Stevenage BOROUGH COUNCIL

Part I – Release to Press

Meeting:	**EXECUTIVE**	**Agenda Item:**	
Portfolio Area:	RESOURCES		
Date:	**5 SEPTEMBER 2018**		

Financial security

GENERAL FUND MEDIUM TERM FINANCIAL STRATEGY (2018/19 – 2022/23 UPDATE ON THE 2017 STRATEGY)

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1. PURPOSE

1.1. To update Members on any changes to the Strategy approved by Members in September 2017.

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 2019/20 – 2020/21.

2. RECOMMENDATIONS

2.1 That the Medium Term Financial Strategy (MTFS) principles, as outlined in paragraph 4.1.6 to this report, be approved.

2.2 That, for modelling purposes, Council tax increases be set at the threshold of 2.99%, subject to any change in government rules to achieve a balanced budget (section 4.7 refers).

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

2.4 That a General Fund Financial Security Target of £2.24million be approved for the period 2019/20- 2021/22, (paragraph 4.6.15 refers). This includes an assumption that, fees and charges increases be in line with inflation.

2.5 That amounts of £300,000 and £100,000 for 2018/19 and 2019/20 respectively, be approved for inclusion in the budget setting process as a Transformation Fund, to help deliver the Future Town Future Council programme, (paragraph 4.5.2 refers).

2.6 That General Fund growth is only approved for the Council's FTFC priorities and is funded from within the existing baseline budgets or by further savings in addition to the £2.24Million target identified, (paragraph 4.5.4 refers).

2.7 That approval to enter the Business Rates Hertfordshire pilot for 2019/20 is delegated to the Assistant Director Finance and Estates after consultation with the Resources Portfolio holder, (paragraph 4.8.7 refers).

2.8 That the Leader's Financial Security Group oversee the development of the 2019/20 – 2021/22 savings package.

2.9 That a minimum level of balances for the General Fund of £2.96million be approved for 2019/20 (section 4.11 refers).

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

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

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

3. BACKGROUND

3.1 This report updates the assumptions in the 2017 MTFS reported to the Executive in September 2017. Revisions have been made to savings targets and income projections and inflation projections reviewed.

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 any financial risks to core funding such as business rates.

3.3 In addition the report identifies Financial Security targets to address the financial impact on the General Fund of Central Government funding cuts while delivering the Council's ambitions around its Future Town Future Council priorities and in particular town centre regeneration. This report recommends the approach to help deliver these ambitions and identify risks where known.

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 resources and is a forward looking document. The MTFS projects future available net resources, taking into account inflationary and other known pressures and therefore the quantum of Financial Security target required, to reduce the Council's financial footprint.

4.1.2 The MTFS underpins the Council's key priorities for Stevenage as set out in the Future Town Future Council agenda. 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, maintain funding for services in the face of central funding cuts and still have a prudent level of reserves.

4.1.3 The Council has a planned phased use of balances up to and including 2021/22, (although the 2018 MTFS projects a contribution to balances in 2021/22), to allow the Financial Security programme, (and prior to that Priority Based Budgeting) to identify and achieve sustainable budget options which chime with the Council's priorities, rather than make reactive or opportunist budget cuts to services, which conflict with achieving those priorities.

4.1.4 The Council's 'Financial Security' methodology has been revised to be a six strand approach for achieving a lower net cost base for the General Fund, (see also section 4.6). The MTFS identifies the level of financial reductions required and 'Financial Security' helps deliver this. The MTFS is reviewed annually and this report is a refresh of those assumptions.

4.1.5 The Council's FutureTown Future Council ambitions for Regeneration are likely to need significant pump priming over the next few years, this is in addition to the cost of the Regeneration team currently funded. In order to deliver on the Council's FTFC top priority and maintain a sustainable financial strategy, it will be necessary to rationalise growth only to regeneration and the Council's other FTFC priorities and at the same time review the priority of existing services, (see also 4.5.3, 4.3.9-4.3.11 & 4.6.13). The National Audit Office has recently stated that there are a number of councils that could run out of money in the next few years and Stevenage Borough Council needs to ensure it can meet its financial obligations in terms of the services it maintains, while fulfilling its regeneration ambitions. To date £959K has been set aside to fund regeneration activities (excluding capital works).

4.1.6 The MTFS principles for financial planning purposes are summarised below and the S151 officer recommends that they are amended to reflect the statement in paragraph 4.5.3 and the CFO opinion in section 4.13 of this report.

MTFS principles
To remove the General Fund's reliance on RSG by 2019/20 when the funding is removed and achieve an on–going balanced budget by 2022/23 by ensuring inflationary pressures are matched by increases in fees and income or reductions in expenditure.
To consider as part of the budget setting process, and throughout the year as necessary, what support can be given to the community, tenants, leaseholders and businesses in times of particular hardship.
To use the Council's reserves in a cost-efficient and planned manner to deliver the **Council's priorities**.
To maximise the Council's income by promptly raising all monies due and minimising the levels of arrears and debt write-offs.
To identify alternative means of resourcing the Capital Strategy to minimise the impact of borrowing (GF only).

MTFS principles
In setting General Fund balances a % for overruns (currently 1.5%), specific known risks, loss of savings & risks associated with new ventures and the cost of borrowing for the capital programme is included.
To identify variations to the approved budget via quarterly monitoring and only incur additional on-going spending when matched by increased income or identified savings.
To propose Council tax increases in line with inflation for modelling purposes with any increase above inflation used to achieve a balanced budget.
To ensure that resources are aligned with the Council's Strategic Plan and **FTFC priorities and growth limited to the Council's top priorities**
The Council does not depend upon short term sources of funding such as New Homes Bonus and **the grant is used in part for FTFC Top Priorities.**

amendments shown in bold text

4.2 The Economy and Government proposals for Funding Local Government

4.2.1 In the quarterly inflation report that accompanied the 0.25% base rate increase on the 2 August 2018 , the Bank of England kept its forecast for growth this year unchanged at 1.4%, but increased the outlook for 2019 to 1.8% from the 1.7% previously predicted. The Bank continued to pencil in growth of 1.7% for 2020.

4.2.2 The quarterly inflation report showed its predictions are based on financial market expectations for rates to rise to 1.1% by mid-2021, which would suggest two more quarter-point rises. But it also said inflation - currently running at 2.5% (July 2018) - was set to rise slightly higher than it had predicted in May's set of forecasts after recent falls in the value of the pound and higher energy prices.

4.2.3 In the last Strategy in 2017 there was considerable uncertainty around BREXIT and the impact that this will have on the economy and this still remains. The Government's focus on BREXIT appears to have delayed other initiatives such as localisation of business rates by 2020, (prior to the 2017 Election). The government has announced that there will be further business rate pilots for 2019/20, however the retained amount has reduced from 100% to 75%. The Hertfordshire CFOs are currently looking to commission work with a view to submitting a further bid for 2019/20. Beyond 2019/20 It is not clear what the government intends regarding further funding cuts, after the four year funding deal ends in 2019/20.

4.2.4 The Council has no Revenue Support Grant (RSG) and in fact negative RSG of £27,146 in 2019/20, (the cost is added to the council's NDR tariff and reduces retained business rates). The government published its consultation in July 2018 for the 2019/20 financial settlement, (deadline for responses 18 September 2018). The 2019 Spending Review will confirm overall local government resourcing from 2020/21. The consultation document says '*the Government is working towards significant reform in the local government finance system in 2020/21, including an updated, more robust and transparent distribution methodology to set baseline funding levels, and resetting business rates baselines'*.

4.2.5 The 2019/20 government consultation sets out the proposed approach to that year's settlement, including:

- The 2019/20 multi-year settlement offer for those councils that accepted the offer, **(proposals based on the four year deal).**
- The Government's position on the New Homes Bonus threshold, **(proposals to increase the baseline threshold for 2019/20 (0.4% in 2018/19), in effect reducing the amount of NHB retained by Council's). This is because the government expects an upward trend for house building**).
- NHB 2020/21 onwards- **the government has signalled it's intent to explore how to incentivise housing growth, e.g. by using the Housing Delivery Test results to reward delivery or incentivising plans that meet or exceed local housing need**. Government will consult widely on any changes prior to implementation.
- The Government's proposals for council tax referendum principles for 2019/20, **(proposals to allow increases up to a 3% referendum limit or £5 on a band d, whichever is the greater for 2019/20). For PCCs this will be £12 on a band d.**
- The Government's proposals for dealing with the issue known as 'Negative Revenue Support Grant'**.(Proposal to meet the cost from the government's share of business rates until the reset in 2020/21**). Based on the consultation the MTFS has removed this cost in 2019/20. It is unclear of the position going forward as the baseline will be reset affecting the level of funding retained by the Council.

