Team will also keep a watching brief on two measures that have moved from a green to amber status in the first quarter of 2019/20. These are the use of agency staff and the average the time taken to process new housing benefit claims and change events.

3.134 In addition, the development and implementation of the IT strategy will continue to be monitored by the IT Shared Service Partnership Board to ensure that services are delivered that meet customer needs and are fit for the future.

3.135 The Council's approach to performance management and monitoring allows the organisation to proactively identify issues and challenges and ensure prompt management intervention. The fluid nature of the framework enables the Senior Leadership Team to amend targets to ensure that they continue to reflect revisions to service delivery models where necessary and to support and drive forward additional improvements in services for the benefit of internal and external customers.

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 The information presented in this report is collated from the information provided to monitor delivery of the Future Town, Future Council Programme and corporate performance for the quarter. It aims to give Executive an overview of the achievements the Council has made for the year to date, with a focus on the previous quarter and identifies plans for continued improvements in some areas to ensure the Council is fit for the future.

4.2 The Senior Leadership Team and Service Managers have been consulted to determine the appropriate content and to identify the key achievements.

4.3 As referred to in paragraph 3.3, officers propose that consideration be given to adding a further workstream – "Place of Choice" - to the FTFC programme. Subject to the Executive agreeing to this proposal in principle, further detail will follow in a future performance report regarding key projects and deliverables that would fall within this new element of FTFC, with a view to incorporating these into an update of the Corporate Plan.

4.4 A number of areas have been identified in section 3 of this report where a particular focus on improvement is required and outline plans have been set out. The Executive is recommended to note and endorse these improvement plans.

5 IMPLICATIONS

5.1 Financial Implications

5.1.1 There are no direct financial implications from the recommendations contained in this report. However, officers responsible for improvement activity identified will need to identify and consider any resulting financial implications.

5.2 Legal Implications

5.2.1 There are no direct legal implications from the recommendations contained in this report. However, officers responsible for improvement activity identified will need to identify and consider any resulting legal implications.

5.3 Equalities and Diversity Implications

5.3.1 The report outlines performance against key priorities that form the Future Town, Future Council Programme and performance of the Council across key business unit themes. Where necessary, Equality Impact Assessments will be completed for improvement activity identified.

5.4 Risk Implications

5.4.1 There are no direct significant risks to the Council in agreeing the recommendation(s). Officers responsible for developing performance improvement plans will need to consider any risk implications from the improvement activity identified.

5.4.2 The Council has an embedded approach to risk management that mitigates any adverse effect on delivery of the Council's objectives and internal control processes and also provides good governance assurance.

5.5 Other Corporate implications

5.5.1 Improvement activity outlined may impact on the development of future policy or procedure.

BACKGROUND PAPERS

- Executive Report 10 July 2019: 2018/19 Annual Report&Performance Overview

APPENDICES

- Appendix One: Compendium of Performance Results
- Appendix Two: Future Town, Future Council Programme Scope/Focus for 2019/20

Executive Report Appendix One

Key to Performance Status Symbols

- ▲ Red Status - Focus of improvement
- ● Amber Status - Initial improvement activity identified
- ★ Green Status - Any variance from target manageable
- ☆ Green Plus Status - Exceeding expectations
- » New measure - Performance results not required
- ? No data results
- — Missing value

	Corporate Theme	Target to 30/06/18	Actual to 30/06/18	Status at 30/06/18	Target to 30/09/18	Actual to 30/09/18	Status at 30/09/18	Target to 31/12/18	Actual to 31/12/18	Status at 31/12/18	Target to 31/03/19	Actual to 31/03/19	Status at 31/03/19	Target to 30/06/19	Actual to 30/06/19	Status at 30/06/19	Target to 30/09/19
NI15b: The rate of violence against the person (victim based crime) per 1,000	Customers	8.50	?	?	17.00	?	?	26.00	?	?	33.07	?	?	10.00	2.96	☆	17.00
CS8: Anti-social behaviour per 1,000 population	Customers	10.50	8.21	☆	22.00	?	?	31.00	?	?	35.00	?	?	8.00	7.69	★	20.00
CS9: Criminal damage per 1,000 population	Customers	3.50	?	?	6.70	?	?	9.80	?	?	12.00	?	?	2.50	2.39	★	5.70
⊞ VGC1: Percentage of dwellings with a valid gas certificate	Customers	100.0%	100.0%	★	100.0%	100.0%	★	100.0%	100.0%	★	100.0%	100.0%	★	100.0%	100.0%	★	100.0%
Assets5b: Percentage of assets known to be health and safety compliant (as per SBC definition)	Customers			»	100.00%	91.70%	▲	100.00%	97.00%	▲	100.00%	91.00%	▲	100.00%	91.00%	▲	100.00%
Assets5a: Percentage of assets known to be health and safety compliant (Statutory)	Customers			»	100.00%	90.00%	▲	100.00%	98.00%	▲	100.00%	91.00%	▲	100.00%	99.60%	★	100.00%
⊞ BV66a: Rent collection rate	Customers	93.6%	94.4%	★	96.3%	96.8%	★	97.8%	98.6%	★	98.7%	99.1%	★	93.6%	93.8%	★	96.3%
BV213: Homelessness preventions	Customers	90.0	101.0	☆	180.0	182.0	★	270.0	279.0	★	360.0	399.0	☆	90.0	128.0	☆	180.0
⊞ ECHFL-IW1: Percentage of tenants satisfied with internal works completed (for the current quarter)	Customers	80.0%	93.9%	☆	80.0%	94.3%	☆	80.0%	95.7%	☆	80.0%	96.0%	☆	80.0%	100.0%	☆	80.0%
⊞ ECHFL1: Percentage of Homes maintained as decent	Customers	77.2%	77.3%	★	79.8%	80.0%	★	82.6%	82.6%	★	75.3%	75.4%	★	76.9%	77.0%	★	79.4%
NI156: Number of households in temporary/emergency accommodation at end of	Customers	100.00	60.00	☆	100.00	65.00	☆	100.00	61.00	☆	100.00	73.00	☆	75.00	73.00	★	75.00
⊞ ECHFL-EW1: Percentage of tenants satisfied with external works completed (for the current quarter)	Customers	90.0%	93.9%	★	90.0%	89.0%	★	80.0%	89.7%	★	80.0%	91.2%	★	80.0%	98.9%	☆	80.0%
FS3 (Futsav1b): Percentage of GF savings identified to meet three year target	Future Town, Future Council	21.1%	30.3%	☆	39.8%	78.7%	☆	47.4%	81.6%	☆	69.9%	83.0%	☆	21.1%	45.9%	☆	39.8%
CTOC1: Percentage of customer complaints responded to within deadline	Future Town, Future Council	95.00%	83.66%	▲	95.00%	88.02%	▲	95.00%	89.66%	▲	95.00%	90.45%	●	95.00%	94.37%	★	95.00%
EAA1: Customer satisfaction with CSC customer service	Future Town, Future Council	90.0%	89.7%	★	90.0%	88.4%	★	90.0%	88.4%	★	90.0%	88.5%	★	90.0%	88.7%	★	90.0%
FS2a (LACC2): Percentage HRA approved savings removed from HRA for current year	Future Town, Future Council	91.00%	91.15%	★	91.00%	86.70%	★	91.00%	86.70%	★	91.00%	86.70%	★	91.00%	98.00%	★	91.00%
FS1a (LACC1): Percentage GF approved savings removed from GF budget for current year	Future Town, Future Council	98.00%	98.64%	★	92.00%	89.90%	★	92.00%	89.90%	★	92.00%	89.90%	★	98.00%	98.00%	★	92.00%
WebSat1: Customer satisfaction with Council website	Future Town, Future Council	0.11	0.24	☆	0.11	0.26	☆	0.15	0.28	☆	0.20	0.28	☆	0.11	0.26	☆	0.11
FS4 (Futsav2b): Percentage of HRA savings identified to meet three year target	Future Town, Future Council	2.5%	5.2%	☆	29.3%	56.6%	☆	33.5%	54.3%	☆	46.3%	56.0%	☆	2.5%	36.0%	☆	29.3%
HDD1d: Number of affordable homes delivered (gross) by the Council (since 2014)	Future Town, Future Council	133.00	134.00	★	148.00	149.00	★	148.00	168.00	★	160.00	173.00	★	179.00	176.00	★	183.00

	Corporate Theme	Target to 30/06/18	Actual to 30/06/18	Status at 30/06/18	Target to 30/09/18	Actual to 30/09/18	Status at 30/09/18	Target to 31/12/18	Actual to 31/12/18	Status at 31/12/18	Target to 31/03/19	Actual to 31/03/19	Status at 31/03/19	Target to 30/06/19	Actual to 30/06/19	Status at 30/06/19	Target to 30/09/19
HDD1b (formerly NB1) - New Build Spend v Budget of development activity that is contracted	Future Town, Future Council	90.0%	96.3%	★	90.0%	95.5%	★	90.0%	97.7%	★	90.0%	98.2%	★	90.0%	99.8%	☆	90.0%
CNM2g: Garage Voids as a percentage of stock	Future Town, Future Council	12.00%	12.62%	●	12.00%	12.62%	●	12.00%	12.81%	●	12.00%	10.70%	★	12.00%	10.79%	★	12.00%
EoCrec: Time to recruit	Future Town, Future Council	45.00	34.50	☆	45.00	38.50	☆	45.00	42.00	★	45.00	40.00	☆	45.00	42.00	★	45.00
EoC4a: Percentage of apprentices in post as percentage of workforce.	Future Town, Future Council	2.5%	1.4%	▲	2.5%	2.7%	☆	2.5%	3.0%	☆	2.5%	2.4%	★	2.3%	2.1%	★	2.3%
Compl4: Percentage of stage 2 & 3 complaints upheld fully or partially (Housing)	Future Town, Future Council	40.00%	44.00%	●	40.00%	38.30%	★	40.00%	43.08%	●	40.00%	39.51%	★	40.00%	35.00%	★	40.00%
NI191: Residual household waste per household (kgs)	Place	133.00	134.95	★	254.00	246.36	★	386.00	371.00	★	519.00	498.00	★	135.00	135.00	★	250.00
NI192: Percentage of household waste sent for reuse,recycling and composting	Place	42.1%	43.6%	★	43.5%	42.0%	★	41.5%	37.0%	▲	40.0%	40.0%	★	42.0%	42.0%	★	43.0%
Rep Cost1: Average responsive repair cost per dwelling	Place	80.25	59.77	☆	160.50	146.03	☆	240.75	222.17	☆	321.00	316.42	★	81.77	62.40	☆	163.54
Rep-Time3: Average end to end repairs time (days) - Routine Repairs	Place	20.00	14.84	☆	20.00	10.83	☆	20.00	9.81	☆	20.00	9.82	☆	20.00	6.45	☆	20.00
Rep-Time1: Average end to end repairs time (days) - Emergency Repairs	Place	1.00	0.28	☆	1.00	0.45	☆	1.00	0.47	☆	1.00	0.52	☆	1.00	0.79	☆	1.00
Rep-Time2: Average end to end repairs time (days) - Urgent Repairs	Place	5.00	4.97	★	5.00	4.50	☆	5.00	3.99	☆	5.00	3.87	☆	5.00	2.83	☆	5.00
VoidsGNMW - The time taken to relet major works general needs voids	Place	65.00	72.25	▲	65.00	93.53	▲	65.00	83.24	▲	65.00	80.67	▲	65.00	51.92	☆	65.00
BTC1a: New jobs created through Business Technology Centre	Place	10.00	51.00	☆	30.00	87.00	☆	70.00	121.00	☆	125.00	188.00	☆		?	?	
BTC1b: New business start up in Business Technology Centre	Place	5.00	30.00	☆	15.00	49.00	☆	30.00	58.00	☆	52.00	86.00	☆		?	?	
ELL1a: Percentage of Houses in Multiple Occupation (HMO) that are broadly compliant	Place			»			»	92.50	87.50	▲	92.50	96.89	☆	92.50	98.45	☆	92.50
NI157a: Percentage of major planning applications determined in 13 weeks	Place	60.0%	100.0%	☆	60.0%	100.0%	☆	60.0%	100.0%	☆	60.0%	100.0%	☆	60.0%	100.0%	☆	60.0%
VoidsGN: The time taken to relet standard general needs voids	Place	32.00	29.89	☆	32.00	27.49	☆	32.00	27.32	☆	32.00	27.86	☆	32.00	31.39	★	32.00
NI157c: Percentage of other planning applications determined within 8 weeks	Place	80.0%	96.4%	☆	80.0%	96.8%	☆	80.0%	97.0%	☆	80.0%	96.8%	☆	80.0%	96.3%	☆	80.0%
NI184: Food establishments in the area broadly compliant with food hygiene law	Place	95.0%	97.0%	★	95.0%	96.0%	★	95.0%	94.2%	★	95.0%	95.1%	★	95.0%	96.1%	★	95.0%
ECH-App3: Percentage repairs appointment made and kept	Place	95.00%	96.23%	★	95.00%	95.76%	★	95.00%	99.26%	★	95.00%	98.68%	★	95.00%	98.61%	★	95.00%

	Corporate Theme	Target to 30/06/18	Actual to 30/06/18	Status at 30/06/18	Target to 30/09/18	Actual to 30/09/18	Status at 30/09/18	Target to 31/12/18	Actual to 31/12/18	Status at 31/12/18	Target to 31/03/19	Actual to 31/03/19	Status at 31/03/19	Target to 30/06/19	Actual to 30/06/19	Status at 30/06/19	Target to 30/09/19
ECH-Rep4: Percentage repairs fixed first time	Place	87.50%	89.35%	★	87.50%	92.13%	★	87.50%	97.47%	☆	87.50%	97.47%	☆	87.50%	98.96%	☆	87.50%
ECHFL5: Percentage of Repairs service customers satisfied (telephone survey)	Place	90.00%	89.84%	★	90.00%	93.44%	★	90.00%	96.07%	★	90.00%	96.13%	★	90.00%	93.43%	★	90.00%
NI157b: Percentage of minor planning applications determined within 8 weeks	Place	65.0%	89.5%	☆	65.0%	90.2%	☆	65.0%	90.2%	☆	65.0%	88.8%	☆	65.0%	96.6%	☆	65.0%
CSC13a: Percentage of calls to the CSC resolved within the CSC (by CSC advisors)	Transformation and Support	65.00%	64.20%	★	65.00%	64.20%	★	65.00%	65.10%	★	65.00%	64.30%	★	65.00%	62.90%	★	65.00%
CSC4: Percentage of telephone calls to the CSC answered within 20 secs	Transformation and Support	55.0%	39.8%	▲	55.0%	40.9%	▲	55.0%	48.4%	▲	55.0%	49.6%	▲	50.0%	61.3%	☆	52.0%
CSC5: Percentage of walk-in customers to the CSC served within 20mins	Transformation and Support	80.0%	69.7%	▲	80.0%	65.2%	▲	80.0%	71.8%	▲	80.0%	75.0%	●	75.0%	81.2%	☆	78.0%
Cust1: Percentage complaints progressing to stage 2 and 3 that are upheld or partially upheld	Transformation and Support	40.0%	38.2%	★	40.0%	37.3%	★	40.0%	38.6%	★	40.0%	34.6%	☆	40.0%	31.8%	☆	40.0%
Pe1: Total Human Capital - measures Workforce Stability	Transformation and Support	85.0%	85.6%	★	85.0%	86.0%	★	85.0%	84.0%	★	85.0%	84.9%	★	85.0%	85.9%	★	85.0%
Pe6: Appraisal completion to meet corporate deadlines	Transformation and Support	100.0%	73.3%	▲	100.0%	90.1%	▲	100.0%	99.1%	★	100.0%	99.8%	★	100.0%	100.0%	★	100.0%
Pe4a: Sickness Absence Rate for the Current Workforce (FTE)	Transformation and Support	8.00	9.71	▲	8.00	8.91	●	8.00	8.42	★	8.00	8.86	●	8.00	9.49	▲	9.00
NI181: Time taken (days) to process housing benefit new claims and change events	Transformation and Support	14.00	10.35	☆	12.00	8.88	☆	11.00	8.12	☆	9.00	5.96	☆	12.00	13.45	●	12.00
BV9: Percentage of council tax collected	Transformation and Support	33.0%	33.7%	☆	61.0%	60.8%	★	89.0%	90.0%	☆	96.8%	96.2%	★	33.0%	33.3%	★	61.0%
BV10: Percentage of non-domestic rates due for the financial year received by the authority	Transformation and Support	36.0%	36.4%	☆	62.0%	61.6%	★	89.0%	88.2%	★	99.0%	98.9%	★	36.0%	36.9%	☆	61.0%
Pe2: Agency Usage as a percentage of total workforce	Transformation and Support	10.0%	13.0%	▲	10.0%	14.4%	▲	10.0%	11.5%	▲	12.0%	11.9%	★	12.0%	13.2%	●	12.0%
CSC12: Percentage of calls abandoned in the Customer Service Centre	Transformation and Support	8.0%	13.9%	▲	8.0%	17.1%	▲	7.0%	14.4%	▲	6.0%	14.3%	▲	10.0%	7.2%	★	10.0%

Appendix Two.

Future Town, Future Council Scope and Focus for 2019/20

External Facing Programmes

1. Stevenage Centre Town Centre Regeneration Programme

1.1. Programme Outcomes

- A new vibrant town centre delivered through a phased regeneration programme.
- Two major regeneration schemes to advance – one completed by 2020/21 and one to begin 2019/20.

1.2. Programme Overview

1.3. Regeneration of the town centre is the Council's number one priority and was the priority most often placed in residents' 'top three' in the town-wide survey undertaken in 2017. The Council wants to make Stevenage a destination of choice through delivering a new vibrant town centre, with quality shopping, office and leisure facilities.

1.4. The Council officially announced the appointment of Mace as the development partner for the first phase of town centre regeneration (SG1) in February 2018. This ambitious scheme will bring £350million of private investment into the town centre. It will see the area covering the Council (Daneshill House) offices, the Plaza, bus station and some of the adjacent car parks redeveloped with new shops, bars and restaurants, homes, new public spaces, and a central public sector hub accommodating the Council offices, a library, exhibition space, and health services

1.5. During 2019/20 the programme will primarily focus on:

- Achieving vacant possession of Swingate House
- Advancing the SG1 scheme
- Progressing the bus interchange project in line with milestones
- Beginning works on the Town Square Public Realm and 'North Block' improvements
- Supporting the LEP (Local Enterprise Partnership) to ensure there are robust governance arrangements in place for the regeneration of Stevenage
- Launching the fresh marketing brand, 'Stevenage Even Better' and opening the visitor centre to celebrate and promote the regeneration of the town

2. Housing Development Programme

2.1. Programme Outcomes

- Increased number of affordable houses in Stevenage.
- Improve access to the housing market in Stevenage for a greater number of residents.

2.2. Programme Overview

2.3. Providing decent, affordable homes appropriate to the needs of residents is one of the Council's key priorities and again was high on the agenda for many respondents to the town-wide Resident Survey. The Council is meeting this priority by delivering its own new build programme. Overall the programme remains on track for delivery of 300 homes by 2020.

2.4. The Council continued to work proactively during 2018/19 to get the Secretary of State's Holding Direction on the adoption of the Local Plan lifted. This was achieved in March 2019 and the Council has subsequently adopted the Local Plan since the year-end. This will provide the certainty needed to encourage developers to bring forward their schemes to provide a range of housing, including a proportion of affordable homes.

2.5. During 2019/20 the programme will primarily focus on:

- Completing and letting 54 new affordable homes across a number of schemes and 11 private sale homes.
- Starting work on a further 298 new/replacement homes across a range of planned schemes including sites at Shephall Way, North Road and Symonds Green.
- Exploring the viability of other potential areas of development across the town including opportunities to work in partnership with other providers.
- Continuing to work with partners to enable the delivery of affordable homes.
- Forming a Wholly Owned Company to support the delivery of new homes.

3. Excellent Council Homes Programme

3.1. Programme Outcomes

- Transforming the Housing and Investment service to better meet the needs of its customers.

3.2. Programme Overview

3.3. The Council's aim is to provide high quality, efficient and effective housing services. The Council has committed through the Excellent

Council Homes programme to transform its housing services to better meet the needs of its customers.

3.4. The programme comprises five main themes:

- Business Vision: focused on embedding corporate values and unified customer service to all members of staff. This is to ensure that customers will receive the same, excellent customer service from every member and area of business.
- Digital Housing: aimed at improving back office processes and enhancing internal systems in order to support digital development and access to information for our customers.
- Service and Personal Development: focused on delivery of a cohesive team provided with the right tools and skills to deliver excellent customer service.
- Knowing our Customers: aimed at understanding our customers' needs and prioritising them to provide bespoke services where possible. This is to improve contact with our customers and visibility and approachability of our staff.
- Major Investment in Flat Blocks: focused on delivery of the Major Refurbishment Contract (MRC), sprinkler systems and lift replacements in council-owned flat blocks

3.5. During 2019/20 the programme will primarily focus on:

- The launch of a new online account where customers will be able to access housing services 24/7.
- Delivery of a major refurbishment programme to our flat blocks (incorporating the MRC, lift replacements and retrofitting of sprinklers).
- Implementation of a new area-based co-operative neighbourhood management approach in conjunction with staff from Stevenage Direct Services and Communities and Neighbourhoods.
- Completing the final phases of the Housing and Investment Future Council Business Unit Review.
- Providing staff with the right business tools and software to enable them to work more effectively out in the community.
- Delivery of the Homelessness and Rough Sleepers Initiative Strategy and Housing Older Persons Strategy.

4. Co-operative and Neighbourhood Management Programme

4.1. Programme Outcomes

- Residents feel that they can work with the council and other organisations to help meet the needs of the local area.
- Staff better understand the town’s communities and through doing so are more able to deliver the change that is required.
- Public spaces are more attractive, better cared for by the council and residents, and help to give people pride in the place they live.

- The Council's Community centres are efficiently run, well-managed and most importantly, meet local needs.

4.2. Programme Overview

4.3. The Co-operative Neighbourhood Management (CNM) programme sets out how the Council will work with communities to improve neighbourhoods. Through working together with residents and other partners the Council believes public spaces can be made more attractive and in turn help to give people pride in the place they live. The CNM programme was formally launched at Stevenage Day in June 2017 and is complemented by an 'Our Neighbourhood' area on the Council's website. Focused investment in neighbourhood improvements has continued to progress throughout the year. The programme has been further re-purposed to provide the FTFC oversight for the development of the Council's approach to area-based co-operative neighbourhood management.

4.4. During 2019/20 the programme will primarily focus on:

- Developing the Council's approach to co-operative neighbourhood management, working initially with Stevenage Direct Services, Housing and Investment and Communities and Neighbourhoods.
- Continuing the planned roll-out of neighbourhood improvements, with consultation and engagement work starting in Bedwell and Longmeadow.
- Completing the Community Centre Review.
- Progressing the Garage Programme.
- Reviewing and reshaping resident involvement activity in response to the Community Engagement Framework.

5. Connected to our Customers Programme

5.1. Programme Outcomes

- Use of self-service is encouraged, so more time can be spent with customers that need extra help.
- Increased customer satisfaction for residents interacting with key services.
- Online customer data will be protected and better used to provide useful insight
- The Council uses technology to meet its ambitions and make its workforce more modern, efficient and responsive to customer needs.
- A simple and clearer website with more self-service choices.

5.2. Programme Overview

5.3. The 'Connected to our Customers' programme aims to improve the accessibility of Council services and the customer experience. It will enhance the way residents can access Council services through increasing the use of digital options, whilst ensuring that officers continue to spend time with those customers who require additional assistance.

5.4. The Council's digital aspirations will evolve as we co-operatively redesign services with our workforce and customers. This modernisation of service delivery will allow the Council to be more responsive to customer needs and flexible in order to adapt more quickly to changing demands or priorities.

5.5. During 2019/20 the programme will primarily focus on:

- New website testing completion, with 'go-live' expected in late summer 2019.
- Finalising procurement of the digital platform and plans for implementation.
- Phased implementation of digital platform capabilities starting with replacement CRM and quick wins for self-serve options.
- Customer and Business Account functionality placed into the new website, providing a single view of the customer and establishing a new centralised digital customer relationship.
- Developing a service redesign approach that will optimise new technology and new ways of working.
- Developing a Channel Shift Strategy which will clearly set out our approach to optimising the take-up of the new digital services whilst ensuring access for everyone, so that no-one is left behind.
- Implementation of the Environmental Services case management system. Integration into the digital platform to enable self-serve.
- Working with services to understand desired new ways of working and technology to support mobile, agile and area working. Planning for how we want to work from the new Public Sector Hub

Internal Facing Programmes

6. Financial Security Programme

6.1. Programme Outcomes

- As meet the Financial Security three year savings target
- To ensure that the General Fund expenditure equals income without the use of balances from 2022/23 onwards
- To ensure the Housing Revenue Account has sufficient funding to meet the capital needs of the Housing Asset Management Strategy and identified revenue needs
- To identify Financial Security options using the three revised workstreams (efficiency, commercial and improved processes), before recommending any service rationalisation options, as summarised below.

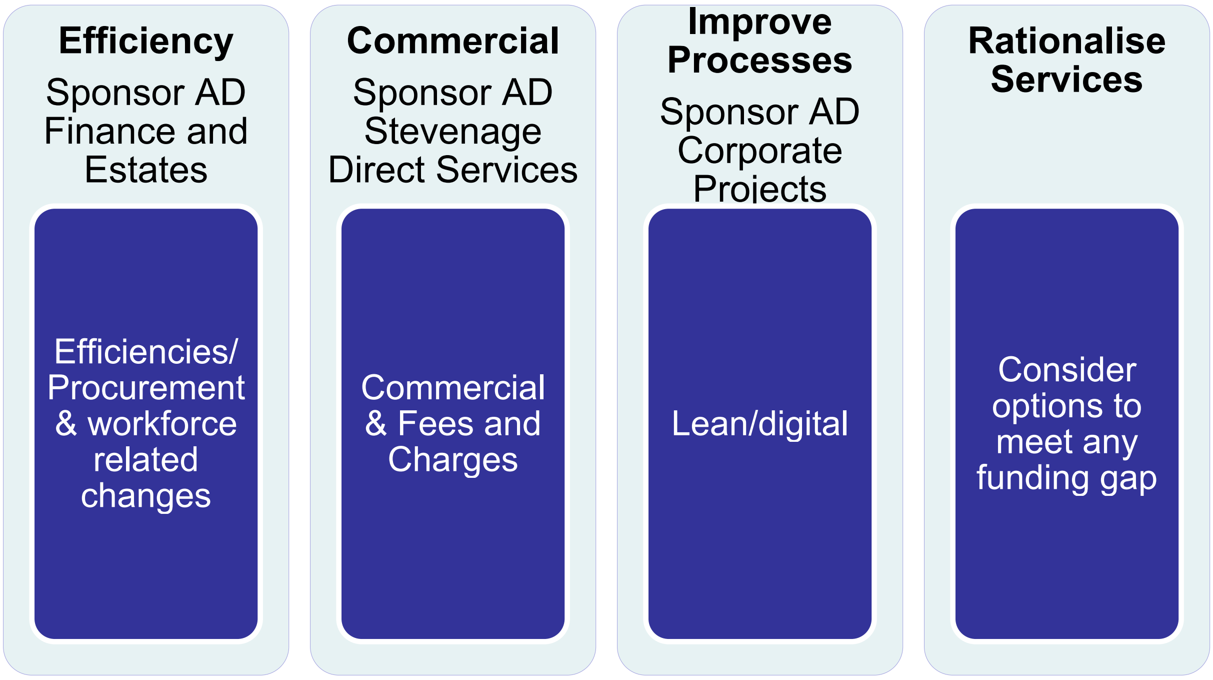

Figure 2: Financial Security workstreams

6.2. Programme Overview

6.3. This programme aims to ensure that the Council has sufficient funds available to deliver quality services that residents want and need. The Council aims to break away from the cycle of dependency on Government grant through becoming more efficient in its processes and developing new and innovative funding streams to ensure it has the resources it needs to be a Council fit for the future and build a vibrant town that residents deserve.

6.4. During 2019/20 the programme will primarily focus on:

- Identification of Financial Security options to meet the General Fund and HRA funding gap for the period 2020/21-2022/23 via the Financial Security workstreams.
- Review of leases for the Commercial Portfolio, to ensure they are reviewed in a timely manner to protect the Council's revenues.
- Purchase of Investment Properties to meet the General Fund target of £200,000.
- Completion of Locality Reviews to meet the objectives of the General Fund Asset Management Strategy.
- Review of fee-earning services to determine fee versus cost.
- Identifying options to improve productivity via use of digital interventions
- Review of budgets for cross-cutting reviews.
- Presentation of Financial Security options to the Leader's Financial Security Group before approval by the Executive.

7. Employer of Choice Programme

7.1. Programme Outcomes

- Improved employee engagement.
- Right person, right place, right time – recruiting/retaining staff to hard to fill posts.
- Improved managerial competency.
- Improved reputation as a place to work.
- Evidence of staff progressing to higher grades and new roles.

7.2. Programme Overview

7.3. The Council aims to create a flexible, collaborative, creative and modern workforce to ensure it can deliver the priorities set out in the FTFC programme and give residents the standard of services they expect. This programme aims to transform the way the Council works, ensuring that staff have the skills, abilities and experience to deliver excellence. The Council must become an employer of choice so that it can compete in today's market place and attract and retain the best staff to build for the future.

7.4. Through Future Council Business Reviews, work has begun on shaping the next stage of the transformation programme to ensure the Council has the right structures, teams and people in place.

7.5. During 2018/19 the programme will primarily focus on:

- Establishing a compelling employer brand with a competitive pay and benefit offer, including development of the new e-recruitment module of the HR System
- Developing and implementing a competency framework for staff from Grade 1- 9 of the Council's pay structure.
- Enabling new ways of working to equip staff for the future including policies, practices and culture.
- Developing digital skills and tools to enable staff self-service.
- Creating a new Learning and Development Strategy.

8. Performing at our Peak Programme

8.1. Programme Outcomes

- The provision of high quality performance management software tools.
- Streamlined governance structures that ensure effective and timely decision making.
- A strong performance culture is embedded across the organisation.

8.2. Programme Overview

8.3. The Council aims to become an insightful Council with improved service performance and slimmed down decision-making processes. The programme will improve the organisation's insight, analysis and intelligence to help us to make better informed business decisions. This is being achieved through more timely coordination of data and the adoption of tools to support ongoing strategic and operational analysis.

8.4. During 2019/20 the programme will primarily focus on:

- Enhancing business insight through data connectivity, and ensuring service managers have the right skills to use the tool robustly to analyse information and make informed decisions that result in improved services for our customers**.**
- Developing our insight culture through the effective engagement and use of our new tools and procedures, to enable lasting performance improvement.
- Delivering a new scheme of delegations to officers in respect of Executive powers

Meeting:	**EXECUTIVE**	**Agenda Item:**
Portfolio Area:	RESOURCES	
Date:	**11 SEPTEMBER 2019**	

Financial security

GENERAL FUND MEDIUM TERM FINANCIAL STRATEGY UPDATE (2019/20 – 2023/24)

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1. PURPOSE

1.1. To update Members on any changes to the Strategy approved by Members in September 2018.

1.2. To advise Members on the current and future position of the Council's General Fund budget over the next five years.

1.3. To update Financial Security targets for the period 2020/21 – 2022/23.

2. RECOMMENDATIONS

2.1 That Members note the Medium Term Financial Strategy (MTFS) principles, as outlined in paragraph 4.1.7 to this report.

2.2 That, for modelling purposes, Council tax increases be set at the threshold of 2.99%, subject to any change in government rules to achieve a balanced budget (section 4.7.12 refers).

2.3 That the updated inflation assumptions used in the Medium Term Financial Strategy (section 4.4 refers) be approved.

2.4 That a General Fund Financial Security Target of £1.9million be approved for the period 2020/21- 2022/23, (paragraph 4.6.15 refers). This includes increases in fees and charges.

2.5 That the approach to Financial Security as set out in section 4.6 be approved and subject to approval of the Commercialisation Strategy to the November 2019 Executive.

2.6 That an amount of £100,000 for 2020/21, be approved for inclusion in the budget setting process as a Transformation Fund, to help deliver the Financial Security Target, (paragraph 4.5.5 refers).

2.7 That the unavoidable growth pressures as outlined in paragraph 4.5.2-4.5.4 are approved subject to the approval of the ICT Strategy at the October Executive.

2.8 That General Fund growth is only approved for the Council's FTFC priorities and is funded from within the existing baseline budgets or by further savings in addition to the £1.9Million target identified, (paragraph 4.5.5 refers).

