Public Document Pack

EXECUTIVE

Date: Tuesday, 19 September 2017
Time: 2.00 pm,
Location: Shimkent Room - Daneshill House, Danestrete
Contact: Jackie Cansick

Members: Councillors:

AGENDA

PART 1

1. APOLOGIES FOR ABSENCE AND DECLARATION OF INTERESTS

2. MINUTES - 17 JULY 2017

To approve as a correct record the Minutes of the meeting of the Executive held on Wednesday, 17 July 2017.

5 - 12

3. MINUTES OF OVERVIEW & SCRUTINY COMMITTEE AND SELECT COMMITTEES

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

A. Environment & Economy Select Committee – 3 July 2017
B. Community Services Select Committee – 13 July 2017
C. Overview & Scrutiny Committee – 26 July 2017

Minutes attached

13 - 26

4. BUSINESS RATES REVALUATION SUPPORT SCHEME 2017/18-2020/2021

To consider a report that provides an update on the Government Scheme and proposes a local scheme for distributing funds.

Report attached

27 - 32

5. HOUSING REVENUE ACCOUNT MEDIUM TERM FINANCIAL STRATEGY 2017/18 - 2021/2022

To consider a report on the current and future position of the Council's Housing Revenue Account budget over the next five years and that proposes Financial Security targets for the period 2018/19 – 2021/22.

Report and Appendices attached.

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6. **GENERAL FUND MEDIUM TERM FINANCIAL STRATEGY 2017/2018 - 2021/2022**

To consider a report that provides an update on the Council's Financial Security targets for the period 2018/19 – 2021/22.

Report and appendices attached.

73 - 104

7. **1ST QUARTER REVENUE MONITORING REPORT - GENERAL FUND AND HOUSING REVENUE ACCOUNT**

To consider a report that provides an update on the General Fund and Housing Revenue Account (HRA) projected 2017/18 net expenditure and that seeks approval to these changes as part of the quarterly review of all revenue budgets.

Report & Appendix attached

105 - 116

8. **1ST QUARTER MONITORING CAPITAL PROGRAMME - GENERAL FUND AND HOUSING REVENUE ACCOUNT**

To consider a report that provides an update on the Council's 2017/18 and 2018/19 capital programme and that seeks approval for the revisions to the General Fund and Housing Revenue Account capital programme.

Report attached

117 - 126

9. **ANNUAL TREASURY MANAGEMENT REVIEW OF 2016/2017 INCLUDING PRUDENTIAL CODE**

To consider a report for recommendation to Council on the operation of the 2016/17 Treasury Management and Investment Strategy.

Report & Appendices attached

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10. **CORPORATE PERFORMANCE FOR QUARTER ONE 2017/18**

To consider a report that highlights the Council's performance across key priorities and themes for quarter one 2017/18.

Report attached

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11. **URGENT PART 1 BUSINESS**

To consider any Part 1 business accepted by the Chair as urgent.

12. **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.

13. PART II MINUTES - EXECUTIVE - 17 JULY 2017

To approve as a correct record the Part II section of the Minutes of the meeting of the Executive held on 17 July 2017.

Minutes attached for Members.

14. COMMUNAL HEATING REFURBISHMENT CONTRACT PROCUREMENT

To consider a Part II report that seeks approval to commence procurement of a Communal Heating Refurbishment Contract. This contract is one of the key deliverables highlighted within the HRA Business Plan that was approved by the Executive in November 2016.

Report & Appendix attached for Members

15. 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 Tuesday, 19 September 2017 – http://www.stevenage.gov.uk/have-your-say/council-meetings/161153/

Agenda Published Insert date of Publication

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STEVENAGE BOROUGH COUNCIL

EXECUTIVE
MINUTES

Date: Monday 17 July 2017
Time: 14.00 hrs.
Place: Shimkent Room, Daneshill House, Stevenage SG1 1HN

Present:	Councillors S Taylor OBE CC (Chair), R Henry, J Hollywell, Mrs J Lloyd, R Raynor, S Speller and J Thomas
Start/End Time:	Start Time: 14.00 hrs. End Time: 15.50 hrs.

1. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were received from Councillor J Gardner. There were no declarations of interest.

2. MINUTES – EXECUTIVE – 24 MAY 2017

It was **RESOLVED** that the Minutes of the meeting held on 24 May 2017 are approved as a correct record for signature by the Chair.

3. MINUTES – OVERVIEW & SCRUTINY COMMITTEE

Concerning the minutes of the Community Select Committee on 20 July in relation to the issue of rough sleepers, Members felt that the Select Committee minutes did not accurately reflect the position concerning the belongings of rough sleepers in the town centre. Officers confirmed that an action plan had been produced which would help ensure that those sleeping rough in the town centre received the advice and support they needed.

It was **RESOLVED** that the Minutes of the following meetings be noted –

A. Community Select Committee – 20 June 2107

B. Overview & Scrutiny Committee (sitting as a Select Committee) – 28 June 2017

4. BIODIVERSITY ACTION PLAN 2017-2022

The Executive received a presentation from the Environmental Performance and Development Manager.

Members were advised that Stevenage was the only district in Hertfordshire to have produced a Biodiversity Action Plan (BAP). Officers were pleased to report that green space volunteers had attended 30 BAP related training sessions and collectively giving over 2000 hours towards activities.

It was reported that the BAP identified those sites which were considered to be important for biodiversity and which required protection and those sites where biodiversity could be improved through habitat creation and linkages.

Members welcomed the report and stressed the importance of ensuring that appropriate media was used to promote the Council's Biodiversity activities and initiatives.

Officers agreed to look at the possibility of installing information boards around the pond behind the Towers to explain the scheduling of the work that was happening to the pond.

It was **RESOLVED**

1. That the Stevenage Biodiversity Action Plan 2017-2022 be approved.

2. That Officers be requested to ensure there is positive media coverage for the Plan through the Comet and also through the use of Social Media

Reason for Decision: As contained in the report.
Other Options Considered: As contained in the report.

5. COMMUNITY SAFETY PERFORMANCE UPDATE

The Executive received a report which provided a high level overview in relation to the key individual crime types and how the Council was working in partnership through the Responsible Authorities Group (RAG) to reduce the offending of individuals involved in crime and anti-social behaviour.

In presenting the report, the Portfolio Holder for Communities, Safer Communities and Equalities advised Members that recommendations 2.2 and 2.3 of the report should be withdrawn because it was considered that the Council should not fill the funding void resulting from a decision that had been made by the Police and Crime Commissioner (PCC).

Members were advised that officers would continue to bid for PCC funding as and when the bidding rounds took place and would also continue to seek to attract other external funding noting the previous successes outlined within the report.

The Portfolio Holder also agreed to ask that the RAG assesses the impact of the PCC's withdrawal of core funding at its next meeting on 24 July.

It was **RESOLVED:** That future strategic crime and anti-social behaviour reports be considered by the Stevenage Together Partnership when requested. The Executive will continue to receive crime and ASB updates through the quarterly performance reports.

Reason for Decision: As contained in the report.
Other Options Considered: As contained in the report.

6. 2016/17 ANNUAL REPORT AND PERFORMANCE OVERVIEW

The Executive considered a report that recommended the content of the Council's draft Annual Report 2016/17 together with arrangements for final publication. Additionally, the report highlighted the Council's performance across a number of key themes and priorities during 2016/17.

The Executive Leader presented the report and was pleased to highlight a number of key successes that had been achieved in 2016/17 including:

- £31m regeneration of town centre
- Public realm improvements
- New community centre at Hampson Park
- Opening of the new Haven
- Award of 3 green flags at Hampson Park, Town Centre Gardens and Fairlands Valley Park
- Play area renovation
- 3 new neighbourhood wardens
- 2000 people through the healthy hub
- National award for the Play Team

It was agreed that the new format of the Annual Report represented a substantial improvement on previous reports and officers were asked to look at the possibility of producing a special edition of the Chronicle to ensure the Council's achievements and key performance data were shared with residents and staff.

It was **RESOLVED:**

1. That the progress on the delivery of Future Town, Future Council programme be noted together with the overall performance and achievements of the Council during 2016/17.

2. That the content and publication of the Council's draft Annual Report 2016/17 at Appendix A be approved

Reason for Decision: As contained in the report.
Other Options Considered: As contained in the report.

7. QUARTER 4 MONITORING REVENUE REPORT GENERAL FUND AND

HOUSING REVENUE ACCOUNT (HRA).

The Portfolio Holder for Resources presented a report that updated Members on the 2016/17 outturn position for the General Fund and the Housing Revenue Account and that sought approval for revisions to 2017/18 revenue budgets as a result of the 2016/17 pre-audited actual spend.

The Portfolio Holder was pleased to report that officers had met the revised deadline of 31 May for the closure of the accounts 12 months ahead of schedule.

In relation to Housing Benefit overpayments, Members asked officers to enquire if the issue of collection methods for overpayment was being addressed as a scrutiny item.

It was **RESOLVED:**

1. That the 2016/17 actual net expenditure on the General Fund of £8,958,347 is noted, subject to the 2016/17 audit of the Statement of Accounts.

2. That new carry forward requests totalling £449,950 are approved for the General Fund (paragraph 4.1.1 of the report refers).

3. That the removal of 2017/18 General Fund base budget net savings totalling £159,550 (including HRA saving), which will contribute towards the Council's Financial Security objectives for 2018/19 (paragraph 4.2.1) is approved.

4. That the increase of £4,000 to the 2017/18 working budget one year only pressures (£14,000) and one year only savings (£10,000) are approved.

5. That the 2016/17 actual in year surplus on the HRA of £2,794,487 is noted, subject to the 2016/17 audit of the Statement of Accounts.

6. That new carry forward requests totalling £273,720 are approved for the HRA.

7. That the removal of 2017/18 HRA budget net savings of £31,060 which will contribute towards the Council's financial security objectives for 2018/19 and one off budget reductions of £81,540 for 2017/18 are approved.

8. That the Finance team be congratulated for meeting the revised deadline of 31 May for the closure of the accounts 12 months ahead of schedule.

Reason for Decision: As contained in the report.

Other Options Considered: As contained in the report.

8. QUARTER 4 MONITORING CAPITAL PROGRAMME REPORT GENERAL FUND AND HOUSING REVENUE ACCOUNT (HRA).

The Portfolio Holder for Resources presented the report updating Members on the capital outturn position on the 2016/17 capital programme. In presenting the report she advised of the urgency of recommendation 5 below and the agreement of the Chair of Overview and Scrutiny to the recommendation.

Members highlighted the need for officers to give greater consideration to Equality and Diversity Implications when drafting reports in the future ahead of them being brought to the Executive.

It was **RESOLVED:**

1. That the 2016/17 General Fund capital expenditure outturn of £4,829,306 is noted, (subject to the 2016/17 external audit of accounts).

2. That the 2016/17 HRA capital expenditure outturn of £19,402,180 is noted (subject to the 2016/17 external audit of accounts).

3. That the funding applied to the 2016/17 General Fund capital programme is approved as summarised in paragraph 4.2.4. of the report.

4. That the funding applied to the 2016/17 HRA capital programme is approved as summarised in paragraph 4.5.1. of the report.

5. That the 2017/18 General Fund capital programme net changes of £4,024,160 are approved as summarised in paragraph 4.3.7 of the report, including the additional expenditure above the amount delegated to the Executive for the reasons outlined in paragraph 4.3.6. of the report. This decision to be taken as a matter of urgency in accordance with the Budget & Policy Framework rules set out in the Constitution, following agreement of the Chair of the Overview & Scrutiny Committee and submitted to the Council meeting in October for information.

6. That the 2017/18 HRA capital programme total increase of £2,557,700 is approved as summarised in paragraph 4.6.1 and detailed in Appendix B to this report.

Reason for Decision: As contained in the report.
Other Options Considered: As contained in the report.

9. URGENT PART II BUSINESS

The Executive Leader reminded Members of the all Member Briefing on Fire Safety that had been arranged for Wednesday 19 July. She was pleased to report that the Council had responded to the implications of the Grenfell Fire tragedy in a professional way and that all enquiries had been dealt with quickly and efficiently. The Leader paid tribute to the Housing Officers who had been working directly on this issue in conjunction with the Portfolio Holder for Housing, Health and Older People.

10. 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 it involves the likely disclosure of exempt information as described in paragraphs 1-7 of Part 1 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 outweighs the public interest in disclosure.

11. PART II MINUTES – 24 MAY 2017

It was **RESOLVED** that the Part II Minutes of the meeting of the Executive held on 24 May 2017 are approved as a correct record for signature by the Chair.

12. PROCUREMENT OF REPAIRS & VOIDS SUPPLY CHAIN

The Executive considered a Part II report that set out the process for procuring a sub-contract supply chain which was a project within the 'Enhancing Our Repairs Service' that was approved by the Executive in January 2016.

It was **RESOLVED** that the recommendations in the report are approved.

Reason for Decision: As contained in the report
Other Options Considered: As contained in the report.

13. WRITE OFF OF BUSINESS RATES

The Executive considered a Part II report that sought approval to write off Business Rates deemed irrecoverable.

It was **RESOLVED** that the recommendations in the report are approved.

Reason for Decision: As contained in the report
Other Options Considered: As contained in the report.

14. THE PROCUREMENT OF BUILDING COMPLIANCE AND MAINTENANCE SERVICES FOR HOUSING AND CORPORATE PROPERTIES

The Executive considered a Part II report that set out a proposal for the collaborative procurement of building compliance and maintenance services from April 2018 for both Housing Revenue Account (HRA) and General Fund (GF) physical assets.

In presenting the report, the Executive Member moved an additional recommendation which was agreed.

It was **RESOLVED** that the recommendations in the report with the additional recommendation are approved.

Reason for Decision: As contained in the report
Other Options Considered: As contained in the report.

13. URGENT PART II BUSINESS

None

Chair

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STEVENAGE BOROUGH COUNCIL

ENVIRONMENT & ECONOMY SELECT COMMITTEE
MINUTES

Date: Monday 3 July 2017
Time: 6:00 pm
Place: Shimkent Room, Daneshill House, Danestrete, Stevenage

Present:	Members:	M Downing (Chair), J Brown, L Chester, E Harrington, J Lloyd and A McGuinness.
Start/End Time:	Start Time:	6:00 pm
	End Time:	7:20 pm

1. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were received from Councillors M Hurst, D Bainbridge, R Broom and J Fraser.

There were no declarations of interest.

2. TERMS OF REFERENCE

It was **RESOLVED** that the Terms of Reference are noted.

3. MINUTES – 1 MARCH 2017

It was **RESOLVED** that the Minutes of the meeting of the Environment and Economy Select Committee held on Wednesday 1 March 2017 are approved and signed by the Chair.

4. EXECUTIVE PORTFOLIO RESPONSE TO ALLOTMENTS REVIEW

The Committee received the Executive Member response to the Allotments Scrutiny Review which was carried out in 2016/2017.

The Committee was advised that a draft strategy document for a review into the allotments policy had been written which addressed a number of the points raised in the review. Subject to Members' comments the document would be submitted to interested parties as part of the consultation process prior to implementation.

In reply to a question the Committee was advised that feedback from the consultation would be communicated to allotment holders via email, letter or via the Customer Service Centre.

With regards to the role played by the Stevenage Gardens and Allotment Association (SGAA) the Committee was advised that any changes to the existing agreement between the Council and the SGAA would be formalised legally.

It reply to a further question concerning neglected plots the Committee was advised that Officer intervention was now more timely and that plot holders were contacted sooner than in the past. In respect of vacant plots weed proof netting was being provided to prevent the spread of unwanted growth to adjacent plots.

It was **RESOLVED** that the Executive Portfolio Holder’s response to the allotments review is noted.

5. DRAFT SCOPING REVIEW DOCUMENT AND PRESENTATION – SCRUTINY REVIEW INTO THE INDOOR MARKET

The Committee received a presentation on the Indoor Market which covered its history, steps taken by the Council to support and promote the market, especially since the economic crash of 2008 and recent recommendations that had been implemented following a consultation between the Market Traders Association and senior officers of the Council.

Members then discussed the challenges facing the market which included its location, local building works, changing consumer spending patterns, the number of vacant stalls in the market, the Mutual Agreement Between Traders and more effective methods of advertising the market to townspeople.

It was noted that a number of businesses currently occupying retail premises in the town centre had begun in the market and Members acknowledged the role played by the market in fostering growth within those businesses.

In terms of the scoping document Members requested the following:

- That the background issues be extended to include a more detailed summary of the current issues facing the market, such as what is the market for and who are its customers;
- That issues with the multi-storey car park, such as cleanliness and state of repair, be raised during the witness interview with the CCTV and Car Parking Manager;
- That stall holders and customers be included as witnesses.

The Committee was advised that Peter Turvey of the National Association of British Market Authorities (nabma) would be interviewed as a ‘critical friend’ and it was requested that nabma be asked to undertake further market research for the Council prior to the interview.

It was **RESOLVED** that the report is noted.

6. ENVIRONMENT AND ECONOMY SELECT COMMITTEE WORK PRGRAMME AND MEETING SCHEDULE FOR 2017-2018

The Committee considered its proposed workplan for 2017/2018.

Members indicated that they would welcome a ‘one-off’ meeting with the Bus User Group to discuss local service provision.

In response to Members concerns about the facilities and cleaning of footpaths at Fairlands Valley Park the Strategic Director Environment undertook to raise the issues with the Leisure Services Manager and feedback directly to the Committee.

It was **RESOLVED** that the report is noted.

7. URGENT PART I BUSINESS

None.

8. EXCLUSION OF PRESS AND PUBLIC

Not Required.

9. URGENT PART II BUSINESS

None.

CHAIR

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STEVENAGE BOROUGH COUNCIL

COMMUNITY SELECT COMMITTEE
MINUTES

Date: Thursday 13 July 2017
Place: Shimkent Room, Daneshill House, Danestrete, Stevenage

Present:	Councillors:	D Bainbridge, E Connolly, M Notley (Vice-Chair in the Chair), L Harrington, J Mead, A Mitchell CC and G Snell.
		Councillor Jeanette Thomas was in attendance.
Start/End Time:	Start Time:	6:00 pm
	End Time:	7:40 pm

1. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were received from Councillors Jim Brown, Sarah Mead (Chair) and Chris Saunders.

There were no declarations of interest.

2. MINUTES – 20 JUNE 2017

It was **RESOLVED** that the Minutes of the meeting of the Community Select Committee held on 20 June 2017 are agreed as a correct record and signed by the Chair.

3. FIRE SAFETY – PRESENTATION

The Committee received a presentation regarding fire safety in high rise buildings. The Head of Asset Management, Neil Wilson-Prior, provided the Committee with the presentation which outlined the measures that the Council had taken since the Grenfell Fire tragedy. The review addressed the fire safety measures in high rise residential tower blocks (over 18 metres high) including construction design and materials, fire doors, smoke detectors and dry-riser water appliances.

The Head of Asset Management reported that there would be a feasibility study carried out into sprinkler systems looking at the various systems available and their merits, suitability and potential costs. The feasibility study would report back on its findings when it is completed.

The presentation also addressed the Stay Put policy for tower blocks. In blocks that have not been clad with ACM materials it was still considered the safest advice to residents.

Staying compliant with the local Fire Safety Officer’s advice was vital to keeping residents in our high rise buildings safe, this incudes maintaining a regular inspection regime, keeping communal areas clear, maintaining the integrity of the building, including keeping any repair holes filled.

Weekly Fire Safety meetings will continue to take place for the foreseeable future. Officers were voluntarily sending samples of the materials used in a portion of high rise window frames to the Building Research Establishment (BRE) for testing as well as the Department for Communities and Local Government (DCLG) and will act on any findings. These panels were not the same as those which the DCLG were now testing on a national basis. However whilst officers were aware of the panels technical specifications for absolute assurance they had submitted them for testing.

Home visits had been carried out to all high rise residential towers where the Council was the Landlord. These visits had helped to assure residents of the safety of the blocks and were a good opportunity to pass on fire safety messages to all residents.

In response to a Member's question, the Head of Asset Management confirmed that officers would be setting up a safety group for tenants / leaseholders.

The Head of Asset Management also responded to questions on fire safety in Houses of Multiple Occupancy, and converted office blocks to residential dwellings.

It was **RESOLVED** that the presentation is noted.

4. APPLICATION OF THE HOUSING ALLOCATIONS POLICY

The Committee received a presentation from the Housing & Homeless Manager and the Assistant Director Housing & Investment on aspects of Housing Allocations that could be potential areas for the scrutiny review. In preparation for the meeting Officers had met with the Executive Portfolio Holder for Housing, Health and Older People who was also in attendance at the meeting.

The presentation outlined the following issues for possible scrutiny:

- Sheltered Criteria
- Under-occupiers
- Local Connection
- Local Residency – Private Rented Sector

<u>Sheltered Criteria</u>

Officers provided Members with information on the statistical performance of voids for Sheltered Accommodation since the new Housing Allocations policy of excluding homeowners from the register was implemented in January 2015. The issue that Members could scrutinise would be looking at using the hard to let sheltered accommodation and using this to alleviate pressure on SBC stock as temporary or emergency housing for homeless households.

Under Occupiers

Officers stated that currently under-occupiers are effectively unable to bid under the current scheme, and they would recommend considering a priority banding for under occupiers to incentivise them to bid for smaller properties more suited to their needs. There were currently 155 Band F applicants seeking to downsize who could benefit from a change to the banding as well as a further 70 applicants in other bands who are also wishing to downsize. There are 270 SBC tenants in overcrowded conditions.

Local Connection & Local Residency Rules

Another area that needs looking at is the local connection rule. Currently the criteria state that applicants require a residency qualification of 5 years. There are situations where applicants take up a Private Rented Sector let just outside of the Borough as there is no suitable accommodation in the Borough but they are then penalised by being taken off the register even if they are outside of the area for just a few months.

Reconnection Worker

Officers provided the Committee with an update on the work of the Reconnection Worker since the post holder has been employed by the Council. In the six months since the post was established it has helped 103 households that would have been potentially homeless due to parental evictions.

Following the presentation Members agreed on the issues that the review should focus on and in addition the Committee received a submission from the Chair outlining the issues that she wished the Committee to consider as part of the review.

It was **RESOLVED** that

(1) The Housing Allocations presentation is noted; and
(2) The scope of the review as outlined in the scoping document is agreed with the following amendments:

(i) The review should focus on Sheltered Criteria & Under-Occupiers.

(ii) The objective of the scrutiny:

That the committee be satisfied that the allocations policy is being implemented effectively and serving the people on the waiting list according to the expectations of the council.

Aims:
- To establish whether the allocations policy is effective in housing residents according to the premise that members of each band/group are being given the opportunity of housing
- Whether the letting process is dealing accordingly with housing needs – evidence should be presented to the committee to show where the process is effective and where it is not. Should data need protecting this should be done leaving the case study details for analysis
- Whether the housing offered is fit for habitation/meets the needs of the resident (including sheltered housing)
- Identify any problems with allocations in order to inform changes needed to the policy

Evidence requested:
- Analysis of housing allocations for 2016 – 17 groups/bands/property/ waiting times
- Stage 1 to 3 complaints relating to allocations & lettings

Witnesses:
- A lettings officer
- Jaine Cresser
- Jeanette Thomas
- Ideally, recently housed tenants

(iii) The Scrutiny Officer agreed to redraft and circulate the scoping document to reflect the above amendments.

5. URGENT PART I BUSINESS

None

6. EXCLUSION OF THE PRESS AND PUBLIC

Not required

7. URGENT PART II BUSINESS

None.

<u>CHAIR</u>

STEVENAGE BOROUGH COUNCIL

OVERVIEW AND SCRUTINY COMMITTEE
MINUTES

Date: Wednesday 26 July 2017
Time: 6.00 p.m.
Place: Shimkent Room, Daneshill House, Danestrete, Stevenage

Present:	Councillors: L Martin-Haugh (Chair), J Brown, H Burrell, M Downing, A Farquharson, C Latif, J Lloyd, S Mead, A Mitchell CC, R Parker CC and C Saunders.
Start / End Time	Start Time: 6.00 p.m. End Time: 7.45 p.m.

1. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were received from Councillors P Bibby CC (Vice Chair), M Gardner, and E Harrington.

There were no declarations of interest.

2. TERMS OF REFERENCE

The Terms of Reference were noted.

3. MINUTES – OVERVIEW AND SCRUTINY COMMITTEE – 10 APRIL 2017 & THE OVERVIEW AND SCRUTINY COMMITTEE (SITTING AS A SELECT COMMITTEE) 28 JUNE 2017

It was **RESOLVED** that

(i) the Minutes of the meeting of the Overview and Scrutiny Committee held on 10 April 2017 are approved as a correct record and signed by the Chair; and
(ii) the Minutes of the Overview and Scrutiny Committee, sitting as a Select Committee held on 28 June 2017 are approved as a correct record and signed by the Chair.

4. PART 1 DECISIONS OF THE EXECUTIVE

This report had not been circulated to Members five clear days before the meeting nor had it been made available for public inspection. The Chair determined however that given the short time left before the end of the call-in period on 27 July 2017, it could be considered on this occasion.

Biodiversity Action Plan

The Strategic Director, Tom Pike, provided Members with an overview of the Action Plan and reminded Members that the Council was the only authority in Hertfordshire that had a Biodiversity Action Plan. Members commended the work of the Environmental Performance & Development Manager in establishing the Action Plan and specific note was given to the work of the Green Space Volunteers who were providing excellent support to the Council with regards to protecting and managing the environment in Stevenage. Members discussed the merits of the Action Plan and commented on specific sites which the Strategic Director encouraged Members to raise with the Environmental Performance & Development Manager.

Members made further comment on the action plan including; the ability of the Council to be mindful of the advice of the Herts & Middlesex Wildlife Trust but that ultimately the Council needed to control its own areas which may cause tensions with the Trust and its own policy; being clear where and when grass verges are being cultivated with wild flowers.

In response to a Member question it was agreed that the Environmental Performance & Development Manager would be asked to confirm if the Arboretum was included in the Action Plan and that, in due course, the officer be invited to provide some feedback on the effects of the Action Plan.

Community Safety Performance Update

The Community Safety/Anti-Social Behaviour Manager presented the report to Members and advised the Committee that the Executive had amended the report and had withdrawn recommendations 2.2 and 2.3 from the report as a direct response to the loss of annual grant funding from the Police and Crime Commissioner to support the delivery of Stevenage Crime Reduction priorities. The officer stated that SBC had not secured any funding from the first round of the new PCC funding mechanism which requires officers to bid against specific criteria. The Community Safety/Anti-Social Behaviour Manager stated that most of the current SoSafe priorities should be able to be delivered this year but the Responsible Authority Group (RAG) would monitor the impact of the reduced funding to support priorities and it would be inevitable that the priorities and commitments would need to be reduced for future years unless alternative funding streams were identified. RAG's monitoring of the delivery of the Priorities would be reported to the Community Select Committee through the regular scheduled meetings.

The Community Safety/Anti-Social Behaviour Manager informed Members that the Executive had said that it would be possible for bids to be made to both Borough and County Members Local Community Budgets to support one-off community safety projects.

In response to Members' questions regarding the geographical boundaries of the Policing Priorities Meetings, the Community Safety/Anti-Social Behaviour Manager agreed to discuss with the Chief Inspector whether alternative arrangements could be considered, which more closely align to recognised political boundaries, but recognising that this would also need to fit in with the Police's local resources.

2016/17 ANNUAL REPORT AND PERFORMANCE OVERVIEW

The Strategic Director, Matt Partridge, reported to Members that the Executive had welcomed the Annual Report and that the new format which encapsulates the key themes and achievements of the Council in a short and visual format. The report would be publicised via the website, social media and a special edition of the Chronicle.

Members commented that they were keen to see what measures the Council could take to reduce the number of voids in sheltered accommodation but appreciated that these properties were currently not popular so would require a significant improvement for the voids figures to turnaround.

In response to a Member request it was agreed that for future editions Appendix B would be provided with a key to help explain the symbols. It was also agreed that Members would be provided with an update on where and when the Neighbourhood Wardens were scheduled to visit specific areas of the town.

QUARTER 4 MONITORING REVENUE REPORT GENERAL FUND & HOUSING REVENUE ACCOUNT

The Assistant Director, Finance and Estates, reported that the Executive had commended officers that the closure of the accounts had been achieved within 2 months, which next year would be a mandatory requirement.

The Assistant Director, Finance and Estates, informed Members that the Executive had requested that Scrutiny consider scrutinising the collection methods for Housing Benefit Overpayments. It was reported that the Head of Revenues and Benefits would bring a report to Members on a pilot of collection methods by the end of the year. A review of this could include issues like; how quickly we deal with cases; how we can target help to the vulnerable; helping people in a "circle of debt" to cross match with rent areas and other debt; how enforcement would be carried out in these cases; and the wording of letters. All these issues could be considered in a review by the Overview and Scrutiny Committee. Members agreed to add this item to their work programme.

QUARTER 4 MONITORING CAPITAL PROGRAMME REPORT GENERAL FUND & HOUSING REVENUE ACCOUNT

The Assistant Director, Finance and Estates updated Members on the outturn position of the 2016/17 capital programme. Specific attention was drawn to recommendation 5 in the report which, in line with the constitutional rules of the Budget and Policy Framework, sought the approval of the Chair of Overview and Scrutiny to waive call-in on the additional expenditure of £4,024,160 above the amount delegated to the Executive in order to make use of RTB one for one receipts of £2,165,000 for

Registered Providers as there would not be a meeting of the Council held in time to approve this expenditure and would provide the Council with future Social Housing nomination rights. Members wished that their thanks be recorded to that the Assistant Director, Housing Development for securing this positive outcome.

It was noted that the Executive had asked officers to confirm that in future the Equalities and Diversity aspects of the report pick up on the need for a disabled facilities grant.

Following the discussion the Chair stated that she agreed with recommendation 2.5 of the Executive report, that the decision is a matter of urgency and should be implemented in time for the grant to be spent within the statutory deadline.

It was **RESOLVED** that the report be noted.

5. URGENT PART I BUSINESS

None.

6. OVERVIEW & SCRUTINY COMMITTEE WORK PROGRAMME

The Scrutiny Officer drew Members' attention to the Work Programme which had been agreed earlier at its March 2017 meeting. The report was before Members to be updated on details of the work programme and for noting, with the addition of a further item to the work programme as agreed at item 4 of the agenda regarding the scrutiny of how the Council handles the overpayment of Housing Benefit Payments.

It was **RESOLVED** that the report be noted with the additional item of scrutiny of overpayment of Housing Benefit Payments.

7. EXCLUSION OF PRESS AND PUBLIC

It was **RESOLVED** that:

1. Under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information as described in paragraphs 1-7 of Part 1 of Schedule 12A of the Act as amended by Local Government (Access to information) (Variation) Order 2006.

2. Members having considered the reasons for the following report being in Part II and determined that the exemption from disclosure of the information contained therein outweighed the public interest in disclosure.

8. PART II DECISIONS OF THE EXECUTIVE

This report had not been circulated to Members five clear days before the meeting nor had it been made available for public inspection. The Chair determined however that given the short time left before the end of the call-in period on 27 July 2017, it be considered on this occasion

Procurement of Repairs & Voids Supply Chain

Write off of Business Rates

The Procurement of Building Compliance & Maintenance Services for Housing & Corporate Properties

It was **RESOLVED** that the recommendations in the report are noted.

9. **URGENT PART II BUSINESS**

None

Chair

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Stevenage BOROUGH COUNCIL

Part I
Release to Press

Meeting: **EXECUTIVE** **Agenda Item:** **4**

Portfolio Area: RESOURCES

Date: **19 SEPTEMBER 2017**

BUSINESS RATES REVALUATION SUPPORT SCHEME 2017/18-2020/21

KEY DECISION

Authors – Su Tarran Ext. 01279 502076
Contributor – Clare Fletcher Ext. 2933
Lead /Contact Officers – as above

1. PURPOSE

1.1 To update members on the Government's scheme.

1.2 To propose a local scheme for distributing the funds.

1.3 Notification of that this Key Decision was to be taken was not included in the Forward Plan and therefore 28 days' notice of the decision being taken has not been given. The Chair of the Overview & Scrutiny Committee has therefore been consulted and as the Scheme needs to be advertised for a month to allow businesses time to apply and to ensure that monies were distributed in a timely manner she was content that the matter be considered on this occasion.

2. RECOMMENDATIONS

2.1 That the proposed scheme for distribution of the Business Rates revaluation support funding be approved.

3. BACKGROUND

3.1 The Government have undertaken a national revaluation on all commercial premises in England and Wales. From 1 April 2017, all premises in the district were assigned a new 'rateable value' by the Valuation office agency. This is used to calculate the level of business rates charged to their occupier. The last revaluation was in 2010.

3.2 In the Government's budget on 8 March 2017, the chancellor announced £300m of extra funding for local authorities to provide discretionary relief to those businesses facing increases in their business rate bills following the revaluation. This is described as revaluation support.

3.3 There is already a scheme of support for businesses affected by revaluations, called *transitional relief*. This limits the increases and reductions that businesses experience following a revaluation over a 5 year period. The Government's announcement of revaluation support is in addition to the transitional relief scheme.

3.4 The Government expects that billing authorities will deliver the scheme through the use of their discretionary relief powers under section 47 of the local Government Finance Act 1988, as amended.

3.5 The Council refreshed its existing Discretionary Rate Relief policy in 2016, and the proposed scheme for Revaluation Support will sit within this wider policy.

3.6 The final details of the scheme were not made available to Councils until July 2017. The Government has contacted Councils to determine whether they have implemented the scheme and rebilling for those businesses concerned. Based on the timeframe to enable rebilling this financial year and to alleviate the financial pressure on these businesses this report has been brought forward as an urgent item to the September Executive. This follows policy consultation with Overview and Scrutiny Committee Members on 5 September.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 **The scheme**

4.1.1 Local authorities have the power to design their own schemes to determine how the 'revaluation support' is allocated across businesses in their area. The only requirements are that;

- The Business has suffered an increase in 2017/18 as a result of revaluation
- That Hertfordshire County Council are consulted on the scheme
- State aid rules apply.

4.1.2 The funding for each local authority was determined by the DCLG by reference to –

i) Working out the total increase in bills (excluding the impact of translational relief and other reliefs), for every rateable property in the billing authority's area that satisfies both the following conditions:

a. the rateable property has a rateable value for 2017/18 that is less than £200,000

b. the increase in the rateable property's 2017/18 bill is more than 12.5% compared to its 2016/17 bill (before reliefs);

ii) summing the total increase in bills in all billing authority areas and distributing the available funding in each year in accordance with the formula; A X B/C
Where ;
A is the total funding available for the year
B is the total increase in bills in an individual authority's area; and
C is the sum of the total increase in bills in all local authority areas.

4.1.3 The DCLG have confirmed that the Council is not required to use the funding formula to determine the allocation of funds in its scheme.

4.1.4 The grant allocation under the new scheme is detailed below. This represents the maximum that can be awarded in each year. We will receive compensation in accordance with our current share of Business rates income.

Financial year	Funding SBC
2017/18	£100k
2018/19	£36k
2019/20	£15k
2020/21	£2k

4.1.5 The DCLG advised in July that Local authorities cannot flex funds between years. The reducing value of the funding allocation is seen to support the transition to the new level of rates payable in 2021.

4.1.6 The proposed scheme for Stevenage is detailed below.

Qualifying criteria:	Detail
RV(Rateable value) less than £200k at 1.4.2017	Aggregate of RV for all business owned – locally/nationally/internationally must be less than £200,000.
There must be an increase greater than 12.5% as a result of revaluation and nothing else.	The increase will be calculated after all other reliefs have been awarded.
Awards will only be made to occupied property.	For those applicants who occupied during 2016/17, their part year liability will be annualised before comparing with the 2017/18 liability to ensure they comply with the 12.5% increase requirement.
Type of Business	All business that meets core criteria are eligible for relief. All **small business rates relief cases** (SBRR) which fall under the 'supporting small business' scheme are excluded from this

	scheme.
Awards	Funds will be allocated in proportion to the total increase in £, of all the qualifying applicants. The % to be granted will be determined once all qualifying applicants have been approved. Total assistance is limited to the funding allocated for 2017/18 etc, There are no caps or de minimis award levels. Up to 10% of the total allocation each year may be withheld from the initial allocation to address any appeals.
Application Process	All applicants will be required to complete an application form including a state aid declaration, by the closing date advertised each year. A new application will be required each year. *Applicants are advised that relief is only awarded up to the end of the financial year in question and they will need to reapply for relief for future years. This will meet the requirements of Regulation 2 to SI 1989/1059 as there will be no revocation and 12 months' notice to end the relief awarded is not required*
Changes in circumstances (A) What happens when the RV goes down or other reliefs are subsequently granted?	1. If RV reduces or other reliefs are granted, leading to a less than 12.5% increase on 2016/17 then all revaluation support removed. 2. If RV reduces or other reliefs are granted, but retains an increase in excess of 12.5%, - entitlement will be recalculated on initial allocation %.
Changes in circumstances (B) What happens if RV goes up	Nothing – there are no spare funds to award after the initial allocation.
Changes in circumstances **(C)** New occupier	Revaluation support ends, as this occupier has not experienced the increase – pro rata award to original applicants occupation
Changes in circumstances **(D)** Property becomes empty	Revaluation support ends– pro rata award to original applicants occupation
How long to award for	Award for a full year only – until there is; • a change of occupier • the property becomes empty or change in RV or state aid excludes from entitlement

State Aid rules	Applicants must make a declaration to confirm compliance with state aid de minimis requirements. Applicants must provide details of all awards of state aid at time of application to us, and must notify us if they later exceed state aid levels.

4.1.7 The appeals process is detailed in the existing DRR policy, which provides for a review by the section 151 officer.

4.1.8 Hertfordshire County Council will be consulted on the scheme.

4.2 Consultation

4.2.1 Officers met with Members of Overview and Scrutiny on the 5 September and Members asked whether the later years' allocations can be rolled into earlier years due to the relatively small size of the grant and the associated costs of administration. Officers advised that the government had been clear that the monies applied to the individual years.

4.2.2 The Scrutiny Members and the portfolio holder recommended the scheme for approval.

5. IMPLICATIONS

5.1 **Financial Implications**

5.1.1 The relief is funded from Section 31 grants, paid by the government quarterly in arrears and the sum paid to Stevenage for 2017/18 is £40,000, which represents the SBC share of lost business rates.

5.2 Legal Implications

5.2.1 As detailed in the report

5.3 Equalities and Diversity Implications

5.3.1 There will be no financial detriment to existing discretionary relief holders who may represent organisations with protected characteristics.

5.4 Risk Implications

5.4.1 As detailed in the report

5.5 Policy Implications

5.5.1 As detailed in the report

BACKGROUND PAPERS

BD1 - Discretionary Rates Relief policy

APPENDICES

None

Meeting:	**EXECUTIVE**	**Agenda Item:**	**5**
Portfolio Area:	HOUSING HEALTH & OLDER PEOPLE AND RESOURCES		
Date:	**19 SEPTEMBER 2017**		

Excellent council homes for life

Financial security

HOUSING REVENUE ACCOUNT MEDIUM TERM FINANCIAL STRATEGY (2017/18 – 2021/22)

Author –	Clare Fletcher	Ext.No 2933
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Lead Officer –	Clare Fletcher	Ext.No 2933
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1. PURPOSE

1.1. To update Members on the national public finance context and the impact on the Council.

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

1.3. To propose Financial Security targets for the period 2018/19 – 2021/22.

1.4. To update Members on any funding gap in the HRA Business Plan

1.5. To update Members on the 'Financial Security' Future Town Future Council priority.

2. RECOMMENDATIONS

2.1 That the Medium Term Financial Strategy (MTFS) principles, as outlined in paragraph 4.1.5 to this report, be approved.

2.2 That, for modelling purposes rents fees and charges increases are in line with inflation (subject to regulation), with any increase above inflation used to contribute towards the Financial Security target.

2.4 That for modelling purposes the updated inflation assumptions used in the Medium Term Financial Strategy (section 4.4 refers) be approved.

2.5 That a HRA Financial Security Target of £0.855million be approved for the period 2018/19- 2020/21, of which £774K which has still to be implemented, (section 4.13 refers).

2.6 That new HRA growth approved for priority schemes be funded from within the existing baseline budgets or further savings in addition to the target identified, (paragraph 4.12.8 refers).

2.7 That the Capital Programme assumptions contained within the report are approved for the existing programme and new build properties.

2.8 That the current £26Million capital funding shortfall over the 30 year business plan, (paragraph 4.12.5 refers) be noted.

2.9 That £2Million of borrowing headroom is reserved within the overall borrowing headroom for the transfer of any General Fund land sites to the HRA to facilitate housing development, (paragraph 4.11.7 refers).

2.10 That £2.46Million of borrowing headroom is reserved for any impact of the revised S20 policy (paragraph 4.11.6 refers).

2.11 That the Leader's Financial Security Group oversees the development of the 2018/19 – 2020/21 savings package.

2.12 That a minimum level of balances for the HRA of £2.793million, be approved for 2018/19 (section 4.11 refers), with balances up to £20.398Million held for to fund the future years capital programme and debt repayments and minimum balance levels.

2.13 That if material changes to forecasts are required following further Government announcements the Assistant Director (Finance and Estates) be requested to revise the Medium Term Financial Strategy and re-present it to the Executive for approval.

2.14 That public consultation is in line with the requirements of the Council's Consultation and Engagement Strategy.

2.15 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 provides an update on the full revision of the 2016 HRA Business Plan published in November 2016. This document provides an update on the assumptions contained with the 2016 report, such as inflation and income projections, which will determine whether the capital and revenue programmes are still affordable with the revised resources available.

3.2 This report will update financial assumptions for the impact of government initiatives where they are known and flag as risks those that cannot be quantified at the current time, such as BREXIT.

3.4 The Future Town Future Council priorities of Stevenage include ‘Excellent Council Homes for Life’ and ‘Housing Development’ and there may be a financial impact on the Housing Revenue Account to deliver the Council’s ambitions around its Future Town Future Council priorities. This report will identify known funding options to help deliver these ambitions and identify risks where known.

3.5 Since the last Business Plan update the Chief Executive has delivered a senior management restructure which is now implemented at the tier three level (Assistant Director and above). However, the financial impact of all of the Assistant Directors’ restructures is currently being drawn up and assessed and the impact of these was not identified at the time of writing this report, however any cost base changes will have due regard to the financial envelope the HRA Fund operates within.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 Purpose of the Medium Term Financial Strategy

4.1.1 The MTFS and the HRA Business Plan are the Council’s key Housing Revenue Account financial planning documents, setting out the Council’s strategic approach to the management of its housing stock. This includes:

- Rent Projections
- New Build Projections
- Treasury Management
- Review of the debt scheduling
- Funding of the Capital programme
- Projections of Financial Security targets
- Future pressures and risks
- Inflation projections

4.1.2 The HRA Business Plan is the 30 year plan which demonstrates that the Council’s management of the housing stock and capital works are affordable within the funds available and allows sufficient funding to be available to pay for the interest and debt repayments. The MTFS looks at these plans over a five year horizon and is a check that the HRA Business Plan is still financially viable.

4.1.3 The MTFS underpins the Council’s key priorities for Stevenage as set out in the Future Town Future Council agenda “Excellent Council Homes for Life” and “Housing Development”. The need to set annual financial security targets within the MTFS is not a Council priority in itself, it is rather a tool to facilitate the Council in achieving its Future Town Future Council priorities and maintain adequate funding for the services the Council provides, while maintaining prudent level of reserves. The Council’s ‘Financial Security’ methodology is a five strand approach for achieving this (section 4.3 refers)

4.1.4 The MTFS identifies the level of financial reduction required and the Financial Security priority helps deliver this. The HRA Business Plan was fully reviewed in November 2014, 2015 and 2016 and this report is a refresh of those assumptions.

4.1.5 There are some overarching strategic financial objectives of the MTFS and business plan and the MTFS principles for financial planning purposes are summarised as follows:

MTFS principles
Provide funding to build 1900 new homes over 30 years, new social and affordable rented homes that contribute to meeting local housing demand and the needs of an ageing population.
Provide funding for investment in the existing housing stock to ensure the ongoing quality and sustainability of the assets and levels of decency retained
To meet the cost of borrowing over the 30 year Business Plan
Leave borrowing headroom within the HRA to deal with unforeseen events and changes to government legislation
To consider as part of the budget setting process, and throughout the year as necessary, what support can be given to the tenants and leaseholders 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.
In setting HRA 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, identified savings or additional resources.
To set rents and service charges at levels that are affordable and offer value for money to tenants and leaseholders (within national policy constraints), whilst ensuring that a healthy HRA is maintained to enable ongoing investment.
To offer 50% of new build units at affordable rent levels, subject to individual affordability assessments being undertaken and the outcomes of this approach being kept under review.
To propose service charges that are recovered at full cost to ensure adequate resources are maintained in the Business Plan
To ensure that resources are aligned with the Council's Strategic Plan and corporate priorities

4.2 The Economy

4.2.1 Since the last 2016 Strategy update there has been an election (8 June 2017) , a change in Prime Minister and a new government agenda. The snap election cut short parliamentary time to get legislation passed in 2017/18 and some of the previous conservative housing pledges do not seem to be progressed, such as the use of 'Higher Value Voids' to fund an extension to the Right to Buy Scheme. The impact of the Government's main agenda, BREXIT on local government and the housing market is still not clear. In the intervening period the pound is weak against the dollar and euro, so pushing up the cost of imports and inflation.

4.2.2 The Bank of England has lowered its growth forecast for the UK economy in 2017, and now expects GDP to expand by 1.7%, down from a May estimate of 1.9%. CPI Inflation is expected to be up by 2.7% this year, before falling back to 2.6% in 2018 and 2.2% in 2019. Separately, the Bank's rate-setting committee voted 6-2 in favour of leaving interest rates at 0.25% (August) according to minutes from its most-recent meeting. The minutes note that, should the economy evolve as the Bank is expecting, interest rates could be lifted by more than financial markets are currently pricing in. Those market expectations are for two rises to 0.5% and then to 0.75% over the next three years.

