Stevenage BOROUGH COUNCIL

Part I – Release to Press

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

Portfolio Area: RESOURCES

Date: **11 SEPTEMBER 2019**

Financial security

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

Author –	Clare Fletcher	Ext.No. 2933
Contributors -	Strategic Leadership Team	
Lead Officer –	Clare Fletcher	Ext.No. 2933
Contact Officer –	Clare Fletcher	Ext.No. 2933

1. PURPOSE

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

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

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

2. RECOMMENDATIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

3. BACKGROUND

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

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

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

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

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

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 Purpose of the Medium Term Financial Strategy

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

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

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

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

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

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

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

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

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

4.2 The Economy and Government proposals for Funding Local Government

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

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

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

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

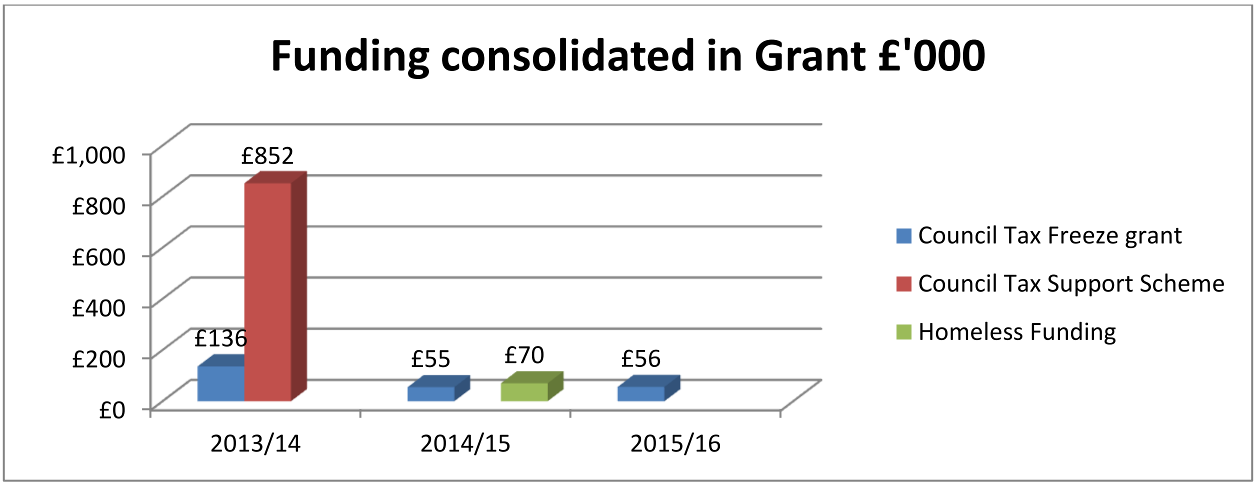
4.2.5 However despite strong pay growth and the Bank of England inflationary target at 2%, and with the government announcing,(albeit unfinanced) pay awards above inflation for some public sector workers, commentators such as Senior UK economist Ruth Gregory, says that falls in household energy bill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

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

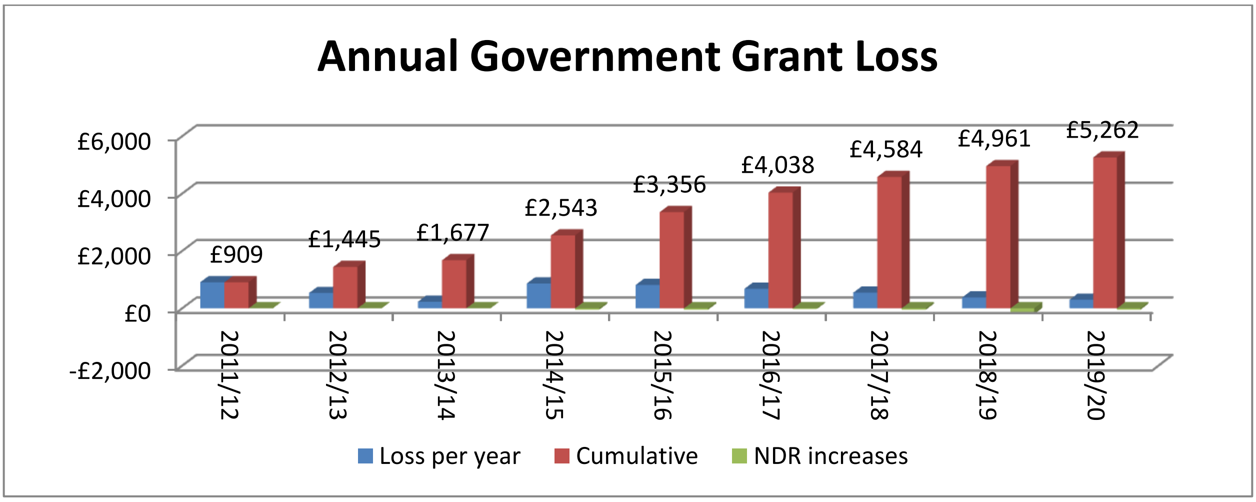
4.2.6 For the Council this uncertainty may increase risk for regeneration plans and ability to secure contracts without there being a built in cost for uncertainty into prices. Furthermore this may also increase risk into commercial activity that may be undertaken.