2.8 That the Leader's Financial Security Group oversee the development of the 2020/21 – 2022/23 savings package.

2.9 That a minimum level of balances for the General Fund of £2.88million be approved for 2020/21 (section 4.11 refers).

2.10 The MTFS is regularly updated for any material financial pressures so forecasts are updated and is re-presented to the Executive for approval.

2.11 That public consultation be commissioned in line with the requirements of the Council's Consultation and Engagement Strategy.

2.12 That the Trade Unions and staff be consulted on the key messages contained within the Medium Term Financial Strategies and more specifically when drawing up any proposals where there is a risk of redundancy.

3. BACKGROUND

3.1 This report updates the assumptions in the 2018 MTFS update reported to the Executive on 6 September 2018. Based on current insight, revisions have been made to Financial Security targets, known pressures, income and inflation projections.

3.2 At the time of writing this report there is considerable financial uncertainty for Local Government. There is a lack of clarity about future funding for Local Government with the impact of the Fair Funding review (due to be implemented for 2020/21) unclear, alongside any changes to business rates such as growth resets and also the future of New Homes Bonus.

3.3 In addition this financial uncertainty, there are other potential risks for Councils in relation to BREXIT, future continued funding of new burdens e.g. from the Homeless Reduction Act and the impact of Universal Credit on the ability to recover historic benefit overpayments and the impact of the removal from the General Fund.

3.4 There are also new competing pressures between consideration of the Regeneration agenda and need to increase the Council's fees and charges. The financial impact of ICT pressures emerging from the ICT Strategy and also from other public sector bodies (HCC). This Strategy will seek to quantify the value of risks where known or identify the range of impact or suggest mitigating action to ensure the Council's budget position is resilient in the medium term.

3.5 Based on the factors above the report will identify any adjustments required to the Financial Security targets to address those financial impacts on the General Fund.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 Purpose of the Medium Term Financial Strategy

4.1.1 Each year there is a legal requirement to prepare an annual budget and set the Council Tax for Stevenage. Alongside the annual budget the Council reviews the Medium Term Financial Strategy (MTFS) to take into account the latest financial forecasts for future levels of resources for the next five years and aligns these to The Future Town Future Council Priorities. The strategy sets the financial context for how the Council's resources are received and allocated through the budget setting over a rolling five year timeframe, this update is from 2019/20 to 2023/24.

4.1.2 Although the Strategy identifies the need and amount for the three yearly Financial Security target, this is not a Council priority in itself, but a tool to facilitate the Council in achieving its Future Town Future Council priorities, maintain funding for services in the face of central funding cuts while still having a prudent level of reserves.

4.1.3 One of the key tenets of the MTFS is to manage a planned phased use of balances up to and including 2021/22. To allow the Financial Security programme, to identify and achieve sustainable budget options which chime with the Council's priorities. Rather than make reactive or opportunist budget cuts to services, which conflict with achieving those priorities.

4.1.4 The Council's 'Financial Security' methodology for 2019/20 has been revised to a four strand approach to deliver a lower cost base for the General Fund, (see also section 4.6). The MTFS identifies the level of financial reductions required to maintain and run services while funding inflationary pressures and 'Financial Security' helps deliver this. The MTFS is reviewed annually and this report is a refresh of those assumptions.

4.1.5 The Council's ambitions, in particular (but not exclusively) for Regeneration have meant the need to provide additional funding, which has been funded partly through the provision of baselined staff resources with additional funding being provided by growth in the business rates income yield. But the future for business rates growth distribution in the next few years is not clear, as the government has signalled it will reset business rate growth (partially or fully), although this may not now be implemented for 2020/21. At the time of writing the report the 2020 spending review due on the 4 September had not taken place.

4.1.6 In order to deliver on the Council's FTFC top priority and maintain a sustainable financial strategy, particularly with uncertainty over future core funding, it will be necessary to rationalise growth only to regeneration and the Council's other FTFC priorities and at the same time reduce the Council's financial footprint.

4.1.7 The MTFS has a set of principles used for financial planning purposes which are summarised below.

MTFS principles
To remove the General Fund's reliance on RSG by 2019/20 when the funding is removed and 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 from 2022/23
To consider as part of the budget setting process, and throughout the year as necessary, what support can be given to the community, tenants, leaseholders and businesses in times of particular hardship.
To use the Council's reserves in a cost-efficient and planned manner to deliver the Council's priorities.
To maximise the Council's income by promptly raising all monies due and minimising the levels of arrears and debt write-offs.
To identify alternative means of resourcing the Capital Strategy to minimise the impact of borrowing (GF only).
In setting General Fund balances a % for overruns (currently 1.5%), specific known risks, loss of savings & risks associated with new ventures and the cost of borrowing for the capital programme is included.
To identify variations to the approved budget via quarterly monitoring and only incur additional on-going spending when matched by increased income or identified savings.
To propose Council tax increases in line with inflation for modelling purposes with any increase above inflation used to achieve a balanced budget.
To ensure that resources are aligned with the Council's Strategic Plan and FTFC priorities and growth limited to the Council's top priorities
The Council does not depend upon short term sources of funding such as New Homes Bonus and the grant is used in part for FTFC Top Priorities.

4.1.8 These principles may need to be revised when the Commercialisation Strategy is approved by the Executive.

4.2 The Economy and Government proposals for Funding Local Government

4.2.1 In the last Strategy (2018) there was considerable uncertainty around BREXIT and the impact that this will have on the economy and this remains. There is still uncertainty about what the impact of a no deal BREXIT will mean for the UK on the 31 October 2019. The Council has risks under review and particularly around procurement of contracts and supplies of good.

4.2.2 As set out in section 4.8 of this report there is considerable uncertainty about the future levels of local government funding, with the Chancellor announcing only a one year deal as part of the spending review for 2020 on the 4 September. This means uncertainty about next year and the following three years for negative RSG, business rate levels and NHB. The Government's initial consultation document said '*the Government is working towards significant reform in the local government finance system in 2020/21, including an updated, more robust and transparent distribution methodology to set baseline funding levels, and resetting business rates baselines'*.

4.2.3 The economy shrank in the second calendar quarter of 2019 and since a technical recession is defined as two successive quarters of contraction, that means another similar three months of growth (i.e. showing negative growth), between now and the end of September would tip the UK into the technical definition of its first recession since the financial crisis.

4.2.4 There were reports of stockpiling in the first quarter as companies prepared themselves for the first Brexit deadline and factories had timetabled shutdowns for after that March deadline. The manufacturing sector contracted at the fastest rate since the deep 2009 recession and the services sector, which provides around 80% of the growth in the economy, grew at a far slower rate than usual - the weakest rate in three years. Despite the slowdown in spending and activity among businesses, household spending remained relatively robust, with growth around the same as in the first quarter.

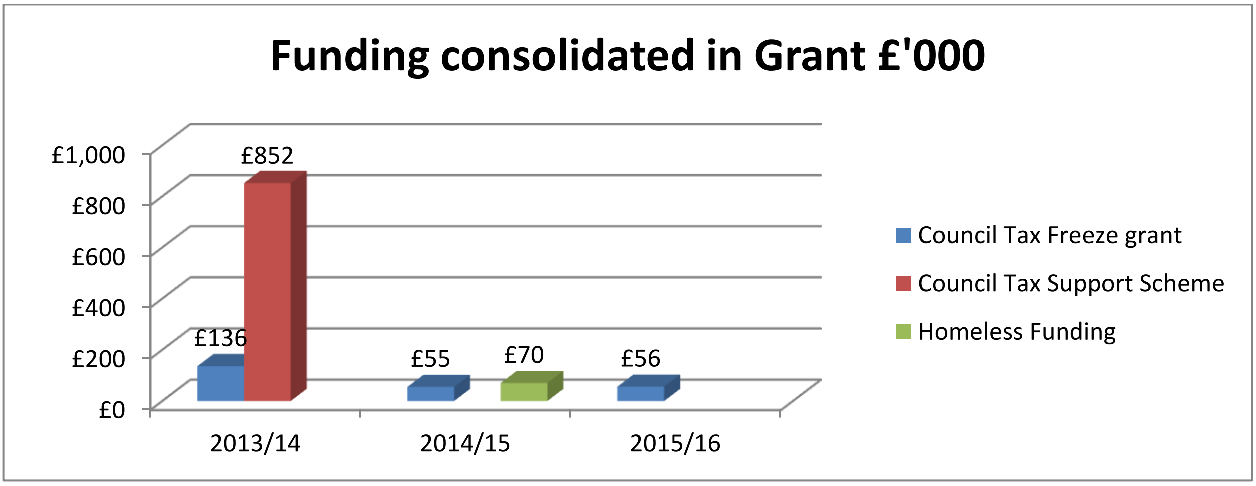
4.2.5 However despite strong pay growth and the Bank of England inflationary target at 2%, and with the government announcing,(albeit unfinanced) pay awards above inflation for some public sector workers, commentators such as Senior UK economist Ruth Gregory, says that falls in household energy bill will push inflation down below target by the end of the year:

"The strength in pay growth and the fall in the pound will probably mean that inflation spends most of its time above the 2% target in 2020….. It is only in a no deal scenario that we think the MPC would cut rates, perhaps from 0.75% to at least 0.25%."

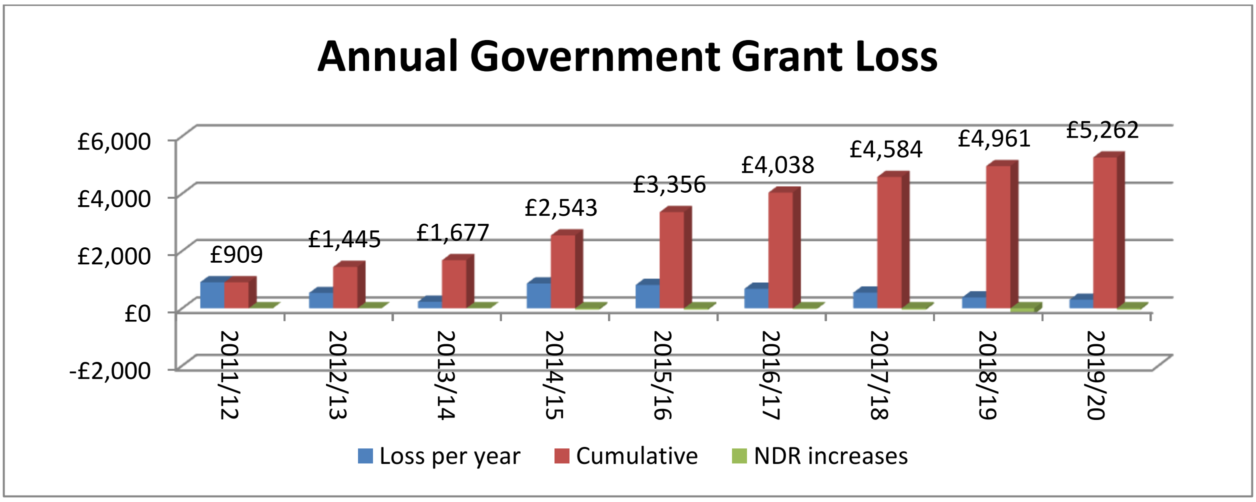
4.2.6 For the Council this uncertainty may increase risk for regeneration plans and ability to secure contracts without there being a built in cost for uncertainty into prices. Furthermore this may also increase risk into commercial activity that may be undertaken.

4.3 Stevenage Financial Position Why the Need for Annual Savings

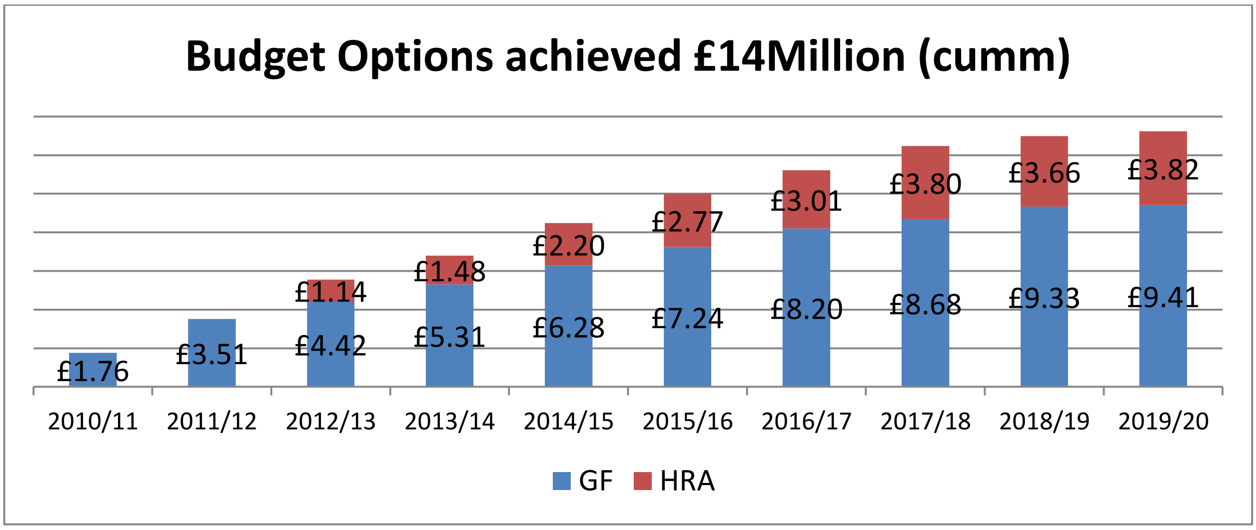
4.3.1 Government funding for Local Government has been declining with austerity drivers since 2010/11. In the prevailing years there were significant reductions in funding which were front loaded, with 2011/12 seeing a £909K loss in grant. Quantifying overall grant loss is difficult as previously separately awarded grants have been added to core funding, which in subsequent years are not identifiable. While at the same time grant funding has reduced. The chart below shows a total of £1.16Million grant funding has been added to core central funding since 2013/14.



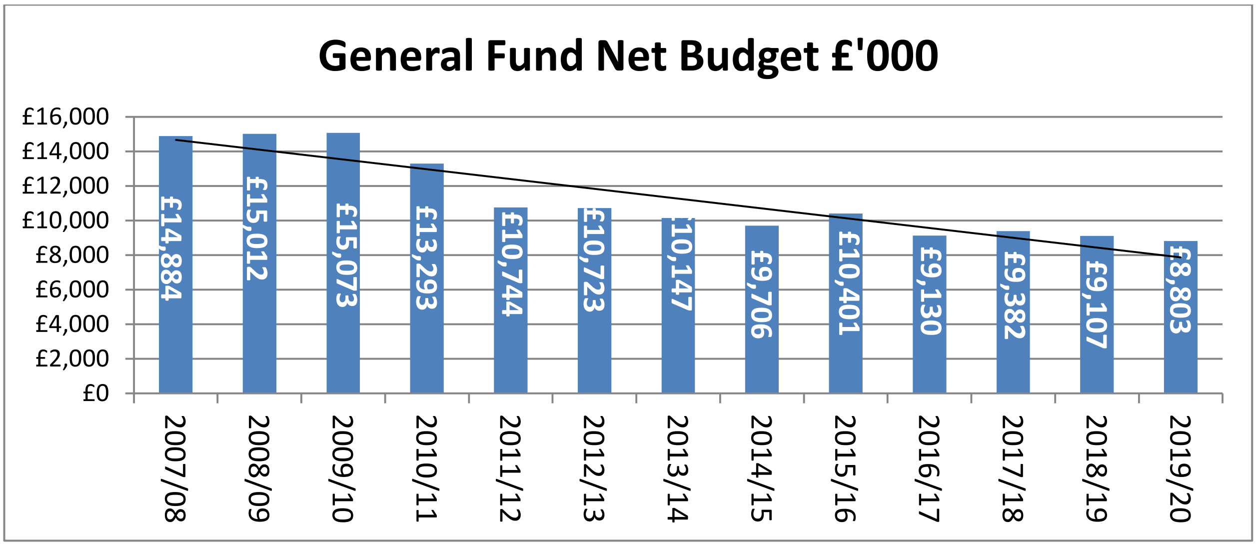
4.3.2 Taking these additions into account this means the Council has lost over £5Million in government funding and the need to make annual savings shown below.



4.3.3 The required savings were not only to plug the gap from lost grant but also to absorb inflationary pressures, so as to continue to run effective services and avoid running out of money. Over the last seven years the Council has achieved a cumulative £13Million+ budget reductions and over £9Million for the General fund alone. The level of budget reductions achieved through saving initiatives is shown in the chart below.

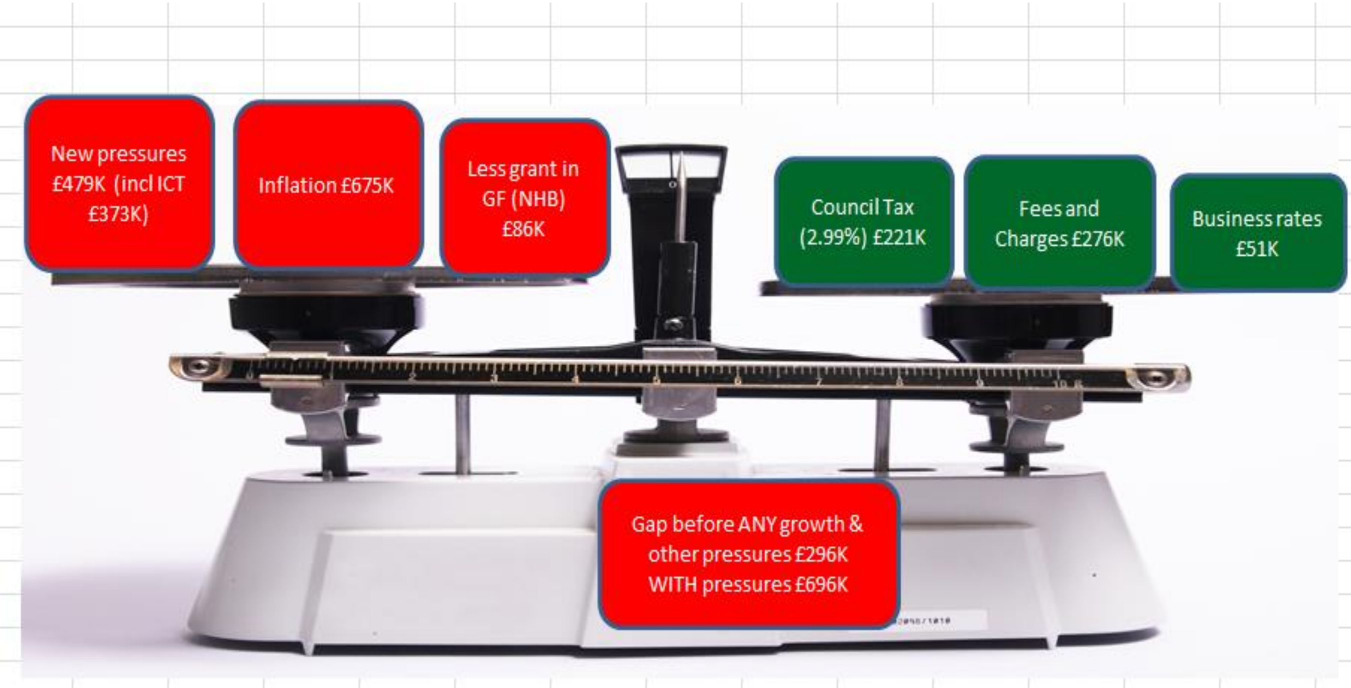


4.3.4 The impact of the savings identified means a reduction in the General Fund net spend reducing from some £15Million to £9Million as summarised in the chart below.



4.3.5 Despite the reduction in net budget there is currently an annual gap between inflation and increases in fees including council tax and business rates of about £296K. In real terms projected inflation costs, (largely staff related) exceed the amount of proposed increases in council tax (assumed for modelling purposes at 2.99%), proposed fees and charges (agreed in principle at the November 2018 Executive) and the estimated CPI increase in the baseline need for business rates. Inflationary pressures are reviewed further in section 4.4, but until that gap is closed via financial security savings and the ability to contain cost pressures, there will be a continuing need to find options to reduce the Council's net spend.

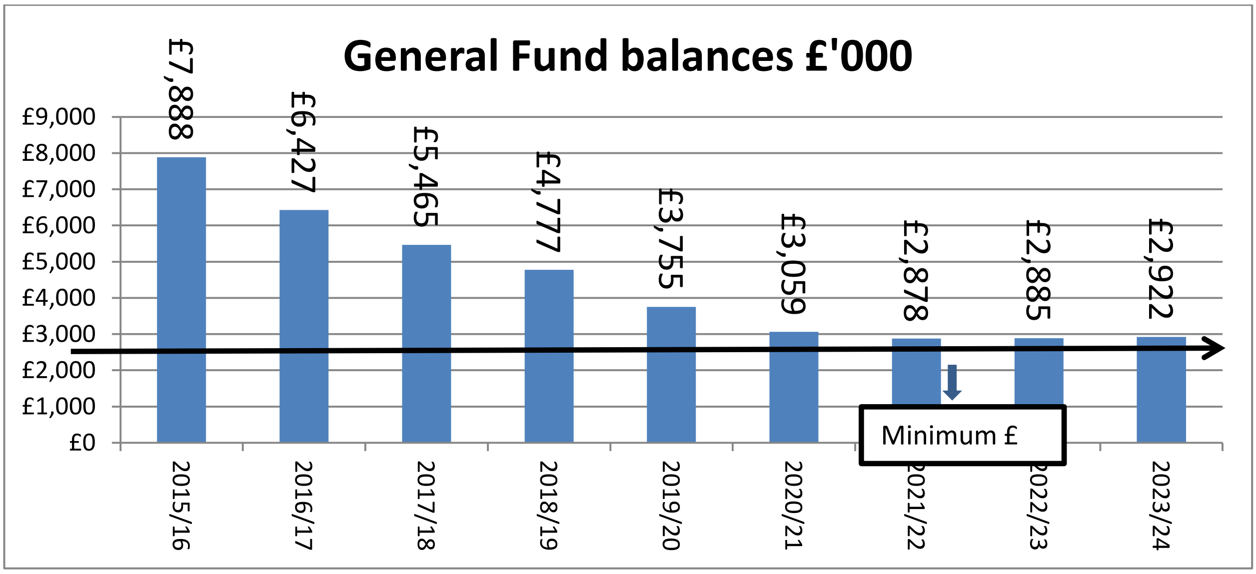
General Fund identification of the gap between inflationary expenditure and income 2020/21



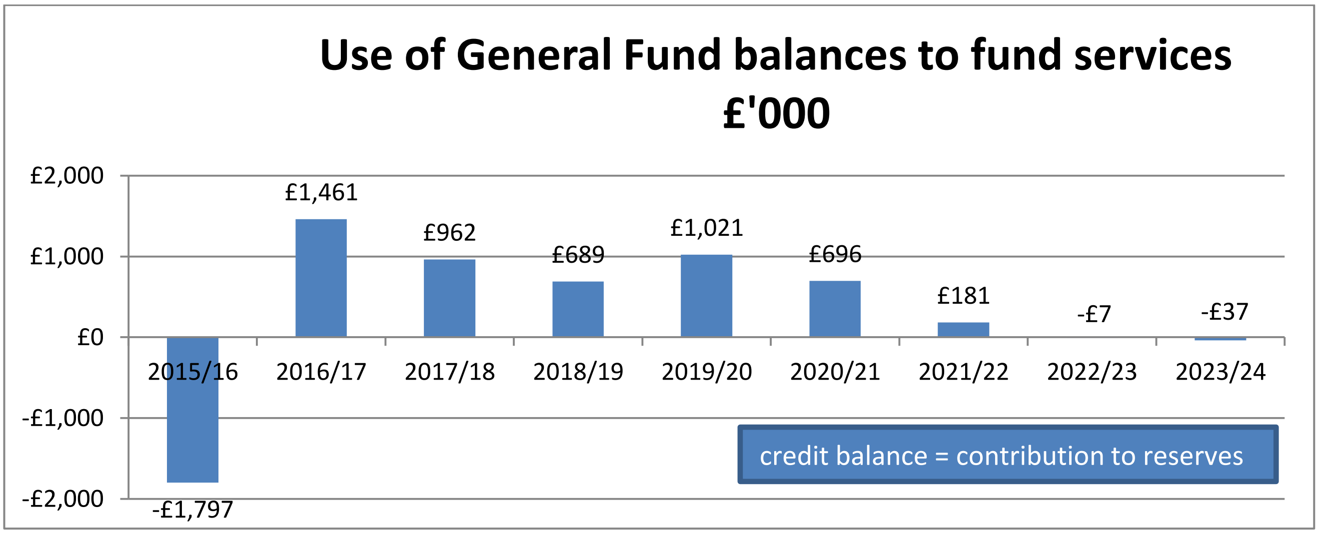
4.3.6 The Council's MTFS has planned to use general balances to enable a measured withdrawal from the reliance on ever decreasing core government funding and any inflationary gap. However a key tenet of the MTFS Strategy is to ensure costs equal income from 2022/23 with a contribution to or no contribution from balances.

4.3.7 The need to further increase Financial Security targets (see section 4.6), comes from in year and new pressures that have been identified, some of which relate to the ICT Strategy which will be presented to the October Executive.

4.3.8 The updated MTFS projection of year end balances is summarised in the chart below with the detail in Appendix A.



4.3.9 While the projected balances in the MTFS are projected to be above the current level of minimum balance levels (£2.88Million) the levels will change based on the risks contained within the budget and the MTFS future years target have increased by £175K to achieve this,(paragraph 4.6.15 refers). The draw on balances over the last few years is summarised in the chart below, but the introduction of retained business rates has distorted the draw on balances, due to the timing of when business rate payments and receipts are made and received.

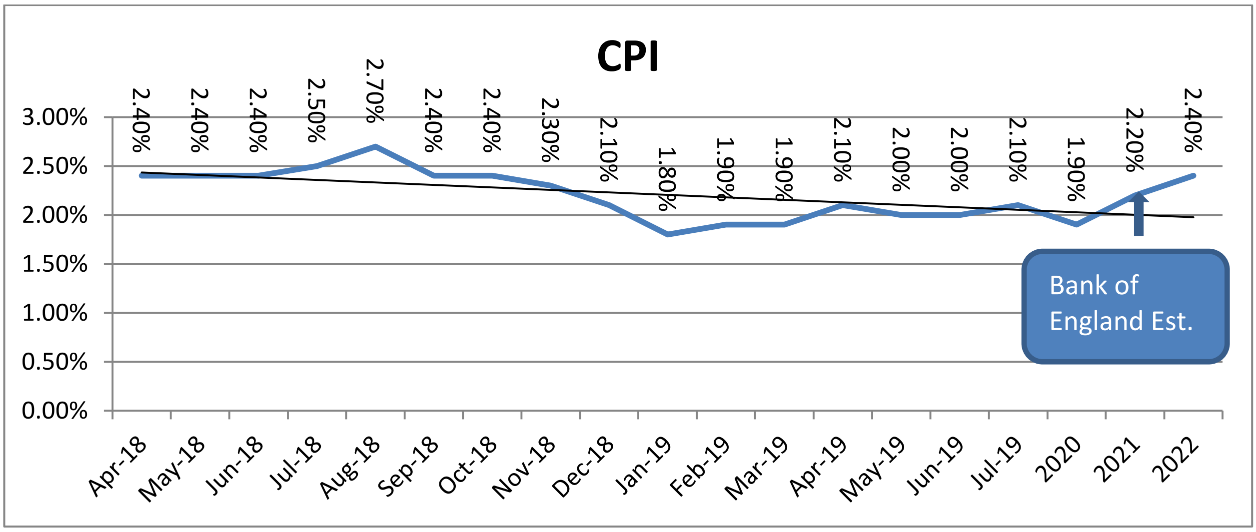


4.3.10 It could be argued that the actual draw on balances will be less than planned due to the realisation of year end underspends. However the level of underspends which is not committed for projects, (approved for carry forward into the next financial year) has reduced and there is an expectation that one off underspends of £350K need to be realised to support the capital programme. Last year after adjustments for carry forwards, capital contribution and on-going pressures, there was a net underspend of £111K.

4.4 Inflation

4.4.1 It is difficult to predict inflationary increases with the impact of BREXIT not yet known. The Bank of England forecasts are based on a smooth or orderly BREXIT which is not necessarily in line with the new Prime Ministers stance to take the UK out of the European Union by the 31 October regardless of whether a deal is in place.

4.4.2 CPI is the tracked measure for inflation used by the government and for increases in retained business rates. CPI has decreased from April 2018 (2.4%) to 2.1% in July 2019 and the Bank of England projections are shown in the graph below. However, as previously stated these are based on the Bank of England's assumptions of a smooth BREXIT which sees inflation fall in the 3rd quarter of 2020 to 1.9% and then slowly rise to 2022 to 2.4%.



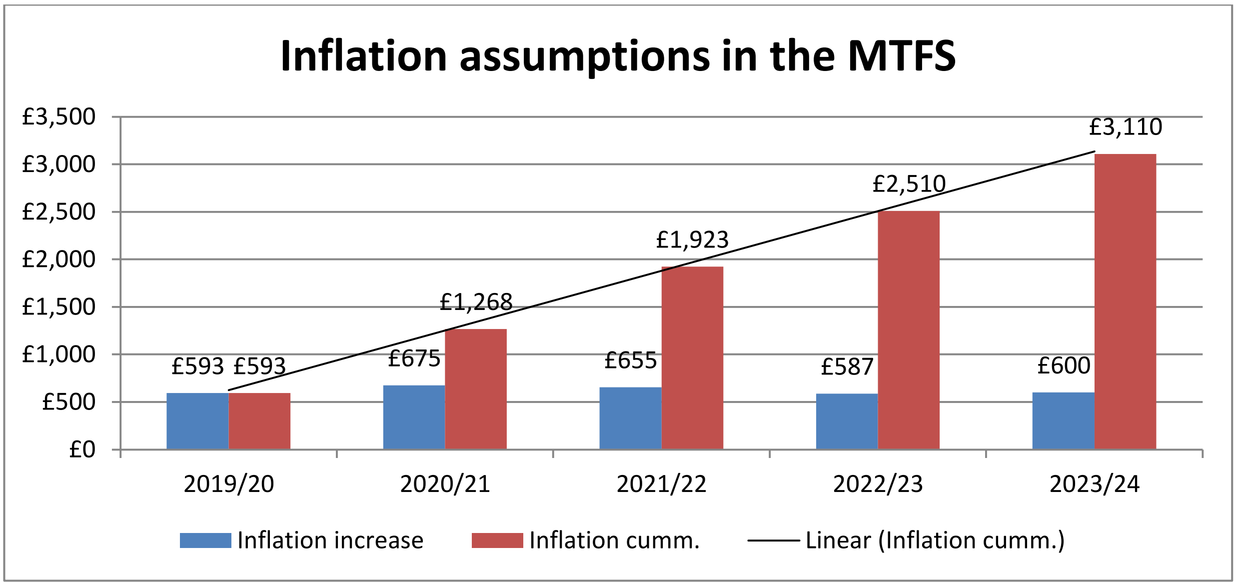
4.4.3 The Bank of England August report says with a no deal BREXIT the pound will fall and the prices in the shops will increase, no doubt as a result of higher import costs. However at the time of writing the report, the pound had already fallen against the Euro and the dollar and inflationary pressures are likely to follow through.

4.4.4 The current uncertainty makes predicting inflationary pressures almost impossible. The assumptions made in the report together with other known budget adjustments are detailed in Appendix A. The rationale for the inflation assumptions made in the MTFS are shown below.

