

Meeting EXECUTIVE
Portfolio Area Resources
Date 22 JANUARY 2020



DRAFT GENERAL FUND AND COUNCIL TAX SETTING 2020/2021

KEY DECISION

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1. PURPOSE

- 1.1 To consider the Council's draft 2020/21 General Fund Budget, Council Tax Support Scheme and draft proposals for the 2020/21 Council Tax.
- 1.2 To consider the projected 2019/20 General Fund Budget

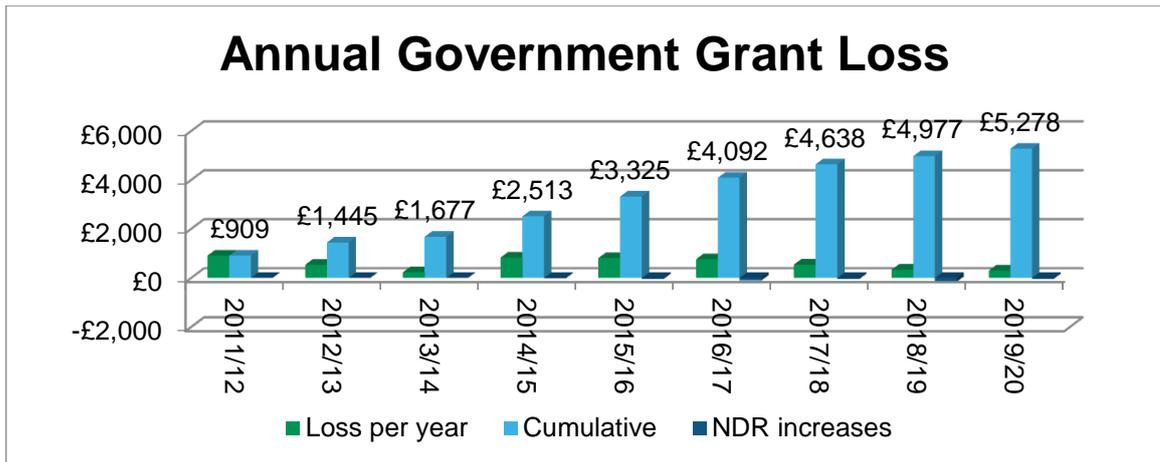
2. RECOMMENDATIONS

- 2.1 That the 2019/20 revised net expenditure on the General Fund of £9,664,250 be approved.
- 2.2 That a draft General Fund Budget for 2020/21 of £9,136,430 be proposed for consultation purposes, with a contribution from balances of £150,401 and a Band D Council Tax of £215.57 (assuming a 2.37% increase).
- 2.3 That the updated position on the General Fund Medium Term Financial Strategy (MTFS), as shown at Appendix A and the Risk Assessments of General Fund Balances, as shown at Appendix B to this report, be approved.
- 2.4 That a minimum level of General Fund reserves of £2,920,935, in line with the 2020/21 risk assessment of balances, as shown at Appendix B to this report, be approved.
- 2.5 That the contingency sum of £400,000 within which the Executive can approve supplementary estimates, be approved for 2020/21, (unchanged from 2019/20).

- 2.6 That the 2020/21 proposed Fees and Charges increase of £117,490 be noted and (Appendix D to this report) included in the draft budget.
- 2.7 That the 2020/21 proposed Financial Security Options of £864,644 (Appendix C to this report and including fees and charges detailed in Appendix D) be included in the draft budget for consideration by the Overview & Scrutiny Committee.
- 2.8 That the approval of the level of business rates (NNDR1) for 2020/21 be delegated to the Assistant Director (Finance and Estates), following consultation with the Resources Portfolio Holder (paragraph 4.6.8 of the report refers).
- 2.9 That 2020/21 business rate gains totalling £1.105Million above the baseline need be allocated as set out in paragraph 4.6.7 of this report.
- 2.10 That the 2020/21 Council Tax Support scheme is approved as set out in section 4.8 to this report.
- 2.11 That New Homes Bonus of £30,000 is transferred to the reserve to fund future potential shortfalls in funding paragraph 4.4.4 refers
- 2.12 That the Executive approve the revised Financial Security targets for the General Fund as set out in paragraphs 4.11.1- 4.11.2
- 2.13 That the decisions taken on recommendations 2.2 – 2.12 above be referred to the Overview and Scrutiny Committee for consideration in accordance with the Budget and Policy Framework rules in the Council's Constitution.