4.3 Stevenage Financial Position Why the Need for Annual Savings

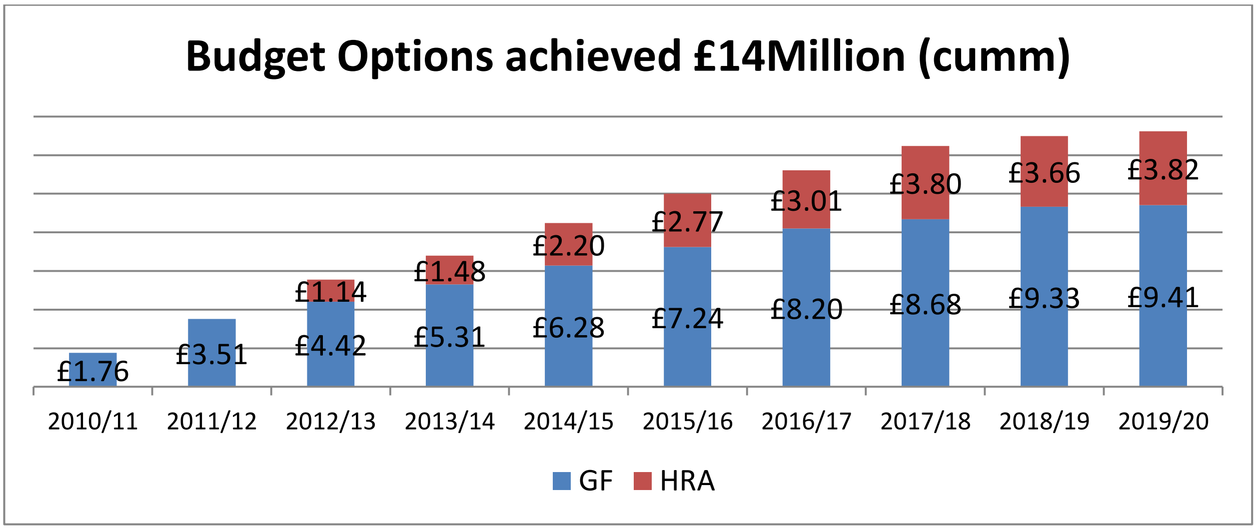
4.3.1 Government funding for Local Government has been declining with austerity drivers since 2010/11. In the prevailing years there were significant reductions in funding which were front loaded, with 2011/12 seeing a £909K loss in grant. Quantifying overall grant loss is difficult as previously separately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



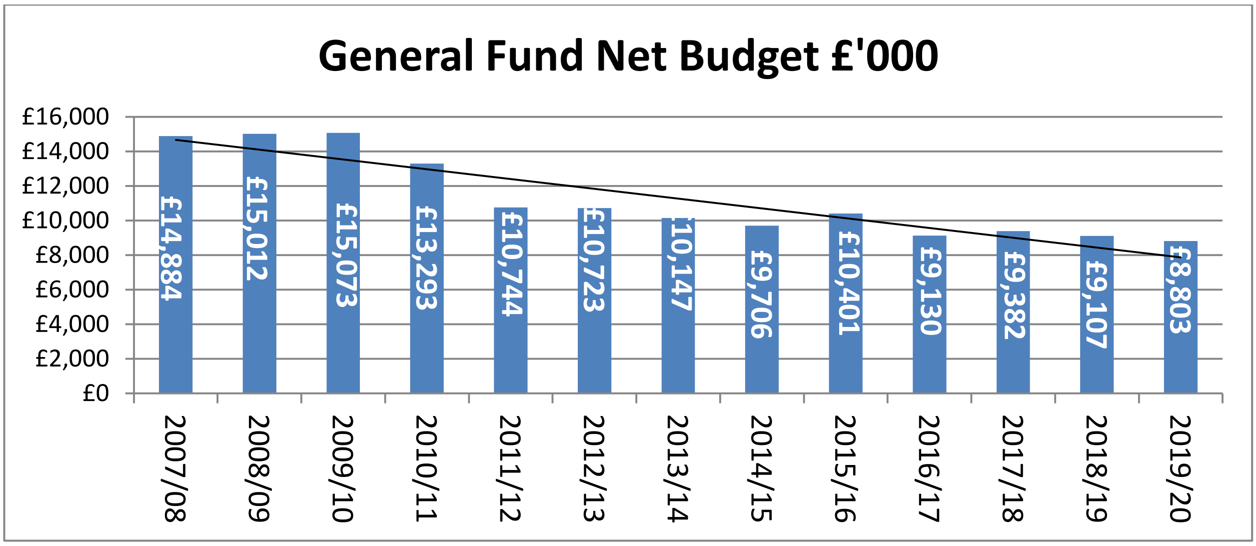
4.3.2 Taking these additions into account this means the Council has lost over £5Million in government funding and the need to make annual savings shown below.



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

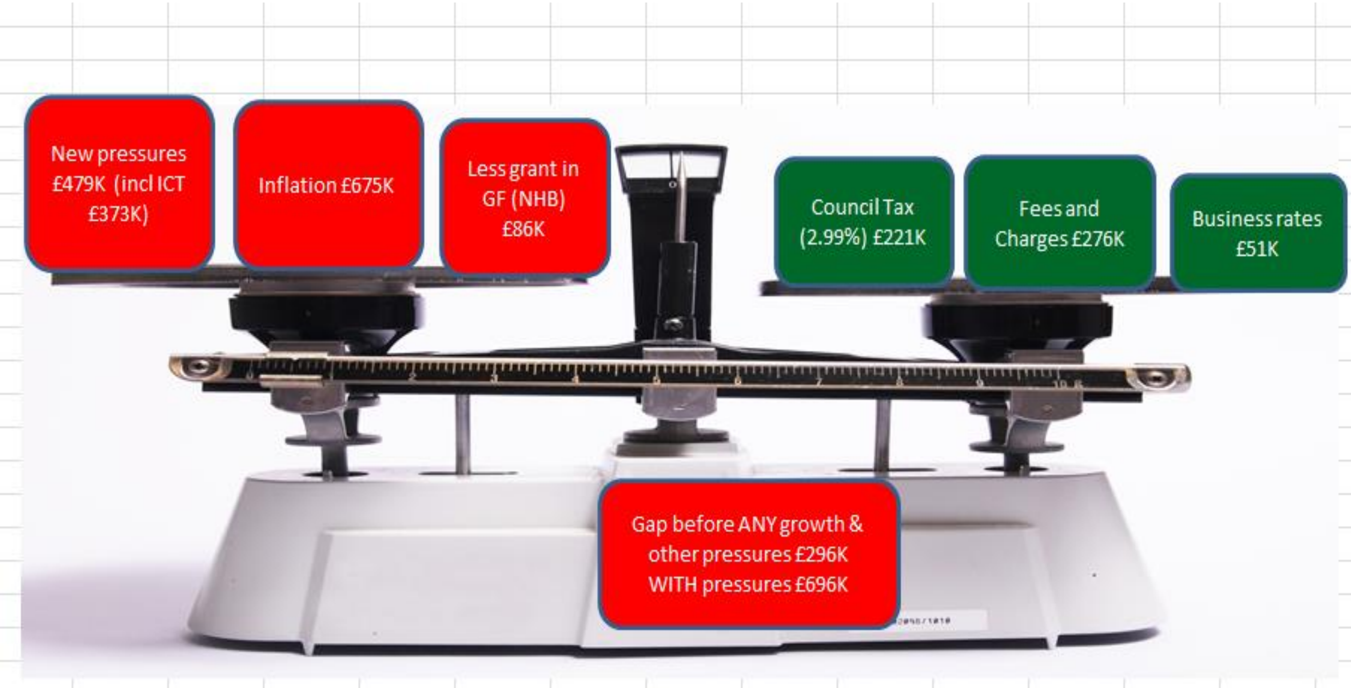


4.3.4 The impact of the savings identified means a reduction in the General Fund net spend reducing from some £15Million to £9Million as summarised in the chart below.