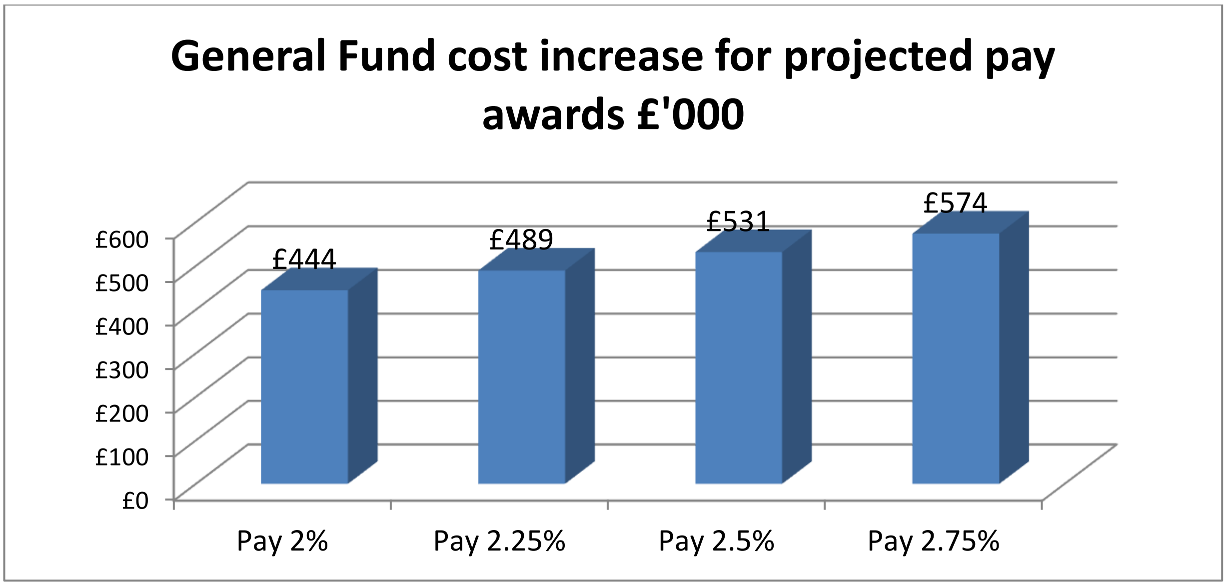
	Rationale for inflation assumption
Salaries - % increase	Salary inflation is estimated at 2.25% in the MTFS based on the current public sector pay announcements by the government which have ranged from 2% - 2.9%. However there is no new money for those increases for civil servants and police etc. The union pay request for 2020/21 has been submitted at 10%. Based on inflation is likely to be above 2% the MTFS has modelled a 2.25% pay award for 2020/21 and 2021/22.
Pension Increase	The current estimate from the Actuaries is that the current level of funding will allow for an increase of approx. 2.5% on the lump sum element (£1.5Million in total split between GF and HRA) this is estimated to be £25K for the General Fund. However this is still to be confirmed.
Consumer Price Index (CPI) indices increases	Current projections from the Bank of England show an increase up to 2.4% by 2022. However, due to the current uncertainty around inflation 2.2% has been modelled in the Strategy, which is higher than the 2.1% in the later years included in the 2018 update.
Retail Price Index (RPI) indices increases	This is based on a 1% differential between the CPI forecast.
Fuel Increases	The current increase would be 0.98% based on increases April-July, however an increase of 5% has been assumed to reflect the relative weakness of the pound to the dollar. This level of increase has been maintained in the medium term in the Strategy. However 5% increase in 2020/21 represents approx. £18K and not a significant part of inflationary pressures.
Gas/Electricity (unit charge only)	This has proved difficult to forecast and the MTFS contains the average increase annually which the council has experienced in addition to the current forecasts

	2019/20	2020/21	2021/22	2022/23	2023/24
Inflation-Applied to:					
Salaries - % increase	2.00%	2.25%	2.25%	2.00%	2.00%
Pension Increase on lump sum only		2.50%			
CPI indices increases	2.30%	2.20%	2.20%	2.20%	2.20%
RPI indices increases	3.30%	3.20%	3.20%	3.20%	3.20%
Fuel Increases	4.39%	5.00%	5.00%	5.00%	5.00%
Gas (unit charge only)	14.53%	14.53%	14.53%	14.53%	14.53%
Electricity (unit charge only)	11.11%	11.11%	11.11%	11.11%	11.11%

4.4.5 The amount of inflation shown in the MTFS (net of recharges to the HRA is shown in the table below).



4.4.6 Modelling of pay increase variations has been projected and for every 0.25% pay rise, an additional cost of £45K is assumed (£180K per 1%). A proportion of pay inflation relates to incremental increases, which for 2020/21 is projected to be approx. £126K (26%), including on-cost of the total £489K. If the pay award is higher than the 2.25% assumed in the MTFS, the Financial Security Target will need to be increased for future years to reflect the increase in costs.

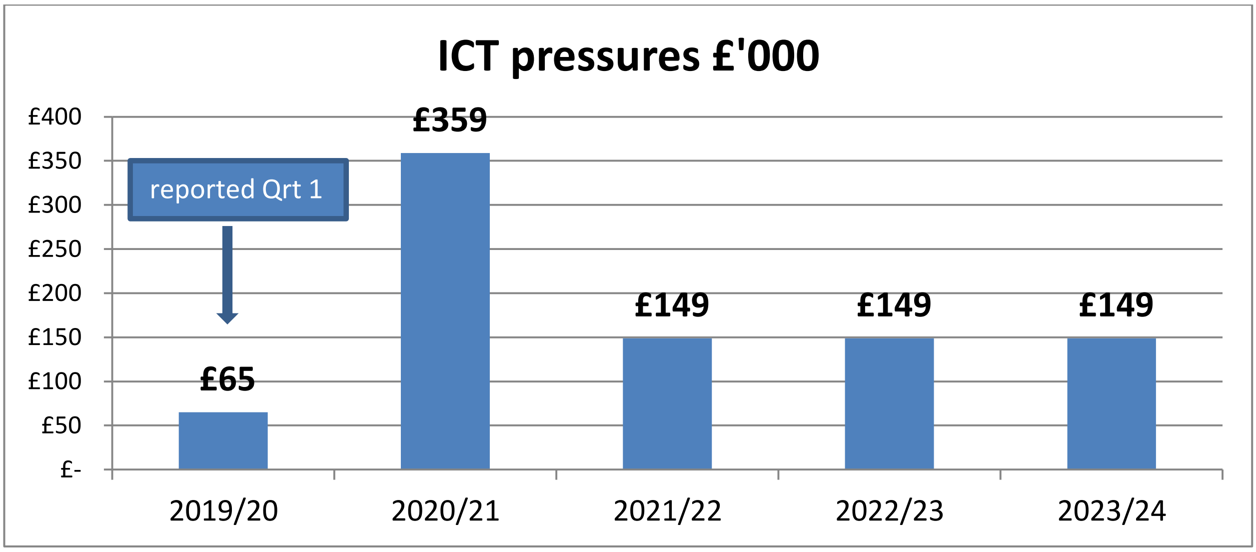


4.4.7 The CFO has modelled contractual inflation (including fuel and utilities) and this shows that a 1% increase across all indices would add an estimated £70K to the inflationary pressures in the General Fund in 2020/21. Which again, if realised would lead to an increase in future year's saving target.

4.5 Budget Pressures and Growth

4.5.1 A number of budget pressures have been reported as part of the 1st quarter monitoring report to this Executive. In addition to these costs, the impact of the ICT Strategy has also been projected in the MTFS. There is an estimated General Fund cost for all of these new pressures of £1.38Million over the MTFS five year period financial period.

4.5.2 Members will be aware that at budget setting there was an identification of some potential future years pressures and consequently an ICT reserve was established. This has funded the additional staff costs pending the adoption of the ICT Strategy and then a further £70K of ICT pressures in year, leaving an in year pressure of £65K. In addition to this there are future costs (2020/21-2023/24) estimated at £806K as shown in the chart below. This increased ICT cost has been assumed for MTFS modelling purposes, but will be subject to the ICT Strategy being approved at the October Executive.



4.5.3 The ICT Strategy aims to build on existing technologies and investments and will deliver a high performing, resilient and secure infrastructure that enable both East Herts Council and SBC to take forward their digital service delivery ambitions to the benefit of customers. The new strategy will also begin the process of standardisation, simplification and rationalisation of the partnership's ICT systems and business applications through the design and adoption of new enterprise architecture. This will ensure we have the right corporate and business systems in place to support future partnership wide transformation programmes and initiatives, accelerate self -service digital delivery for our customers and increase staff productivity through opportunities for more flexible and mobile working.

4.5.4 There is a smaller projected pressure from the Alternative Financial Model (AFM) which sees Districts benefit from monies to incentivise recycling versus tipping at landfill. As part of the County Council's savings options they have proposed a reduction of £1.5Million over the next three years (£500K per year). District Councils have made representation to the County concerning the pass porting of this cut to the Districts and it is estimated to cost SBC £30K per year over the next three years, a total of £90K.

4.5.5 The MTFS assumes there is £125K of unallocated implementation funds remaining in 2019/20 to provide seed money for new Financial Security ideas and a further £100K is assumed for 2020/21. Based on the level of service pressures identified, there is no assumption for new growth in 2020/21. Any new growth and pressures will have to be met by increases in savings approved.

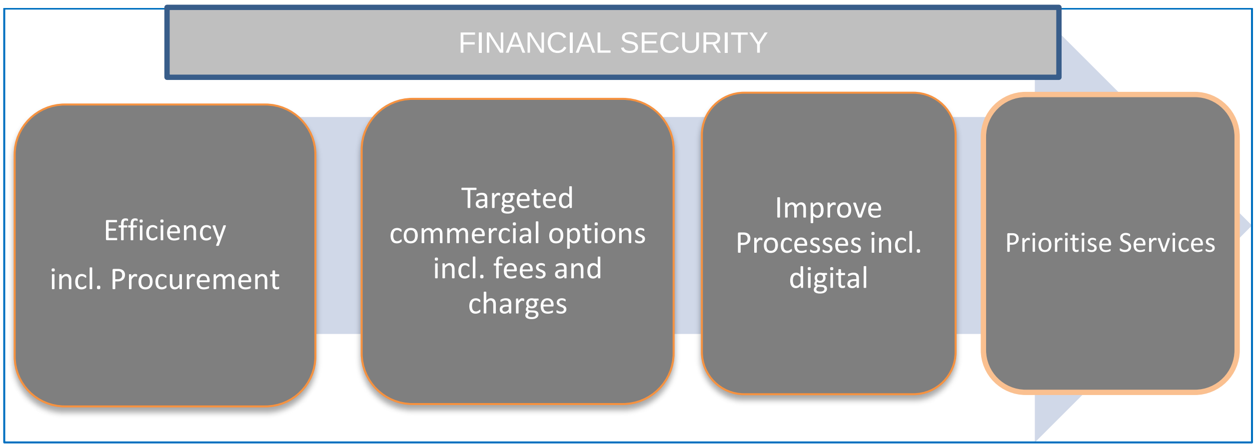
4.5.6 There may be also future financial pressures from the Homeless Reduction Act and other welfare reform Government initiatives which are currently not identified in the

MTFS, if new burden funding is not continued by the government. In addition there be new pressures around the safety of buildings which the Government is currently consulting on.

4.5.7 It is the CFO's view that the delivery of FTFC priorities against a backdrop of funding cuts will necessitate that growth should only be approved which meets the outcomes of the FTFC top priorities.

4.6 Financial Security

4.6.1 The six work streams of the Financial Security priority to yield budget reductions across the General Fund and HRA, have been rationalised into four, with three Assistant Director leads for the first three activities and the Senior Leadership Team having overall responsibility for the prioritisation of services. There was some overlap between the previous six strands. The graphic below sets out the process for 2021/21 onwards.



4.6.2 **Efficiency savings** are reported and removed from the General Fund as part of the quarterly monitoring process. However it would be fair to say that the ability to extract efficiencies year on year is becoming more difficult, (see also para 4.3.10). Many years of austerity has seen the Council reduce its General Fund budget through taking all the efficiency underspends with some minimal front line service reductions. The view amongst CFO's and the Society of District Treasurers (SDCT) is that there are not on-going efficiencies to be taken from local council budgets. Indeed the need to reduce budgets may have led to historical under investment in ICT and fixed assets, which has increased future budget pressures in both revenue and capital. Without an untapped pool of efficiency savings it places more emphasis on the other strands to deliver budget reductions.

4.6.3 However, as inflation and pressures are added to budgets and as services evolve with new ways of working, this can still lead to budget efficiencies. A revision to the identification of efficiencies has been introduced, with root and branch reviews of large expenditure items, which includes:

- Complete review of salary budgets to determine whether assumptions made at budget setting regarding vacant posts have materialised in terms of grade and pension contributions and the amount of transitional vacancy rate assumed.
- Review of pay and conditions relating to the provision for stand by and overtime

- Complete review of inflation assumptions included in the budget to determine whether the pressures materialised and any insight into future years pressures.
- Complete review of vehicle and building costs assumptions
- Review of the amount of expenditure not under contract to gain efficiencies from procurement
- Review the outcomes of Locality reviews, to determine how the aims of the Asset Management Strategy (AMS) is delivered, in sustainable buildings with a reduction in their financial footprint.
- Review of the estimated life of assets historically funded from borrowing and leading to a Minimum Revenue Payment (MRP) in the General Fund. An extension of the asset life funded can reduce the annual amount which is funded over a longer number of years.

4.6.4 **Commercialisation**-The Council has not made very significant progression in this work stream. Difficulties in the purchase of Investment Properties due to availability, location and the condition of the retail sector has meant the initial target of £200K has yet to be realised for the General Fund. However two further office blocks are currently being investigated.

4.6.5 There has also been a tightening of the Prudential Code in 2018 regarding borrowing for commercial investment, as a result of the large scale acquisitions by some Councils. There is also a review by both the National Audit Office (NAO), who report to Government and the Chartered Institute of Public Financial Accounting (CIPFA) who set the accounting guidance for public bodies, which could conclude further restrictions are required. This could further reduce the Council's ability to borrow for commercial buildings particularly outside the Stevenage Boundary.

4.6.6 The Council has also recently approved the creation of a Wholly Owned Company to hold private sector rented properties to ensure that Stevenage residents that are not able to benefit from social housing due to the level of supply and demand can have the option of good quality private housing. This now needs to move into implementation phase.

4.6.7 The Chief Executive and Strategic Directors have concluded that in order to drive forward the commercialisation agenda, a clear Strategy is required to set the tone for the risk level, scale and approach that the Council wants to adopt. This Strategy will be presented to the November Executive by the Assistant Director (SDS) and will include the following:

- Short term commercial options to be delivered – commercial property, private sector housing
- Review of current charging levels and readiness for complementary or additional services
- Setting a three year fees and charges schedule
- Longer term and level of commercialisation of services
- Insourcing options to be considered and a roadmap has been developed together with a schedule of procurements which are due in the next 12-24 months
- Developing the commercial culture for managers
- The level of risk the Council wants to take when making commercial decisions and the acceptance of levels of failure

4.6.8 Commercialisation brings additional financial risks may arise which need to be considered, in the level of balances to hold and also reflected in decisions officers recommend, e.g. ring fencing monies to fund any future losses, risk the target may not be achieved immediately and that based on the approved extent of commercialism, that some may fail. The Commercial Strategy may also identify the limits to which the Council would want to expose itself to commercial risk . This means combined with the reduction in the ability to deliver efficiency savings then there is more emphasis on the delivery of budget reductions through improving processes and digital interventions.

4.6.9 **Improve Processes (including digital)** –With the reduction in scope for efficiency options there is a renewed importance in the delivery of commercial and improve processes. A Digital Strategy is key to the delivery of budget reductions through the exploitation of ICT improvements with self-serve and the customer account. The Council is also exploring new ways of working to consolidate like activities to get staffing productivity gains. This will require some up front funding which still needs to be assessed. The work stream is part of the FTFC priority Connecting to our customers (CTOC) and is being championed by the Assistant Director (Corporate Projects).

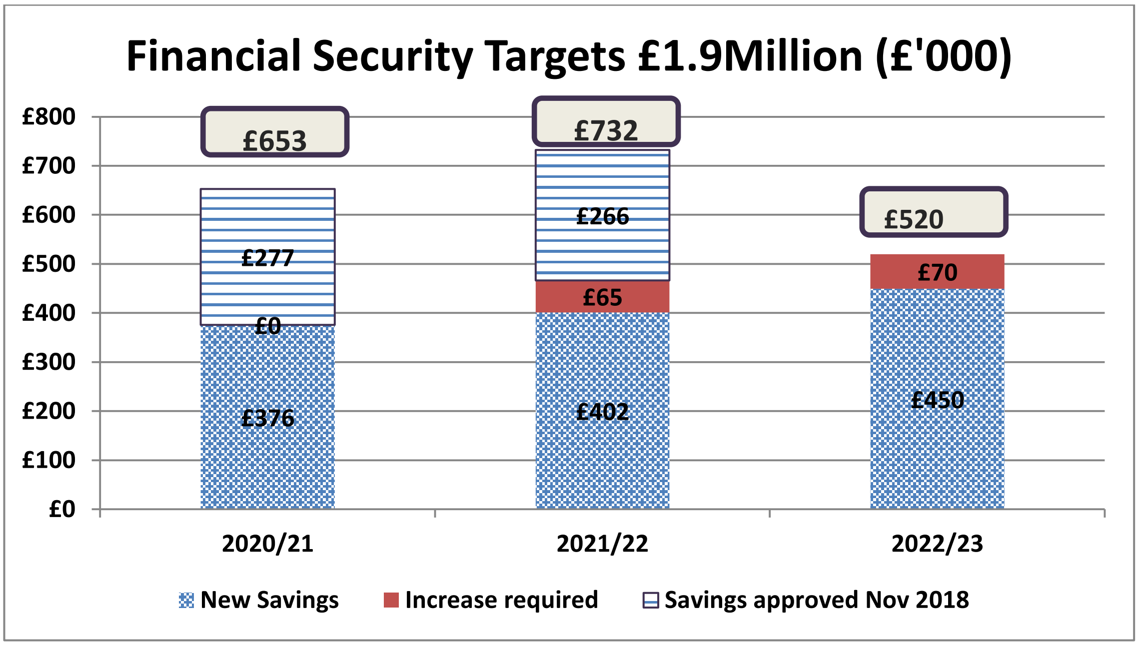
4.6.10 Business cases will be brought forward for further innovations that create a return on investment. However in addition it is intended that cutting bureaucracy and stream lining processes will lead to cost reductions by transferring transactions online, efficient workflow processes and other such initiatives.

4.6.13 The last strand of Financial Security is to review the **prioritisation of services**, to date this work has not been progressed to a large extent. This is because alternative options have been available to reduce General Fund net spend. However, as General Fund revenue balances fall and with a continued need to fund both revenue and capital activities, (via revenue contributions to capital), the council needs to consider which services are a higher priority and what the net cost of the some services should be to the tax payer. The Senior Leadership Team (SLT) will work with Members and the LFSG to prioritise services.

4.6.14 As part of the Financial Security work the Members group (LFSG) chaired by the Resources Portfolio Holder supports the Financial Security work programme and reviews options that come forward for consideration, in addition to growth and capital options.

4.6.15 The Financial Security Target for the period 2020/21-2022/23 was revised following approval of the three year savings package for the period 2019/20-2021/22 at the November Executive. However based on the level of service pressures currently identified further measures are recommended which are:

- Allocated reserve balances relating to the business rate gains in 2019/20 (if realised) of £275K are returned to the General Fund of 2019/20 Business rate gains
- Increase in the savings target of £65K, £70K and £40K for 2021/22, 2022/23 and 2023/24 respectively.
- Any growth identified for 2020/21 is funded from increased savings above the target for 2020/21.
- Consider increasing council tax up to the threshold set by the government (currently not know), currently modelled at 2.99%.



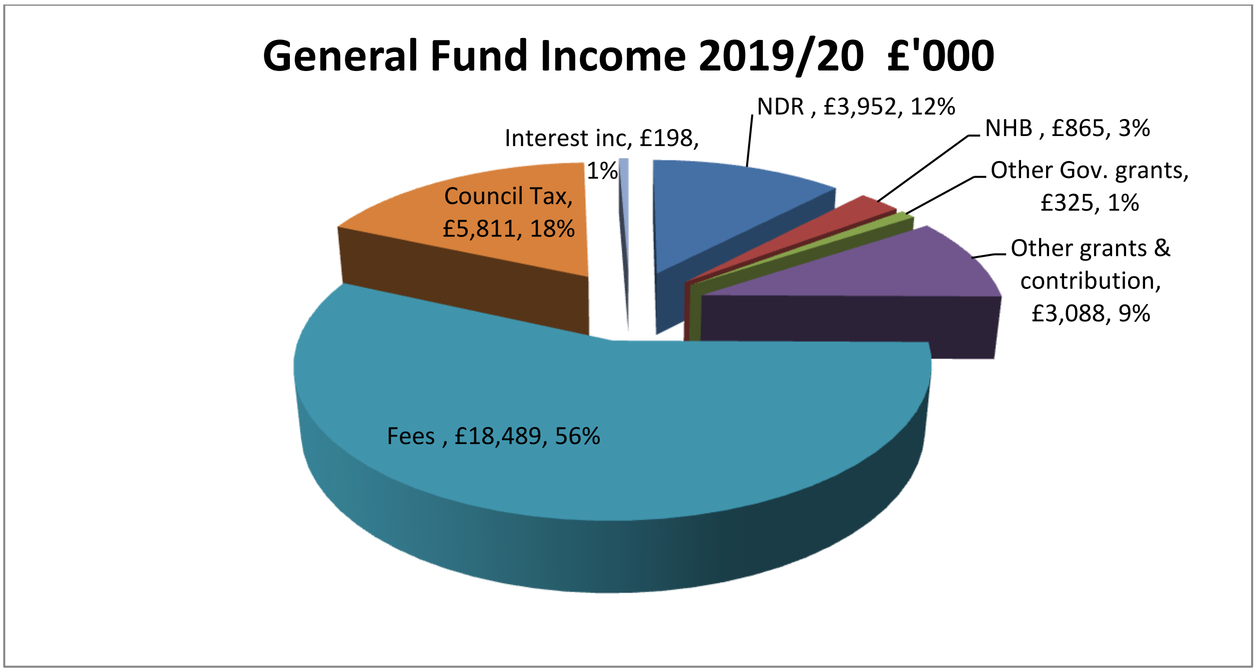
4.6.16 The Council's SLT are reviewing a number of options to achieve the three year target. However the level of options identified currently is less than the target required and SLT is being asked to identify further options.

4.6.17 The Financial Security package will be considered by the Leaders Financial Security Group and then by the Executive and Scrutiny Committees in November 2019. This report will also include any fees and charges increases and growth options.

4.7 Council Tax

4.7.1 Council tax income has become more important as centrally funded resources have been removed. Council tax as a proportion of General Fund income (excluding housing benefit subsidy) represents 18% of the total General Fund income for 2019/20. The largest proportion is fees and charges (56%) and the Financial Security options include options for fee increases.

4.7.2 Council tax income is higher than that retained from business rates (2019/20) by £1.859Million (or 6% more of total income), this is despite the additional retained business rates relating to the Hertfordshire Pilot.

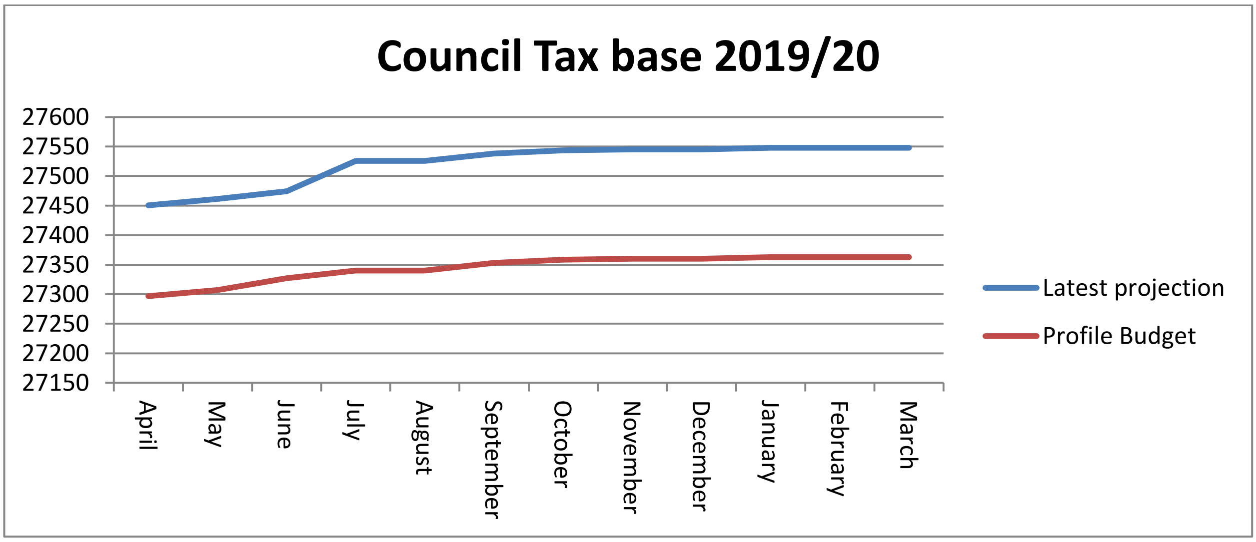


excludes housing benefit and recharges to the HRA.

4.7.3 The amount of council tax that can be raised annually is influenced by mainly two factors, firstly the growth in the tax base and secondly the inflationary increase applied each year. The tax base is based on when new properties will be brought into use and converts this to Band D equivalents for the year.

4.7.4 The tax base is calculated based on an estimate of the gross dwellings in Stevenage, reduced by the amount of discounts (single person discount, council tax support and other exemptions).

4.7.5 Current council tax projections show that the tax base projections are slightly ahead of the budgeted profile and likely to yield an additional £37K of council tax surplus which would be refundable in 2020/21.This surplus has been built into the MTFS.



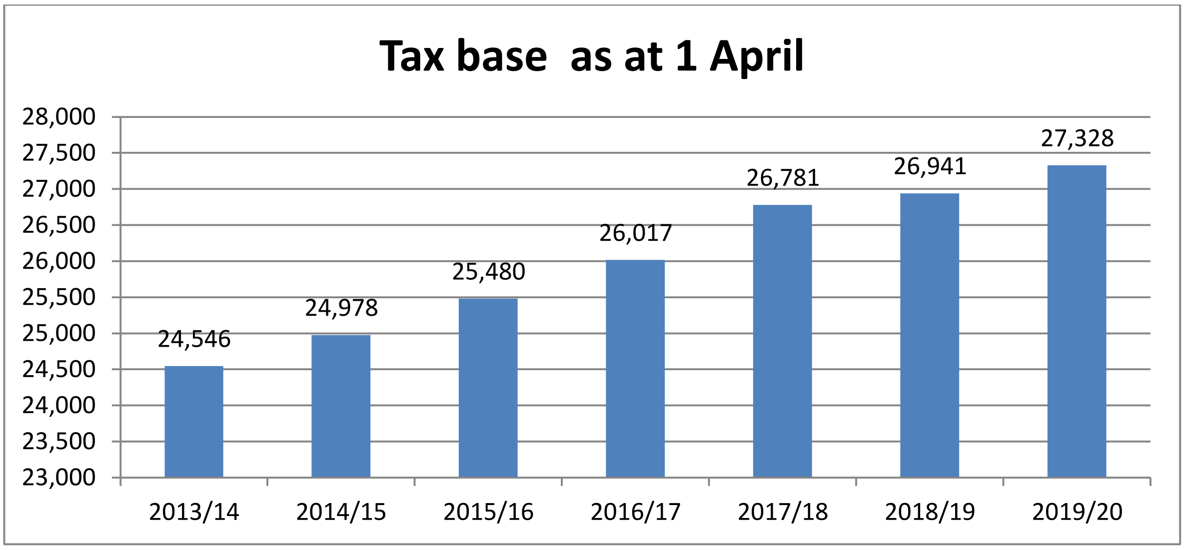
4.7.6 It has been assumed for modelling purposes that discounts remain in line with current levels, this includes council tax support (CTS). CTS numbers have reduced annually over the last few years, however it is anticipated that this trend will not continue.

4.7.7 The assumptions for the CTS scheme which is currently a 8.5% minimum liability for working aged claimants remains unchanged. The Portfolio Holder Advisory Group (PHAG) meeting on the 30 August 2019 reviewed options to change the scheme. However both officers and the PHAG are recommending keeping the current scheme until there is a significant roll out of Universal Credit. The change to the scheme will be required so that those universal credit claimants do not have constant changes to their CTS support as a result of small changes to their UC (particularly those on zero hours contracts).

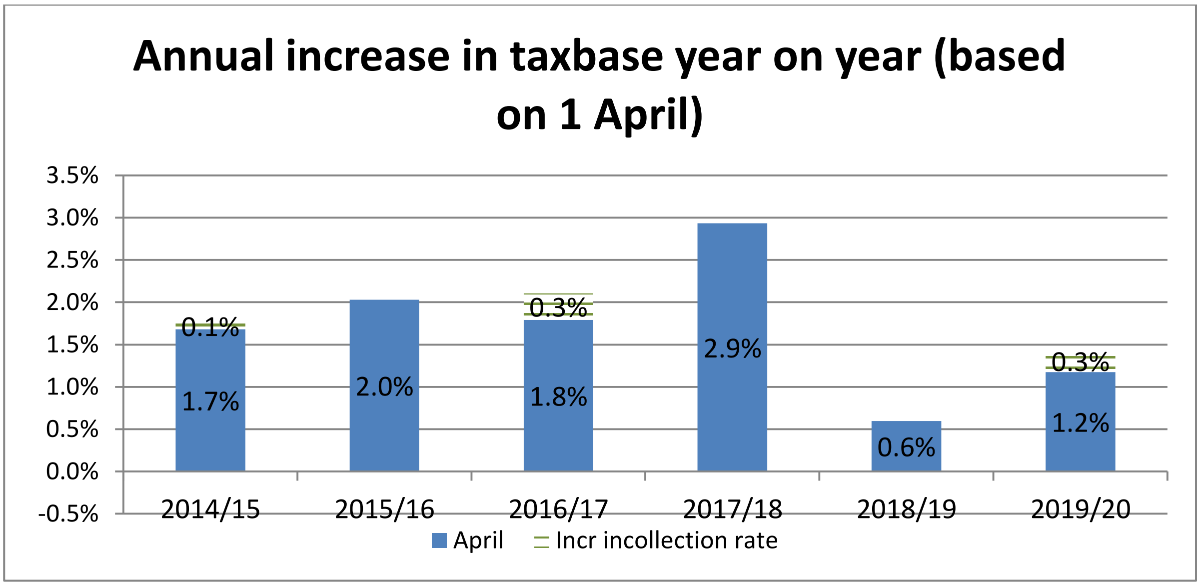
4.7.8 The 2019/20 base has been calculated and the tax base each year is projected based on planning housing trajectory numbers and is estimated as below, this is currently being updated and will be included in the next update. But is unlikely to yield large increases in council tax for SBC. A 1% increase in the tax base equates to an estimated £57K for 2020/21.

Tax base Assumptions	2019/20	2020/21	2021/22	2022/23	2023/24
Projected tax base for year	27,330	27,554	27,802	28,020	28,300
Increase per year	1.00%	0.82%	0.90%	0.78%	1.00%

4.7.9 The tax base growth over the last few years is summarised in the chart below.

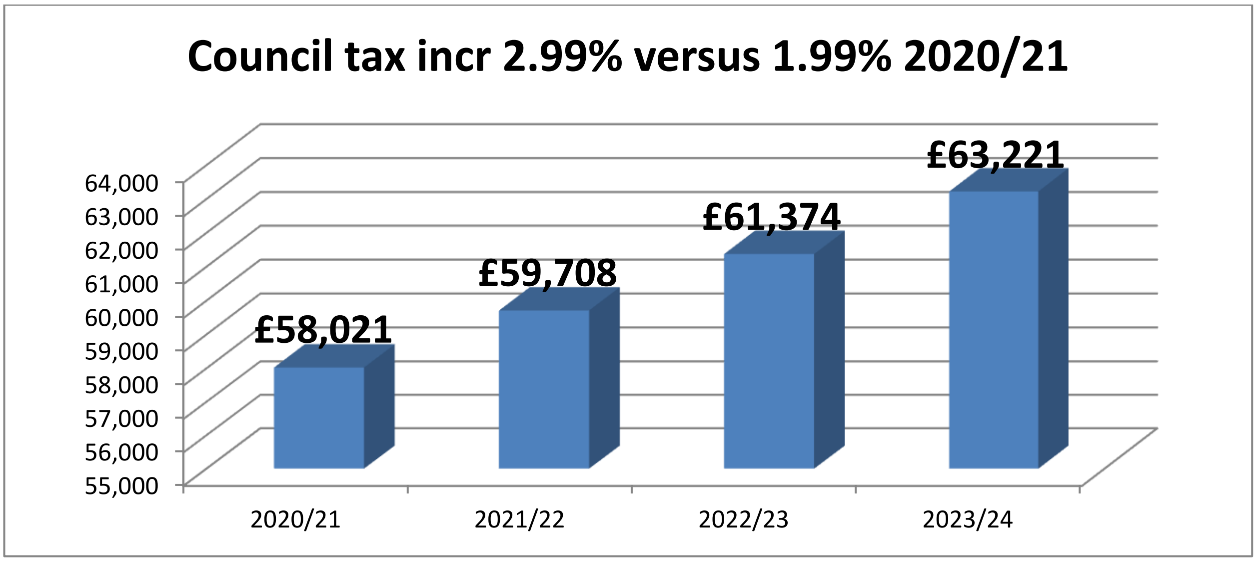


4.7.10 The annual percentage increase in the tax base has fluctuated and has in a number of years (2014/15, 2016/17, 2019/20) been aided as a result of projecting a higher collection rate. The collection rate in 2013/14 was 97.65% compared to 98.25% for 2019/20. This rate is the amount that is deemed collectable over a number of years, with the remaining amount 1.75% in 2019/20 representing the percentage attributable to bad debts and ultimately may be written off.