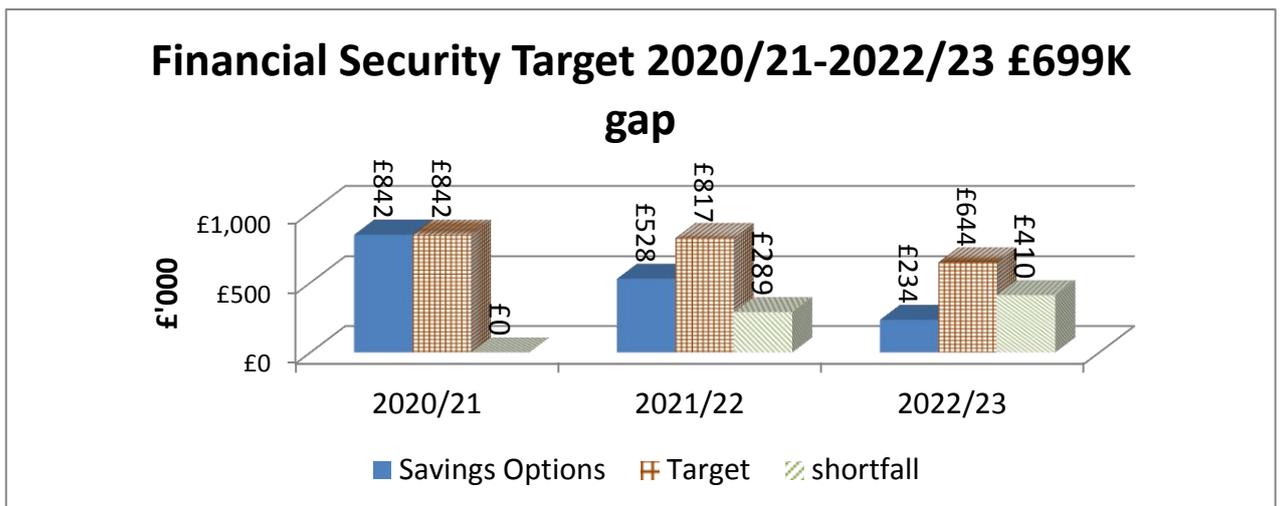
3. BACKGROUND

- 3.1 This report presents the Council's draft General Fund net expenditure for 2020/21 including Financial Security options and growth bids and pressures. The General Fund Budget forms part of the Council's Budget and Policy Framework. Under Article 4 of the Constitution, the Budget includes: the allocation of financial resources to different services and projects; proposed contingency funds; setting the council tax; the council tax support scheme; decisions relating to the control of the Council's borrowing requirement; the control of its capital expenditure; and the setting of virement limits.
- 3.2 The Council's Financial Strategy (MTFS) was reported to Executive September 2019 and updated in the November Executive Financial Security report. Both reports highlighted the need for an on-going Financial Security savings target to fund inflationary and service pressures along with the absorption of central government grant losses of £5.3Million by 2019/20.



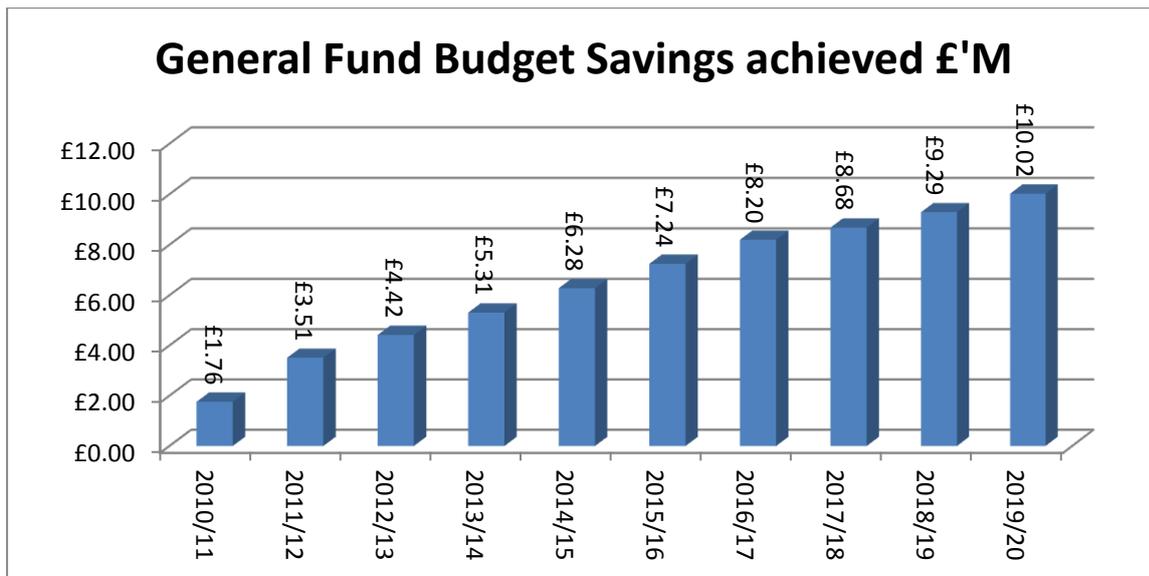
3.3

The Financial Security report to the November Executive, identified that in addition to the Financial Security options presented to the committee, there was still a funding gap of £699K over the period 2020/21-2022/23. This has been exacerbated by growth pressures that have arisen within the three year period. A summary of the funding gap still to be identified is shown below.



3.4

The drive for budget efficiencies has been in place for the last ten years as a result of lower government funding (see paragraph 3.2), while at the same time resourcing existing services, absorbing inflationary pressures and addressing other central government policy changes e.g. apprenticeship levy, national insurance increases, reductions in housing benefit administration grant and service pressures from welfare reforms. The total identified savings implemented since 2010/11 is summarised in the chart below.