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

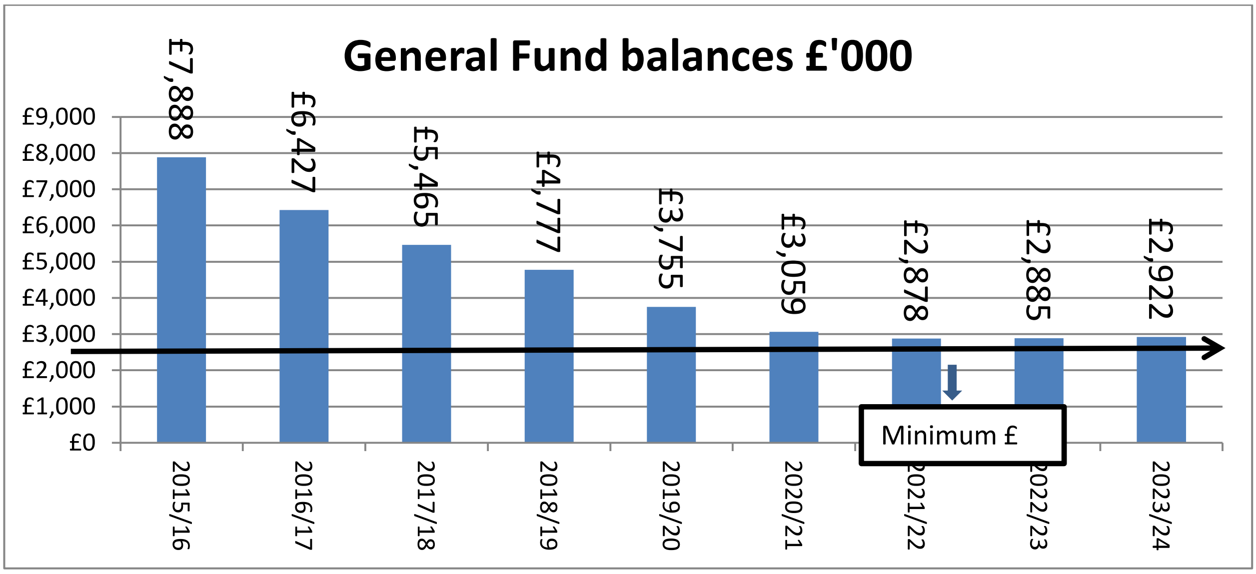
General Fund identification of the gap between inflationary expenditure and income 2020/21



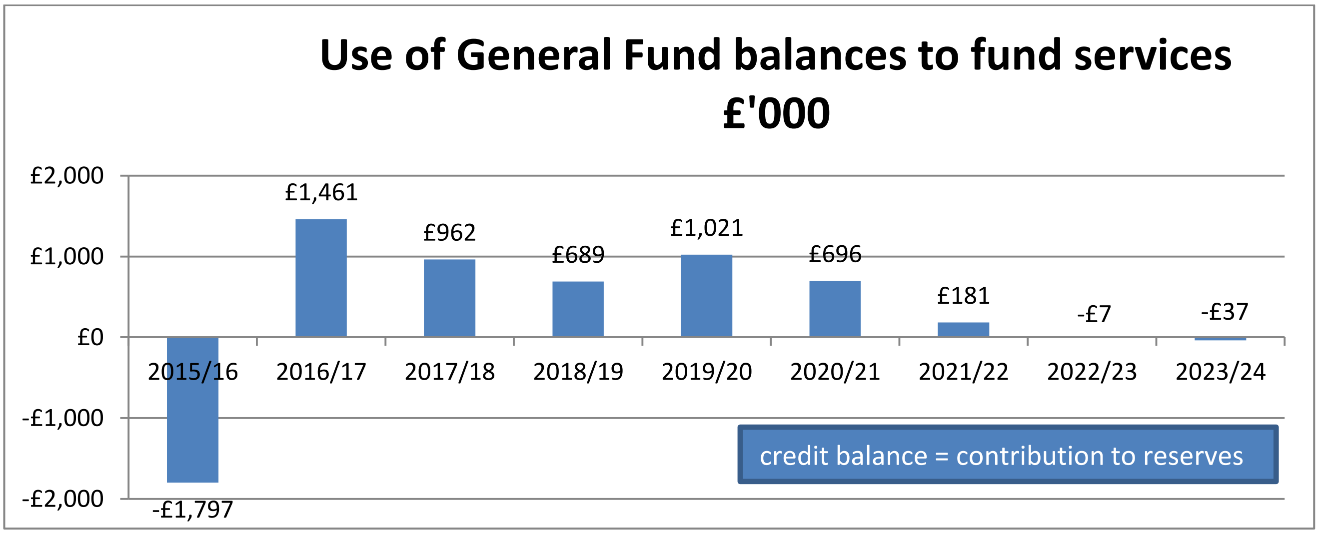
4.3.6 The Council's MTFS has planned to use general balances to enable a measured withdrawal from the reliance on ever decreasing core government funding and any inflationary gap. However a key tenet of the MTFS Strategy is to ensure costs equal income from 2022/23 with a contribution to or no contribution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