4.2.3 Changes to welfare payments in terms of Universal Credit (UC) continues to be introduced a slow pace with all new claims now estimated to have migrated by June 2018. There have been 201 council house tenants that have transitioned to UC to date.

4.2.4 The reductions to the Housing Benefit cap to £20,000 for a couple or a single person with children (outside London) in the Autumn of 2016, have affected 68,000 households nationwide.In Stevenage there were an estimated 153 live cases at the 3 August 2017 (101 SBC tenants).

4.2.5 Since the 2012 self-financing legislation was enacted there has been a number of government initiatives/legislation that have had a significant financial impact on the HRA. The most significant being the Welfare Reform and Work Act 2016 which put in place a 1% rent reduction over a four year period, estimated to cost £225Million over 30 years. In addition increases in the discount level for RTB's has diminished the level of resources available to fund the capital programme and rules around the use of one for one receipts has placed further restrictions on the use of RTB receipts. These changes have resulted in a reduction in planned capital works (2016 HRA BP review) and the need for a Financial Security target for the HRA.

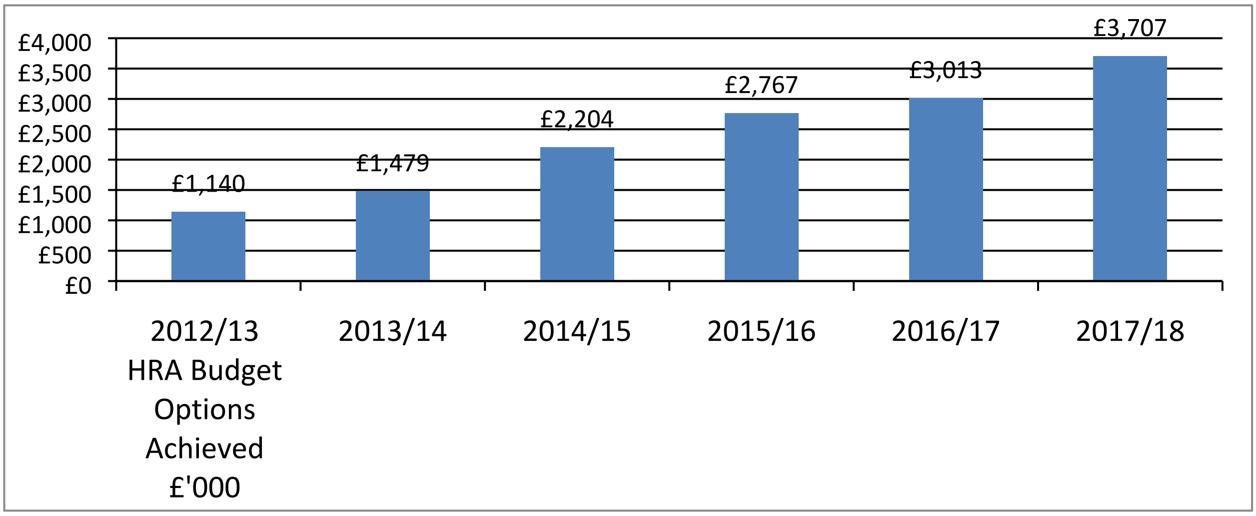
4.2.6 The impact of government legislation over the next five years on the HRA has been assessed/estimated and a total £38.4Million for the HRA.

Housing Revenue Account:	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £'000
Rent reductions 1% reduction (four years)	2,009	3,672	5,516	5,593	5,683	22,473
Increase in RTB discount	2,230	2,336	2,429	2,520	2,608	12,123
Higher Value voids (not yet introduced)	0	732	756	782	808	3,078
Increased demand for services/impact on arrears - due to welfare reforms	Not yet fully known					
Introduction of state pension (increased national insurance contributions)	105	105	105	105	105	525
Introduction of Apprentice levy	32	32	32	32	32	160
Impact of BREXIT	Not yet fully known					
Total HRA	**4,376**	**6,877**	**8,838**	**9,031**	**9,236**	**38,359**

4.3 Stevenage Financial Position

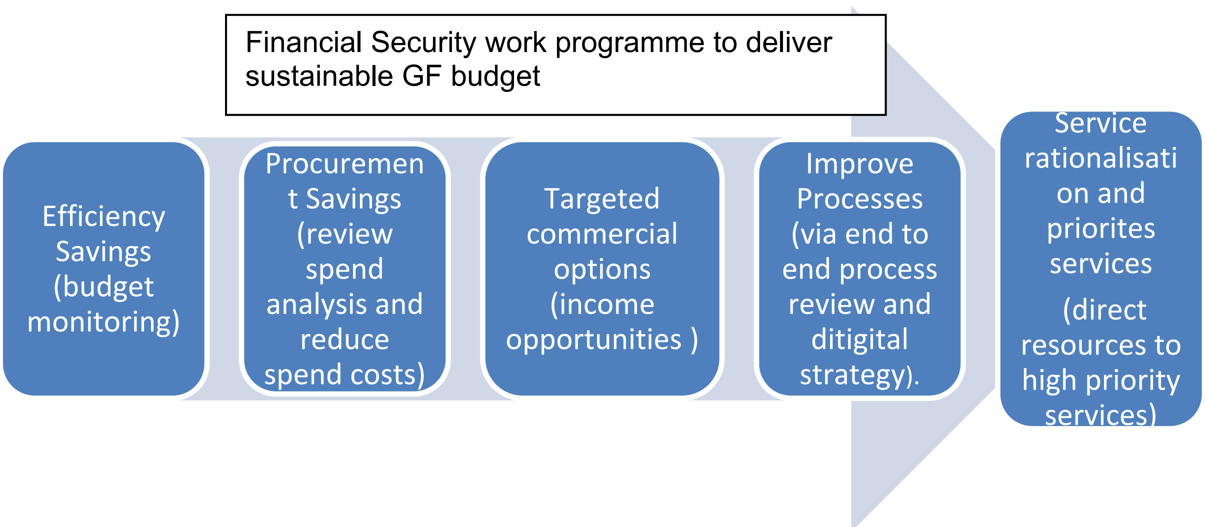
4.3.1 The changes made to Housing finance in recent years have meant the HRA has had to review its delivery plan and reduce expenditure and at the same time find annual savings to meet the cost of maintaining its housing stock and its management. The table in 4.2.6 sets out the income reductions that the HRA has/will experience over the next five years.

4.3.2 Over the last few years financing HRA revenue and capital and including changes to government policy have necessitated budget reductions which cumulatively total £3.7Million. The level of budget reductions achieved from initiatives such as ‘Priority Based Budgeting’ and from 2017/18 the ‘Financial Security’ priority are shown in the chart below.



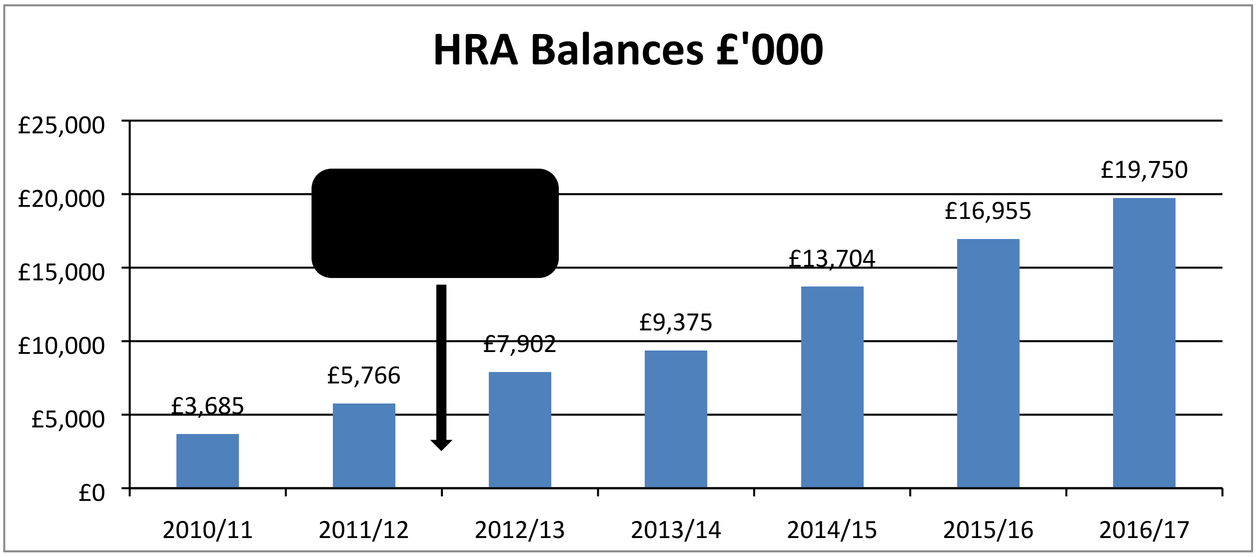
4.3.5 The cumulative budget reductions include efficiencies realised by taking the housing service back in-house from the ‘Arms Length Management’ Company (ALMO). Budget reductions have also been redirected to support the HRA Delivery Plan ambitions as well as funding shortfalls as outlined above.

4.3.6 As with the General Fund, the Council’s Financial Security priority is the process that looks over a three year savings horizon to deliver options to reduce net spend based on five strands which are summarised below.



4.3.7 An officer group led by the Assistant Director (Finance and Estates) meets to discuss and monitor options brought forward under the five strands. This group meets with LFSG on a regular basis to look at these options. 'Financial Security' is dealt with in more detail in section 4.13.

4.3.8 The MTFS projections for the HRA must be set in the context of the level of savings that are achievable ('Financial Security' work programme), whilst ensuring that a prudent level of HRA balances are maintained for unseen events. The net year end position since self-financing has required the HRA to hold higher balances to allow for the future years repayment of debt. This was because the original business plan had significant debt repayments in the latter part of the 30 year business plan.



4.4 Inflation

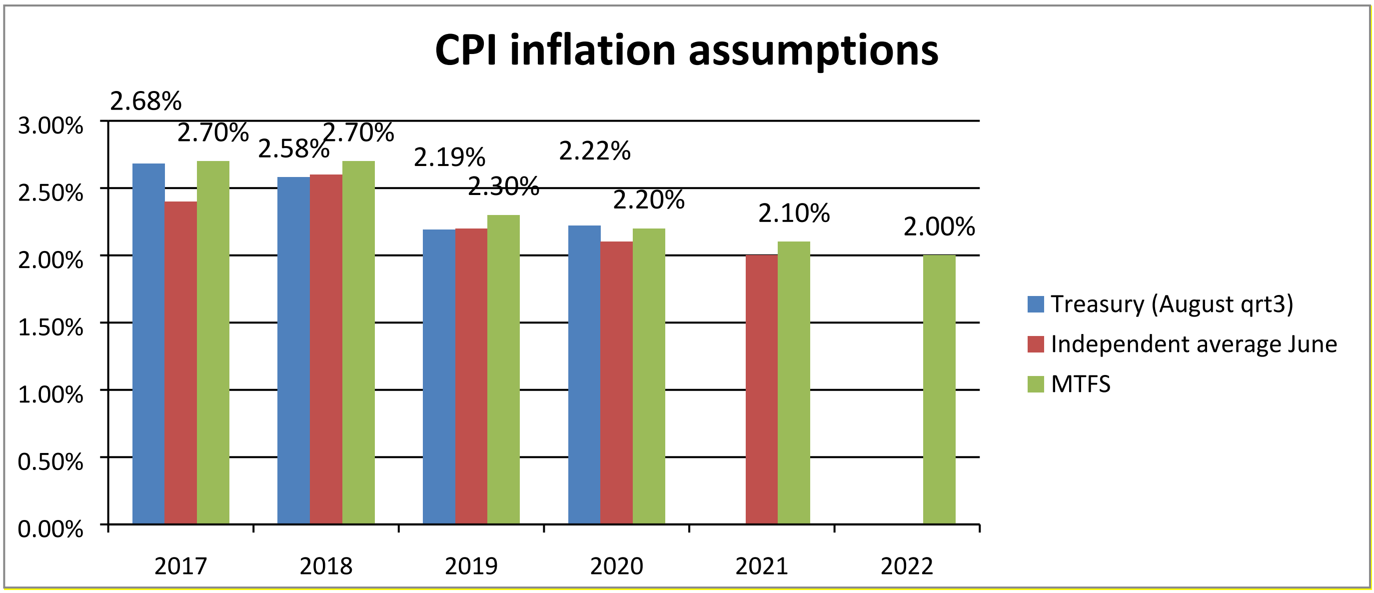
4.4.1 The assumptions made in this report together with other known budget adjustments are detailed in the MTFS in Appendix A. Further detail regarding the rationale for the inflation assumptions made in the MTFS are summarised in the following paragraphs.

	2018/19	2019/20	2020/21	2021/22
Inflation-Applied to:				
Salaries - % increase	2.00%	2.00%	2.00%	2.00%
Pension Increase			0.70%	0.70%
CPI indices increases	2.70%	2.30%	2.20%	2.10%
RPI indices increases	3.70%	3.30%	3.20%	3.10%
BCIS	2.80%	3.80%	4.40%	4.60%
Fuel Increases	4.00%	4.39%	4.64%	4.99%
Gas (unit charge only)	11.55%	11.56%	11.56%	11.56%
Electricity (unit charge only)	8.56%	9.73%	9.73%	9.73%

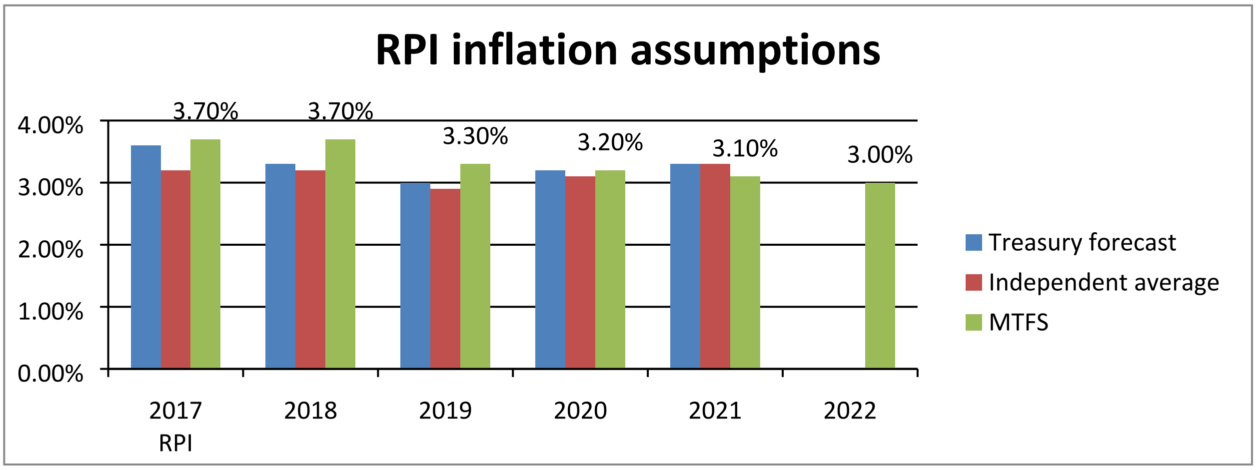
4.4.2 The inflation assumptions shown in the table above have been calculated using a range of information sources which are:

	Rationale for inflation assumption
Salaries - % increase	No pay deal has been agreed for future years however the union have submitted a 5% pay deal. Employers side have acknowledged the pay spinal points need to be reviewed and there have been below inflation pay increases for a number of years. The 2% is for modelling purposes only.
Pension Increase	The increase for 2017/18 at the triennial review was an increase from 16.8% to 18.5%. Previously the lump sum payable had increased. At the next review it is anticipated that there will be a further increase to the percentage of pay of 0.7% to 19.2%.
Consumer Price Index (CPI) indices increases	Based on the Bank of England and independent forecasts as outlined in the August quarterly update. But with higher inflation in 2018/19-2019/20 to factor in any impact from BREXIT and based on 2017/18.
Retail Price Index (RPI) indices increases	This is based on a 1% differential between the CPI forecast.
BCIS	This is 2.5% in 2017/18 and for future years is based on the BCIS future years forecast which are projected to increase higher than the RPI indices.
Fuel Increases	Based on estimate for 2018/19 0.5%-2% above RPI inflation
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.

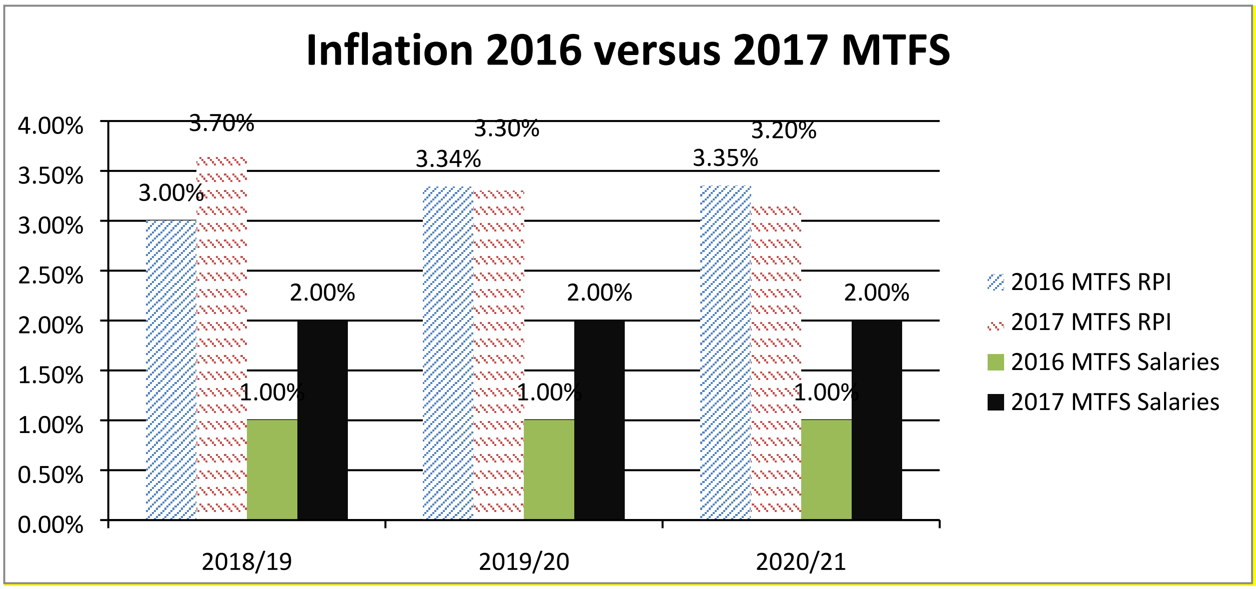
4.4.3 The summary in the following chart is based on the Monetary Panel Committee (MPC) best collective judgement of the most likely path for inflation as published August 2017, Independent analyst published June 2017, compared to the increases included in the MTFS.



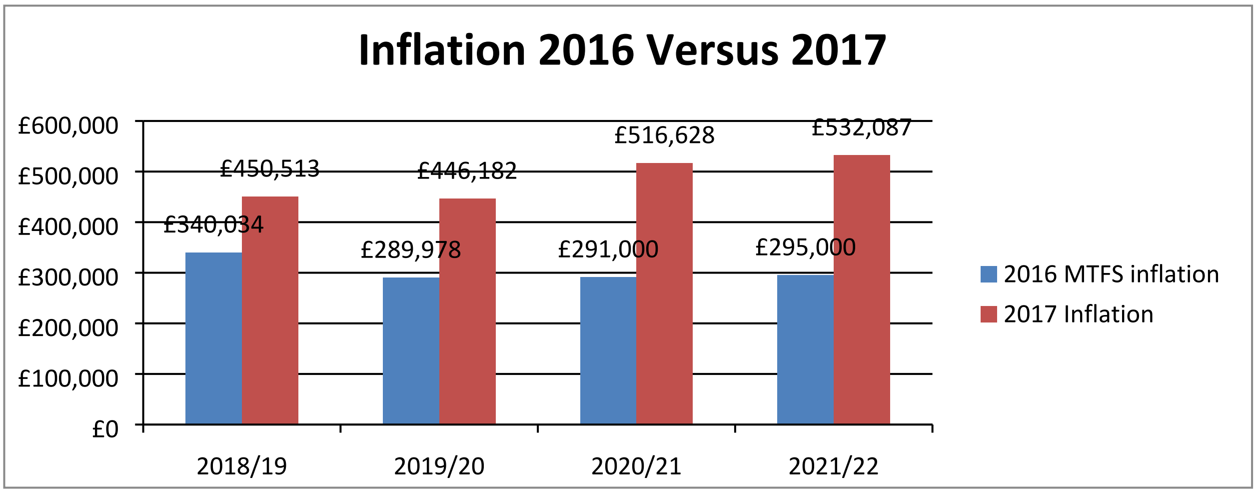
4.4.4 The MTFS RPI assumptions compared to the Bank of England and other independent analysts is shown below. The Government prefers to use the CPI indices to measure inflation, however a number of the Council's contracts and income streams (Business Rates) are linked to the September RPI. There is a differential between the two indices which tends to be about 1% higher than CPI .



4.4.5 The updated assumptions are slightly higher in the next two years than estimated in 2016 Business Plan.



4.4.6 The significant impact is that of increasing the salary inflation from 1% to 2% (inflation totals also include impacts of increments). The 2016 and the revised inflation (revenue) for the HRA for the period 2018/19-2021/22 is summarised in the chart below. This adds £729K of additional expenditure over the period 2018/19-2021/22 (£492K over 2018/19-2020/21).



Note: excludes capital expenditure inflation

4.4.7 Increases in inflation projections which increase future rental streams (legislation permitting beyond 2019/20) also increase costs and has an impact on the revenue and capital programme, the latter is discussed in section 4.8 of this report.

4.4.8 As well as capital works to the existing stock, the development of new homes is not immune from inflationary pressures. The construction industry is experiencing a volatile period where labour, materials and haulage prices are creating an upward pressure on build rates. The uncertainty surrounding Brexit negotiations is further adding fuel to these pressures and making inflation a higher risk item to development programmes that are predominantly focused on delivering a rented product. Development for private sale is able to offset some of these inflationary pressures as shortage in supply as well as increasing build costs have an equalising effect by also increasing sales prices. This will be explored on a case by case basis.

4.4.9 The SBC HRA development programme will seek to contain inflationary pressures within a 3 or 4 year build cycle and as a potential solution aim to develop additional homes for private sale alongside the bulk of the programme which will be for rent to mitigate any additional cost. This is an alternative to building in higher inflationary pressures and potentially being forced to scale back the development programme.

4.5 Rent Policy

4.5.1 The objectives of the Rent and Service Charge Setting Policy are:

- to identify how the Council will set rents and service charges for residential properties;
- to provide for rents at a level that is financially viable for the Council's tenants whilst;
- ensuring the viability and delivery of the Council's 30 year HRA Business Plan and Medium Term Financial Strategy, within the current restraints of Government rent setting legislation and guidance;
- to detail the process for providing statutory notice to tenants of proposed changes in rent levels;
- to ensure transparency and value for money when setting and reviewing service charges for both tenants and leaseholders

4.5.2 Rents will be set at a level, subject to the restraints of current Government rent policy, that ensures that the Council can meet its landlord obligations to tenants by delivering good quality services. This includes continuing to maintain stock to a high modern standard, investing to reduce fuel poverty, providing new social housing to rent and delivering a financially viable Housing Revenue Account over the longer term.

4.5.3 The original HRA Business Plan was approved by Members in March 2012, this was the first 30 year plan and the Council was about to pay the Government £199Million for 'buying' the HRA properties out of the subsidy system in return for 'self-financing', this was predicated on a rent increase of RPI+0.5%+/-£2. This was also government policy at the time and the business plan also assumed that the stock would be 100% social rents.

4.5.4 The Government subsequently switched to a rent policy of CPI+1% in 2015 which resulted in a reduction in rental income projections. The HRA does not have a basket of fee earning streams but is reliant on either rental income or RTB sales to fund its capital programme. Anything that reduces the amount of income that can be raised through rent will have a detrimental impact on the capital programme and any revenue activities.

4.5.5 In 2016 the Government introduced the Welfare Reform and Work Act. This Act changed the provisions for setting social rents, by legislating that social housing rents in England are reduced by 1% a year for four years from April 2016. 2017/18 will be the second year when a 1% rent reduction (excluding LSSO properties) will be applicable for councils with housing stock.

4.5.6 The impact of the 1% rent reduction on an average rent can be seen in the following table. Over the four year period a CPI+1% increase would be 9.55% increase in average rents compared to a 3.94% reduction, giving an overall difference of 13.49% and an estimated rent loss for four years of £5.5Million.

Impact of 1% rent reduction	2016/17	2017/18	2018/19	2019/20	Incr.(decr.) after 4 years £	Incr./(decr.) after 4 years %
Rent based on CPI+1%	£99.48	£101.47	£104.51	£108.00		
Increase per year	£0.89	£1.99	£3.04	£3.49	£9.41	9.55%
Rent with 1% rent reduction	£97.60	£96.63	£95.66	£94.71		
Decrease per year	(£0.99)	(£0.98)	(£0.97)	(£0.96)	(£3.88)	-3.94%
Overall loss per average property	£1.87	£2.97	£4.01	£4.45	£13.30	
Estimated rent loss per year	£777,711	£1,231,047	£1,663,670	£1,843,108	£5,515,537	

4.5.7 The key principles behind charging and as approved in the rent and service charge policy in January 2017 are:

- The Council will continue to re-let at formula rent. This re-let at formula rent is subject to the 1% rent reduction. The re-let at formula rent will not apply to mutual exchanges where a new tenancy is not created. It also does not apply to transfers where the under-occupation charge is a factor
- Properties exempt from the 1% rent reduction will have rents set in line with CPI+1%
- New build properties will be let at a ratio of 50:50 social to affordable (subject to .4.5.8-4.5.9 below).

4.5.8 The Council piloted a new build scheme let at affordable rents (2016) and is continuing to monitor the outcomes in terms of demand and affordability. It was recommended that agreement to 50% affordable rents is subject to its implementation being kept under review. Members noted that should 50% of new builds not be let at affordable rents, then alternative options for reducing expenditure to offset the estimated additional rental of £36Million (over 30 years) would have to be found.

4.5.9 Therefore the specific proposal to offer 50% of new build units at affordable rent levels was agreed, subject to its implementation being kept under review by the Housing Development Executive Committee, to inform future decision making in this regard. This assumption has been included in the Business Plan rent calculations.

4.5.10 The rent projections include assumptions about void levels which are based on the a percentage of rental income, the percentages (as shown in the table below) were used for the 2016/17 and 2017/18 budget setting process. However in the current year void loss to week 13 is £101,832 with an additional void loss of £145,000 over the original budgeted amount of £201,000 giving a total void loss projected of

£346,000 for the year. A new process for voids has been implemented by the Repairs and Voids Team with the empty homes officers being relocated to Cavendish Road.

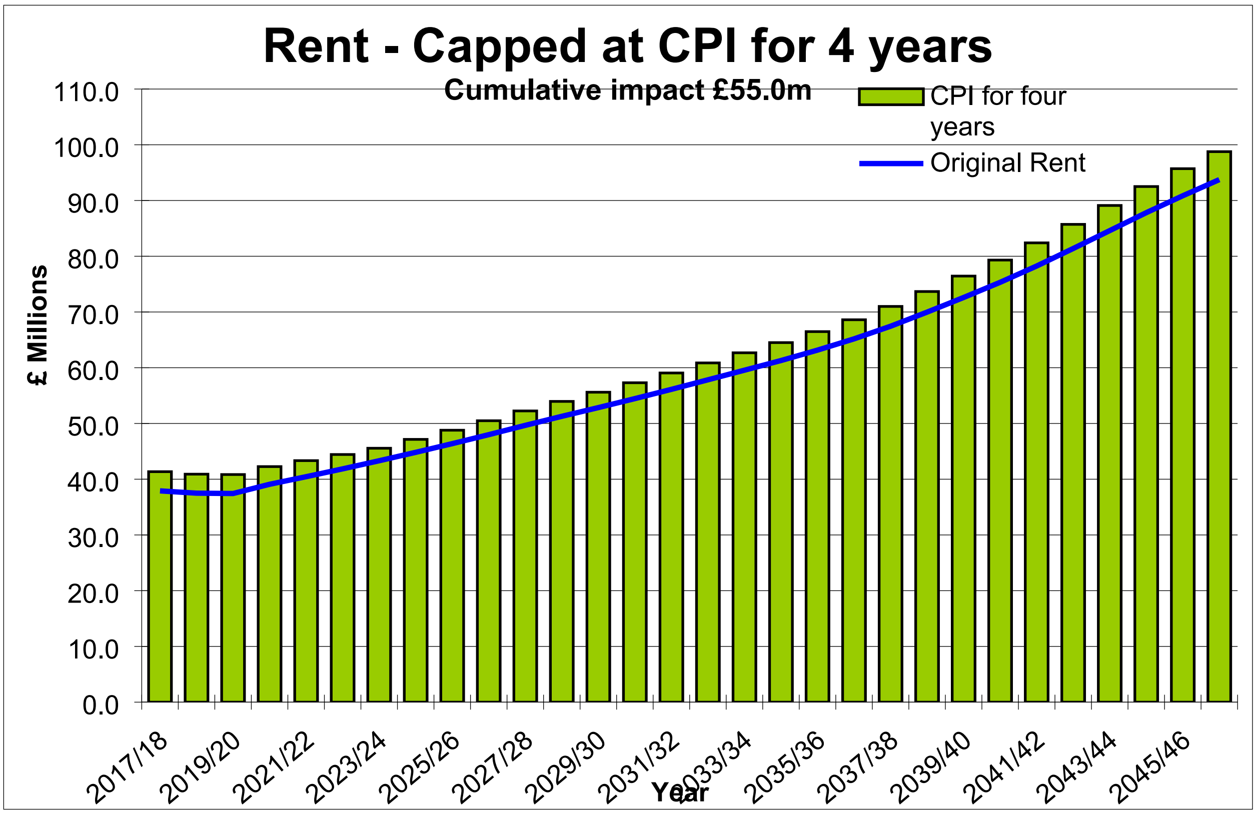
Officers are currently looking at how performance can be improved. The losses are exacerbated by voids being re-let at formula rents so increasing the projected rental loss. The rent estimates for 2017/18 include an additional £19,890 of income from letting void properties at their formula rent.

	Rent loss Assumed for 2018/19						
	Houses General Needs	Flats General Needs	Sheltered Properties	LSSO	Homeless	New Build	Total Loss
Void Loss %	0.24%	0.24%	2.43%	0.00%	5.80%	0.40%	
Void Loss £	£62,123	£22,198	£95,524	£0	£34,558	£1,588	£215,992

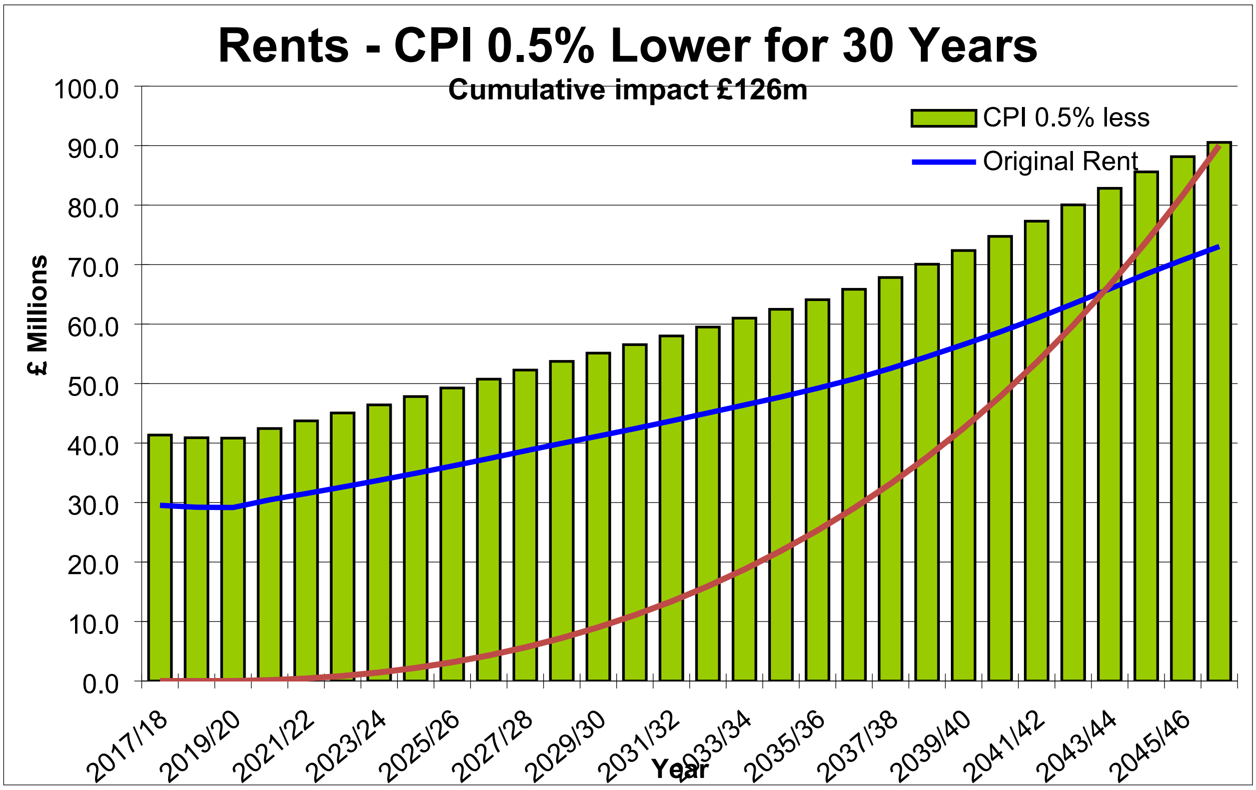
4.5.11 The estimated rent increases in the MTFS are shown in the table below and the impact of the 1% rent reduction is evident, the rent loss is higher in 2018/19 as a number of properties are decanted ready for demolition and a new sheltered scheme is built.

	2018/19	2019/20	2020/21	2021/22
CPI increases	2.70%	2.30%	2.20%	2.10%
General Housing stock	-1.00%	-1.00%	3.20%	3.10%
Low start shared ownership	3.70%	3.30%	3.20%	3.10%
Rental income ()= income	£567,693	£90,086	(£1,844,205)	(£1,465,148)

4.5.12 The Business Plan assumes that after 2019/20 there will be a return to CPI+1% rent increase from then on, however there is no guarantee this will be the case. Some scenario testing has been done regarding different rent increases and if rents were restricted to just CPI for the four years post 2019/20 there would be rental loss of £55Million as shown in the chart following.



4.5.13 Should CPI be 0.5% lower for 30 years there would be a £126Million loss of rental income, albeit this could be partly offset by lower inflation increases depending on the relationship between CPI, RPI and the BCIS index. Until more is known about rent increases beyond 2019/20 it makes accurate modelling over the 30 years very difficult.



4.6 Service Charges

4.6.1 The MTFS assumes for modelling purposes a RPI inflation increase for service charges and the higher utility inflation for those relating to heating or electricity. However only the actual cost of providing those services can be charged and these charges will be estimated as part of the budget setting process in December 2017.

4.6.2 The rent and service charge policy says that ‘any service charges will be set annually to recover the full costs incurred in providing the services. The Council will consult with tenants and leaseholders regarding the setting of service charges, including what services are provided and why charges are incurred.’

4.6.3 The estimated service charge increases in the MTFS are shown in the table below and the charges match the anticipated cost increases from inflation. Actual service charges for 2018/19 onwards will be based on the most up to date information and inflation costs known at the time.

Service Charges *()=increased income)*	2018/19	2019/20	2020/21	2021/22
RPI indices increases	3.70%	3.30%	3.20%	3.10%
Utility increases- gas	11.55%	11.56%	11.56%	11.56%
Utility increases- electricity	8.56%	9.73%	9.73%	9.73%
Service Charge (tenant) income increase	(£51,477)	(£51,116)	(£53,529)	(£56,156)
Service Charge (leaseholders) income increases	(£27,319)	(£25,267)	(£25,310)	(£25,304)
Total service charge increase	(£78,796)	(£76,383)	(£78,839)	(£81,460)

4.6.4 There is a review of service charges currently underway which may see additional services included in service charges as opposed to rent or a change to the level of service provided. This will be subject to tenant and leasehold consultation and is not likely to be in place until April 2019.

4.7 Supported Housing Charges and Other Fees and Charges

4.7.1 Supported Housing has been funded through significant supported people grant (from HCC), which over time has been eroded. The grant for 2013/14 was £519,000 for 2014/15 this was reduced to £385,909 and then cut completely for supported housing from April 2015, (there is a small amount of grant remaining for temporary housing). In addition the HRA was not charging the full cost of the supported housing service and the HRA was therefore subsidising it to those living in sheltered accommodation, with some tenants not paying anything for the service provided. In 2016/17 and for the current year, Members agreed an increase in charges, together with a reduction in service costs based on improved ways of working. However, there is still a net cost to the service. As the HRA builds more supported housing units officers will need to ensure that the services is financially sustainable for the HRA.

4.7.2 In addition to the cost of supported housing, Members agreed an increase in Careline charges from April 2016 to start moving this service towards a full recovery of costs by 2018/19. A full review of all supported housing costs will be included in the service charge review which will be reported back to Members and with a potential implementation date of 1 April 2019, subject to consultation with residents and Member approval. Officers are mindful that part of the supported housing service is not eligible for housing benefit so any proposals need to be reasonable and affordable for vulnerable residents on low incomes. A full Equalities Impact Assessment will be completed for any future proposals.

4.7.3 The MTFS makes the following assumptions for fees and charges for modelling purposes.

	2018/19	2019/20	2020/21	2021/22
RPI indices increases	3.70%	3.30%	3.20%	3.10%
Non Dwelling Rents	(£5,674)	(£5,247)	(£5,256)	(£5,255)
Charges for Facilities	(£36,378)	(£38,829)	(£41,450)	(£44,386)
Court costs	(£1,351)	(£1,249)	(£1,251)	(£1,251)
Mortgage income	(£27,398)	(£39,511)	(£50,470)	(£43,260)
Total Fees and other income increases	(£70,800)	(£84,836)	(£98,428)	(£94,152)

4.7.4 If the fees and charge increases projected in the MTFS are not realised then the Financial Security target will need to be increased for future years. The mortgage income from S20 charges is used to fund part of the major repair works.

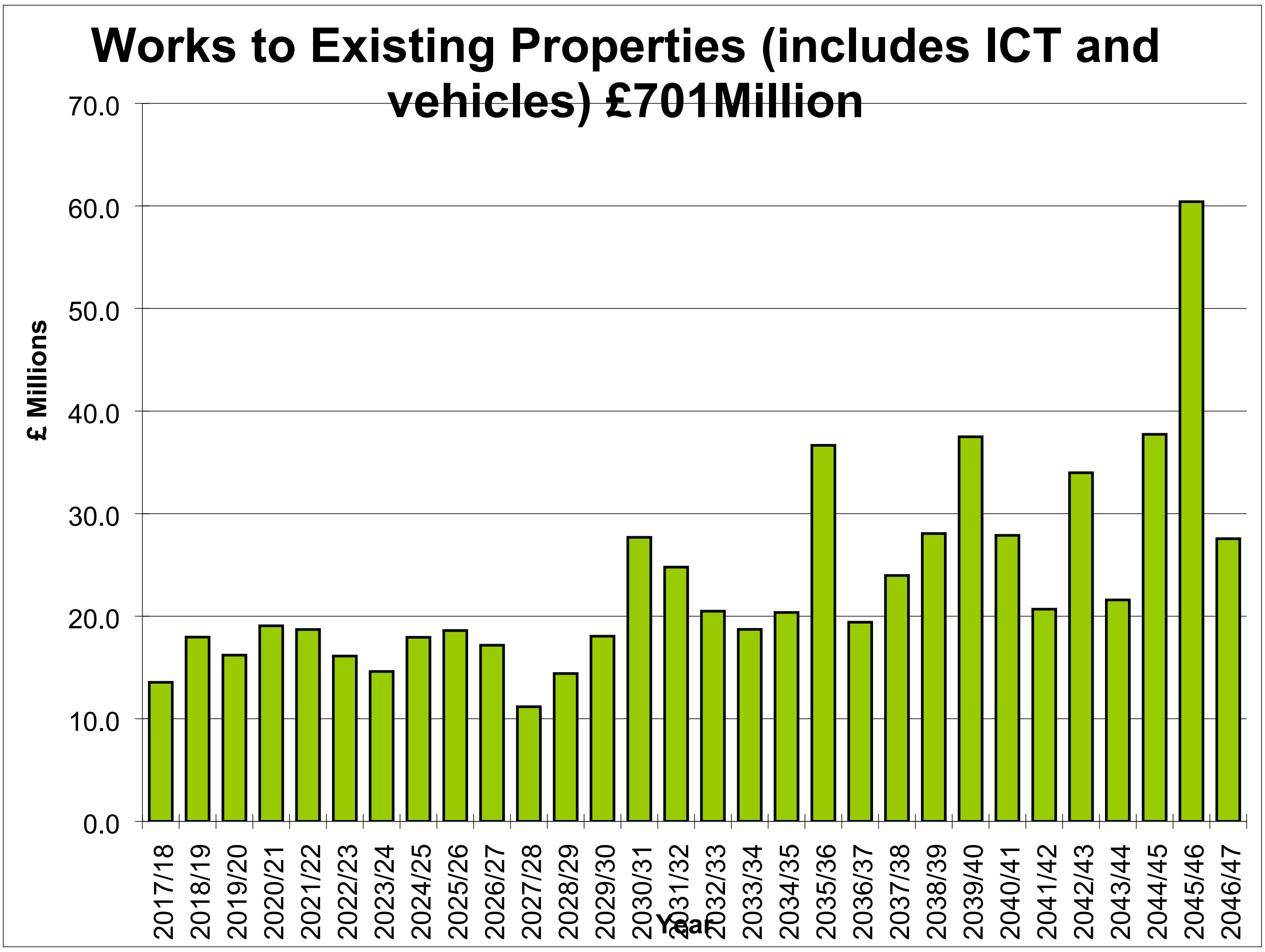
4.8 Capital works to existing properties

4.8.1 The works to existing properties remains largely unchanged from that presented in the November 2016 HRA BP update. The main differences are

- Programme slippage as reported in the Capital Strategy £4Million
- Re-profiling of the Major Repairs Contract in line with tendering deadlines
- Re-profiling of £2Million of works to challenging assets from 2020/21 (£1Million) and 2021/22 (£1Million) to 2025/26 and 2026/27. This was to reduce the capital funding shortfall as a result changes above, MRC leaseholder income revised projections and the impact of inflation

4.8.2 The Capital programme is summarised in the chart below and totals £701million over 30 years, (includes ICT and vehicles) an increase of £33Million over the previous business plan. The increase relates to:

- Inflation (see section 4.4 above) estimated at £19.3Million
- The business plan has moved on a further year. The difference between 2016/17, (year one 2016 BP) and 2046/47 (year 30 revised BP), is a difference of £9.7Million
- £4Million of 2016/17 slippage now included in the 2017/18 programme



4.8.3 The BP review in 2016 stripped back a considerable amount of capital works as a result of the downturn in available resources. This was mainly rent loss of £225Million over the 30 years due to the 1% rent reduction. Officers have indicated It would be very challenging to further reduce the programme to meet any further funding shortfalls.

4.8.4 As in the 2016 Business Plan update the capital budgets have been reduced based on an assumption that capital spend reduces as properties are sold, this has been projected at a 25% reduction of the average spend per property. This is based on the assumption that:

- The better condition properties are sold
- There are works to properties which are not subject to the Right to Buy (RTB), such as sheltered properties and those used for homeless, which equates to 13% of the 2017/18 stock.
- There will be works to communal areas which may/may not be rechargeable to leaseholders. This assumption will be regularly reviewed together with stock condition surveys.

4.8.5 In addition there is a procurement efficiency saving assumed with the capital spend of 1.5% per year which reduces the projected costs in the programme. Capital programme inflation has been based on the BCIS inflation indices, which are projected based on the specific BCIS projections as shown in paragraph 4.4.1.

4.8.6 Not included in the chart for works to existing properties is an assumption within the plan of £29.8Million of higher value void levy (HVV), the government had signalled their intention to introduce the HVV in 2018/19 to fund the extension to RTB for Housing Association tenants. However, there has been no further information on the initiative since the June general election, (see also section 4.12 below).

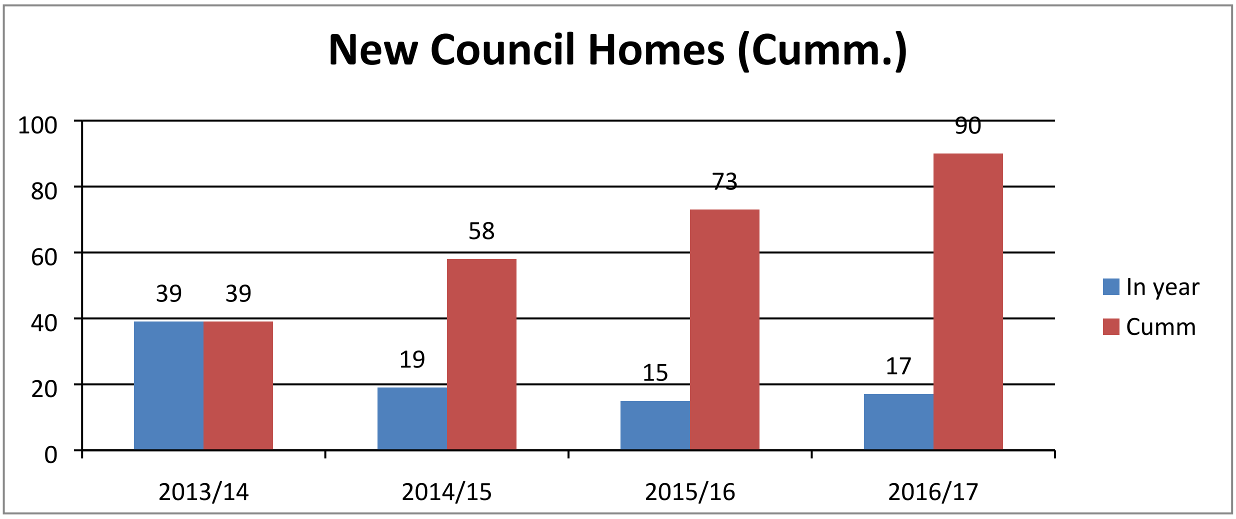
4.8.7 The Asset Management Strategy due to be presented to the Executive later in the year should set out the plan for the investment in the Council's assets. This should be used to help inform the budget setting process and the use of limited capital resources.