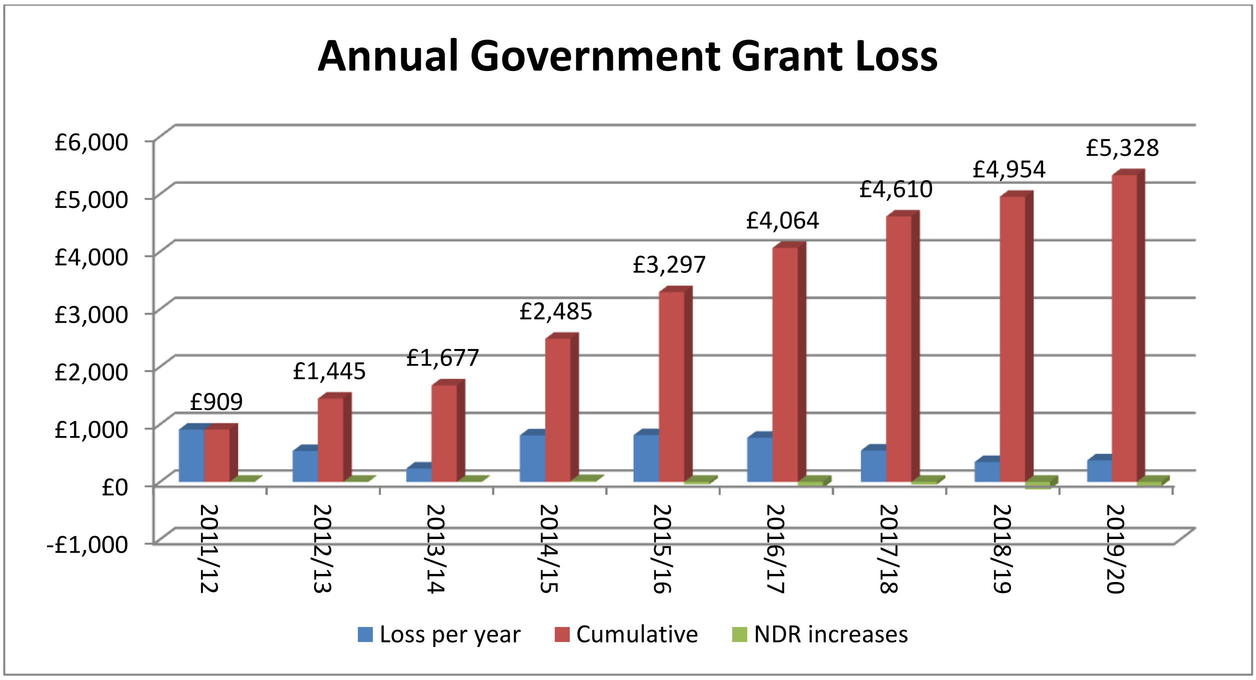
4.2.6 Other government policies impact on local government include welfare reform. Stevenage now has an October 2018 date when new claims and some change of circumstances will migrate to Universal Credit. It is still too early to ascertain whether this will have an impact on housing rent arrears or benefit overpayments.

4.2.7 The impact of public sector cuts and tax changes have been assessed/estimated (where known) for the period 2017 -2023 for the General Fund and total £13.6Million for the General Fund.

Projected Impact of Public Sector funding reductions/tax and legislative changes £'000							
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Total
General Fund:	£'000	£'000	£'000	£'000	£'000	£'000	£'000
RSG reductions	546	890	1,263	1,263	1,263	1,263	6,490
Increased demand for services/impact on arrears - due to welfare reforms	Not yet fully known						
increased national insurance contributions	260	260	260	260	260	260	1,560
Introduction of Apprenticeship levy	57	58	60	61	62	62	360
Reduction in New Homes Bonus*	659	770	787	844	1,185	909	5,154
Impact of BREXIT	Not yet known						
Total General Fund	**£1,522**	**£1,978**	**£2,371**	**£2,429**	**£2,770**	**£2,495**	**£13,564**

4.3 Stevenage Financial Position

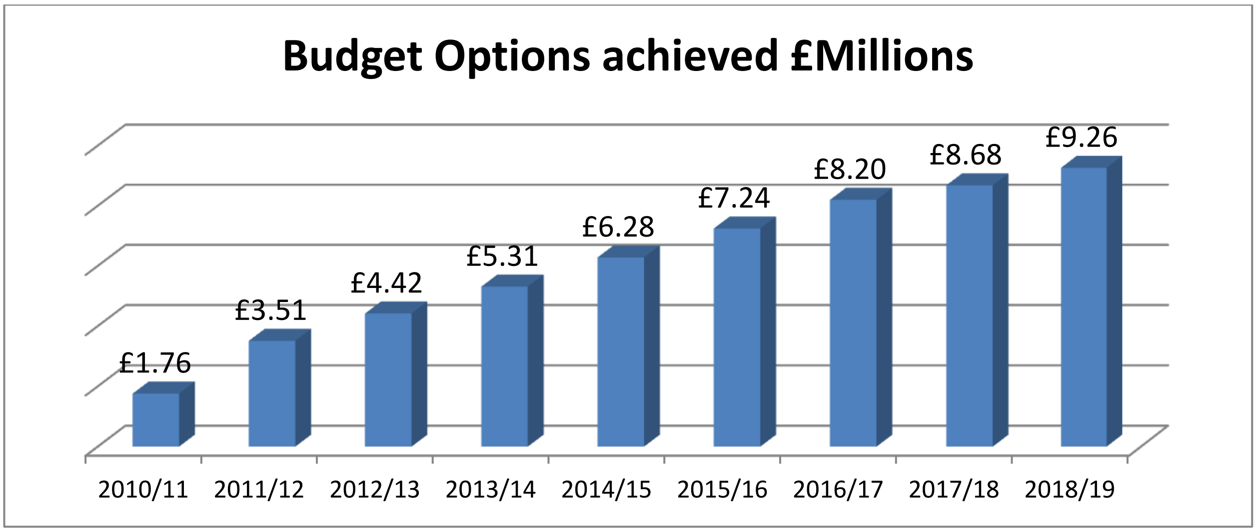
4.3.1 Government funding has been reducing since 2010/11, as a result of the economic downturn. This has meant a need to find annual savings via ‘Priority Based Budgeting’ and since 2017/18, the ‘Financial Security’ FTFC priority, (see also section 4.6). The savings were not only to plug the gap from lost grant but also to absorb inflationary pressures, so as to continue to run effective services and avoid running out of money. The amount of grant lost since 2011/12 has been previously quoted as £4.98Million, however if inflation increases in business rates are excluded the total is estimated at £5.328Million compared to central funding given in 2010/11.



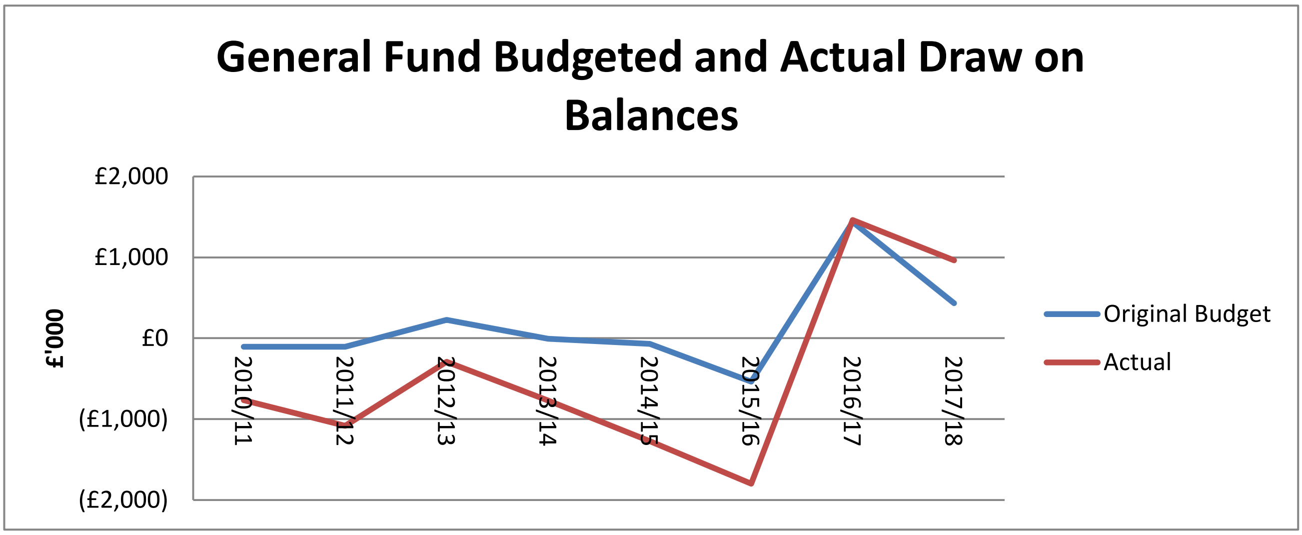
Note: excluding council tax freeze grants

4.3.2 Tracking the decline of central government grant 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.

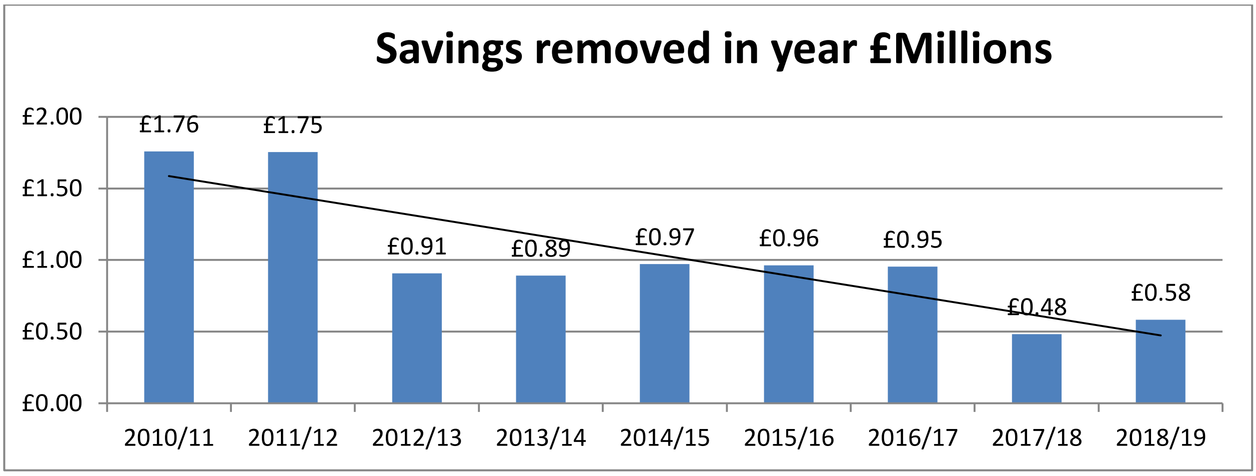
4.3.3 Over the last seven years the Council has achieved a cumulative £9Million+ budget reductions. The level of budget reductions achieved through saving initiatives is shown in the chart below.