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

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



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

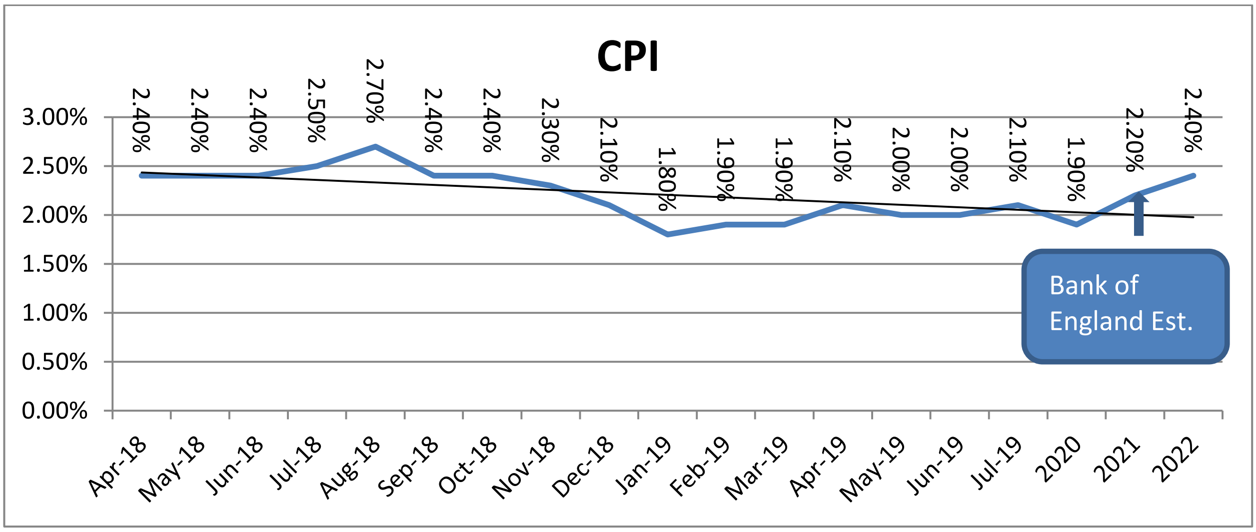


4.3.10 It could be argued that the actual draw on balances will be less than planned due to the realisation of year end underspends. However the level of underspends which is not committed for projects, (approved for carry forward into the next financial year) has reduced and there is an expectation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

4.4 Inflation

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

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



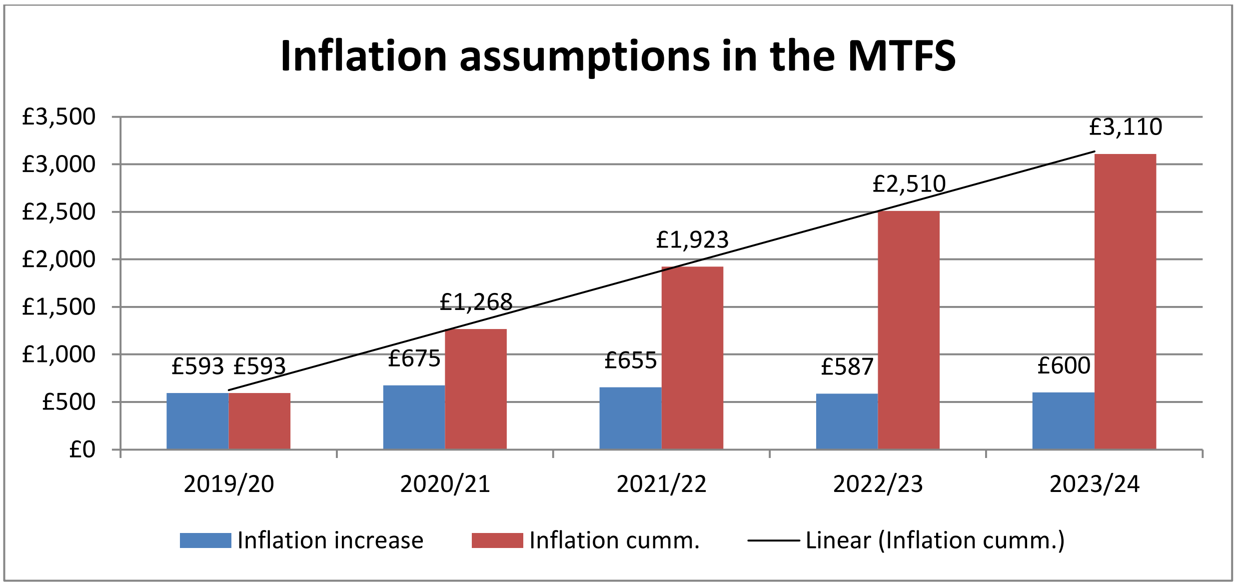
4.4.3 The Bank of England August report says with a no deal BREXIT the pound will fall and the prices in the shops will increase, no doubt as a result of higher import costs. However at the time of writing the report, the pound had already fallen against the Euro and the dollar and inflationary pressures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

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

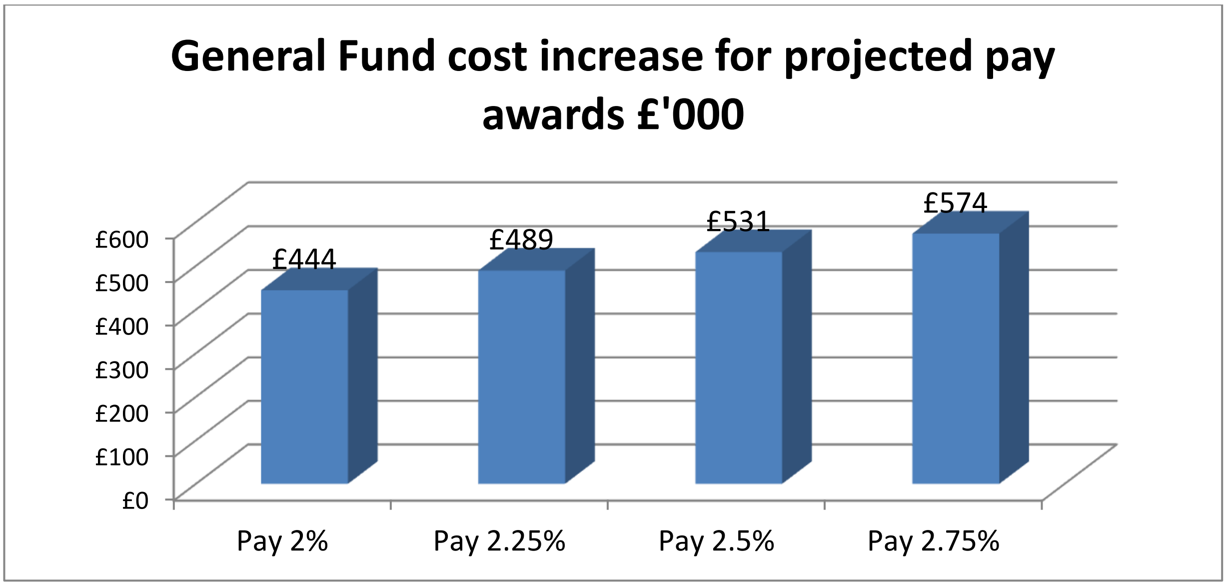
	Rationale for inflation assumption
Salaries - % increase	Salary inflation is estimated at 2.25% in the MTFS based on the current public sector pay announcements by the government which have ranged from 2% - 2.9%. However there is no new money for those increases for civil servants and police etc. The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