4.8.7 Progress against the capital programme is monitored through a procurement officer group which meets monthly and the Assets and Capital Board.

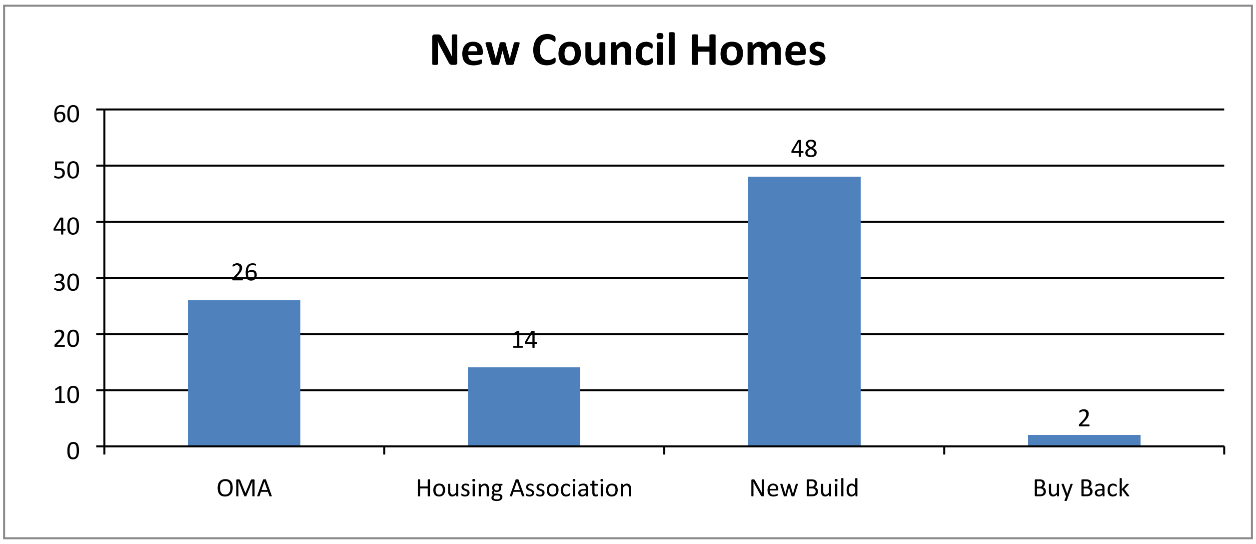
4.9 New Build Programme

4.9.1 The self-financing deal for housing authorities in March 2012 gave councils the opportunities and the funds to build new homes for the first time in decades. This was because the rental income of Stevenage council homes would remain in Stevenage providing a funding stream to borrow or fund new homes.

4.9.2 A key objective of the first business plan was to build 1900 homes over the 30 year business plan period. Since 2012, 90 new council homes have been added to the councils existing housing stock. This is shown in the chart below



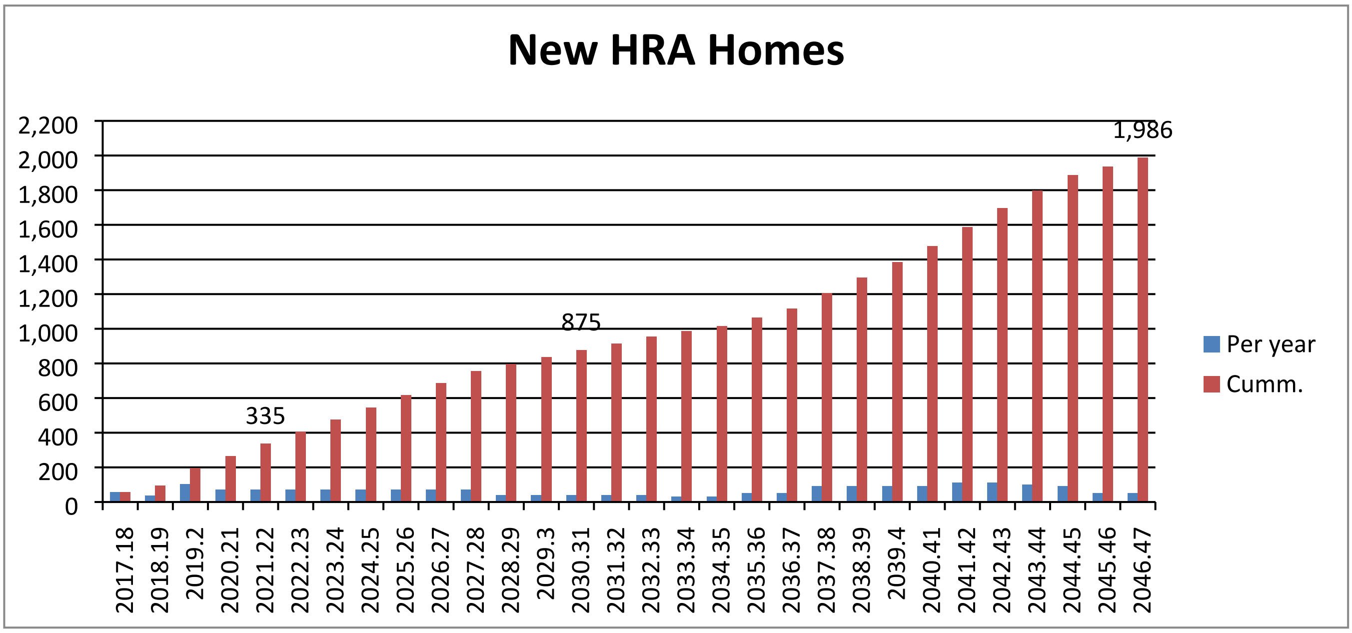
4.9.3 In addition a further 4 properties at Archer Road which were replacement rather than additional new homes have been delivered this year. The properties delivered to date have been acquired by open market acquisitions while the council has geared up to develop and build new properties. A breakdown of the property types delivered to date is summarised as follows.



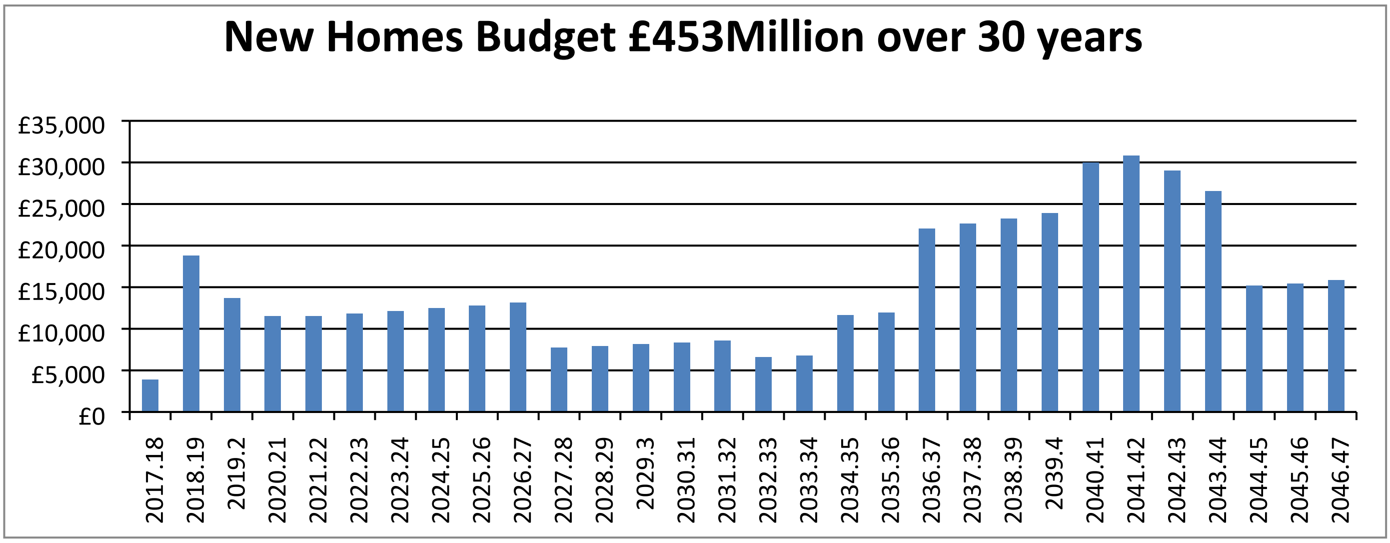
4.9.4 The development programme has tried to incorporate a number of strategic buybacks where residents in private sector housing, who are unable to access specialist older person's accommodation, are allowed an opportunity to sell their home to the Council at a discounted rate and access Sheltered Housing. Whilst enquiries remain strong with this initiative, final take up is low, indicative of the fact that some households prefer to keep their equity.

4.9.5 When making offers under this policy officers are minded that the cost of developing new build homes is in the region of £145,000 to £160,000 per unit where as a buy back can cost in the region of £280,000 if it is a 2 or 3 bedroom house. In such cases, offers will never exceed 80% of the market value and in some cases are below this level to ensure the Council is not displacing funds that could be better utilised delivering new build properties, whilst still remaining respectful to the vendor's time earned equity. A number of enquiries for this policy are being progressed at present.

4.9.6 The new homes included within the HRA Business Plan are summarised in the chart below and for modelling purposes show an estimated total of 1986 new homes over the 30 year period.



4.9.7 The total budget for new homes over the next 30 years is £453Million as shown in the chart below and uses £132.6Million of RTB one for one receipts, with the remainder coming from rents and other RTB receipts. This is comparable with the previous business plan presented to the Executive in November 2016.



4.9.8 The level of new homes the council could potentially build using sale receipts is constrained by the restricted use of one for one receipts (see also section 4.10) as well as other competing demands on HRA resources. One for one receipts can only contribute to 30% of the overall cost of a new home and cannot be used for replacement homes, such as some of those at Archer Road or the Kennilworth scheme. The Council will continue to lobby the government to relax the restrictions around these receipts to allow more new council homes to be built in Stevenage. The additional problem the Council has is of increasing one for one receipt due the volume of sales and increasing house prices. This has meant that a significant amount of RTB receipts that could have been used to build new homes in Stevenage are being used instead for nomination rights with Housing Associations or having to be returned to the Government if not used within the three year period. To date £3.9Million of one for one receipts have been returned.

4.9.9 Stevenage Borough Council's housing development programme has now moved away from concentrating on open market acquisitions on the resale market that involved a high degree of repair as well as acquisition costs. The programme is now matured into delivering, through Development Agreements new build housing on a turnkey basis and commissioning new build projects that allow the council to control the design, density and quality of the build. This change in focus has helped to deliver a more diverse and higher quality housing offer that gives tenants more choice and has also enabled the introduction of affordable rents that are crucial for the long term stability of the Housing Revenue Account.

4.9.10 Schemes such as Vincent Court and Kilner Close are examples of turnkey acquisitions that have completed. These schemes were delivered through Development agreements and were built by national housebuilders Taylor Wimpey and Keep Moat respectively.

4.9.11 Land and design led schemes include Archer Road, the March Hare and Twin Foxes developments that will complete from 2017 through to 2018 delivering 59 new homes. Larger schemes in clusters also allow the Council to plan and allocate one for one receipts more effectively as the programme and timing of the schemes can be estimated.

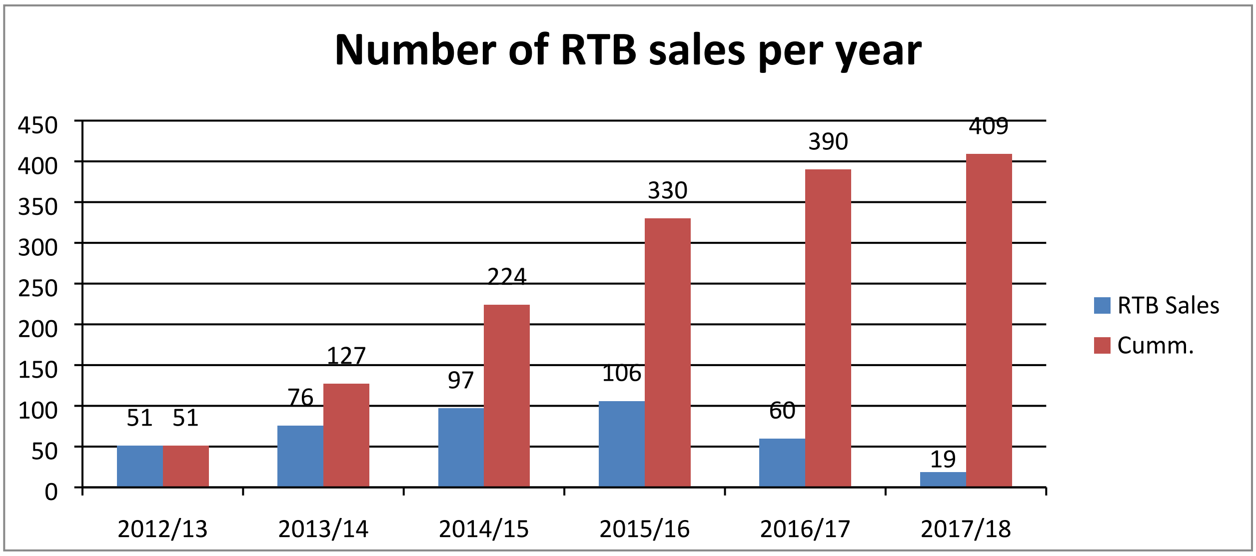
4.9.12 Despite the measures taken above the Council does expect to have excess one for one receipts that it will seek to allocate to Registered Providers to deliver greater volumes of affordable housing in the borough to support the Council's own direct interventions.

4.9.13 In 2018 schemes such as Gresley Way and Symonds Green developments should commence on site ensuring the council has a continuous programme over the next five years and the team will also develop design proposal for alternative schemes to ensure we have a healthy development pipeline

4.10 Right to Buys (RTB's)

4.10.1 Since the 1980s when the policy was introduced, more than 1.5million council homes have been sold nationally under the Right to Buy. The use of one for one receipts was introduced in 2012. Since then 54,000 more council homes have been sold with just under 11,000 replacements started, (source:Inside Housing), with 48% of these replacements were social rent, with the remainder affordable rent – up to 80% of market rates.

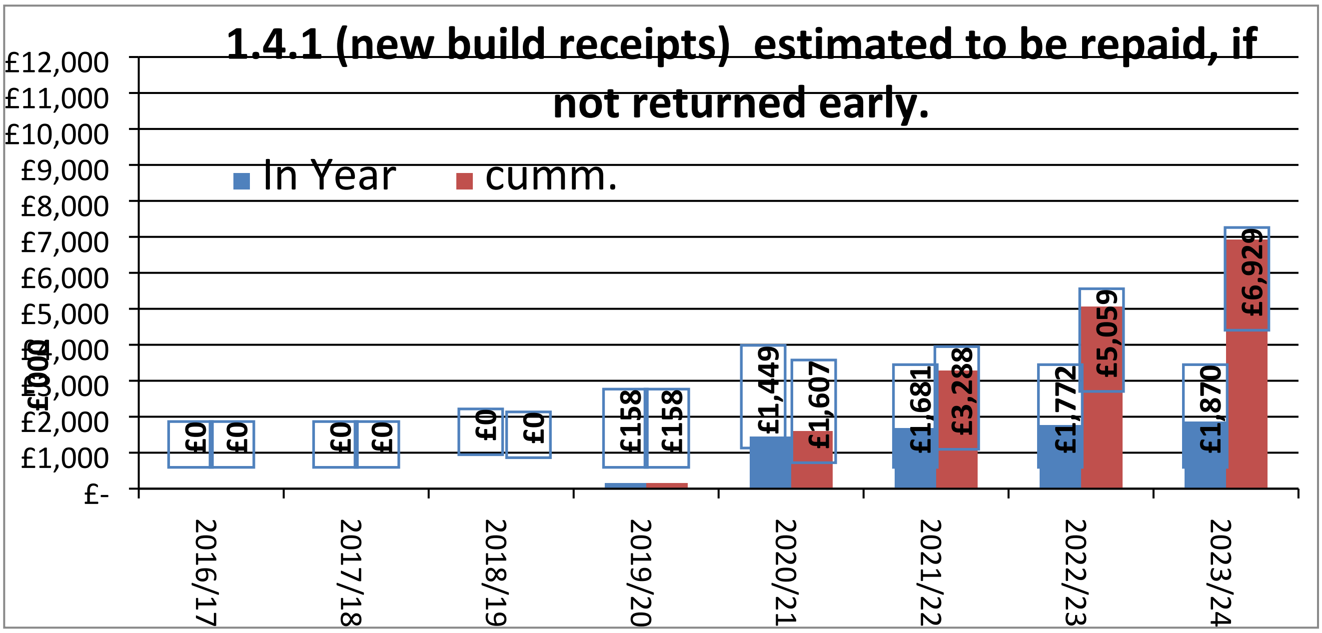
4.10.2 The original HRA business plan was based on sales of 10-12 per year (historically the case prior to 2012), however the number of sales has increased, partly attributed to the increase in the discount offered from £34,000 to £78,600 (2017/18), which is now indexed annually to CPI, the sales per year are shown in the chart below.



** 2017/18 to 21 August 2017*

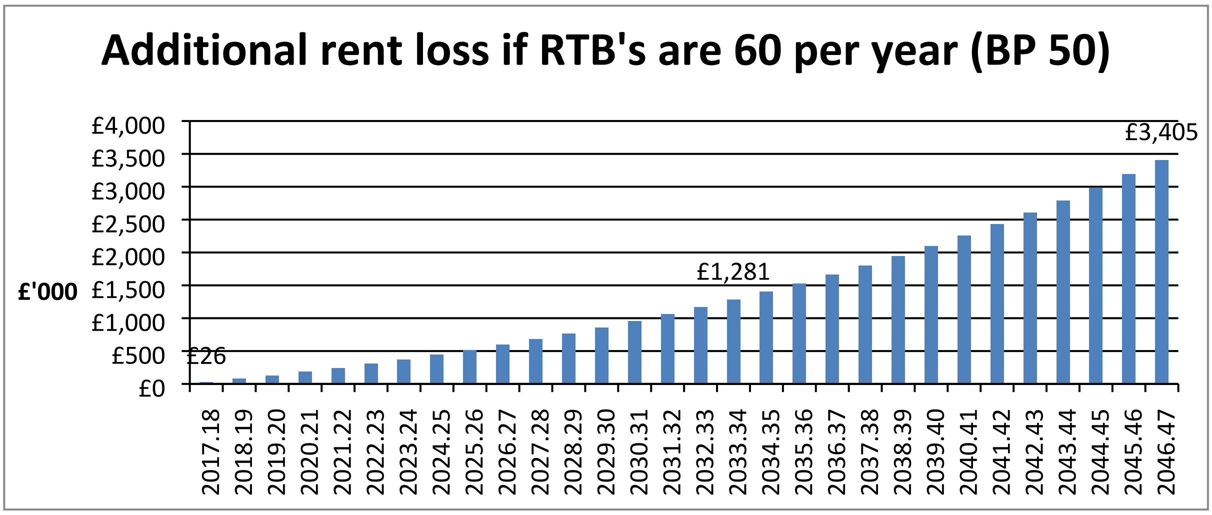
4.10.3 The projection in the 2016/17 business plan update was 50 RTB properties per year, however the number of sales in 2016 exceeded that. This revision of the plan still assumes 50 sales per year, the average sale price has increased and that may have a dampening impact on the level of sales going forward. The total number of RTB sales assumed in the BP is 1500 sales compared to 1986 new build properties, a net gain of 486 properties over the 30 year period.

4.10.4 Despite the number of new properties being built there is still a projected amount of one for one receipts that will need to be returned to the Treasury, or as modelled in the business plan that will be used with housing associations to gain nomination rights. The chart below shows £6.9Million receipts not projected to be utilised within the three year period and a potential £12.9Million over the first 10 years of the business plan.



4.10.5 Officers will be monitoring the one for one balances and their potential uses, all numbers quoted above are based on future estimated sale prices and future capital costs. Officers will take steps to mitigate the impact of returning receipts through lobbying the government to change the one for one receipt rules, ensuring all costs are charged to schemes, however as stated earlier in the report there have been significant changes in housing finances over the last six years and there is no guarantees about future rent levels etc.

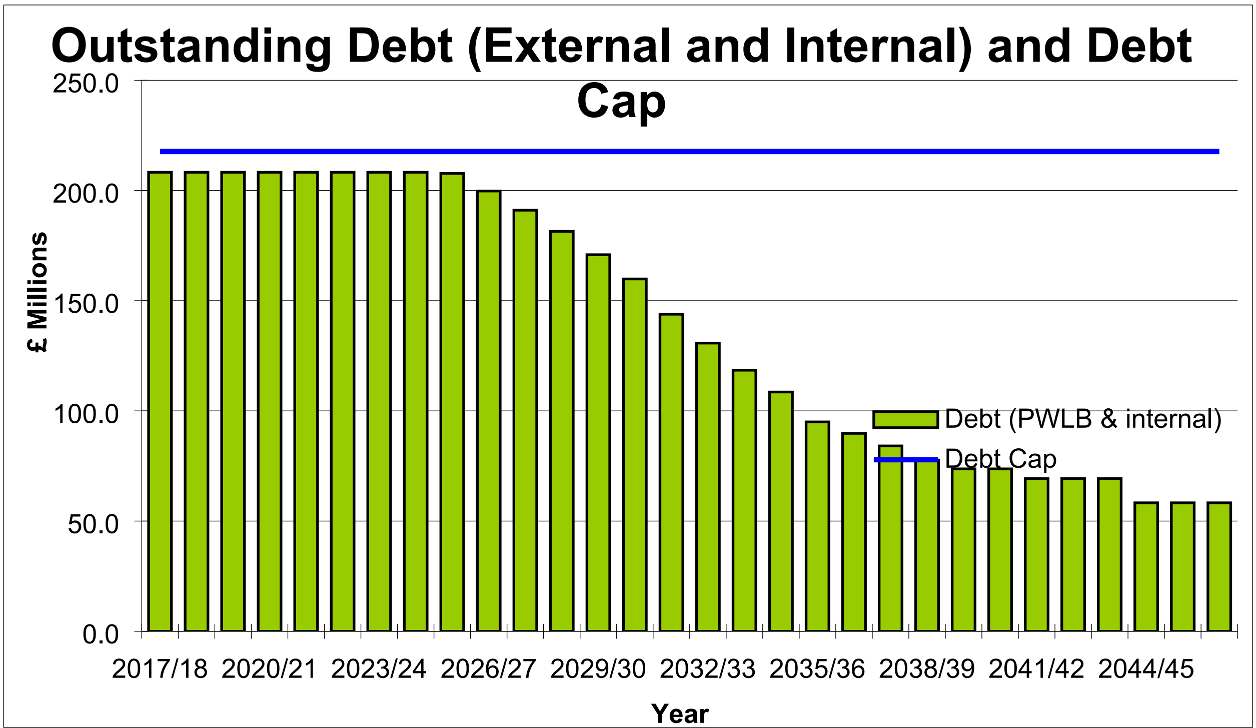
4.10.6 If there were an additional 10 RTB properties sold per year, it would mean rent loss of £39.7Million in total over 30 years and the annual rent loss is shown in the table below. Perversely the projected capital funding deficit reduces by £1.77Million as there are more RTB receipts initially available to fund capital, however it would also mean an increase in the amount of one for one receipts that need to be returned or spent with Housing Associations.



4.11 Borrowing and Debt Scheduling

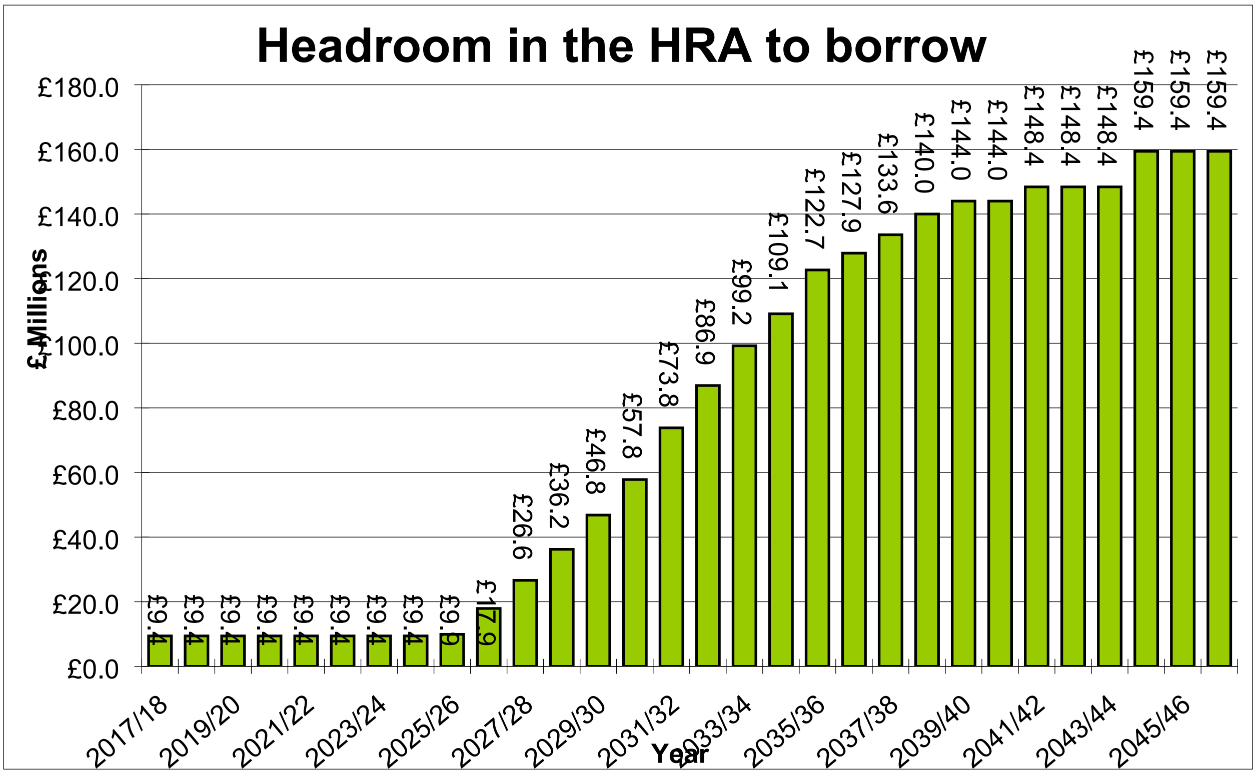
4.11.1The debt profile in the current Business Plan is based in the main on the revised loans included in the 2016 HRA BP update. However based on the level of balances remaining in the Business Plan in 2033/34 one loan of £3.5Million has been revised to be repaid in 2036 rather than in 2033, (see also section 4.12 below).

4.11.2 The level of debt in the 2016 Business Plan update had to be increased as a result of the impact of the 1% rent reduction and projections around the HVV levy. This increased the debt taken in the business plan over the 30 year programme by £75Million. The debt profile in the business plan is shown in the chart below.



4.11.3The amount of debt the HRA can have is constrained by law, this is called the debt cap, which for SBC equated to the total cost of the self- financing deal of £217,685Million. The amount of 'headroom' the HRA currently has or the additional borrowing that could be taken, (see section 4.12 budget pressures) is £9.42Million and this limit remains unchanged for the next nine years.

4.11.4 It is not just borrowing that can impact on the debt cap but also the value of land transferred between the General Fund and the HRA , e.g. the Archer Road scheme required a transfer of land into the HRA equating to a value of £770K. The headroom in the Business Plan before any changes is shown in the chart below.



4.11.5 The Business Plan assumes that there will be new borrowing of £3.5Million in 2017/18, however the HRA does not have an immediate need to borrow to fund the capital programme and the decision to borrow will be included in the 2017/18 revised and 2018/19 budget setting process so as to minimise the cost of carrying borrowing costs to the HRA.

4.11.6 There is a funding gap in the 2017 HRA MTFS update of £26Million (see section 4.12 below), but borrowing headroom has been a policy decision for the HRA. This allows for the funding of emergency or unforeseen event, such as fire safety measures and changes to the S20 policy (forecast a further £2.46Million of borrowing may be required) and finally allows for land transfers into the HRA to meet the council's housebuilding ambitions.

4.11.7 The CFO recommends that headroom of £2Million is retained as an allowance for the transfer of General Fund land into the HRA to enable new council house building. In addition that £2.46Million is reserved for any impact of the revised S20 policy.

4.12 Budget Pressures

4.12.1 **Fire Safety**- Following the tragic fire at Grenfell earlier this year housing officers have thoroughly self-assessed processes and procedures regarding fire safety. No failings have been found but officers have put in place an action plan to further enhance the processes and ensure the continued safety of residents. In the period immediately after Grenfell all properties within the high rise blocks were visited, providing reassurance and the latest advice to residents regarding fire safety, in addition there was a review of all existing Fire Risk Assessments.

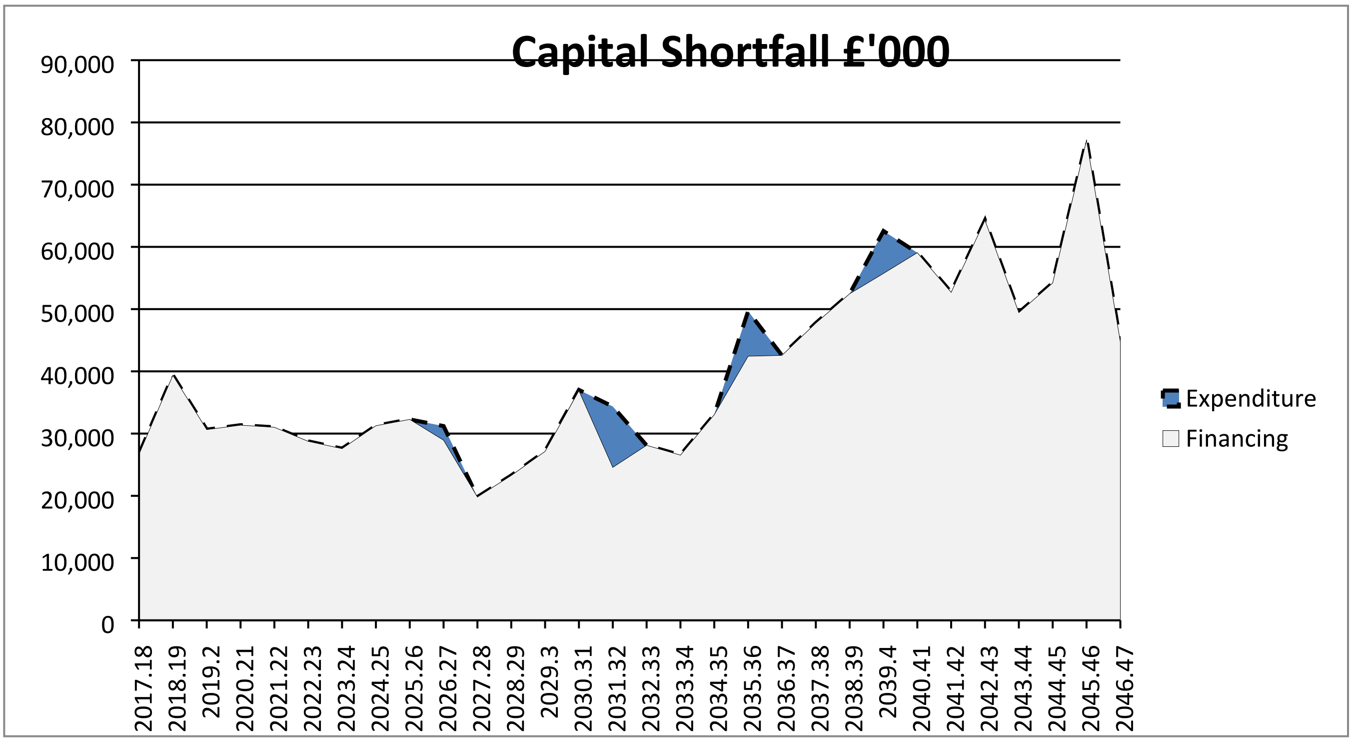
4.12.2 Officers are currently carrying out home safety visits to all properties with the seven high rise blocks, the purpose of the visits is to both provide additional re-assurance and advice along with carrying out a safety audit within the flats. The home safety visit includes and assessment of:

- Compliance of flat entrance doors
- Internal doors
- Smoke detectors
- Electrical systems
- Conduct a Housing Health and Safety Rating System (HHSRS) check that will look at various safety standards in people's home, including fire safety

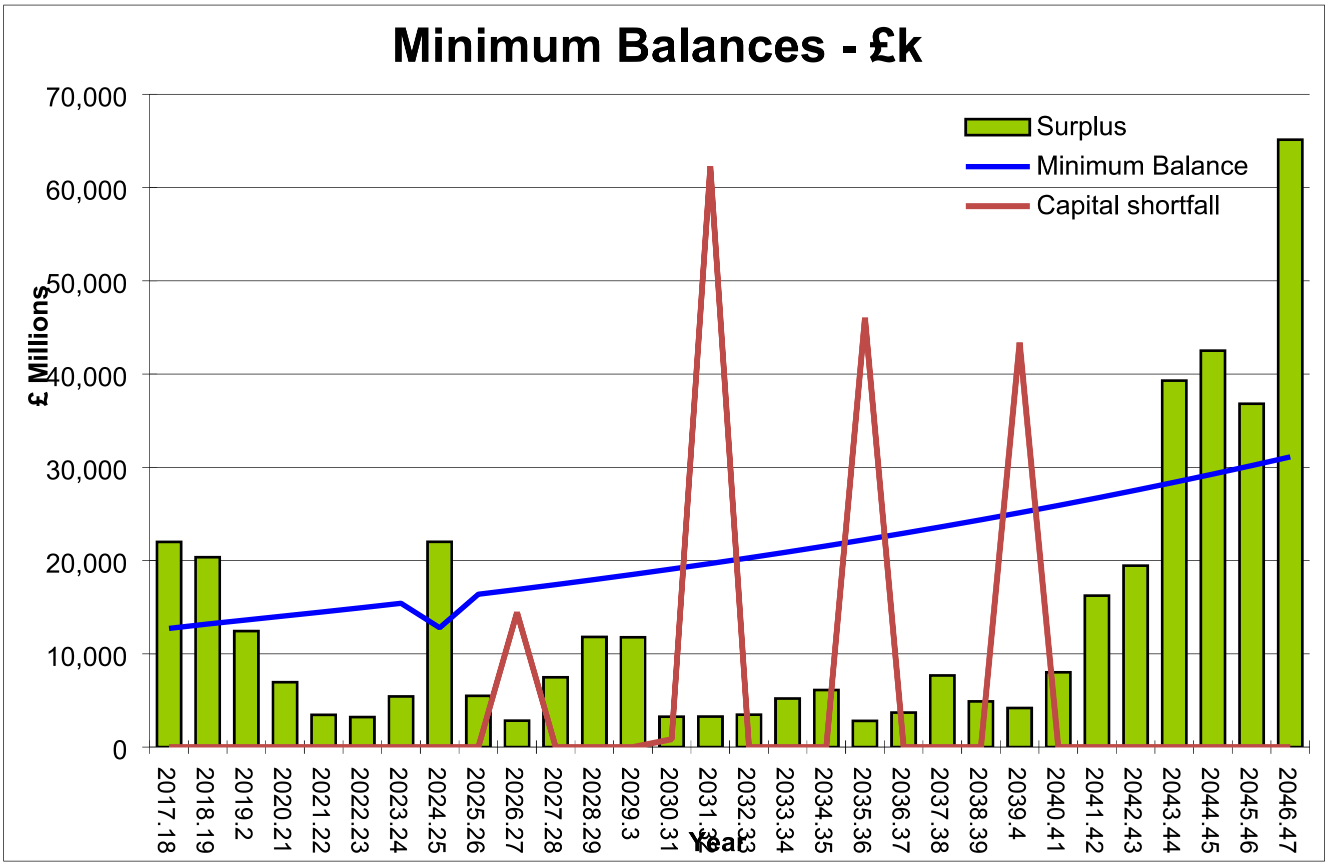
4.12.3 Officers are looking at the feasibility of retro fitting sprinkler systems to high rise blocks and the associated costs. Work is also underway to review the physical protection on escape routes, such as fire doors, glazing panels and the internal walls, ceilings and floor coverings. The cost of this is currently not known but could be in the region of £1-2Million. If there are no capital programme delays in the capital programme (freeing up spending capacity), the Assistant Director (Finance & Estates) recommends that the cost of borrowing is considered for the works.

4.12.4There may be other budget pressures that arise which will be included in the budget setting process as part of the November Financial Security report to the Executive. The Business Plan includes the previously agreed growth including that associated with the revision to the S20 policy.

4.12.5 **Funding Shortfall over 30 years**-As a result of the updates to the Business Plan contained within this report, the capital programme is not fully funded. There is currently a shortfall of £26Million as shown in the chart below, (year 10, 2026/27, £2.271Million shortfall).



4.12.6 In addition the business plan has minimum balances for a number of years as shown in the chart below. The higher balances in the HRA in first four years of the BP are required to be held to fund the HRA revenue and capital programme when the HRA is at minimum balances and/or cannot fund all the capital programme.



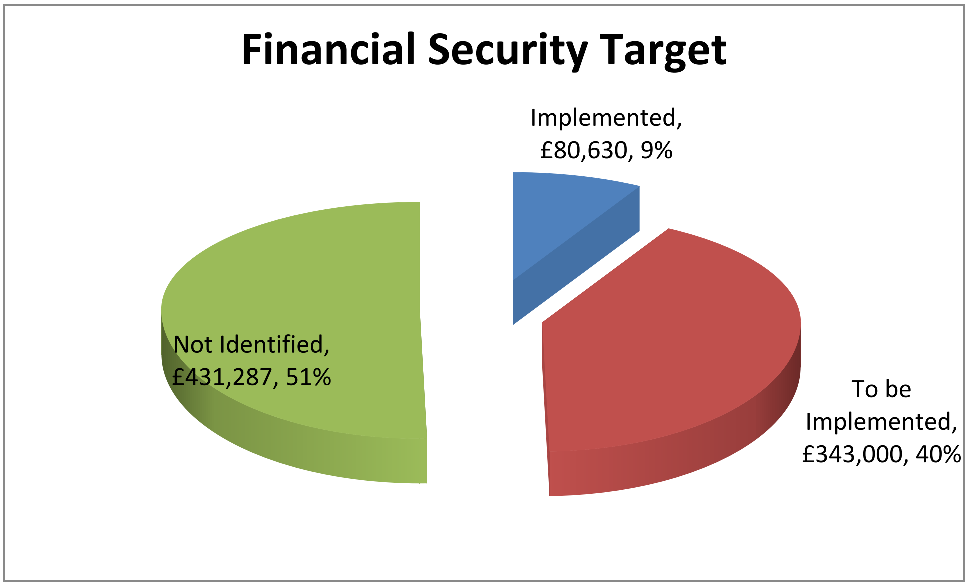
4.12.7 There are some significant unknowns, should the HVV levy not be introduced then there would be an additional £29Million available to fund the capital programme which would significantly reduce the funding shortfall, (see also risk implications). In addition there are assumptions around rental income that could change, or the number of RTB's increase/decrease. The capital programme is funded within the next five years and officers will keep the HRA finances under constant review.

4.12.8 There is no provision for further growth in the HRA Business Plan and any new growth would require funding from an increased Financial Security Target or deferral of revenue or capital spend.

4.13 Financial Security

4.13.1 As part of the Financial Security work the Members group (LSFG) chaired by the Resources Portfolio holder. LFSG Members supports the Financial Security work programme and reviews Financial Security options that come forward as well as revenue and capital growth bids.

4.13.2 The Financial Security Target for 2018/19-2020/21 for the HRA is £855,000 with a total of £81,000 implemented, leaving £774,000 over the next three years, this is shown in the pie chart below.



4.13.3Included within the identified but not implemented are Priority Based Budgeting (PBB) or Financial Security options which have been deferred or the Future council business reviews which have an assumed target (£63,000 for the HRA) but which has yet to be tested as the business review plans are currently being complied and have yet to be completed.

4.13.4 The Financial Security package will be considered by the Leaders Financial Security Group and then by the Executive and Scrutiny Committees in November 2017. This report will also include any fees and charges increases and growth options.

4.13.5 The HRA BP assumes an annual £200K financial security target per year beyond the three year time horizon in order to fund the programme (with the exception as outlined in section 4.12 above).

4.14 HRA Balances and Reserves

4.14.1 The Council's HRA reserve is designed to cushion the impact of unexpected events/emergencies and help absorb the impact of uneven cash flows. HRA balances are also required to meet future debt payments and revenue contributions to capital.

4.14.2The Council's HRA balances as at 1 April 2017 was £19.75million and is forecasted to be £3.7million by 31 March 2022. This is a reduction of £14.76Million in balances while still having to achieve the implementation of £974K of unidentified/not implemented budget reductions, plus realising assumptions about rent increases and inflation.

4.14.3 The HRA balance projections based on the MTFS projections are summarised in the following table.

HRA balances £'000	2017/18	2018/19	2019/20	2020/21	2021/22
Opening Balance	(£19,750)	(£22,049)	(£20,398)	(£12,481)	(£7,098)
In Year	(£2,299)	£1,651	£7,917	£5,383	£3,383
Closing Balance	(£22,049)	(£20,398)	(£12,481)	(£7,098)	(£3,715)

*() equals surplus

4.14.4 As with the level of General fund reserves, the HRA balances need to be carefully considered. It is expected, that authorities will have regard to the CIPFA guidance when considering the adequacy of balances for the HRA.

4.14.5 It is important that the Council has sufficient reserves to enable it not only to achieve its ambitions but also to ensure that the Council can meet its service provision expectations.

4.14.6 Reserves can be held for these 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;

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

4.14.8 In terms of determining the level of balances for the MTFS and 2018/19, the Assistant Director (Finance and Estates) has based her advice on consideration of the factors included in the table below which project a £2.793Million minimum level of balances. This will be further reviewed as part of the budget setting process.

HRA balances Minimum Level Assessment	2018/19 £'000
An amount necessary to cover a 1.5% overrun in gross expenditure	659
An amount necessary to cover a 1.5% overrun in gross income	634
An amount to cover Strategic risks	1,500
Total Estimated HRA Reserves before balances held for debt and future years capital programme	**2,793**

4.14.9 The MTFS projects the HRA balances to be within the minimum level set for the HRA in 2018/19, however balances above the minimum are required to meet future debt and capital programme payments. The HRA BP shows that not all the programme is currently funded.

4.15 Approach to Consultation and HMB

4.15.1 'The Council's Resident Involvement Strategy 2015-2018, 'Having Your Say in Housing Services' confirms the Council's commitment to working in partnership with council tenants and leaseholders to shape, strengthen and improve council housing services and sets out a range of options to enable housing customers to be involved.

4.15.2 The Housing Management Board (HMB) acts as an advisory body to the Executive for council housing-related matters, including participation in the HRA budget-setting process and the development of the HRA Business Plan. HMB currently includes one leaseholder and five tenant representatives in addition to Member and officer representation. Its terms of reference allow for up to ten customer representatives in total. HMB received a presentation on the Business Plan update and asked a number of questions and proposed that:

- Consideration is given to re-borrowing to resource the business plan principles e.g. provision of new homes. This would be predominately in the last 15 years of the business plan as the board understood the need to leave some headroom for unforeseen events and the transfer of land to the HRA. The AD Finance and Estates agreed once there was sufficient headroom in the plan the borrowing requirement should be reviewed, however the social housing financial environment has changed significantly over just the last six years.

- Consideration given as to how the business plan would be communicated to tenants and leaseholders in a short simple format.

4.15.3 The Chair of the Board thanked officers for the presentation and members of the Board had found the discussion and presentation useful.

4.15.4The Council periodically seeks the views of housing customers through a postal survey of a sample of housing customers. This 'STAR' survey is used across the housing sector and enables the council to assess levels of customer satisfaction, to compare results with previous years and to identify customer priorities. The next STAR survey is due to be undertaken in early 2018. A further initiative is being carried out this year as part of the ‘Knowing Your Customer’ strand of the Housing Transformation Programme, which will involve home visits to a sample of housing customers across the town, to gain and understanding of their perception of the housing service and their views on how services can be improved. This feedback will inform future decisions on the delivery of housing services.

4.15.5 In addition, targeted consultation is being carried out in relation to specific elements of the delivery programme, key examples of which include consultation on the Major Repairs Contract, asset review programme works to sheltered housing schemes, the service charge review and plans for the new sheltered housing scheme at Kenilworth Road.