- 3.5 The General Fund budget currently has a draw on reserves, however the MTFs has a key principle: 'achieve an on-going balanced budget by 2022/23 by ensuring inflationary pressures are matched by increases in fees and income or reductions in expenditure'. This is critical as the managed use of balances in the MTFs starts to converge with minimum balance levels.
- 3.6 At the November 2019 meeting, the Executive approved a package of Financial Security budget options, growth and pressures and fee increases to be included in the 2020/21 Budget.
- 3.7 Whilst the MTFs contains projections of future income levels and assumptions of savings required, there is difficulty in projecting financial resources beyond 2020/21 with the government's announcement of a one year funding settlement on the 4 September, (rather than a multi-year settlement). The proposals for the Fair Funding review and any reset of business rates, now deferred to 2021/22 means considerable uncertainty about future funding. Councils like Stevenage have benefited from business rate gains in the last few years to fund regeneration aims and support General Fund balances, a full reset would see those gains disappear through an adjustment to the tariff payable to the government.
- 3.8 For 2020/21 however, Stevenage has qualified as a member of the Hertfordshire business rates pool, which potentially increases business rates by a further £455K (as reported in the November Financial security report) , this is in addition to the existing projected gains of £650K net of the 50% levy. Based on the current financial position, the CFO recommended in the November Financial Report that part of the 2020/21 business rate gains should be used to increase General Fund balances and part to be held in an allocated reserve to pump prime saving initiatives or increase balances if options are not realised in line with estimates (see also paragraph 4.67-4.6.8).
- 3.9 Members were advised in the November MTFs report that the Government had consulted on allowing District Authorities to increase their council tax by £5.00 on a band D or up to 2% which ever was the greater. This would mean a maximum increase of 2.37%. The level of council tax increases was included in the finance settlement published on the 20 December 2019.

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

Date	Meeting	Report
January 2020	Executive	Draft 2020/21 General Fund budget, Council Tax and Council Tax Support (incorporating Financial Security Options)
	Overview and Scrutiny	Draft 2020/21 General Fund budget, Council Tax and Council Tax Support (incorporating Financial Security Options)
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

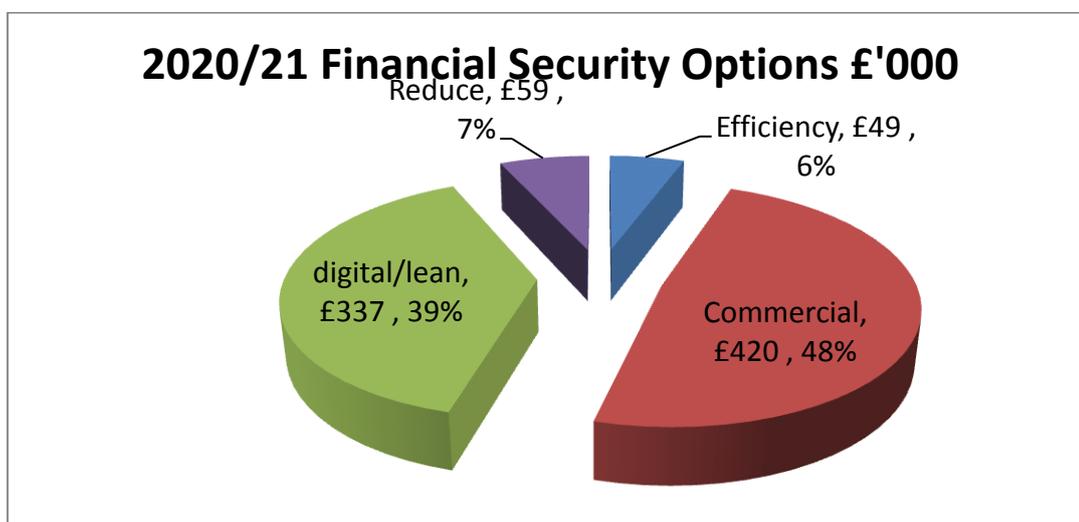
4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 Financial Security Options

4.1.1 At the November Executive, Members approved General Fund Options of £841,502, this has now increased by £23,142 to £864,644, as a result of:

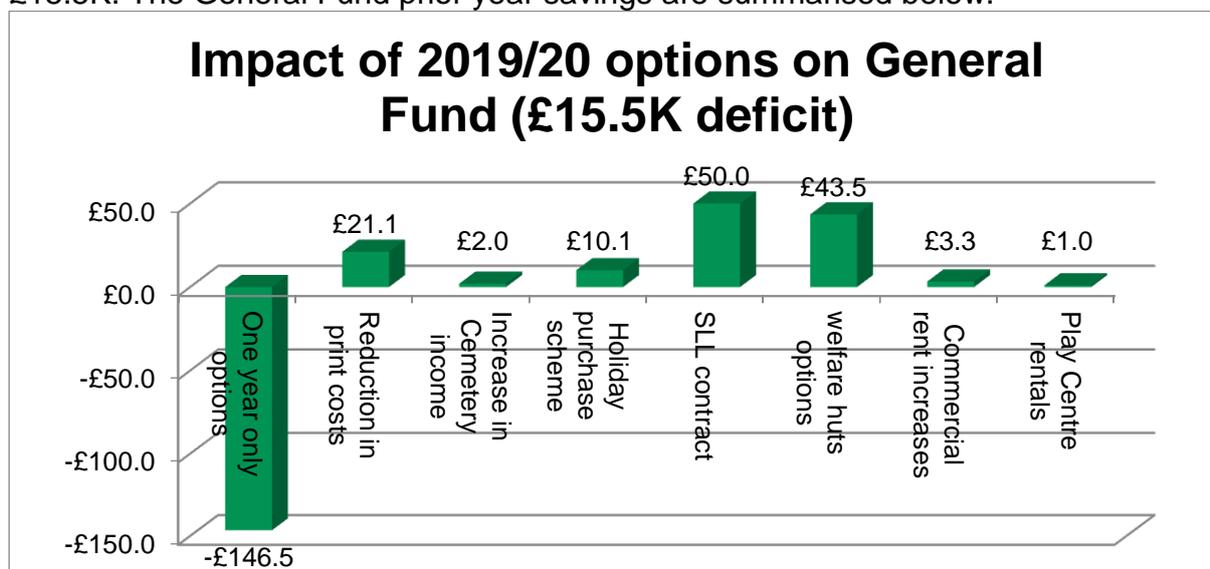
- New option reconfigure Management in Stevenage Direct Services £57,135
- Additional licensing income £2,600 in fees and charges
- Savings option (digitalise Chronicle magazine £9,000) not approved in November and the Executive asked that a replacement savings to be identified (General Fund share £6,000 and HRA share £3,000).
- Overestimated cemetery income (£9,000) in fees and charges projections

4.1.2 A summary of the proposed options is shown below and the options are detailed in Appendix C & D



4.1.3 In addition to the savings summarised above and included in Appendix B, further commercial income of £53,000 is now projected and included in the General Fund budget for 2019/20 and 2020/21.

4.1.4 There are also savings options from 2019/20 that have a positive impact on the General Fund totalling £19K additional income or savings. However this included an option relating to expanding Trade Waste service (SC10) which has been delayed by one year, which means for 2020/21 the £19K surplus becomes a net deficit of £15.5K. The General Fund prior year savings are summarised below.



4.1.5 Officers together with the Leaders Financial Security Group (LFSG) will continue to work towards identifying options to contribute to the Financial Security target.

4.2 Fees and Charges

4.2.1 2020/21 fees, charges and concessions have been reviewed as part of the work of the Corporate Fees and Charges Group, with the results scrutinised and recommendations made for approval by LFSG, as detailed in Appendix D (£117,490) and included in the Financial Security totals in 4.1 above. The majority of fee increases agreed at the November Executive are implemented in January 2020, with the exception of garage rent increases.

4.3 Growth and Service Pressures

4.3.1 There was no growth allowance in the MTFs for 2020/21, however the November Financial Security report identified some unavoidable growth and service pressures as summarised below and detailed in Appendix E.

	2020/21	2021/22	2022/23	Total
Growth	£163,470	£176,532	£173,202	£513,204
Pressures	£372,750	£148,970	£148,970	£670,690
Total	£536,220	£325,502	£322,172	£1,183,894

4.3.2 Taking into account the financial pressures the Council faces, Members approved some options for inclusion in the budget for a limited time period at the November Executive. These were:

- Digital bids £131,823 (General Fund share two years)- these have been approved for two years pending the publication of a digital strategy which should articulate the outcomes and financial benefits of any investment recommended.
- Climate change officer- £72,869 (General Fund share two years) this has been approved for two years, to be reviewed after that period to determine whether the post is still required on-going.
- Allotment expenditure (£22,000) this is the cost of an allotments officer and software costs of the system required as the Council assumes responsibility for allotment function following cessation of volunteer arrangement. The Executive approved one year funding of these costs because of a 12 month notice period to amend allotment charges. However the notice period is no longer applicable and officers are reviewing the option to consider bringing forward the fee increase during 2020/21. This will reduce the cost to the General Fund in 2020/21.

4.3.3 A limited number of bids were also recommended for permanent inclusion in the budget and these are summarised below.

Growth	2020/21	General Fund	HRA
Regeneration team	£27,710	£27,710	£0
Digital platform-self serve	£10,000	£6,660	£0
E-car club extend contract	£18,620	£12,475	£6,145
Old Town Christmas lights event	£7,000	£7,000	£0
Total	£63,330	£53,845	£6,145

4.3.4 There were three growth bids that were not approved at the November Executive, which related to two 2021/22 bids for additional homeless staff if new burdens funding does not continue. While Members recognise the value of the posts, LFSG and the Executive recommended that the bids are not included in future budgets until the outcome of future central government funding is known. For 2020/21 a grant of £71,268 was included with the provisional finance settlement. This will support some of the funding required in future years and an update will be provided in the Final General Fund report.