4.7.11 The MTFS currently includes a 2.99% increase in council tax for modelling purposes, It is not clear whether as part of the 2020/21 settlement the government will allow up to an increase of 3% which applied in 2019/20. This should be announced on the 4 September as part of the 2020 Spending Review.

4.7.12 Increasing council tax from 1.99% to 2.99% in 2020/21 does yield a further £58,321 additional council tax, the future years council tax additional yield is summarised in the chart below. **However, Members will consider the amount of council tax increase at the February 2020 Council meeting**.



4.8 Business Rates and Government Funding

4.8.1 The government had signalled that there would be a review of the funding formula for local government, a reset of business rates growth and a new four year settlement. However, HM Treasury announced on the 8 August that there will be a one-year Spending Round, (now announced for 4 September 2019), clarifying that:

- This will be a one-year Spending Round which will fund departments' 2020/21 activities;

- In 2020, a full Spending Review will be held, reviewing public spending as a whole and setting multi-year budgets.

4.8.2 However it is not clear from this whether the MHCLG will announce the planned Fair Funding Review and the redesign of Business Rates and whether it will be implemented, as previously announced, in April 2020; or delayed until April 2021, after the 2020 spending review.

4.8.3 This uncertainty makes financial planning difficult, particularly for Council's that have realised business rate gains such as Stevenage in the last few years, (since the previous revaluation of 2017). A full reset would see those gains disappear with an adjustment to the tariff payable. In addition it is not clear whether the pilot approved for 2019/20, which Hertfordshire is participating in would be rolled over into 2020/21. If it is SBC could achieve similar gains to this year, projected to be £1Million (includes the gains attributable to being in the Hertfordshire pilot). Current projections for 2019/20 business rates across Hertfordshire remain broadly in line with the pilot projections at the first quarter review.

4.8.4 The Hertfordshire Business Rates pilot allowed for 75% of business rate gains to be retained within Hertfordshire and this contributed to SBC's gains forecast for this year. In December 2017, the government announced the aim of increasing the level of business rates retained by local government from the current 50% to the equivalent of 75% by April 2020.This would also mean some centrally funded grants such as Public Health funded locally as part of the 75% retained business rates.

4.8.5 Within the business rates system of distribution there is a safety net below which the government will reimburse councils for lost NDR yield, this is currently set at 7.5% and for 2019/20 this equates to £180,000. There is an allocated reserve holding £172,000 which can be returned to General Fund balances in the year should this occur. For the pilot the safety net is set at 5% but for the Hertfordshire LA's as a whole and not an individual council.

4.8.6 Lastly, the government waived the negative RSG payment due from a number of authorities in 2019/20, which for SBC was £27K. However it is not clear whether this will be incorporated into the 2020/21 one year settlement or not. For planning purposes the CFO has modelled that this would not be a feature of government funding for 2020/21, but would be from 2021/22.

4.9 New Homes Bonus (NHB)

4.9.1 NHB was introduced in 2011/12 and is monies paid to Council's based on the increase in properties in the tax base, (top sliced from nationally business rate revenues), The scheme has been amended over the last few years which has made it less financially beneficial to Council's, by:

- Reducing the number of years a payment is made for, from six to four years;
- Introducing a threshold of 0.4% of the tax base before any new payment is made.

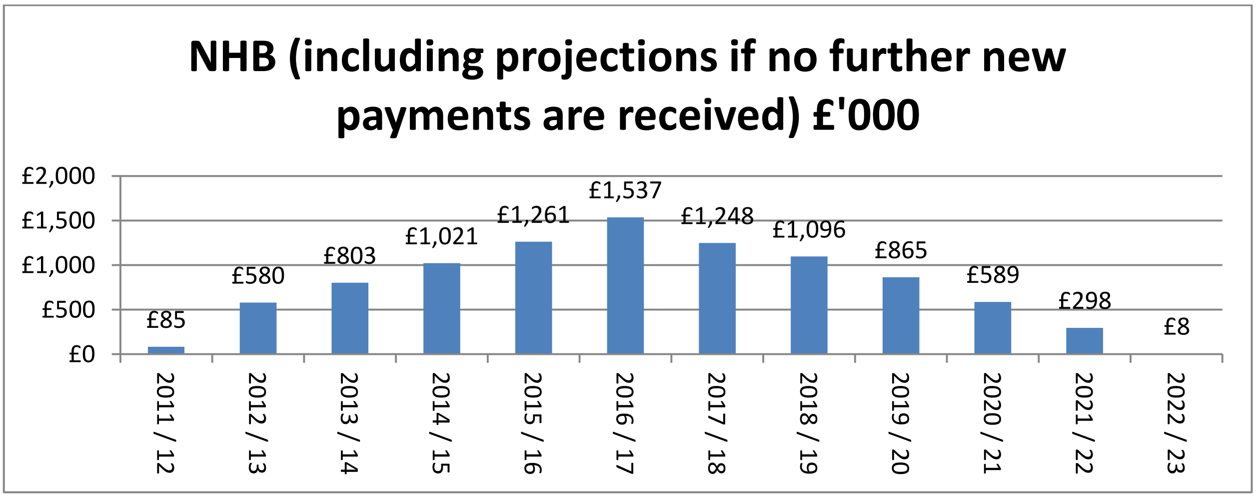
4.9.2 This has meant that from the peak in 2016/17 funding has fallen and in 2019/20 there was only an additional £8K. The 2018 MTFS update recognised there was considerable risk about the on-going reliance on NHB as means to fund initiatives such as the neighbourhood wardens, domestic abuse and anti- social behaviour services and these have been baselined and funded from within General Fund resources going forward. In addition, Members approved the removal of the NHB contribution to the General Fund of £200K per annum over the period 2020/21 (£36K removed) and 2021/22 (£164K removed).

4.9.3 From 2020/21 onwards, the government signalled it was considering other methods to reward housing growth, e.g. by using the Housing Delivery Test that meet or exceed local housing need. This may be more difficult to achieve at 75% or 100% of the delivery. It is still not clear what will happen to NHB in 2020/21 and beyond that whether it forms part of future government settlement announcements.

4.9.4 Members had previously approved that NHB was used to support both revenue and capital including the CNM programme with £900K built into the budgets as follows:

- Contribution to General Fund £200K- (removed from 2021/22)
- Contribution to Capital Reserve £250K
- Contribution to Co-operative Neighbourhood programme £450K

4.9.5 As identified in paragraph 4.9.2 NHB income has significantly fallen and for 2019/20, fell below the ring fenced amounts identified above, prompting the removal of the contribution to the General Fund. If no further payments are made this would be the profile of remaining NHB for 2020/21-2022/23. This would mean alternative funding for the CNM programme beyond next year (in part) would be required and from 2022/23 no further contribution possible to the Capital Reserve.



4.9.6 The removal of the funding will have a significant impact on the Capital Strategy which means the outcome of the Locality reviews to review the assets the Council holds to reduce their financial footprint and deliver capital receipts is key. The alternative course of action is an increase in borrowing which again puts further financial pressure on the General Fund.

4.9.7 If the NHB rules currently remain in place for 2020/21, a new payment of circa £58K is currently projected giving a 2020/21 total payment of £646K. This within

£4K, funds the Capital Reserve and CNM programme contributions. Following the 2020/21 settlement announcement the CFO will be reviewing the capital funding strategy for the General Fund.

4.10 Investments and Interest Balances

4.10.1 The General Fund's investment interest income is estimated to be £198K for 2019/20 with a projected £190K for 2020/21. Interest rates are still historically low and the current average interest rate on balances for 2019/20 is 0.91% with an increase of 0.25% projected for 2020/21. However this will very much depend on the impact of BREXIT on the economy and the Bank of England stance on interest rates.

4.10.1 However due to the General Fund relatively modest estimated reserve and investment levels, the General Fund does not have a big reliance on interest on investment balances.

4.11 General Fund Balances and Reserves

4.11.1 Council's General Fund reserves are classified as either general or for a specific purpose. The General Fund or the Council's main reserve is designed to cushion the impact of unexpected events/emergencies and help absorb the impact of uneven cash flows.

4.11.2 The Council's General Fund balances as at 1 April 2019 were £4.8million and are forecasted to be £2.9million by 31 March 2024. This is a reduction of £1.9Million in general balances which requires the identification, approval and implementation of £1.9Million of Financial Security savings, in addition to increases in council tax. This is over and above delivery of the £500K of 2020/21-2021/22 options approved in principle at the November 2018 Executive.

4.11.3 The General Fund balance projections based on the MTFS projections are summarised in the table below.

General Fund balances	2019/20	2020/21	2021/22	2022/23	2023/24
Opening Balance	(£4,776,561)	(£3,755,344)	(£3,059,454)	(£2,877,960)	(£2,884,776)
In Year	£1,021,218	£695,890	£181,493	(£6,815)	(£36,968)
Closing Balance	(£3,755,344)	(£3,059,454)	(£2,877,960)	(£2,884,776)	(£2,921,744)
2018 MTFS	(£3,235,648)	(£2,782,280)	(£2,924,960)	(£3,195,077)	Not shown in 2018/19 MTFS
Variance to 2018 MTFS	(£519,696)	(£277,174)	£47,000	£310,301	
Nov Financial Security Report	(£3,827,253)	(£3,518,205)	(£3,644,687)	(£3,898,607)	
Variance to Nov Financial Security Report	£591,605	£735,925	£719,727	£703,530	

*() equals surplus

4.11.4 There has been a reduction in balances by 2022/23 of £310K to the 2018 MTFS and £704K compared to the November Financial Report. This is the impact of growth and service pressure not totally offset by the increase in the increase in Financial Security targets and the modelling of a 2.99% council tax increase in 2020/21 (2018 MTFS had a 1.99% increase).

4.11.5. The Council's annual budget, the level of balances and allocated reserves need to be carefully considered. Guidance issued by CIPFA emphasises this requirement, particularly in light of the responsibilities placed upon the S151 Officer on an annual basis (under the Local Government Act 2003), to report on the adequacy of proposed reserves when Council sets the council tax for the forthcoming year.

4.11.6 The Act includes a reserve power for government to lay down the minimum reserves local authorities must allow for when they set their budgets. It is therefore expected, that authorities will have regard to the CIPFA guidance when considering the adequacy of balances and allocated reserves.

4.11.7 Reserves can be held for three main purposes:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing;
- A contingency to cushion the impact of unexpected events or emergencies; and
- A means of building up funds to meet known or predicted liabilities. (This is often referred to as allocated reserves).

4.11.8 In order to assess the adequacy of unallocated general reserves when setting the budget, the Assistant Director (Finance and Estates) must take account of the strategic, operational and financial risks facing the authority.

4.11.9 In terms of determining the level of general balances for the MTFS and in particular for next year, the Assistant Director (Finance and Estates) has based her advice on consideration of the factors included in the table below which project a £2.88Million minimum level of balances. This is indicative at the current time and will be further reviewed as part of the budget setting process.

General Fund balances Minimum Level Assessment	**2020/21 £Million**
An amount necessary to cover a 1.5% overrun in gross expenditure	£1.08
An amount necessary to cover a 1.5% overrun in gross income	£0.95
An amount to cover Strategic risks	£0.25
An amount to cover new commercial risks	£0.20
An Amount to cover FTFC risks (Regeneration)	£0.40
Total Estimated General Fund Reserves	**£2.88**

4.11.10 The MTFS projects a return to balances by 2022/23, however this is currently only £6K and relies on a number of factors outside the control of the Council, which are;

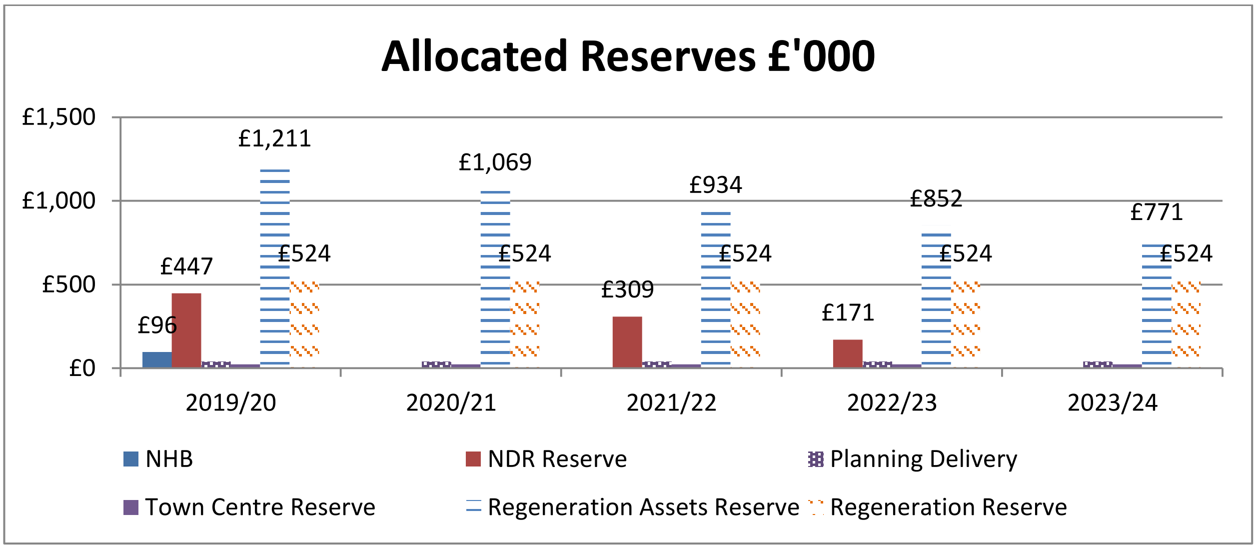
- The finance settlement for 2020/21 and then future years, including any changes to the levels of funding when the Fair Funding review is implemented, including the impact of negative RSB

- The level of NHB and method of allocation
- The maximum level of increase in council tax below the threshold before a referendum is required
- Future funding of new burdens e.g. Homeless Reduction Act
- Business Rate reset and the 75% localisation of business rates
- The process for allowing business rate pilots for a further one financial year.
- The release of Local Enterprise Board (GD3) monies to fund the bus station to prevent an adverse financial pressure on the Council.

4.12 Allocated Reserves

4.12.1 The Council's Allocated revenue reserve projections are summarised in the chart below. The 2019/20 reserve balance of £2.3Million is projected to reduce to £1.3Million by 2023/24. This is predominately due to:

- Use of Regeneration Asset reserves to fund holding costs of assets to be demolished as part of the SG1 Regeneration scheme and debt costs;
- Return to balances of Business Rate gains (£275K) in 2021/22 and 2022/23, to ensure there are sufficient General Fund balances.



4.13 CFO commentary

4.13.1 The MTFS projects that general balances will be at minimum levels by 2021/22, as summarised in section 4.11. It is critical that the Financial Security targets are achieved as set out in the Strategy. This means that a minimum three year view of the pipeline of options should be identified and presented to the November Executive.

4.13.2 This also means that the Council must be making a contribution to balances by 2022/23 and should aim to achieve this earlier. The additional financial pressures of achieving the Council's top priorities Regeneration, Co-operative Neighbourhoods and Housing Development will only add growth pressures to the General Fund revenue and capital. On this basis growth should be limited to top priorities only and should be met by increasing financial security targets or met from unbudgeted business rate gains.

4.13.3 There are a number of unknowns outside the control of the Council as outlined in paragraph 4.11.10 which could have an adverse impact on the Council's financial position. Taking into account the financial challenges the Council faces the CFO recommends that Members identify and prioritise services to determine where budget reductions could be made if the required Financial Security savings are not achieved. This is particularly important as balances reach minimum levels.

4.13.4 The Council cannot rely on unplanned underspends to improve balances as this could result in reactive savings to be made, in addition unplanned underspends are being utilised to fund the Council's regeneration aims.

4.14 Capital

4.14.1 As part of the 2019/20 capital programme schemes were put on hold pending the realisation of capital receipts in line with the Capital Strategy. However a number of pressures have been identified which have required funds to be spent and there are ICT Strategy capital funding needs subject to the approval of the ICT Strategy in October.

4.14.2 The level of works currently completed are priority one works only in the main and this means that the Council's assets have been deteriorating. The Council does not have significant capital receipts or the revenue headroom to fund additional borrowing costs.

4.14.3 It is key that the work commissioned as part of the Asset Management Strategy, Locality Reviews are completed to identify assets that can be disposed of to generate receipts and allow investment in other assets to make them sustainable for the future. The results of this work should be coming forward to Members later in the year.

4.14.4 Based on the limited resources available pending the reviews identified above capital spending will still require rationalisation and borrowing will (unless exceptional circumstances prevail) only be approved for income generating schemes.

4.14.5 The following principles have been applied to new bids:

- Assets due for regeneration should have only essential or health and safety growth bids.
- Re-profile spend to later years if reviews of the service are due.
- Include only the initial works to schemes until the business case is proven.

4.14.6 The 2020/21 process will again involve a bidding process for the capital programme and requires the completion of individual investment appraisal templates, which will cover such items as scheme objectives and outcomes, contribution to the Council's corporate priorities, the whole life cost, funding sources and key delivery milestones.

4.14.7 There is an officer group, the Capital and Assets Board, which monitors the progress of schemes and who will also be reviewing the bids for 2020/21.

4.15 Approach to Consultation

4.15.1 Over the last few years the council has sought the views of residents and stakeholders through consultation, finding out their preferences for reducing services, increasing fees and charges and increasing Council Tax. This has been via Residents survey, Stevenage Day and other consultation exercises. These views will be taken into account in developing the Financial Security options.

4.16 Decision Making Process

4.16.1The Leader's Financial Security Group, (LFSG) will play an important part of the Financial Security process. The Members group consists of Executive and Non-Executive Members from the three political groups. This process runs throughout the financial year.

4.16.2 It is currently planned that the normal approval process will be followed:

Date	Meeting	Report
November 2019	Executive	Financial Security Report with the three year 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
December 2019	Executive	Draft 2020/21 HRA budget and rent setting report
	Overview and Scrutiny	Draft 2020/21 HRA budget and rent setting report
January 2020	Executive	Final 2020/21 HRA budget and rent setting report Draft 2020/21 General Fund budget, Council Tax and Council Tax Support
	Overview and Scrutiny	Draft 2019/20 General Fund budget, Council Tax and Council Tax Support
	Council	Final 2020/21 HRA budget and rent setting report
February 2020	Executive	Final 2020/21 General Fund budget, Council Tax and Council Tax Support
	Overview and Scrutiny	Final 2020/21 General Fund budget, Council Tax and Council Tax Support
	Council	Final 2020/21 General Fund budget, Council Tax and Council Tax Support

4.16.3 Following the approval of the proposed Financial Security options for 2020/21, the Council will have an obligation to begin consultation with staff and partners

.

4.16.4 Future year proposals beyond 2020/21 will be monitored via the officer Financial Security group on their development and by each sponsor for the following budget cycles as reported to the LFSG.

5. IMPLICATIONS

5.1. Financial Implications

5.1.1 The CFO view is set out in section 4.11 and 4.13 to this report, the uncertainty around future funding and the Council's ambitious FTFC programme will almost certainly lead to pressures on financial resources, in particular, regeneration and potentially the bus station if funding is not released. The generation of underspends is diminishing and potentially business rate gains used for Regeneration could cease if a reset of business rates is implemented by the Government. This means additional pressures on the General Fund.

5.1.2 General Fund balances have not been as low as at the current projected level (2020/21 onwards) for a number of years (2011/12 £3.8Million) and this increases the necessity to adhere to the spending and saving plans.

5.1.3 Projections for the likely 'ask' for pump priming digital improvements are currently being compiled for the medium term period to help with financial planning. In addition other programmes may require seed funding e.g. housing development business cases and the Co-operative Neighbourhood priority will almost certainly drive expenditure and with it increased maintenance revenue costs. The MTFS does contain an allowance for implementing change of £100,000 (new in 2020/21).

5.1.4 There may also be pressure on fees and charges targets as increases in fees may conflict with other business objectives.

5.1.5 The length of time the council has had to deal with funding reductions makes the continual pipeline of options more difficult to come up with and in particular efficiency options. This also means there may be greater upfront costs to deliver the changes set out in section 4.6.

5.2. Legal Implications

5.2.1 The objective of this report is to outline a medium term financial strategy and forecast for the next five years. There are no legal implications at this stage of the planning cycle, however, Members are reminded of their duty to set a balanced budget.

5.3. Risk Implications

5.3.1 A review of the risks facing the General Fund budgets has been listed in the table below, not all the impacts are known at the present time. The current MTFS projections are based on prudent assumptions, and include the Assistant Director (Finance and Estates) best assessment of the financial risks. However, if any of these risks become a reality then the MTFS will need to be updated once the actual impacts are known.

Risk Area	Risk Mitigation	Likelihood	Impact
Government Grant Reductions (Negative Risk) - The Government increases the public expenditure reduction programme for the	The Financial Security target will need to be increased and sufficient General Fund reserves should be held to ensure that decisions to reduce net costs are taken in a considered manner	Medium	High

Risk Area	Risk Mitigation	Likelihood	Impact
period 2020/21 onwards			
NEW: There is a complete reset of business rate gains in 2020/21.	There are funds in the Regeneration Reserve to fund one pressures for progressing SG1, however the Financial Security Target would have to be increased	Medium	High
Anticipated Financial Security options not achieved (Negative Risk) –agreed options do not deliver expected level of savings either on a one-off basis or on-going.	Regular monitoring and reporting takes place, but the size of the net budget reductions increase the risk into the future. Non achievement of options would require other options to be brought forward. General Fund reserves should be held to ensure that decisions to reduce net costs are taken in a considered manner. This may become more of a risk as options around commercialisation are explored.	Medium	Medium
UPDATED: Under-achievement of Commercial Property Investment (Potential Negative risk)	Two properties are currently being investigated however this option is not without risk and requires a further £156K to be identified.	Medium	High
Council Tax Support (Negative Risk) – increased demand is under- estimated.	An increase in demand would impact on future years as the deficit in the collection fund would need to be repaid by the General Fund. There has been a downward trend on the case load in recent years	Low	Medium
Localisation of Business Rates (Potential Negative) – A major employer leaves the town and impacts the business rate yield due to the Council	Negative: The safety net means a maximum loss in year of £180K which the council has included in an allocated reserve. On-going this would impact on the savings target and ultimately services.	Medium	High
Loss of Business Rates due to Companies going into administration	There have been a number of companies recently going into administration and the pressure on central government to reform business rates is increasing.	Medium	High
The NDR Check Challenge Appeal process impacts on the council's baseline assessment and increases the level of successful appeals	Officers will be monitoring changes to the NDR system and will be talking to the Valuation office. However since the system has been introduced, little has been completed in Stevenage and a considerable amount of appeals	Medium	Medium

Risk Area	Risk Mitigation	Likelihood	Impact
and reduces the yield (Negative risk)	from the 2010 list remain.		
UPDATED: NEW Loss of Business Rates in the Hertfordshire Pilot and safety net position (potential negative)	Officers are monitoring the projections quarterly and at the first quarter the projections are in line with the bid submission		
Impact of the Universal Credit (Negative Risk) – The grant given to the Council is cut before the Revenue and Benefits Partnership is able to reduce costs. The Welfare reform bill may impact on residents' ability to pay council bills.	A reduction in the amount of grant assumed within the MTFS would require compensating reductions in planned spending within services . However UC is being implemented at a very slow pace and the current case load is reducing.	Medium	High
UPDATED:Inflation (Negative Risk) – The majority of contracts the Council holds include an annual price increase	General balances are risk assessed to ensure overall levels are maintained that can meet higher than expected inflation rates. The biggest risk to increased costs is potential salary inflation.	Medium	Medium
Impact of Future Welfare Reforms (Negative Risk) – There could be an increase in the need for the council's services requiring additional resources to be put into those services	Regular monitoring and reporting and the council has a welfare reform group which monitors impacts.	Medium	Medium
All MTFS risks not adequately identified (Negative or Positive Risk) – Financial risks and their timing are not accurately judged leading to either a pressure or benefit to the MTFS.	Council's risk management framework ensures operational and strategic risks are identified as part of the annual service and MTFS planning process	Low	High
UPDATED Impact of changes to Cap on council tax increases	The Council's MTFS has an increase of 2.99% projected going forward. If the cap is reduced to 1.99% for 2020/21 this will reduce General Fund balances by £241K by 2023/24.	Low	Medium

Risk Area	Risk Mitigation	Likelihood	Impact
The impact of BREXIT (negative risk) the impact of Brexit leads to economic instability and further financial cuts to the council's budgets	A reduction in the resources available within the MTFS would require compensating reductions in planned spending within services . The council would use the Financial Security priority to help address this.	Medium	Medium
UPDATED:Impact of future years capital programme (Negative) There could be increased pressure from the capital programme on the General Fund.	There is a robust challenge process for capital bids. Officers will be required to confirm that resources are in place to deliver any approved spend. The Locality reviews should identify capital receipt opportunities.	Medium	High
UPDATED: The Council's regeneration of SG1 increases the financial resources the Council must find.	The Council has already approved the use of ring fenced NDR gains for this purpose and the MTFS recommends this continues. However a full reset of business rate gains could see this reduce and put a pressure on the General Fund	High	High
UPDATED: AFM (Negative risk) HCC may review the amount paid to Councils,	HCC has already planned to remove £1.5Million from the scheme and could remove more. SBC received about £250K in 2018/19, further reductions would lead to an increase in the Financial Security Targets.	Medium	High
Fees and Charges target may not be reached (negative risk)	Non achievement of the target would require other FS options to be brought forward.	High	Medium
NEW: GD3 monies are not released and the cost of borrowing is a GF expense	The Council will liaise with the LEP and Government to try and get the funding released. If this does not happen, the Council will have to fund the costs from borrowing circa £240K per year and increase savings targets or defer other capital spend or a combination of both	High	High

5.4. Equalities and Diversity Implications

5.4.1 The Council has committed itself to providing high quality services that are relevant to the needs and responsive to the views of all sections of the local community, irrespective of their race, gender, disability, culture, religion, age, sexual orientation or marital status. The General Equality Duty (Section 149 of the

Equality Act 2010) requires the Council to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations in the exercise of its functions. The Equality Duty and the impact of decisions on people with protected characteristics must be considered by decision makers before making relevant decisions, including budget savings.

5.4.2 The process used to develop the Council's budget has been designed to ensure appropriate measures are in place to ensure the impact of decisions on the community is considered as part of the decision making process. It is officers' view that undertaking an Equalities Impact Assessment (EqIAs) on the strategy is not appropriate at this stage. EqIAs will be done on individual savings proposals (when relevant) at an early stage in the budget savings process to aid decision makers in their consideration of the Equality Duty. This work is being planned into the budget setting process.

5.5. Policy Implications

5.5.1 The approval of the revised budget framework includes a link for the Council's service planning requirements to ensure service priorities are identified. In addition the budget framework represents a development of a policy led budgeting approach across Council services and the overall Financial Strategy.

5.6 **Staffing and Accommodation Implications**

5.6.1 It will be evident that there are potentially staffing implications in this report and the matter should be discussed with the Trade Unions at the earliest opportunity.

BACKGROUND DOCUMENTS

BD1 - 2018 MTFS Strategy

APPENDICES

Appendix A MTFS

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Stevenage Borough Council **APPENDIX A**

MEDIUM TERM FINANCIAL STRATEGY (MTFS) GENERAL FUND BUDGET SEPTEMBER 2019 UPDATE

Key= (£0) is under spend or increase in income UPDATES

	General Fund Forecast		On-Going Cost?	2019/20 £	2020/21 £	2021/22 £	2022/23 £	2023/24 £	Commentary
	Base Budget		Y	9,331,442	8,992,669	9,129,991	9,132,238	9,195,077	
							0	0	
(i) BASE ADJUSTMENTS							0	0	
(ii)	HEADS OF SERVICE PRESSURES/SAVINGS:								
	Building Control partnership		Part	(18,816)	(4,280)	(4,280)	(4,280)	0	Approved at the October Executive 2015/16, the business case has been updated and the current projections show that a surplus is not achieved in year one as previously anticipated
	Building Control new partner refund of set up costs	NEW	N	0	(22,000)	0	0	0	Dacorum are entering the partnership and a refund will be due of founding partners set up costs
	Return of LAMS allocated reserve to the General Fund		N	(61,132)	0	0	0	0	By 2019/20 the period by which the council would have been liable for any defaults ceases.
	Reduction in recycleate prices		Y	33,900					Reported September Executive
	Reduction in Alternative Financial Model	NEW	N	0	30,000	30,000	30,000	0	HCC have indicated that thye intend to take £1.5Million out of the AFM model over the next 3 years this is an estimate of the impact on SBC.
	Microsoft ICT licences pressure approved ICT partnership Board		Y	105,360					
				59,312	**3,720**	**25,720**	**25,720**	**0**	
							0		
							0		
(iii) CARRY FORWARDS AND SUPPLEMENTARY ESTIMATES:							0		
	3rd quarter 2018/19		N	80,000			0		
	4th quarter 2018/19		N	591,770	0	0	0	0	
				671,770	**0**	**0**	**0**	**0**	
							0		
							0		
(iv)	GOVERNMENT SPENDING CUTS/TAX/INITIATIVES:								
	Reduction in Housing Benefit admin subsidy	UPDATED	Y	11,120	0	0	0	0	Reduction in housing subsidy notified for 2018/19
	New burdens money-planning		N	(20,000)	0	0	0	0	Contribution for planning related e.g. brownfield sites register
	removal of New Homes Bonus contribution from the General Fund		Y	0	36,000	164,000	0	0	
	One off Funding of Community Warden	UPDATED		7,800					
	Main stream funding of Domestic Abuse and No More		Y	0	50,000	50,000	0	0	
	Innovation Fund	UPDATED	N	33,000					
	Use of brown field site and self build grant	UPDATED	N	41,264					
				73,184	**86,000**	**214,000**	**0**	**0**	
(v) INFLATION ASSUMPTIONS:									
	Inflation assumptions:								
	Pay inflation salaries	UPDATED	Y	390,290	489,412	490,000	400,000	400,000	Pay inflation 2.25% for 2020/21-2021/22 and 2% thereafter
	Increase in Superannuation payment for pension deficit		Y	0	25,106	0	0	0	Increase for 2017/18 will be fixed for three years and not increase annually as per the last tri-annual valuation
	Utility inflation		Y	72,454	84,288	91,928	102,280	112,780	Updated based on current projections
	Changes to the 2017 Business Rates revaluation list & inflation increase		Y	4,000	31,970	31,190	31,850	31,850	This is the impact of the new 2017 rating list on Council buildings.
	General Inflation (contractual)	UPDATED	Y	141,257	127,735	122,701	125,840	129,573	updated inflation applied to contractual arrangements.
	Less Inflation charged to other funds	UPDATED	Y	(15,420)	(83,436)	(80,940)	(72,597)	(74,162)	Proportion rechargeable to the HRA
				592,580	**675,075**	**654,879**	**587,373**	**600,041**	
(vi)	BUDGET MONITORING ADJUSTMENTS:								
	Quarter 2 adjustments 2018/19		Part	45,800	0	0	0	0	
	Budget Setting Adjustments 2019/20		Part	(5,138)					
	Quarter 3 adjustments 2018/19	UPDATED	Part	118,420					
	Quarter 4 adjustments 2018/19	UPDATED	N	(26,790)					Reported July Executive
	Quarter 1 adjustments 2019/20		Part	193,570					Reported September 2019 Executive £47K on-going
				325,862	**0**	**0**	**0**	**0**	
(vii) BORROWING COSTS									
	Borrowing costs- Garage Strategy		Y	(14,463)	(2,605)	22,355	0	0	The reduction in borrowing costs post 23 June 2016 has reduced the cost of borrowing for the Garages approved at the July Executive.
	Changes to investment interest		Y	(86,068)	8,061	41,814	(29,974)	(103,476)	Updated based on revised interest rates and average investment balances.
	Minimum Revenue Provision (monies set aside based on the cost of borrowing to pay for the asset divided by the asset life)			(38,767)	(79,336)	(1,871)	0	0	Reduction in MRP for fully depreciated assets, pending MRP review
				(139,297)	**(73,880)**	**62,298**	(29,974)	(103,476)	
(viii) SAVINGS OPTIONS & BUDGET PROPOSALS :									
	Prior Year Savings (2014/15-2015/16)		Y	(18,706)	0	0	0	0	
	Office accommodation savings		Y years	0	0	49,391	0	0	
	Commercial Property Investment		Y	(125,000)					Assumed minimum return included in business case to Council 2017.
	New Savings options 2018/19		Y	(103,000)	0				See Appendix A
	2019/20 Financial Security options (2019/20-2021/22)		Y	(798,552)	(115,923)	(227,137)	0	0	(includes Fees)
	Budget setting savings 2019/20		Y	(84,430)					
	New Savings options 2019/20		Y	(40,570)					
	New Savings options 2020/21-2021/22		Y		(276,950)	(265,799)			
	Financial Security Savings Target	UPDATED	Y	0	(376,000)	(401,589)	(450,000)	(450,000)	revised Financial Security target
	Increase in Savings Target to meet MTFS principles of no draw on balance		Y		0	(65,000)	(70,000)	(40,000)	smoothed over the period 2021/22-2023/24
				(1,170,258)	**(768,873)**	**(910,134)**	**(520,000)**	**(490,000)**	
(ix) GROWTH BIDS APPROVED:									
	Garages Report (July 2016 EXECUTIVE)		Y	82,119	82,230	(180,676)	(44,561)	(42,917)	
				82,119	**82,230**	**(180,676)**	**(44,561)**	**(42,917)**	
(x) NEW GROWTH BIDS 2017/18									
	2017/18 Proposed growth bids		Y	35,000	(35,000)	35,000	(35,000)	35,000	
	Growth 2018/19		Y-year 2	(15,482)	(7,200)	21,880	0	0	
	Future Growth bids		Y	0	0	75,000	75,000	75,000	Future growth allowance after 2019/20-2022/23 savings package identified.
	Implementation costs for Financial Security options	UPDATED	N	262,500	100,000				Est £100K added for 2020/21 onwards
	ICT related growth pressures- unavoidable	NEW	Y-part		358,760				
	Digital related growth bids-unavoidable	NEW	Y		13,990	0			