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:

September 2017	Executive	MTFS
	Overview and Scrutiny	MTFS
November 2017	Executive	GF and HRA 2018/19 Financial Security Package
	Overview and Scrutiny	GF and HRA 2018/19 Financial Security Package
December 2017	Executive	Draft HRA 2018/19 Budget (incorporating Financial Security Options)
	Overview and Scrutiny	Draft HRA 2018/19 Budget (incorporating Financial Security Options)
January 2018	Executive	Draft GF 2018/19 Budget (incorporating Financial Security Options)
	Executive	Final HRA 2018/19
	Overview and Scrutiny	Draft GF 2018/19 Budget (incorporating Financial Security
	Council	Final HRA 2018/19
February 2018	Executive	Final GF 2018/19
	Council	Final GF 2018/19 and Council Tax

4.15.3 Following the approval of the proposed Financial Security options for 2018/19, the Council will have an obligation to begin consultation with staff and partners

.
4.15.4 Future years' proposal beyond 2018/19 will be monitored via the officer Financial Security group on their development for the following budget cycles as reported to the LSFG. These will come forward as reports to the Executive as options are developed and signed off by SLT and the LFSG.

4.16 SUMMARY

4.16.1 A summary of the capital programme, debt costs and property changes are shown in the table below.

SUMMARY- 30 years	2018/19 £Million
Capital Expenditure:	
Works to existing properties & Equipment	£701.08
New Build Programme	£453.87
Higher Value Voids Levy	£29.84
Total Capital works	**£1,154.96**
Capital Deficit	**£26.25**
Borrowing costs:	
Borrowing Interest Costs	**£159.27**
Borrowing repaid	**£225.32**
Total Debt Costs	**£384.59**
Property stats: (numbers)	
Estimated RTB sales	**-1,500**
Estimated new properties	**1,986**
Net increase in properties	**486**

5. IMPLICATIONS

5.1. Financial Implications

5.1.1 It is the CFO's view that the housing finance environment experienced over the last six years is not been conducive to long term planning, because of the number of legislative changes planned and/or implemented. It is critical that the next five year capital programme and revenue commitments are funded and any corrective actions are identified. The Business Plan shows the five year programme is funded and there is a Financial Security target (section 4.13 refers) in the Business Plan to achieve this. There is also an on-going annual target of £200,000 per year currently in the Business Plan. There is a capital deficit in year 10 of the plan (2026/27) and in a further four later years, however so much is dependent on future increases in rental streams that the current level of funding is deemed satisfactory and later years deficits should be addressed in future updates.

5.1.2 There is very little headroom within the Business Plan to borrow further to fund additional capital expenditure, £9Million in total. Some of the £9Million headroom will be required (as recommended in this report), to allow land transfers between the General Fund and the HRA and to potentially fund any costs relating to fire safety measures. Rescheduling the current loans is not a financially viable option, as this would cost the HRA in the order of £50Million. Taking additional borrowing would need to be funded and there are risks around rent increases contained with the Business Plan beyond 2019/20 and within the five years of the MTFS. Borrowing an additional £7Million over 10 years would cost the HRA £130,900 per year or £1.3Million in total, leaving no leeway for any unforeseen events or reduced levels of rental income/higher levels of spend. The balances projected for 2021/22 are £3.7Million which is a significant reduction on current levels and close to minimum levels in the years 2021/22 and 2022/23.

5.1.3 The capital programme was reduced at the November 2016 Business Plan update and officers have indicated it would be difficult to reduce further, in addition the programme is reliant predominately on contributions from the HRA to fund the programme. However should the HVV levy not be enacted by the Government this would enable a further £29Million to be spent on the council's housing stock.

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 HRA 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
Inflation (Negative Risk) – Rent changes are not linked to inflation, whilst the majority of HRA Related contracts include an annual price increase usually in line with RPI or BCIS	General balances are risk assessed to ensure overall levels are maintained that can meet higher than expected inflation rates. Service charge recovery is based on actual costs.	Medium	Medium
Welfare Reform Impact (Negative Risk) - Tenants and leaseholders affected by welfare changes have insufficient income to	The council has a welfare reform group which monitors impacts and is planning for the full roll-out of Universal Credit in 2018 and LHA caps	High	Medium

Risk Area	Risk Mitigation	Likelihood	Impact
pay the rent and/or service charges; there could also be an increase in the need for the council's housing services	in 2019. The HRA Business Plan includes bad debt provision of £255K pa. and further modelling will be undertaken		
Rent Income (Negative Risk) - Uncertainty as to whether the national rent policy from 2020/21 will be in line with the BP rent assumptions of CPI +1% from 2020	Rent policy and service charge policy is in place and allows for rents not subject to the 1% reduction to be increased and for rents to be set at formula levels on re-let. Lower than anticipated rent increases would require compensating reductions in planned spending within programmes/services.	High	High
S20 Leaseholder Recharges (Negative Risk) – Failure to recover costs could arise if statutory consultation procedures are not followed; and/or there is a successful legal challenge; or leaseholders cannot afford to pay	Major Works Payments Options Policy agreed; Business plan makes assumptions regarding the % works non-rechargeable % bad debt provision; and delayed recovery in a proportion of cases. S20 consultation procedures in place, along with ongoing retention of expert legal advice	Low	Medium
Supported Housing income (Negative Risk) - Loss of Supporting People grant funding not addressed and /or full recovery of supported housing costs not achieved	To achieve savings for future years, services charges are being reviewed for implementation April 2019. There is regular liaison with the Herts County Council regarding remaining Supporting People grant funding and service provision – further loss of grant would require the Financial Security target to be increased	Medium	Medium
Supported Housing	The new model, core rent and	Medium	High

Risk Area	Risk Mitigation	Likelihood	Impact
Funding Framework (Negative Risk) – the Government's new funding model for supported housing from 2019/20 could impact on supported housing income (proposals consulted on but not confirmed)	service charges would be funded through Housing Benefit or Universal Credit up to the level of the applicable Local Housing Allowance (LHA) rate. For costs above the LHA rate, the Government would devolve ring-fenced top-up funding for disbursement by local authorities. Officers will review the impact for SBC tenants and will have to model the service accordingly to meet the affordability criteria.		
Stock Investment (Negative Risk) Investment needs exceed planned expenditure due to increased costs and/or unforeseen investment requirements	Revised Housing Asset Management Strategy to be approved in 2017/18. The investment programme is based on sound stock condition information. Viability assessment are undertaken prior to projects commencing and contract management arrangements are in place.	Medium	High
Fire Safety Investment (Negative Risk) Subject to the outcome of the public enquiry into the Grenfell fire, changes in fire safety legislation are anticipated, with associated revenue and capital cost implications that have not yet been factored into the Business Plan	A feasibility study into the installation of sprinkler systems is being undertaken. Once the full extent any changes and Government financial support becomes clear, the capital programme may have to be reviewed and re-prioritised to accommodate the costs and/or borrowing may be required.	High	Medium
Procurement (Negative Risk) - If the 1.5% efficiency target for the HRA Capital Programme is not achieved, this will put pressure on the	The efficiency has been achieved for years 1&2 through existing contract awards. It is anticipated that the Major Repairs Contract will deliver procurement	Low	Medium

Risk Area	Risk Mitigation	Likelihood	Impact
HRA	efficiencies in future years.		
Financial Security Options not achieved (Negative Risk) - Agreed options do not deliver expected level of savings either on a one-off basis or ongoing.	Regular monitoring and reporting takes place, but the size of the net budget reductions increases the risk into the future. Non achievement of options would require other options to be brought forward.	Medium	Medium
Affordable Homes Delivery (Negative Risk) - If affordable homes targets are not met and new build does not replace the loss of stock through RTBs, rental income projections may not be met and 1-4-1 replacement receipts may have to be repaid with interest.	A pipeline of schemes has been agreed and the Executive Housing Development Committee oversees delivery of the programme. A plan is in place to return future unspent RTB 1-4-1 receipts to the Treasury in order to minimise costs to the HRA from interest charges. However, in the first instance unused 1-4-1 receipts are used to support Registered Providers to minimise the level of receipt being returned, whist retaining development activity.	Medium	High
Right to Buy Sales (Negative/Positive Risk) – External factors (economic/ political) mean that RTB sales are either higher or lower than in the business plan, without a corresponding change to stock through acquisition or new build	RTB assumptions are adjusted annually based on trends and legislation. The new build programme is designed to replace loss of stock. Investment requirements are adjusted to reflect RTB sales levels.	Medium	Medium
Legislative Change	There is ongoing tracking and	Medium	High

Risk Area	Risk Mitigation	Likelihood	Impact
(Negative Risk) – Implications of new legislation/ regulation are not identified and acted on, leading to increasing financial pressure	horizon scanning in relation to emerging policy and legislation and an annual review of implications through the MTFS/Business Plan update.		
Self-Financing Regime (Negative or Positive Risk) The Government could re-open the HRA debt settlement or amend the debt cap	Lobbying directly and through representative bodies, the government has already effectively renegotiated the deal via legislation enacted.	Medium	High
MTFS Risk identification (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
'Brexit' (negative risk) – the impact of Brexit leads to economic instability and further financial cuts to the council's budgets and/or increased costs	A reduction in the resources available within the MTFS would require compensating reductions in planned spending within services and/or capital programmes .	Medium	Medium

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.

5.4. 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 – Housing Revenue Account Business Plan Review – November 2016
http://www.stevenage.gov.uk/content/committees/160923/160931/160995/20161122-Item7.pdf

APPENDICES

Appendix A - Medium Term Financial Strategy

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Stevenage Borough Council — APPENDIX A

MEDIUM TERM FINANCIAL STRATEGY (MTFS) SEPTEMBER 2017 HRA BUDGET UPDATE

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

HRA FORECAST	New/ Updated	On-Going Cost?	2017/18	2018/19	2019/20	2020/21	2021/22	Commentary
Base Budget		Y	17,631,890	(18,948,153)	(17,971,533)	(18,374,561)	(20,200,325)	
(i) BASE ADJUSTMENTS								
TOTAL PRIOR YEAR BASE ADJUSTMENTS			**0**	**0**	**0**	**0**	**0**	
(ii) 2017/18 RENTAL AND OTHER INCOME (actual 60 sales 2016/17)								
Rent		Y						
Rent (2017/18 and decrease/Increase thereafter		Y	(40,109,030)	567,693	90,086	(1,844,205)	(1,465,148)	-1% for 2017/18-2019/20 and CPI+1% assumed thereafter
1st Quarter adjustment -void loss		N	145,000					Additional rent void loss estimated for 2017/18
1st Quarter adjustment -RTB's		N	7,000					The profile of RTB's sold to date has resulted in an additional £7K loss of rental income in 2017/18
1st Quarter adjustment -reduced rent due stock profile		Y	71,000					New build numbers assumed in 2017/18 based on original numbers which have been reprofiled for later in 2017/18 and 2018/19 and properties due for redevelopment taken out of management.
Service charge (2017/18) and increases thereafter		Y	(1,055,210)	(51,477)	(51,116)	(53,529)	(56,156)	
Leaseholders service charges (2017/18) and increases thereafter		Y	(738,360)	(27,319)	(25,267)	(25,310)	(25,304)	
Bad debt provision (2017/18) and increases thereafter			255,270	0	0	0	15,297	Bad debt provision not increased (rental income reducing)
			(41,424,330)	**488,896**	**13,702**	**(1,923,045)**	**(1,531,311)**	
Service Charge & other Resident Charges								
Other Fees and Charges (2017/18) and increases thereafter		Y	(353,270)	(6,982)	(6,457)	(6,468)	(6,467)	
Charging for facilities (2017/18) and increases thereafter		Y	(649,020)	(36,378)	(38,829)	(41,450)	(44,386)	
Court Costs (2017/18) and increases thereafter		Y	(36,500)	(1,351)	(1,249)	(1,251)	(1,251)	
Right to buy Administration (2017/18) and increases thereafter		Y	(65,000)	0	0	0	0	The HRA receives £1,300 for every house sold to cover administration costs
Supported Housing income (2017/18) and increases thereafter		Y	(144,540)	0	0	0	0	
Mortgage Interest (2017/18) and increases thereafter		Y	(12,490)	(27,398)	(39,511)	(50,470)	(43,260)	Based on assumptions for the Major Repairs Contract
			(1,260,820)	**(72,108)**	**(86,046)**	**(99,640)**	**(95,364)**	
(iii) BORROWING COSTS								
External interest costs (2017/18) and increases thereafter		Y	7,017,260	(57,122)	0	0	0	Reduction in borrowing costs as a result of debt repayment
Repayment of principal		N	3,741,000	0	0	0	0	Payment of scheduled loans
			10,758,260	**(57,122)**	**0**	**0**	**0**	
(iv) CARRY FORWARDS AND SUPPLEMENTARY ESTIMATES:								
2016/17 quarter 3		N	317,250	0	0	0	0	Reported March 2017 Executive
2016/17 quarter 4		N	273,720	0	0	0	0	Reported July 2017 Executive
			590,970	**0**	**0**	**0**	**0**	
(v) FUNDING THE CAPITAL PROGRAMME								
Depreciation charged to HRA to fund capital programme		N	11,356,970	11,780,181	12,055,692	12,659,184	13,084,627	From the Revised Business Plan
Revenue Contribution to Capital budget (RCCO)		N	110,230	7,340,328	13,733,271	12,922,070	11,955,816	From the Revised Business Plan
			11,467,200	**19,120,509**	**25,788,963**	**25,581,253**	**25,040,443**	
(vi) INFLATION ASSUMPTIONS:								
Inflation assumptions:								
Pay inflation salaries		Y	192,828	299,074	284,709	346,485	352,825	Based on a 2% increase per year
Increase in Superannuation rates		Y	0	0	0	0	0	transitional model 1% increase per year
Utility inflation		Y	(9,120)	48,310	56,570	62,610	69,280	
Recharges from the General Fund (2017/18) and increases thereafter			134,578	69,169	70,552	71,963	73,402	Based on a 1% increase in recharges
General Inflation (contractual)		Y	13,480	33,960	34,350	35,570	36,580	
			331,766	**450,513**	**446,182**	**516,628**	**532,087**	
(vii) BUDGET MONITORING ADJUSTMENTS								
Quarter 1 adjustments 2017/18		N	39,960	0	0	0	0	Reported September Executive 2017
			39,960	**0**	**0**	**0**	**0**	
Revenue interest								
Revenue interest (2017/18) and increases thereafter		Y	(227,910)	13,557	(18,274)	(74,593)	(50,221)	Based on projected balances and interest rate increases
1st quarter monitoring		N	(49,090)					Reported September Executive 2017
			(277,000)	**13,557**	**(18,274)**	**(74,593)**	**(50,221)**	
(viii) PRESSURES/SAVINGS IDENTIFIED								
HRA FTFC contribution- March Executive		N	170,420					The HRA contribution to the FTFC growth approved March 2016 Executive
Income from water rates reduced pending review of contract	NEW	Y	(252,170)					contract yet to be signed- joint work with the LGA
Shared Legal Service	NEW	Y-part	49,106	8,656	2,323	1,722	0	
			(32,644)	**8,656**	**2,323**	**1,722**	**0**	
(viii) SAVINGS OPTIONS & BUDGET PROPOSALS 2012/13 ONWARDS:								
Financial Security Savings:								
2017/18 FTFC		Y	(282,215)	36,500	(2,000)	0	0	Approved January 2017 Council
2017/18 savings not realised		Y	10,000	0	0	0	0	Saving HS10 selling services
Supporting people savings assumed		Y	(143,090)	(100,000)	(100,000)	0	0	
Other savings		Y-part	(11,875)	(125)	1,938	12,813	0	Shared Office accommodation
3rd quarter report savings		Y	(62,970)	0	0	0	0	
4th quarter reported savings		Y	(36,660)	0	0	0	0	
2018/19 Savings agreed in principle		Y	0	(78,000)	(65,000)	0	0	(includes Business Review assumption of £63,000)
Unidentified Savings Target		Y	0	(81,537)	(136,938)	(212,813)	(200,000)	Future unidentified savings
			(526,810)	**(223,162)**	**(302,000)**	**(200,000)**	**(200,000)**	
(ix) GROWTH BIDS:								
2017/18 Growth bids		Y	42,500	0	0	0	0	Approved at January 2017 Council

Delivery Plan on-going	Y	(140,196)	297,713	(456,592)	(45,115)	(112,115)	This represents the growth/reductions in the delivery plan as approved
Housing Management Transformation Programme	N	500,000	500,000	500,000	0	0	Approved at January 2017 Council
Growth associated with the Major Repairs Contract	Y	0	72,000	0	0	0	Approved 22 February Executive
		402,304	**869,713**	**43,408**	**(45,115)**	**(112,115)**	
TOTAL HRA EXPENDITURE		**(2,299,254)**	**1,651,298**	**7,916,724**	**5,382,651**	**3,383,195**	
Use of Balances		(2,299,254)	1,651,298	7,916,724	5,382,651	3,383,195	

HRA RESERVES

	2017/18	2018/19	2019/20	2020/21	2021/22
Revised Balances at 31 March each Year:					
HRA Balance 1 April	(19,749,571)	(22,048,826)	(20,397,527)	(12,480,803)	(7,098,152)
Use of balances in Year	(2,299,254)	1,651,298	7,916,724	5,382,651	3,383,195
HRA Balance 1 March	**(22,048,826)**	**(20,397,527)**	**(12,480,803)**	**(7,098,152)**	**(3,714,957)**

Stevenage BOROUGH COUNCIL

Meeting: **EXECUTIVE** **Agenda Item:** **6**

Portfolio Area: RESOURCES

Date: **19 SEPTEMBER 2017**

Financial security

GENERAL FUND MEDIUM TERM FINANCIAL STRATEGY (2017/18 – 2021/22)

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1. PURPOSE

1.1. To update Members on the national public finance context and the impact on the Council.

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 2018/19 – 2021/22.

1.4. To update Members on the 'Financial Security ' Future Town Future Council priority.

2. RECOMMENDATIONS

2.1 That the Medium Term Financial Strategy (MTFS) principles, as outlined in paragraph 4.1.4 to this report, be approved.

2.2 That, for modelling purposes, Council tax increases be set at the threshold of 1.99%, subject to any change in government rules to achieve a balanced budget (section 4.6 refers).

2.3 That, for modelling purposes, fees and charges increases be in line with inflation with any increase above inflation used to contribute towards the saving target.

2.4 That the updated inflation assumptions used in the Medium Term Financial Strategy (section 4.4.5 refers) be approved.

2.5 That a General Fund Financial Security Target of £1.46million be approved for the period 2018/19- 2020/21, of which £893K has not been implemented, (paragraph 4.10.8 refers).

2.6 That an amount of £150,000 per year for the period 2018/19-2020/21 be approved for inclusion in the budget setting process as a Transformation Fund, to help deliver the Future Town Future Council programme (paragraph 4.9.2 refers).

2.7 That all other General Fund growth approved for priority schemes be funded from within the existing baseline budgets or further savings in addition to the target identified, (section 4.9 refers).

2.8 That approval to enter the Business Rates Hertfordshire pilot for 2018/19 is delegated to the Assistant Director Finance and Estates after consultation with the Resources Portfolio holder, (paragraph 4.7.3 refers).

2.9 That the bid of £45,000 is approved to fund the towards a new ICT system and implementation, which will support the Union's to reach more savers and borrowers and help future proof the Union, (paragraph 4.8.2 refers)..

2.10 That the Leader's Financial Security Group oversee the development of the 2018/19 – 2020/21 savings package.

2.11 That a minimum level of balances for the General Fund of £2.952million be approved for 2018/19 (section 4.11 refers).

2.12 That if material changes to forecasts are required following further Government announcements the Assistant Director (Finance & Estates) be requested to revise the Medium Term Financial Strategy and re-present it to the Executive for approval.

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

2.14 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 is an update on the full revision of the 2016 MTFS published in September 2016. This document provides an update on the assumptions contained within the 2016 MTFS, such as inflation and income projections.

3.2 This report will update financial assumptions for the impact of government initiatives where they are known and flag as risks those that cannot be quantified at the current time, such as BREXIT and the localisation of business rates which had been projected to come in 2019/20, but does not appear to be currently on the Government's agenda.

3.3 In addition there is likely to be a financial impact on the General Fund to deliver the Council's ambitions around its Future Town Future Council priorities and in particular town centre regeneration. This report recommends funding stream options to help deliver these ambitions and identify risks where known.

3.4 Since the last MTFS update the Chief Executive has delivered a senior management restructure which is now implemented at the tier three level (Assistant Director and above). Assistant Directors are now working on their business plan reviews and the impact of these was not identified at the time of writing this report, however any cost base changes will have due regard to the financial envelope the General Fund operates within.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 Purpose of the Medium Term Financial Strategy

4.1.1 The MTFS is the Council's key General Fund financial planning document, setting out the Council's strategic approach to the management of the General Fund. This includes:

- Council tax projections
- Business Rate projections
- Treasury Management
- Funding of Capital from the General Fund
- Projections of Financial Security targets
- Future pressures and risks
- Inflation projections

4.1.2 The MTFS underpins the Council's key priorities for Stevenage as set out in the Future Town Future Council agenda and other strategic documents of the Council. The need to set annual financial security targets is not a Council priority in itself, it is rather a tool to facilitate the Council in achieving its Future Town Future Council priorities and maintain adequate funding for the services the council provides, while maintaining prudent level of reserves.

4.1.3 The Council's 'Financial Security' methodology is a five strand approach for achieving a lower net cost base for the General Fund (see also paragraph 4.3.9 below). The MTFS identifies the level of financial reduction required and the Financial Security priority helps deliver this. The MTFS was fully reviewed in September 2015 and 2016 and this report is a refresh of those assumptions.

4.1.4 The MTFS principles for financial planning purposes are summarised as follows:

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 2021/22 by ensuring inflationary pressures are matched by increases in fees and income or reductions in expenditure.
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.

MTFS principles
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 corporate priorities
The Council does not depend upon short term sources of funding such as New Homes Bonus

4.2 The Economy

4.2.1 Since the last 2016 Strategy update there has been an election (8 June 2017) and a change in Prime Minister and a new Government agenda was announced in the Queen's Speech 21 June 2017. The Election announcement cut short parliamentary time to get legislation passed for initiatives planned July 2017 such as an increase in planning fees and some of the previous Conservative Government pledges were not even mentioned in the speech, such as 100% localisation of business rates by 2020, (see also section 4.7) . The Government focus is on the BREXIT negotiations for the UK, the impact of which for local government and the economy is still not clear. In the intervening period the pound is weak against the dollar and euro, so pushing up the cost of imports and inflation.

4.2.2 The Bank of England has lowered its growth forecast for the UK economy in 2017, and now expects GDP to expand by 1.7%, down from a May estimate of 1.9%. CPI inflation is expected to be up by 2.7% this year, before falling back to 2.6% in 2018 and 2.2% in 2019. Separately, the Bank's rate-setting committee voted 6-2 in favour of leaving interest rates at 0.25% (August) according to minutes from its most recent meeting. The minutes note that, should the economy evolve as the Bank is expecting, interest rates could be lifted by more than financial markets are currently pricing in. Those market expectations are for two rises to 0.5% and then to 0.75% over the next three years.

4.2.3 Although the Council signed up to the four year funding deal for the period 2016/17-2019/20 It is not clear whether the new Chancellor will introduce further local government funding cuts.

4.2.4 In addition the pace of benefit change in the form of Universal Credit continues to be introduced at a slow pace with all new claims now estimated to have migrated by June 2018, with only an estimated 201 cases transferred to UC as a result of new claims. There is no timetable known for the migration of existing benefit claims. It is likely that the impact of the Welfare Reform Bill will increase demand on the Council's welfare services as a result of reducing the benefit cap to £20,000 for a couple (outside London) in the Autumn of 2016. A consequence could be an increased demand for services and higher levels of arrears. An article in “Inside Housing” identified that there were 68,000 households nationwide who had their benefits capped by May this year, the first time the full effect of the lower benefit cap has been revealed. In Stevenage there were an estimated 153 live cases at the 3 August 2017 (101 SBC tenants).

4.2.5 Legislation that has been enacted has seen the Apprenticeship levy chargeable to larger employers (including councils) of 0.5% of their pay bill. This will not replace funding for the current apprenticeship programme the Council currently funds as employee costs are not eligible. This is estimated to cost the Council £80,000 in 2017/18 and onward per year, (General Fund £57,000). A total of £24,253 has been paid over April to July payrolls inclusive for the General Fund and HRA employees.

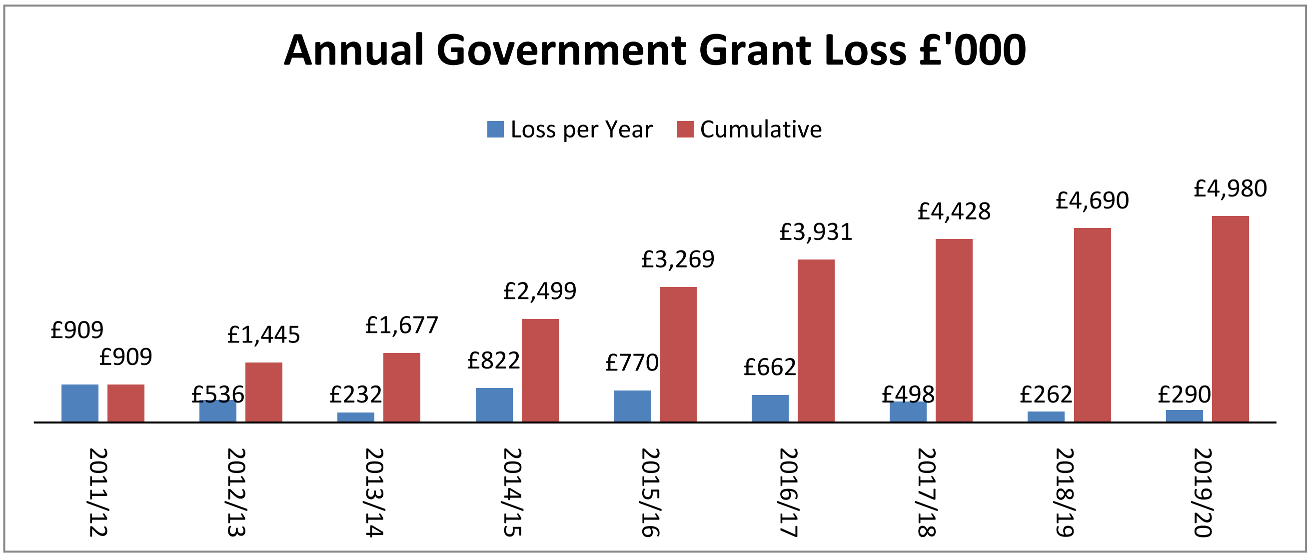
4.2.6 Local Government has faced considerable financial challenges since 2010/11 with significant reduction of government grant. This has meant that local authorities have had to become innovative and resourceful in the ways to meet these challenges. There is a stark choice, reduce services which could dis-proportionately impact on the poor or become more commercially minded and innovative in order that budgets are not systematically reduced and front line services diminished. However with the latter comes an element more risk, which is identified in paragraph 4.10.2 below.

4.2.7 The impact of public sector cuts and tax changes have been assessed/estimated over the next five years for the General Fund and total £9.4Million for the General Fund and for the Council as a whole an estimated £46Million.

Projected Impact of Public Sector funding reductions/tax and legislative changes £'000						
	2017/18	2018/19	2019/20	2020/21	2021/22	Total
General Fund:	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
RSG reductions	546	885	1236	0	0	2,667
Increased demand for services/impact on arrears - due to welfare reforms	Not yet fully known					
increased national insurance contributions	260	260	260	260	260	1,300
Introduction of Apprentice levy	57	58	60	61	62	297
Reduction in New Homes Bonus	689	829	1,007	1,224	1,435	5,183
Impact of BREXIT	Not yet known					
Total General Fund	**£1,552**	**£2,032**	**£2,562**	**£1,545**	**£1,757**	**£9,448**

4.3 Stevenage Financial Position

4.3.1 Since the last economic downturn and resultant reduction in central government funding for local government (2010/11 onwards), Stevenage, like so many councils, has had to plug the funding gap by finding annual savings to avoid running out of reserves while continuing to fund inflationary pressures and address the community’s needs while being constrained in terms of income raised via council tax. The amount of grant lost since 2011/12 is estimated at £4.98Million or 80% of the central funding given in 2010/11.

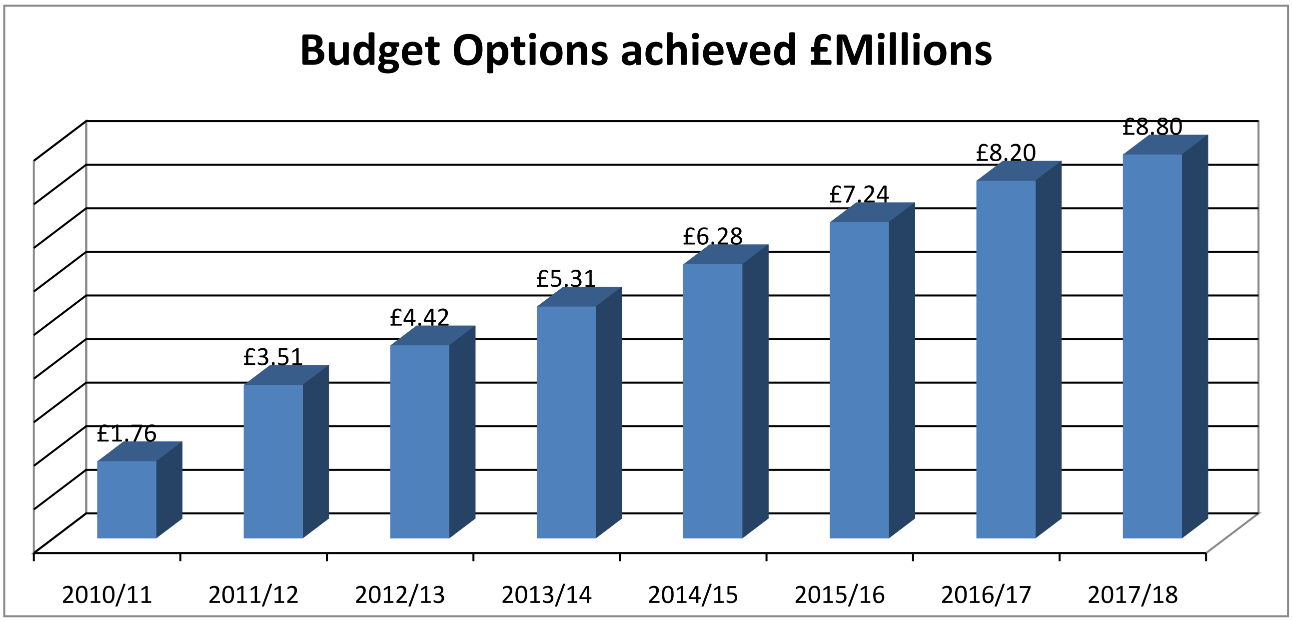


Note: net of NDR increases and excluding council tax freeze grants

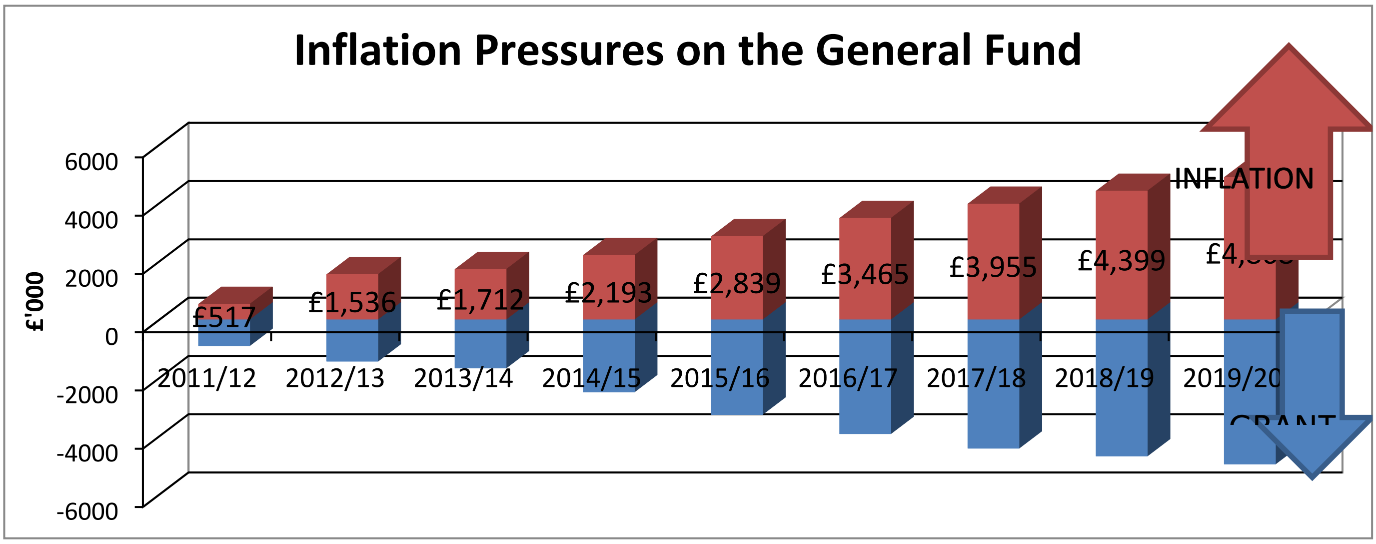
4.3.2 Tracking the decline of central government for local government since 2010/11 has been made difficult because the funding of some services have been included in the RSG/NDR calculation, £1.2Million of grants for services have been added into RSG/NDR , (Council Tax Support, Homeless and council tax freeze grant) between 2013/14-2015/16.

4.3.3 By 2019/20 central government funding from RSG will be zero and the core funding allocation from the Government will be 100% reliant on business rates. The Council retains 40% of business rates collected, but after a tariff is applied that amount equates to in the region of 5% of total collectable rates.

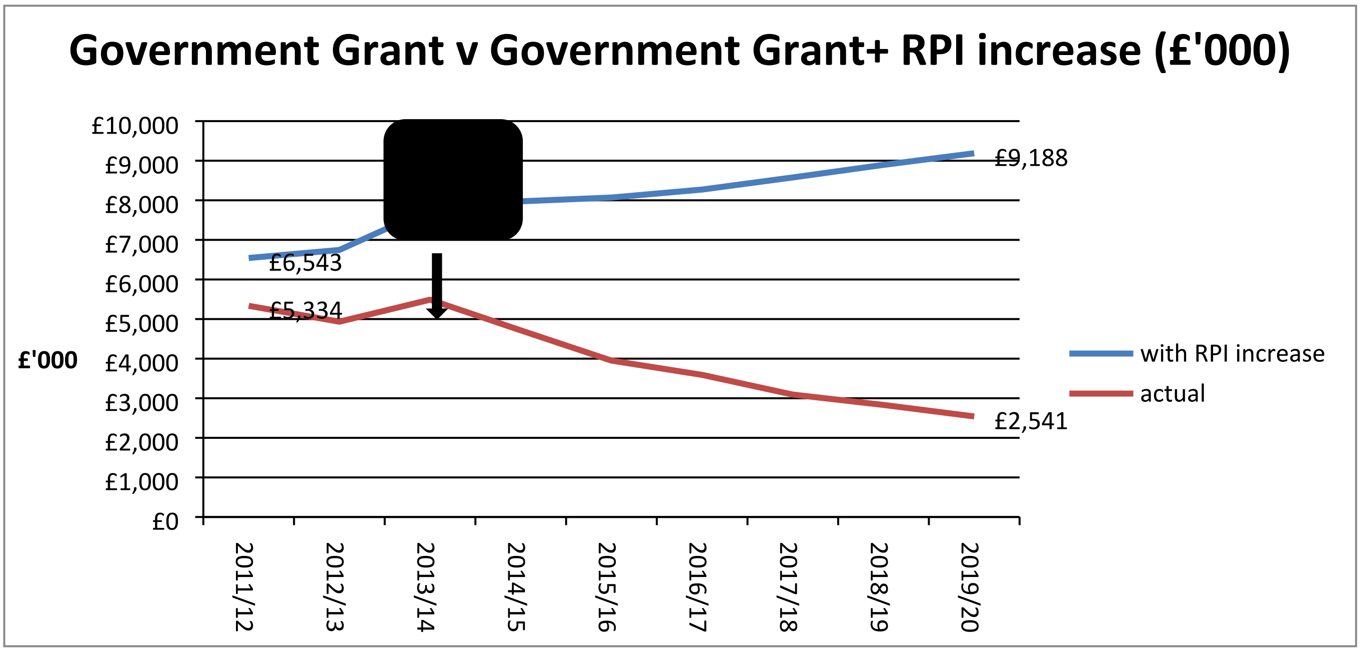
4.3.4 Over the last seven years a cumulative £8Million+ budget reductions have been achieved, the Council has been able to set balanced budgets and indeed made some contribution back to reserves. The level of budget reductions achieved from initiatives such as 'Priority Based Budgeting' and from 2017/18 the 'Financial Security' priority are shown in the chart below.



4.3.5 The cumulative budget reductions between 2010/11-2017/18 exceed the central grant reductions because in addition to meeting the challenge of reducing central funding, councils also have had to fund inflationary pressures for pay and services. The graph below illustrates the total gap between government funding losses and inflationary pressures that the Council has needed to fund just to meet the cost of existing services. This effectively has doubled the funding gap required to be found for the period 2011/12-2019/20



4.3.6 If Government funding had increased from 2011/12 in line with RPI, then the amount of funding Stevenage would receive in grant by 2019/20 (excluding council tax freeze grant) is estimated to have been £9.2Million, compared to the £2.5Million (retained business rates), as shown in the chart below.

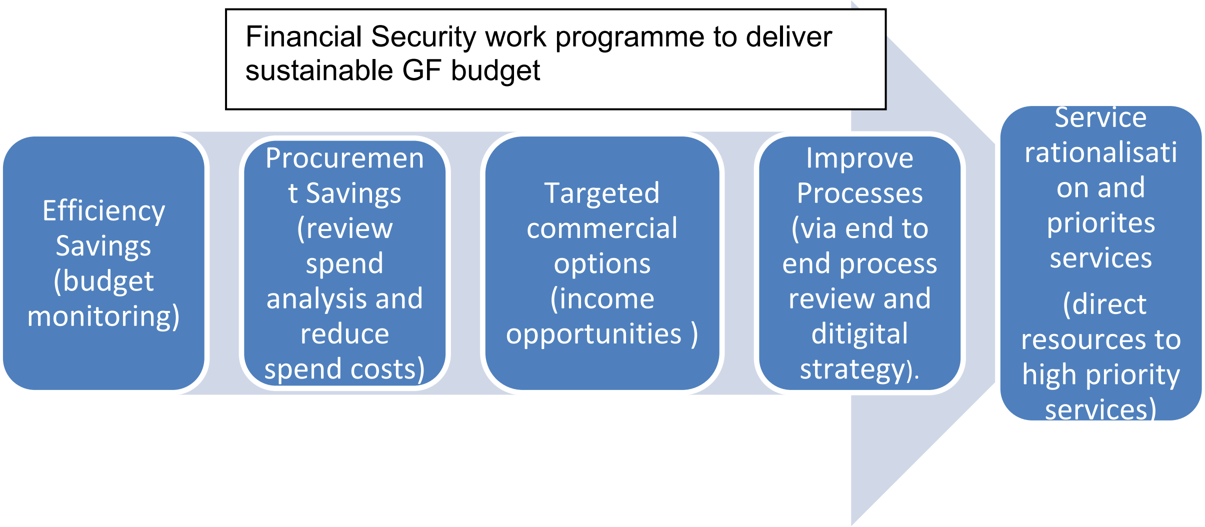


**Council Tax Support funding was added to central government grant and removed from subsidy payments*

4.3.7 Despite funding pressures the Council has still been able to reduce its net budget, while in the main still protecting front line services. With budget reductions or savings coming from efficiencies and changes to the way the council works, e.g. shared services Audit, ICT, Revenue and Benefits. As stated in paragraph 4.3.4 this has been done with a number of initiatives aided by a cross party Members group the Leaders Financial Security Group (LSFG).

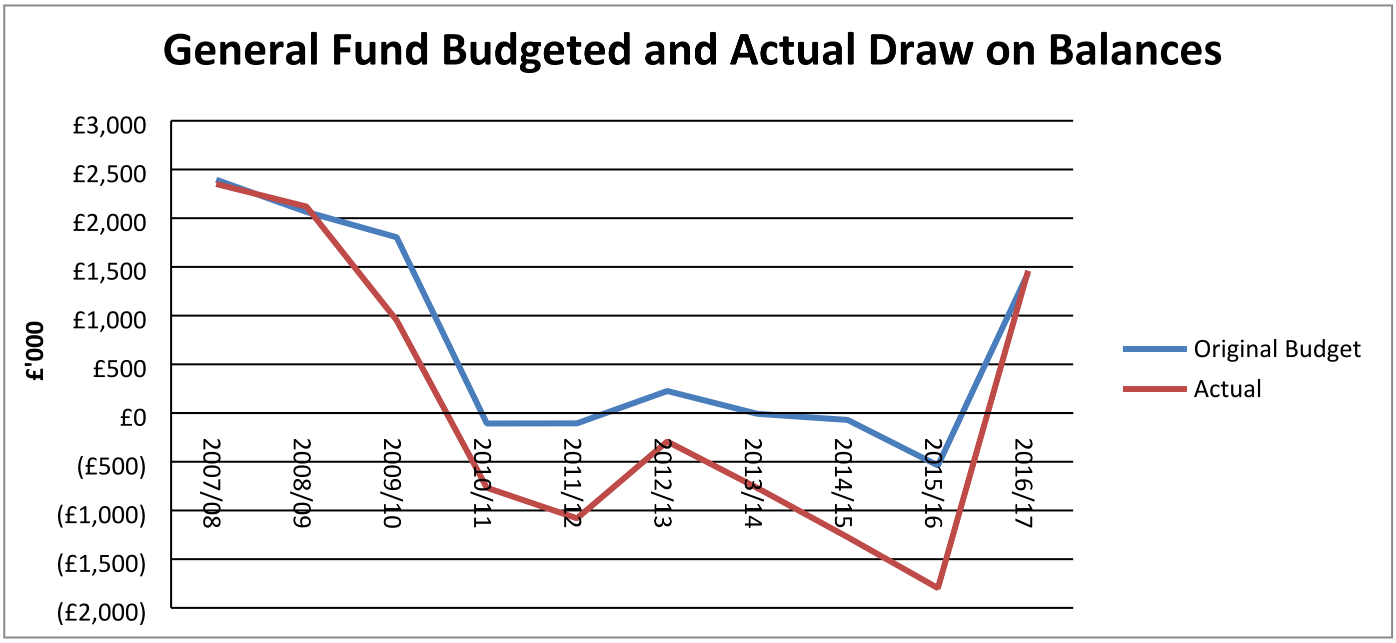
4.3.8 The approach since 2014/14 using Priority Based Budgeting (PBB) meant Members were not just concerned with the immediate coming years funding shortfall to set a balanced budget, but were looking at the General Fund over a three year period. This meant Members were able to review a whole suite of savings options, leading to a more effective prioritisation process and allowing both Members and officers to plan ahead.

4.3.9. The introduction of Financial Security priority from 2016/17 has mean the process is now not an annual (September-November) look at three year savings but rather an all year round process with the aim of delivering options to reduce net spend based on five strands which are summarised below.



4.3.10 An officer group led by the Assistant Director (Finance and Estates) meets to discuss and monitor options brought forward under the five strands. This group meets with LFSG on a regular basis to look at these options. 'Financial Security' is dealt with in more detail in section 4.10.

4.3.11 The MTFS projections for the General Fund must be set in the context of the level of savings that are achievable ('Financial Security' work programme), the available General Fund balances and the need to close the projected budget gap. The MTFS objective, 'projected future budget gap is managed and closed by 2021/22', allows for a draw on balances up to 2011/22. This is to allow the impact of funding reductions which were front loaded, as shown in the chart in paragraph 4.3.1. The draw on balances to date is shown in the chart below.



**the gap between original and actual is due to carry forward budgets into the following financial year and underspends*

4.4 Inflation

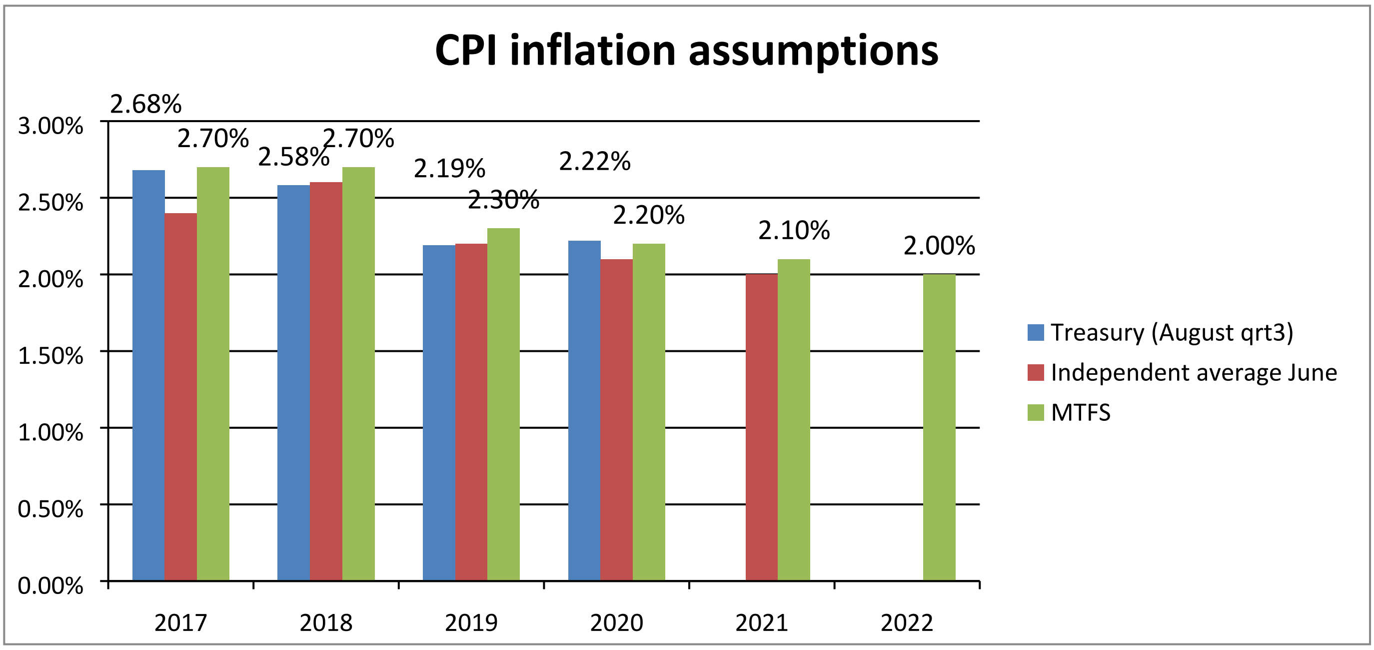
4.4.1 The assumptions made in the report together with other known budget adjustments are detailed in Appendix A. Further detail regarding the rational for the inflation assumptions made in the MTFS are in the following paragraphs.