4.3.5 There was a growth bid considered for an additional community officer, which would increase the level of volunteering and events above that currently carried out. However due to the current financial position the bid was not recommended for approval.

4.3.6 In addition to the growth and pressures identified above, there are two other financial pressures on the General Fund which are:

- Bus Station -part of the Town Centre Regeneration scheme (SG1), if the identified Local Enterprise Board (LEP) GD3 monies allocated to the bus station are not released borrowing may be required, this would significantly

impact on the General Fund at an estimated £52,000 per Million spent. **This has not been included in the budget at the current time.**

- Planned maintenance works on Council assets- The recent stock condition surveys have identified some revenue maintenance works that are required on council assets. In addition the senior leadership team have commissioned an audit of compliance checks across all the Council's assets. The amount of monies that may be required is not known at the present time but an **allowance of £128,000 (one off) has been included in the 2020/21 budget to allow for any works** (see also para 4.9.2-4.9.3).

4.4 New Homes Bonus

4.4.1 The Council receives New Homes Bonus (NHB) for every additional property in its tax base, (at 80% of the equivalent national average value Band D property above a 40% threshold) and has received this gain (from 2019/20) for a four year period. A threshold of 0.4% of the tax base has to be achieved before any NHB is payable. But for the 2020/21 NHB award the government in provisional settlement has said this will apply for one year only, with a review of the award criteria for NHB for 2021/22 onwards.

4.4.2 The November Financial Security report identified there was a funding gap between projected NHB mounts should NHB cease from 2021/22, or based on a projection where the Council did not attract any future funds as shown below.

New Homes Bonus £'000			
	2020/21	2021/22	2022/23
Play & Bins (Capital)CNM	£312	£363	£226
CNM other	£138	£88	£224
Contribution to Capital Reserve	£250	£250	£250
General Fund	£164	£0	£0
Total Expenditure	£864	£700	£700
Potential Funding	£754	£298	£8
Shortfall (shortfall)/surplus	(£110)	(£402)	(£692)

**note the playground refurbishment programme completes in 2022/23*

4.4.3 The report also identified a funding shortfall of £110K in 2020/21 based on the current allocations in the MTFS and recommended, this is summarised in the table below.

New Homes Bonus £'000	2020/21 MTFS	2020/21 Revised	Variance
Play & Bins (Capital)CNM	£312	£312	£0
CNM other	£138	£75	(£63)
Contribution to Capital Reserve	£250	£250	£0

New Homes Bonus £'000	2020/21 MTFS	2020/21 Revised	Variance
General Fund	£164	£117	(£47)
Total Expenditure	£864	£754	(£110)
Potential Funding	£754	£754	£0
Shortfall (shortfall)/surplus	£110	£0	£0

4.4.4 The actual amount of NHB for 2020/21 included in the provisional settlement is £784K, which is £30K higher than the November projection and **the CFO recommends this is transferred to reserves to fund any future year shortfalls in CNM or capital funding.**

4.5 Finance Settlement

4.5.1 The finance settlement was published on the 20 December 2019 and there is an increase of £24,424 for 2020/21 compared to the November MTFS assumptions. This relates mainly to the historic under indexing business rates due to Council's by the government. The exact figure for this will not be known until the estimate for business rates or the NNDR 1 form is completed. This has to be done by the end of January 2020 for the financial year 2020/21.

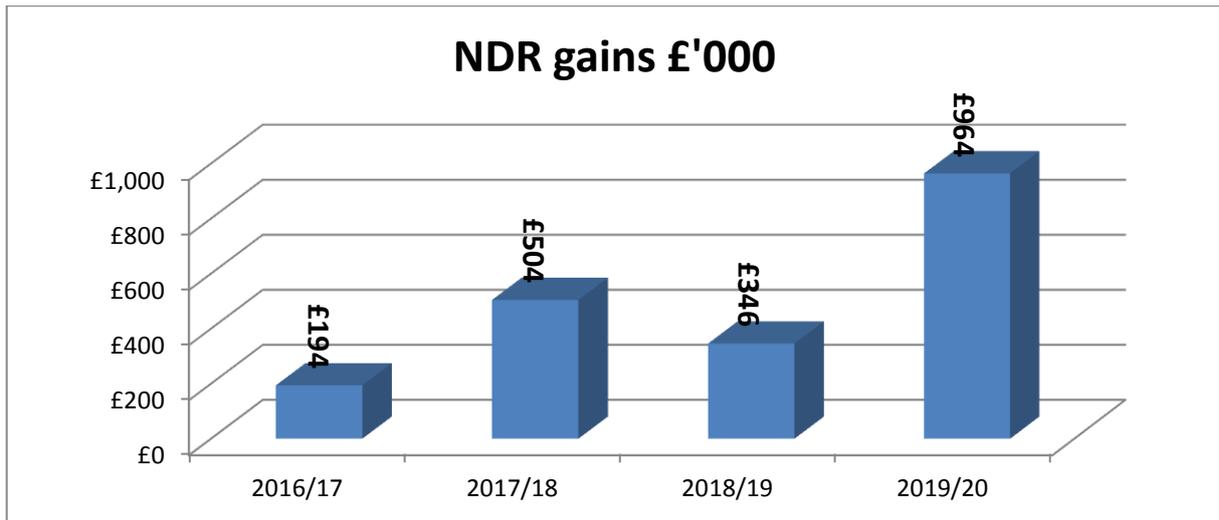
Finance Settlement			
	MTFS	2020/21	Var
Revenue Support Grant	£0	£0	£0
Business Rates:			
Business Rates	£2,572,372	£2,572,439	£67
Under indexing	£78,746	£103,104	£24,358
Total	£2,651,118	£2,675,543	£24,424