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

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



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

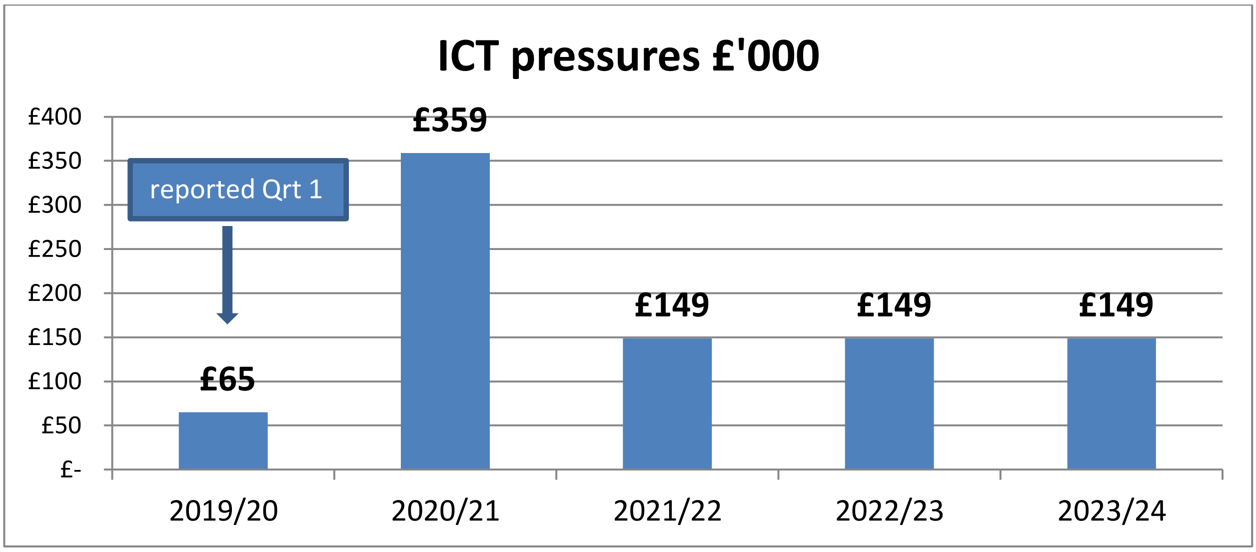


4.4.7 The CFO has modelled contractual inflation (including fuel and utilities) and this shows that a 1% increase across all indices would add an estimated £70K to the inflationary pressures in the General Fund in 2020/21. Which again, if realised would lead to an increase in future year's saving target.

4.5 Budget Pressures and Growth

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

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



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

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

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

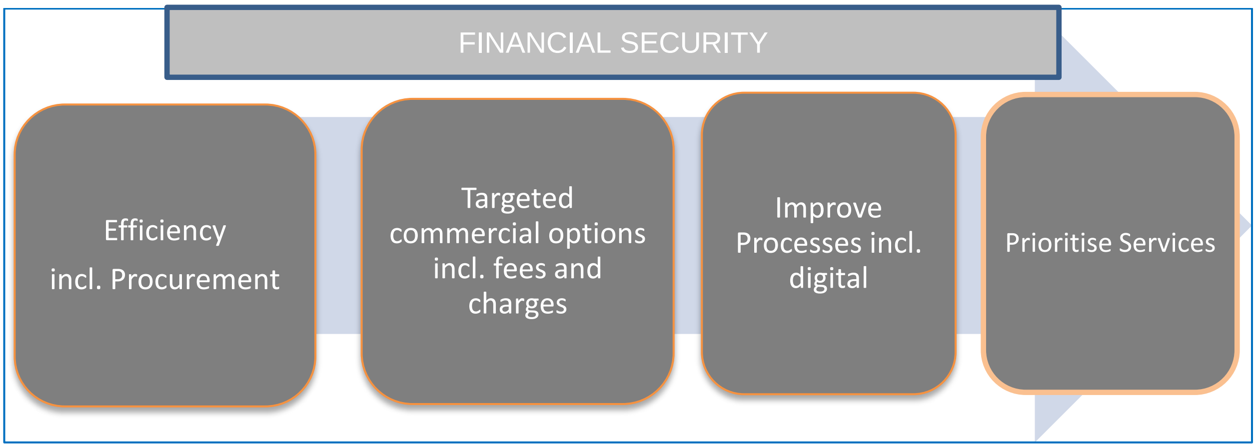
4.5.6 There may be also future financial pressures from the Homeless Reduction Act and other welfare reform Government initiatives which are currently not identified in the

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

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

4.6 Financial Security

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



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

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

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

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

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

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

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

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

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

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

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

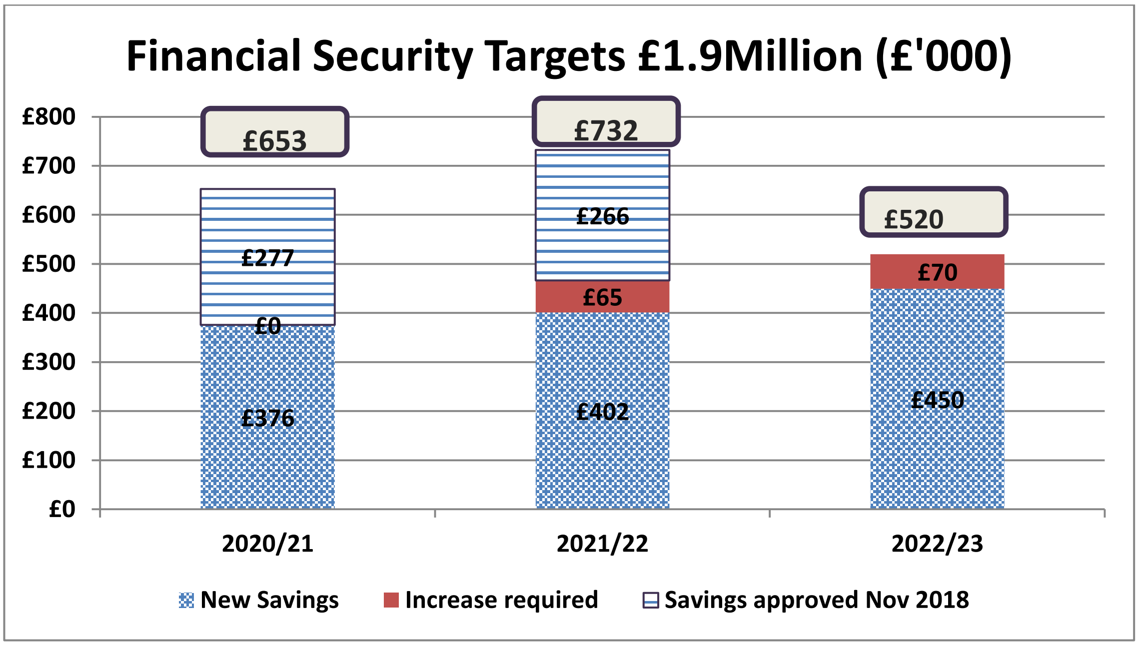
4.6.10 Business cases will be brought forward for further innovations that create a return on investment. However in addition it is intended that cutting bureaucracy and stream lining processes will lead to cost reductions by transferring transactions online, efficient workflow processes and other such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