	2017/18	2018/19	2019/20	2020/21	2021/22
Inflation-Applied to:					
Salaries - % increase	1.00%	2.00%	2.00%	2.00%	2.00%
Pension Increase				0.70%	
CPI indices increases	2.70%	2.70%	2.30%	2.20%	2.10%
RPI indices increases	3.70%	3.70%	3.30%	3.20%	3.10%
Fuel Increases	0.00%	4.00%	4.39%	4.64%	4.99%
Gas (unit charge only)	-7.30%	10.53%	14.53%	14.53%	14.53%
Electricity (unit charge only)	10.03%	10.16%	11.11%	11.11%	11.11%

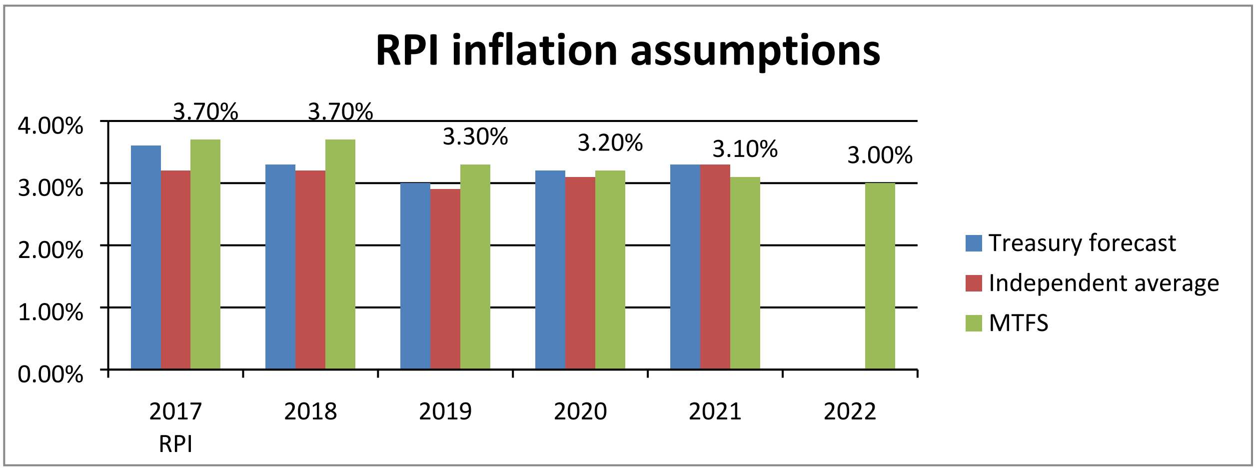
4.4.2 The inflation assumptions shown in table above have been calculated using a range of information sources which are:

	Rationale for inflation assumption
Salaries - % increase	No pay deal has been agreed for future years however the union have submitted a 5% pay deal. Employers side have acknowledged the pay spinal points need to be reviewed and there have been below inflation pay increases for a number of years. The 2% is for modelling purposes only.
Pension Increase	The increase for 2017/18 at the triennial review was an increase from 16.8% to 18.5%. Previously the lump sum payable had increased. At the next review it is anticipated that there will be a further increase to the percentage of pay of 0.7% to 19.2%.
Consumer Price Index (CPI) indices increases	Based on the Bank of England and independent forecasts as outlined in the August quarterly update. But with higher inflation in 2018/19-2019/20 to factor in any impact from BREXIT and based on 2017/18.
Retail Price Index (RPI) indices increases	This is based on a 1% differential between the CPI forecast.
Fuel Increases	Based on estimate for 2018/19 0.5%-2% above RPI inflation
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

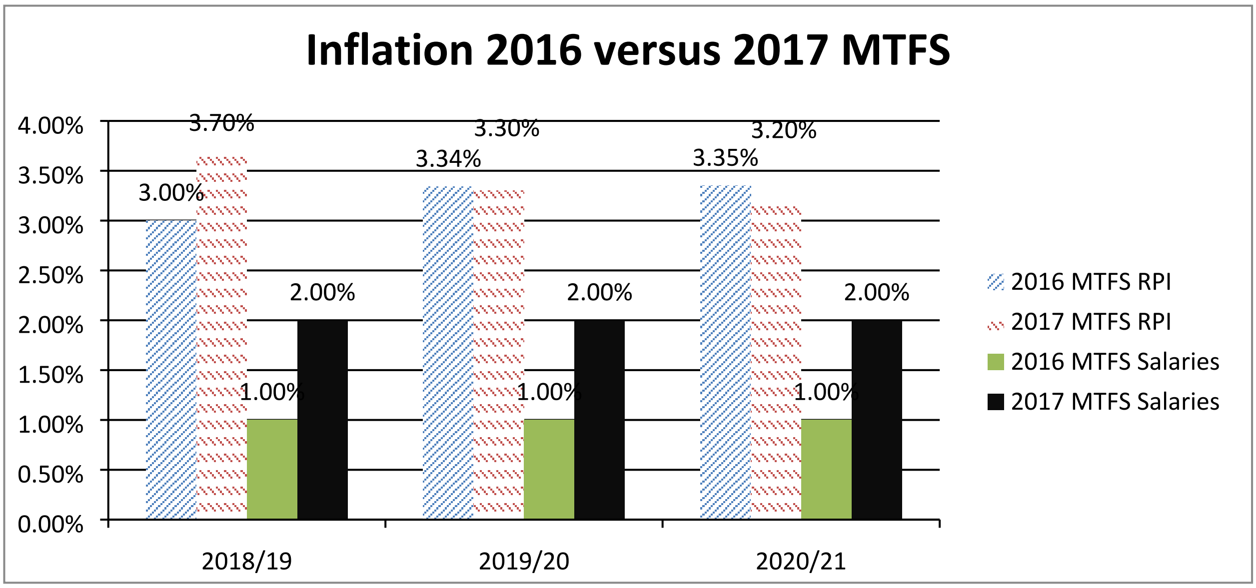
4.4.3 The summary in the following chart is based on the Monetary Panel Committee (MPC) best collective judgement of the most likely path for inflation as published August 2017, Independent analyst published June 2017, compared to the increases included in the MTFS.



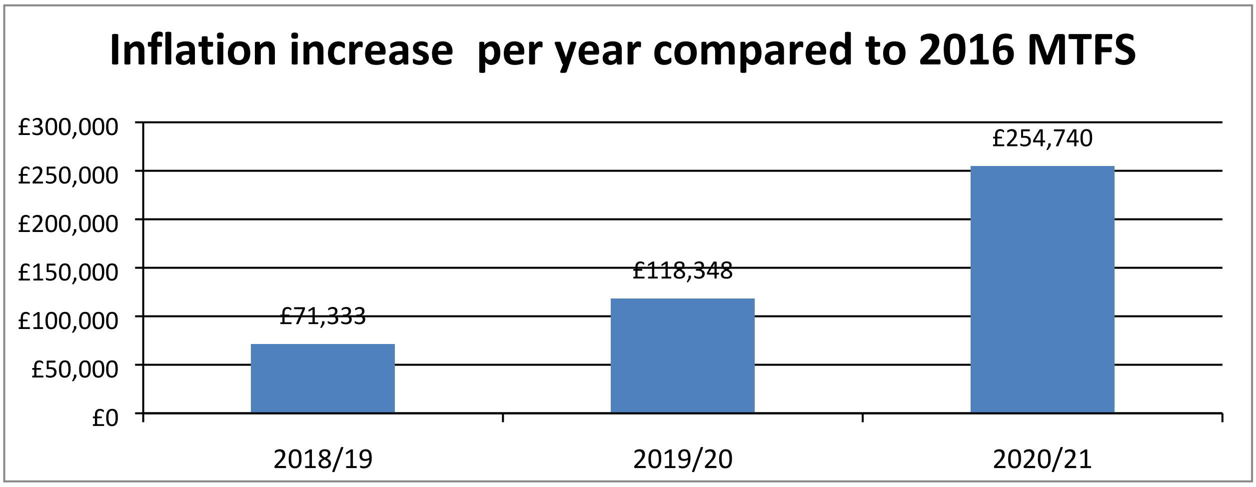
4.4.4 The MTFS RPI assumptions compared to the Bank of England and other independent analysts is shown below. The Government prefers to use the CPI indices to measure inflation, however a number of the Council's contracts and income streams (Business Rates) are linked to the September RPI. There is a differential between the two indices which tends to be about 1% higher than CPI .



4.4.5 The updated assumptions are slightly higher in the next two years than estimated in 2016.



4.4.6 The significant impact on revenue expenditure is increasing the salary inflation from 1% to 2%, (inflation totals also include impacts of increments). The 2016 and the revised inflation (all) for the General Fund is summarised in the chart below. This adds £444K of additional expenditure over the period 2018/19-2020/2.



4.5 Income and Charging Policy

4.5.1 The fees and charges set by the Council for services provided are the subject of an annual review. Changes made between years are agreed as part of the overall budget and council tax setting procedure and form part of the Council's key revenue stream forecasts. It is essential that statutory as well as discretionary services should be reviewed. This is part of the targeted commercialisation (Financial Security) strand in terms of understanding the unit cost of services

4.5.2 The key principles behind charging are:

- discretionary charges should recover costs unless the strategy is to provide a particular service at a subsidy;
- discretionary income should be maximised through appropriate commercial charges;

- a sound and robust system of discounts should be in place for those who would otherwise find that they could not access services where deemed appropriate.

4.5.3 Provision of many of the Council's services is a statutory requirement and charges for access to these are laid down as part of that requirement. There is therefore, no discretion on the setting of these fees available to the authority. It is however crucial that these charges are updated in line with statutory changes and the information made available to our customers.

4.5.4 The Local Government Act 2003 includes a general power for councils to charge for discretionary services i.e. services that an authority has the power, but it is not obliged to provide. Some discretionary charges are governed by alternative legislation, in which case this general power does not then apply.

4.5.5 The Council has a Corporate Fees and Charges group, this working group will develop proposals for fees and charges increases and concession income for the 2018/19 budget. The impact of any Strategies such as the Parking Strategy (to be presented at a later Executive) may impact on the level of fees achieved compared to the MTFS assumptions.

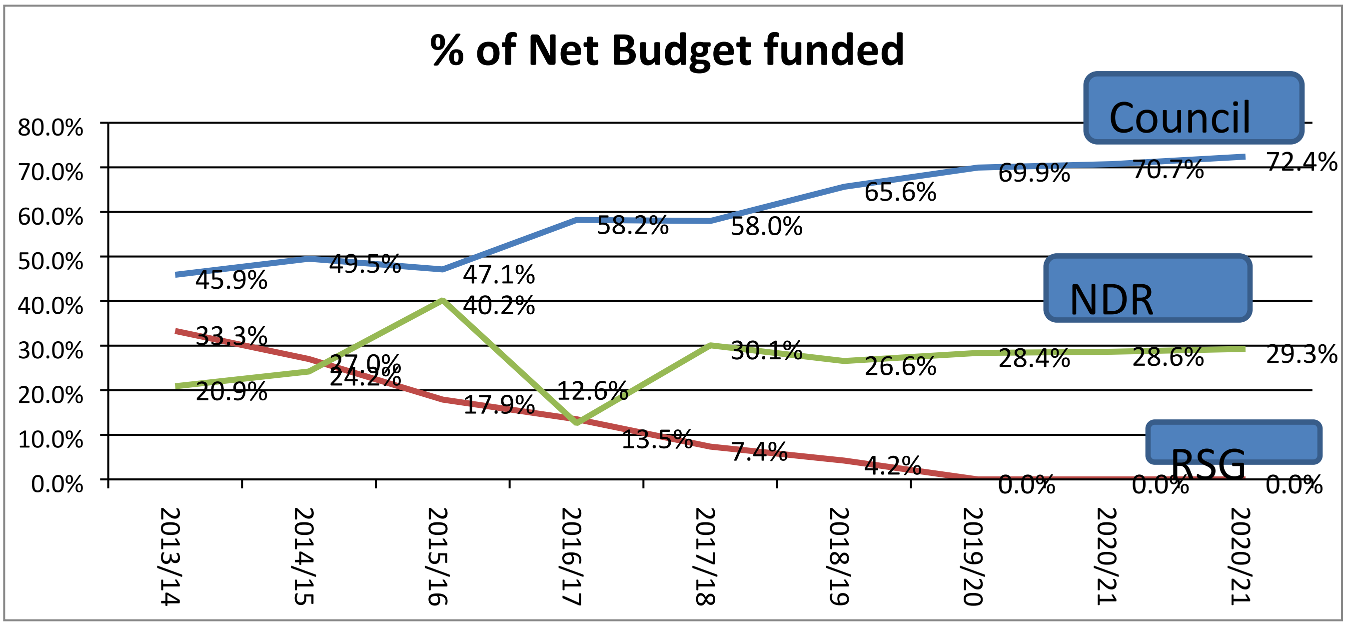
4.5.6 The MTFS assumes a minimum RPI inflation increase for fees and charges where the council has discretion over charging. The 2017 MTFS fee increase assumptions compared to 2016 as higher as inflation is predicted to be higher, leading to more cost pressures within the MTFS.

	2018/19	2019/20	2020/21	2021/22
RPI indices increases	3.70%	3.30%	3.20%	3.10%
Fees and charges income	£296,594	£272,460	£272,415	£281,043

4.5.7 The fee increase projected in the MTFS is a target for modelling purposes based on the RPI increase, if the amount assumed within the Financial Security is not achieved, future years Financial Security Target will need to be increased.

4.6 Council Tax

4.6.1 Council Tax has become more important as a core resource to fund General Fund services as the amount of RSG has diminished. By 2020/21 council tax is projected to fund over 72% of the Council's core resources.



**NDR has fluctuated due to prior year adjustments which are realised up to two years later.*

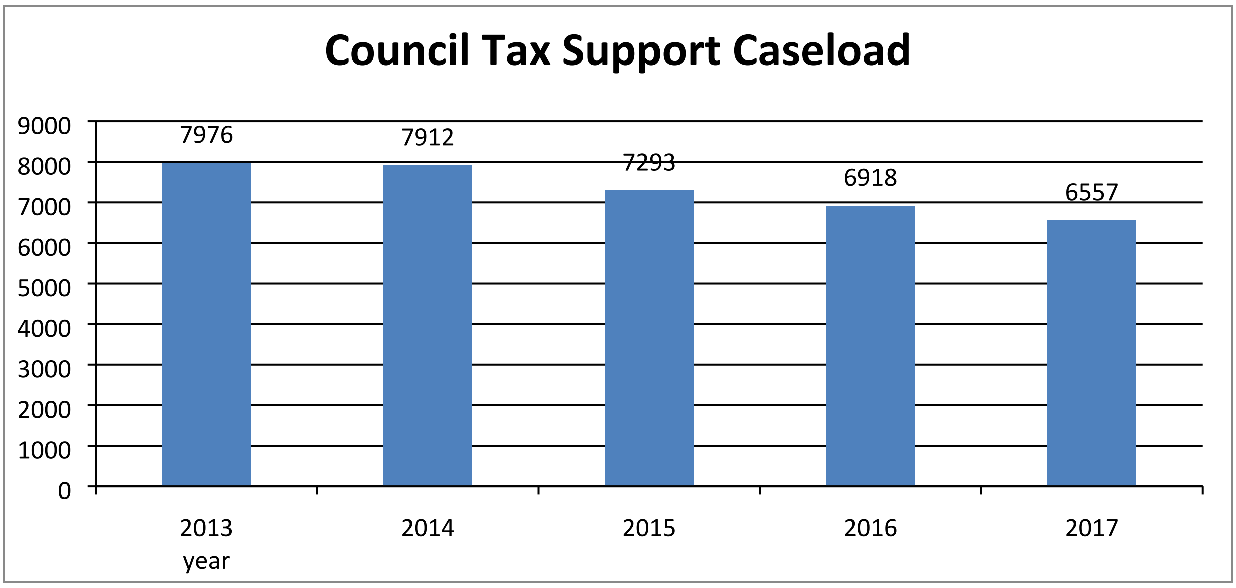
4.6.2 The amount of council tax that can be raised annually is influenced by mainly two factors, firstly the growth in the tax base and then secondly the increase applied each year.

4.6.3 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). To calculate the new properties and the increase in the tax base for future years, information from the planning department has been used. It has been assumed that

- a delay factor in build time of 3 months so properties are in the tax base for 9 months
- new properties are based on a Band C.as the majority of properties in Stevenage are categorised as Band C

Property increases assumed	2018/19	2019/20	2020/21	2021/22
New Properties projected by planning	217	249	395	301
Reduced for 3 month delay in build	-54	-62	-99	-75
Band C equivalent	145	166	263	201
Add 3 month delay into following year	0	48	55	88
Total additional properties in tax base	**145**	**214**	**319**	**288**

4.6.3 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. In addition there are new properties in the tax base which in theory could increase the number of claimants. It is assumed for modelling purposes that the CTS scheme remains unchanged from the current scheme, however this decision still needs to be made by the Executive. The reducing caseload trend for CTS is shown in the chart below.



4.6.4 The 2018/19 base has been calculated using the June position adding an additional estimated new 46 band C properties for 2017/18. Based on the data above the increase in the tax base each year is projected to be as follows.

Tax base Assumptions	2017/18	2018/19	2019/20	2020/21	2021/22
Tax base assumed per year	26,695	27,583	27,797	28,116	28,404
Assumed reduction for bad debt		552	556	562	568
Projected taxbase for year	26,890	27,031	27,241	27,553	27,836
Increase per year		1.26%	0.78%	1.15%	1.03%

4.6.5 The Revenue and Benefits shared service in conjunction with the Shared Anti-Fraud Service regularly review discounts and in particular single person discount. A 100% review of SPD is being carried out this year and where residents do not notify that they are still eligible for SPD a penalty can be raised. In 2017/18 a total of 187 penalties have been issued for nonresponding (as at 1 August 2017).

4.6.6 If the tax base increases higher than that projected then a surplus will be generated in the Collection Fund and will be repaid to the General Fund in the following year. The projected tax base for 2018/19 would generate additional council tax income of £59,500 before any increase in a Band D property is applied

4.6.7 For modelling purposes the MTFS assumes that council tax will be increased by the maximum amount of 1.99%, this being the increase allowed before a referendum must be held, balloting the electorate to approve on the level of council tax increase for the year.

4.6.8 A 1% increase in council tax is approximately £66,647 additional council tax per annum and for 2018/19 a 1.99% increase equates to £106,788. When this is added to the income generated by new properties a total increase of £173,435 is estimated for 2018/19.

4.6.9 For the last two years district councils have been able to increase council tax by the equivalent of £5.00 on an Band D, which for 2017/18 gave a 2.58% increase. If the government allowed SBC to increase its 2018/19 Band D council tax by £5.00 this would generate an additional £28,368 in that year, but this increases to £118,595 by 2021/22. Members will consider the level of council tax increase at the February 2018 Council meeting.

Council Tax Increases	2017/18	2018/19	2019/20	2020/21	2021/22
MTFS Council Tax	5,299,586	5,473,100	5,625,380	5,803,099	5,979,284
increase %	2.58%	1.99%	1.99%	1.99%	1.99%
Year on year increase		173,513	152,280	177,719	176,185
Increase if £5 band D in 2018/19		28,368	29,157	30,078	30,992
Cumm. increased income		28,368	57,525	87,604	118,595

4.7 Business Rates

4.7.1 Future business rate increases beyond 2020/21 will be increased by CPI and not RPI, the current inflator. Generally RPI is 1% higher than CPI so this would reduce the amount of collectable business rates (previous government consultation). Local authorities highlighted this would have to be considered in the context of local government financing. The Government responded by saying that from April 2020, taxes for all businesses paying rates will be cut through a switch in the annual indexation of business rates from RPI to be consistent with the main measure of inflation, currently CPI. This is in line with the Government's previous commitment to consider moving the indexation of indirect taxes from RPI once fiscal consolidation is complete.

4.7.2 The Government has previously consulted on the 100% retention of business rates (from 2019/20, the Government currently takes a 50% share). The previous Conservative Government had stated that this change will be fiscally neutral, leading to a transfer of financial responsibilities from central to local government. However the new conservative leadership does not appear to have this feature on the Government's new agenda and work had stopped post the June General election.

4.7.3 However on 1 September the Government published an 'Invitation to Local Authorities in England to pilot 100% Business Rates Retention in 2018/19 and to pioneer new pooling and tier-split models'. The invitation was accompanied by 'Supplementary information to invitation to local authorities prospectus'. This would be a pilot for one year only and has to include all authorities in a particular area. This means that if Hertfordshire were to be involved in the pilot all Hertfordshire Authorities must be in agreement. The pilot looks attractive in that no levy would be paid on gains and the government 50% share would be retained, (HCC is a top up authority and not a tariff authority). However the 'no detriment' clause applied to 2017/18 Pilots may or may not apply for 2018/19 Pilots, and the Government has asked authorities to identify if they would proceed with an application in the absence of the 'no detriment' clause. In addition there are changes to the safety net for the scheme. Hertfordshire CFO's are currently looking at the viability of submitting a Hertfordshire wide bid. Bids must be submitted by 27 October 2017. Hertfordshire CFO's are investigating whether this would be beneficial to Hertfordshire Authorities. In order to meet the submission deadline, **the CFO recommends that approval to enter the pilot for 2018/19 is delegated to the Assistant Director Finance and Estates after consultation with the Resources Portfolio holder**.

4.7.4 In 2017/18 a valuation review took place which changed business rates for businesses across the country, in Stevenage there was a net reduction in the collectable yield. In addition to this a new appeal process was introduced 1 April 2017, called ‘Check Challenge Appeal’. There has been very little information about any new appeals from the Valuation Office and officers have concern about how this process is actually working, information was due to be released in July 2017. This has the potential to make any modelling assumptions for appeals even more difficult as any appeals will not been known at the point of register, but rather when they have been through the first two stages of the process.

4.7.5 The MTFS currently assumes that the Council will achieve the baseline amount of business rates each year i.e. no inclusion of any growth or losses. It is very difficult to project future gains with the level of outstanding appeals from the 2010 list and the new appeal process as stated above. In addition there are also potentially large fluctuations in year as schools convert to academies. In 2017/18 one school conversion has resulted in a £126,000 loss of business rate to SBC (40% share) by the school obtaining mandatory relief. There is the also a risk that the NHS challenge for mandatory relief is also upheld.

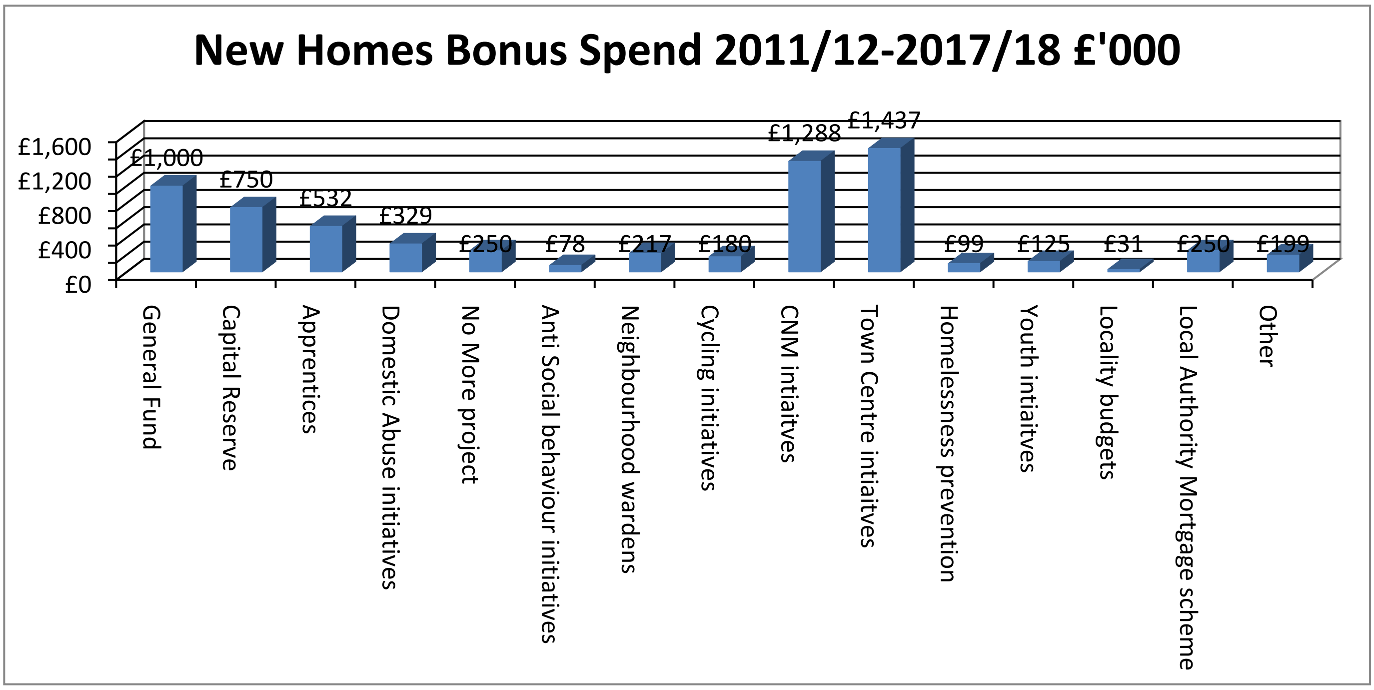
4.7.6 Within the business rates system of distribution there is a safety net below which the government will reimburse councils for lost NDR yield, this is currently set at 7.5% and for 2017/18 this equates to £180,000. There is an allocated reserve holding £172,000 which can be returned to General Fund balances in the year should this occur. For the pilot (reference 4.7.3) the safety net is set at 3% but for the Hertfordshire LA’s as a whole.

4.7.7 As part of the 2017/18 budget setting process Members approved the ring fencing of projected, in year business rate gains of £303,000 to help fund the council’s regeneration aims, linking business and regeneration. The 2017 MTFS recommends that all potential NDR gains are not budgeted for, but when realised gains above the baseline for the period 2017/18-2020/21 are ring fenced for the regeneration of the town centre.

4.7.8 The Shared Revenue and Benefits service and/or SAFS will be ensuring that the business rate regulations are adhered to and outside companies have been used to help identify areas where assessments are incorrect and under value the rating list.

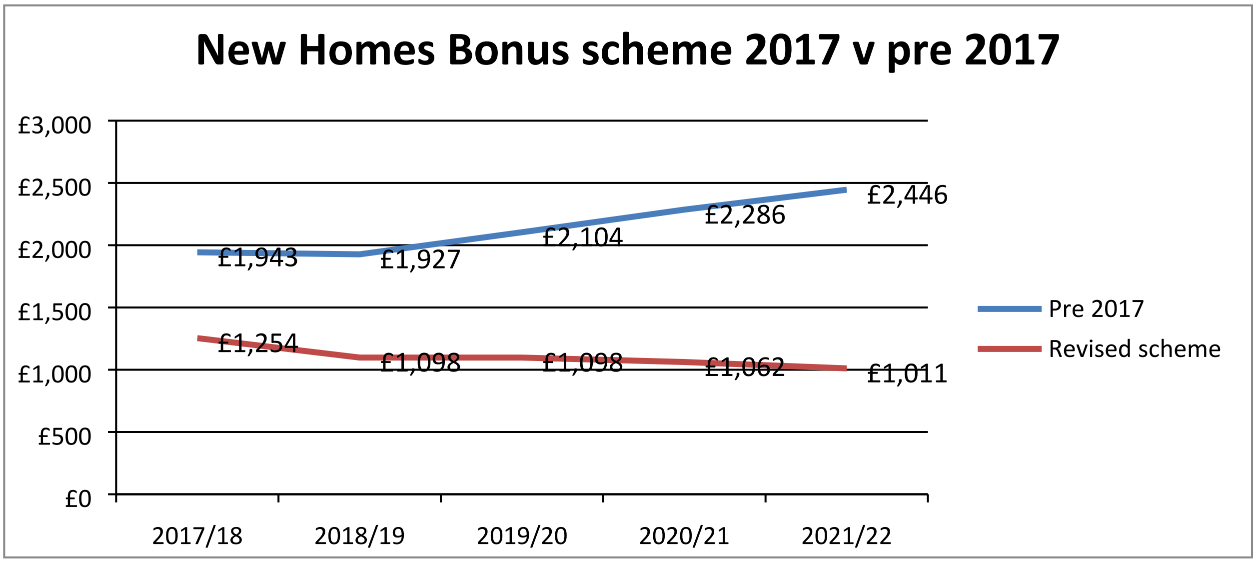
4.8 New Homes Bonus

4.8.1 It has been the Council’s policy to date not to rely on New Homes Bonus (NHB) to fund permanent services, however there are a small number of initiatives that have continued to have funding from this resource. The chart below shows the variety of initiatives funded from NHB.



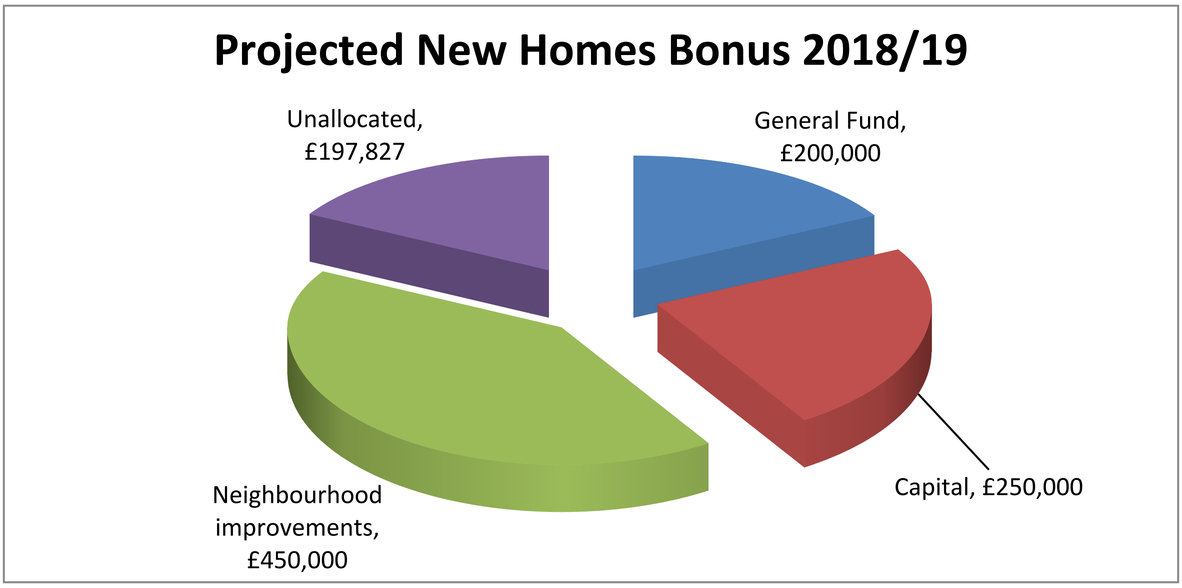
4.8.2 In 2017/18 a bid of £46.4K was approved for the homelessness prevention initiative. Since then government funding for homelessness has been granted for 2017/18 and 2018/19 which this NHB bid has now been funded from. This means £46K is now available to fund other priorities. A bid of £45K has been made by the Credit Union towards a new ICT system and implementation, which will support their business case to reach more savers and borrowers and help future proof the Union. Members are asked to approve this bid. The Credit Union have in conjunction with the Assistant Director (Finance and Estates) agreed a number of KPI's to be produced quarterly to support the success of the new ICT.

4.8.3 From 2017/18 the Government changed the amounts paid from NHB, essentially changing any sum paid from a six year period to four years and reducing the amount paid by setting a threshold. This has meant that the amount of NHB that would have been received, the chart projects the amount of NHB due under the old regulations and the amounts now estimated to be due.



2018/19 onwards based on 2017/18 NHB

4.8.4 While £1Million may still seem a significant amount of money (depending on house building levels), some NHB funding has already been approved for specific purposes as follows:



4.8.5 The potentially unallocated amount is just under £200,000 and there are a number **of priority initiatives that have been supported by NHB such as Neighbourhood Wardens, No More Project and Domestic Abuse funding and it is recommended that** these are initiatives receive the unallocated funding until a solution is found to either to exit from them or find a permanent funding solution as part of the Future Town Business Reviews. This should prevent undue financial pressure on the General Fund in trying to mainstream NHB projects.

4.8.6 There is a risk that the scheme could be changed further or that the funding is removed altogether.

4.9 Budget Pressures

4.9.1 The Council has launched its ambitious Future Town Future Council priority agenda including regeneration, housing development and co-operative neighbourhoods, all of which to a greater or lesser degree may require additional funding or seed funding to meet their stated aims and potentially unlocking future financial benefits. The ability to deliver this in a climate of reducing central government funding is going to be challenging. In addition FTFC funding to support these programmes was only in place for 2016/17 and 2017/18.

4.9.2 In anticipation of the likely pressures to emerge from Assistant Directors' business reviews to meet FTFC priorities a sum of £150,000 has been assumed per year in the MTFS for the period 2018/19-2020/21. This is for modelling purposes only and should not been seen as a target and is not intended to be an going pressure to the General Fund. In addition a further £200,000 has been assumed for upfront costs for the business reviews currently being finalised by Assistant Directors.

4.9.4 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 to approved which meets the outcomes of the FTFC priorities. In addition resources spent on services that are not considered a priority need to re-directed, which is the fifth strand of the financial security work programme.

4.10 Financial Security

4.10.1 The five strands of the financial security priority are set out in paragraph 4.3.9 of this report. The 2016 MTFS identified that progress to date has not been as fast as officers would have liked and the majority of savings that have been identified relate to **efficiency savings** reported and removed from the General Fund as part of the quarterly monitoring process.

4.10.2However Members have approved the first major ‘targeted commercialisation’ option for £15Million investment in commercial property at Council on the 17 May 2017 giving an estimated net £200K contribution to the General Fund, officers are currently progressing a number of investments including housing development. These options while being entrepreneurial also carry additional financial risks needs to be considered in the level of balances required and reflected in decisions officers recommend, e.g. ring fencing monies to fund any future losses and risk assessing a higher level of General Fund balances.

4.10.3 The options described above in paragraph 4.10.2 ‘**Targeted commercialisation’** is about being ‘business like’, knowing the unit cost of the services the council provides and making charging and service level decisions accordingly. When all Assistant Directors are in a post to progress this strand of Financial Security , the Commercial Manager can be appointed and this work can progress further.

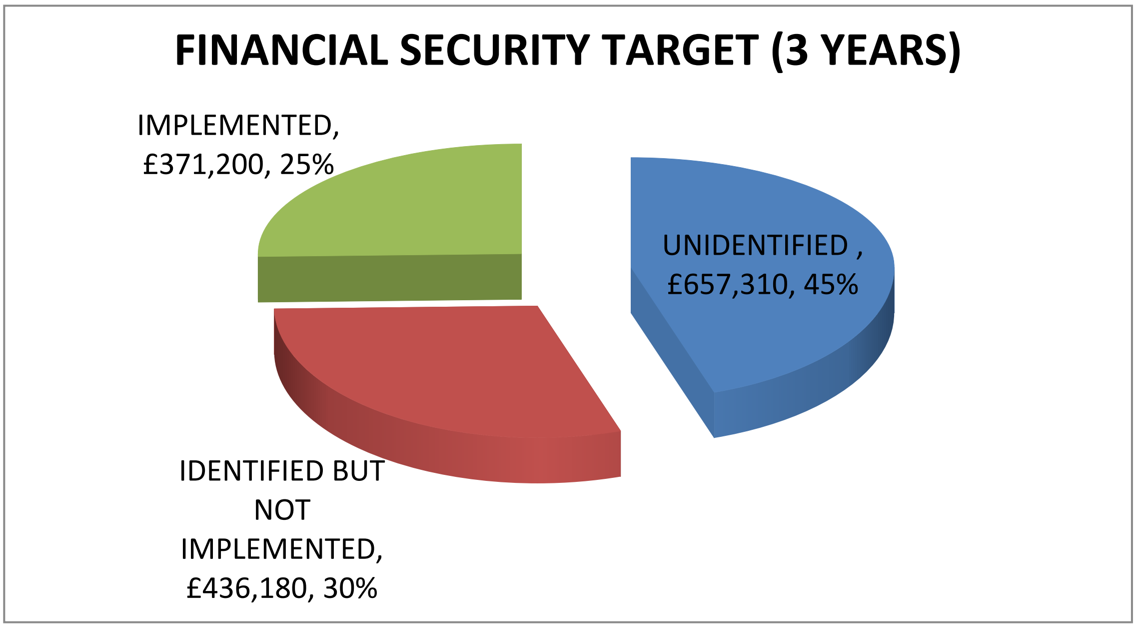
4.10.4 **Procurement**-Corporate Procurement officers have been identifying areas of spend that could be procured more efficiently and are working with officers to achieve this to deliver savings.

4.10.5 **Improve Processes**-Members approved significant investment in digital ICT which is anticipated to lead to improving processes and reducing costs by transferring transactions online, efficient workflow processes and other such initiatives.

4.10.6 The last strand of Financial Security is to review the **prioritisation of services**, to enable scare resources to flow to services which are important to the Council and residents.

4.10.7 As part of the Financial Security work the Members group (LSFG) 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.

4.10.8 The Financial Security Target for 2018/19-2020/21 is £1.464Million and is summarised in the following chart .This shows that 25% of the three year target has been implemented (including commercial property fund and quarterly monitoring savings).



4.10.9Included within ‘identified but not implemented’ options are PBB or Financial Security options which have been deferred and the Future council business reviews which have an assumed target (£126,000 for the General fund) but which has yet to be tested as business review plans are currently being complied and yet to be completed.

4.10.10 The Financial Security package will be considered by the Leaders Financial Security Group and then by the Executive and Scrutiny Committees in November 2017. This report will also include any fees and charges increases and growth options.

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.

4.11.2The Council’s General Fund balances as at 1 April 2017 was £6.4million and is forecasted to be £4.0million by 31 March 2022. This is a reduction of £2.4Million in general balances while at the same time the implementation of £1.2Million of unidentified or not implemented budget reductions, in addition to increases in fees and charges and council tax.

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

General Fund balances	2017/18	2018/19	2019/20	2020/21	2021/22
Opening Balance	(£6,426,984)	(£5,087,628)	(£4,565,633)	(£4,280,973)	(£4,032,361)
In Year	£1,339,355	£521,995	£284,659	£248,612	(£5,070)
Closing Balance	(£5,087,628)	(£4,565,633)	(£4,280,973)	(£4,032,361)	(£4,037,431)

*() equals surplus

4.11.4 The current MTFS projections show that in 2021/22 there is a small surplus of £5K, which meets the MTFS priority the 'projected future budget gap is managed and closed by 2021/22. However this will be dependent on the projections as laid out in this report being realised.

4.11.5 In setting 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 It is important that the Council has sufficient reserves and balances to enable it not only to achieve its ambitions but also to ensure that the Council can meet its service provision expectations.

4.11.8 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).

4.11.9 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.

4.11.10 In terms of determining the level of general balances for the MTFS and 2017/18, the Assistant Director (Finance and Estates) has based her advice on consideration of the factors included in the table below which project a £2.952Million minimum level of balances. This will be further reviewed as part of the budget setting process.

General Fund balances Minimum Level Assessment	**2018/19 £Million**
An amount necessary to cover a 1.5% overrun in gross expenditure	£1.080
An amount necessary to cover a 1.5% overrun in gross income	£1.072
An amount to cover Strategic risks	£0.400
An amount to cover new commercial risks	£0.200
An Amount to cover FTFC risks (Regeneration)	£0.200
Total Estimated General Fund Reserves	**£2.952**

4.11.11 The MTFS projects the General Fund balances to be within the minimum level set for the General Fund in 2018/19, although the balances are above the minimum balances up to 2021/22 there are on-going savings required which need to be identified.

4.12 **Allocated Reserves**

4.12.1 The Council's Allocated revenue reserves as at 31 March 2017 projected to be £1.78Million, the amount set aside for capital is projected to spent by the year end (this does not include any assumptions about underspends).

Movements to/from Allocated Reserves 2017/18				
Allocated Reserve	**Balance as at 31 March 2017**	**Transfers in**	**Transfers out**	**Forecast balance as at 31 March 2018**
Revenue Reserves				**0**
New Homes Bonus	(1,072,835)	0	1,000,000	(72,835)
Future Town Future Council	(180,408)	0	87,480	(92,928)
Planning Delivery	(170,034)	0	170,034	0
Regeneration Assets	(748,922)	(48,970)	40,000	(757,892)
LAMS default	(53,701)	(14,500)		(68,201)
NDR	(172,000)	(303,440)	303,000	(172,440)
Insurance Reserve	(97,460)	0	34,000	(63,460)
Town Centre	(54,459)	0	0	(54,459)
TOTAL REVENUE RESERVES	**(2,549,819)**	**(366,910)**	**1,634,514**	**(1,282,215)**
Capital Reserves				
Capital Reserve	0	(500,000)		(500,000)
TOTAL CAPITAL RESERVE	**0**	**(500,000)**		**(500,000)**
TOTAL ALLOCATED RESERVES	**(2,549,819)**	**(866,910)**	**1,634,514**	**(1,782,215)**

4.12.2 There has been commentary from central government on the level of reserves held by councils. However, officers feel it is misleading to compare the net expenditure to the level of balances that should be held. The General Fund has a 2017/18 net budget of £9Million but gross expenditure of £70Million. In addition every council will have its own set of risks it is exposed to. Furthermore with more funding risks being transferred to local government and the need to find innovative solutions to meet projected budget gaps would require a higher level of balances to be held.

4.13 Capital

4.13.1 As part of the 2017/18 capital programme schemes were classified as follows:

Schemes to be considered on Business Case:

- Category 1 : Return on investment schemes
- Category 2 : Income generating asset schemes

Schemes to be considered on Priority:

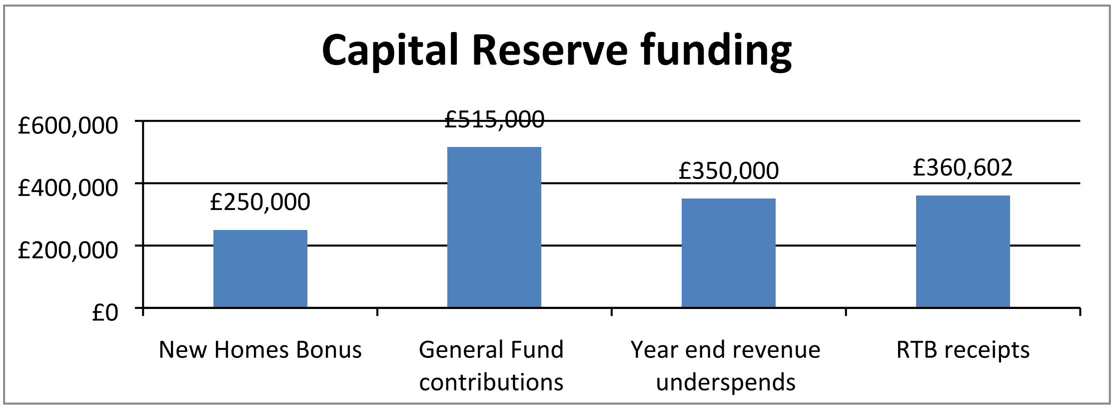
- Category 3 : Mandatory requirements
- Category 4 : Schemes to maintain operational effectiveness
- Category 5 : Match funding schemes

4.13.2 The 2018/19 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.

4.13.3 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 2018/19. It would be fair to say the 2017/18 programme was largely based on works which could not be delayed (priority one health and safety works) with the addition of co-operative neighbourhood and regeneration schemes, supported in part by NHB.

4.13.4 The Asset Management Strategy due to be presented to the Executive later in the year should set out the plan for the investment in the Council's assets. This should be used to help inform the budget setting process and the use of limited capital resources. At the end of 2021/22 the Capital Strategy estimates there will be £3.5Million of capital resources available of which £700K relates to Capital Receipts. New capital schemes will come forward that will exhaust those resources and in addition there will be a need created by the Council's regeneration ambitions.

4.13.5 A significant portion of the capital programme resources comes via the Capital Reserve (£1.475Million) which is funded 59% per year from the General Fund (through planned £515K transfers and year end underspends £350K).



4.13.6 Pressure on revenue resources could mean a reduction in the transfer to the reserve which in turn will put pressure on the capital programme, causing a need to borrow. For every one million borrowed there is an estimated £62.5K cost to the General Fund.

4.13.7 The MTFS however does not currently have any allowance for new borrowing other than that included for the garage improvements and commercial property investment. It is recommended there continues to be a transfer of underspends to the Capital Reserve and that options around sustaining core assets is proposed in the Asset Management Strategy.