4.5.2 Stevenage Borough Council would have had negative Revenue Support Grant (RSG) from 2019/20 of £27,145, however the government signalled in the provisional finance settlement consultation that this would not be a cost to councils in 2019/20 and 2020/21. However the impact of the Fair Funding review on negative RSG is not yet known.

4.5.3 The Government has indicated in the Autumn Budget and the 2020 technical budget consultation that they remain committed to reforming local government finance.

'In 2020 the Government plans to carry out a multi-year Spending Review, which will lay the groundwork for reforms. We will continue to work towards our aim to implement these reforms in 2021-22, including a full reset of business rates retention baselines.'

4.5.4 The Council has consistently benefited from business rate gains (2019/20 relates to the one off Hertfordshire Pilot) that have been used to support the Council's regeneration ambitions and General Fund balances, a reset could/will see these gains removed.



4.6 Business Rates and the Pooling

- 4.6.1 The November Financial Security Report to the Executive identified that the baseline funding, (resources from business rates) which is the amount the government has assessed the Council needs, increases by the September CPI of 1.7%, gains above the baseline assessment can be retained by the Council after a levy is charged.
- 4.6.2 In 2019/20 the government approved a Hertfordshire Pilot which meant 75% of business rates (including gains), retained in Hertfordshire, with Stevenage retaining £994K,(above the baseline need) to support regeneration ambitions and General Fund balances.
- 4.6.3 There are no new NDR pilots for 2020/21, however Local authorities are able to come together on a voluntary basis to pool their business rates. This gives potential for the generation of additional business rate growth through collaborative arrangements, and allows retention of a higher proportion of growth.
- 4.6.4 The 2020/21 pool composition includes Stevenage, (the first time since 2015/16). The Pool governance states that any safety net payments to be a first call on the pool (where pool members fall below their base assessment), with the balance of benefits then shared 70% Districts, 15% County Council and 15% growth fund plus any gains that would have been paid if the pool didn't exist. In the event of an overall loss, i.e. safety net payments exceed levy retained, this would similarly be split.
- 4.6.5 The 2020/21 Stevenage NDR gains are estimated to be £1.105Million. While this seems a significant amount of money, Members should note that NDR gains are not on-going. The government intends to do a partial or full reset of business rates for 2021/22 which will potentially mean all or most of current gains are removed (see also paragraph 4.5.4).

4.6.6 There is also considerable uncertainty about the level of appeals still to be heard , the Council has not been made aware of any appeals heard on the 2017 list and is carrying a significant appeals provision to take account of this.

4.6.7 **Based on the November Executive report, the CFO recommends that 2020/21 NDR gains of £1.105Million should be used for:**

- **One off funding of priority growth £204,688 (2 years funding),**
- **To increase General Fund balances £445,312**
- **To transfer £455,000 to an allocated reserve to give a cushion to the General Fund if Financial Security options are not realised/in line with projections or if pump priming monies are required to make change happen.**

4.6.8 The Council (via the Executive) must approve the level of estimated 2020/21 business rates it will receive by 31 January each year. However due to the provisional settlement being received on 20 December, this means that there is not enough time to complete a report for the January Executive and therefore it is recommended that this is delegated to the Assistant Director (Finance and Estates) following consultation with the Portfolio Holder for Resources.

4.7 Council Tax

4.7.1 Part of the budget setting process includes consideration of council tax levels. The provisional settlement allows for a 2% or £5.00 on a Band D (2.37%), whichever is the greater, before a referendum is required.

4.7.2 Responses to the Government’s council tax referendum principles published in the technical consultation are summarised below:

- Responses to the technical consultation indicate strong support for this proposal. A large majority (80%) of respondents were in favour.
- The responses received from 81 shire districts suggested a high level of demand for the extra flexibility, with 59 (73%) agreeing with the proposal as did the CFO on behalf of the Council.
- Almost a third of respondents (32%) argued that the cash figure should be greater than £5, as did the CFO on behalf of the Council.

After consideration of the responses to the technical consultation, the Government has decided to include a £5 on an Band D or up to 2%, whichever is the higher.