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

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

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

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



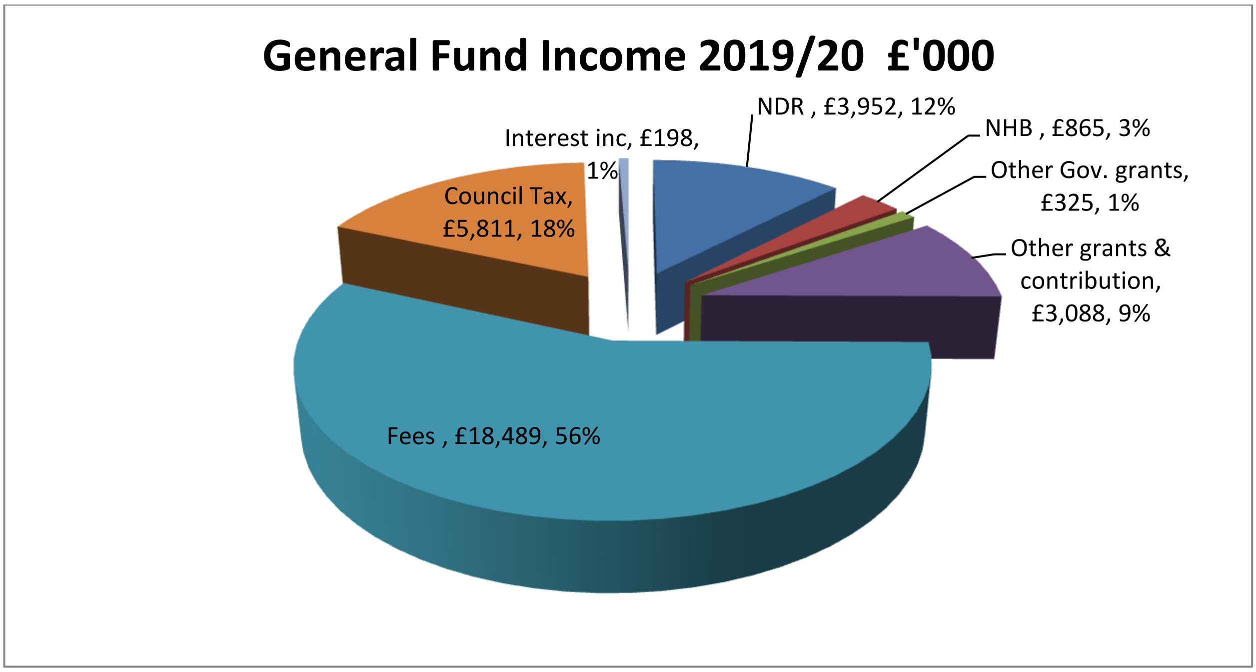
4.6.16 The Council's SLT are reviewing a number of options to achieve the three year target. However the level of options identified currently is less than the target required and SLT is being asked to identify further options.

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

4.7 Council Tax

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

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

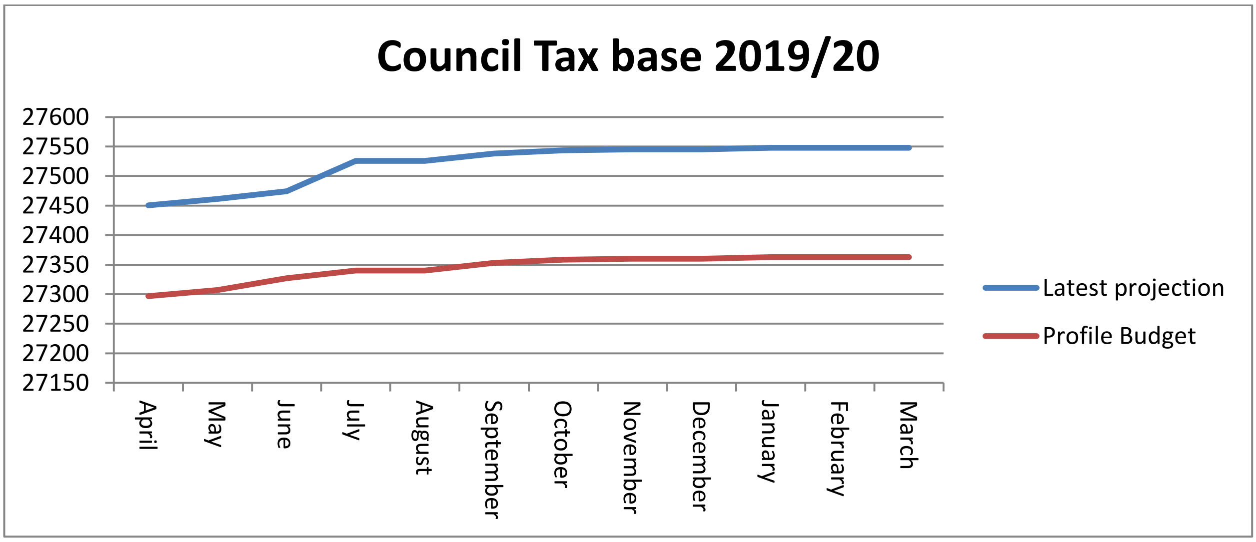


excludes housing benefit and recharges to the HRA.