4.14 Approach to Consultation

4.14.1 Over the last few years the council has sort 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.

4.14.2 The Residents survey due this year once again asks these questions to help inform the decision making. In addition for specific financial security options stakeholders both internal and external will be consulted, however this will very much depend on the options put forward. These findings are part of Council's final decision in setting the Budget and any future budget reduction options.

4.15 Decision Making Process

4.15.1The 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.

4.15..2 It is currently planned that the normal approval process will be followed:

September 2017	Executive	MTFS
	Overview and Scrutiny	MTFS
November 2017	Executive	GF and HRA 2018/19 Financial Security Package
	Overview and Scrutiny	GF and HRA 2018/19 Financial Security Package
December 2017	Executive	Draft HRA 2018/19 Budget (incorporating Financial Security Options)
	Overview and Scrutiny	Draft HRA 2018/19 Budget (incorporating Financial Security Options)
January 2018	Executive	Draft GF 2018/19 Budget (incorporating Financial Security Options)
	Executive	Final HRA 2018/19
	Overview and Scrutiny	Draft GF 2018/19 Budget (incorporating Financial Security
	Council	Final HRA 2018/19
February 2018	Executive	Final GF 2018/19
	Council	Final GF 2018/19 and Council Tax

4.15.3 Following the approval of the proposed Financial Security options for 2018/19, the Council will have an obligation to begin consultation with staff and partners

.

4.15.4 Future year proposal beyond 2018/19 will be monitored via the officer Financial Security group on their development for the following budget cycles as reported to the LSFG. These will come forward as reports to the Executive as options are developed and signed off by SLT and the LFSG.

5. IMPLICATIONS

5.1. Financial Implications

5.1.1 It is the CFO's view that the Council's ambitious FTFC programme will almost certainly lead to pressures on financial resources, in particular, regeneration which may require the council to provide more funding to facilitate the works. 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 Council has already approved significant capital investment in ICT, works in the Town centre and neighbourhood improvements and a Transformation Fund has been recommended in this report, however this may not be enough and the council will have to revisit its MTFS.

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

5.1.3 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 implement and the approach to this needs to be changed to reflect this, which is why the Financial Security priority has been implemented.

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 above the four year deal.	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
UPDATED: Anticipated Financial Security	Regular monitoring and reporting takes place, but the size of the net	Medium	Medium

Risk Area	Risk Mitigation	Likelihood	Impact
options not achieved (Negative Risk) –agreed options do not deliver expected level of savings either on a one-off basis or ongoing.	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.		
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 down trend on the case load in recent years	Low (previously medium	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 £172K which the council has included in an allocated reserve. On-going this would impact on the savings target and ultimately services.	Medium	High
NEW Localisation of Business Rates (Potential Negative) schools in Stevenage become Academies	Negative- The council has already lost £126K of yield this year with the impact	Medium	High
NEW: The NDR Check Challenge Appeal process impacts on the council's baseline assessment and increases the level of successful appeals and reduces the yield (Negative risk)	Officers will be monitoring changes to the NDR system and will be talking to the Valuation office.	Medium	Medium
The Government introduces CPI for NDR before 2020/21 (negative risk) This would affect the Governments share as well	There is a 1% differential between RPI and CPI and a reduction in the amount of NDR assumed within the MTFS would require new Financial Security Options to be brought forward. This should be reflected in the level of General Fund balances held. A 1% reduction in NDR for 2018/19 would be £53,000 per year	Medium	Medium
Impact of the Universal	A reduction in the amount of grant	Medium	High

Risk Area	Risk Mitigation	Likelihood	Impact
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.	assumed within the MTFS would require compensating reductions in planned spending within services . However UC is being implemented at very slow pace and the current case load is reducing. (New claims complete by June 2018)		
Inflation (Negative Risk) – The majority of contracts the Council holds include an annual price increase usually in line with RPI.	General balances are risk assessed to ensure overall levels are maintained that can meet higher than expected inflation rates.	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
Impact of changes to Cap on council tax increases	The Council's MTFS has an increase of 1.99% projected going forward. If the cap is reduced to 1% for 2018/19 and subsequent years the budget reduction target will need to increase to compensate for the loss of income	Medium	Medium
The impact of the EU referendum 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
Impact of future years capital programme	There is a robust challenge process for capital bids. Officers will be	Medium	High

Risk Area	Risk Mitigation	Likelihood	Impact
(Negative) There could be increased pressure from the capital programme on the General Fund.	required to confirm that resources are in place to deliver any approved spend.		
NEW 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. In addition there is regular monitoring of cost projections and Members will updated on the proposed scheme once a development partner has been chosen.	High	High
NEW: Transport Subsidy (Negative risk) HCC may reviewing the amount paid to Council's, SBC currently receives £208K	The council would seek to have a phased increase and look to find alternative options with the County	Medium	High
NEW: Fees and Charges target may not be reached (negative risk)	Non achievement of the target would require other FS options to be brought forward.	Medium	Medium

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 - 2016 MTFS Strategy
http://www.stevenage.gov.uk/content/committees/160923/160931/160995/167541

APPENDICES

Appendix A MTFS

Stevenage Borough Council

MEDIUM TERM FINANCIAL STRATEGY (MTFS) SEPTEMBER 2017 Update APPENDIX A

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

General Fund Forecast		On-Going Cost?	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £	Commentary
Base Budget		Y	9,094,186	8,919,830	8,657,517	8,399,395	8,547,812	
(i) BASE ADJUSTMENTS								
Prior Years Savings Options		Y	(79,000)	79,000	0	0	0	
Prior Years Growth Options		Y	(1,000)	0	0	0	0	
Prior Years Heads of Service Pressures		Y	(161,866)	0	0	0	0	
TOTAL PRIOR YEAR BASE ADJUSTMENTS			**(241,866)**	**79,000**	**0**	**0**	**0**	
(ii) HEADS OF SERVICE PRESSURES/SAVINGS:								
Building Control partnership			(62,662)	(26,982)	(49,933)	(110,420)	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
Funding for graduate scheme		Y	42,469	0	0	0	0	This scheme was introduced to fund graduates to 'grow new talent' in the organisation.
Additional hardware and software costs		Y	12,609					Additional expenditure being incurred as new ICT infrastructure goes out of warranty on critical infrastructure items such as servers and storage.
Revenue Impact of capital bids		Y	16,790					impact of capital bids reported at the January Executive.
Return of provisions		N	(18,751)	0	0	0	0	Assessment of provisions due to be returned to the General Fund
Return of LAMS allocated reserve to the General Fund		N	0	0	(68,201)	0	0	By 2019/20 the period by which the council would have been liable for any defaults ceases.
			(9,544)	**(26,982)**	**(118,134)**	**(110,420)**	**0**	
(iii) CARRY FORWARDS AND SUPPLEMENTARY ESTIMATES:								
3rd quarter 2016/17		N	347,150					
4th quarter 2016/17		N	449,950					
			797,100	**0**	**0**	**0**	**0**	
(iv) GOVERNMENT SPENDING CUTS/TAX/INITIATIVES:								
Section 31 grants given by government for changes made NDR reliefs		N	(362,350)	(270,800)	(270,800)	(270,800)	(270,800)	Reliefs given by government which are reimbursed via grant (S31)
Apprentice levy announced in 2016 budget		Y	56,644	0	0	0	0	charged at 0.5% of payrolls in excess of £3Million
Changes to the 2017 Business Rates revaluation list & inflation increase		Y	65,860	48,721	52,419	34,267	34,414	This is the impact of the new 2017 rating list on Council buildings.
Reduction in Housing Benefit admin subsidy	NEW	Y	30,950					Reduction in subsidy for housing benefit (partly based on caseload).
			(208,896)	**(222,079)**	**(218,381)**	**(236,533)**	**(236,386)**	
(v) INFLATION ASSUMPTIONS:								
Inflation assumptions:								
Pay inflation salaries		Y	302,870	320,560	347,795	376,356	380,000	pay award 2017/18 onwards 1% increase includes increments.
Increase in Superannuation payment for pension deficit		Y	83,820	0	0	96,388	0	Increase for 2017/18 will be fixed for three years and not increase annually as per the last tri-annual valuation
Pension opt ins		Y	58,000	0	0	0	0	Based on 25% of staff not in the pension remaining in the scheme
Utility inflation		Y	65,700	59,570	72,454	80,612	90,022	Updated based on current projections
General Inflation (contractual)		Y	142,330	184,730	117,300	123,359	123,422	updated inflation applied to contractual arrangements.
Less Inflation charged to other funds		Y	(139,550)	(39,540)	(37,628)	(47,370)	(41,541)	Proportion rechargeable to the HRA
			513,170	**525,320**	**499,921**	**629,344**	**551,903**	
(vi) BUDGET MONITORING ADJUSTMENTS:								
Quarter 2 adjustments 2016/17		Part	0	14,350				As reported at the November 2016 Executive
Budget Setting Adjustments 2017/18		Part	17,472					
Quarter 1 adjustments 2017/18			12,140					
			29,612	**14,350**	**0**	**0**	**0**	
(vii) BORROWING COSTS								
Borrowing costs- Garage Strategy		Y	(4,050)	(76,837)	(14,463)	(2,605)	22,355	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	20,259	(1,891)	(9,191)	(11,902)	0	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)	NEW		744	(28,400)	(38,767)	(79,336)	(1,871)	Reduction in MRP for fully depreciated assets
			16,952	(107,128)	(62,420)	(93,843)	20,484	
(viii) SAVINGS OPTIONS & BUDGET PROPOSALS :								
Fees and Charges		Y	(190,030)	(296,594)	(272,460)	(272,415)	(281,043)	
Prior Year Savings (2014/15-2015/16)		Y	(77,816)	(33,539)	(8,756)	0	0	
2016/17 Savings		Y Year 2	(5,181)	0	0	0	0	
savings identified 1 st quarter 2016/17		Y	(23,320)	0	0	0	0	Reported as part of the 1st quarter monitoring report to this Executive
Office accommodation savings		Y years	(41,480)	0	0	60,280	0	
2017/18 Savings	UPDATED	Y	(226,190)	(9,320)	0	0	0	Approved February Council 2017
2018/19 Savings	UPDATED	Y	0	(62,590)	(47,590)	0	0	
2018/19 Future Council Business reviews		Y		(126,000)				
savings identified 3rd quarter 2016/17	UPDATED	Y	(60,600)					
savings identified 4th quarter 2016/18	UPDATED	Y	(159,550)					
Commercial Property Investment	UPDATED	Y	0	(200,000)				Assumed minimum return included in business case to Council 2017.
Financial Security Savings Target		Y- not 16/1	200,000	(46,900)	(552,410)	(200,000)	(200,000)	
			(584,167)	**(774,944)**	**(881,216)**	**(412,135)**	**(481,043)**	
(ix) GROWTH BIDS APPROVED:								

Stevenage Borough Council

MEDIUM TERM FINANCIAL STRATEGY (MTFS) SEPTEMBER 2017 Update APPENDIX A

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

General Fund Forecast		On-Going Cost?	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £	Commentary
2016/17 Growth bids			(10,000)	0	0	0	0	Approved as part of 2016/17 budget setting
Future Town Future Council Funding			119,630	13,333	0	0	0	
Review of Town Centre Management (July 2016 Executive)			58,000	29,000	0	0	0	
Electric Car scheme (July Executive)			(22,750)	(7,500)	0	0	0	
Garages Report (July 2016 EXECUTIVE)			18,000	(20,280)	111,640	82,230	(180,676)	
Business Relationship Manager			65,000	0	0	0	0	Approved and signed off by Leader, published August 2016.
Shared Legal Service		Part	130,413	18,211	5,973	4,429	0	Includes one off implementation costs in 2017/18
			358,293	**32,764**	**117,613**	**86,659**	**(180,676)**	
(x) NEW GROWTH BIDS 2017/18								
2017/18 Proposed growth bids		Y	**143,700**	**(35,000)**	**35,000**	**(35,000)**	**35,000**	
Pump prime Future Town Future Council initiatives	UPDATED	N	**100,000**	**150,000**	**150,000**	**150,000**	**100,000**	
Costs for compliance contract- May Executive	NEW	N	**6,500**					
			250,200	**115,000**	**185,000**	**115,000**	**135,000**	
(xi) USE OF ALLOCATED RESERVES								
Allocated Reserves used to fund Town Centre Manager		N	**(29,000)**	**0**	**0**	**0**	**0**	Use of Town Centre Management Reserve and NHB reserve
Transfer NDR gains to allocated reserve		N	**303,440**					Agreed at January 2017 Executive
			274,440	**0**	**0**	**0**	**0**	
TOTAL GENERAL FUND EXPENDITURE			**10,289,480**	**8,555,131**	**8,179,900**	**8,377,466**	**8,357,094**	
Year on Year Change in spend (excluding carry forwards)			***1,331,132***	***(1,734,349)***	***(375,231)***	***197,567***	***(20,373)***	
Government Support- RSG			(689,969)	(351,230)	0	0	0	
NNDR before the levy and excluding s31 grant	UPDATED		(2,569,654)	(2,208,806)	(2,269,861)	(2,325,755)	(2,382,879)	100% retention of Business rates by 2019/20 consultation stated figures for 2019/20 onwards indicative only.
Transfer to/From Collection Fund (Business Rates)	UPDATED		(478,057)	0	0	0	0	Return of funds to the Collection Fund for 2016/17 and 2015/16.
Levy Payment & other adjustments	NEW		226,243	0	0	0	0	A 50% levy is due on gains on NDR. (Projection as at 5/1/2017)
Total Government Support			**(3,511,436)**	**(2,560,036)**	**(2,269,861)**	**(2,325,755)**	**(2,382,879)**	
Government Support reduction year on year:			-1.81%	-21.46%	-11.33%	2.46%	2.46%	Reductions in future years excluding NDR surplus transfers.
Government Support as a % of Net General Fund Budget			34.13%	29.92%	27.75%	27.76%	28.51%	
Use of Balances			**1,339,355**	**521,995**	**284,659**	**248,612**	**(5,070)**	
Transfer to/From Collection Fund (Council Tax)	UPDATED		(139,102)	0	0	0	0	Return of projected surpluses to the General Fund
District Precept	UPDATED		(5,299,586)	(5,473,100)	(5,625,380)	(5,803,099)	(5,979,284)	Based on Tax base report to January Executive 2017 (2017/18)
% of Net General Fund Budget			-51.50%	-63.97%	-68.77%	-69.27%	-71.55%	
Average Band D Council Tax			198.52	202.47	206.50	210.61	214.80	Increased in 2017/18 £5.00 on a band D property or 2.58%
Average Band C Council Tax			176.46	179.98	183.56	187.21	190.94	
Council Tax Increase			2.58%	1.99%	1.99%	1.99%	1.99%	
Tax Base	UPDATED		26,695	27,031	27,241	27,554	27,836	Tax base update to reflect new properties in conjunction with planning projections
Increased Council Tax income (£5.00 versus 1.99%)				0	(25,878)	(50,128)	(72,554)	
GENERAL FUND RESERVES:								
			2017/18 £	**2018/19 £**	**2019/20 £**	**2020/21 £**	**2021/22 £**	
Revised Balances at 31 March each Year:								
General Fund Balance 1 April			**(6,426,984)**	**(5,087,628)**	**(4,565,633)**	**(4,280,973)**	**(4,032,361)**	
Use of balances in Year	UPDATED		+1,339,355	+521,995	+284,659	+248,612	(5,070)	
General Fund Balance 1 March			**(5,087,628)**	**(4,565,633)**	**(4,280,973)**	**(4,032,361)**	**(4,037,431)**	
Inflation Assumptions								

Agenda Item 7

Part I
Release to Press

Stevenage
BOROUGH COUNCIL

Meeting:	**EXECUTIVE**	**Agenda Item:**	**7**
Portfolio Area:	Resources		
Date:	**19 SEPTEMBER 2017**		

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

KEY DECISION

Authors – Anita Thomas Ext. 2430
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 2017/18 net expenditure and seek approval to these changes as part of the quarterly review of all revenue budgets.

1.2 To update Members on the progress of financial security options and growth bids approved as part of the 2017/18 budget setting process.

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 2017/18 1st quarter projected net decrease in General Fund expenditure of £55,060 be approved.

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

2.3 That the progress of the 2017/18 approved Financial Security options, growth bids, carry forward requests be noted.

2.4 That the 2018/19 ongoing net pressure of £28,070 that will be incorporated into the General Fund Medium Term Financial Strategy (MTFS).

Housing Revenue Account

2.5 That the 2017/18 1st quarter projected net decrease in HRA net surplus expenditure of £203,410 be approved.

2.6 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 (excludes carry forwards).

2.7 That the progress of the 2017/18 approved financial security options, growth bids, and carry forward requests be noted.

3. BACKGROUND - GENERAL FUND

3.1. Since the General Fund net budget of £9,382,220 was approved at Council Members have approved net budget changes of £713,240, as detailed in Table one below:

Table One – 2017/18 General Fund Working Budget	**Working Budget £**
Original Budget	9,382,220
3rd Quarter 2016/17 net decrease	(60,600)
3rd Quarter Carry forwards	347,150
4th Quarter 2016/17 net decrease	(155,550)
4th Quarter Carry forwards	449,950
Legal Shared Services report (Exec 4-4-17)	125,790
Compliance service (Exec 24-5-17)	6,500
Total changes	713,240
Total Net Budget Approved to Date	**10,095,460**

3.2 General Fund – Budget Review

3.2.1 Following the quarter one review of revenue budgets officers have identified the following budget alerts listed in table two below. Where the external/internal factors affecting budgets are known with some certainty projected changes to income and expenditure budgets have been flagged (red – budget exceed/ income not achieved or green – budget underspend/income exceeded) and budget changes are recommended. Where budgets are deemed at risk of being achieved service areas have been flagged at amber and no budget changes are proposed at this time.

Table Two - Budget Alerts - General Fund		Status (red=overspend/under recovery of income Green= underspend/over recovery of income)	Budget change £	Potential Budget Risk £
	Service Area:			
Income	Indoor Market	RED	31,240	
	Off street car parking	GREEN	(45,000)	
	On Street Parking	GREEN	(30,930)	
	Recycling sales	RED	60,000	
	Planning applications	GREEN	(82,170)	
	Housing Benefit overpayments	RED	78,200	
	Investment Interest (see para 4.4)	GREEN	(48,450)	
Expenditure	Parking enforcement contract	RED	24,000	
	Fuel (fleet vehicles)	GREEN	(23,200)	
	Salaries - Refuse and Recycling overtime	GREEN	(60,920)	
	Holiday Pay Provisions	GREEN	(18,750)	.
	Business Rates - Carparks	RED	63,720	
Other		GREEN	(2,800)	
TOTAL BUDGET CHANGES REPORTED THIS QUARTER			**(55,060)**	
TOTAL BUDGET RISKS IDENTIFIED THIS QUARTER (AMBER STATUS)				**0**

3.2.2 **Parking Income** – a number of new on street parking schemes have been established in the town to address parking issues. Costs to enforce these parking schemes have increased but are offset by the additional income.

3.2.3 **Housing benefit** - With the introduction of real time information sharing fewer housing benefit overpayments are being raised (£78,200). Recover of these overpayments is kept by the Council (as overpayments are excluded from the subsidy claim form).

3.2.4 **Car park business rates** – Since the budget was set in January the Valuation Office has revised the rateable value of the council's carparks upwards. This has increased the business rate charge for 2017/18 (£63,720). Officers will investigate whether there is an opportunity to "check, challenge and appeal" these new valuations before the budget pressure is flagged as ongoing.

3.3. **Financial security options, Growth bids and Carry forward requests**

3.3.1 Included in within the 2017/18 General Fund budgets are Financial Security options totalling £226,190, growth bids of £143,700 and carry forward budgets of £797,100. Currently no variances to these budgets have been identified.

3.4 **New Homes Bonus funded schemes**

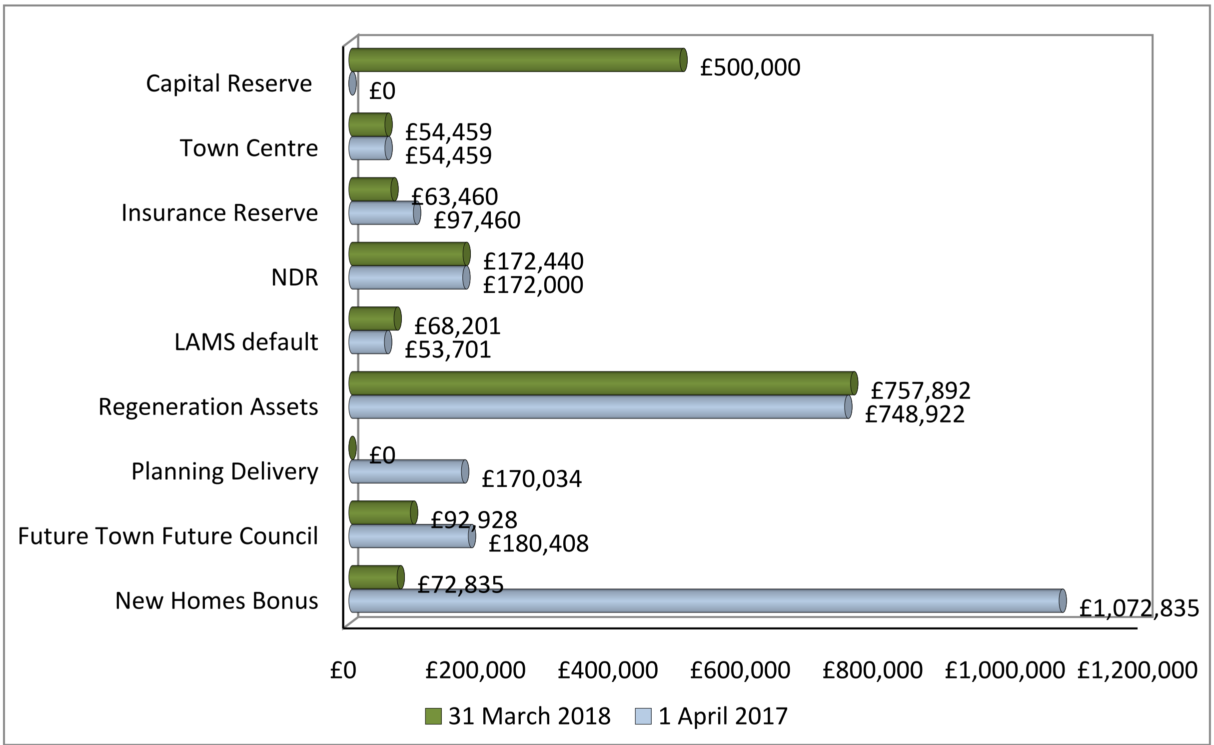
3.4.1 An update on new homes bonus funded projects will be given in the 2nd quarter budget monitoring report to Members in November.

3.5 **Review of General Fund Balances**

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

3.5.2 **Allocated Reserves** - Total allocated reserves available for the Council to spend as at 1 April 2017 was £2,549,819 – the majority of which is held in the New Homes Bonus reserve for projects already identified (£1,072,835) and Regeneration assets (£748,922).

3.5.3 No specific transfers to/from allocated reserves have been requested in this report, however anticipated transfers to cover the cost of known projects in 2017/18 have been included the forecasted balance of allocated reserves as at 31 March 2018 (£1,782,215).



3.5.4 General Fund Balance – Following the 1st Quarter review the General Fund balance as at the 31 March 2018 is now forecast to be £5,336,708 subject to any changes included in the Medium Term Financial Strategy (MTFS) update to this Executive

Table 4- General Fund Balances	**£**
Original Net General Fund Budget	**9,382,220**
Approved budget changes	713,240
Net Working budget approved to Date	**10,095,460**
1st Quarter review	(55,060)
Total Net Expenditure post Q1 review	**10,040,400**
less core resources (see para 3.5.5)	(8,950,125)
Transfer (to)/from General Fund balances	**1,090,275**
General Fund balance 31/3/17	**(6,426,983)**
Transfer (to)/from General Fund balances	**1,090,275**
Projected General Fund balance 31/3/18	**(5,336,708)**
Allocated Revenue Reserves 31/3/18	(1,282,215)
Allocated Capital Reserves 31/3/18	(500,000)
Total General Fund balances (estimated 31/3/18)	**(7,118,923)**

3.5.5 **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 tax base for 2017/18 is now estimated at 26,944 band D equivalents (Council Tax setting report in February estimated 26,695). Although the taxbase has increased and there is likely to a surplus at the year end, the budgeted figure is calculated on a full year effect the July taxbase is a point in time. More information relating to the taxbase can be found in the General Fund MTFS (September Executive)

3.5.6 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 surplus of £2,790,940 was approved at Council, Members have further approved net budget increases of £462,610, as detailed in the following table:

Table Four – HRA Working budget	Working Budget £
Original Budget	(2,790,940)
3rd Quarter 2016/17 net decrease	(62,970)
3rd Quarter Carry forwards	317,250
4th Quarter 2016/17 net decrease	(112,600)
4th Quarter Carry forwards	273,720
Legal Shared Services report (Exec 4-4-17)	47,210
Total changes	462,610
Total Working Budget	**(2,328,330)**

4.2 Housing Revenue Account – Budget Review

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

Table Five - Budget Alerts - Housing Revenue Account		Status (red=overspend/under recovery of income Green= underspend/over recovery of income)	Budget change £	Potential Budget Risk £
	Service Area:			
Income	Increase in re-let times (void repairs)	RED	145,000	
	Out of management properties	RED	40,000	
	Delays in stock acquisitions	RED	31,000	
	Right to Buy increase rent loss	RED	7,000	
	Service charges & miscellaneous income reductions	RED	44,260	
	Phone mast Income (one off)	GREEN	(35,920)	
	Service charge adjustment for prior year	GREEN	(42,270)	
	Investment interest (see para 5.1)	GREEN	(49,090)	
	Bad debt provision	AMBER		(45,000)
Expenditure	Absence cover for caretaking service	RED	30,490	
	Agency use to cover recruitment lag in Repairs & Voids service	RED	30,000	
Other		RED	2,940	
TOTAL BUDGET CHANGES REPORTED THIS QUARTER (RED STATUS)			**203,410**	
TOTAL BUDGET RISKS IDENTIFIED THIS QUARTER (AMBER STATUS)*				**(45,000)**

** amber status - budget variance not included in the recommended budget adjustment at this time*

4.2.2 **Rent variances** -The original rent projections include assumptions about **void levels** for each type of rental property. However in the current year, void loss to week 13 is £101,832 with an additional void loss of £145,000 over the original budgeted amount of £201,000 giving a total void loss projected of £346,000 for the year. A new process for voids has been implemented by the Repairs and Voids Team with the empty homes officers being relocated to Cavendish Road. Officers are currently looking at how performance can be improved. The losses are also exacerbated by voids being re-let at formula rents so increasing the rental loss. The rent estimates for 2017/18 include an additional £19,890 of income from letting void properties at their formula rent.

4.2.2 **Out of management properties/delays in stock acquisition** - In setting the rent budget in January a number of new build properties were expected to be available to let from April. The actual number of properties available as at the 1 April was slightly lower impacting on rental forecast for this year (£31,000). In addition a number of properties have been taken out of management in readiness for redevelopment (£40,000), which will reduce decant costs in later years. This will also impact on service charge income.

4.2.3 **Repairs and Void Service** – recruitment to permanent posts is proving difficult due to higher technical requirements of the new posts. To minimise service disruption to tenants additional agency staff and subcontractors have been used, increasing the costs of the repairs and void service in year only (£30,000).

4.2.4 In the interim additional agency staff have been used to ensure caretaking cover is maintained during staff absences due to holiday and sickness (£30,490). A review of the caretaking service is being undertaken to assess what level of service should be provided and as such an ongoing pressure has not been raised.

4.3 Housing revenue account balances

4.3.1 Following the 1st quarter review the HRA balance is now forecast to be £21,874,491. Although forecast balances are high, Members will be aware of the funding gap identified in the HRA in future years and the ongoing requirement to find Financial Security options.

Table Ten – Housing Revenue Account out-turn Position	£
Original Budget	**(2,790,940)**
Approved budget changes	462,610
1st Quarter adjustments	203,410
Projected net surplus post 1st Quarter review	**(2,124,920)**
HRA balance brought forward 1/4/17	(19,749,571)
Surplus in year	(2,124,920)
Projected HRA balance 31/3/18	**(21,874,491)**

4.4. Investment balances

4.4.1 The Council's investments as at 30 June 2017 were £66.33million. The average investment rate achieved in the 1st quarter was 0.57% and the revised forecast for investment income is now higher than budget. Investment interest is allocated to the General Fund and HRA based on cash balances held by each fund. At the 1st quarter additional investment income of £48,450 and £49,090 to General Fund and HRA respectively is forecast.

4.4.2 Cash balances are held by the Council to meet financial obligations such as NDR refunds following successful appeals (for which a provision is held) and restricted use reserves such as right to buy one for one receipts. Cash balances are expected to fall during the year and are forecast to be £54million as at 31 March 2018, subject to the capital programme being fully spent.

4.4.3 The Council's loan portfolio totals £209.494million with the majority (£207.994million) with the Public Works Loan Board (PWLB). Details of investments and loan portfolios are shown in Appendix A.

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 2017/18 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 2017/18 General Fund balances was calculated at £2,656,938. This report forecasts General Fund balances of £5,336,708 and allocated reserve balances of £1,782,215 which is above the minimum balances required.

5.4.2 The HRA balances are projected to be £21,874,491. The level of HRA balances or revenue reserves risk assessed for 2017/18 is £1,947,740. 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 26 January 2017)

http://www.stevenage.gov.uk/content/committees/160923/160927/160991/20170131-Item3.pdf

BD2 - 2017/18 Council Tax Setting and General Fund Budget (Council 24th February 2017)
http://www.stevenage.gov.uk/content/committees/160923/160927/160991/20170228-Item5A.pdf

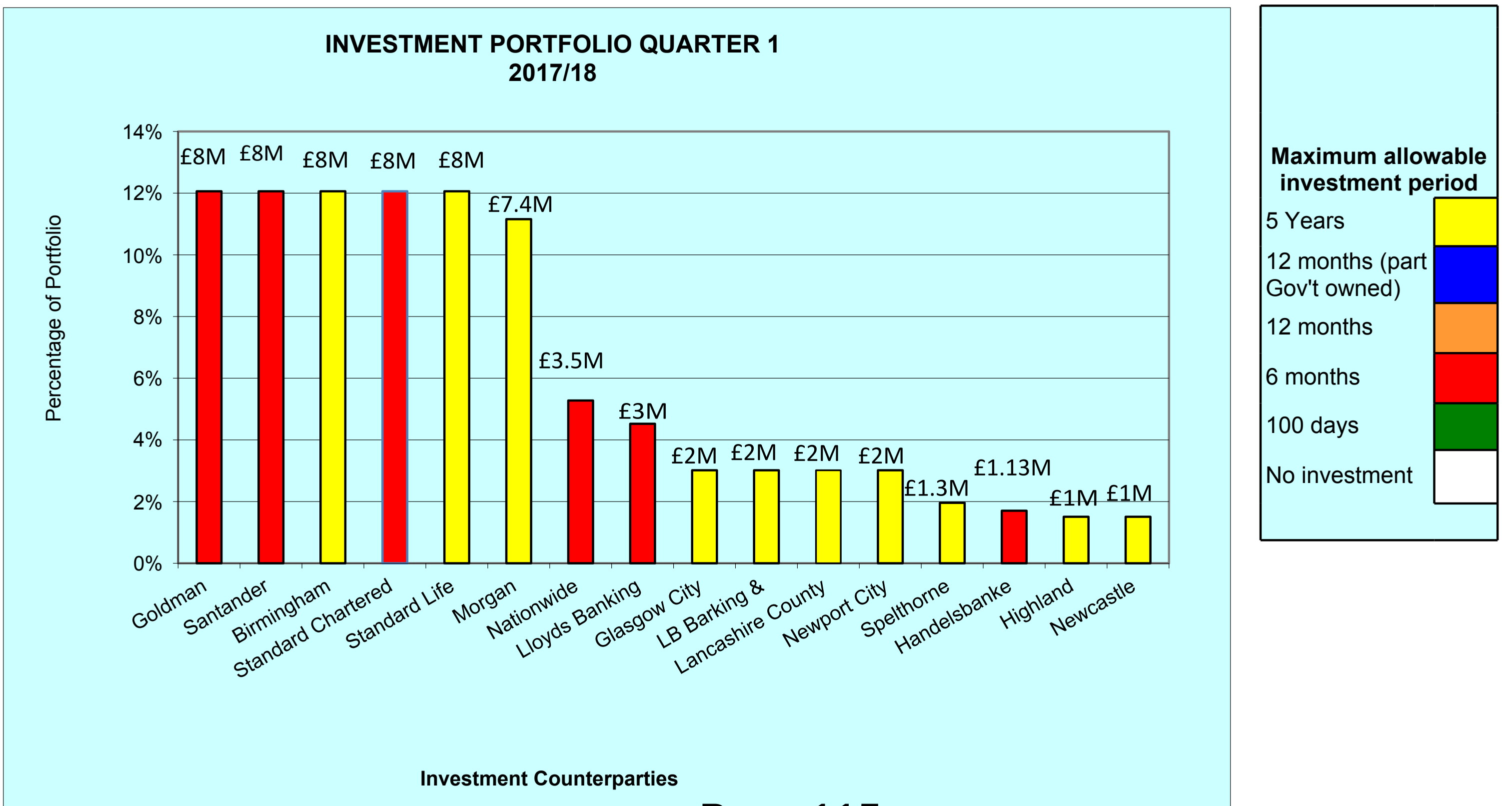
APPENDICES

Appendix A - Investment and Loans Portfolio

INVESTMENT PORTFOLIO QUARTER 1 (30th June 2017) Appendix A

Average interest rate for 2016/17 **0.57%**
Average interest rate for 2017/18 (Quarter 1) **0.55%**

Borrower	Nation	Sovereign Rating (Fitch)	Amount £'s	From	To	Rate %
Instant Access Bank Accounts						
Handelsbanken	UK	AA	1,130,000			0.15
Money Market Funds (Instant Access)						
Standard Life	UK	AA	8,000,000			0.24
Morgan Stanley	UK	AA	7,400,000			0.19
95 Day Notice						
Standard Chartered Bank	UK	AA	7,000,000			0.52
Fixed Term Deposit						
Newport City Council	UK	AA	2,000,000	08-Jun-15	10-Jul-17	0.98
Goldman Sachs	UK	AA	2,300,000	16-Jan-17	17-Jul-17	0.64
Lloyds/Bank of Scotland	UK	AA	3,000,000	23-Jan-17	24-Jul-17	0.60
Goldman Sachs	UK	AA	4,000,000	13-Feb-17	14-Aug-17	0.77
Standard Chartered Bank	UK	AA	1,000,000	15-Feb-17	15-Aug-17	0.59
Goldman Sachs	UK	AA	1,700,000	20-Apr-17	19-Oct-17	0.73
Santander	UK	AA	8,000,000	24-May-17	24-Nov-17	0.70
Glasgow City Council	UK	AA	2,000,000	05-Dec-14	05-Dec-17	1.40
Nationwide B.S.	UK	AA	3,500,000	22-Jun-17	22-Dec-17	0.36
Birmingham C.C.	UK	AA	5,000,000	24-Apr-17	24-Jan-18	0.58
Highland Council	UK	AA	1,000,000	14-Apr-16	16-Apr-18	0.98
Lancashire County Council	UK	AA	2,000,000	06-Sep-16	06-Sep-18	0.58
Birmingham C.C.	UK	AA	3,000,000	24-Apr-17	24-Apr-19	0.80
Spelthorne B.C.	UK	AA	1,300,000	22-Jun-17	21-Jun-19	0.70
LB Barking & Dagenham	UK	AA	2,000,000	09-Jan-17	09-Apr-20	0.98
Newcastle C.C.	UK	AA	1,000,000	03-Apr-17	03-Apr-20	0.98
			66,330,000			



LOAN PORTFOLIO QUARTER 1 (30th June 2017)

Decent Homes Borrowing

Lender	Type	Rate %	Amount £'s	From	To	Life of Loan
PWLB	Fixed Rate/Maturity	4.11	2,500,000	24/03/2011	24/03/2018	7 years
PWLB	Fixed Rate/Maturity	4.11	1,241,000	31/03/2011	31/03/2018	7 years
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
			11,504,000			

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
Lancashire C.C.	Fixed Rate/Maturity	1.98	**1,500,000**	03/07/2013	03/07/2018	5 years
PWLB	Fixed Rate/EIP	2.37	**1,578,947**	19/08/2013	19/02/2022	9 1/2 years
			3,078,947			
Total Borrowing			**209,493,947**			

Stevenage
BOROUGH COUNCIL

Meeting: **EXECUTIVE** **Agenda Item:**

Portfolio Area: Resources

Date: **19 September 2017**

1ST QUARTER MONITORING CAPITAL PROGRAMME - GENERAL FUND AND HOUSING REVENUE ACCOUNT

Financial security

KEY DECISION

Authors – Anita Thomas Ext. 2430
Contributor – Clare Fletcher Ext. 2933
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 2017/18 and 2018/19 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 2017/18 General Fund capital programme net decrease in expenditure of £1,611,870 be approved as summarised in paragraph 4.1.1.

2.2 That the virement from the deferred works Budget of £69,760 as summarised in paragraph 4.1.5. be approved.

2.3 That the 2017/18 Housing Revenue Account capital programme net decrease in expenditure of £1,507,250 be approved, as summarised in paragraph 4.3.1.

2.4 That the 2018/19 General Fund increase in capital expenditure of £1,480,370 be approved, as summarised in table one.

2.5 That the 2018/19 Housing Revenue Account increase in capital expenditure of £1,571,250 be approved, as summarised in table two.

3 BACKGROUND

3.1 The 2017/18 capital programme was approved at the July Executive:

- General Fund £27,605,280
- Housing Revenue Account £18,807,920

3.2 Following the 2016/17 capital outturn report Officers have held capital clinics to challenge the deliverability of the capital programme and assess the impacts of service reviews undertaken by Assistant Directors as part of the Future Town Future Council programme. The outcome of these clinics has been included in this report, however the work of the capital review group is ongoing and future updates to the capital programme will be reported to Members in subsequent reports.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 2017/18 General Fund Capital Programme

4.1.1 The projection for 2017/18 General Fund capital programme of £25,993,410. A reduction of £1,611,870 due to:

- £1,480,370 schemes re-profiled to 2018/19
- and £131,500 reduced cost/removal of scheme from programme

Table 1:Capital Programme Change to 2017/18 Working Budget & 2018/19 Projected Budget	Increase (Decrease) to 2017/18 Working Budget £	Increase Decrease to 2018/19 Budget £
Slippage		
Phased Replacement Pay & Display Parking Machines	(11,000)	11,000
Indoor Market (alarm replacement)	(20,000)	20,000
Park Pavilions	(75,000)	75,000
Town Square Assets Condition Survey	(113,000)	113,000
Asbestos Surveyor for garages	(10,000)	10,000
Public realm improvements to Town Square	(50,000)	50,000
On-Line Housing Application Form (ICT)	(3,250)	3,250
Infrastructure Investment (ICT)	(125,000)	125,000
Online customer account (ICT)	(100,000)	100,000
Call Recording (ICT)	(23,000)	23,000
St Georges Car Park improvements	(220,000)	220,000
Depots works	(35,180)	35,180
Preparation works to units 1,4,5 of the former QD Building ready for letting	(57,500)	57,500
Garage Programme	(637,440)	637,440
Total Slippage	**(1,480,370)**	**1,480,370**

Virements From the Deferred Works Budget		
Deferred Works Reserve	(69,760)	
CCTV cameras	19,760	
JCB Refurbishment at transfer station	50,000	
Total Virements Between Projects	**0**	**0**
Decreases to 2017/18 Budget		
Scarborough Avenue Redevelopment	(27,500)	
Daneshill Offices Atrium & First Floor (refurbishment specification reduced)	(37,000)	
Swingate House Reroofing (refurbishment specification reduced)	(43,000)	
Shops	(16,500)	
Swingate	(7,500)	
Total Decreases to 2017/18 Budget	**(131,500)**	**0**
Total Change in Working Budget and Projected Budgets	**(1,611,870)**	**1,480,370**

Slippage:

4.1.2 Included in the works re-profiled to 2018/19 is £251,250 of ICT projects. The Council has committed through its Connected to Customers programme to invest in ICT to enable high quality and sustainable customer services. For the Shared ICT Service other drivers have also come to the fore in the last 12 months, with resilience and security becoming increasingly important. The programme of work has been amended accordingly and now includes responses to recent external reviews of the Shared ICT Service, Cybersecurity and Public Service Network compliance, and also includes learning from recent service disruptions. The programme for 2017/18 includes:

- Upgrading the Council's IT infrastructure so it can support a range of new digital applications and services
- Commencing the design and commission of a new website and launch of a new intranet
- Expanding the accessibility of our services to customers through use of digital technologies including a new online Council Tax and Business Rates account, plus improved methods of online payments
- Using technology to reduce printing costs through electronic meeting management
- Implementation of the Council's cyber security action plan.
- Completing the telephony software upgrade

4.1.3 In respect of the IT infrastructure officers have already implemented the additional capacity to support applications within the data centres, and are currently focussed on improving power resilience and back up capabilities. More detailed work to review the data centre architecture will be commissioned in the near future, with the key output being a delivery plan that will enable implementation of the recommendations by April 2018. In addition, the intention is to commission a workstyles assessment to inform the desktop refresh to ensure any investment takes into account the councils' needs in relation to mobile and agile / flexible working. The desktop refresh investment will now commence Q1 2018/19, hence the proposal to slip budget into next year.

4.1.4 Digital Programme - A team will be assembled during Q3 and will prioritise delivery of a new website and intranet alongside ongoing implementations of Moderngov, Civica Payments and new Northgate Housing modules. The new team will provide increased capacity to deliver digital projects going into 2018/19 and will focus on design and delivery of the improved online customer experience.

4.1.5 A programme manager has now been appointed for the garage investment programme. A pilot scheme is due to start and will be reported back to Members in October/November with a view to start the programme this year.

4.1.6 Officers have assigned the resources required to deliver the works identified at the indoor market and procurement of these projects are well underway. However the replacement of the fire alarm system requires more time to undertake detailed upfront design and investigations meaning that not all of the works are likely to be completed by the end of the financial year. Although Officers anticipate commencing the works this financial year not all we be completed and therefore it is estimated that £20,000 will need to slip into 2018/19.

4.1.7 Some of the slippage contained in the report is now being identified as a result of the capital clinics held as outlined in paragraph 3.2 and a review of the resources available to deliver the programme.

Reductions in Expenditure

4.1.8 The revised capital programme has identified a reduction of £131,500 of existing schemes, these in the main are residual amounts of resource relating to larger budgets which are no required as the work has been completed without requiring all the budgeted amount.

4.1.9 In addition consideration has been given to assets and the level of works that are within the Regeneration area SG1 or the assets are marked for disposal.

Virements from the Deferred Works Budget

4.1.10 The loader at the depot which is situated in the Transfer Station has broken down and officers request that £50,000 is allocated from the deferred works budget to refurbish the loader. In the interim a hire vehicle is being used however this doesn't have the same capacity. In addition a business case was developed for review by the Portfolio holder and subsequently recommended for priority approval for the replacement of five CCTV cameras. This will enable evidence recording at a standard suitable for civil and criminal prosecutions.

Other Updates:

4.1.11 Members approved £15million investment in a commercial property portfolio to support the Financial Security work stream. To date two potential sites (value £8million) are being investigated and subject to the full financial appraisals will be progressed in the second half of the year. The aim is to complete the allocated spend in 2017/18, subject to suitable sites being available.

4.1.12 During 1st Quarter the Council appointed a new permanent AD for Regeneration. Investment plans and improvement plans have been developed to bring life to the heart of the heritage area within the town centre using capital funding and further funding from the LEP. Officers are working on the more detailed stage of the project set up, to achieve the best result for the town and co-ordinating with prospective partners who would develop SG1 with the Council. A further update on the prioritisation of the town centre programme with be provided to Members in the next Capital Strategy update.

4.1.13 In the Capital outturn report presented to July Executive, budget increase of £2,165,000 (revised budget £2,765,000) for expenditure on grants to Registered Housing Providers was proposed and subsequently approved. Three registered providers have suitable schemes with a total value £2,765,000 for which nomination rights for 40 properties have been secured.

4.2 **2017/18 Housing Revenue Account Capital Programme**

4.2.1 The projection for 2017/18 Housing Revenue Account capital programme of £17,300,670. A reduction of £1,507,250 due to:

- Re-profiling of major works schemes to 2018/19 £1,350,000
- Re-profiling of ICT schemes to 2018/19 £221,250
- Additional budget for replacement vans £76,300
- Racking costs for Repairs and Voids saving £12,300

Table two: Changes to Housing Revenue Account Capital Budget		
Capital Programme Change to 2017/18 Working Budget & 2018/19 Projected Budget	**Increase (Decrease) to 2017/18 Working Budget £**	**Increase Decrease to 2018/19 Budget £**
Slippage		
Decent Homes	(550,000)	550,000
Asset review	(800,000)	800,000
On-Line Housing Application Form	(46,750)	46,750
Infrastructure Investment	(62,500)	62,500
Online Customer Account	(100,000)	100,000
Call Recording	(12,000)	12,000
Total Slippage	**(1,571,250)**	**1,571,250**
Increases to 2017/18 Budget		
Repairs and Voids fleet replacement	76,300	
Decreases to 2017/18 Budget		
Repairs and Voids stores racking	(12,300)	
Total Change in Working Budget and Projected Budgets	**(1,507,250)**	**1,571,250**

Slippage

4.2.2 Two major contracts have been let for 2017/18 for external works and internal decent homes works. Following the delays in mobilisation, contractors are now on site and work has commenced. The volume of property openings will need to increase significantly over the coming months to ensure the full programme is delivered for this year. Although the delivery of the programme is achievable there are some risks which may cause further delay and as the bulk of the programme involves external works may be adversely affected by the weather. For example a delay in the programme of a month would result in a further slippage of up to £800,000, any additional slippage would be re-profiled for delivery in 2018/19.