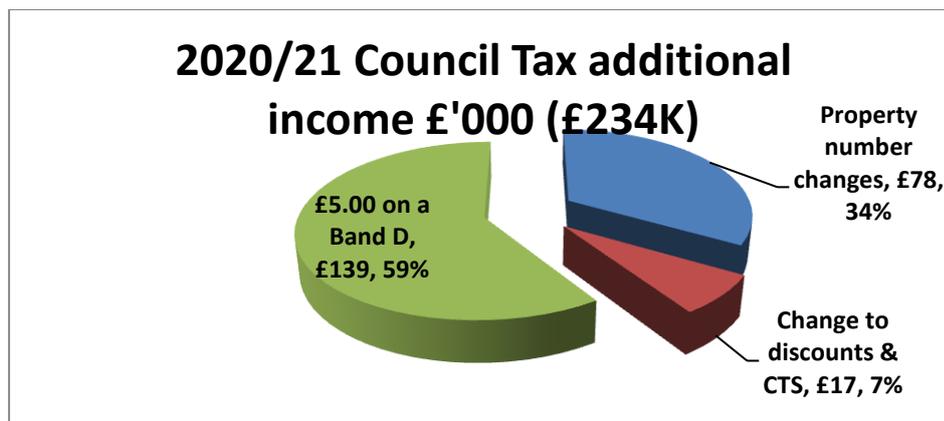
4.7.3 The table below shows the increase per property band based on a 2.37% increase.

Council Tax increase modelled for Stevenage Precept 2020/21				
Council Tax band	2019/20	2.37% increase	Total cost per year	Total cost per week
A	£140.38	£3.33	£143.71	£2.76
B	£163.78	£3.88	£167.66	£3.22

Council Tax increase modelled for Stevenage Precept 2020/21				
Council Tax band	2019/20	2.37% increase	Total cost per year	Total cost per week
C	£187.17	£4.44	£191.61	£3.68
D	£210.57	£5.00	£215.57	£4.15
E	£257.36	£6.10	£263.46	£5.07
F	£304.16	£7.21	£311.37	£5.99
G	£350.95	£8.32	£359.27	£6.91
H	£421.14	£9.98	£431.12	£8.29

4.7.4 Increasing council tax by 2.37% versus 1.99% nets the Council an additional £22,490 in 2020/21 per year, which contributes to meeting Financial Security targets alongside the options contained within this report and protect front line services.

4.7.5 The additional income from council tax as a result of the increase to the taxbase (reported to the December Executive) and a 2.37% increase is estimated to be £233,690 which is calculated as per the pie chart below.



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

4.7.7 As in previous years the council tax increase will not be agreed until the February Council meeting. Based on the increasing financial dependency the General Fund budget has on council tax the Assistant Director (Finance and Estates) recommends a 2.37% increase be considered by the Executive and Overview and Scrutiny Committee.

4.8 Council Tax Support

- 4.8.1 A local CTS scheme cannot be revised for at least one financial year. A Billing Authority (SBC) must consider whether to revise or replace its scheme with another on an annual basis.
- 4.8.2 Any revision to a scheme must be made by the Council by the 11 March, immediately preceding the financial year in which it is to take effect and will require consultation with those affected. Additionally consideration should be given to providing transitional protection where the support is to be reduced or removed.
- 4.8.3 The Council must, in the following order, consult with major precepting authorities (i.e. Hertfordshire County Council and Police and Crime Commissioner for Hertfordshire), publish a draft scheme in such manner as it thinks fit, and consult such other persons as it considers are likely to have an interest in the operation of the scheme. The CFO wrote to both precepting authorities regarding the proposal for 2020/21 and at the date of writing the report HCC had no objections to the scheme proposed and no response had been received from the PCC.
- 4.8.4 The Portfolio Holder Advisory Group received a presentation on 23 July 2019 and agreed to recommend to Council that the scheme remains unchanged for 2020/21. Subsequently a report was presented to the November Executive which approved the current scheme continue to apply for working age claimants with upratings, (the scheme for elderly residents is still prescribed by central government).
- 4.8.5 The current **working age** scheme is fully means tested and there is no tolerance for changes in income before impacting on entitlement. Members have previously agreed no additional protection for individual groups, other than that required in law (pensionable aged claimants), and that built into the original Council Tax Benefit scheme. All working age customers have to pay at least 8.5% of their liability. If the average increase for all preceptors was 2.37% for 2020/21 (for modelling purposes), this would mean an increase of £3.54 per year or £0.07 per week for those on maximum benefit.

Table 1: Annual value of 8.5% of liability by band

8.5% per year	2018/19	2019/20	2020/21 (2.37% incr for all preceptors)	Est. 2020/21 Increase per year	Est. 2020/21 Increase per week
Band A	£95.71	£99.65	£102.01	£2.36	£0.05
Band B	£111.66	£116.26	£119.01	£2.76	£0.05
Band C	£127.61	£132.87	£136.01	£3.15	£0.06
Band D	£143.56	£149.47	£153.02	£3.54	£0.07
Band E	£175.46	£182.69	£187.02	£4.33	£0.08
Band F	£207.36	£215.91	£221.02	£5.12	£0.10
Band G	£239.26	£249.12	£255.03	£5.90	£0.11