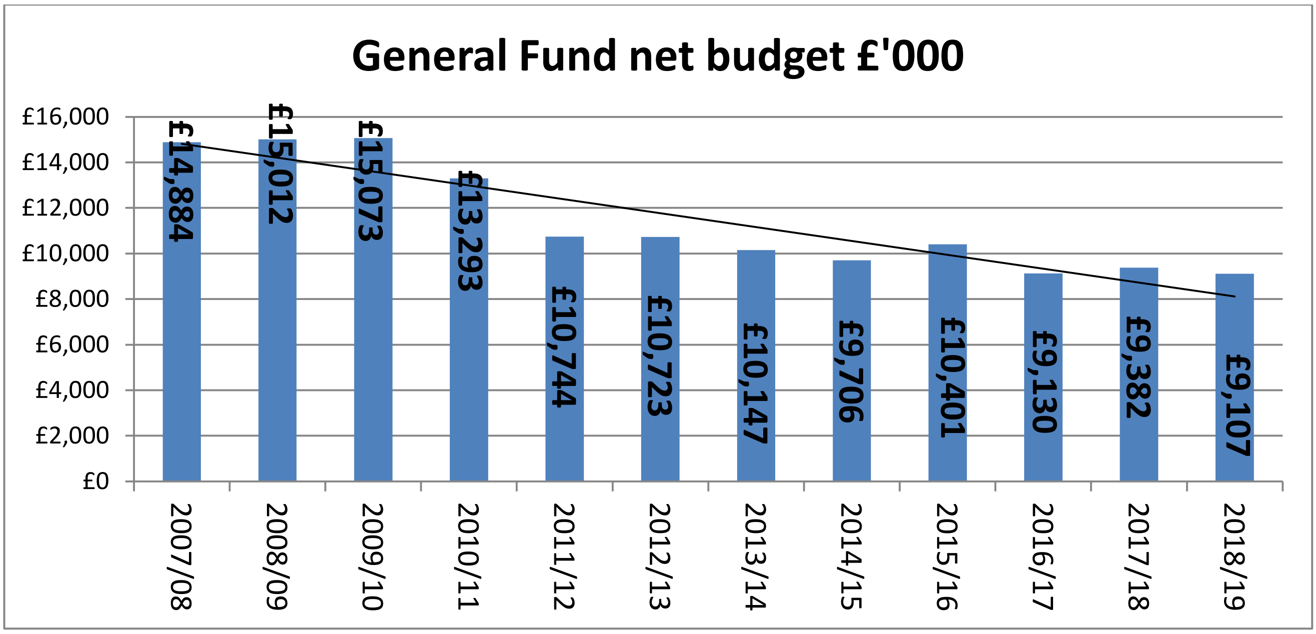
4.3.4 The Council's MTFS has planned to use balances to enable a measured withdrawal from reliance on ever decreasing government grant. Since 2010/11 the Council has set a General Fund balance that makes a contribution to reserves five out of eight years. However since the introduction of retained business rates the draw on balances have been distorted, due to the timing of when business rate payments and receipts are made and received.



4.3.5 The year end General Fund use/contribution to reserves since 2010/11 has been a total contribution to reserves of £3.5Million, compared to a budgeted £1.2Million use of balances. This is a difference of £4.7Million, generated from one off underspends and distorted by carry forward requests. That being said the level of savings options identified and delivered has started to slow in total value terms, as more innovative solutions are required, the alternative to rely on one off underspends is not a sustainable or prudent approach to financial management.



4.3.6 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. This has been done with a number of initiatives aided by a cross party Members group the Leaders Financial Security Group (LFSG).



4.3.7 The Council introduced its Future Town Future Council (FTFC) work programme in March 2016 and following on from that, the Chief Executive redesigned the Senior Leadership Team, to deliver on the Council's promises of delivering Town Centre Regeneration, Housing Development and Co-operative Neighbourhood Management. Delivering on these ambitions can conflict with the delivery on Financial Security priority in terms of both time and resource.

4.3.8. To strengthen the Financial Security (FS) work, lead officers or sponsors have been introduced for each FS work stream. Each work stream has also been allocated a three year financial target to achieve with the exception of 'prioritise services'. If the Council is unable to achieve those targets or requires more financial growth, it will necessitate a reduction in services to avoid running out of balances. This is because General Fund balances are projected to be at minimum required levels for

2020/21 and 2021/22. That notwithstanding the need to deliver on FTFC ambitions will/may mean there is not enough resource capacity (without growth) to deliver all our services and FTFC, again necessitating a prioritising of services.

4.3.9. To demonstrate the demand on resources for say the FTFC priority Regeneration, of the £959K ring fenced for Regeneration £646K is already allocated in 2018/19 and there will be a need in future years to commit more resources. The Co-operative Neighbourhood programme in improving communities may/will require higher levels of maintenance regimes. It will be necessary to continue the policy of ring fencing underspends, business rate gains and New Homes Bonus to support these priorities.

4.3.10Taking this into account it would be prudent, therefore, to review the resource allocation given to existing services and their relative priority to the Council. The Financial Security priority with the aim of delivering options to reduce General Fund net spend based on six strands is detailed in section 4.6 of this report.

4.3.11 An officer group led by the Assistant Director (Finance and Estates) has already met and will discuss and monitor options brought forward under the six strands. This group meets with LFSG on a regular basis to look at these options..

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 rationale for the inflation assumptions made in the MTFS are in the following paragraphs.

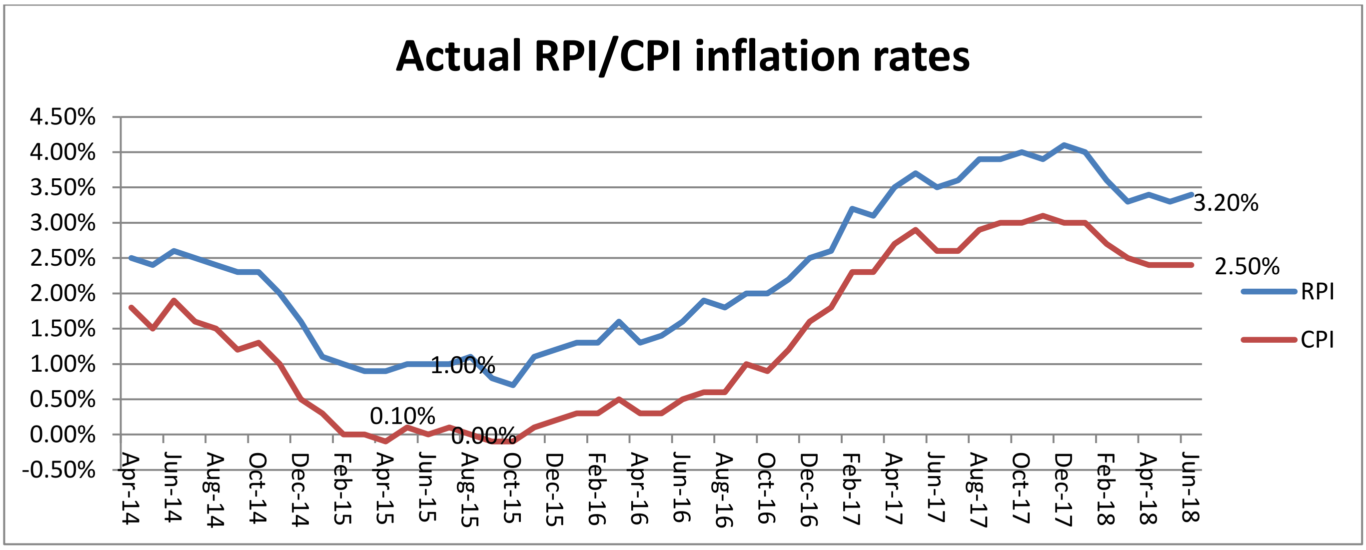
	2018/19	2019/20	2020/21	2021/22	2022/23
Inflation-Applied to:					
Salaries - % increase	2.00%	2.00%	2.00%	2.00%	2.00%
Pension Increase			0.70%		
CPI indices increases	2.70%	2.30%	2.20%	2.10%	2.10%
RPI indices increases	3.70%	3.30%	3.20%	3.10%	3.10%
Fuel Increases	4.00%	4.39%	4.64%	4.99%	4.99%
Gas (unit charge only)	10.53%	14.53%	14.53%	14.53%	14.53%
Electricity (unit charge only)	10.16%	11.11%	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:

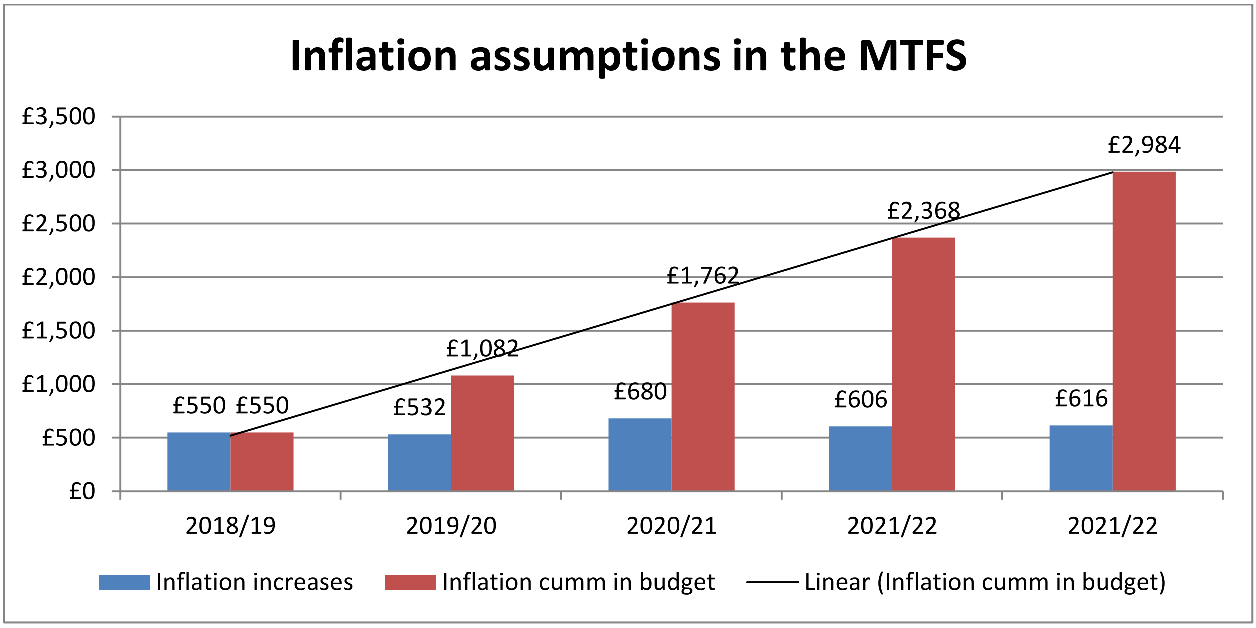
	Rationale for inflation assumption
Salaries - % increase	Salary inflation has been shown as 2% in the MTFS based on the two year deal for 2018/19-2019/20. With inflation projected to be 2% on-going it seems unlikely that pay offers will be lower as say 1%.
Pension Increase	The increase for 2017/18 at the triennial review was an increase from 16.8% to 18.5%. Previously

	Rationale for inflation assumption
	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	Current projections from the Bank of England and other independent commentators are broadly in line with the 2017/18 MTFS assumptions and therefore remain unchanged.
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

4.4.4 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 are linked to the September RPI. There is a differential between the two indices which tends to be about 1% higher than CPI. RPI and CPI interest rates are shown below.