4.2.3 As mentioned in para 4.1.2 to 4.1.4 ICT including those associated with the HRA (£246,750) has been re-profiled to 2018/19.

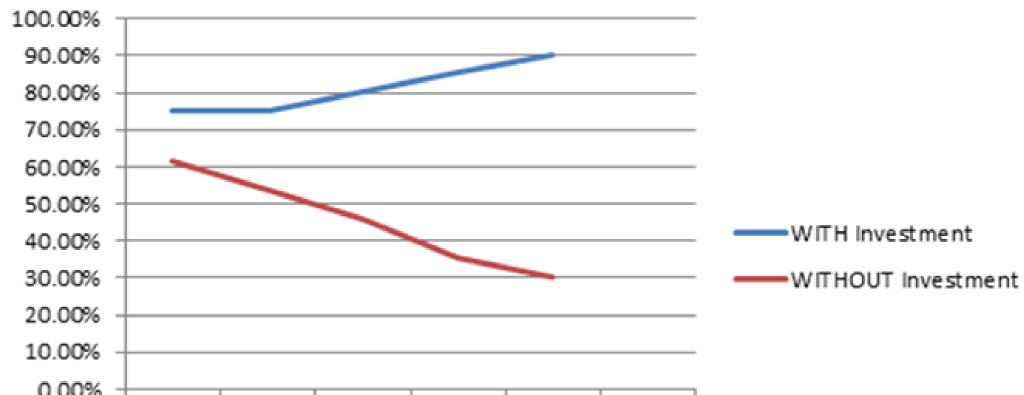
Increases in Expenditure

4.2.4 Negotiations with suppliers for the replacement fleet for the Repairs and Voids service have started (40 vehicles). The revised costs have increased from those estimated as all vehicles will include internal racking and security systems partly offset from reduced costs for storage racking at the depot.

Other Updates

4.2.5 The HRA 30 year capital programme has been revised in the HRA MTFS report to this Executive if approved. If the recommendations are approved, the revised budgets will be updated as part of future Capital Strategy reports.

4.2.6 The decent homes programme forms a large part of the ongoing investment programme of the HRA. The following graph shows the decency profile with and without investment over the next five years.



	Year 1	Year 2	Year 3	Year 4	Year 5	
WITH Investment	75.33%	75.10%	80.15%	85.37%	90.13%	
WITHOUT Investment	61.75%	53.58%	45.63%	35.35%	30.02%	

4.3 **Capital Resources General Fund**

4.3.1 Projected capital receipts for the current and following years have been reviewed. The Council has received a request to identify one of its buildings as an ‘Asset of Community Value’, which Members have approved as earmarked for disposal and included in the 2018/19 capital receipts total. If the request is successful the council will be required to not dispose of the asset for six months and consider the proposal from the community group concerned. Any change to the capital receipts relating to the asset will be updated in the draft Capital Strategy report to the January 2018 Executive.

4.3.2 Any reduction in the level of receipts realised will require other sites to be brought forward or expenditure to be reduced in order to ensure the funding is available to fund future years’ capital programmes.

4.3.3 Prudential borrowing identified for the Garage asset review programme and commercial property portfolio will be a treasury management decision as to when external borrowing is actually taken.

4.4 **Capital Resources Housing Revenue Account**

4.4.1 The HRA had 13 right to buy (RTB) sales in the first quarter (12 RTB sales in the same quarter last year). As at 25rd August 20 RTB sales had been completed and the forecast for the year remains unchanged at 50 sales.

Gross and net sale proceeds and average discount given is shown in the following table:

RTB Receipts 2017/18						
RTB Receipts	RTB Admin	Allowable Debt	LA Assumed Income	New Build Receipts	Payment to Government	Total RTB Receipts
	£	£	£	£	£	£
2016/17 Actual	78,000	1,505,702	350,019	4,722,547	871,150	**7,527,418**
2017/18 Quarter 1 Actual	16,900	329,026	88,383	1,312,579	215,812	**1,962,700**
2017/18 Projection Update	65,000	1,249,149	360,602	3,825,146	897,489	**6,397,386**
Budget Projection (2017/18 Capital Strategy)	65,000	1,269,149	360,602	3,825,146	897,489	**6,417,386**
Variance	0	(20,000)	0	0	0	(20,000)

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

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.

5.1.2 The cumulative changes made to the original General Fund and HRA capital budgets remains within the £250,000 (increase) variation limit delegated to the Executive for each fund.

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 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.

5.4.2 While cash balances are high 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.

BACKGROUND PAPERS

BD1 – General Fund Capital Strategy
http://www.stevenage.gov.uk/content/committees/160923/160927/160991/20170228-Item5B.pdf
BD2 – Housing Revenue Account Capital Strategy
http://www.stevenage.gov.uk/content/committees/160923/160927/160991/20170131-Item3.pdf

APPENDICES

None

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Stevenage BOROUGH COUNCIL

Meeting:	**AUDIT COMMITTEE / EXECUTIVE / COUNCIL**	**Agenda Item:**	**9**
Portfolio Area:	Resources		
Date:	**6 SEPTEMBER / 19 SEPTEMBER / 11 OCTOBER**		

ANNUAL TREASURY MANAGEMENT REVIEW OF 2016/17 INCLUDING PRUDENTIAL CODE

NON-KEY DECISION

Author – Anita Thomas Ext. 2430
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 2016/17 Treasury Management and Investment Strategy.

2. RECOMMENDATIONS

2.1 **Audit Committee & Executive**
That subject to any comments the 206/17 Annual Treasury Management Review be recommended to Council for approval.

2.2 **Council**
That, subject to any comments from the Audit Committee and the Executive, the 2016/17 Annual Treasury Management Review 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 reviewing activities and the actual prudential and treasury indicators for 2016/17. 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 2016/17 the minimum reporting requirements were that the Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 24/02/2016)
- a mid-year treasury update report (Council 7/12/2016)
- 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 **Economy and Interest rates in 2016/17**

3.2.1 The two major landmark events that commentators have reported as having had a significant influence on financial markets in the 2016/17 financial year were the UK EU referendum on 23 June 2016 and the election of President Trump in the USA on 9 November 2016. The first event had an immediate impact in terms of market expectations of when the first increase in Bank Rate would happen, pushing it back from 3rd quarter of 2018 to 4th quarter of 2019. At its 4 August 2016 meeting (the first meeting after the referendum result), the Monetary Policy Committee (MPC) cut Bank Rate from 0.5% to 0.25% and the Bank of England's Inflation Report produced forecasts warning of a major shock to economic activity in the UK, which would cause economic growth to fall almost to zero in the second half of 2016. The MPC also warned that it would be considering cutting Bank Rate again towards the end of 2016 in order to support growth. In addition, the Bank restarted quantitative easing with purchases of £60bn of gilts and £10bn of corporate bonds, and introduced the Term Funding Scheme whereby potentially £100bn of cheap financing was made available to banks.

3.2.2 In the second half of 2016, the Bank's pessimistic forecasts for the UK economy were not realised. After a disappointing 1st quarter of only +0.2% GDP growth, the three subsequent quarters of 2016 came in at +0.6%, +0.5% and +0.7% to produce an annual growth for 2016 overall, compared to 2015, of no less than 1.8%. This meant that the MPC did not cut Bank Rate again after August but, since then, inflation has risen due to the effects of the sharp devaluation of sterling after the referendum but fell away slightly in July 2017. (July 2017 CPI - 2.6%).

4. OVERALL TREASURY POSITION AS AT 31 MARCH 2017

4.1 At the beginning and the end of 2016/17 the Council's treasury position was as follows:

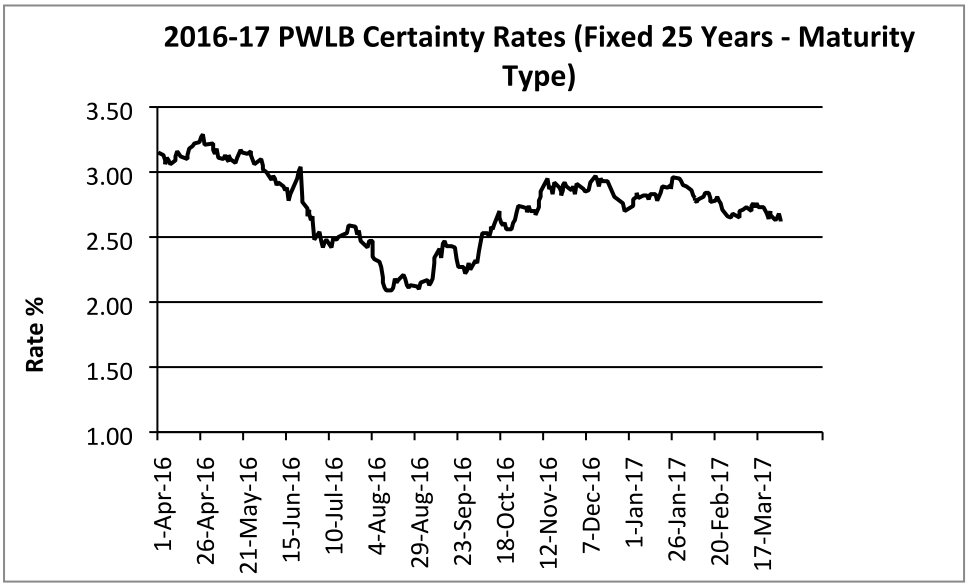
Table One: Treasury Position						
	2015/16			2016/17		
	31 March 2016 Principal £'000s	Rate / Return %	Average Life (Yrs)	31 March 2017 Principal £'000s	Rate / Return %	Average Life (Yrs)
Total Borrowing	**209,757**	**3.37**	**17.64**	**209,494**	**3.38**	**16.66**
Capital Financing Requirement	223,929			223,275		
Over/(under) borrowing	(14,172)			(13,781)		
Investments Portfolio	**51,060**	**0.61**		**57,595**	**0.57**	

5. TREASURY MANAGEMENT STRATEGY 2016/17

5.1 The original 2016/17 Treasury Management strategy had projected low but rising Bank Rate starting from 1st quarter of 2017 and gradual rises in medium and longer term fixed borrowing rates during 2016/17.

5.2 Continued uncertainty following the 2008 financial crisis promoted a cautious approach, whereby the Council's investments have been high grade, low risk having due regard to the "security, liquidity, yield" with security being the most important reflected in instant access and short (duration) call accounts being used. However, in the Treasury Management Review presented to Council on 28 February 2017 consideration has been given to slightly more diverse investments (see also para 5.9).

5.3 During 2016/17 there was major volatility in PWLB rates with rates falling during the 1st and 2nd quarters of 2016 to reach historically very low levels in July and August, before rising significantly during the 3rd quarter, and then partially easing back towards the end of the year.



5.4 **The Council's Capital Expenditure and Financing 2016/17.**

5.4.1 In 2016/17 the Council spent £24,231,000 on capital projects (General Fund and Housing Revenue Account). The total capital programme was funded from existing capital resources and no prudential borrowing was required. In addition no external loans were taken out during 2016/17 to fund existing borrowing requirements from previous years. Table two details capital expenditure and financing used in 2016/17.

Table Two: 2016/17 Capital Expenditure and Financing

	2016/17 Original Estimate £'000	2016/17 Quarter 3 Revised Working Budget £'000	2016/17 Actual £'000	2016/17 Variance Actual to Quarter 3 Revised Working Budget £'000
Capital Expenditure:				
General Fund Capital Expenditure	7,101	6,958	4,829	(2,129)
HRA Capital Expenditure	25,316	21,842	19,402	(2,440)
Total Capital Expenditure	**32,417**	**28,800**	**24,231**	**(4,569)**
Resources Available for Capital Expenditure:				
Capital Receipts	(8,720)	(5,519)	(2,782)	2,737
Capital Grants /Contributions	(1,671)	(2,598)	(2,093)	505
Capital Reserves	(1,923)	(3,555)	(2,915)	640
Revenue contributions	(4,966)	(5,123)	(5,069)	54
Major Repairs Reserve	(15,137)	(12,005)	(11,372)	633
Total Resources Available	**(32,417)**	**(28,800)**	**(24,231)**	**4,569**
Capital Expenditure Requiring Borrowing	**0**	**0**	**0**	**0**

5.4.2 Since the original 2016/17 Treasury Management Strategy, Members have approved prudential borrowing for the garages asset management plan and the commercial property portfolio to support the Financial Security work stream. A proportion of the approved borrowing for these projects is expected to be taken out in 2017/18.

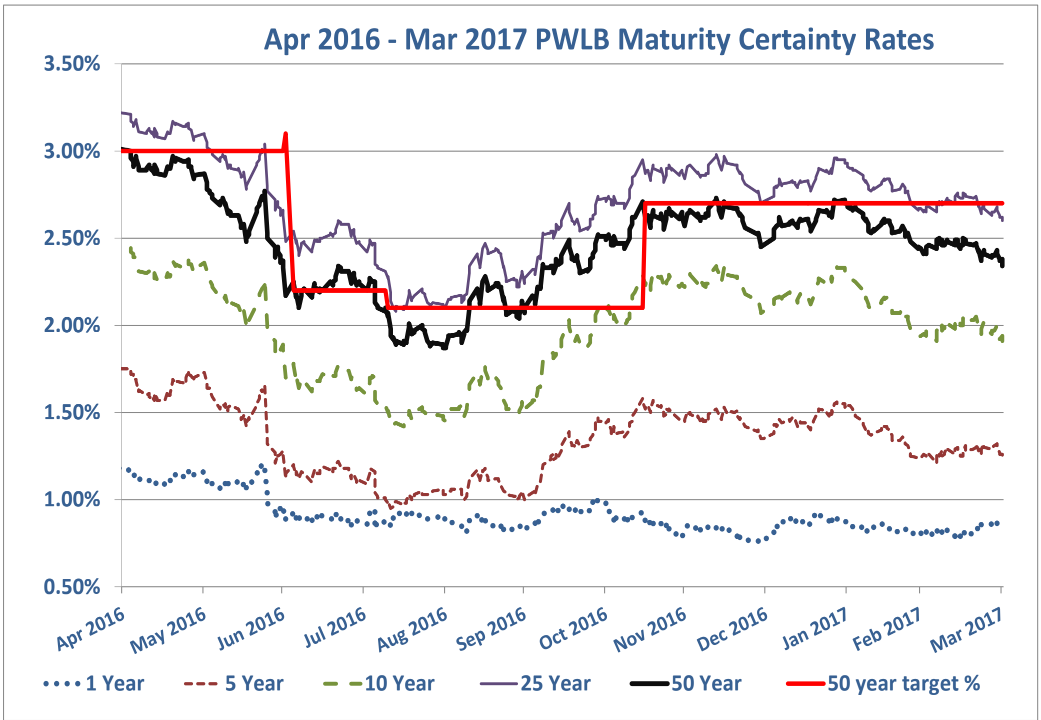
5.4.3 The Treasury Management review of 2016/17 Prudential Indicators have been updated to reflect changes to capital budgets which have been approved throughout the year. The actual capital expenditure for 2016/17 has already been reported to Executive on 17 July 2017.

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

5.5.1 The Council's underlying need to borrow to fund it's 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 5.6) 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.

5.5.2 While cash balances are relatively high the Council continues 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 restricted use right to buy "one for one" receipts (£10.9million) and provisions (£8.6million) for future liabilities.

5.5.3 **PWLB certainty maturity borrowing rates** - the graph below shows how PWLB certainty rates have fallen to historically very low levels during the year.



5.5.4 As at the 31 March 2017 the Council had total external borrowing of £209,493,947. The debt repayment profile is shown in the following table:

Table Three: Maturity of Debt Portfolio for 2015/16 and 2016/17		
Time to maturity	**31 March 2016 Actual £'000's**	**31 March 2017 Actual £'000's**
Maturing within one year	263	4,004
1 year or more and less than 2 years	4,004	1,763
2 years or more and less than 5 years	2,289	789
5 years or more and less than 10 years	1,026	8,763
10 years or more	202,175	194,175
Total	**209,757**	**209,494**

5.5.5 The General Fund had £3,078,947 external borrowing, £1,500,000 was with another local authority and the remainder with the Public Works Loan Board (PWLB). The HRA had external borrowing of £206,415,000 all held with the PWLB, of which £11,504,000 relates to pre 2012 decent homes programme and the remainder £194,910,000 to self financing payment made to central government in 2012.

5.5.6 The HRA borrowing is constrained by legislation and is capped at £217,685,000. As at the 31 March 2017 the head room available for new HRA borrowing is £9,179,078.

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

Table Four: Capital Financing Requirement 2015/16 and 2016/17			
CFR Calculation	**31-Mar-16 (£'000)**	**31-Mar-17 (£'000)**	**Movement in Year (£'000)**
Opening Balance	**230,082**	**223,929**	
Closing Capital Financing Requirement (General Fund)	15,423	14,769	(654)
Closing Capital Financing Requirement (Housing Revenue Account)	208,506	208,506	0
Closing Balance	**223,929**	**223,275**	
Increase/ (Decrease)	**(6,153)**	**(654)**	**(654)**

5.5.8 The CFR for the HRA remained unchanged as no debt repayments were made in year, no borrowing was required and no assets were transferred between the General Fund and HRA. In 2017/18 there is a scheduled debt repayment of £3,741,000, however further borrowing of £3,500,000 to be taken in 2017/18 has been approved as part of the updated HRA business plan.

5.5.9 The General Fund's CFR reduced by £653,628 - the Minimum Revenue Provision (MRP) made in year.

5.6 **Minimum Revenue Provision (MRP)**

5.6.1 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 has been determined by central government in setting the HRA's debt cap (see also para 5.5.6)). 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.

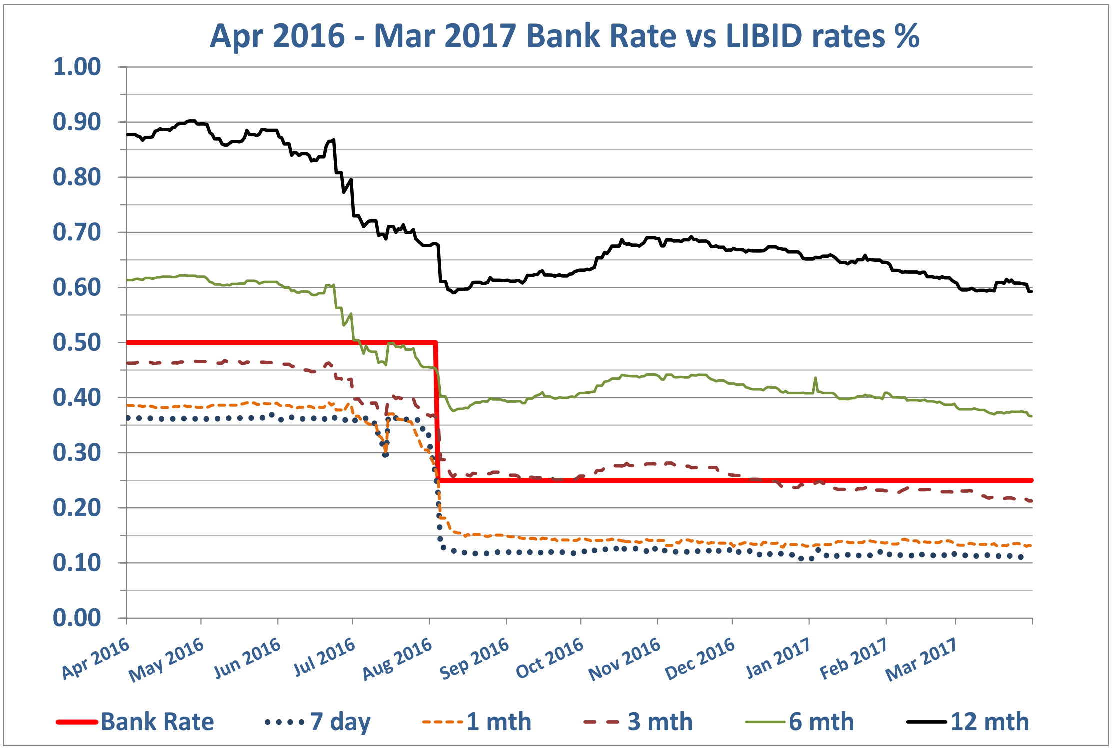
5.6.2 The MRP charged to the General Fund in 2016/17 was £653,628

5.7 **Cash Balances and Investment rates**

5.7.1 As at 31 March 2017 cash balances held by the Council were £57.595Million. During the year the average cash balance was £62Million, earning interest of £356,442 and achieving an average interest rate of 0.57%. The comparable rate was 0.20% (average 7-day LIBID rate). This compares with an original budget assumption of £375,770 based on average investment rate of 1.03% however higher cash balances offset the lower rate achieved.

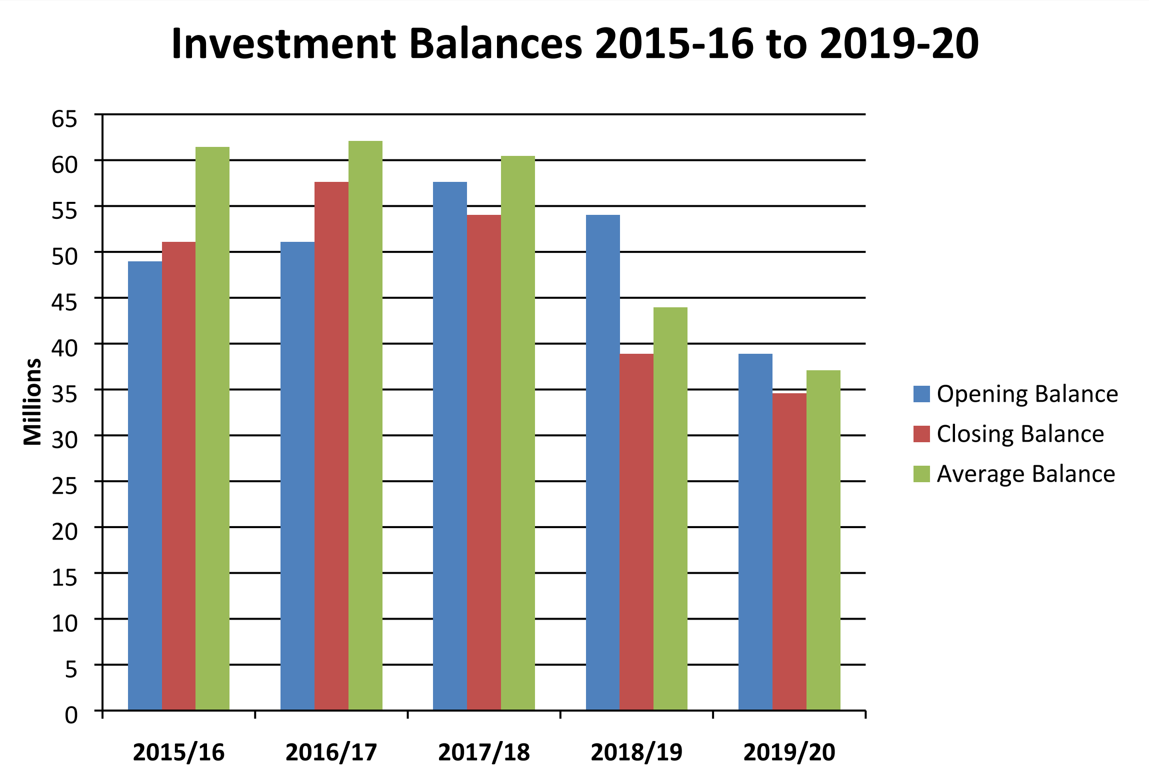
5.7.2 Members approved an increase in counter party limits . This was in part to avoid the use of Debt Management Office (DMO) as the investment of "last resort" as the interest rate is so low (currently 0.1%). No funds were placed with the DMO during 2016/17.

5.7.3 After the EU referendum, Bank Rate was cut from 0.5% to 0.25% on 4 August and remained at that level for the rest of the year. Market expectations as to the timing of the start of monetary tightening started the year at 3rd quarter of 2018, but then moved back to around the end of 2019 in early August before finishing the year back at 3rd quarter of 2018. Deposit rates continued into the start of 2016/17 at previous depressed levels but then fell during the first two quarters and fell even further after the 4 August MPC meeting resulted in a large tranche of cheap financing being made available to the banking sector by the Bank of England. Rates made a weak recovery towards the end of 2016 but then fell to fresh lows in March 2017. The following chart shows Bank rate and LIBID rates in 2016/17.



5.7.4 Cash balances were £57million at the end of the year partly due to retention of one for one right to buy receipts ring fenced for HRA new social housing schemes (£10.9Million), provisions and reserves held for specific purposes and HRA balances (£19.7Million) the latter is forecast to be used in the next five years as mentioned in paragraph 5.5.2.

5.7.5 The following chart shows the historic level of cash balances and the current projections to 2019/20.



5.7.6 The Council invests it surplus cash balances in accordance with the Treasury Management Strategy approved by Council on 24 February 2016. The policy set 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.

5.7.7 There were no breaches to this policy in 2016/17 with the investment activity during the year conforming to the approved strategy and the Council had no liquidity difficulties.

5.8 Other Prudential Indicators

5.8.1 The treasury management indicators for 2017/18 onwards have been updated based on the updated Capital Strategy approved by Council in February 2017 and subsequently updated in the 3rd and 4th quarter capital updates reported to Executive in March and July 2017.

5.8.2 The net borrowing position for the Council as at 31 March 2017 was £151.899Million (total borrowings/loans of £209.494Million less total investments held of £57.595Million).

5.8.3 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 2016/17.

5.8.4 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 2016/17 indicator is 8.53%.

5.8.5 The full list of treasury prudential indicators is shown in Appendix A and has been updated for the 2016/17 outturn position and the revised 2017/18 capital programme.

5.9 **Treasury Position Post 31 March 2017**

5.9.1 The 2017/18 Treasury Management Strategy incorporated a number of updates to the investment strategy and the parameters in which officers work to invest the Council's cash balances.

5.9.2 Included in the 2017/18 Treasury Management strategy was an increase in the treasury limit for "fixed rate more than 12 months to maturity" when balances are in excess of £30million (Recommendation 2.3 Treasury Management Review including Prudential Code – Council 28 Feb 2017). Since implimentation £9.3Million is held in deposits of 12 month plus duration (currently balances are £70million and year end balances are forecast to be £67Million).

5.9.3 The total limit on the amount invested in Money Market Funds was revised (Recommendation 2.5 Treasury Management Review including Prudential Code – Council 28 Feb 2017) and since then a third Money Market fund has been added to the portfolio – Amundi. The maximum amount held to date in money market funds under the 2017/18 strategy was £23.8Million.

5.9.4 The use of enhanced cash funds was also approved in February. These funds are now referred to as "Ultra Short Dated Bond" (USDB) funds (Recommendation 2.7 Treasury Management Review including Prudential Code – Council 28 Feb 2017. Officers are liaising with the Council's treasury management advisors to find a suitable USDB funds that meet the Council's investment timescales and risk criteria. Currently no investments have been made with USDB funds.

6. IMPLICATIONS

6.1 Financial Implications

6.1.1 This report is of a financial nature and reviews the treasury management function for 2016/17. Any consequential financial impacts identified in the July Capital strategy and 4th quarter revenue budget monitoring report have been incorporated into this report.

6.1.2 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.

6.2 Legal Implications

6.2.1 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.

6.3 Equalities and Diversity Implications

6.3.1 This purpose of this report is to review the implementation of the Treasury management policy in 2016/17. 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.

6.3.2 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.

6.4 Risk Implications

6.4.1 The current policy of not borrowing externally 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 borrow at higher rates which would increase revenue costs.

6.5 Policy Implications

6.5.1 This report confirms treasury decisions have been made in accordance with the policy.

BACKGROUND PAPERS

- BD1 Mid year Treasury update (Council 7 December 2016) http://www.stevenage.gov.uk/content/committees/160923/160927/160991/20160712-Item11.pdf
- BD2 Treasury Management Review including Prudential Code Indicators 2017/18 (Council 28 February 2017) http://www.stevenage.gov.uk/content/committees/160923/160927/160991/20170228-Item12.pdf

APPENDICES

- Appendix A Prudential Indicators
- Appendix B Investment and Borrowing Portfolio.

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Capital Expenditure (Based on Capital Strategy July 2017):

	2015/16 Actual	2016/17 Original Estimate February 2016	2016/17 Revised September 2016	2016/17 Revised Estimate February 2016	2016/17 Actual	2017/18 Revised February 2017	2018/19 Revised February 2017	2019/20 Revised February 2017
	£000	£000	£000	£000	£000	£000	£000	£000
General Fund	5,585	6,629	9,903	6,958	4,829	12,605	6,386	5,574
HRA	20,549	25,316	28,025	21,842	19,402	18,808	36,368	30,837
Total	**26,134**	**31,945**	**37,928**	**28,800**	**24,231**	**31,413**	**42,753**	**36,411**

Ratio of financing costs to net revenue stream:

	2015/16 Actual	2016/17 Original Estimate February 2016	2016/17 Revised September 2016	2016/17 Revised Estimate February 2016	2016/17 Actual	2017/18 Revised February 2017	2018/19 Revised February 2017	2019/20 Revised February 2017
	%	%	%	%	%	%	%	%
General Fund Capital Expenditure	6.74%	8.61%	8.90%	8.90%	8.53%	8.58%	8.20%	8.33%
HRA Capital Expenditure	15.36%	15.56%	15.43%	15.43%	15.12%	15.74%	15.31%	15.31%

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

	2015/16 Actual	2016/17 Original Estimate February 2016	2016/17 Revised September 2016	2016/17 Revised Estimate February 2016	2016/17 Actual	2017/18 Revised February 2017	2018/19 Revised February 2017	2019/20 Revised February 2017
	£000	£000	£000	£000	£000	£000	£000	£000
Borrowing - General Fund	16,234	15,700	15,580	15,580	15,580	15,296	16,622	18,507
Borrowing - HRA	212,506	212,386	212,506	212,506	212,506	212,265	212,265	212,265
Total	**228,740**	**228,086**	**228,086**	**228,086**	**228,086**	**227,561**	**228,887**	**230,772**

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

	2015/16 Actual	2016/17 Original Estimate February 2016	2016/17 Revised September 2016	2016/17 Revised Estimate February 2016	2016/17 Actual	2017/18 Revised February 2017	2018/19 Revised February 2017	2019/20 Revised February 2017
	£000	£000	£000	£000	£000	£000	£000	£000
Borrowing - General Fund	11,234	10,700	10,580	10,580	10,580	10,296	11,622	13,507
Borrowing - HRA	208,506	208,386	208,506	212,506	212,506	208,265	208,265	208,265
Total	**219,740**	**219,086**	**219,086**	**223,086**	**223,086**	**218,561**	**219,887**	**221,772**

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

	31/03/2016 Actual	2016/17 Original Estimate February 2016	2016/17 Revised September 2016	2016/17 Revised Estimate February 2016	2016/17 Actual	31/03/2018 Revised February 2017	31/03/2019 Revised February 2017	31/03/2020 Revised February 2017
	£000	£000	£000	£000	£000	£000	£000	£000
Gross External Debt - General Fund	3,342	3,079	3,079	3,079	3,079	2,816	1,053	789
Gross External Debt - HRA	206,415	206,415	206,415	206,415	206,415	202,674	202,674	202,674
Gross External Debt	**209,757**	**209,494**	**209,494**	**209,494**	**209,494**	**205,490**	**203,727**	**203,463**
Less Investments	(51,060)	(35,808)	(43,164)	(46,663)	(57,595)	(45,131)	(33,524)	(23,256)
Net Borrowing	**158,697**	**173,686**	**166,330**	**162,831**	**151,899**	**160,359**	**170,203**	**180,208**

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

	31/03/2016 Actual	2016/17 Original Estimate February 2016	2016/17 Revised September 2016	2016/17 Revised Estimate February 2016	2016/17 Actual	31/03/2018 Revised February 2017	31/03/2019 Revised February 2017	31/03/2020 Revised February 2017
	£000	£000	£000	£000	£000	£000	£000	£000
Capital Financing Requirement GF	15,423	14,889	14,769	14,769	14,769	14,485	15,811	17,696
Capital Financing Requirement HRA	208,506	208,386	208,506	208,506	208,506	208,265	208,265	208,265
Total Capital Financing Requirement	**223,929**	**223,275**	**223,275**	**223,275**	**223,275**	**222,750**	**224,076**	**225,961**

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).

Incremental Impact on Capital Investment Decisions

	2015/16 Actual	2016/17 Original Estimate February 2016	2016/17 Revised September 2016	2016/17 Revised Estimate February 2016	2016/17 Actual	2017/18 Revised February 2017	2018/19 Revised February 2017	2019/20 Revised February 2017
	£	£	£	£	£	£	£	£
Increase (Decrease) in Council Tax (band D)	0.00	0.00	0.00	0.00	0.00	0.00	0.56	3.51
Increase (Decrease) in average rent per week	(0.11)	(0.03)	0.04	(0.05)	(0.08)	(0.03)	21.22	(3.40)

General Fund -This is an indicator of the affordability of the capital programme and its effect on the Council Tax. This indicator shows change in Borrowing Cost and MRP charged to the Revenue Budget because of movement in Capital Strategy from November 2015 to January 2016.

HRA -This is an indicator of the affordability of the capital programme and its effect on the rent payer. From 2012/13 under self financing, the cost of borrowing, in terms of interest cost, and any provision for the future reduction in debt liability, is covered by no longer making contributions to CLG in the form of negative subsidy payments. The reported figures reflect the change on investment interest due to movement in HRA Capital Programme from November 2015 to January 2016.

Upper limit for fixed interest rate exposure

	2015/16 Actual	2016/17 Original Estimate February 2016	2016/17 Revised September 2016	2016/17 Revised Estimate February 2016	2016/17 Actual	2017/18 Revised February 2017	2018/19 Revised February 2017	2019/20 Revised February 2017
	£000	£000	£000	£000	£000	£000	£000	£000
Fixed Rate Borrowing - General Fund	16,234	15,700	15,580	15,580	15,580	15,296	16,622	18,507
Fixed Rate Borrowing - HRA	212,506	212,386	212,506	212,506	212,506	212,265	212,265	212,265
Fixed Rate Investments	100%	100%	100%	100%	100%	100%	100%	100%
Net Fixed Rate Borrowing	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**

Upper limit for variable interest rate exposure

	2015/16 Actual	2016/17 Original Estimate February 2016	2016/17 Revised September 2016	2016/17 Revised Estimate February 2016	2016/17 Actual	2017/18 Revised February 2017	2018/19 Revised February 2017	2019/20 Revised February 2017
	£000	£000	£000	£000	£000	£000	£000	£000
Variable rate borrowing - General Fund	16,234	15,700	15,580	15,580	15,580	15,296	16,622	18,507
Variable rate borrowing - HRA	212,506	212,386	212,506	212,506	212,506	208,765	208,765	216,717
Gross Variable Rate	**228,740**	**228,086**	**228,086**	**228,086**	**228,086**	**224,061**	**225,387**	**235,224**
Variable rate investments	100%	100%	100%	100%	100%	100%	100%	100%

Upper limit for total principal sums invested for over 364 days

	2015/16 Actual	2016/17 Original Estimate February 2016	2016/17 Revised September 2016	2016/17 Revised Estimate February 2016	2016/17 Actual	2017/18 Revised February 2017	2018/19 Revised February 2017	2019/20 Revised February 2017
	£000	£000	£000	£000	£000	£000	£000	£000
Sums invested for over 364 days	5,000	5,000	5,000	10,000	10,000	10,000	10,000	10,000

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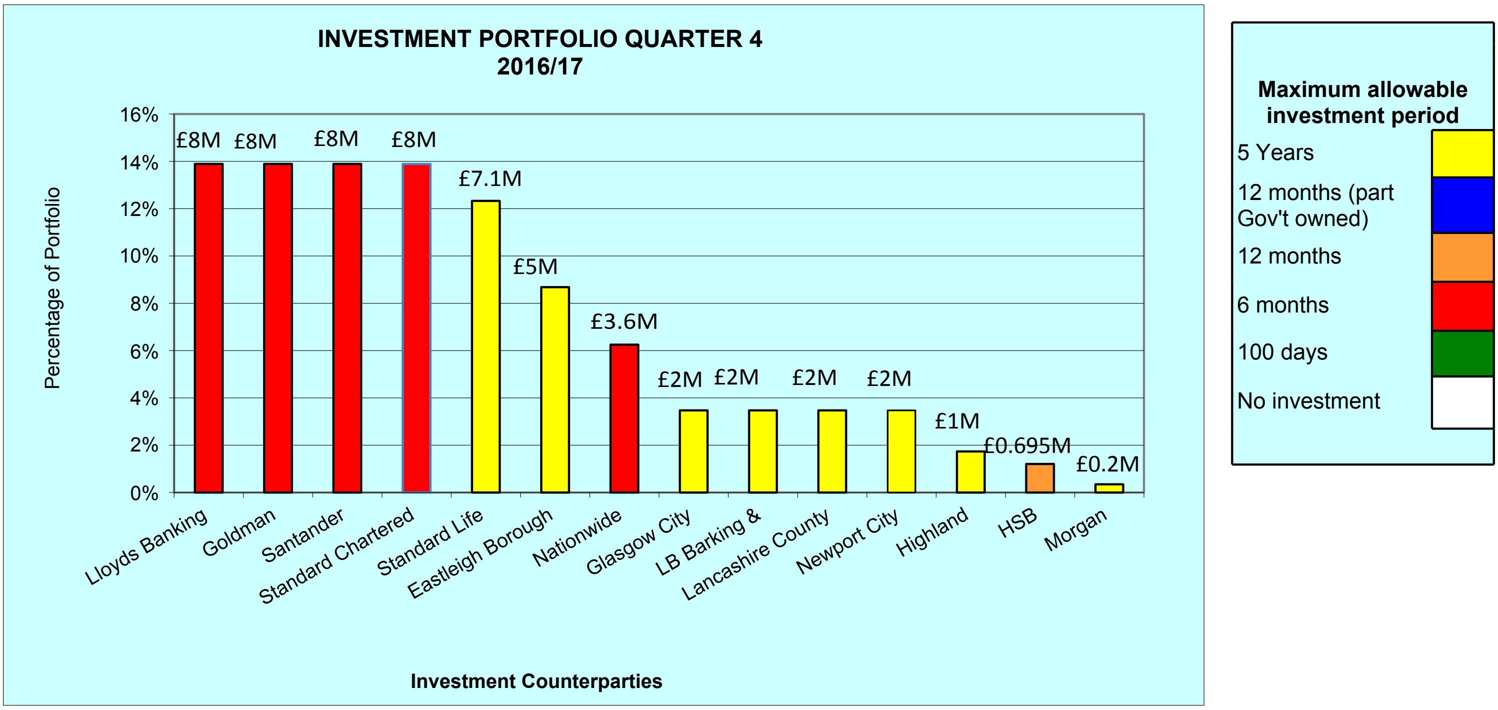
INVESTMENT PORTFOLIO (31st March 2017) Appendix B

Average interest rate for 2015/16 **0.61%**
Average interest rate for 2016/17 **0.57%**

Borrower	Nation	Sovereign Rating (Fitch)	Amount £'s	From	To	Rate %
Money Market Funds (Instant Access)						
Standard Life	UK	AA	7,100,000			0.29
Morgan Stanley	UK	AA	200,000			0.22
60 Day Notice						
Santander UK	UK	AA	8,000,000			0.50
95 Day Notice						
Standard Chartered Bank	UK	AA	7,000,000			0.52
Fixed Term Deposit						
HSBC	UK	AA	695,000	31-Mar-17	03-Apr-17	0.10
Eastleigh Borough Council	UK	AA	5,000,000	17-Feb-17	04-Apr-17	0.30
Goldman Sachs	UK	AA	1,700,000	20-Oct-16	20-Apr-17	0.73
Nationwide B.S	UK	AA	3,600,000	20-Oct-16	20-Apr-17	0.42
Lloyds Banking Group	UK	AA	5,000,000	20-Dec-16	20-Jun-17	0.60
Newport City Council	Uk	AA	2,000,000	08-Jun-15	10-Jul-17	0.98
Goldman Sachs	UK	AA	2,300,000	16-Jan-17	17-Jul-17	0.64
Lloyds Banking Group	UK	AA	3,000,000	23-Jan-17	24-Jul-17	0.60
Goldman Sachs	UK	AA	4,000,000	13-Feb-16	14-Aug-17	0.77
Standard Chartered Bank	UK	AA	1,000,000	15-Feb-17	15-Aug-17	0.59
Glasgow City Council	UK	AA	2,000,000	05-Dec-14	05-Dec-17	1.40
Highland Council	UK	AA	1,000,000	14-Apr-16	16-Apr-18	0.98
Lancashire County Council	UK	AA	2,000,000	06-Sep-16	06-Sep-18	0.58
LB Barking & Dagenham	UK	AA	2,000,000	09-Jan-17	09-Apr-20	0.98
			57,595,000			

Following the result of the referendum to leave the European Union, the UK sovereign rating was downgraded to AA (previously AA+) on the 29th June 2016.



LOAN PORTFOLIO QUARTER 4 (31st March 2017)

Decent Homes Borrowing

Lender	Type	Rate %	Amount £'s	From	To	Life of Loan
PWLB	Fixed Rate/Maturity	4.11	2,500,000	24/03/2011	24/03/2018	7 years
PWLB	Fixed Rate/Maturity	4.11	1,241,000	31/03/2011	31/03/2018	7 years
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
			11,504,000			

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
Lancashire C.C.	Fixed Rate/Maturity	1.98	**1,500,000**	03/07/2013	03/07/2018	5 years
PWLB	Fixed Rate/EIP	2.37	**1,578,947**	19/08/2013	19/02/2022	9 1/2 years
			3,078,947			

Total Borrowing			**209,493,947**			

Stevenage BOROUGH COUNCIL

Meeting: **Executive** **Agenda Item:** **10**

Portfolio Area: All

Date: **19 September 2017**

CORPORATE PERFORMANCE FOR QUARTER ONE 2017/18

Author – Elaine Wright Ext. 2192
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1. PURPOSE

1.1. To highlight the Council's performance across key priorities and themes for quarter one 2017/18.

2. RECOMMENDATIONS

2.1. That the delivery of priorities that form the Future Town, Future Council Programme and performance of the Council across key themes during quarter one 2017/18 together with latest achievements be noted.

3. BACKGROUND

3.1. Members approved the new 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 consists of nine programmes with five external programmes focussed on improving the quality of life for Stevenage residents through building houses, regenerating the town centre, improving housing services and how local people feel about their neighbourhoods. Four internal programmes aim to build strong foundations within the Council through improving processes and skills, and making sure the Council is fit for the future. This aids delivery of the externally focused programmes.

3.3. During 2016/17, a senior management review was completed that established a more sustainable, customer orientated and commercial operating model. The model focussed 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.

3.4. Assistant Directors have now been appointed for all Business Units, with Rob Gregory appointed the new Assistant Director Communities and Neighbourhoods (commenced August 2017) and Craig Miller appointed the new Assistant Director for Stevenage Direct Services (commencing November 2017).

3.5. The senior management review resulted in the reorganisation of Business Units across three key delivery themes; Customer, Place, and Transformation and Support.

3.6. In addition to monitoring progress on the delivery of the FTFC Programme, performance across these themes is monitored to highlight achievements and identify any areas for improvement. This is in recognition of the critical role all Assistant Directors play in the delivery of the Future Town, Future Council Programme, either as a lead on one or more of the nine programmes or as an enabler, delivering services across the three themes in support.

3.7. 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 and an overview of the results is provided at paragraph 3.100.

3.8. A Policy Development meeting was held on 30 August 2017 with the Overview and Scrutiny Committee regarding the Performance Framework. Officers summarised how the performance framework has evolved alongside the organisational transition outlined in the preceding paragraphs. Also discussed were the plans for future reporting to focus on progress against corporate programmes and operational successes together with areas for improvement. The Committee were also provided with an outline of measure and target changes applied to the 2017/18 corporate measure set to provide an opportunity to influence future targets.

Future Town, Future Council programme progress update

3.9. The FTFC Programme was reviewed during quarter one to ensure governance arrangements remain effective, as programmes move from a planning to delivery phase during 2017/18. This was to ensure that the focus and scope of programmes will continue to deliver the Council's priorities and ensure a Council fit for the future.

3.10. The FTFC programme continues to perform well and is on track with delivery of agreed outcomes. Eleven FTFC measures were reported on for quarter 1 with just one measure narrowly missing its target (EoC4a: Apprentices in post – see paragraph 3.81).

Stevenage Centre Town Centre Regeneration Programme

3.11. **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.

3.12. **Programme Overview -** The Council wants to make Stevenage a destination of choice through delivering a new vibrant town centre, with quality shopping, office and leisure facilities. New homes will be built in the town centre and a new hub for public services will be created.

3.13. Regeneration of the town centre is the Council's number one priority and the associated programme progressed well during 2016/17. Stevenage is now the single largest regeneration zone in the East of England. In March 2017, the Council commenced the procurement process to appoint a preferred developer to take forward SG1, which is the first phase of the regeneration scheme. The key building blocks of SG1 include:

- **Stevenage Core** – signature public space, new retail, residential, restaurants and cafes; and other civic uses.
- **New Public Sector Hub** - new health facilities, a library, civic spaces and offices.
- **Southgate Park** – which will include new residential apartments, a linear park and potentially a new urban primary school.

3.14. The aim is to have a preferred developer appointed by February 2018.

3.15. During 2017/18 the programme focus is:

- Securing a development partner for the first phase of the town centre regeneration.
- Beginning development and progressing more detailed plans for a public sector hub in the town.
- Completing public realm improvements within the town centre.