Stevenage Borough Council

APPENDIX A

MEDIUM TERM FINANCIAL STRATEGY (MTFS) GENERAL FUND BUDGET SEPTEMBER 2019 UPDATE

Key= (£0) is under spend or increase in income

UPDATES

General Fund Forecast		On-Going Cost?	2019/20 £	2020/21 £	2021/22 £	2022/23 £	2023/24 £	Commentary
			282,018	**430,550**	**131,880**	**40,000**	**110,000**	
(xi) USE OF ALLOCATED RESERVES								
Transfer to Regeneration Reserve		N	400,000	0	0	0	0	
Transfer of unused balances to General Fund	NEW	N	0	(95,558)	0	0	0	Return of reserves no longer required
Transfer NDR gains to allocated reserve	UPDATED	N	275,000	0	(137,500)	(137,500)	0	Balances phased return to General Fund to maintain balance levels
			675,000	**(95,558)**	**(137,500)**	**(137,500)**	**0**	
(xii) IMPACT OF BUSINESS RATES ACCOUNTED FOR IN THE GENERAL FUND								
Section 31 grants given by government for changes made NDR reliefs	UPDATED	N	(1,008,440)	(270,800)	(270,800)	(270,800)	(270,800)	Reliefs given by government which are reimbursed via grant (S31)
			(1,008,440)	**(270,800)**	**(270,800)**	**(270,800)**	**(270,800)**	
TOTAL GENERAL FUND EXPENDITURE			**9,775,292**	**9,061,133**	**8,719,658**	**8,782,497**	**8,997,924**	
Year on Year Change in spend (excluding carry forwards)			***494,104***	***(714,159)***	***(341,475)***	***62,839***	***215,428***	
Government Support- RSG			(0)	0	27,146	27,146	27,146	Negative RSG of £27,146 projected not to be included in the 2020/21 one year settlement but included thereafter.
NNDR before the levy and excluding s31 grant			(2,943,542)	(2,388,139)	(2,441,317)	(2,495,560)	(2,550,887)	Figures beyond 2020/21 do not include any projected gains
Transfer (to)/From Collection Fund (Business Rates)	UPDATED		0	25,314	0	0	0	Return of funds to the Collection Fund as NDR levels plus projected gains lower than anticipated in previous years.
Total Government Support			**(2,943,542)**	**(2,362,825)**	**(2,414,171)**	**(2,468,414)**	**(2,523,741)**	
Government Support as a % of Net General Fund Budget			17.94%	22.42%	23.84%	24.27%	24.31%	
Use of Balances			**1,021,218**	**695,890**	**156,179**	**(6,815)**	**(36,968)**	
Transfer to/From Collection Fund (Council Tax)			(55,621)	(26,799)	0	0	0	Return of projected (surpluses)/deficit to the General Fund
District Precept			(5,754,911)	(5,975,620)	(6,149,308)	(6,320,899)	(6,511,151)	2019/20 increase based on a 2.99% increase, to be decided February Council
% of Net General Fund Budget			-58.87%	-65.95%	-70.52%	-71.97%	-72.36%	

Stevenage Borough Council APPENDIX A

MEDIUM TERM FINANCIAL STRATEGY (MTFS) GENERAL FUND BUDGET SEPTEMBER 2019 UPDATE

Key= (£0) is under spend or increase in income   UPDATES

General Fund Forecast		On-Going Cost?	2019/20 £	2020/21 £	2021/22 £	2022/23 £	2023/24 £	Commentary
Average Band D Council Tax			210.57	216.87	221.18	225.59	230.07	2019/20 increase based on a 2.99% increase
Average Band C Council Tax			187.18	192.77	196.61	200.52	204.51	
Council Tax Increase			2.99%	2.99%	1.99%	1.99%	1.99%	
Tax Base			27,330	27,554	27,802	28,020	28,300	Tax base update to reflect new properties in conjunction with planning projections
GENERAL FUND RESERVES:								
			2019/20 £	**2020/21 £**	**2021/22 £**	**2022/23 £**	**2023/24 £**	
Revised Balances at 31 March each Year:								
General Fund Balance 1 April			**(4,776,561)**	**(3,755,344)**	**(3,059,454)**	**(2,877,960)**	**(2,884,776)**	
Use of balances in Year	UPDATED		+1,021,218	+695,890	+181,493	(6,815)	(36,968)	
General Fund Balance 1 March			**(3,755,344)**	**(3,059,454)**	**(2,877,960)**	**(2,884,776)**	**(2,921,744)**	

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Stevenage
BOROUGH COUNCIL

Meeting:	**EXECUTIVE**	**Agenda Item:**
Portfolio Area:	Resources	
Date:	**11 SEPTEMBER 2019**	

1ST QUARTER REVENUE MONITORING REPORT – GENERAL FUND AND HOUSING REVENUE ACCOUNT

KEY DECISION

Author – Katia Cousins Ext. 2383
Contributor – Finance team and budget Managers
Lead Officers – Clare Fletcher Ext. 2933
Contact Officer – Clare Fletcher Ext.2933

1. PURPOSE

1.1 To update Members on the General Fund and Housing Revenue Account (HRA) projected 2019/20 net expenditure and seek approval to amend the General Fund and HRA budgets as part of the quarterly review of revenue budgets.

1.2 To update Members on the carry forward requests from 2018/19.

1.3 To update Members on the reserves and balances available to support revenue expenditure and seek approval for revisions to the allocated reserves.

2. RECOMMENDATIONS

General Fund

2.1 That the 2019/20 1st quarter projected net increase in General Fund expenditure of £193,570 be approved.

2.2 That it be noted that cumulative changes made to the General Fund net budget remains within the £400,000 increase variation limit delegated to the Executive.

2.3 That it be noted that the 2020/21 ongoing net pressure of £47,190 will be incorporated into the General Fund Medium Term Financial Strategy (MTFS).

Housing Revenue Account

2.4 That the 2019/20 1st quarter projected net increase in HRA net deficit of £111,330 be approved.

2.5 That it be noted that the cumulative increases made to the HRA net budget remains within the £250,000 increase variation limit delegated to the Executive.

3. BACKGROUND - GENERAL FUND

3.1. Since the General Fund net budget of £8,802,520 was approved at Council, Members have approved net budget changes of £779,200, as detailed in Table one below:

Table One – 2019/20 General Fund Working Budget	Working Budget £
Original Budget	8,802,520
3rd Quarter 2018/19 net increase	118,420
3rd Quarter Carry forwards	80,000
4th Quarter 2018/19 net decrease	(10,990)
4th Quarter Carry forwards	591,770
Approved movement	**779,200**
Total Net Budget Approved to Date	**9,581,720**

3.2 General Fund – Budget Review

3.2.1 Following the 1st quarter review of revenue budgets officers have identified the following budget movements.

Table Two - Budget Alerts - General Fund		Budget change 2019/20 £
	Service Area:	
Income	Planning Applications increase	(50,000)
	Car Parking income decrease	50,000
	Council Tax Summons decrease	50,000
	Garage rents decrease	35,000
	Indoor Market decrease	25,210
	Verge Maintenance decrease	30,460
	Finance Service Level Agreements	(33,250)
Expenditure	Council Tax court costs reduction	(10,000)
	Stevenage Direct Services equipment saving	(10,000)
	Recycled Waste increase	26,000
	IT Strategy pressure	64,920
	Daneshill House Flood costs	27,000
Other		(11,770)
TOTAL BUDGET CHANGES REPORTED THIS QUARTER		**193,570**

3.2.2 **Planning income – increased income £50,000**. This relates to demand led Planning income. Additional income is anticipated due to the timing of planning applications from five main sites within Stevenage relating to Housing Developments within the town, neighbourhoods and other smaller sites.

3.2.3 **Parking income** – **in year pressure £50,000**. The trend on Marshgate, Forum, Westgate and St George's car parks sees usage below budget, which is partly offset by the higher Railway car park usage. Car park income was also impacted by:

- Daneshill car park was affected by damage to the barrier, which resulted in the car park being closed for a few days.
- Swingate South car park, in part or in full, was closed for a number of days whilst contractors carried out drilling work.

3.2.4 **Council Tax Summons income – ongoing pressure £50,000**. The 4th quarter monitoring report identified a trend of reducing income from council tax court action. Fewer Liability Orders were issued over the last three years (Liability Orders Issued - 2018/19 3,575 / 2017/18 3,841/ 2016/17 4,790) and the current trend remains roughly in line with last year. The Arrangement Manager Module is working well with higher numbers of customers paying on arrangement and more customers paying by direct debit. The reduction in income is partly offset by reduced court costs of £10,000 (see 3.2.9 below).

3.2.5 **Garage rents** – **in year pressure £35,000.** Identification of some asbestos in a garage block has resulted in void garages being checked before being letting. This led to a delay in garages being occupied, however, contractors are clearing the backlog.

3.2.6 **Indoor Market income** – **adverse £25,210 variance**. The current void rate is 34 with 98 stalls being occupied (74% occupation). The 2019/20 original budget assumed 103 occupied stalls. The adverse variance on rent is £30,210 is on a budgeted income of £435,000. This has been partly offset by £5,000 of ongoing additional income from tenants using storage space in the basement.

3.2.7 **Accountancy Services – in year saving £33,250.** The finance team will be providing services to Queensway LLP, the CCTV Company and it's partners and the Wholly Owned Company (WOC).

3.2.8 **Verge Maintenance** – **ongoing pressure £30,460.** Hertfordshire County Council (HCC) has reviewed the inflationary factor which was historically calculated for the verge maintenance agreement. HCC have reduced the ongoing payment to the Council for grass cutting along the highways in Stevenage. Stevenage Borough Council officers are reviewing the cost of this service.

3.2.9 **Council Tax Court costs** – **ongoing saving £10,000**. Court costs relating to Council Tax have reduced due to fewer numbers of court summonses (see 3.2.4 above).

3.2.10 **Stevenage Direct Services Equipment** – **in year saving £10,000.** A review of equipment required has led to this saving. Any ongoing savings will be reviewed as part of Financial Security process and will be included in the November Executive report.

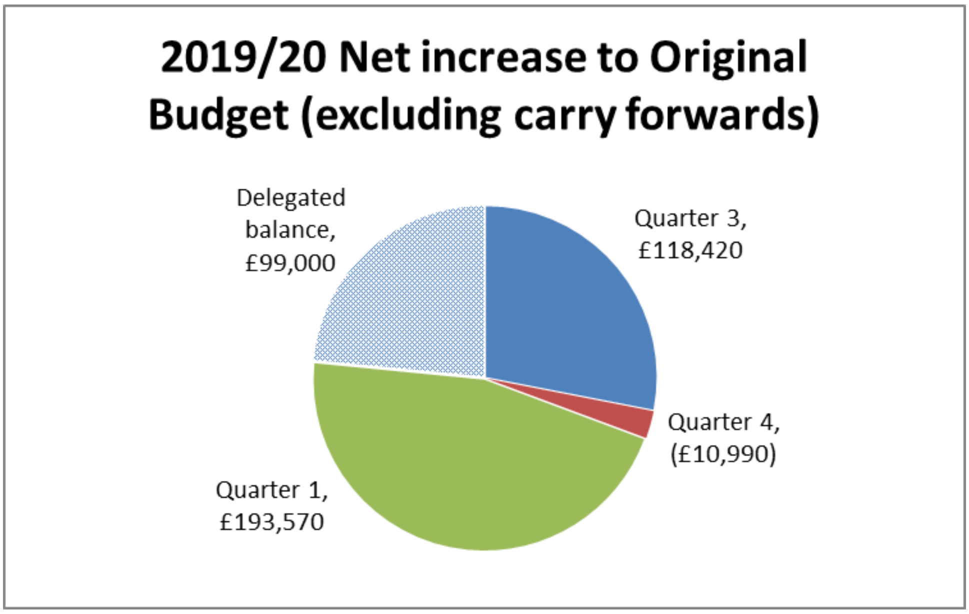
3.2.11 **Recycled Waste** – **in year pressure £26,000.** This pressure relates to the cost of hiring a loading shovel tractor for nine months following the fire and subsequent scrapping of the depot loading shovel tractor. The vehicle was due for replacement in 2020/21however the capital monitoring report to this Executive request the purchase in 2019/20 to reduce hire costs.

3.2.12 **IT Strategy** – **pressure £64,920**. Subject to members approval of the IT Strategy the impact to the General Fund in 2019/20 is £64,920 with any ongoing impact to be reported as part of the September MTFS. The costs include a technical advisory partner for Office 365, storage, microwave and one off consultancy for digital innovation.

3.2.13 **Daneshill House Flood – one off pressure £27,000.** During July, Daneshill House experienced issues with the soil stack. The cost of repairs and supplies was £27,000.

3.2.14 **Other** – **in year saving £11,770 (ongoing saving £18,270).** These are smaller net savings across General Fund Services.

3.2.15 The cumulative changes made to the General Fund net budget remains within the £400,000 increase variation limit delegated to the Executive. The total value of changes (excluding carry forwards) is £301,000. This is 75.3% of the delegated limit.



3.2.16 The impact of the 1st quarter review is an ongoing pressure of £47,190 (see table three below). This has been included in the 2019/20 MTFS update to this Executive and in the Financial Security targets for 2020/21-2022/23

Table Three - Q1 Ongoing - General Fund		Budget change 2020/21 £
	Service Area:	
Income	Council Tax Summons income	50,000
	Indoor Market increase	(5,000)
	Verge Maintenance decrease	30,460
Expenditure	Council Tax court costs reduction	(10,000)
Other		(18,270)
TOTAL BUDGET CHANGES REPORTED THIS QUARTER		**47,190**

3.3. Financial Security options, Growth bids and Carry forward requests

3.3.1 Included in the 2019/20 General Fund budgets are Financial Security options totalling £798,552. Progress on the Financial Security options will be reported to the Leaders Financial Security Group (LFSG) and any updates will be included in the 2nd quarter Revenue Monitoring report. A number of options are not due to be implemented until later in the financial year. LFSG will review 2019/20 and future year options.

3.3.2 The carry forwards requested at 3rd and 4th quarter 2018/19 of £671,770 are projected to be fully spent.

3.4 Review of General Fund Balances

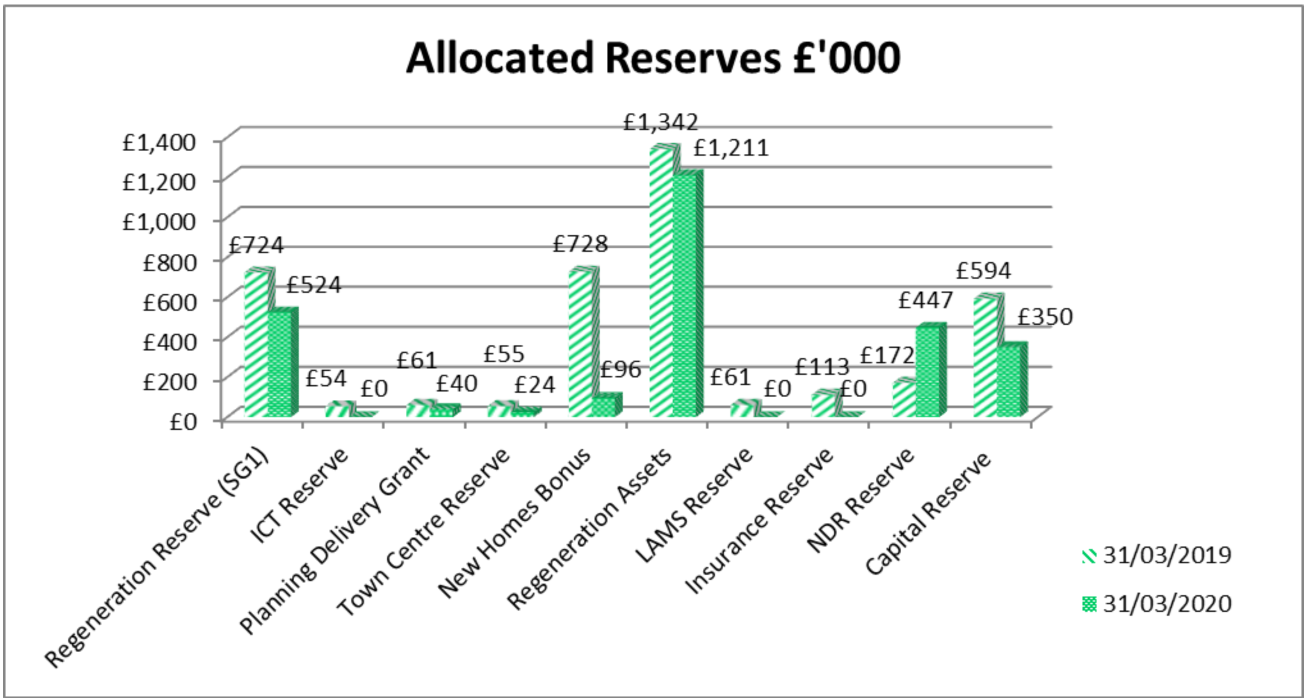
3.4.1 **Provisions** for bad debt and known liabilities are within budgeted levels and no changes are required after the 1st quarter review.

3.4.2 **Allocated Reserves** - Some balances are ‘ring fenced’ and have been set aside for specific purposes. The estimated total value of (revenue) allocated reserves available for the Council to spend at 31 March 2020 is **£2,341,931**, (31 March 2019, £3,311,142). Reserve balances are projected to decrease by £969,211 in year, the majority of the allocated reserves have been allocated to regeneration projects and new build projects.

3.4.3 The General Fund also has a specific reserve for capital projects funded from unbudgeted underspends at year end. The balance of the capital reserve at the start of 2019/20 was £594,000. The estimated value at 31 March 2020 is

£350,000. The capital reserve is used to finance part the General Fund capital programme.

All allocated reserves are being utilised to some extent in year with the exception of the NDR Reserve, this is summarised in the chart below:



3.4.4 General Fund Balance – Following the 1st quarter review the General Fund balance as at the 31 March 2020 is now forecast to be **£3,772,845** subject to any changes included in the Medium Term Financial Strategy (MTFS) update to this Executive

Table Four: General Fund Balances	**£**
Original Net General Fund Budget	**8,802,520**
Approved budget changes	779,200
Net Working budget approved to Date	**9,581,720**
1st Quarter review	193,570
Total Net Expenditure post Q1 review	**9,775,290**
less core resources	(8,754,074)
Transfer (to)/from General Fund balances	**1,021,216**
General Fund balance 31/3/19	**(4,794,061)**
Transfer (to)/from General Fund balances	**1,021,216**
Projected General Fund balance 31/3/20	**(3,772,845)**
Allocated Revenue Reserves 31/3/20	(2,341,931)
Allocated Capital Reserves 31/3/20	(350,000)
Total General Fund balances (estimated 31/3/20)	**(6,464,776)**

3.4.5 **Core resources** used for the financing of the net General Fund expenditure comes from council tax, retained business rates and revenue support grant. Changes in the council tax base and business rate yield now have a direct impact on Council finances since the localisation of business rates. As at 31 July the council taxbase for 2019/20 is now estimated at 27,525 band D equivalents (Council Tax setting report in February estimated 27,330). The taxbase is higher than expected due to reductions in council tax support and more properties in the taxbase. More information relating to the taxbase can be found in the General Fund MTFS (September Executive).

3.4.6 The forecast yield from business rates remains largely unchanged from original budget. More information relating to the taxbase can be found in the General Fund MTFS (September Executive).

4. HOUSING REVENUE ACCOUNT (HRA)

4.1 Since the Housing Revenue Account (HRA) net budget deficit of £9,076,320 was approved at Council, Members have further approved net budget deficits of £529,480, as detailed in the following table:

Table Five – HRA Working budget	Working Budget £
Original Budget 2019/20	**9,076,320**
3rd Quarter 2018/19 net changes	17,000
3rd Quarter Carry forwards	507,470
4th Quarter 2018/19 net decrease	(30,730)
4th Quarter Carry forwards	35,740
Approved movement	**529,480**
Total Working Budget	**9,605,800**

4.2 Housing Revenue Account – Budget Review

4.2.1 Following the 1st quarter review of revenue budgets officers have identified the following budget alerts listed in the table below.

Table Six - Budget Alerts - Housing Revenue Account		Budget change 2019/20 £
Income	Rent	(90,000)
Expenditure	Council tax on long term empty properties	97,330
	RTB Administration income reduction	19,500
	HR share of IT pressures	66,500
	Daneshill House Flood	18,000
Other		
TOTAL BUDGET CHANGES REPORTED THIS QUARTER		**111,330**

4.2.2 **Rent variances – in year saving £90,000.** The original rent projections include assumptions for each type of rental property. There are a combination of factors that have contributed to this in year saving, timing of RTB sales, new acquisitions and phasing of void properties.

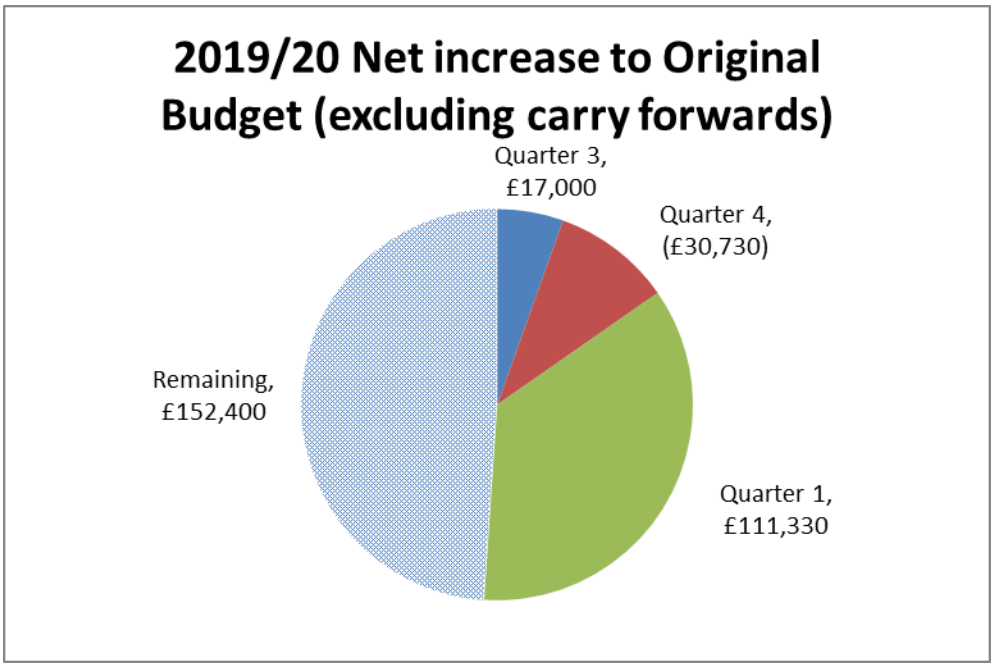
4.2.3 **Council Tax on Long Term Empties – in year pressure £97,330**. Additional Council Tax on long term empty properties pending demolition and redevelopment. Long term empty properties pay a premium of an additional 50% of the Council Tax due.

4.2.4 **Right to Buy Administration Income** – The council receives £1,300 from each Right to Buy sale as a contribution to the costs of administering the scheme. The original budget did not reflect the reduction of sales from 50 to 35. This means income will be **reduced by £19,500**.

4.2.5 **Information Technology – In year pressure £66,500.** Subject to members approval of the IT Strategy the impact to the HRA in 2019/20 is £66,500 with any ongoing impact to be reported as part of the ICT Strategy to the October Executive. The costs include a cloud operating system, storage, microwave and one off consultancy for digital innovation.

4.2.6 **Daneshill House Flood – one off pressure £18,000.** This is the HRA share of soil stack damage reported, see also paragraph 3.2.13.

4.2.7 The cumulative changes made to the HRA net budget remains within the £250,000 increase variation limit delegated to the Executive. The total value of changes (excluding carry forwards) is £97,600. This is 39% of the delegated limit.



4.3 Financial Security options, growth bids and carry forward requests

4.3.1 Included in the 2019/20 Housing Revenue Account budgets are Financial Security options totalling £354,630 and carry forward budgets of £543,210. The Financial Security savings options will be reported to the Leaders Financial Security Group and reported in the 2nd quarter Revenue Monitoring report. The carry forwards are currently on track to be achieved. A number of options are not due to be implemented until later in the financial year. LFSG will review 2019/20 and future year options.

4.4 Housing Revenue Account balances

4.4.1 Following the 1st quarter review the HRA balance is now forecast to be £11,584,929. Although forecast balances are high, Members will be aware of the funding gap identified in the HRA Business Plan in future years and the ongoing requirement to find Financial Security options. This is subject to changes reported to Executive in the November HRA Business Plan.

Table Seven – Housing Revenue Account Out-turn Position	£
Original Budget	**9,076,320**
Approved budget changes 18/19	529,480
1st Quarter adjustments	111,330
Projected net deficit post 1st Quarter review	**9,717,130**
HRA balance brought forward 1/4/19	(21,302,059)
Deficit in year	9,717,130
Projected HRA balance 31/3/20	**(11,584,929)**

5 IMPLICATIONS

5.1 Financial Implications

5.1.1 This report is financial in nature and consequently financial implications are included above.

5.2 Legal Implications

5.2.1 The objective of this report is to outline the projected General Fund and HRA net expenditure for 2019/20 and the impact on the General Fund and HRA balances. While there are no legal consequences at this stage Members are reminded of their duty to set a balanced budget.

5.3 Equalities and Diversity Implications

5.3.1 This report summarises external and internal factors that impact on approved budgets and recommends changes to those budgets in year. Budget changes identified for future years that could adversely impact on groups covered by statutory equality duties will be incorporated into the budget setting process which includes Equality Impact Assessments (EqIA). None of the budget changes reported will change any existing equalities and diversity policies.

5.3.2 The service department has been asked to look at the equalities and diversity implications in the increase in void re-let times and any potential impact on protected groups.

5.4 Risk Implications

5.4.1 A risk based assessment of General Fund balances is undertaken and reported to Council as part of the General Fund Budget setting process. The required level of 2019/20 General Fund balances was calculated at £2,671,410. This report forecasts General Fund balances of £3,772,845 and allocated reserve balances of £2,691,931 which is above the minimum balances required.

5.4.2 The HRA balances are projected to be £11,584,929. The level of HRA balances or revenue reserves risk assessed for 2019/20 is £1,945,972. The projected HRA balance is above the risked assessed level, however it should be noted that the HRA holds balances for future debt repayments and the capital programme for throughout the 30 year business plan.

5.5 Policy Implications

5.5.1 The budget framework represents a development of a policy led budgeting approach across Council services and the overall Medium Term Financial Strategy.

BACKGROUND PAPERS

BD1 - HRA final budget proposals and rent setting report (Council 30th January 2019)

BD2 – 2019/20 Council Tax Setting and General Fund Budget (Council 27th February 2019)

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Part I
Release to Press

Stevenage BOROUGH COUNCIL

Meeting:	**EXECUTIVE**	**Agenda Item:**
Portfolio Area:	Resources	
Date:	**11 September 2019**	

QUARTER 1 MONITORING REPORT (CAPITAL) - GENERAL FUND AND HOUSING REVENUE ACCOUNT

KEY DECISION

Author	– Belinda White	Ext. 2515
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Finance team and budget managers		
Lead Officers	– Clare Fletcher	Ext. 2933
Contact Officer	– Clare Fletcher	Ext. 2933

1 PURPOSE

1.1 To provide Members with an update on the Council's 2019/20 capital programme.

1.2 To seek approval for the revisions to the General Fund and Housing Revenue Account capital programme.

2 RECOMMENDATIONS

2.1 That the 2019/20 General Fund capital programme net decrease in expenditure of £2.9m be approved as summarised in table one, para 4.1.1.

2.2 The General Fund net increase of capital expenditure of £646km in 2020/21 into future years, also as summarised in table one, para 4.1.1, be approved.

2.3 That Members note the net increase of £432k in the capital expenditure for 2019/20 Housing Revenue Account, as summarised in table three, para 4.3.4.

2.4 That Members note the net decrease of £1.4m in the capital expenditure for 2020/21 Housing Revenue Account, also as summarised in table three, para 4.3.4.

3 BACKGROUND

3.1 The 2019/20 capital programme was approved at the July Executive:

- General Fund £34.3m
- Housing Revenue Account £33.7m

3.2 Subsequently Council approved an increase of £1.5m, which includes £592k contingent amount for Registered Provider schemes if an opportunity arose, funded 100% from 1.4.1 receipts, as detailed in 4.1.3 and 4.3.6. This brings the current General Fund working budget to £35.8m.

3.3 The 2019/20 HRA budget has been reduced to reflect the spend (£469K) ahead of schedule incurred in 2018/19 on housing development schemes.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 2019/20 General Fund Capital Programme

4.1.1 The updated projected spend for 2019/20 General Fund capital programme (as detailed in Appendix A) is £31.4m, a reduction of £2.9m mainly due to reprofilng of schemes as shown in table one:

Table One: Capital Programme Change to 2019/20 Working Budget & 2020/21 Projected Budget	Increase (Decrease) to 2019/20 Working Budget £	Increase (Decrease) to 2020/21 Projected Budget £
Slippage/Acceleration		
Garages	(1,700,000)	1,700,000
Replacement JCB loading shovel	170,000	(165,000)
Kenilworth Development (reprofiled to 21/22 & 22/23)	(330,590)	(4,393,650)
Harmonising Infrastructure Technology (for shared service)	10,460	
Infrastructure Investment	83,010	
Town Centre Regeneration (GD1) (b/fwd from 21/22 – LEP funding)	1,138,840	1,305,000
Bus Interchange (GD3)	(1,500,000)	1,500,000
Public Sector Hub	(700,000)	700,000
Total Slippage	**(2,828,280)**	**646,350**
Increases/(Decreases) to 2019/20 Budget		
Pin Green - Recover Flat Roof	(14,000)	
King George V - Electrical Mains Intake & Supply Head	(6,000)	
Works to Town Square	(27,500)	
Bandley Hill Play Centre - Treehouse	(100)	
Total Increases/(Decreases) to 2019/20 Budget	**(47,600)**	**0**
Total Change in Working Budget and Projected Budgets	**(2,875,880)**	**646,350**

4.1.2 **Slippage:**

- **Garage** slippage of £1.7m is due to refurbishment works being reprofiled to be included within the scope of the Major Refurbishment Contract (MRC). This also incorporates the completion of stock condition surveys for the garages included in years one, two and three of the programme. Delivery through the MRC enables economies of scale and the alignment of both work programmes with the intention of minimising disruption for residents.