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



4.5 Budget Pressures and Growth

4.5.1 A number of budget pressures have been reported as part of the 1st quarter monitoring report, one of the largest being the reduction in recycling paper prices, leading to a £105,000 reduction in income. This is likely to be on-going as paper prices have fallen and is a £139,000 pressure in 2019/20, (full year effect). In addition the transport subsidy paid to Stevenage Council (to tip at Watford) has significantly reduced by £101,250. This would have been an on-going pressure but currently the Assistant Director Stevenage Direct Services is trialling using the depot's transfer station as an alternative which together with other efficiencies could result in a net saving and negating the pressure from 2019/20 onwards.

4.5.2 The Council's Business Unit Reviews are not yet all completed and there may be further costs that are not yet identified for. An assumption included in the MTFS is that there will be costs of **£300,000 for implementing new Financial Security options or meeting the one off costs of Business Unit Reviews and a further £100,000 for 2019/20.**

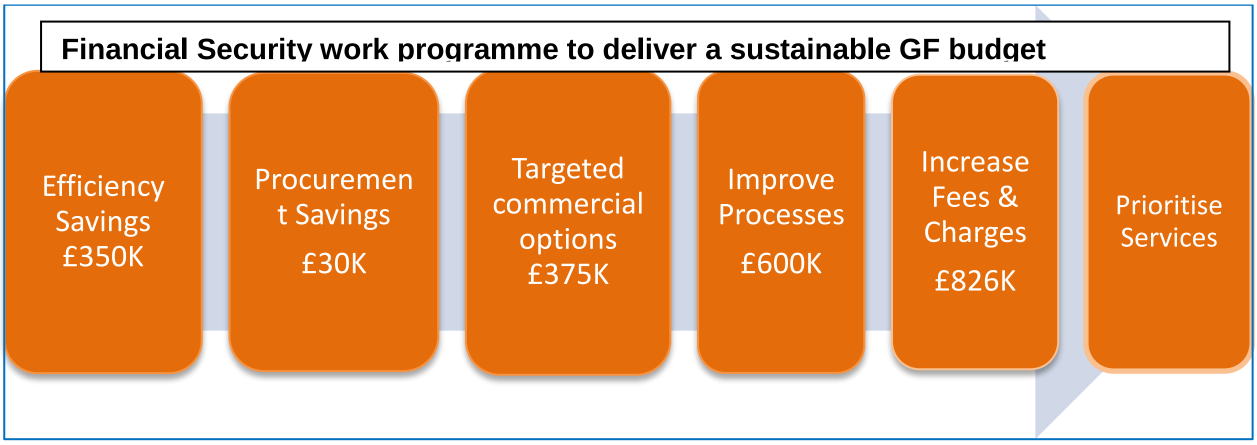
4.5.3 There may be financial pressures from the Homeless Reduction Act and other welfare reform government initiatives which are currently not identified in the MTFS which could drive the need to make more budget reductions.

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

4.5.5 The MTFS has no assumptions for growth in 2019/20, due to the level of Financial Security savings required in that year. If growth is approved, additional savings will need to be identified to offset the impact in the General Fund.

4.6 Financial Security

4.6.1 The six strands of the Financial Security priority are summarised in the graphic below, together with the three year target for each work stream of £2.181Million, (excludes options identified of £58K, to be considered in November 2018), identified by the Council's Senior Leadership Team.



4.6.2 **Efficiency savings** are reported and removed from the General Fund as part of the quarterly monitoring process. At the 2017/18 4th quarter report, efficiency savings of £116,970 were identified to be removed from the budget. The savings identified are 39% of the three year target and the finance team will continue to review spend to identify further savings and report as part of the quarterly monitoring process. However as pressures are identified as outlined in section 4.5 of the report this will result in the need to identify additional efficiency savings. However Members should note that in the 1st Quarter monitoring report to this Executive a £57K on-going pressure has been identified.

4.6.3 **Procurement**-Corporate Procurement officers have been identifying areas of spend that could be procured more efficiently and are working with officers to deliver savings. The target of £30,000 is only 2% of the overall savings target, however a number of the other work streams require procurement (e.g. improve processes).

4.6.4 **Commercialisation**- Members have approved the first major 'targeted commercialisation' option for £15Million investment in commercial property at Council on the 17 May 2017 with a target of £200K contribution to the General Fund per year. To date one property has been purchased, yielding £49,000 per annum, which is short of the target required. The report to the July Executive on Commercial Property Investment identified a number of additional measures to help identify suitable investments. However there is a risk the target will not be achieved this year and the MTFS assumes a return of £75,000 in total for 2018/19 and £200K in 2019/20).

4.6.5 The commercial agenda is currently looking at options and has a target of £375K or 18% of the three year target.

4.6.6 The options described above are about being 'business like', knowing the unit cost of the services the council provides and replicating what we do well.

4.6.7 While being entrepreneurial there are additional financial risks which need 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 and the risk the target may not be achieved immediately.

4.6.8 **Improve Processes-**This strand is anticipated to achieve £600K or 28% of the overall three year target. While Members have approved investment in digital ICT, business cases will be brought forward for further innovations that create a return on investment. However in addition it is intended that cutting bureaucracy and stream lining processes or 'Lean Thinking' will lead to cost reductions by transferring transactions online, efficient workflow processes and other such initiatives and a list of initiatives is currently being assessed.

4.6.9 **Fees and Charges** is now included within the Financial Security Target as effectively any underachievement of the MTFS increases the Council's savings target. The target for fees is £826K or 38% of the three year Financial Security target and is based on an annual RPI increase for modelling purposes.

4.6.10 The key principles for fees and charges 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.

4.6.11 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.

4.6.12 The Council has a Corporate Fees and Charges group with a Strategic Director lead, this working group will develop proposals for fees and charges increases and concession income for the three year period 2019/20-2021/22. Fee increases need to be inline or identify the impact on any Strategies such as the Parking Strategy (still to be published).

4.6.13 The last strand of Financial Security is to review the **prioritisation of services**, to enable scarce resources to flow to services which are important to the Council and residents. No target has been set against this, however the level of savings required ensuring financial stability and the ability to meet the top FTFC priorities will inevitably mean that lower priority services will have to reduce their financial footprint or cease. The SLT will work with Members and the LFSG to prioritise services.

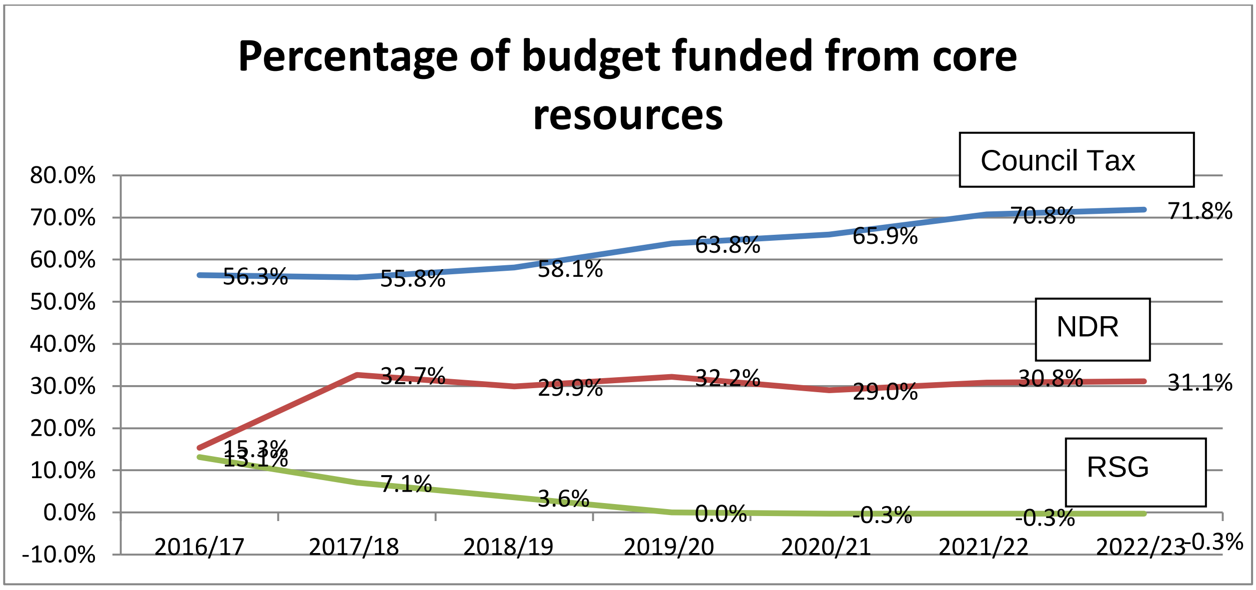
4.6.14 As part of the Financial Security work the Members group (LFSG) chaired by the Resources Portfolio Holder supports the Financial Security work programme and reviews options that come forward for consideration, in addition to growth and capital options.