Programme Delivery Update

3.16. The process to secure a development partner for the first phase of the Town Regeneration Scheme launched in quarter one. A large developer engagement event was held that enabled the Council to tell developers about the variety of different opportunities coming forward in Stevenage. There was a high level of positive interest and following an evaluation of submissions received, the Council commenced the competitive dialogue stage of the procurement process which is still ongoing and currently involving four preferred developers.

3.17. Engagement with partners that will be occupying a new Public Sector Hub continued and requirements for the new building have been outlined.

3.18. Public realm improvements to The Forum and Littlewoods Square continued with completion expected at the end of September. Designs for planned public realm improvements to Market Place are being developed.

3.19. Residents are being kept informed of progress and plans through drop-in sessions, articles in Stevenage Central magazine and information campaigns using the Stevenage Central branding.

Housing Development Programme

3.20. **Programme Outcomes**

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

Programme Overview

3.21. Providing decent, affordable homes appropriate to the needs of residents is one of the Council's key priorities. The Council is meeting this priority by establishing a programme of building new homes and buying others on the open market.

3.22. Overall the programme remains on track for delivery of 300 homes by 2020. 125 homes have been delivered since the initial programme started (2013/14).

3.23. During 2017/18 the programme focus is:

- Delivering 43 homes across a range of planned schemes.
- Setting up a Council owned Housing Development Company to provide a variety of housing types across the town and consideration of a joint venture to bring further housing development forward.

Programme Delivery Update

3.24. The Archer Road Scheme was completed and all properties have now been made available for letting.

3.25. Following a tour of Ditchmore Lane, a new proposal for the second phase of development was discussed and agreed with Members at the 23 June Housing Development Executive meeting.

3.26. Affordable housing schemes at March Hare and Twin Foxes are progressing with the four houses at Vincent Gardens handed over on the 10 August 2017.

3.27. A scheme with a registered housing provider to access units using Right-to-Buy 1:1 receipts has been agreed with Executive (July).

3.28. Residents and staff are being kept informed of progress and plans. In particular the Housing Management Board was taken on a tour of new build schemes. Whilst Officers also held meetings with the community centre manager and local businesses in regards to the Kenilworth Road scheme.

Excellent Council Homes for Life Programme

3.29. **Programme Outcomes**

- Transforming the housing service (Housing – All under one roof).

Programme Overview

3.30. The Council's aim is to provide high quality, efficient and effective housing services. The Council has committed to transform its housing services to better meet the needs of its customers.

Programme Delivery Update

3.31. The Excellent Council Homes for Life programme has been reviewed and will now focus purely on the housing transformation element. Elements relating to investing in homes and services for older people are to be taken forward through normal Business Unit operations.

3.32. Staff engagement is taking place through focus groups and a Housing Away Day was held in July, at which staff voted to name the housing transformation programme, 'Housing – All under one roof'.

3.33. The Assistant Director for Housing and Investment has commenced consultation on a proposal to restructure her 4th Tier Management Team. An Interim Programme Manager and Assistant Programme Manager have also been appointed, which are both critical roles for the programme. These roles will now work with staff from housing to shape the revised programme.

3.34. In April the new structure for the Supported Housing and Cleaning team was established. Consultation with managers on further transformation is ongoing.

3.35. The Council appointed Northgate Public Services (NPS) to implement 4 new housing management system modules (NPS Housing Advice module, Support Services module, Key Details and Task Manager), in order to enhance service delivery. NPS will also carry out a series of health checks on the Council's use of various NPS modules in order to maximise the use and effectiveness of the housing management system. This programme of work will be carried out over an 18 month period.

Co-operative and Neighbourhood Management Programme

3.36. **Programme Outcomes**

- Public spaces are more attractive, better cared for by the council and residents, 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 Community centres are efficiently run, well-managed and most importantly, meet local needs.
- Staff better understand the town's communities and through doing so are more able to deliver the change that is required.

Programme Overview

3.37. The Co-operative Neighbourhood Management programme sets out how the Council will work with communities to improve the 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.

3.38. The programme has now begun to deliver against the expected outcomes after a year of planning and implementation. During 2016/17 £10M was allocated by the Council to improve the quality and look of its garage blocks over the next 10 years.

3.39. The Council has also allocated £1.5M to be spent on rejuvenating the Council's play areas over the next 5 years.

3.40. During 2017/18 the programme will focus on:

- Delivering of £800k of investment (relating to Green Space signage, public realm work, nine play areas, litterbins and hardstanding) into Pin Green and Shephall.
- Encouraging partner agencies and relevant private sector organisations to work in partnership with us to help improve public spaces and other local assets and engage with communities.
- Undertaking a Resident Survey to determine future neighbourhood priorities.
- Reviewing the effectiveness and usage of Community Centres to ensure they are best placed to meet current and future needs.
- Implement the Garage Improvement Programme
- Engaging with partners and communities on the next phase of the planned physical improvement works in the wards of St Nicholas and Martins Wood.

Programme Delivery Update

3.41. The Co-operative and Neighbourhood Management programme was formally launched at Stevenage Day in June 2017, giving the local community an opportunity to hear about the programme aims and to meet the Neighbourhood Wardens.

3.42. A potential joint project with the community to enhance the environment around Archer Road Squares is being explored. Engagement with residents will be carried out to determine community interest in this venture.

3.43. The Assistant Director for Communities and Neighbourhoods is now in post and is considering the capacity and skills required to deliver the CNM programme effectively.

3.44. The garage improvement pilot projects have been completed. A Member session is to be held to review the result of the pilot schemes and determine the future level of investment. A programme manager for garages has also now been recruited and has started to develop the improvement programme.

3.45. Residents and staff are being kept informed through the launch of the 'Our Neighbourhood' webpage and media coverage of events such as the afternoon tea held during National Volunteers Week to celebrate and thank the regular volunteers.

Connected to our Customers Programme

3.46. **Programme Outcomes**

- Increase customer satisfaction with key services.
- One resident, one account 24/7 customer access to key services.

Programme Overview

3.47. The ‘Connected to our Customers’ programme aims to improve the way residents can access Council services through increasing the use of digital options. The programme will specifically target high cost / low value transactional activities. It will ensure that the Council will use technology to meet its ambitions and make the workforce more modern, efficient and responsive to customer needs. The programme will encourage use of self-service so more time can be spent with customers that need extra help and will see the development of a much improved website with more self-service choices.

3.48. During 2016/17 the programme started to deliver against its key aims following a year of scoping and planning. A new digital strategy was completed which sets out the Council’s approach to delivering new online services and the Executive approved more than £2m capital funding for the new digital change programme which will fund the required team and works to deliver digital services.

3.49. During 2017/18 the programme focus is:

- Upgrading the Council’s IT infrastructure so it can support a range of new digital applications and services.
- The design and commission of a new customer account.
- The launch of a new website and intranet.
- Expanding the accessibility of services through use of digital technologies including a new online Council Tax and Business Rates account.
- Implementation of the Council’s cyber security action plan.
- Completing the telephony software upgrade.

Programme Delivery Update

3.50. The Assistant Director Corporate Projects, Customer Services and Technology is now the programme sponsor. This will improve synergies with ICT and the development of the Public Sector Hub. The programme now includes additional aspects of ICT security and infrastructure improvements that are essential to ensuring the Council can deliver high performance and sustainable digital services that will facilitate the modern working practices required for the Public Sector Hub. The Future Council Business Review will identify the resources required for the revised programme.

3.51. Plans are being developed to enhance the already robust arrangements to ensure that customer and staff data remains secure and the Council can continue to give confidence to the users of the Council’s digital services.

3.52. In partnership with East Hertfordshire Council, work has started on a replacement staff Intranet, which is considered a high priority improvement action by managers across the council.

3.53. The Modern.Gov committee management system went live for the Senior Leadership Team (SLT) on 1 August and has subsequently been rolled out to a number of other officer groups including FTFC Programme Board. The system allows paperless management of agendas, minutes and reports. To support the use of paperless solutions, all members of SLT have been provided with a tablet. Modern.Gov will also be used for the first time for Member committees during October 2017.

Partner of Choice Programme

3.54. **Programme Outcomes**

- Delivery of shared services.
- Shared partnership culture.
- Develop the best deal for Stevenage for county-wide devolution.

Programme Overview

3.55. The Council believes that through working with partners it can achieve better outcomes for the town and deliver services more efficiently. The Council has a proven track record of developing a range of partnerships such as those under the Stevenage Together umbrella. As a partner of choice the Council continues to proactively work with partners from across all sectors to deliver projects that make a difference to the lives of Stevenage residents.

3.56. During 2017/18 the programme focus is:

- Finalising the legal shared services arrangements.
- Setting out further potential shared service options.
- Continuing to work in partnership through Stevenage Together.
- Working in partnership with voluntary agencies to help reduce Child Poverty.

Programme Delivery Update

3.57. The Shared Legal Service was approved and went live on 1 August 2017. Mary Cormack was appointed as Monitoring Officer and Borough Solicitor.

3.58. The consideration of further shared service opportunities was proposed by the Senior Leadership Team as part of Future Council Business Review. Initial discussions with senior management have identified further options to consider. Informal engagement will now proceed with Members and key partner organisations.

Performing at our Peak Programme

3.59. **Programme Outcomes**

- Achieve better business outcomes through delivering actionable strategic insight.

Programme Overview

3.60. 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.

3.61. During 2016/17 a new software tool has been developed to help managers access up-to-date service information and data, and work has been completed to create 'live' performance dashboards for the Senior Leadership Team.

3.62. During 2017/18 the programme focus is:

- Continuing to build performance dashboards at a business unit level 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 the Council's customers.
- The introduction of a new devolved governance and performance framework, including a new scheme of delegation, to help improve decision making and accountability at a business unit level.

Programme Delivery Update

3.63. Performance dashboards have been established at business unit level and will be enhanced throughout 2017/18.

3.64. Information relating to strategic risks has been incorporated into the new system and is being used to provide information through strategic level dashboards. As business unit performance dashboards are enhanced, risks identified at business unit level will be incorporated into the system.

3.65. A successful trial of obtaining performance results by pulling data direct from key business software systems has been completed. This is a positive step towards being able to capture service data that will provide more up-to-date information to inform decisions.

Financial Security Programme

3.66. **Programme Outcomes**

- As set out in Figure 2: Financial Security Workstreams.

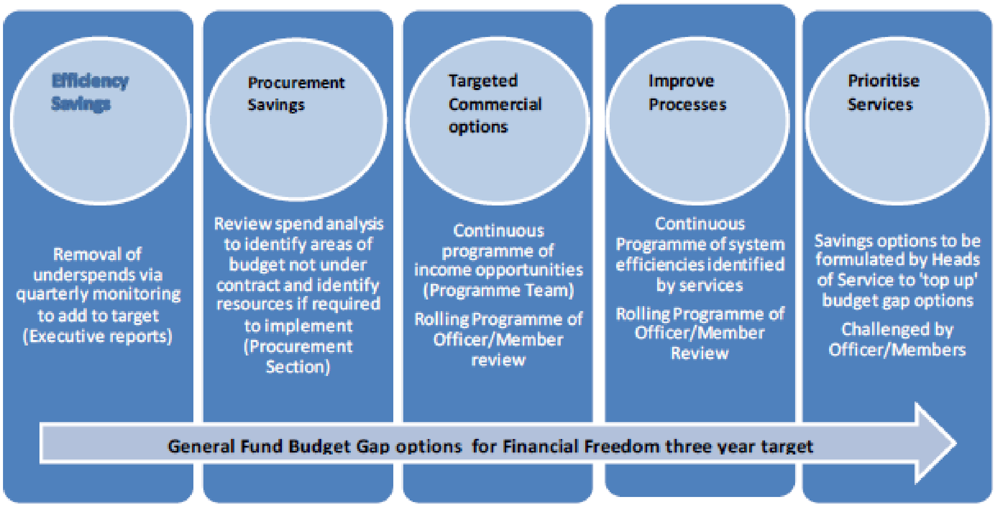

Figure 2: Financial Security Workstreams

Programme Overview

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

3.68. Despite continued national government austerity the Council has managed to balance the books whilst protecting the much valued front line services and providing funding to support the FTFC programme.

3.69. The Executive approved the allocation of £15m towards a Commercial Property strategy in March 2017 to enable the purchase of commercial assets that yield a financial return.

3.70. During 2017/18 the programme will focus on:

- Generating significant savings from the leisure management contract.
- Finalising savings of approximately £40k per annum through a move to a digital post solution.
- The prioritisation of services to generate further savings and ensure a balanced budget.

Programme Delivery Update

3.71. Current year financial security targets were achieved for quarter 1 contributing to the delivery of a balanced budget for 2018/19.

3.72. The Assistant Director Finance and Estates carried out service review meetings with all Assistant Directors during August 2017 to identify future potential financial security options.

3.73. The programme team have been carrying out a series of interactive engagement meetings with senior management in order to identify potential efficiency savings, commercial opportunities and procurement savings.

Employer of Choice Programme

3.74. **Programme Outcomes**

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

Programme Overview

3.75. The Council aims to create a flexible, collaborative, creative and modern workforce to ensure the Council 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.

3.76. During 2016/17 the Senior Management Review was completed and a new leadership team is now in place. 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.

3.77. During 2017/18 the programme focus is:

- Further rollout of online services for staff, including a new e-learning system and intranet.
- Creation of new leadership and management development programmes.
- Development and implementation of a competency framework for staff up to Grade 9 of the Council's pay structure.
- Introduction of new performance management policies, tools and processes.

Programme Delivery Update

3.78. 'My View', the self-service portal of the new Resource Link HR and Payroll system went live for staff and members in April. The system provides the ability to manage payslips online and enables staff to book and manage annual leave. Further developments of 'My View' are planned, including the ability to record and manage sickness absence.

3.79. A comprehensive Equality and Diversity training package was delivered to all staff based at Cavendish Road.

3.80. The programme has been supporting the developing Future Council Business Reviews by putting in place the necessary HR support arrangements. The Future Council Business Reviews will shape the way in which the Council delivers services in the future.

3.81. A further two apprentices are due to join the organisation in quarter two. (EoC4a: Percentage of apprentices in post as a percentage of the workforce, target 2.3%, achieved 2.1%).

Corporate Performance highlights and areas for improvement

3.82. 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 and the overview of results for quarter 1 2017/18 is:

Number of Measures Reported	Meeting or exceeding target	Amber Status (within an acceptable tolerance)	Red Status (urgent improvement action required)
47	30	4	13

3.83. The Strategic Leadership Team has requested that Assistant Directors identify improvement activity for performance measures that did not meet the target set.

3.84. A summary of highlights and areas for improvement is set out in the following paragraphs across the three key delivery themes; Customer, Place, and Transformation and Support (the one FTFC theme measure that missed target is referred to in paragraphs 3.98).

Key Business Unit Themes Update

3.85. Thirty-six measures were reported on for quarter 1 aligned to the three business unit themes of Customer, Place, and Transformation and Support.

Customer Theme

3.86. The Customer Theme incorporates the following Business Units:

- Housing and Investment
- Communities and Neighbourhood

Housing and Investment

3.87. Tenancy Support Advisors helped their customers access £12,000 income between April and the end of July 2017.

3.88. Following development, 28 properties were made available for letting at Archer Road in July 2017 and all were let to residents within one week.

3.89. Letters that are required to be sent to Leaseholders to outline service charges were sent well within the legislative deadline (end September) - 1400 letters were sent by Mid-August.

Voids

3.90. VoidsSheltered: The time taken to re-let standard sheltered voids

3.91. As reported to July Executive, performance continues to be affected by low demand for some Sheltered Units.

3.92. On a positive note, a focus on the advertisement of particular void properties resulted in some increased demand during quarter one. However, properties which were let that had been void for a significant period has had a negative impact on the performance result.

- Voids sheltered: the time taken to re-let standard sheltered voids, quarter 1 2017/18 target 70 days, achieved 89.84 days.
- Additional information measure - Voids-Shelt-a: Time taken from tenancy termination to ready to let for standard sheltered voids, achieved 16.66 days.

3.93. Further opportunities to increase awareness of available properties are being explored. This will involve an assessment of the most effective method of communication, liaison with other registered service providers and property open days.

3.94. Studies have been completed for a set of hard to let properties that could potentially have their layouts redesigned to improve their future lettability. The studies will help to determine which properties will be prioritised for remodelling in the future and those that will continue to be advertised or removed from management.

3.95. The number of voids and associated void loss for sheltered voids has remained relatively steady over the past two years.

Period	All tenure void loss including service charges	Sheltered Voids loss
15/16 April to July -	£81,683	£40,469
16/17 April to July -	£90,414	£46,428
17/18 April to July -	£117,643	£48,646

3.96. A review of the Allocations Policy is being carried out that will consider three areas that could expand the customer base:

- Include access to sheltered housing for homeowners (The allocation policy was amended in January 2015 and excluded homeowners being allowed to join the Housing register).
- Revise the eligibility criteria.
- Identifying current tenants that may have a preference for sheltered housing.

3.97. The Senior Leadership Team has endorsed the planned improvement activity.

3.98. VoidsGN: The time taken to re-let standard general needs voids, quarter 1 2017/18 target 30 days, achieved 38.59 days.

3.99. An informal discussion with the Executive on repairs performance took place on 12 July 2017 and the Senior Leadership Team is monitoring delivery of the Empty Homes action plan.

3.100. It is though encouraging to note that monthly performance has been improving during 2017/18 as the following table shows:

	Monthly	Cumulative
April 2017	38.38	38.38
May 2017	43.67	40.94
June 2017	34.56	**38.59**

3.101. Performance for July 2017 is 25 days. As a result of the performance level in quarter one the Senior Leadership Team has reviewed the voids position and has identified that further performance improvements should materialise.

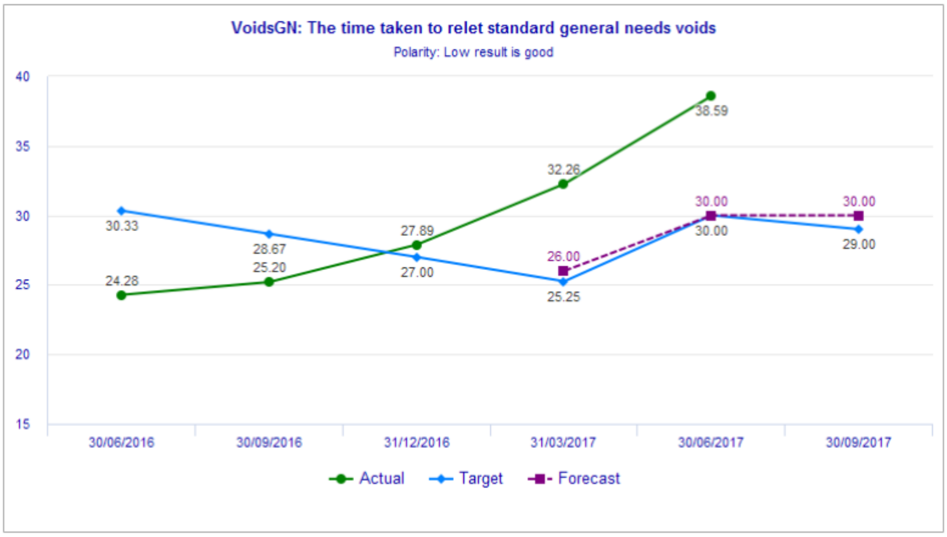

Figure 3: VoidsGN - The time taken to re-let standard general needs voids.

Homelessness preventions (BV213)

3.102. The Housing Service is supported by two key partnership organisations; the Citizens Advice Bureau and Herts Young Homeless in delivering homelessness prevention services. Unexpectedly both of these organisations experienced issues such as a shortage of resource which has impacted quarter one performance. The Housing Service is liaising with both organisations and expects performance to improve in quarter two.

3.103. In addition, performance has been affected by ongoing Housing Service staffing matters which are also likely to affect quarter two performance. New staff are in the process of being recruited to help bolster the service.

- BV213: Homelessness preventions, quarter 1 2017/18 target 90, achieved 47.

3.104. On a positive note, the number of households in temporary accommodation at the end of quarter one has reduced and no families were placed in bed and breakfast accommodation during this period.

Communities and Neighbourhoods

3.105. 50 years of play-work in Stevenage was celebrated with a series of events:

- In memory of "Denis" the Play bus, staff delivered play on wheels sessions at some of the Play Bus' old community parking spots.
- The Mayor attended the Pavement Art event on the Joy Ride in the Town Centre.
- At Stevenage Day a beach area was created for the children to play, in addition to giant games, penny farthing bikes and various toys.
- A flash mob event was staged in the town centre involving playworkers and more than 34 children from dance-beat.
- The Playworkers in Stevenage celebration event, attracted playworkers from the first employed Play workers in Stevenage 1967 to the newest young volunteer.
- As part of the 'volunteering 50 mins for 50 years' play initiative, the Chief Executive along with other staff helped to rebuild and extend the sandpit at the Bandley Hill Playcentre.

3.106. External funding was used to revamp the tree house at Pin Green and to build a sensory garden at St Nicholas Playcentre.

3.107. A range of specialist training was completed by officers to provide them with the skills to support vulnerable residents.

3.108. New Homes Bonus funding allocated to address child poverty has enabled the Herts Money Advice Unit to provide targeted advice and support to Stevenage families with disabled children to ensure they receive the correct benefits and that they are protected when Universal Credit is imposed.

3.109. A Service Level Agreement between the Council, CAB and Stevenage Children's Centres to provide financial advice and budgeting guidance to vulnerable families in 2017 has already delivered positive financial outcomes for families.

Community Safety

3.110. Partner organisations have worked together through SoSafe partnership events, street meets and the development of a poster campaign to reassure residents that Stevenage remains a safe town. Residents have been encouraged to report incidents of anti-social behaviour and/or criminal damage and advised of the various reporting methods available.

- Anti-social behaviour rates remain up against threshold and slightly above the 2016/17 level (CS8: Anti-social behaviour per 1,000 population, quarter 1 2016/17: 10.16 incidents per 1,000 population, quarter 1 2017/18: 11.72 incidents per 1,000 population against threshold of 10.00).
- The number of criminal damage incidents is slightly lower than the same quarter of 2016/17 (CS9: Criminal damage per 1,000 population, quarter 1 2016/17: 3.61 incidents per 1,000 population, 2017/18: 3.58 incidents per 1,000 population against a threshold of 3.21).

- The incidents of violent crime have increased on 2016/17 levels. However, the scope of crimes now classified as 'violent' has been expanded (NI15b: the rate of violence against the person (victim based crime) per 1,000 population, quarter 1 2016/17: 6.81 incidents per 1,000 population, quarter 1 2017/18: 8.53 incidents per 1,000 population against a threshold of 6.16).

Place Theme

3.111. 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 3.20 and 3.21 to 3.33 respectively).

Planning and Regulation

3.112. Planning is dealing with a record number of planning applications and continues to do so within corporate and statutory targets.

- NI157a: Percentage of major planning applications determined in 13 weeks, quarter 1 2017/18 target 60%, achieved 100%
- NI157b: Percentage of minor planning application determined within 8 weeks, quarter 1 2017/18 target 65%, achieved 93.1%
- NI157c: Percentage of other planning applications determined within 8 weeks, quarter 1 2017/18 target 80%, achieved 93.8%

3.113. As of June 2017, 100% of known Houses of Multiple Occupation were free from category 1 hazards (as set in the Housing Act 2004, Housing Health and Safety Rating System).

3.114. In addition, 96.9% of food establishments in the area were assessed as broadly compliant with food hygiene law.

Stevenage Direct Services

3.115. Both the Town Centre and the Old Town received a deep clean focused on clearing any build-up of plant debris. This has raised the pride of the staff and improved the appearance of the areas concerned. In addition, the visitor experience in the town centre has been improved with the addition of many new floral displays.

3.116. The programme to carry out internal works on properties was delayed resulting in the number of homes made decent being slightly lower than projected. The issues are being resolved and officers expect to achieve the target for the year (ECHFL1: percentage of homes maintained as decent, quarter 1 2017/18 target 81.2%, achieved 81%)

3.117. As discussed with the Executive in July 2017, the completion of repairs by the in-house team is meeting the repair targets set. However, external contractors have struggled to deal with the increase in fencing repairs as a result of Storm Doris that took place in February 2017. This resulted in the average time taken to complete a housing repair from time of reporting to be 14.7 days in quarter one compared to a target of 10 days.

3.118. Repairs satisfaction surveys are currently recorded from e-forms and feedback cards. A team of resident inspectors is being established that will carry out telephone surveys in future. Customers advised a 90.8% satisfaction level against a target of 95% during quarter one. A primary reason for some customers' expectations not being met was the long waiting time for fence repairs following Storm Doris in February 2017. A large proportion of fencing repair works has now been contracted out to address this matter. In addition, this will facilitate completion of new repairs within an acceptable timeframe.

3.119. The repairs measures achieving target are:

- ECH-Rep3: Percentage repairs appointments made and kept, quarter 1 2017/18 target 95%, achieved 95.65%.
- ECH-Rep4: Percentage repairs fixed first time, quarter 1 2017/18 target 87.5%, achieved 92%.

Transformation and Support Theme

3.120. The Transformation and Support Theme incorporates the following Business Units:

- Corporate Projects, Customer Services and Technology
- Corporate Services and Transformation
- Finance and Estates

Corporate Projects, Customer Services and Technology

Customer Services

3.121. Customer satisfaction with the Customer Service Centre (CSC) continues to remain high at 90%. The CSC has been able to maintain this level of performance for a considerable time.

3.122. The performance of the Customer Service Centre has unfortunately been affected by a shortage of resources and associated skills gap. Recruitment and upskilling are taking place but it is likely that the impact on performance will continue into quarter two. CSC Team leaders are supporting CSC advisors to ensure they are able to maximise the amount of time spent answering telephone calls, particularly during peak periods.

- CSC4: Percentage of telephone calls to the Customer Service Centre answered within 20 seconds, quarter 1 2017/18 target 65%, quarter 1 result achieved 54.1%.
- CSC12: Percentage of calls abandoned in the Customer Service Centre, quarter 1 2017/18 target 4%, quarter 1 result achieved 8.5%.

- CSC5: Percentage of walk-in customers to the Customer Service Centre served within 20 minutes, quarter 1 2017/18 target 85%, quarter 1 result achieved 76.6%.

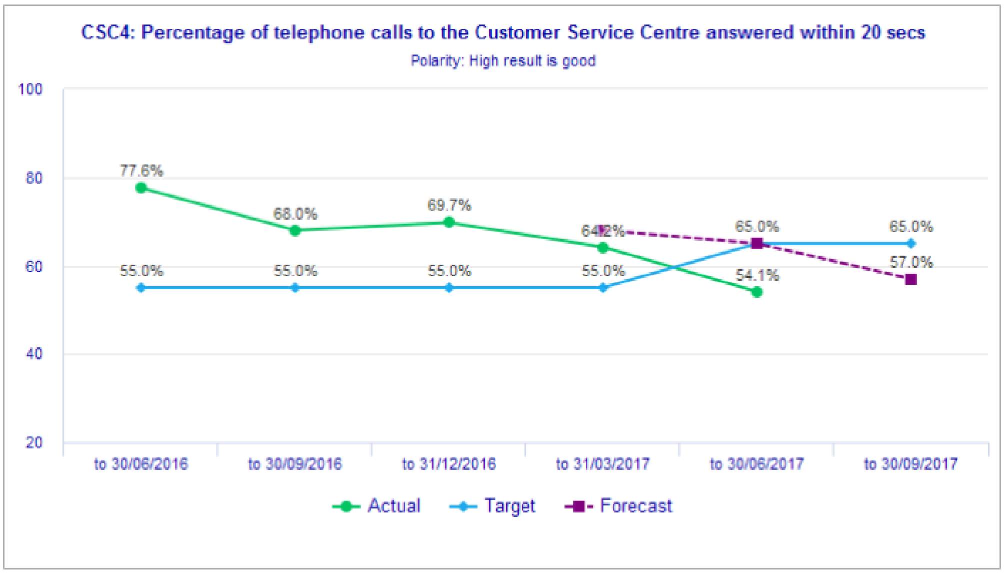

Figure 4: CSC4 – Percentage of telephone calls to the CSC answered within 20 seconds.

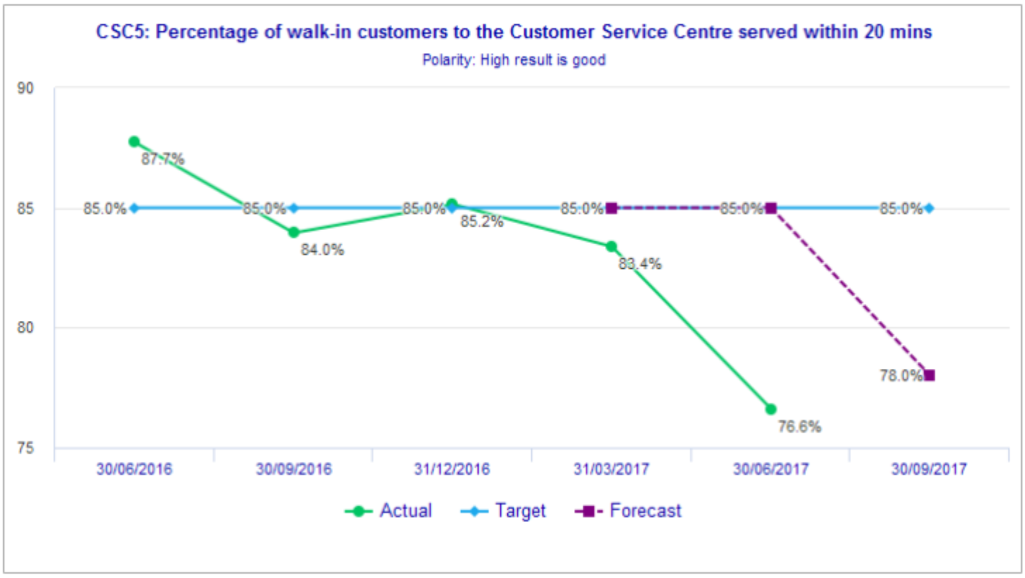

Figure 5: CSC5 – Percentage of walk-in customers to the CSC served within 20 minutes.

3.123. When 2017/18 targets were set for the Customer Service Centre resourcing concerns were not evident and stretch targets were put in place to reflect the focus on continuous improvement.

3.124. Issues in meeting customer complaint response times reported to July Executive have now been resolved. The Council is now responding to 96.7% of complaints within service standard timeframes, exceeding the target (95%).

3.125. Cust1: Percentage of complaints progressing to stage two and three that are upheld

3.126. The percentage of complaints that progressed to stage 2 or 3 and were upheld has increased on 2016/17 levels (quarter 1 2017/18 target 40%, quarter 1 2017/18 level:

51.6%, quarter 1 2016/17 level: 33.3%). The Customer Feedback Team continues to deliver training to enhance the quality of initial complaint responses.

Corporate Services and Transformation

Our staff

3.127. As at 16 August 2017, 88% of staff appraisals due were completed. The Council's Human Resources team is continuing to work with service managers to increase this to 100%. (Pe6: Appraisal completion rate quarter 1 2017/18 target 75%, achieved 65.2%, achieved at 16 August 2017 88%)

3.128. Active management of sickness absence is continuing across all Business Units (Pe4: Sickness Absence rate quarter 1 2017/18 target per full time equivalent was 8 days, 8.74 days was achieved)

Finance and Estates

Housing Benefits

3.129. Though resource issues impacted on performance for the first quarter, performance for July was better than target at 8.25 days, which has had a positive impact on the performance level for April to July (12.61 days) and this improvement is expected to continue. (NI181: Time Taken to process Housing Benefit new claims and change events, quarter 1 target 2017/18 12 days, achieved 13.94 days, result to July 12.61 days).

Senior Leadership Team perspective

3.130. The new approach to performance management and monitoring is allowing the organisation to proactively identify issues and challenges and ensure earlier management intervention. The fluid nature of the new performance framework enables the Senior Leadership Team to amend targets in year to drive forward additional improvement in services and processes. Although there is no guarantee services will meet these increased targets, it is important for the Council to aspire to improve performance levels and standards for the benefit of internal and external customers.

3.131. The Senior Leadership Team requested that the Assistant Directors responsible for the two main areas of improvement focus; void re-let times and Customer Service Centre performance assess and if deemed necessary adjust current planned activities to improve performance.

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 and corporate performance for the quarter. It aims to give Executive an overview of the achievements the Council has made this 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.

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. **Risk Implications**

5.3.1. 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.

5.3.2. 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.

5.4. **Equalities and Diversity Implications**

5.4.1. 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.

5.5. **Other Corporate Implications**

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

BACKGROUND DOCUMENTS

BD1 - Annual Report - 17 July 2017

APPENDICES

Appendix 1: Compendium of performance results

Appendix One to Executive Report

	Business Unit Theme/Programme	Sub Theme	Target to 30/06/16	Actual to 30/06/16	Status at 30/06/16	Target to 30/09/16	Actual to 30/09/16	Status at 30/09/16	Target to 31/12/16	Actual to 31/12/16	Status at 31/12/16	Target to 31/03/17	Actual to 31/03/17	Status at 31/03/17	Target to 30/06/17	Actual to 30/06/17	Status at 30/06/17	Target to 30/09/17	Forecast to 30/09/17	Forecast Status 30/09/17
CSC12: Percentage of calls abandoned in the Customer Service Centre	• Transformation & Support	Customer Service	8.8%	2.4%	☆	8.8%	3.9%	☆	8.8%	3.6%	☆	8.8%	5.5%	★	4.0%	8.5%	▲	4.0%	6.0%	▲
CSC13: Percentage of calls closed at first point of contact by the CSC	• Transformation & Support	Customer Service	60.0%	60.3%	★	60.0%	59.7%	★	61.0%	57.5%	★	62.0%	57.5%	★	62.0%	57.8%	★	62.0%	59.0%	★
CSC4: Percentage of telephone calls to the CSC answered within 20 secs	• Transformation & Support	Customer Service	55.0%	77.6%	☆	55.0%	68.0%	☆	55.0%	69.7%	☆	55.0%	64.2%	★	65.0%	54.1%	▲	65.0%	57.0%	▲
CSC5: Percentage of walk-in customers to the CSC served within 20mins	• Transformation & Support	Customer Service	85.0%	87.7%	★	85.0%	84.0%	★	85.0%	85.2%	★	85.0%	83.4%	★	85.0%	76.6%	▲	85.0%	78.0%	▲
Cust1: Percentage complaints progressing to stage 2 and 3 that are upheld or partially upheld	• Transformation & Support	Customer Service	40.0%	33.3%	☆	40.0%	43.4%	●	40.0%	42.6%	●	40.0%	41.9%	★	40.0%	51.6%	▲	40.0%	50.0%	▲
ICT1: Percentage availability of core systems during supported hours	• Transformation & Support	Support Services	99.0%	99.5%	★	99.0%	99.5%	★	99.0%	99.5%	★	99.0%	99.8%	☆	99.5%	99.6%	★	99.5%	99.5%	★
Pe1: Total Human Capital - measures Workforce Stability	• Transformation & Support	People	85.0%	89.0%	★	85.0%	93.0%	☆	85.0%	88.0%	★	85.0%	87.0%	★	85.0%	87.0%	★	85.0%	85.0%	★
Pe2: Agency Usage as a percentage of total workforce	• Transformation & Support	People	10.0%	12.0%	▲	8.0%	10.2%	▲	6.0%	12.0%	▲	5.0%	14.7%	▲	15.0%	15.4%	★	14.0%	14.0%	★
Pe4: Sickness Absence Figures	• Transformation & Support	People	8.00	8.68	●	8.00	9.08	▲	8.00	8.74	●	8.00	8.17	★	8.00	8.74	●	8.00	8.00	★
Pe6: Appraisal completion to meet corporate deadlines	• Transformation & Support	People	100.0%	50.2%	▲	100.0%	95.8%	▲	100.0%	99.0%	●	100.0%	99.1%	★	75.0%	65.2%	▲	100.0%	100.0%	★
NI181: Time taken (days) to process housing benefit new claims and change events	• Transformation & Support	Income Collection / Benefit Process	14.00	10.78	☆	13.00	10.79	★	12.00	10.30	★	10.00	7.90	☆	12.00	13.94	●	12.00	13.00	★
Assets 5: Percentage of assets known to be health and safety compliant	• Customers	Compliancy	100.00%	93.00%	▲	100.00%	97.00%	▲	100.00%	97.00%	▲	100.00%	99.00%	★	100.00%	99.00%	★	100.00%	100.00%	★
VGC1: Percentage of dwellings with a valid gas certificate	• Customers	Compliancy	100.0%	100.0%	★	100.0%	100.0%	★	100.0%	100.0%	★	100.0%	100.0%	★	100.0%	100.0%	★	100.0%	100.0%	★
Voids sheltered:The time taken to relet standard sheltered voids	• Customers	Housing Management	60.00	62.67	●	60.00	68.47	▲	60.00	76.52	▲	60.00	83.42	▲	70.00	89.84	▲	70.00	130.00	▲
VoidsGN: The time taken to relet standard general needs voids	• Customers	Housing Management	30.33	24.28	☆	28.67	25.20	☆	27.00	27.89	●	25.25	32.26	▲	30.00	38.59	▲	29.00	30.00	●
ECH-Rep3: Percentage repairs appointment made and kept	• Excellent Council Homes For Life	Maintaining Housing			»			»			»			»	95.00	95.65	★	95.00	95.00	★
ECH-Rep4: Percentage repairs fixed first time	• Excellent Council Homes For Life	Maintaining Housing			»			»			»			»	87.50	92.00	★	87.50	90.00	★
ECHEL-EW1: Percentage of tenants satisfied with external works completed (for the current quarter)	• Excellent Council Homes For Life	Maintaining Housing			»			»			»			»	85.0%	100.0%	☆	85.0%	85.0%	★
ECHEL5: Percentage of Repairs service customers satisfied (telephone survey)	• Excellent Council Homes For Life	Maintaining Housing			»			»			»			»	95.00	90.82	●	95.00	95.00	★
EH[illegible]: Percentage of known HMOs that are free from category 1 hazards	• Place	Planning	98.0%	98.5%	★	98.0%	98.9%	★	98.0%	97.7%	★	98.0%	99.6%	★	98.0%	100.0%	☆	98.0%	98.5%	★
NI157a: Percentage of major planning applications determined in 13 weeks	• Place	Planning	60.0%	100.0%	☆	60.0%	100.0%	☆	60.0%	100.0%	☆	60.0%	90.0%	☆	60.0%	100.0%	☆	60.0%	90.0%	☆
NI157b: Percentage of minor planning applications determined within 8 weeks	• Place	Planning	65.0%	100.0%	☆	65.0%	98.0%	☆	65.0%	98.6%	☆	65.0%	99.2%	☆	65.0%	93.1%	☆	65.0%	90.0%	☆
NI157c: Percentage of other planning applications determined within 8 weeks	• Place	Planning	80.0%	98.1%	☆	80.0%	97.2%	☆	80.0%	97.1%	☆	80.0%	98.1%	☆	80.0%	93.8%	★	80.0%	90.0%	★
NI184: Food establishments in the area broadly compliant with food hygiene law	• Place	Planning	95.0%	97.0%	★	95.0%	97.0%	★	95.0%	97.0%	★	95.0%	96.9%	★	95.0%	96.9%	★	95.0%	96.0%	★
HDD1c - Number of affordable homes delivered (gross) by the Council	• Housing Development Delivery	FTFC	0.00	5.00	☆	0.00	15.00	☆	0.00	21.00	☆	28.00	22.00	▲	1.00	2.00	☆	2.00	2.00	★
CTOC1: Percentage of customer complaints responded to within deadline	• Connected To Our Customers	FTFC			»			»			»			»	95.00	96.68	★	95.00	95.00	★
EAA1: Customer satisfaction with CSC customer service	• Connected To Our Customers	FTFC	88.0%	91.4%	★	88.0%	92.0%	★	88.0%	91.0%	★	88.0%	90.4%	★	90.0%	90.0%	★	90.0%	90.0%	★
FS1 (LACC1) GF approved savings removed from GF budget for current year	• Financial Security	FTFC	556,040.0	556,040.0	★	556,040.0	508,230.0	●	556,040.0	488,267.0	●	556,040.0	484,927.0	●	226,190.0	226,190.0	★	226,190.0	226,190.0	★
FS2 (LACC2): HRA approved savings removed from HRA for current year	• Financial Security	FTFC	158,370.0	158,370.0	★	158,370.0	158,370.0	★	158,370.0	158,370.0	★	158,370.0	150,250.0	●	675,300.0	675,300.0	★	675,300.0	675,300.0	★
FS3 (Futsav1b): Percentage of GF savings identified to meet three year target	• Financial Security	FTFC	15.0%	38.9%	☆	25.0%	50.7%	☆	40.0%	53.7%	☆	50.0%	61.9%	☆	30.0%	46.9%	☆	48.0%	54.0%	☆
FS4 (Futsav2b): Percentage of HRA savings identified to meet three year target	• Financial Security	FTFC	15.0%	23.0%	☆	25.0%	47.6%	☆	40.0%	47.6%	☆	50.0%	55.6%	☆	39.0%	49.5%	☆	54.0%	54.0%	★
EoC4a: Percentage of apprentices in post as percentage of workforce.	• Employer of Choice	FTFC	1.5%	1.6%	☆	1.5%	1.3%	▲	1.5%	0.3%	▲	1.5%	2.2%	☆	2.3%	2.1%	▲	2.3%	2.3%	★
EoC4b: Percentage of graduate placements as percentage of workforce	• Employer of Choice	FTFC			»			»			»			»	0.30	0.32	☆	0.30	0.30	★
HDD1b (formerly NB1) - New Build Spend v Budget of development activity that is contracted	• Housing Development Delivery: Outcome 1: Increased number of affordable houses in Stevenage	FTFC	75.0%	95.0%	☆	75.0%	75.0%	★	95.0%	95.0%	★	95.0%	95.0%	★	95.0%	95.0%	★	95.0%	95.0%	★
CNM2g: Garage Voids as a percentage of stock	• Cooperative Neighbourhood Management: Outcome 3: Public Space Improvements	FTFC	12.0%	11.5%	★	12.0%	11.3%	★	12.0%	11.4%	★	12.0%	11.4%	★	12.0%	11.8%	★	12.0%	12.0%	★

	Business Unit Theme/Programme	Sub Theme	Target to 30/06/16	Actual to 30/06/16	Status at 30/06/16	Target to 30/09/16	Actual to 30/09/16	Status at 30/09/16	Target to 31/12/16	Actual to 31/12/16	Status at 31/12/16	Target to 31/03/17	Actual to 31/03/17	Status at 31/03/17	Target to 30/06/17	Actual to 30/06/17	Status at 30/06/17	Target to 30/09/17	Forecast to 30/09/17	Forecast Status 30/09/17
CS8: Anti-social behaviour per 1,000 population	• Customers	Community Safety Partnership	8.96	10.16	▲	18.11	20.80	▲	24.75	30.04	▲	31.49	38.33	▲	10.00	11.72	▲	19.10	21.00	●
CS9: Criminal damage per 1,000 population	• Customers	Community Safety Partnership	3.21	3.61	▲	6.13	6.63	●	8.97	7.64	☆	11.97	10.72	☆	3.21	3.58	▲	6.13	6.79	▲
NI15b: The rate of violence against the person (victim based crime) per 1,000	• Customers	Community Safety Partnership	5.87	6.81	▲	12.14	16.30	▲	17.93	25.75	▲	23.07	33.12	▲	6.16	8.53	▲	15.93	19.00	▲
BV10: Percentage of non-domestic rates due for the financial year received by the authority	• Transformation & Support	Income Collection / Benefit Process	35.0%	35.9%	☆	60.0%	62.1%	☆	88.0%	89.8%	☆	98.4%	98.1%	★	35.5%	36.7%	☆	62.0%	62.4%	★
BV9: Percentage of council tax collected	• Transformation & Support	Income Collection / Benefit Process	33.0%	33.8%	☆	61.0%	61.3%	★	88.0%	88.9%	☆	96.4%	96.6%	★	33.5%	33.8%	★	61.0%	61.3%	★
BV213: Homelessness preventions	• Customers	Housing Management	90.00	88.00	●	200.00	186.00	▲	300.00	250.00	▲	360.00	339.00	▲	90.00	47.00	▲	180.00	127.00	▲
BV66a: Rent collection rate	• Customers	Income Collection / Benefit Process	93.3%	93.9%	★	96.3%	96.4%	★	97.8%	98.2%	★	98.8%	98.9%	★	93.6%	94.0%	★	96.5%	96.5%	★
NI156: Number of households in temporary accommodation at end qtr	• Customers	Housing Management	100.00	97.00	★	100.00	94.00	☆	100.00	98.00	★	100.00	110.00	▲	110.00	97.00	☆	110.00	110.00	★
ECH-Rep5: Time taken to complete repair from time of reporting	• Excellent Council Homes For Life	Maintaining Housing			»			»			»			»	10.00	14.70	▲	9.75	13.00	▲
ECHFL1: Percentage of Homes maintained as decent	• Excellent Council Homes For Life	Maintaining Housing	84.9%	85.0%	★	86.6%	86.7%	★	88.6%	88.3%	●	76.4%	80.5%	☆	81.2%	81.0%	●	84.0%	84.0%	★
NI191: Residual household waste per household (kgs)	• Place	Environment	135.00	134.00	★	265.00	256.00	★	392.00	390.00	★	510.00	518.00	★	135.00	135.00	★	265.00	265.00	★
NI192: Percentage of household waste sent for reuse,recycling and composting	• Place	Environment	42.0%	42.0%	★	42.0%	43.6%	★	43.0%	41.4%	★	43.0%	39.8%	●	42.0%	42.0%	★	42.0%	42.0%	★

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