- A replacement **loading shovel** that was scheduled for replacement in 2020/21 was damaged by fire and has been written off by the insurers. A hire unit is currently being used so that operations can continue. The service seek approval to bring forward the 2020/21 budget into 2019/20 and procure a permanent replacement, so as to minimise rental charges. The cost is partly offset by the scrap value received of £21k.

- The **Kenilworth** Housing Development budgets have slipped from 2019/20 and 2021/22 into 2022/23. Following on from the July Executive, which confirmed the proposed procurement and delivery route for the Kenilworth Close development, the capital expenditure has been remodelled to reflect the proposed share of development costs and indicative delivery timings in relation to the site. In the meantime work continues on site to demolish the existing buildings in preparation for the development.

- Officers are developing an **ICT Strategy**, which is anticipated to be taken to October Executive, which will include some work on rephasing of projects over the multi year programme. This has resulted in an increase in the General Fund 2019/20 IT Infrastructure budgets of £93k. (This will impact both the General Fund and the HRA Para 4.3.3.)

- The reprofiling of the **Town Centre regeneration** schemes reflects the timing of when LEP GD1 funding needs to be utilised by, and continuing work to progress the Bus Interchange (as detailed in paragraph 4.2.3).

4.1.3 **Reductions in Expenditure:**

- A number of other schemes have cost less than had been forecast, and the underspends have been incorporated into this report (in table one).

4.1.4 **Other Updates**:

- The budget for **Grants to Registered Provides** was increased by £1.5m following recommendation by Executive to Council. £591.6k has been identified with the residual amount available should an opportunity arise. The approval included a contingent amount for Registered Provider schemes if an opportunity arose. Any such grants would be funded 100% from 1.4.1 receipts. No reduction is reported at this time, but future capital strategy reports will update Members further.

- **Commercial Property**
  Members approved a £15m investment to acquire a commercial property portfolio to support the Financial Security work stream. To date £1.75m has been spent. Currently there is one potential acquisition that is being

considered to determine if it meet the Council's investment criteria. The aim is still to pursue this strategy subject to suitable sites being available, however this is unlikely to fully spent in 2019/20.

- **Lift at Stevenage Arts and Leisure Centre** (update from the Quarter 4)
  Discussions have continued regarding the lift at Stevenage Arts and Leisure Centre, and whether it needs to be replaced or can be maintained using the current contract. It is recommended to leave the £111k budget previously approved in place for now. The next capital strategy will update Members further.

- **Pipework at the Stevenage Arts and Leisure Centre** (update from the Quarter 4)
  The pipework in Stevenage Arts & Leisure Centre is old and some areas are creating operational problems that need to be addressed. The immediate phase of works is to install a water conditioning system and replace pipework in key areas of the building. Given the age of the pipework it will be necessary to survey all of the pipework in the building and potentially replace any other areas of pipework that are identified as needing replacement. The next capital strategy will update Members further.

- **Springfield House Wall**
  Following investigations tenders were sought for the rebuilding of the unsafe wall and these works are now due to commence 2nd September 2019 completing in 4-6 weeks thereafter. It is anticipated that the approved budget of £52k will be sufficient to complete these works.

- **Boiler Update**
  Subsequent to the boiler being fixed at St Nicholas community centre, the hot water cylinder failed in June and July of this year causing a lack of hot water to the centre. Repairs have been undertaken by our compliance contractor and hot water has been restored. Improvement works to the convector heaters and boiler controls at the Oval community centre have been recently completed.

- **Town Centre Fountain Pump Room**
  No capital spend has been incurred to date, and costs have been funded from within revenue budgets. However further works may be capitalised, but currently there are no capital budgets identified.

4.2 Capital Resources General Fund

4.2.1 Projected capital receipts from disposals for the current and future years have been reviewed. Forecast receipts have been adjusted accordingly and shown in table two:

Table Two; 2019/20 Disposal Schedule (General Fund)	**Q4 Working Budget**	**Q1 Revised Position**	**Variance**
	£'s	**£'s**	**£'s**
Total 2019/20 Capital Receipts Estimate	(4,097,428)	(4,016,598)	**80,830**
Total 2020/21 Capital Receipts Estimate	(9,979,200)	(9,381,600)	**597,600**
Total 2021/22 Capital Receipts Estimate	(3,771,840)	(3,771,840)	**0**
Total 2022/23 Capital Receipts Estimate	(1,243,200)	(1,243,200)	**0**
Total 2023/24 Capital Receipts Estimate	(34,112,000)	(34,112,000)	**0**
Major Capital Receipts Programme	**(53,203,668)**	**(52,525,238)**	**678,430**

- The reduction in 2019/20 forecasts, is based on marketing that has or is about to commence on a number of sites and progress on other sites. Market reports and land valuations are awaited on the other sites to inform pricing, so values have been risk-adjusted (downwards £81K) due to uncertainty as to the timing of these receipts being received in 2019/20.
- The reduction in the 2020/21 forecasts includes approximately £497K relating to garage site disposals. These site disposals part fund the garage improvement programme and officers recommend that the corresponding element of the garage programme is not released until the sales are secured.

4.2.2 Prudential borrowing that is required to support the Capital programme will be a treasury management decision as to when the external borrowing is actually taken. While cash balances are high internal borrowing will be used.

4.2.3 Included in the regeneration programme in the capital strategy is the bus station, which is presently situated in the centre of the SG1 redevelopment area. The £8Million of GD3 funding earmarked for the relocation and redevelopment of the bus station has been approved but not released by the LEP. A budget of £6.5Million (£5million construction costs and £1.5Million for fees and contingency) has been allocated for the scheme. If SBC have to fund the project, it is likely to impact on the current capital programme and revenue budget of the General Fund in the form of borrowing costs. The capital strategy to the February Council set out the possible impacts of having to fund the bus station relocation from SBC resources.

4.3 2019/20 Housing Revenue Account Capital Programme

4.3.1 The updated projection for 2019/20 Housing Revenue Account capital programme is £33.7m (as detailed in Appendix B) an increase of £0.4M as summarised in the table three.

Table three: Changes to Housing Revenue Account Capital Budget			
Capital Programme Change to 2019/20 Working Budget & 2020/21 Projected Budget	**Increase (Decrease) to 2019/20 Working Budget £**	**Increase (Decrease) to 2020/21 Projected Budget £**	**Reason**
Slippage			
New Build Programme	123,000	(1,424,800)	Rephasing of Housing Development budgets
IT General (IT)	309,100		Rephasing of projects over 5 year programme
Total Slippage	**432,100**	**(1,424,800)**	
Decreases to 2019/20 Budget			
Total Change in Working Budget and Projected Budgets	**432,100**	**(1,424,800)**	

Budget updates:

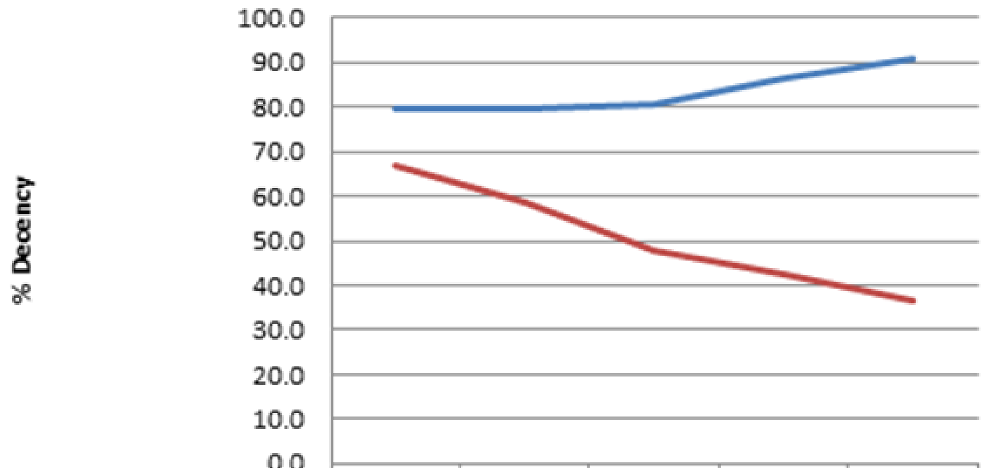
4.3.2 New Build (Housing Development) projected budgets have been updated to reflect the latest information on a site-by-site basis, increasing the cost in 2019/20 budgets by £123k. Following on from the July Executive, which confirmed the proposed procurement and delivery route for the Kenilworth Close development, the capital expenditure has been remodelled to reflect the proposed share of development costs and indicative delivery timings in relation to the site. In the meantime work continues on site to demolish the existing buildings in preparation for the development. The costs and profile of this development will be updated in the next capital strategy, following approval of the revised HRA Business Plan.

4.3.3 **IT/Digital**
Infrastructure Investment Programme – As per paragraph 4.1.2, officers are developing an ICT Strategy, to be presented to the Executive in October. This will include work on rephasing of projects over the multi-year programme. This has resulted in an increase in the 2019/20 HRA budget of £309k (includes ICT infrastructure specific to HRA where costs cannot be shared with the General Fund).

Other Updates:

4.3.5 The **HRA Business Plan** will be updated in the HRA MTFS report to the October Executive. Any recommendations will be incorporated into future capital monitoring reports.

4.3.6 The **decent homes programme** forms a large part of the ongoing investment programme of the HRA. The number of properties where works have been carried out to bring the property up to the decent homes standard (the standard by which each element i.e. kitchen, bathroom, electrics, windows, roof etc. whose condition is measured) in 2018/19 was 702 which brought down the non-decent properties number to 1,971 against the target of 1,976. Forecasts trend is expected to be the same, as shown in graph below.



	Year 1	Year 2	Year 3	Year 4	Year 5
With Investment	79.6	79.6	80.7	86.3	90.9
Without Investment	66.7	58.4	48.0	42.2	36.7

4.3.7 The HRA Right to Buy (RTB) receipts includes a one for one (1.4.1) balance of £10.0m, available to fund 30% of the future new build schemes. There is a three year deadline to spend these receipts, and if not spent the receipt must be returned to government plus interest (calculated at 4% above base rate). The phasing of RTB funded build schemes have been reviewed, along with the opportunities to support local social housing providers via Registered Provider grants as per paragraph 3.2 in return for nomination rights so that 1.4.1 receipts can be utilised wherever possible.

4.3.8 The revised programme as outlined in Appendix B now forecasts that there is a need to return receipts in quarter 3 and quarter 4 (£681k plus interest). Options are being explored by the Housing Development team to be able to find a scheme in partnership with a registered social landlord in order to be able to mitigate this risk, but these are at an early stage.

4.4 Capital Resources Housing Revenue Account

4.4.1 The HRA had nine RTB sales in the first quarter (six RTB sales in the same quarter last year). As at 22 August 2019, 11 more RTB sales had been completed bringing the total to 20 to date (ten RTB sales in total up to the end of August 2018). The forecast for the year remains unchanged at 35 sales although there is a risk that sales may be higher. Gross and net sale proceeds and average discount given is shown in the following table:

RTB Receipts 2019/20						
RTB Receipts	**RTB Admin**	**Allowable Debt**	**LA Assumed Income**	**New Build Receipts**	**Payment to Government**	**Total RTB Receipts**
	£	**£**	**£**	**£**	**£**	**£**
2018/19 Actual	40,300	696,056	357,497	3,055,519	864,541	**5,013,913**
2019/20 Quarter 1 Actual	11,700	223,555	90,159	765,525	215,812	**1,306,751**
2019/20 Projection Update	45,500	869,380	360,637	2,977,042	863,248	**5,115,808**
Budget Projection (2019/20 Capital Strategy)	45,500		360,637			**406,137**
Variance	0	869,380	0	2,977,042	863,248	4,709,671

4.4.2 A full update of capital resources available to the HRA will be included in the updated HRA Business Plan.

4.4.3 Prudential borrowing identified for the Sprinkler System for the flat blocks and the New Build Programme will be a treasury management decision as to when external borrowing is actually taken.

5 IMPLICATIONS

5.1 Financial Implications

5.1.1 This report is of a financial nature and financial implications are contained within the body of the report.

5.2 Legal Implications

5.2.1 None identified at this time.

5.3 Equalities and Diversity Implications

5.3.1 The decent homes programme is led by condition surveys of the stock and not prioritised by group. The capital changes identified in this report are not expected to impact on any groups covered by statutory equalities duties.

5.4 Risk Implications

5.4.1 The significant risks associated with the capital strategy are largely inherent within this report.

5.4.2 If the Housing & Investment team's procurement of HRA contracts is delayed it could lead to works not being completed to the current profile.

5.4.3 A significant risk exists that works deferred due to lack of funding become urgent in year, requiring completion on grounds of health and safety. A reasonable assessment has been made in the prioritisation process to try to keep this risk to a minimum, and these schemes are monitored by Assets and Capital Board.

5.4.4 There is a risk in achieving the level of qualifying HRA spend to fully utilise retained 1.4.1 receipts. Should qualifying schemes slip or new schemes fail to be developed the three year deadline for spending these receipts will not be met and will have to be returned to the Government plus interest (base rate plus 4%). Should the new schemes and/or purchases slip or fail to be delivered there is a risk that 1.4.1 receipts will have to be returned and interest payments made.

5.5.5 There are risks around achieving the level of disposals budgeted for. The estimated dates of receipts very much rely on a series of steps being successful at estimated dates. The level of receipts for the General Fund is a significant source of funding for its capital programme. The Council manages this risk by reviewing and updating the Strategy quarterly, including resources where a sale is likely to complete. This will enable action to be taken where a receipt looks doubtful.

5.5.6 The Capital programme is funded from a number of sources including capital receipts and borrowing. The timing and value of the capital receipt cannot be known with certainty.

5.5.7 When cash balances are above that required for the day to day running of the council the treasury management policy is to use internal borrowing. When actual borrowing is taken interest rates may be higher than those prevailing now. The Council manages this risk by reviewing and updating its cash flow forecast and Treasury Management strategy regularly.

5.5.8 If SBC have to fund the Bus Station project, there is likely to be an impact on the current capital programme and the General Fund in the form of borrowing costs. The Capital Strategy to February Council set out the possible impacts of having to fund all the possible impacts of having to fund the bus station from SBC resources.

BACKGROUND PAPERS

- BD1 – General Fund Capital Strategy
- BD2 – Housing Revenue Account Capital Strategy

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APPENDIX A - GENERAL FUND CAPITAL STRATEGY

Stevenage BOROUGH COUNCIL

Cost Centre	Scheme	2019/20 Q4 Working Budget £	2019/20 Actuals to 31 July 2019 £	2019/20 Q1 Revised Budget £	2019/20 Variance Working v Q1 Revised Budget £	On Hold	2020/2021 Q1 Revised Budget £	2021/2022 Q1 Revised Budget £	2022/2023 Q1 Revised Budget £	2023/2024 Q1 Revised Budget £
	General Fund - Schemes									
	Stevenage Direct Services	4,509,290	444,703	2,979,290	(1,530,000)		4,211,400	2,650,900	2,505,000	1,228,000
	Housing Development	2,982,190	537,016	2,651,600	(330,590)		314,880	330,590	3,992,460	
	Finance and Estates	13,803,370	20,880	13,803,370			241,100	15,000	76,020	10,000
	Corporate Projects, Customer Services & Technology	781,540	52,971	875,010	93,470		112,620	51,930	300,000	600,000
	Housing and Investment	606,410	138,183	558,910	(47,500)		825,000	30,000	35,000	
	Regeneration	12,111,310	4,682,622	11,050,150	(1,061,160)		8,080,590		2,474,000	13,384,000
	Communities and Neighbourhoods	285,130	67,330	285,030	(100)		20,000	40,000	170,000	20,000
	Planning and Regulatory	689,760	88,988	689,760			325,000	325,000	325,000	295,000
	Deferred Works Reserve	29,600		29,600			154,000	56,000	15,000	2,000
	Total Schemes	**35,798,600**	**6,032,692**	**32,922,720**	**(2,875,880)**		**14,284,590**	**3,499,420**	**9,892,480**	**15,539,000**
	Schemes included above on hold pending receipts	**557,010**		**507,970**			**828,000**	**238,000**	**343,000**	**193,000**
	General Fund -Resources									
	Capital Receipts	4,234,252		3,287,010	(947,242)		5,493,086	2,044	2,872,055	13,949,250
	New Build 1-4-1 Receipts - Additional Funding from HRA	591,600		2,091,600	1,500,000					
	Grants	125,869		325,869	200,000		900,004			
	S106's	69,995		69,995			10,000	10,000		
	LEP	10,666,450		10,574,563	(91,887)		4,875,590			
	RCCO	119,000		94,000	(25,000)		4,000	4,000	4,000	
	Regeneration Asset Reserve	163,429		275,589	112,160					
	Capital Reserve (BG916 Revenue Savings)	1,264,000		1,314,000	50,000		1,008,944	770,000	525,526	720,000
	Capital Reserve (BG903 Housing Receipts)	479,527		479,427	(100)		59,990	373,161	371,564	375,280
	New Homes Bonus	433,808		358,170	(75,638)		312,000	362,500	230,000	
	Prudential Borrowing Approved	15,350,650		13,650,650	(1,700,000)		2,534,400	1,702,400	1,702,400	
	Housing GF development short term borrowing- and funded	2,300,020		401,847	(1,898,173)		(913,424)	275,315	4,186,935	494,470
	Total Resources (General Fund)	**35,798,600**		**32,922,720**	**(2,875,880)**		**14,284,590**	**3,499,420**	**9,892,480**	**15,539,000**
	General Funds Receipts BG902									
	Unallocated B/fwd	**(3,330,472)**		**(3,330,472)**			**(3,503,095)**	**(4,873,034)**	**(8,367,515)**	**(2,551,724)**
	In Year Receipts	(4,016,598)		(4,016,598)			(5,949,600)	(3,771,840)	(1,243,200)	(26,768,000)
	Used in Year	4,234,252		3,287,010			5,493,086	2,044	2,872,055	13,949,250
	Ring Fenced Receipts Used to Repay Short Term	556,965		556,965			(913,424)	275,315	4,186,935	494,470
	General Fund Receipts Unallocated C/fwd	**(2,555,853)**		**(3,503,095)**			**(4,873,034)**	**(8,367,515)**	**(2,551,724)**	**(14,876,005)**
	Capital Reserve Resource									
	Unallocated B/fwd	**(594,000)**		**(594,000)**			**(231,210)**	**(596,520)**	**(891,245)**	**(1,435,720)**
	In Year Resource	(1,430,637)		(1,430,637)			(1,434,244)	(1,437,886)	(1,441,565)	(1,445,280)
	Used in Year	1,743,527		1,793,427			1,068,934	1,143,161	897,090	1,095,280
	Capital Reserve Unallocated C/fwd	**(281,110)**		**(231,210)**			**(596,520)**	**(891,245)**	**(1,435,720)**	**(1,785,720)**

APPENDIX A - GENERAL FUND CAPITAL STRATEGY

		2019/20					2020/2021	2021/2022	2022/2023	2023/2024
Cost Centre	Scheme	Q4 Working Budget £	Actuals to 31 July 2019 £	Q1 Revised Budget £	Variance Working v Q1 Revised Budget £	On Hold	Q1 Revised Budget £	Q1 Revised Budget £	Q1 Revised Budget £	Q1 Revised Budget £

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APPENDIX A - GENERAL FUND CAPITAL STRATEGY

Stevenage BOROUGH COUNCIL

Cost Centre	Scheme	2019/20 Q4 Working Budget £	2019/20 Actuals to 31 July 2019 £	2019/20 Q1 Revised Budget £	2019/20 Variance Working v Q1 Revised Budget £	On Hold	2020/2021 Q1 Revised Budget £	2021/2022 Q1 Revised Budget £	2022/2023 Q1 Revised Budget £	2023/2024 Q1 Revised Budget £
	Stevenage Direct Services									
	Parks & Open Spaces									
KC218	Hertford Road Play Area (S106 Funded)	25,000		25,000						
KE911	Play Area Improvement Programme	192,340	64,627	192,340			243,000	283,500	220,000	
KE097	Litter bins	125,000	219	125,000			73,000	83,000	10,000	
KE329	Play Areas Fixed Play	20,810		20,810			10,000	10,000		
KE494	Green Space Access Infrastructure	50,000		50,000						
KE494	Green Space Access Infrastructure	45,000	36,415	45,000		*	148,000	153,000	128,000	128,000
	Other									
KG002	Garages	2,853,890	169,533	1,153,890	(1,700,000)		3,657,400	1,952,400	1,952,400	375,000
KE487	Cavendish Depot - Road Markings and Barriers	12,750		12,750						
KE495	Cavendish Depot - Renovation/Yard Drainage	100,000		100,000						
KE496	Refurbishment of Weston Rd Cemetery Office	6,500		6,500		*				
KS263	Waste and Recycling System	80,000		80,000						
	Vehicles,Plant,Equipment									
KE349	Waste Receptacles	15,000	7,478	15,000		*	15,000			
KE497	Trade Waste Containers	20,000		20,000		*	20,000	20,000	20,000	20,000
Various	Vehicle/Plant replacement Programme	963,000	166,431	1,133,000	170,000		45,000	149,000	174,600	705,000
	Total Stevenage Direct Services	**4,509,290**	**444,703**	**2,979,290**	**(1,530,000)**		**4,211,400**	**2,650,900**	**2,505,000**	**1,228,000**
	Housing Development									
KG030	Grants To Registered Providers	2,091,600	236,199	1,500,000	(591,600)					
KG030	Grants To Registered Providers contingency			591,600	591,600					
KG032	Building Conversion into New Homes - Ditchmore Lane	560,000	300,770	560,000			314,880			
KG034/35/36	Housing Development Scheme (Joint GF/HRA)	330,590	47		(330,590)			330,590	3,992,460	
KG033	Private Sales Schemes - Wedgwood Way									
	Total Housing Development (including grants to Registered Providers)	**2,982,190**	**537,016**	**2,651,600**	**(330,590)**		**314,880**	**330,590**	**3,992,460**	
	Finance & Estates									
KG025	Garage Site Assembly	130,000	14,848	130,000						
KR912	Investment Property	13,244,050		13,244,050						
KR914	IDOX Property Management Software	17,200		17,200						
KR915	Energy Performance Surveys and Proposed Building Works	15,000	225	15,000			15,000	15,000	15,000	
KR915	Energy Performance Surveys and Proposed Building Works									10,000
KR916	Commercial Properties Refurbishment (MRC Programme)	387,120	5,807	387,120			226,100		61,020	
KR147	Commercial Properties - Asbestos Removal	10,000		10,000						
	Total Finance & Estates	**13,803,370**	**20,880**	**13,803,370**			**241,100**	**15,000**	**76,020**	**10,000**

APPENDIX A - GENERAL FUND CAPITAL STRATEGY

Stevenage BOROUGH COUNCIL

Cost Centre	Scheme	2019/20 Q4 Working Budget £	2019/20 Actuals to 31 July 2019 £	2019/20 Q1 Revised Budget £	2019/20 Variance Working v Q1 Revised Budget £	On Hold	2020/2021 Q1 Revised Budget £	2021/2022 Q1 Revised Budget £	2022/2023 Q1 Revised Budget £	2023/2024 Q1 Revised Budget £
	Corporate Projects, Customer Services & Technology									
	IT General									
KS251	Harmonising Infrastructure Technology (for shared service)			10,460	10,460					
KS268	Infrastructure Investment	486,420	10,665	569,430	83,010		87,100	50,250	300,000	600,000
	Total IT General	**486,420**	**10,665**	**579,890**	**93,470**		**87,100**	**50,250**	**300,000**	**600,000**
	Employer of Choice (EOC)									
KS260	Replacement HR & Payroll System	4,670	1,240	4,670						
KS269	New Intranet	14,170	14,922	14,170						
	Total EOC	**18,840**	**16,162**	**18,840**						
	Connected to Our Customer (CTOC)									
KS271	Corporate Website - Redesign	106,510	20,503	106,510			8,020	680		
KS274	New CRM Technology	169,770	5,641	169,770			17,500	1,000		
	Total CTOC	**276,280**	**26,144**	**276,280**			**25,520**	**1,680**		
	Housing All Under One Roof Programme									
KS262	On-Line Housing Application Form									
	Total Corporate Projects, Customer Services & Technology	**781,540**	**52,971**	**875,010**	**93,470**		**112,620**	**51,930**	**300,000**	**600,000**

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APPENDIX A - GENERAL FUND CAPITAL STRATEGY

Stevenage BOROUGH COUNCIL

Cost Centre	Scheme	2019/20 Q4 Working Budget £	2019/20 Actuals to 31 July 2019 £	2019/20 Q1 Revised Budget £	2019/20 Variance Working v Q1 Revised Budget £	On Hold	2020/2021 Q1 Revised Budget £	2021/2022 Q1 Revised Budget £	2022/2023 Q1 Revised Budget £	2023/2024 Q1 Revised Budget £
	Housing and Investment									
	Play Centres									
KC914	Pin Green - Recover Flat Roof	35,000	534	21,000	(14,000)					
TBA	**Bandley Hill - Replace Fenestration**						**30,000**			
KC915	Bandley Hill - Replace Hall Floor Covering	25,000	375	25,000						
TBA	**St Nicholas - Replacement Doors**						**10,000**			
	Community Centres									
KE902	Community Centres General	32,000	5,533	32,000						
TBA	**St Nicholas - Replacmement Windows & Doors**							**30,000**		
KE471	St Nicholas - Boiler and Hot Water Installation Upgrade	15,300	230	15,300						
KE515	St Nicholas Annexe - External Decorations	20,000	300	20,000		*				
New	**Bedwell - External Cedar Cladding Works**					*	**5,000**			
Growth	**Bedwell - Boiler Upgrade**						**100,000**			
KE472	The Oval - Replace Radiators	8,000	1,688	8,000						
KE499	The Oval - Replace Windows	15,000	225	15,000						
KE484	Springfield House - Boiler upgrade									
KE488	Springfield House - Boundary Wall	52,150	783	52,150						
Growth	**Timebridge - Resurface Felt Flat Roofs**						**60,000**			
Growth	**Symonds Green - Replacement Windowa & Doors**						**25,000**			
	Park Pavilions									
KE907	Park Pavilions General	9,000	285	9,000						
KE475	Chells - Decommission Shower & Provide Hot Water To Changing Rooms	21,380	320	21,380						
KE500	Ridlins - M&E Refurbishment of AHU Plant & Controls	25,000	4,024	25,000						
KE479	Canterbury Way - Demolition	12,000	180	12,000						
KE493	King George V - Electrical Mains Intake & Supply Head	18,000	10,680	12,000	(6,000)					
	Depots									
KE480	Cavendish Rd - Office Alterations	44,930	52,535	44,930						
KE501	CavendishRd - Re-roofing (Ascertain Level of Works Required)	15,000	225	15,000						
KE501	CavendishRd - Re-roofing (on hold 2020/21 spend)					*	500,000			
	Other									
Growth	**Ridlins Running Track - Refurbishment**								**35,000**	

APPENDIX A - GENERAL FUND CAPITAL STRATEGY

Stevenage BOROUGH COUNCIL

Cost Centre	Scheme	2019/20 Q4 Working Budget £	2019/20 Actuals to 31 July 2019 £	2019/20 Q1 Revised Budget £	2019/20 Variance Working v Q1 Revised Budget £	On Hold	2020/2021 Q1 Revised Budget £	2021/2022 Q1 Revised Budget £	2022/2023 Q1 Revised Budget £	2023/2024 Q1 Revised Budget £
	Housing and Investment (cont'd)									
	Cemeteries									
KE904	Cemetery Buildings	15,000	225	15,000						
	Council Offices									
KR900	Council Offices	19,380	290	19,380						
KR141	Corporate Buildings - Essential Health & Safety Electrical Works	19,270	297	19,270						
KR142	Corporate and Commercial Buildings - Condition survey	5,000	75	5,000						
KR149	Daneshill House - Test & Risk Assessment Remedial Works	15,000	225	15,000		*				
	Operational Buildings									
KE503	Indoor Market - New Hot Air Curtains	20,000	300	20,000		*				
TBA	Indoor Market - New LED & Lighting					*	65,000			
	Town Centre									
KR136	Preparation Works to Units 1,4,5 of the former QD Building	57,500	7,438	30,000	(27,500)					
KR138	Town Square Assets - Condition Survey	10,000	4,918	10,000						
KE504	Station Ramp (on hold 2020/21 spend)	52,500	788	52,500		*	**30,000**			
KR145	Town Chambers / Square - External Facade Structural Repairs	45,000	43,057	45,000						
	Total Housing and Investment	**606,410**	**138,183**	**558,910**	**(47,500)**		**825,000**	**30,000**	**35,000**	
	Regeneration									
KE384	Town Centre Improvements Phase 2 incl Wayfinding signage	69,270			(69,270)					
KE454	Town Centre Regen Programme Police Station (GD1)	4,062,480	3,911,061	3,925,000	(137,480)					
KE467	Swingate/CCTV Relocation (GD1)	1,743,140	595,102	1,793,730	50,590					
KE505	Demolition of Towers Garages and other sites (GD1)	100,000		300,000	200,000					
KE438	Public Realm Improvements to Market Place		590							
KE439	Town Square Improvements (GD1)	2,036,420	97,262	3,131,420	1,095,000		2,505,000			
KE466	Bus Interchange (GD3)	3,000,000	78,608	1,500,000	(1,500,000)		4,875,590			
KE506	Public Sector Hub	1,100,000		400,000	(700,000)		700,000		2,474,000	13,384,000
	Total Regeneration	**12,111,310**	**4,682,622**	**11,050,150**	**(1,061,160)**		**8,080,590**		**2,474,000**	**13,384,000**

APPENDIX A - GENERAL FUND CAPITAL STRATEGY

Stevenage BOROUGH COUNCIL

Cost Centre	Scheme	2019/20 Q4 Working Budget £	2019/20 Actuals to 31 July 2019 £	2019/20 Q1 Revised Budget £	2019/20 Variance Working v Q1 Revised Budget £	On Hold	2020/2021 Q1 Revised Budget £	2021/2022 Q1 Revised Budget £	2022/2023 Q1 Revised Budget £	2023/2024 Q1 Revised Budget £
	Community & Neighbourhoods									
KC900	Arts and Leisure Centre - Lift Replacement	111,000		111,000		*			150,000	
KC202	Fairlands Valley Park - Aqua	31,000	15,103	27,660	(3,340)	*				
KC228	Stevenage Golf Centre - Boiler Replacement	5,320	8,657	8,660	3,340					
KC224	Leisure Stock Condition	19,810	2,350	19,810		*		20,000		
KC225	Bandley Hill Play Centre - Treehouse	30,000	29,900	29,900	(100)					
KC229	Bandley Hill Play Centre - Fencing Replacement	23,000	345	23,000		*				
KC230	Pin Green Play Centre Equipment	35,000	525	35,000						
KE224	CCTV - Replacement Cameras	20,000	10,300	20,000		*	20,000	20,000	20,000	20,000
KE507	Cycleways Installations (contribution to £100k Arts Council g	10,000	150	10,000		*				
	Total Community & Neighbourhoods	**285,130**	**67,330**	**285,030**	**(100)**		**20,000**	**40,000**	**170,000**	**20,000**
	Planning & Regulatory									
KE119	Off Street Car Parks (Multi Storey Car Parks)	164,620	3,457	164,620			225,000	225,000	225,000	220,000
KE508	Multi-storey Car Park - New Entrances/Resurfacing	15,000		15,000		*	25,000	25,000	25,000	25,000
KE122	MSCP's Lighting Improvements	100,000		100,000		*				
KE516	Town Centre Ramps Improvements	45,000		45,000						
KE201	Hard standings	50,000	520	50,000			50,000	50,000	50,000	
KE201	Hard standings									50,000
KE100	Residential Parking	123,910	8,779	123,160	(750)					
KE100	Residential Parking	30,000		30,000		*				
KE470	Electric Car Charging Points	15,000		15,000						
KE217	Parking Restrictions	45,700	32,772	45,700			25,000	25,000	25,000	
KE217	Parking Restrictions	24,000		24,000		*				
KE509	Onstreet Contactless pay	10,000		10,000		*				
KE443	Parking Enforcement - Old Town Permit Parking Area Implementation	12,000		12,000						
KE444	Coreys Mill Lane - Additional Parking Capacity	24,530	25,275	25,280	750					
KG010	House Renovation/Improvement Grants									
KG011	Disabled Facilities Grants	30,000	18,186	30,000						
	Total Planning & Regulatory	**689,760**	**88,988**	**689,760**			**325,000**	**325,000**	**325,000**	**295,000**
KR911	**Deferred Works Reserve**	**29,600**		**29,600**			**154,000**	**56,000**	**15,000**	**2,000**

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APPENDIX B - HOUSING CAPITAL STRATEGY