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

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

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



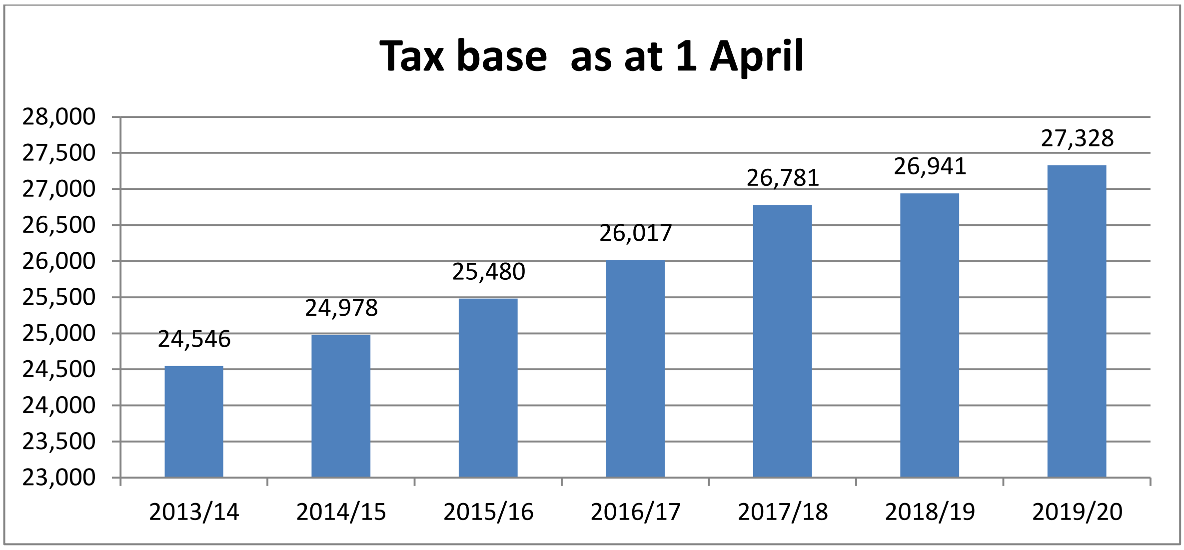
4.7.6 It has been assumed for modelling purposes that discounts remain in line with current levels, this includes council tax support (CTS). CTS numbers have reduced annually over the last few years, however it is anticipated that this trend will not continue.

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

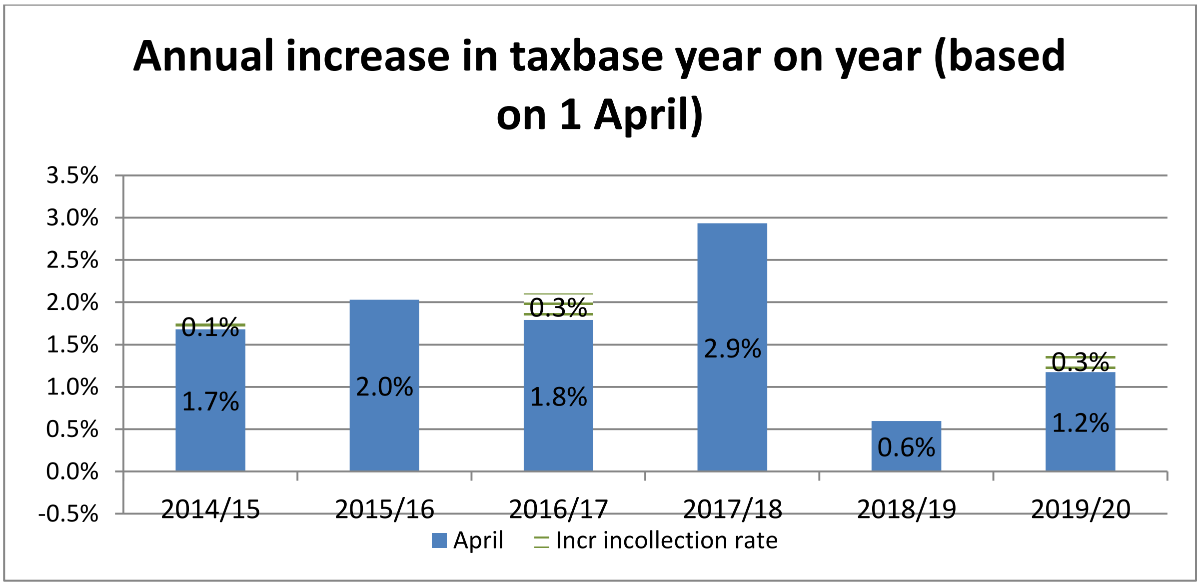
4.7.8 The 2019/20 base has been calculated and the tax base each year is projected based on planning housing trajectory numbers and is estimated as below, this is currently being updated and will be included in the next update. But is unlikely to yield large increases in council tax for SBC. A 1% increase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

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

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

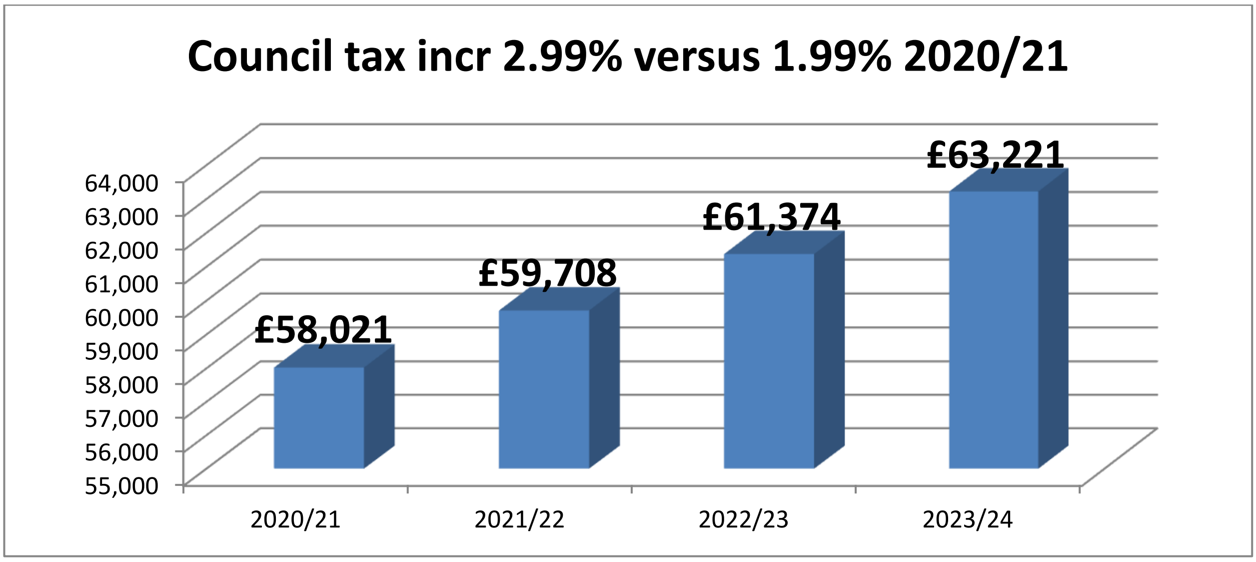


4.7.10 The annual percentage increase in the tax base has fluctuated and has in a number of years (2014/15, 2016/17, 2019/20) been aided as a result of projecting a higher collection rate. The collection rate in 2013/14 was 97.65% compared to 98.25% for 2019/20. This rate is the amount that is deemed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