4.6.15 In summary, the Financial Security Target for 2019/20-2021/22 is £2.24Million, which is in addition to the £200K target for the Commercial Property Investment Fund, (which has achieved £49K of the £200K target to date). The Council's senior leadership team are reviewing a number of options to achieve the three year target. However the level of options identified is only £911K, with a further £116K efficiencies reported at the July Executive leaving a shortfall of £1.22Million to be identified, (this excludes fees and charges increases which are still being considered). The Council's leadership team will be meeting in September to consider additional options to meet the three year target.

4.6.16 The Financial Security package will be considered by the Leaders Financial Security Group and then by the Executive and Scrutiny Committees in November 2018. This report will also include any fees and charges increases and growth options.

4.7 Council Tax

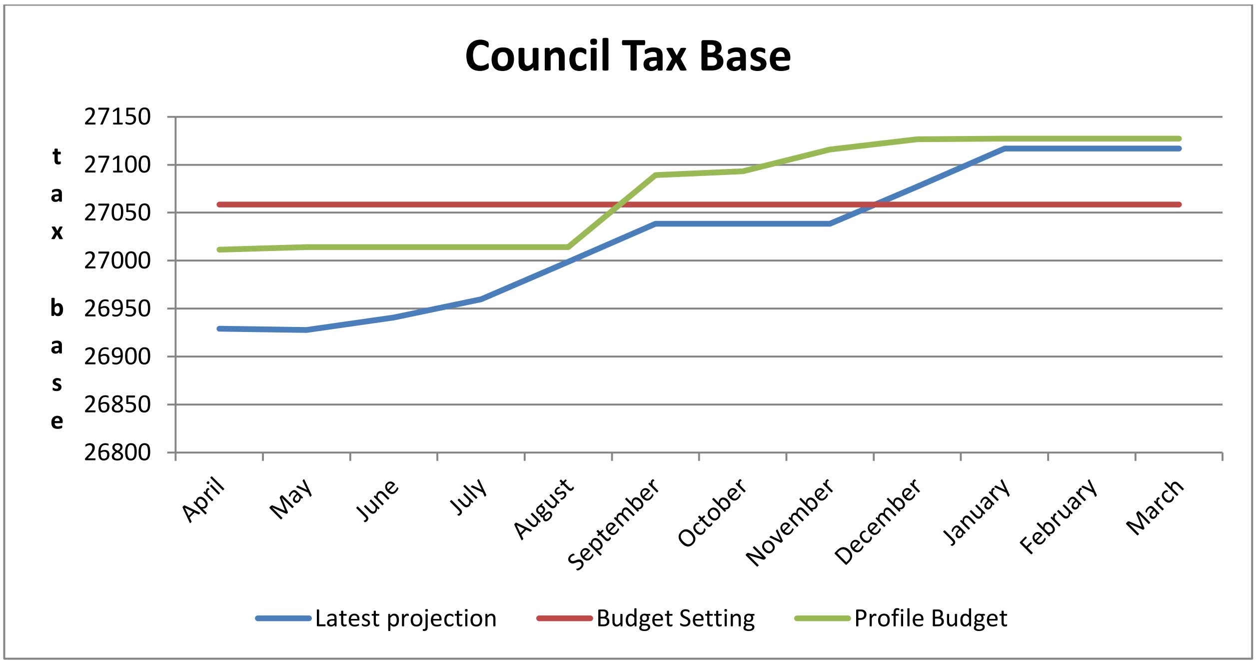
4.7.1 Council Tax has become more important as a core resource to fund General Fund services as the amount of RSG has diminished. By 2020/21 council tax is projected to fund over 71% of the Council's core resources.



**NDR adjusted for S31 grants shown in General Fund budget (figures based on original budgets set and projections in the MTFS from 2019/20 onwards).*

4.7.2 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. The tax base estimated for the year estimates when new properties will be brought into use and then converts this to band d equivalents for the year.

4.7.3 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). The 2018/19 estimated tax base versus the actual for the year is shown in the chart below.



4.7.4 The graph in 4.7.3 shows that the actual profile of the tax base is slightly less than the profile budget for the year. This is because assumptions around new properties coming into the use are slightly later in the year than included in the tax base approved for 2018/19. This is currently estimated to mean a reduction in council tax of £9,000 for Stevenage Borough Council that if realised at the year end would need to be repaid to the Collection Fund in 2020/21.

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

4.7.6 Due to the anticipated increase in universal credit claimants from October 2018, officers envisaged a change in the CTS scheme from a 8.5% minimum liability for working aged claimants to a discount scheme. This was to ensure that those universal credit claimants did not have constant changes to their CTS support as a result of small changes to their UC (particularly those on zero hours contracts). However, the modelling still needs to be robustly tested to ensure that there are no unintended consequences and therefore no change is proposed to the scheme for 2019/20.

4.7.7 The 2019/20 base has been calculated and the tax base each year is projected based on planning housing trajectory numbers and is estimated as below.

Tax base Assumptions	2018/19	2019/20	2020/21	2021/22	2022/23
Tax base assumed per year	27,611	27,856	28,117	28,369	28,592
Assumed reduction for bad debt	552.21	557.13	562.33	567.38	571.84
Projected tax base for year	27,058	27,299	27,554	27,802	28,020
Increase per year	1.26%	0.78%	1.15%	1.03%	1.03%
Projected taxbase MTFS 2017	27,031	27,241	27,553	27,836	

Tax base Assumptions	2018/19	2019/20	2020/21	2021/22	2022/23
Variance (-=less properties)	27	58	1	-34	

4.7.8 If the tax base increases higher than the budget, a surplus will be generated in the Collection Fund and will be repaid to the General Fund in the following year. However a small repayment to the Collection Fund of £30,000 and £9,000 for 2017/18 and 2018/19 respectively is currently projected.

4.7.9 The MTFS currently includes a 2.99% increase in council tax for modelling purposes, based on the increasing importance of the tax as a share of core resources. As part of the 2019/20 finance settlement the government has indicated that an increase up to 3% or £5 on a band d could be applied for 2019/20, (subject to consultation and the governments published response). An increase of £5.00 on a band D would equate to a 2.45% increase which is lower than the potential maximum allowed increase of 2.99%.

4.7.10 Increasing council tax by 2.99% in 2019/20 yields a further £55,752 additional council tax per annum, the impact in 2019/20 of a 2.99% increase versus the modelled 1.99% increase is shown in the table below. **However, Members will consider the amount of council tax increase at the February 2019 Council meeting**.

Council Tax Increases	2018/19	2019/20	2020/21	2021/22	2022/23
MTFS Council Tax	5,532,344	5,748,446	5,917,598	6,089,600	6,259,525
increase %	2.99%	1.99%	1.99%	1.99%	1.99%
Year on year increase	232,758	216,101	169,153	172,001	169,925
Increase if 2.99% in 2019/20	0	55,815	57,457	59,127	60,777
Cumm. increased income		55,815	113,272	172,399	233,176

4.8 Business Rates

4.8.1 The Government had announced that beyond the four year finance settlement (2016/17-2019/20), business rate increases would 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). The Government moved to CPI for business rates from 2018/19, but currently compensates Council's for the 'under indexing'.

4.8.2 Prior to the 2018/19 financial year the Government had consulted on the 100% retention of business rates to be introduced from 2019/20, (the Government currently takes a 50% share). However, this has been delayed as a result of other government commitments. In December 2017, the government announced the aim of increasing the level of business rates retained by local government from the current 50% to the equivalent of 75% in April 2020.

4.8.3 The government did release a prospectus for 2018/19 Business Rate pilots, across geographical areas and all Hertfordshire Local Authorities signed up to be in the pilot for the year, which was a 100% retention pilot. This would have seen a projected £9.4Million retained within the County. However the Hertfordshire bid was not successful and there was little government feedback other than the prospectus was oversubscribed.

4.8.4 The Government has now released the 2019/20 prospectus for pilots, with submissions by the 25 September 2018. The initial projection of gains to be retained and shared in Hertfordshire is lower for next year as the retained gains have reduced from the original concept of 100% to 75%. This would reduce the 2018/19 gains from £9.4Million to £5.3Million across Hertfordshire. The actual share of gains has to be agreed between councils but has previously worked on the principle that no authority should be worse off and then a proportion of gains are shared based on yield. The prospectus required pilots to demonstrate how the money would be spent and this is shown below for Stevenage.

The 2018/19 additional funding included in the prospectus used to fund regeneration schemes such as:
Stevenage Town Centre including Public Realm improvements and provision of multi-agency public sector hub
Neighbourhood centres
Collaboration with North Herts College on supporting the town's multi-generational workless families into employment

4.8.5 The 2019/20 bids must promote financial sustainability and to support coherent strategic decision-making across functional economic areas. Hertfordshire Chief Finance officers recommend that a 2019/20 bid is submitted to government, subject to approval by Members. It is anticipated that authorities will engage a specialist in business rates to work with authorities to form a Business Rates Pilot. The modelling will also help inform a potential pool membership should the pilot be unsuccessful. Stevenage was part of a Hertfordshire Pool in 2015/16 which consists of the County Council and circa four other Authorities to achieve the highest level of gains.

4.8.6 The risk with any pilot or pool membership is that participating councils have to meet any safety net payment from pilot gains. It is difficult to project future gains based on:

- The level of outstanding appeals from the 2010 list and the new appeal process still not delivering any noticeable outcomes.
- Potential fluctuations in year as schools convert to academies.
- Potential that NHS buildings are exempt from business rates (private members bill at second stage reading)
- A number of businesses have gone into administration

4.8.7 In compiling the level of projected business rates for the year some of these factors are and will be considered and as no Hertfordshire districts were in safety net at January 2018 and any safety net is unlikely to exceed pilot gains at January 2018. However there is still a risk but t**he CFO recommends Stevenage participates in the pilot and that approval to enter the pilot for 2019/20 is delegated to the**

Assistant Director Finance and Estates after consultation with the Resources Portfolio holder.