Stevenage BOROUGH COUNCIL

		2019/2020				2020/2021	2021/2022	2022/2023	2023/2024
Cost Centre	Scheme	Working Budget Q4 £	Actuals to £	Q1 Revised Budget £	Variance Working v Q1 Revised Budget £	Q1 Revised Budget £	Q1 Revised Budget £	Q1 Revised Budget £	Q1 Revised Budget £
	SUMMARY								
	Capital Programme Excluding New Build	21,133,030	2,284,658	21,133,030		**19,071,510**	**18,908,690**	**15,785,060**	**14,266,760**
	New Build (Housing Development)	11,244,690	3,963,822	11,367,690	123,000	**31,272,230**	**17,387,000**	**13,186,720**	**13,582,310**
	Special Projects & Equipment	155,000		155,000					
	IT Including Digital Agenda	741,270	50,091	1,050,370	309,100	64,530	26,100	156,980	306,980
	TOTAL HRA CAPITAL PROGRAMME	**33,273,990**	**6,298,570**	**33,706,090**	**432,100**	**50,408,270**	**36,321,790**	**29,128,760**	**28,156,050**
	HRA USE OF RESOURCES								
	MRR (Self Financing Depreciation)	11,828,522		9,018,401	(2,810,121)	23,062,389	14,404,652	14,370,002	13,934,658
	Revenue Contribution to Capital	13,946,930		13,047,810	899,120	11,717,539	10,202,458	8,840,704	7,544,559
	Unpooled Receipts (BH902)								
	New Build Receipts (BH901)	2,923,265		2,840,827	(82,438)	8,834,536	3,650,141	2,234,632	3,188,184
	Debt Provision Receipts (BH903)	855,393		855,393		892,010	928,576	965,007	1,152,414
	Section 20 Contribution (BH905)	719,797		797,711	(77,914)	1,681,862	2,039,624	1,798,942	1,152,414
	Land Receipts	400,000		400,000				919,473	1,183,821
	S106					417,264			
	Borrowing	2,600,083		6,745,948	(4,145,865)	3,802,670	5,096,339		
	TOTAL HRA RESOURCES FOR CAPITAL	**33,273,990**		**33,706,090**	**(6,217,218)**	**50,408,270**	**36,321,790**	**29,128,760**	**28,156,050**
	Major Repair Reserve Bought Forward (BH930)	(10,919,793)		(10,919,793)		(14,057,842)	(3,598,685)	(2,199,549)	(1,283,179)
	Depreciation (increasing MRR)	(12,156,450)		(12,156,450)		(12,603,233)	(13,005,515)	(13,453,626)	(13,934,473)
	MRR Used (decreasing MRR)	12,242,902		9,018,401		23,062,389	14,404,652	14,369,996	13,934,661
	Major Repair Reserve Carried Forward	**(10,833,341)**		**(14,057,842)**	**0**	**(3,598,685)**	**(2,199,549)**	**(1,283,179)**	**(1,282,991)**
	Total RTB Receipts Bought Forward	(9,378,927)		(10,132,532)		(10,560,677)	(5,309,784)	(5,424,334)	(7,135,790)
	Total RTB Receipts Received	(4,650,147)		(4,250,147)		(4,475,653)	(4,693,268)	(4,911,095)	(5,136,032)
	Total RTB Receipts Used by General Fund (RP)								
	Receipts used for Registered Providers								
	Repayment of One for One Receipts								
	Debt Provision Receipts Used for Provision of Interest on Repaid One for One Receipts								
	Total RTB Receipts Used by HRA & General Fund (for RP)	4,178,658		3,696,220		9,726,546	4,578,717	3,199,639	4,190,801
	Total RTB Receipts Carried Forward	**(9,850,417)**		**(10,686,460)**		**(5,309,784)**	**(5,424,334)**	**(7,135,790)**	**(8,081,021)**

APPENDIX B - HOUSING CAPITAL STRATEGY

Stevenage BOROUGH COUNCIL

		2019/2020				2020/2021	2021/2022	2022/2023	2023/2024
Cost Centre	Scheme	Working Budget Q4 £	Actuals to £	Q1 Revised Budget £	Variance Working v Q1 Revised Budget £	Q1 Revised Budget £	Q1 Revised Budget £	Q1 Revised Budget £	Q1 Revised Budget £
	CAPITAL PROGRAMME EXCL. NEW BUILD								
	Planned Investment including Decent Homes								
KH157	Decent Homes - Redecs	20,000	336	20,000		20,000	20,000	20,000	20,000
Various1	Decent Homes - Internal Works	1,618,710	465,632	1,618,710		1,705,670	1,802,910	1,779,870	14,246,760
Various2	Decent Homes External Works	205,000	(152,851)	205,000					
Various3	Decent Homes - Roofing								
Various4	Decent Homes - Flat Blocks	12,280,160	1,156,917	12,280,160		12,602,600	12,852,780	11,780,400	
KH300	MRC Miscellaneous	260,000	3,900	260,000					
KH205	Communal Heating	1,200,000	201,715	1,200,000		1,313,300	1,316,820		
KH092	Lift Installation - Inspection & Remedial Works	437,800	137,940	437,800		303,070	265,390		
KH287	Temporary Lift Provision - Flat Blocks					450,000	450,000		
KH291	Sprinkler Systems - Flat Blocks	1,989,440	30,226	1,989,440					
KH294	High Rises - Preliminary Works	190,000	2,850	190,000					
	Health & Safety								
KH085	Fire Safety	81,400	15,068	81,400		80,190	80,410	79,380	
KH112	Asbestos Management	379,870	66,092	379,870		374,250	375,250	370,460	
KH114	Subsidence	102,540	29,628	102,540		101,020	101,290	100,000	
KH144	Contingent Major Repairs	378,940	23,650	378,940		425,480	435,560	440,000	
	Estate & Communal Area								
KH223	Asset Review - Challenging Assets	110,000	79,193	110,000		606,140	607,770	600,000	
KH224	Asset Review - Sheltered (non RED)	1,300,000	82,879	1,300,000		505,120			
	Other HRA Schemes								
KH174	Energy Efficiency Pilot Projects	15,200	230	15,200		15,150	15,190	15,000	
KH094	Disabled Adaptations	563,970	141,254	563,970		569,520	585,320	599,950	
	TOTAL CAPITAL PROGRAMME EXCL. NEW BUILD	**21,133,030**	**2,284,658**	**21,133,030**		**19,071,510**	**18,908,690**	**15,785,060**	**14,266,760**
	CAPITAL PROGRAMME NEW BUILD								
KH233	New Build Programme	11,244,690	3,963,822	11,367,690	123,000	31,272,230	14,777,069	10,317,750	10,627,280
	Build for sale						701,888	903,680	930,790
	Ineligible part of Oval						1,908,043	1,965,290	2,024,240
KH209	New Build - Archer Road								
KH233	**TOTAL CAPITAL PROGRAMME NEW BUILD**	**11,244,690**	**3,963,822**	**11,367,690**	**123,000**	**31,272,230**	**17,387,000**	**13,186,720**	**13,582,310**

APPENDIX B - HOUSING CAPITAL STRATEGY

Stevenage BOROUGH COUNCIL

Cost Centre	Scheme	2019/2020 Working Budget Q4 £	2019/2020 Actuals to £	2019/2020 Q1 Revised Budget £	2019/2020 Variance Working v Q1 Revised Budget £	2020/2021 Q1 Revised Budget £	2021/2022 Q1 Revised Budget £	2022/2023 Q1 Revised Budget £	2023/2024 Q1 Revised Budget £
	SPECIAL PROJECTS & EQUIPMENT								
	HRA Equipment								
KH015	Capital Equipment (including Supported Housing Equipments)	30,000		30,000					
KH278	Vans for RVS	125,000		125,000					
	Sub Total Special Projects & Equipment	**155,000**		**155,000**					
	INFORMATION TECHNOLOGY								
	IT General (IT)								
KH217	Northgate Additional Modules								
KH218	ICT Programme (Business Plan)	239,580		15,730	(223,850)	42,900	24,750	156,980	156,980
KH235	ICT Equipment			10,000	10,000				
KH251	Harmonising Infrastructure Technology (for shared service)			14,870	14,870				
KH268	Infrastructure Investment		5,253	270,750	270,750				150,000
KH268	**Infrastructure Investment**								
KH296	**Keystone Module (to support fire safety)**		13,575	32,000	**32,000**				
KH297	**Tablets (x144)**			5,330	**5,330**				
	Total General IT	**239,580**	**18,828**	**348,680**	**109,100**	**42,900**	**24,750**	**156,980**	**306,980**
	Employer Of Choice (EOC)								
KH259	Replacement HR & Payroll System	2,500	611	2,500					
KH269	New Intranet	7,580	7,350	7,580					
	Total EOC	**10,080**	**7,960**	**10,080**					
	Connected To Our Customers (CTOC)								
KH270	Online Customer Account (formerly Capita Advantage Digital)								
KH271	Corporate Website - Redesign	54,870	10,562	**54,870**		**4,130**	**350**		
KH272	Electronic SMB Reports System								
KH273	Call Recording								
KH288	New CRM Technology	169,770	5,641	**369,770**	200,000	**17,500**	**1,000**		
KH289	Future Online Development of Civica Icon Payments								
	Total CTOC	**224,640**	**16,203**	**424,640**	**200,000**	**21,630**	**1,350**		
	Housing All Under One Roof programme (HAUOR)								
KH283	Housing Improvements	155,960		155,960					
KH260	On-Line Housing Application Form	41,750	4,000	41,750					
KH286	Housing Document Management System	52,660	3,099	52,660					
KH293	Online Tenants Self-Service	16,600		16,600					
	Total HAUOR	**266,970**	**7,099**	**266,970**					
	TOTAL ICT INCLUDING DIGITAL AGENDA	**741,270**	**50,091**	**1,050,370**	**309,100**	**64,530**	**26,100**	**156,980**	**306,980**

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Part I
Release to Press

Meeting:	**EXECUTIVE / AUDIT COMMITTEE / COUNCIL**	**Agenda Item:**
Portfolio Area:	Resources	
Date:	**10 September / 11 September / 16 October**	

ANNUAL TREASURY MANAGEMENT REVIEW OF 2018/19 INCLUDING PRUDENTIAL CODE

NON-KEY DECISION

Author – Belinda White Ext. 2515
Contributor – Lee Busby Ext. 2730
Lead Officer – Clare Fletcher Ext. 2933
Contact Officer – Clare Fletcher Ext. 2933

1 PURPOSE

1.1 To review the operation of the 2018/19 Treasury Management and Investment Strategy.

2 RECOMMENDATIONS

2.1 **Audit Committee & Executive**
That subject to any comments the 2018/19 Annual Treasury Management Review is recommended to Council for approval.

2.2 **Audit Committee & Executive**
That subject to any comments the updated MRP Policy is recommended to Council for approval.

2.3 **Council**
That subject to any comments from the Audit Committee and the Executive, the 2018/19 Annual Treasury Management Review and updated MRP Policy be approved.

3 BACKGROUND

3.1 Regulatory requirement

3.1.1 The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2018/19. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

3.1.2 During 2018/19 the minimum reporting requirements were that the Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 28/02/2018)
- a mid-year treasury update report (Council 18/12/2018)
- an annual review following the end of the year describing the activity compared to the strategy (this report).

3.1.3 The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members.

3.1.4 This Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit Committee and the Executive before they were reported to the Council.

3.2 **The Economy and Interest rates in 2018/19 and current position**

3.2.1 After weak economic growth of 0.2% in quarter one of 2018, growth picked up to 0.4% in quarter 2 and to 0.7% in quarter 3, before returning to 0.2% in the final quarter. Given all the uncertainties over Brexit, this weak growth in the final quarter was expected by the forecasters. The annual growth in Quarter 4 came in at 1.4% and the UK was the third fastest growing country in the G7 in quarter 4. However, since then, the economy shrank in the second calendar quarter of 2019 and since a technical recession is defined as two successive quarters of contraction, that means another similar three months of growth (i.e. showing negative growth), between now and the end of September would tip the UK into the technical definition of its first recession since the financial crisis.

3.2.2 In August 2018 the Monetary Policy Committee (MPC) raised UK Bank Rate from 0.5% to 0.75%, and have abstained from any further increases since then. No further action from the MPC is expected until the uncertainties over Brexit are clear. The MPC has been having increasing concerns over the trend in wage inflation which peaked at a new post financial crisis high of 3.5%, (excluding bonuses) in the three months to December before falling to 3.4% in the three months to March. However despite strong pay growth, Bank of England inflationary target at 2%, and with the government announcing, (albeit unfinanced) pay awards above inflation for some public sector workers, commentators, such as, Senior UK economist Ruth Gregory, predicts that falls in household energy bill will push inflation down below target by the end of the year.

3.2.3 CPI inflation itself has been falling since it peaked at 3.1% in November 2017, reaching a low of 1.8% in January 2019 before rising marginally to 1.9% in February. In the February 2019, Bank of England Inflation Report, the latest forecast for inflation over both the two and three year time horizons remained marginally above the MPC's target of 2%. Looking forward, the Bank of England's assumptions based on an orderly BREXIT sees inflation fall in the 3rd quarter of 2020 to 1.9% and then slowly rise by 2022 to 2.4%.

3.2.4 **Brexit**. The current "flextension" from the EU provides until 31st October for the UK to agree a deal. However, if something can be agreed beforehand, then the UK is free to leave at that point. Markets and commentators, though, still suggest that there is little near term prospect of any consensus being formed. This uncertain view is enhanced by the current Conservative Party leadership, which continues to stress that the UK will leave on the 31 October. As such, there remain numerous potential options, including (but not limited to) some form of "deal", "disorderly" / "orderly" no-deal Brexit, second referendum and even a General Election. If there were a disorderly exit, the Bank of England may look to cut interest rates to support growth. Due to this uncertainty there are heightened levels of market volatility, with little expectation for this to be resolved any time soon.

3.2.5 **PWLB borrowing rates.** Since PWLB rates peaked during October 2018, rates have been on a general downward trend, though longer term rates did spike upwards again during December, and, (apart from the one year rate), reached lows for the year at the end of March. There was a significant level of correlation between movements in US Treasury yields and UK gilt yields which determine PWLB rates. The Federal Open Market Committee (Fed) in America increased the US Bank Rate four times in 2018, making nine increases in all in this cycle, to reach 2.50% in December. However, it had been giving forward guidance that rates could go up to nearly 3.50%. These rate increases and guidance caused Treasury yields to also move up.

3.2.6 By December 2018, financial markets considered that the Fed had gone too far with interest rates, and discounted its expectations of further increases. Since then, the Fed has also come round to the view that there are probably going to be no more increases in the short term. The issue for market forecasters now, is how many cuts in the US Bank Rate will there be and how soon, in order to support economic growth in the US. But weak growth now also looks to be the outlook for China and the EU so this will mean that world growth as a whole could be weak. Treasury yields have therefore fallen sharply during 2019 and gilt yields / PWLB rates have also fallen as shown in the table below.

Table one: PWLB borrowing rates			
Rates* as at:	Apr-18	Apr-19	Aug-19
Years	Rate %	Rate %	Rate %
5	1.89	1.63	1.15
10	2.28	1.95	1.32
15	2.52	2.28	1.64
20	2.61	2.46	1.86
25	2.64	2.52	1.93

* rates include a 0.2% reduction for certainty rate available to Stevenage BC

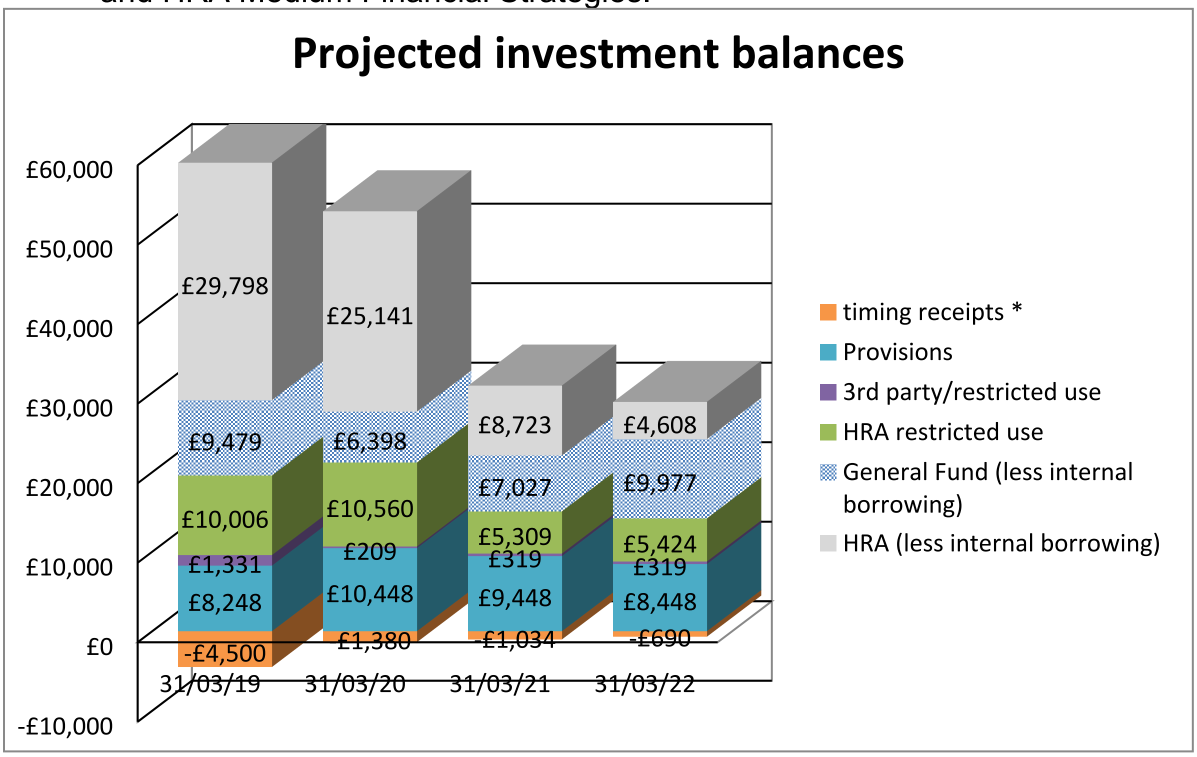
4 OVERALL TREASURY POSITION AS AT 31 MARCH 2019

4.1 As at 31 March 2018 and 2019 the Council's treasury position was as follows:

Table two: Treasury Position						
	2017/18			2018/19		
	31 March 2018 Principal £'000s	Rate / Return %	Average Life (Yrs)	31 March 2019 Principal £'000s	Rate / Return %	Average Life (Yrs)
Total Borrowing	**208,487**	**3.38**	**15.81**	**205,482**	**3.37**	**15.03**
Capital Financing Requirement	221,877			221,940		
Over/(under) borrowing	(13,390)			(16,458)		
Investments Portfolio (see para 5.8)	**62,380**	**0.58**		**54,135**	**0.86**	

4.2 Investment balances have fallen at the end of the year as General Fund and HRA balances were used to support revenue spend in accordance with the planned draw down of these resources in the Medium Term Financial Strategies. The remaining balances include restricted use funds that can only be used to finance capital spend, money set aside as provisions and monies held on behalf of others including council tax and business rates provisions and advance payments.

4.3 The following chart shows the projected use and resulting reduction in cash balances held over the next four years in accordance with the General Fund and HRA Medium Financial Strategies.



Note: the negative value re the timing of receipts reflects the increase in debtors (LEP loan and Housing Benefit subsidy) owed to the Council as at the 31 March 2019 temporarily reducing cash balances.

5 TREASURY MANAGEMENT STRATEGY 2018/19

5.1 The original 2018/19 Treasury Management strategy had projected Bank Rate rises from 0.50% to 0.75% in the 3rd quarter of 18/19 (and to 1.00% in the 3rd quarter of 2019/20), and gradual rises in medium and longer term fixed borrowing rates during 2018/19. The returns achievable on the Council's investments were expected to be modest, based on both the low bank of England base rate and the risk appetite of the TM Strategy. Bank rates are unexpected to rise in the near future as stated in paragraph 3.2.3.

5.2 The impact of the European Union (EU) Referendum decision to leave the EU and the implications of this for the UK economy were uncertain when the strategy was set, and it was thought that further updates of the Strategy may be required once these were known. Updates were given in the two reports to Council, but no changes were needed to the Strategy.

5.3 As a result of the MiFIDII legislation, the Council elected to professional client status to allow uninterrupted advice and opportunities for investment/debt products. The necessary quantitative and qualitative tests were satisfied for the Council to be classified as such, plus the minimum total investment portfolio of £10million was included in the TM Strategy.

5.4 Professional status enabled the Council to maintain its existing relationships with financial institutions and ability to use financial instruments which are not available to retail clients, so these were able to remain part of the TM Strategy.

5.5 **The Council's Capital Expenditure and Financing 2018/19.**

5.5.1 In 2018/19 the Council spent £30,423,335 on capital projects (General Fund and Housing Revenue Account). The capital programme was funded from existing capital resources and an increase in internal borrowing (General Fund £0.155M, HRA £1.81Million). No external loans were taken out during 2018/19 to fund existing borrowing requirements from previous years. Table three details capital expenditure and financing used in 2018/19.

Table three : 2018/19 Capital Expenditure and Financing				
	2018/19 Original Estimate £'000	2018/19 Quarter 3 Revised Working Budget £'000	2018/19 Actual £'000	2018/19 Variance Actual to Quarter 3 Revised Working Budget £'000
Capital Expenditure:				
General Fund Capital Expenditure	21,708	11,615	8,057	(3,558)
HRA Capital Expenditure	31,355	22,617	22,366	(251)
Total Capital Expenditure	**53,063**	**34,232**	**30,423**	**(3,809)**
Resources Available for Capital Expenditure:				
Capital Receipts	(10,020)	(6,685)	(6,061)	624
Capital Grants /Contributions	(5,325)	(5,134)	(3,133)	2,001
Capital Reserves	(1,803)	(672)	(761)	(89)
Revenue contributions	(8,211)	(6,898)	(7,379)	(481)
Major Repairs Reserve	(20,067)	(12,837)	(11,124)	1,713
Total Resources Available	**(45,426)**	**(32,226)**	**(28,458)**	**3,768**
Capital Expenditure Requiring Borrowing	**7,637**	**2,006**	**1,965**	**(41)**

5.5.2 The Treasury Management review of 2018/19 and Prudential Indicators have been updated to reflect changes to capital budgets which have been approved throughout the year. The actual capital expenditure for 2018/19 was reported to the Executive on 11 July 2019.

5.6 **The Council's overall need to borrow and Capital Financing Requirement**

5.6.1 The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR). It represents the amount of debt it needs to/has taken out to fund the programme (and includes both internal and external borrowing). The CFR is then reduced as debt repayments are made and Minimum Revenue Provisions (MRP – see also para 5.7) are made. A separate CFR is calculated for the General Fund and Housing Revenue Account and any transfers of assets (such as land or buildings) will impact on each fund's CFR. The CFR will go up on the fund "receiving" the assets and go down (by the same amount) on the fund "giving" the asset. The government has consulted on the option to transfer assets at zero value however no outcome of the consultation has been published.

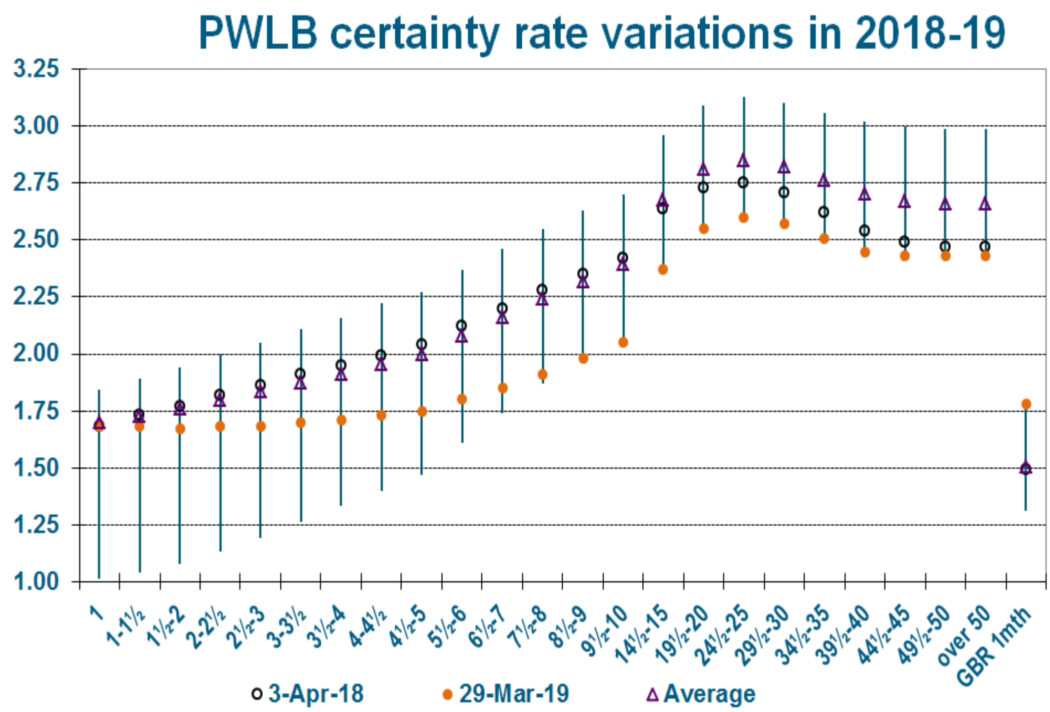
5.6.2 Cash balances (£54.135M as at 31 March 2019) enable the Council to use internal borrowing in line with its Capital Strategy and Treasury Management Strategy. This position is kept under review taking into account future cash balances and forecast borrowing rates. Members should note that these cash balances relate in part to the restricted use right to buy "one for one" receipts

(£10.0million) and provisions (£9.6million) for future liabilities (see also para 5.8.4) and as seen in the chart at paragraph 4.3 these balances are forecast to significantly fall over the next four years.

5.6.3 As at the 31 March 2019 the Council had total external borrowing of £205,482,582. The debt repayment profile is shown in the following table:

Table four Maturity of Debt Portfolio for 2017/18 and 2018/19		
Time to maturity	**31 March 2018 Actual £'000's**	**31 March 2019 Actual £'000's**
Maturing within one year	3,004	263
1 year or more and less than 2 years	263	263
2 years or more and less than 5 years	790	526
5 years or more and less than 10 years	18,956	28,556
10 years or more	185,474	175,874
Total	**208,487**	**205,482**

5.6.4 During 2018/19, shorter term PWLB rates were most volatile, and reached their higher levels towards the end of the year, whereas medium and longer term PWLB rates were at their lowest levels towards the end of the year. The graph below (and table one paragraph 3.2.6) shows the overall position for 2018/19.



5.6.5 The General Fund had external borrowing of £2,808,582, all of which was with the Public Works Loan Board (PWLB). The HRA had external borrowing of £202,674,000 all held with the PWLB, of which £7,763,000 relates to pre 2012 decent homes programme and the remainder £194,911,000 to self- finance the payment made to central government in 2012.

5.6.6 In October 2018, the then Prime Minister Theresa May announced a policy change of the abolition of the HRA debt cap. The Chancellor announced in the Budget that the applicable date was 29 October 2018.

5.6.7 The HRA's operational debt limit, which had been capped by government at £217,685,000, can now be set by the Council. The new limit will be set on the basis of prudence, affordability and sustainability. Opportunities arising from the lifting of the debt cap will be considered as part of the updated HRA business plan presented to Members and subsequent Treasury management reports and indicators will be updated accordingly.

5.6.8 The Council's CFR is one of the key prudential indicators and is shown in the following table.

Table Five : Capital Financing Requirement 2017/18 and 2018/19

CFR Calculation	31-Mar-18 (£'000)	31-Mar-19 (£'000)	Movement in Year (£'000)
Opening Balance	**223,275**	**221,877**	
Closing Capital Financing Requirement (General Fund)	15,624	15,121	(503)
Closing Capital Financing Requirement (Housing Revenue Account)	206,253	206,820	567
Closing Balance	**221,877**	**221,941**	
Increase/ (Decrease)	**(1,398)**	**64**	**64**

5.6.9 The CFR for the HRA has increased by £566,753 as a repayment of £1,241,000 was made in year, offset by £1,810,558 new internal borrowing for Decent Homes. There were no asset transfers between the General Fund and HRA in 2018/19.

5.6.10 The General Fund's CFR has decreased by £503,167 - due to;

- the Minimum Revenue Provision (MRP) payment made in year of £661,090 (see also para 5.7)
- less, short term borrowing for Housing GF development of £155,118

5.6.11 Borrowing originally forecast for Investment Properties was not taken in 2018/19.

5.7 **Minimum Revenue Provision (MRP)**

5.7.1 The Prudential Code, by which the Council has to make its borrowing decisions, requires the Council to demonstrate that borrowing is required and affordable. The MRP is a statutory requirement to ensure borrowing is affordable for the General Fund and does not apply to the HRA (the HRA affordability is determined in the HRA Business Plan (see also para 5.5.5)). The Council is required to make an annual MRP based on its policy approved by Council as part of the Treasury Management Strategy. The calculation of MRP is based upon prior years' borrowing requirement (regardless of whether that borrowing was internal or external) and the life of the asset for which the borrowing was required.

5.7.2 The MRP charged to the General Fund in 2018/19 was £661,090, of which £335,058 is effectively funded from regeneration assets and £35,120 funded from investment property with the remainder (£290,912) a net cost to the General Fund.

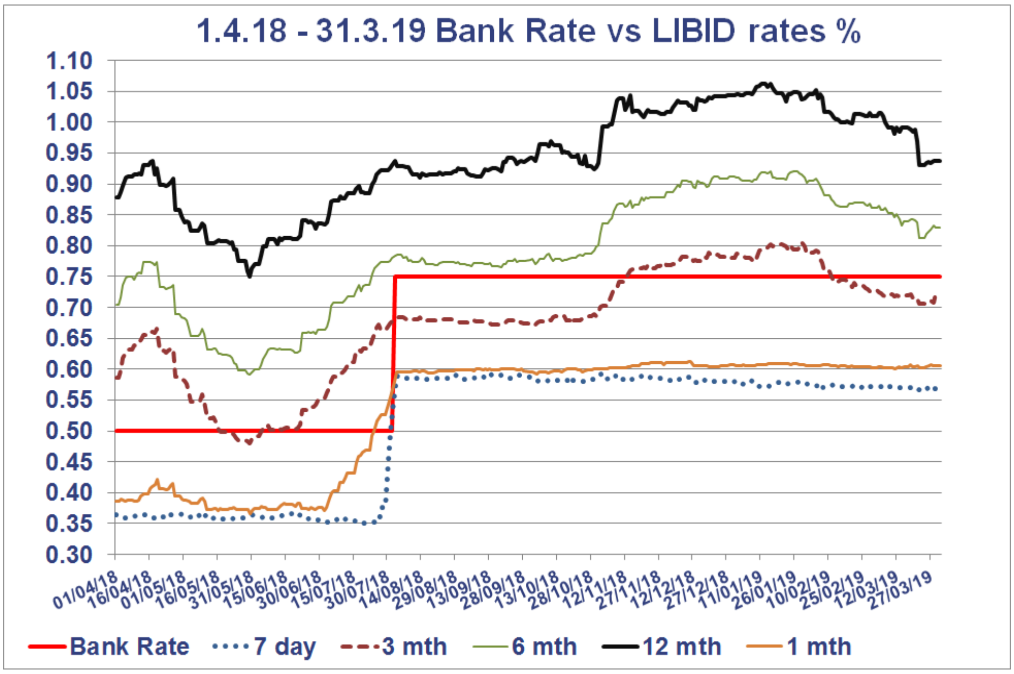
5.7.3 Officers recommend that the MRP calculations should be reviewed in light of the investment being made and resulting extension to the useful life of the asset. (See also para 6.2 and Appendix C.)