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

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



4.8 Business Rates and Government Funding

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

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

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

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

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

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

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

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

4.9 New Homes Bonus (NHB)

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

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

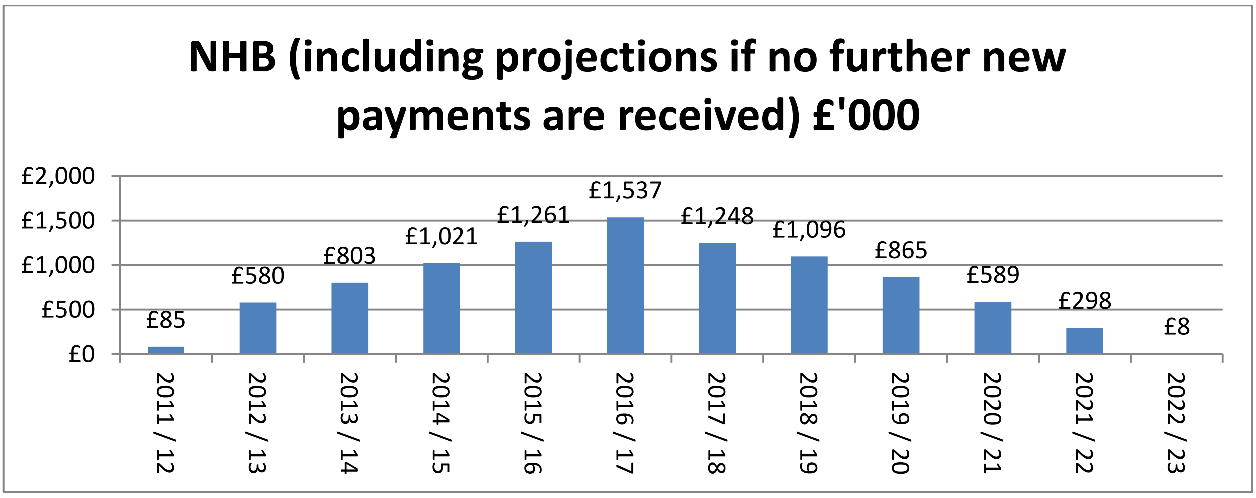
4.9.2 This has meant that from the peak in 2016/17 funding has fallen and in 2019/20 there was only an additional £8K. The 2018 MTFS update recognised there was considerable risk about the on-going reliance on NHB as means to fund initiatives such as the neighbourhood wardens, domestic abuse and anti-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

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

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

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

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



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

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

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

4.10 Investments and Interest Balances

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

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

4.11 General Fund Balances and Reserves

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

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

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

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

*() equals surplus

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

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

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

4.11.7 Reserves can be held for three main purposes:

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

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

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

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

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

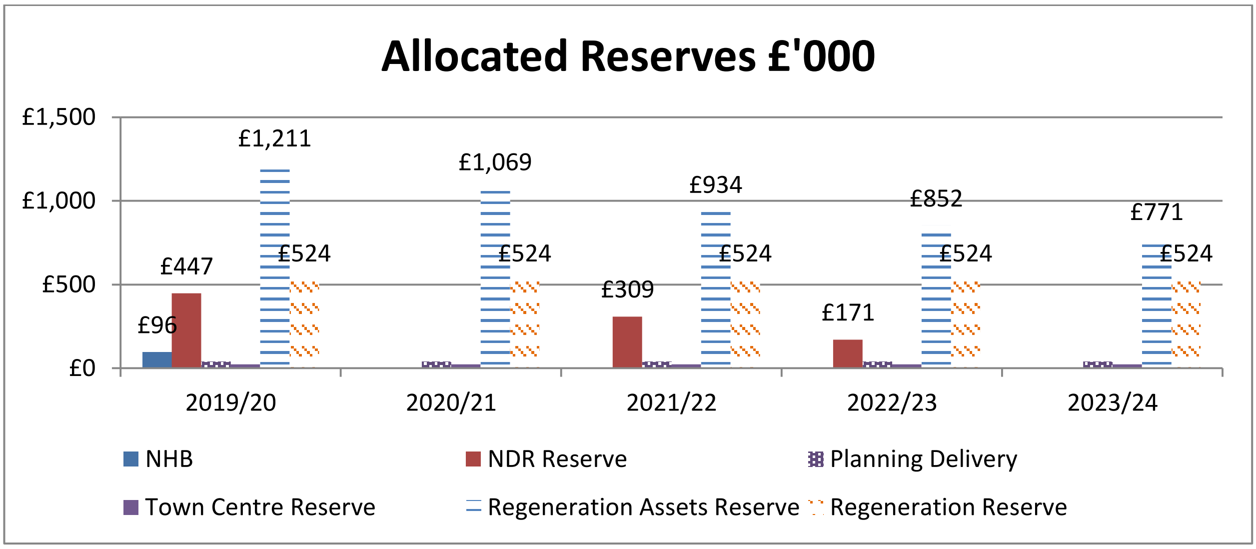
- The finance settlement for 2020/21 and then future years, including any changes to the levels of funding when the Fair Funding review is implemented, including the impact of negative RSB

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

4.12 Allocated Reserves

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

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



4.13 CFO commentary

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

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

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

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

4.14 Capital

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

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

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

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

4.14.5 The following principles have been applied to new bids:

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

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

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

4.15 Approach to Consultation

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

4.16 Decision Making Process

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

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

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

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

.

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

5. IMPLICATIONS

5.1. Financial Implications

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

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

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

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

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

5.2. Legal Implications

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

5.3. Risk Implications

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

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

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

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

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

5.4. Equalities and Diversity Implications

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

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

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

5.5. Policy Implications

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

5.6 **Staffing and Accommodation Implications**

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

BACKGROUND DOCUMENTS

BD1 - 2018 MTFS Strategy

APPENDICES

Appendix A MTFS