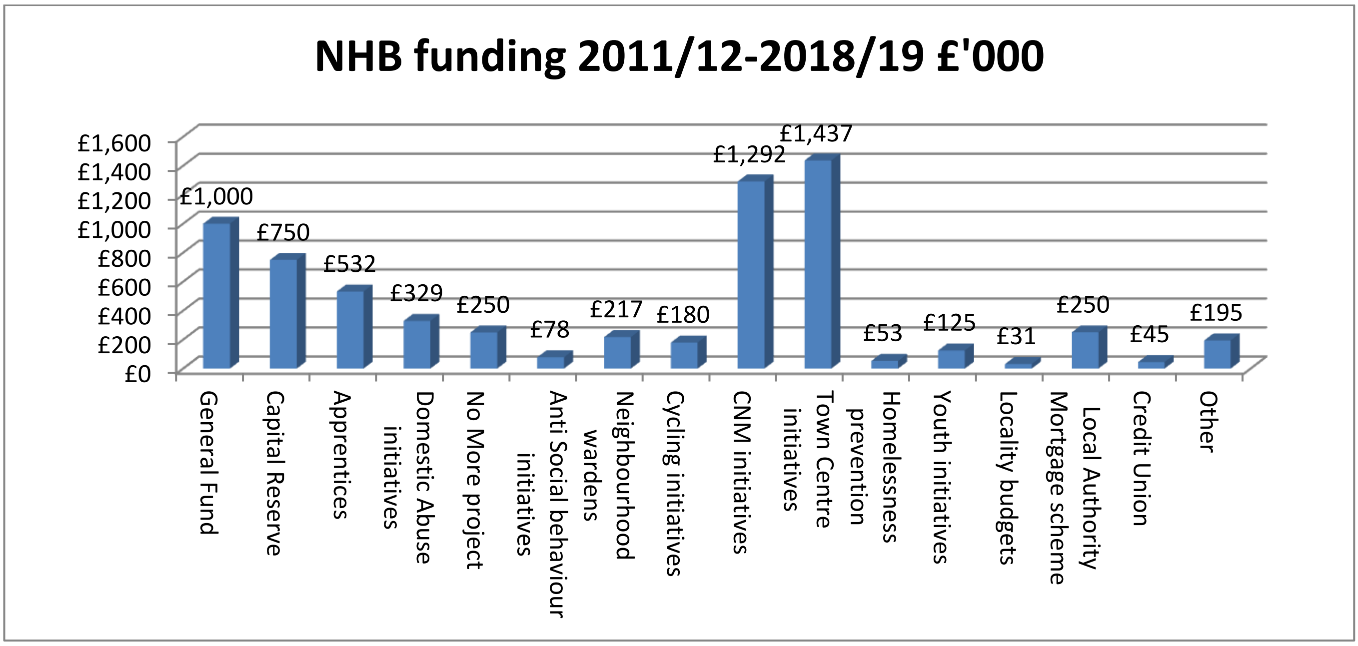
4.8.8 The MTFS assumes that for 2019/20 onwards that the baseline amount of business rates each year i.e. no inclusion of any growth or losses will be achieved, as it is unclear of the position beyond 2019/20. Since 2017/18 Members have approved the ring fencing of projected, in year business rate gains to help fund the Council's regeneration aims, linking business and regeneration. **The 2018 MTFS recommends that potential NDR gains remain unbudgeted, but when realised, gains above the baseline are ring fenced for the regeneration of the town centre**. If there are business rate gains arising from the 2019/20 pilot prospectus these need to be spent in accordance with the submission, however regenerating Stevenage Town Centre and Neighbourhoods are two of the Council's top FTFC priorities.

4.8.9 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 2018/19 this equates to £180,000. There is an allocated reserve holding £172,000 which can be returned to General Fund balances in the year should this occur. For the pilot the safety net is set at 5% but for the Hertfordshire LA's as a whole.

4.8.10 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.

4.9 New Homes Bonus

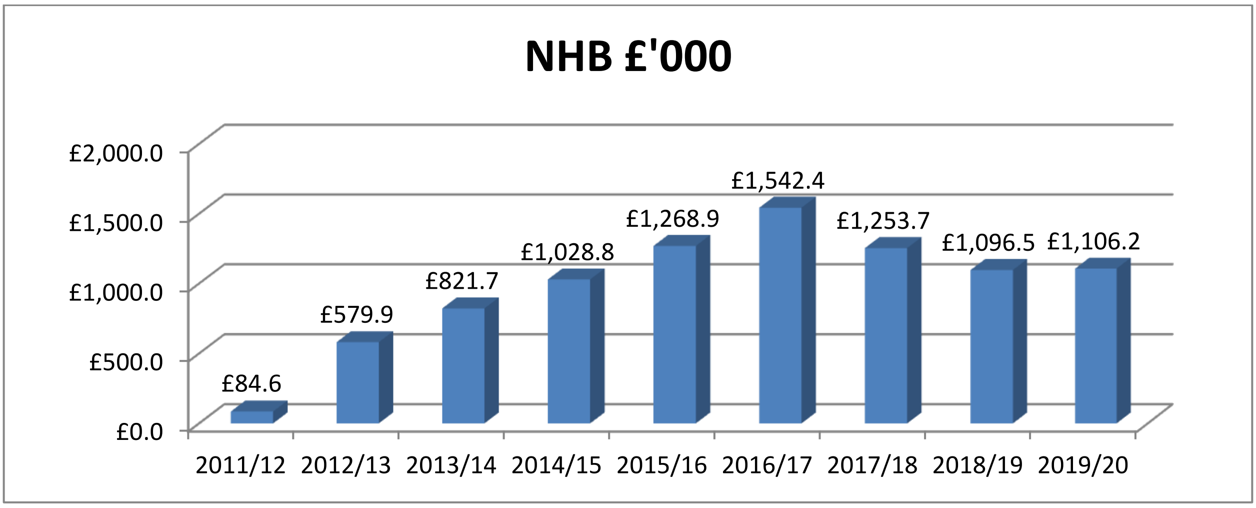
4.9.1 It has been the Council's policy to date not to rely on New Homes Bonus (NHB) to fund permanent services, however there are a small number of initiatives that have continued to have funding from this resource. The chart below shows the variety of initiatives funded from NHB.



4.9.2 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. In the 2019/20 finance settlement publication the government has signalled that may increase the baseline threshold for 2019/20 (0.4% in 2018/19) which would mean less NHB for councils. If the threshold was to increase from 0.4% to say 0.5% this would mean a reduction of £41,000 in the 2018/19 allocation and for the four year period £164,000.

4.9.3 From 2020/21 onwards, the government is considering exploring other methods to reward housing growth, e.g. by using the Housing Delivery Test that meet or exceed local housing need. Government will consult widely on any changes prior to implementation. However this may be more difficult to achieve at 75% or 100% of the delivery.

4.9.4 Members will be aware that £450,000 of NHB is ring fenced to support the General Fund and Capital Strategy in total and a further £450,000 supports the Co-operative Neighbourhood Management priority. The NHB funding allocations are shown in the chart below.



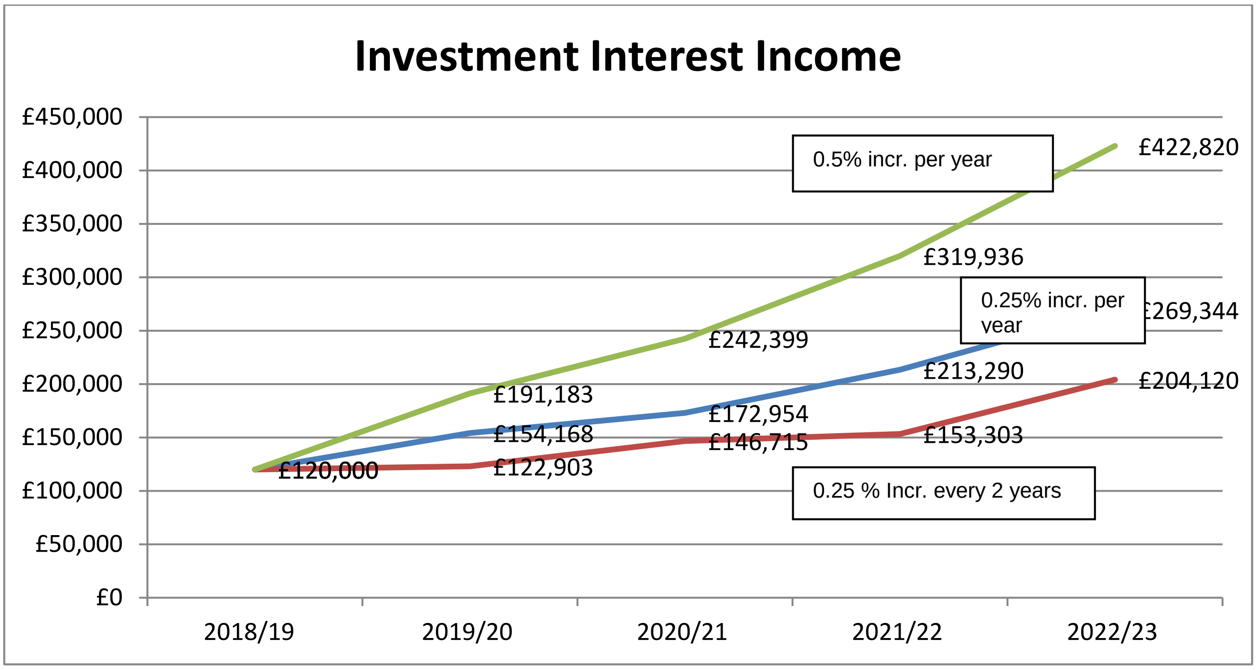
4.9.5 The potentially unallocated amount is circa £200,000 and there are a number **of priority initiatives that have been supported by NHB such as Neighbourhood Wardens, No More Project and Domestic Abuse funding and it is recommended that** these are initiatives receive the unallocated funding until a solution is found to either exit from them or find a permanent funding solution as part of the Future Town Business Reviews. The aim for 2019/20 is to ensure that three neighbourhood wardens are funded from core resources, funded through business unit reviews. This should prevent undue financial pressure on the General Fund in trying to mainstream NHB projects.