5.8 **Cash Balances and Investment rates**

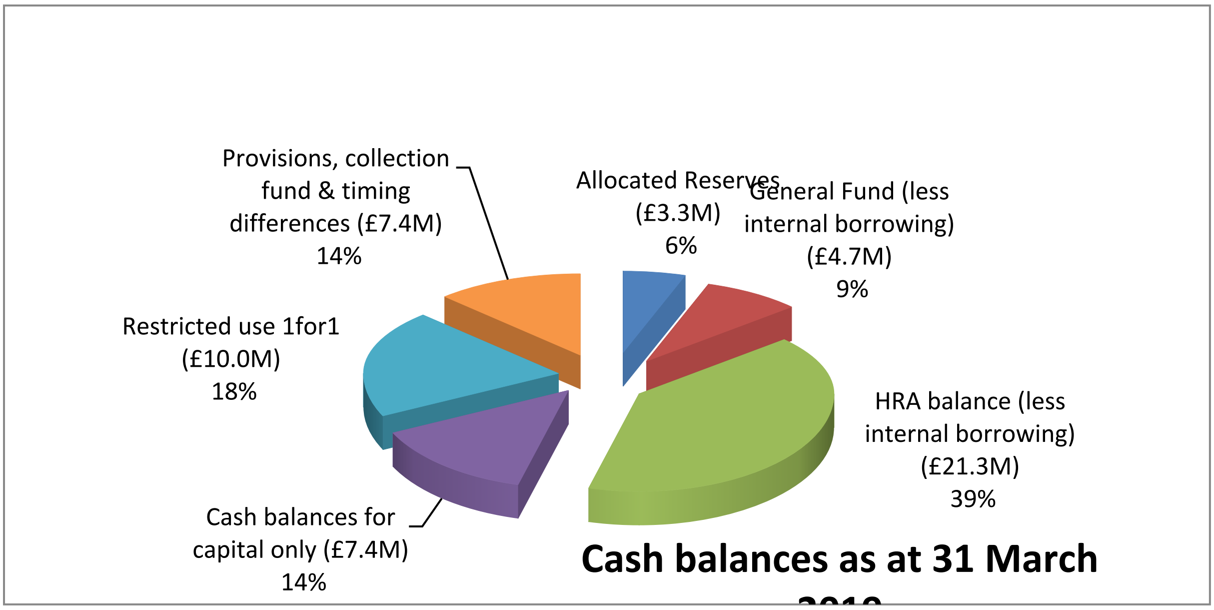
5.8.1 During the year the average cash balance was £68Million, earning interest of £585,017 and achieving an average interest rate of 0.86%. The comparable rate was 0.51% (average 7-day LIBID rate). This compares with an original budget assumption of £305,300 based on average investment rate of 0.7%, however higher cash balances and better than anticipated rates resulted in more investment interest.

5.8.2 During 2018/19 UK Base Rate was increased to 0.75% at the Monetary Policy Committee (MPC) meeting on 2nd August 2018, and remained at that rate during the rest of 2018/19. During this period, investments were, therefore, kept shorter term in anticipation that rates would be higher later in the year. It was not expected that the MPC would raise UK Bank Rate again during 2018/19 after August in view of the fact that the UK was entering into a time of major uncertainty with Brexit due in March 2019. Value was therefore sought by placing longer term investments after 2 August as cash balances were sufficient to allow this. There continued to be a gap between investing (0.86%) and borrowing rates (2.6% - 25yr PWLB rate March 2019), which meant it was still prudent to maintain the treasury strategy of postponing external borrowing. This policy avoided the cost of holding higher levels of investments and reduces counterparty risk, by using internal borrowing while cash balances allow. (See also section 5.6 and chart at paragraph 4.3).

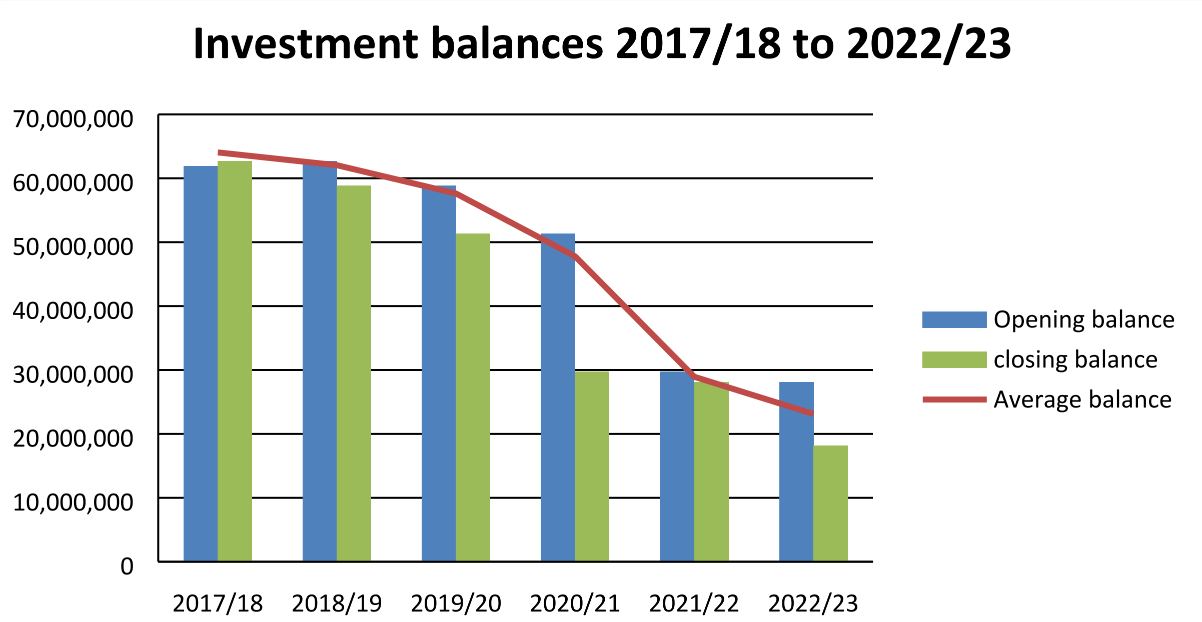
5.8.3 The following chart shows UK Bank Rate and LIBID (London Interbank Bid) rates in 2018/19.



5.8.4 As at 31 March 2019 cash balances were £54.135Million and included one for one right to buy receipts, ring fenced for HRA new social housing schemes (£10.0Million), provisions and reserves held for specific purposes. The apportionment of cash balances at year end is shown in the following chart.



5.8.5 The restrictive use of a proportion of these receipts plus the planned use of resources in line with the Council's capital and revenue strategies means that these resources are not available for new expenditure. The following chart shows the historic level of cash balances and the projected reduction following the planned use of reserves to 2022/23.



5.8.6 Further to the lifting of the HRA debt cap and opportunities to use external borrowing instead of revenue contributions (RCCO) to fund the HRA's capital programme, the forecast investment balances may change subject to approval of the updated HRA business plan. These changes will be incorporated into future Treasury management reports and forecasts provided to Members.

5.8.7 In accordance with the Treasury Management Strategy approved by Council on 28 February 2018, the Council invests it surplus cash balances. The policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data and counterparty limits dependant on level of cash balances held.

5.8.8 There were no breaches to this policy in 2018/19 with the investment activity during the year conforming to the approved strategy. The Council had no liquidity difficulties and no funds were placed with the Debt Management Office (DMO) during 2018/19, demonstrating that counterparty limits and availability for placing funds approved in the TM Strategy were working effectively.

5.9 **Other Prudential Indicators**

5.9.1 The treasury management indicators for 2018/19 onwards have been updated based on the updated Capital Strategy approved by Council in February 2019 and subsequently updated in the 3rd and 4th quarter capital updates reported to Executive and Council in March and July 2019.

5.9.2 The **net borrowing position** for the Council as at 31 March 2019 was **£151.347Million** (total external borrowings/loans of £205.482Million less total investments held of £54.135Million).

5.9.3 The **operational boundary** and **authorised limit** refers to the borrowing limits within which the treasury team operate. A temporary breach of the operational boundary is permissible for short term cash flow purposes however a breach of the authorised limit would require a report to Council. **There were no breaches of either limit in 2018/19.**

5.9.4 The **ratio of financing costs** to net revenue stream is equal to General Fund interest costs divided by the General Fund net revenue income from Council tax, Revenue Support Grant and retained business rates. The 2018/19 indicator is **6.45%.**

5.9.5 The full list of treasury prudential indicators is shown in Appendix A and has been updated for the 2018/19 outturn position and the revised 2019/20 capital programme.

6 OTHER ISSUES

6.1 IFRS 9

6.1.1 Risk management needs to take account of the 2018/19 Accounting Code of Practice proposals for the valuation of investments. Key considerations include:

- Expected credit loss model. Whilst this should not be material for vanilla treasury investments such as bank deposits, this is likely to be problematic for some funds e.g. property funds, (and also for non-treasury management investments dealt with in the capital strategy e.g. longer dated service investments, loans to third parties or loans to subsidiaries).
- The valuation of investments previously valued under the available for sale category e.g. equity related to the "commercialism" agenda, property funds, equity funds and similar, will be changed to Fair Value through the Profit and Loss (FVPL).

6.1.2 Following the consultation undertaken by the Ministry of Housing, Communities and Local Government, [MHCLG], on IFRS9 the Government has introduced a mandatory statutory override for local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds. This will be effective from 1 April 2018. The statutory override applies for five years from this date. Local authorities are required to disclose the net impact of the unrealised fair value movements in a separate unusable reserve throughout the duration of the override in order for the Government to keep the override under review and to maintain a form of transparency.

These changes have no impact on the valuation of investments held by **Stevenage Borough Council,** and the statutory override has not been needed.

6.2 MRP Policy

An MRP Policy review is being currently being carried out by officers (see Appendix C), and where asset lives on property are expected to exceed the current life used in the MRP calculation an adjustment maybe considered. The policy remains unchanged in that Option 3 Life expectancy is used in calculation of the MRP charge however the estimation of the life expectancy is being reviewed. The maximum life used will be capped at 50 years as permissible under the prudential code.

6.3 **Operational and Authorised Borrowing Limits**

6.3.1 General Fund borrowing limits were increased as part of the Housing wholly owned company (WOC) report which was recently approved by Council. General Fund limits will be further reviewed in the Annual Treasury Management Strategy due to go to Executive and Council in February.

6.3.2 HRA limits will be reviewed as part of the revised HRA Business Plan presented to Members in November and will reflect the removal of the debt cap.

6.4 **Property Funds and Commercial Strategy**

When the TM Strategy was presented at Audit Committee on 1 February 2017, it was resolved that Council be recommended to approve the use of property funds, subject to market conditions and in consultation with the Resources Portfolio holder and the Audit Committee up to a maximum of £3Million. A review of the Commercial Strategy will be presented to Executive in November and will include a review of the Council's risk appetite. The Assistant Director (Finance and Estates) considers that this is an opportunity to review the use of property fund investment options and a further report will be given to the Audit Committee and the Resources Portfolio Holder on property fund investments.

6.5 **Breach of overdraft Limit on 21 May 2018**

As previously reported, on 21 May 2018, a request was made to return funds held by the Council from Amundi, a Money Market Fund (MMF). This fund is held in a Luxembourg bank. Council staff were unaware that it was a bank holiday on that day in Luxembourg, where Amundi's bank is based, which meant that the requested was not processed and funds weren't returned until the next working day. A short term overdraft facility was arranged to ensure Council's obligations were met, which resulted in an interest payment of £3,006. Measures have been out in place to prevent this happening in the future.

6.6 **Queensway Properties (Stevenage) LLP**

As part of the Queensway redevelopment proposals the Council is acting as agent for Aviva in that construction monies are held in a named Stevenage Borough Council bank account. However the sole signatories to that account are Aviva representatives and the Council has no access to these funds. Only Aviva can make payments from this account and the Council does not have authority to invest this money. Therefore, although the monies are in a

Stevenage Borough account they are excluded from Treasury management strategy and are not considered in HSBC counterparty limits. As the redevelopment of Queensway continues monies will be drawn down from this account and when works are complete the account will be closed.

7 IMPLICATIONS

7.1 Financial Implications

7.1.1 This report is of a financial nature and reviews the treasury management function for 2018/19. Any consequential financial impacts identified in the July Capital strategy and 4th quarter revenue budget monitoring report have been incorporated into this report.

7.1.2 During the financial year Officers operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices.

7.2 Legal Implications

7.2.1 Approval of the Prudential Code Indicators and the Treasury Management Strategy are intended to ensure that the Council complies with relevant legislation and best practice.

7.3 Equalities and Diversity Implications

7.3.1 The purpose of this report is to review the implementation of the Treasury management policy in 2018/19. Before investments are placed with counter parties the Council has the discretion not to invest with counter parties where there are concerns over sovereign nations' human rights issues.

7.3.2 The Treasury Management Policy does not have the potential to discriminate against people on grounds of age; disability; gender; ethnicity; sexual orientation; religion/belief; or by way of financial exclusion. As such a detailed Equality Impact Assessment has not been undertaken.

7.4 Risk Implications

7.4.1 The current policy of minimising external borrowing only remains financially viable while cash balances are high and the differentials between investment income and borrowing rates remain. Should these conditions change the Council may need to take borrowing at higher rates which would increase revenue costs.

7.5 Policy Implications

7.5.1 This report confirms treasury decisions have been made in accordance with the existing policy.

7.5.2 Extending the asset life of relevant existing assets to 50 years relates to the new MRP Policy recommended for approval as per Appendix C.

BACKGROUND PAPERS

- BD1 Mid year Treasury update (Council 18 December 2018)
- BD2 Treasury Management Strategy including Prudential Code Indicators 2018/19 (Council 28 February 2018)

APPENDICES

- Appendix A Prudential Indicators
- Appendix B Investment and Borrowing Portfolio
- Appendix C MRP Policy

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Treasury Management Prudential Indicators | **Appendix A** | 2018/19 Treasury Management Outturn

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Capital Expenditure (Based on Capital Strategy Feb 2018):	2017/18 Actual	2018/19 Original Estimate February 2018	2018/19 Revised September 2018	2018/19 Revised Estimate February 2019	2018/19 Actual	2019/20 Revised July 2019	2020/21 Revised February 2019	2021/22 Revised February 2019
	£000	£000	£000	£000	£000	£000	£000	£000
General Fund	9,013	21,708	32,007	15,573	8,057	33,688	8,936	7,130
HRA	17,022	31,355	26,128	23,528	22,366	47,792	35,676	35,479
Total	**26,035**	**53,063**	**58,135**	**39,101**	**30,423**	**81,479**	**44,612**	**42,609**

Ratio of financing costs to net revenue stream:	2017/18 Actual	2018/19 Original Estimate February 2018	2018/19 Revised September 2018	2018/19 Revised Estimate February 2019	2018/19 Actual	2019/20 Revised February 2019	2020/21 Revised February 2019	2021/22 Revised February 2019
	%	%	%	%	%	%	%	%
General Fund Capital Expenditure	6.91%	14.22%	14.22%	7.82%	6.45%	6.77%	10.31%	10.44%
HRA Capital Expenditure	15.61%	16.94%	16.94%	16.94%	14.94%	16.78%	16.46%	16.16%

General Fund: Net revenue stream is the RSG, NNDR grant and Council Tax raised for the year.

HRA: The net revenue stream is the total HRA income shown in the Council's accounts from received rents, service charges and other incomes. The ratio of financing costs to net revenue stream reflects the high level of debt as a result of self financing.

Authorised Limit for external debt	2017/18 Actual	2018/19 Original Estimate February 2018	2018/19 Revised September 2018	2018/19 Revised Estimate February 2019	2018/19 Actual	2019/20 Revised March 2019	2020/21 Revised March 2019	2021/22 Revised March 2019
	£000	£000	£000	£000	£000	£000	£000	£000
Borrowing - General Fund	25,016	40,666	40,666	25,016	25,016	48,207	49,765	50,593
Borrowing - HRA	210,973	217,655	217,655	210,973	210,973	235,729	239,532	244,628
Total	**235,988**	**258,321**	**258,321**	**235,988**	**235,988**	**283,937**	**289,297**	**295,221**

The authorised limit in that it is the level up to which the Council may borrow without getting further approval from Full Council. The Council may need to borrow short term for cash flow purposes, exceeding the operational boundary. The authorised limit allows for £9m headroom, which is in addition to our capital plans.

Operational Boundary for external debt	2017/18 Actual	2018/19 Original Estimate February 2018	2018/19 Revised September 2018	2018/19 Revised Estimate February 2019	2018/19 Actual	2019/20 Revised March 2019	2020/21 Revised March 2019	2021/22 Revised March 2019
	£000	£000	£000	£000	£000	£000	£000	£000
Borrowing - General Fund	20,016	38,166	38,166	20,016	20,016	43,207	44,765	45,593
Borrowing - HRA	205,973	211,209	211,209	205,973	205,973	230,729	234,532	239,628
Total	**225,988**	**249,376**	**249,375**	**225,988**	**225,988**	**273,937**	**279,297**	**285,221**

The operational boundary differs from the authorised limit in that it is the level up to which the Council expects to have to borrow. The Council may need to borrow short term for cash flow purposes, exceeding the operational boundary. The operational boundary allows for £1m headroom in addition to our capital plans.

Gross & Net Debt	31/03/2018 Actual	31/03/2019 Original Estimate February 2018	31/03/2019 Revised September 2018	31/03/2019 Revised Estimate February 2019	31/03/2019 Actual	31/03/2020 Revised February 2019	31/03/2021 Revised February 2019	31/03/2022 Revised February 2019
	£000	£000	£000	£000	£000	£000	£000	£000
Gross External Debt - General Fund	4,572	18,389	18,389	20,016	2,809	38,341	39,899	40,727
Gross External Debt - HRA	203,915	206,174	206,174	205,973	202,674	230,729	234,532	239,628
Gross External Debt	**208,487**	**224,563**	**224,563**	**225,988**	**205,483**	**269,070**	**274,431**	**280,355**
Less Investments	(62,380)	(45,563)	(45,563)	(58,727)	(54,135)	(38,770)	(29,806)	(31,479)
Net Borrowing	**146,107**	**179,000**	**179,000**	**167,261**	**151,348**	**230,301**	**244,625**	**248,876**

The Gross External Debt is the actual debt taken out by the Council plus any relevant long term liabilities. The Gross External Debt should not exceed the Operational Boundary for external debt. For 2019/20 £6.5M is required to be

The Net Borrowing is defined as gross external debt less investments. The net borrowing requirement may not, except in the short term, exceed the total capital financing requirement in the preceding year, plus the estimates of any additional financing.

Capital Financing Requirement	31/03/2018 Actual	31/03/2019 Original Estimate February 2018	31/03/2019 Revised September 2018	31/03/2019 Revised Estimate February 2019	31/03/2019 Actual	31/03/2020 Revised February 2019	31/03/2021 Revised February 2019	31/03/2022 Revised February 2019
	£000	£000	£000	£000	£000	£000	£000	£000
Capital Financing Requirement GF	15,623	35,666	35,666	17,516	15,121	35,841	37,399	38,227
Capital Financing Requirement HRA	206,253	208,709	208,709	205,973	206,820	210,729	214,532	219,628
Total Capital Financing Requirement	**221,876**	**244,376**	**244,376**	**223,488**	**221,941**	**246,570**	**251,931**	**257,855**

The Capital Financing Requirement (CFR) reflects the amount of money the Council would need to borrow to fund it's capital programme. This is split between the Housing Revenue Account CFR (HRACFR) and the General Fund CFR (GFCFR).

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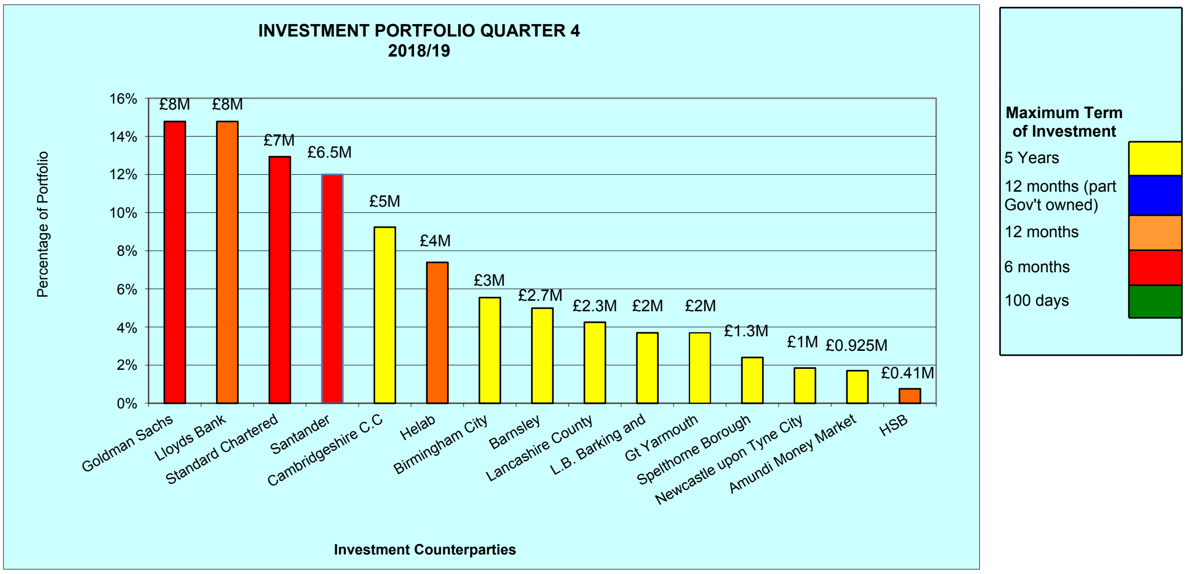
INVESTMENT PORTFOLIO QUARTER 4 (31st March 2019) — Appendix B

Average interest rate - 2017/18	**0.58%**
Average interest rate - 2018/19	**0.86%**
Bank of England Bank Rate	**0.75%**

Borrower	Nation	Sovereign Rating (Fitch)	Amount £'s	From	To	Rate %
Money Market Funds (Instant Access)						
Amundi	UK	AA	925,000			0.73
95 Day Notice						
Standard Chartered Bank	UK	AA	7,000,000			1.01
Fixed Term Deposit						
HSBC	UK	AA	410,000	29-Mar-19	01-Apr-19	0.60
Birmingham City Council	UK	AA	3,000,000	24-Apr-17	24-Apr-19	0.80
Goldman Sachs International	UK	AA	5,000,000	17-Dec-18	17-Jun-19	1.05
Santander UK	UK	AA	3,500,000	20-Dec-18	20-Jun-19	1.00
Spelthorne Borough Council	UK	AA	1,300,000	22-Jun-17	21-Jun-19	0.70
Santander UK	UK	AA	3,000,000	02-Jan-19	02-Jul-19	1.00
Goldman Sachs International	UK	AA	3,000,000	17-Jan-19	17-Jul-19	1.09
Helaba	GER	AAA	4,000,000	14-Aug-18	13-Aug-19	0.97
Cambridgeshire County Council	UK	AA	5,000,000	11-Sep-18	10-Sep-19	1.05
Lloyds Bank plc	UK	AA	5,000,000	23-Nov-18	22-Nov-19	1.10
Lloyds Bank plc	UK	AA	3,000,000	23-Jan-19	22-Jan-20	1.10
Newcastle upon Tyne City Council	UK	AA	1,000,000	03-Apr-17	03-Apr-20	1.00
London Borough of Barking and Dagenham	UK	AA	2,000,000	09-Jan-17	09-Apr-20	0.98
Lancashire County Council	UK	AA	2,300,000	06-Sep-18	07-Sep-20	1.20
Great Yarmouth Borough Council	UK	AA	2,000,000	16-May-18	17-May-21	1.45
Barnsley Metropolitan Borough Council	UK	AA	2,700,000	15-Sep-17	15-Sep-21	0.98
			54,135,000			



LOAN PORTFOLIO QUARTER 4 (31st March 2019)

Decent Homes Borrowing

Lender	Type	Rate %	Amount £'s	From	To	Life of Loan
PWLB	Fixed Rate/Maturity	4.75	2,000,000	04/03/2010	04/03/2035	25 years
PWLB	Fixed Rate/Maturity	4.28	1,800,000	25/05/2010	25/05/2035	25 years
PWLB	Fixed Rate/Maturity	4.24	963,000	17/08/2010	17/08/2035	25 years
PWLB	Fixed Rate/Maturity	4.65	3,000,000	25/03/2010	25/09/2035	25 1/2 years
			7,763,000			

Self Financing Borrowing

Lender	Type	Rate %	Amount £'s	From	To	Life of Loan
PWLB	Fixed Rate/Maturity	2.92	500,000	28/03/2012	28/03/2026	14 years
PWLB	Fixed Rate/Maturity	3.01	8,000,000	28/03/2012	28/03/2027	15 years
PWLB	Fixed Rate/Maturity	3.08	8,700,000	28/03/2012	28/03/2028	16 years
PWLB	Fixed Rate/Maturity	3.15	9,600,000	28/03/2012	28/03/2029	17 years
PWLB	Fixed Rate/Maturity	3.21	10,600,000	28/03/2012	28/03/2030	18 years
PWLB	Fixed Rate/Maturity	3.26	11,000,000	28/03/2012	28/03/2031	19 years
PWLB	Fixed Rate/Maturity	3.30	16,000,000	28/03/2012	28/03/2032	20 years
PWLB	Fixed Rate/Maturity	3.34	17,500,000	28/03/2012	28/03/2033	21 years
PWLB	Fixed Rate/Maturity	3.37	17,600,000	28/03/2012	28/03/2034	22 years
PWLB	Fixed Rate/Maturity	3.40	17,300,000	28/03/2012	28/03/2035	23 years
PWLB	Fixed Rate/Maturity	3.42	15,300,000	28/03/2012	28/03/2036	24 years
PWLB	Fixed Rate/Maturity	3.44	21,000,000	28/03/2012	28/03/2037	25 years
PWLB	Fixed Rate/Maturity	3.46	18,200,000	28/03/2012	28/03/2038	26 years
PWLB	Fixed Rate/Maturity	3.47	19,611,000	28/03/2012	28/03/2039	27 years
PWLB	Fixed Rate/Maturity	3.48	4,000,000	28/03/2012	28/03/2040	28 years
			194,911,000			

Prudential Borrowing

Lender	Type	Rate %	Amount £'s	From	To	Life of Loan
PWLB	Fixed Rate/EIP	2.37	1,052,632	19/08/2013	19/02/2022	9 1/2 years
PWLB	Fixed Rate	2.29	1,755,950	19/03/2018	19/03/2028	10 years
			2,808,582			

Total Borrowing	**205,482,582**

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Appendix C (September 2019 Update)

Minimum Revenue Provision Policy

September 2019 update to estimation techniques used in calculating MRP charges:
Officers will undertake a review of all MRP charges currently made on existing borrowing that relates to all asset lives. This review will take into account the freehold/leasehold classification of the asset and investment decisions relating to that asset. This will be particularly relevant in the regeneration areas of Stevenage such as SG1. The method used to calculate MRP will be reviewed, with the preferred method being Option 3 (Asset Life Method). Where appropriate the asset life will be changed, the maximum life used will not exceed 50 years, but will reflect the longer anticipated life of the asset (as permissible under the prudential code).

Minimum Revenue Provision Policy Statement 2019/20

From 2013/14, the council has not had a fully funded capital programme, and although there has not been a need to borrow in full externally, due to the use of investment balances, it will be necessary to make adequate provision for the repayment of debt in the form of Minimum Revenue Provision in 2019/20 for the unfunded element of 2013/14 and 2014/15 expenditure. **The preferred method for existing underlying borrowing is Option 3 (Asset Life Method) whereby the MRP will be spread over the useful life of the asset. Useful life is dependent on the type of asset and ranges from 7 years (ICT equipment) and 50 years (Investment properties).**

The Council has approved a **Property Investment** Strategy – an investment of £15Million in property funded from prudential borrowing. The MRP calculation will be calculated under **Option 3 (Asset Life Method) and the annuity method** which links the MRP to the flow of benefits from the properties.

The forecast annual MRP for 2018/19 is £673,090 and for 2019/20 is £634,324 based on the Draft 2019 Capital Strategy Update having the need to borrow for the General Fund. In addition finance lease payments due as part of the Queensway regeneration project made in 2018/19 and 2019/20 will be applied as MRP.

MRP Overpayments - A change introduced by the revised MHCLG MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision (MRP), voluntary revenue provision (VRP) or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year.
MRP payments are required on regeneration assets and a decision was made to make a voluntary MRP payment in the year of acquisition for these assets (the Council's policy is to make a MRP payment the year after acquisition). Up until the 31 March 2019 the total VRP overpayments were £68,739.65. No MRP overpayments have been made.

Voluntary MRP made	
2012/13	£46,929.65
2013/14	nil
2014/15	£21,810.00
2015/16	nil
2016/17	nil

2017/18	nil
2018/19	TBC
cumulative total	**£68,739.65**

Additional Information

1. What is a Minimum Revenue Provision (MRP)?
The Minimum Revenue Provision is a charge that Councils which are not debt free are required to make in their accounts for the repayment of debt (as measured by the underlying need to borrow, rather than actual debt). The underlying debt is needed to finance the capital programme. Capital expenditure is generally expenditure on assets which have a life expectancy of more than one year e.g. buildings, vehicles, machinery etc. It is therefore prudent to charge an amount for the repayment of debt over the life of the asset or some similar proxy figure, allowing borrowing to be matched to asset life. Setting aside an amount for the repayment of debt in this manner would then allow for future borrowing to be taken out to finance the asset when it needs replacing at no incremental cost. The manner of spreading these costs is through an annual Minimum Revenue Provision, which was previously determined under Regulation, and is now determined by Guidance.

2. Statutory duty
Statutory Instrument 2008 no. 414 s4 lays down that:

"A local authority shall determine for the current financial year an amount of minimum revenue provision that it considers to be prudent."

The above is a substitution for the previous requirement to comply with regulation 28 in S.I. 2003 no. 3146 (as amended).

There is no requirement to charge MRP where the Capital Financing Requirement (CFR) is nil or negative at the end of the preceding financial year.

The share of Housing Revenue Account CFR is not subject to an MRP charge.

3. Government Guidance
Along with the above duty, the Government issued guidance which came into force on 31st March 2008 which requires that a Statement on the Council's policy for its annual MRP should be submitted to the full Council for approval before the start of the financial year to which the provision will relate.

The Council is legally obliged to "have regard" to the guidance, which is intended to enable a more flexible approach to assessing the amount of annual provision than was required under the previous statutory requirements. The guidance offers four main options under which MRP could be made, with an overriding recommendation that the Council should make prudent provision to redeem its debt liability over a period which is reasonably commensurate with that over which the capital expenditure is estimated to provide benefits. The requirement to 'have regard' to the guidance therefore means that: -

Although four main options are recommended in the guidance, there is no intention to be prescriptive by making these the only methods of charge under which a local authority may consider its MRP to be prudent.

It is the responsibility of each authority to decide upon the most appropriate method of making a prudent provision, after having had regard to the guidance.

The four recommended options are thus:

Option 1: Regulatory Method
Under the previous MRP regulations, MRP was set at a uniform rate of 4% of the adjusted CFR (i.e. adjusted for "Adjustment A") on a reducing balance method (which in effect meant that MRP charges would stretch into infinity).

This historic approach must continue for all capital expenditure incurred in years before the start of this new approach. It may also be used for new capital expenditure up to the amount which is deemed to be supported through the Supported Capital Expenditure (SCE) annual allocation.

Option 2: Capital Financing Requirement Method
This is a variation on option 1 which is based upon a charge of 4% of the aggregate CFR without any adjustment for Adjustment A, or certain other factors which were brought into account under the previous statutory MRP calculation. The CFR is the measure of an authority's outstanding debt liability as depicted by their balance sheet.

This is not applicable to the Council as it is for existing non supported debt

Option 3: Asset Life Method.
This method may be applied to most new capital expenditure, including where desired that which may alternatively continue to be treated under options 1 or 2.

Under this option, it is intended that MRP should be spread over the estimated useful life of either an asset created, or other purpose of the expenditure. There are two useful advantages of this option: -
Longer life assets e.g. freehold land can be charged over a longer period than would arise under options 1 and 2.
No MRP charges need to be made until the financial year after that in which an item of capital expenditure is fully incurred and, in the case of a new asset, comes into service use (this is often referred to as being an 'MRP holiday'). This is not available under options 1 and 2.

There are two methods of calculating charges under option 3:
equal instalment method – equal annual instalments,
annuity method – annual payments gradually increase during the life of the asset.

This is the preferred method as it allows costs to be spread equally over the life of the asset.

Option 4: Depreciation Method
Under this option, MRP charges are to be linked to the useful life of each type of asset using the standard accounting rules for depreciation (but with some exceptions) i.e. this is a more complex approach than option 3.

The same conditions apply regarding the date of completion of the new expenditure as apply under option 3.

This method is not favoured by the Council as if the asset is subject to a downturn in value, then that amount would have to be written off in that year, in addition to the annual charge

4. Date of implementation
The previous statutory MRP requirements ceased to have effect after the 2006/07 financial year. Transitional arrangements included within the guidance no longer apply for the MRP charge for 2009/10 onwards. Therefore, options 1 and 2 should only be used for Supported Capital Expenditure (SCE). The CLG document remains as guidance and authorities may consider alternative individual MRP approaches, as long as they are consistent with the statutory duty to make a prudent revenue provision.

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