4.10 Investments and Interest Balances

4.10.1 The Council's profiled use of its reserves has been reviewed, together with a projection of interest rate rises. The revised projections have increased the level of investment income to the General Fund and income projections and assumed average interest earned is shown below.

Investment balances	2018/19	2019/20	2020/21	2021/22	2022/23
General Fund Reserves (average, less internal borrowing)	£17,816,921	£13,405,902	£12,353,836	£12,926,681	£14,176,007
average interest rate	0.90%	1.15%	1.40%	1.65%	1.90%
Base rate	0.75%	1.00%	1.25%	1.50%	1.75%
Interest earned General Fund	£120,000	£154,168	£172,954	£213,290	£269,344
Increase per year		£34,168	£18,786	£40,337	£56,054

4.10.2 If Interest rates do not increase in line with the MTFS or General Fund balances are used more quickly interest to the General Fund will decrease. If interest rates were to increase every two years by 0.25% or by 0.5% per year, then the impact on the MTFS is shown below.



4.10.3 Investment income has not been a significant income stream for the General Fund as base rates have been so low. However with higher interest rates there will be a correlation with higher inflation pressures which will have a negative impact on the General Fund.

4.11 General Fund Balances and Reserves

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

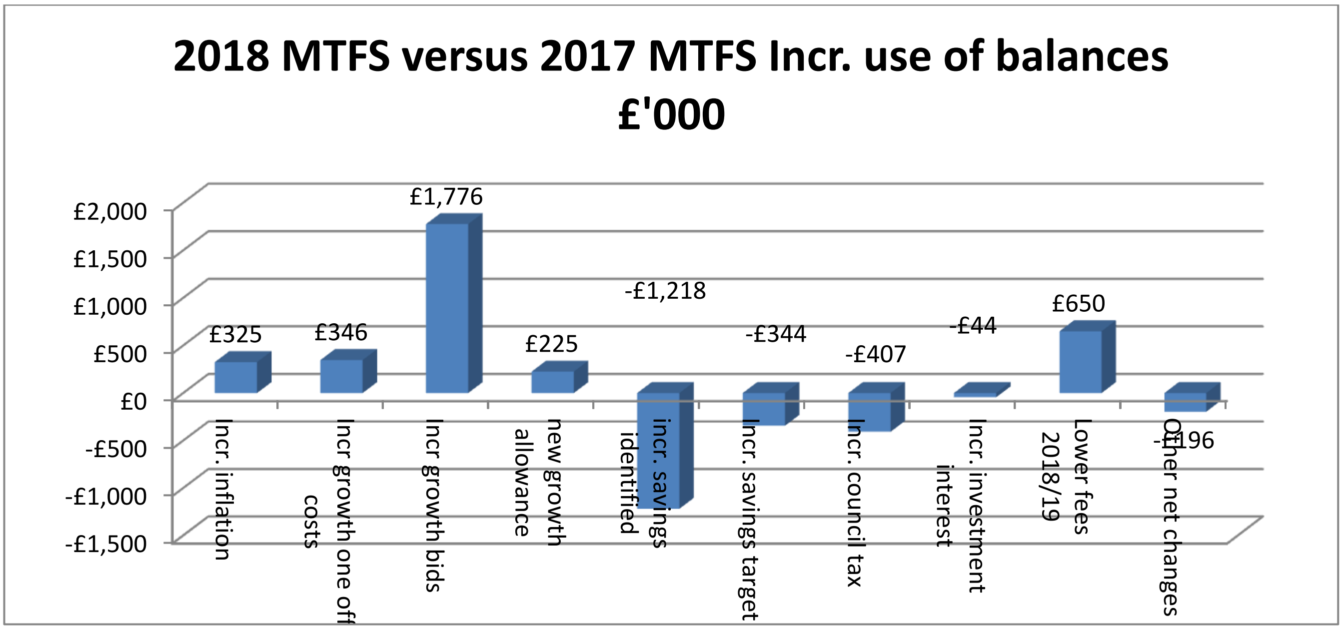
4.11.2 The Council's General Fund balances as at 1 April 2018 were £5.5million and are forecasted to be £3.2million by 31 March 2023. This is a reduction of £2.3Million in general balances which requires the identification, approval and implementation of £2.6Million of Financial Security savings, in addition to increases in council tax.

4.11.3 The General Fund balance projections based on the MTFS projections are summarised in the table below and compared to the 2017/18 projections.

General Fund balances	2018/19	2019/20	2020/21	2021/22	2022/23
Opening Balance	(£5,465,117)	(£3,561,623)	(£3,235,648)	(£2,782,280)	(£2,924,960)
In Year	£1,903,494	£325,974	£453,368	(£142,680)	(£270,117)
Closing Balance	(£3,561,623)	(£3,235,648)	(£2,782,280)	(£2,924,960)	(£3,195,077)
2017/18 MTFS	(£4,565,633)	(£4,280,973)	(£4,032,361)	(£4,037,431)	Not shown in 2017/18 MTFS
Variance to 2017 MTFS	£1,004,010	£1,045,325	£1,250,081	£1,112,471	
Variance to Nov Financial Security Report	(£4,565,633)	(£4,280,973)	(£4,032,361)	(£4,037,431)	

*() equals surplus

4.11.4 There has been a reduction in balances of £1.12Million compared to the 2017/18 MTFS for the period 2018/19-2021/22. This increased use of balances relates predominately to the growth approved as part of the 2018/19 budget setting, including the Business Unit Review growth approval. The chart below shows the amount of General Fund balances used and for what, equating to the £1.12Million increased use of balances. For instance an additional £1.8Million of balances has been used to fund growth bids approved at February Council, which has partly been offset by a higher savings projected which contributes £1.2Million and increased council tax projections for the period (£407K contribution to balances) .The impact below shows the cumulative use of balances between 2018/19-2021/22.



(- = more income/less expenditure)

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

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

4.11.7 The Chartered Institute of Public Finance and Accountancy (CIPFA) is consulting on its plans to provide an authoritative measure of local authority financial resilience via a new index. The index, based on publically available information, will provide an assessment of the relative financial health of each English council.

4.11.8 CIPFA has designed the index to provide reassurance to councils who are financially stable and prompt challenge where it may be needed. In order to understand the sector's views, CIPFA has invited all interested parties to respond to questions it has put forward in the consultation. The CFO has some concerns regarding the one year view of the indices, rather than looking at MTFS planned use of balances, which could give a distorted view of the Council's financial plans. The CFO intends to respond to the consultation regarding this point.

4.11.9 However, 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.

4.11.10 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).

4.11.11 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.

4.11.12 In terms of determining the level of general balances for the MTFS and 2019/20, the Assistant Director (Finance and Estates) has based her advice on consideration of the factors included in the table below which project a £2.96Million minimum level of balances. This will be further reviewed as part of the budget setting process.

General Fund balances Minimum Level Assessment	2019/20 £Million
An amount necessary to cover a 1.5% overrun in gross expenditure	£1.03
An amount necessary to cover a 1.5% overrun in gross income	£1.03
An amount to cover Strategic risks	£0.40
An amount to cover new commercial risks	£0.30
An Amount to cover FTFC risks (Regeneration)	£0.20
Total Estimated General Fund Reserves	**£2.96**

4.11.13 The MTFS projects the General Fund balances to be within the minimum level set for the General Fund in 2019/20, but the balances are at minimum balances for 2020-2022 and there are on-going savings required which need to be identified and implemented.

4.12 Allocated Reserves

4.12.1 The Council's Allocated revenue reserve projections are summarised in the table below. The amount set aside for capital is projected to be spent by the year end (this does not include any assumptions about underspends).

Movements to/from Allocated Reserves 2018/19				
Allocated Reserve	**Balance as at 31 March 2018**	**Transfers in**	**Transfers out**	**Forecast balance as at 31 March 2019**
Revenue Reserves				
New Homes Bonus	(£690,281)	(£1,096,456)	£1,762,251	(£24,486)
Future Town Future Council	(£263,499)		£209,340	(£54,159)
Planning Delivery	(£61,264)		£61,264	(£0)
Regeneration Assets	(£846,860)	(£58,856)	£0	(£905,716)
Regeneration Reserve (SG1)	(£603,440)	(£356,000)	£645,850	(£313,590)
LAMS default	(£61,132)	£0	£0	(£61,132)
NDR	(£172,000)	£0	£0	(£172,000)
Insurance Reserve	(£123,509)		£15,000	(£108,509)
Town Centre	(£27,596)		£27,596	£0
TOTAL REVENUE RESERVES	**(£2,849,582)**	**(£1,511,312)**	**£2,721,301**	**(£1,639,593)**
Capital Reserves				
Capital Reserve	£0	(£998,000)	£619,959	(£378,041)
TOTAL CAPITAL RESERVE	**£0**	**(£998,000)**	**£619,959**	**(£378,041)**
TOTAL ALLOCATED RESERVES	**(£2,849,582)**	**(£2,509,312)**	**£3,341,260**	**(£2,017,635)**

4.12.2 The Council's regeneration reserves are projected to be 74% of total allocated reserves by 31 March 2019. The Regeneration Reserve (SG1) has been funded from business rate gains (£659K) and underspends at the yearend (£300K). The fund has been/is used to secure the development agreement with Mace and pump prime initiatives such as new bus station schemes and hub proposals. There will be a need to continue to fund this type of expenditure over the next few years.

4.12.3 The Regeneration Assets reserve is the surplus generated on properties purchased in the town which will be in part demolished as part of the SG1 scheme. These balances are required to meet any holding costs in the interim period and meet any future outstanding debt costs. The future projections required in the fund are currently being assessed in line with the regeneration plans for the town.

4.13 CFO commentary

4.13.1 The MTFS projects that general balances will be at minimum levels by 2020/21-2021/22, as summarised in section 4.11. It is critical that the Financial Security targets are achieved as set out in the Strategy. This means that a minimum three year view of the pipeline of options should be identified and presented to the November Executive.

4.13.2 This also means that the Council must be making a contribution to balances by 2021/22 and should aim to achieve this earlier. The additional financial pressures of achieving the Council's top priorities Regeneration, Co-operative Neighbourhoods and Housing Development will only add growth pressures to the General Fund revenue and capital. On this basis growth should be limited to top priorities only and should be met by increasing financial security targets or met from unbudgeted business rate gains.

4.13.3 Taking into account the financial challenges the council faces the CFO recommends that Members identify and prioritise services to determine where budget reductions could be made, to meet the financial targets and top priorities of the Council. This is particularly important as balances reach minimum levels.

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

4.14 Capital

4.14.1 As part of the 2018/19 capital programme schemes were classified in an attempt to ensure scarce resources are targeted, which has been updated to reflect the Future Town Future Council (FTFC) corporate priorities, as set out below;

- Category 1 : FTFC
- Category 2 : Income generating asset schemes (Financial Security)
- Category 3 : Mandatory requirements
- Category 4 : Schemes to maintain operational effectiveness
- Category 5 : Match funding schemes

4.14.2 In addition prudential borrowing would only 'normally' be used to support category 2 schemes (Income generating asset schemes -Financial Security), with capital receipt, external grants and a new revenue reserve for capital being used to fund the other categories. The following principles have been applied to new bids:

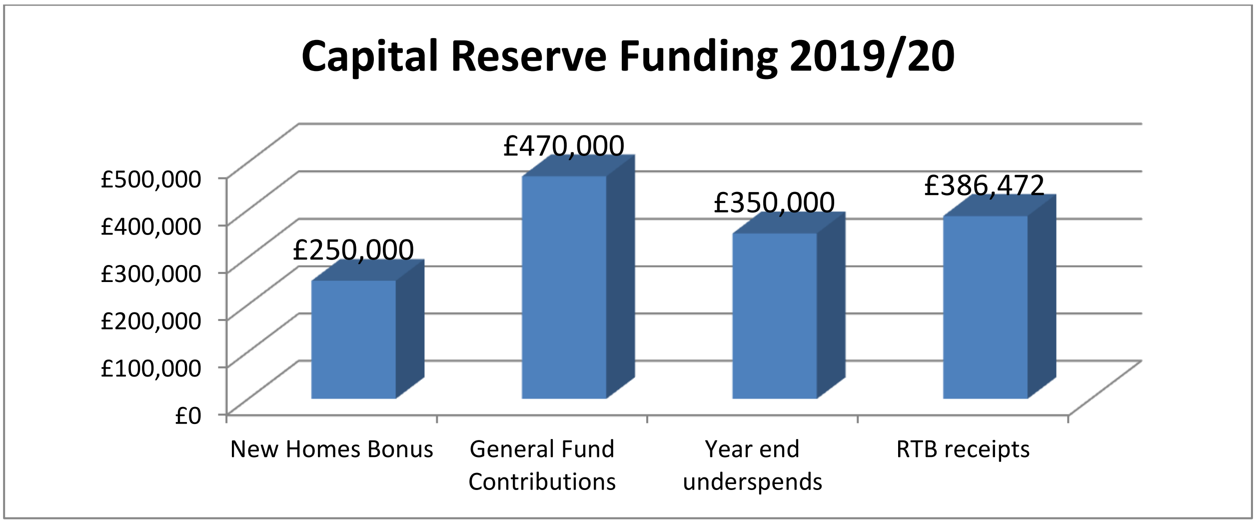
- Assets due for regeneration should have only essential or health and safety growth bids.
- Re-profile spend to later years if reviews of the service are due.
- Include only the initial works to schemes until the business case is proven.

4.14.3 The 2019/20 process will again involve a bidding process for the capital programme and requires the completion of individual investment appraisal templates, which will cover such items as scheme objectives and outcomes, contribution to the Council's corporate priorities, the whole life cost, funding sources and key delivery milestones.

4.14.4 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 2019/20.

4.14.5 The Asset Management Strategy has been presented at the July Executive and sets 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 2022/23 the Capital Strategy estimates there will be £6.1Million of capital resources available of which £4.2Million relates to Capital Receipts, however £5.9Million of disposals have to be realised 2019/20-2022/23. New capital schemes will come forward that will exhaust those resources which are not in the current programme. This includes the impact of the MRC contract on shops below HRA flats which is estimated to be £674K and in addition there will be a need created by the Council's regeneration ambitions.

4.14.6 A significant portion of the capital programme resources comes via the Capital Reserve which is funded 56% per year from the General Fund (through planned £470K transfers and year end underspends £350K).



4.14.7 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 £66K cost to the General Fund, (based on a 25 year loan and asset life at 2.59%).

4.14.8 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.

4.15 Approach to Consultation

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

4.16 Decision Making Process

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

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

September 2018	Executive	MTFS
	Overview and Scrutiny	MTFS
November 2018	Executive	GF and HRA 2019/20 Financial Security Package
	Overview and Scrutiny	GF and HRA 2019/20 Financial Security Package
December 2017	Executive	Draft HRA 2019/20 Budget (incorporating Financial Security Options)
	Overview and Scrutiny	Draft HRA 2019/20 Budget (incorporating Financial Security Options)
January 2018	Executive	Draft GF 2019/20 Budget (incorporating Financial Security Options)
	Executive	Final HRA 2019/20
	Overview and Scrutiny	Draft GF 2019/20 Budget (incorporating Financial Security
	Council	Final HRA 2019/20
February 2018	Executive	Final GF 2019/20
	Council	Final GF 2019/20 and Council Tax

4.16.3 Following the approval of the proposed Financial Security options for 2019/20, the Council will have an obligation to begin consultation with staff and partners

.

4.16.4 Future year proposal beyond 2019/20 will be monitored via the officer Financial Security group on their development and by each sponsor for the following budget cycles as reported to the LFSG.

5. IMPLICATIONS

5.1. Financial Implications

5.1.1 The CFO view is set out in section 4.13 to this report, 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. The use of underspends and business rate gains for Regeneration has meant that they have not improved the year end General Fund balance position. This means that the General Fund targets for savings and containment for growth and pressures is key to financial sustainability.

5.1.2 General Fund balances have not been at the current projected level (2019/20 onwards) for a number of years (2011/12 £3.8Million) and this increases the necessity to adhere to the spending and saving plans.

5.1.3 Projections for the likely 'ask' for pump priming SG1 are currently being compiled for the medium term period to help with financial planning. In addition other programmes may require seed funding e.g. housing development business cases and the Co-operative Neighbourhood priority will almost certainly drive expenditure and with it increased maintenance revenue costs. The MTFS does contain an allowance for implementing change of £300,000 (new in 2018/19) and a transformation Fund of £100,000 for 2019/20.

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

5.1.5 The length of time the council has had to deal with funding reductions makes the continual pipeline of options more difficult to come up with and 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	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	Medium	High

Risk Area	Risk Mitigation	Likelihood	Impact
programme beyond the four year deal. This could be by reducing the share of locally held business rates	considered manner		
Anticipated 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 increase the risk into the future. Non achievement of options would require other options to be brought forward. General Fund reserves should be held to ensure that decisions to reduce net costs are taken in a considered manner. This may become more of a risk as options around commercialisation are explored.	Medium	Medium
Under-achievement of Commercial Property Investment (Potential Negative risk)	The MTFS assumes that £75K will be achieved in 2018/19 and the total amount of £200K in 2019/20 onwards. Additional external support is being commissioned to help identify potential sites.	Medium	High
Council Tax Support (Negative Risk) – increased demand is under estimated.	An increase in demand would impact on future years as the deficit in the collection fund would need to be repaid by the General Fund. There has been a downward trend on the case load in recent years	Low	Medium
Localisation of Business Rates (Potential Negative) – A major employer leaves the town and impacts the business rate yield due to the Council	Negative: The safety net means a maximum loss in year of £180K which the council has included in an allocated reserve. On-going this would impact on the savings target and ultimately services.	Medium	High
NEW Loss of Business Rates due to Companies going into administration	Negative- Business rates have already reduced by £453K as a result of company administrations. Stevenage's share of these rates is 40% or £181K	Medium	High
UPDATED: The NDR Check Challenge Appeal process impacts on the council's baseline assessment and increases the level of successful appeals	Officers will be monitoring changes to the NDR system and will be talking to the Valuation office. However since the system has been introduced, little has been completed in Stevenage and a considerable amount of appeals	Medium	Medium

Risk Area	Risk Mitigation	Likelihood	Impact
and reduces the yield (Negative risk)	from the 2010 list remain.		
NEW Loss of Business Rates in the Hertfordshire Pilot and safety net position (potential negative)	Officers will be monitoring all the Hertfordshire Business Rate authorities if the government agrees the pilot on a monthly basis and in addition reviews of appeal and bad debt provisions will be revisited. Planned business rate gains should not be all spent until certainly over estimates is achieved		
UPDATED Impact of the Universal Credit (Negative Risk) – The grant given to the Council is cut before the Revenue and Benefits Partnership is able to reduce costs. The Welfare reform bill may impact on residents' ability to pay council bills.	A reduction in the amount of grant assumed within the MTFS would require compensating reductions in planned spending within services . However UC is being implemented at a very slow pace and the current case load is reducing. (New claims and some changes in circumstances to migrate October 2018).	Medium	High
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
UPDATED Impact of	The Council's MTFS has an	Low	Medium

Risk Area	Risk Mitigation	Likelihood	Impact
changes to Cap on council tax increases	increase of 2.99% projected going forward. If the cap is reduced to 1.99% for 2018/19 this will reduce General Fund balances by £233K by 2022/23.		
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 (Negative) There could be increased pressure from the capital programme on the General Fund.	There is a robust challenge process for capital bids. Officers will be required to confirm that resources are in place to deliver any approved spend.	Medium	High
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 be updated on the proposed scheme once a development partner has been chosen.	High	High
UPDATED: Transport Subsidy (Negative risk) HCC may review the amount paid to Councils,	The council is trialling waste disposal from the transfer station at the Council's depot which will eliminate the financial impact of the risk	Medium	High
UPDATED Fees and Charges target may not be reached as in 2018/19 (negative risk)	Non achievement of the target would require other FS options to be brought forward.	High	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 - 2017 MTFS Strategy

APPENDICES

Appendix A MTFS