8.5% per year	2018/19	2019/20	2020/21 (2.37% incr for all preceptors)	Est. 2020/21 Increase per year	Est. 2020/21 Increase per week
Band H	£287.12	£298.95	£306.03	£7.09	£0.14

4.8.6 As part of the Budget and Policy framework the CTS scheme is required to follow the timetable set out in paragraph 3.11. **Members are recommended to agree the existing scheme updated for benefit changes for 2020/21.**

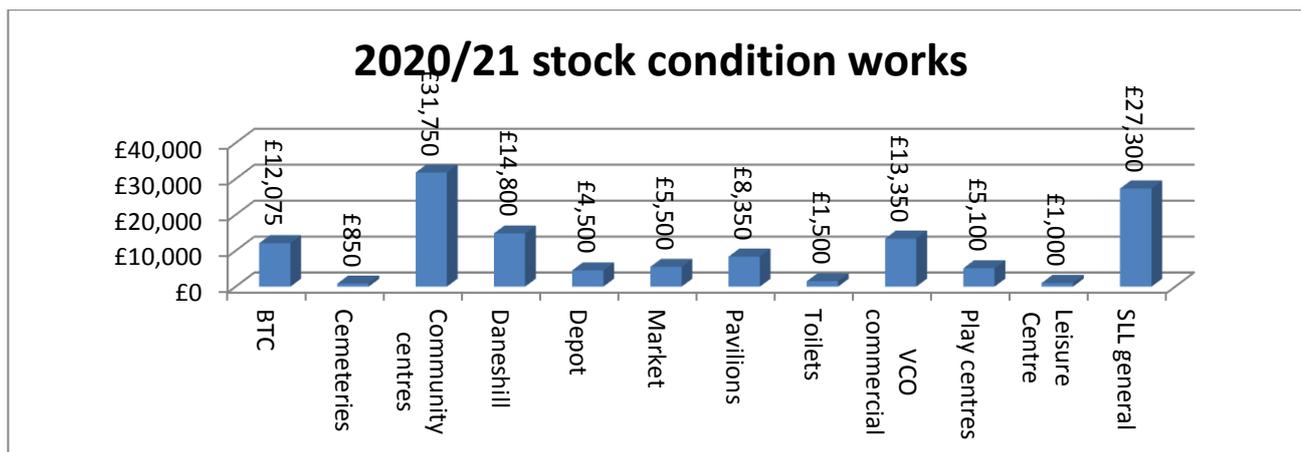
4.9 General Fund Net Expenditure

4.9.1 The 2019/20 projected and the 2020/21 draft General Fund net expenditure is summarised in the MTFS at Appendix A, including the changes from the November MTFS update. The 2020/21 net budget has decreased by £237,746 compared to the November Executive MTFS.

Summary of 2020/21 budget movements	On-going ?	£	On-going £
November MTFS (20/11/19 Executive)		9,953,376	
Lower costs/Increased Income:			
lower inflation than budgeted for	Y	(£48,216)	(£48,216)
Increase in Financial Security options	Y	(£23,142)	(£23,142)
Increase in commercial income	Y	(£53,000)	(£53,000)
slippage on borrowing costs for garage programme	N	(£100,550)	
Re-phasing of use of NDR reserves	N	(£107,344)	
Other-on-going	Y	(£55,455)	(£55,455)
Increased Costs/lower Income:			
Revenue impact of stock condition surveys (repairs)	N	£128,000	
Lower investment income (base rate increase delayed)	Y	£1,960	£1,960
Other one off	N	£20,000	
Total budget movements		(£237,746)	(£177,853)
Change between Net Expenditure and core resources:			
Increased S31's relief (Business rates -reduces business rates "below the line") neutral impact	N	(£579,200)	
Updated General Fund 2020/21 net budget		£9,136,430	

4.9.2 The re-profiling of borrowing costs for the garage improvement programme and the use of 2019/20 NDR gains has improved General Fund balances by £207,894, however this is a timing issue and not on-going.

4.9.3 Included in the 2020/21 draft budget is a one off cost of £128,000 for revenue repairs identified as part of the recent stock condition survey, this has not been included as an-going cost, however, the level of repair budgets will need to be reviewed during 2020/21. A summary of where the repairs are required is summarised in the chart below.



4.9.4 There is an on-going positive impact on balances in 2020/21 totalling £177,853, but there is still a need to find financial security saving for future years to ensure that in line with the MTFs, there is move from the current draw on balances per year to a contribution to balances by 2022/23.

4.9.5 The 2019/20 General Fund working budget has decreased by £211,890, a summary is shown in the table below.

Summary of 2019/20 budget movements	On-going?	£	On-going £
November MTFs (20/11/19 Executive)		9,876,140	
Lower costs/Increased Income:			
Increase in commercial income	Y	(£108,000)	(£108,000)
higher investment income based on higher average balances held	Y	(£20,440)	(£20,440)
slippage on borrowing costs for garage programme (MRP and interest)	N	(£83,450)	
Total budget movements		(£211,890)	(£128,440)
Updated General Fund 2019-20 net budget		£9,664,250	

4.10 Projected General Fund Balances

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

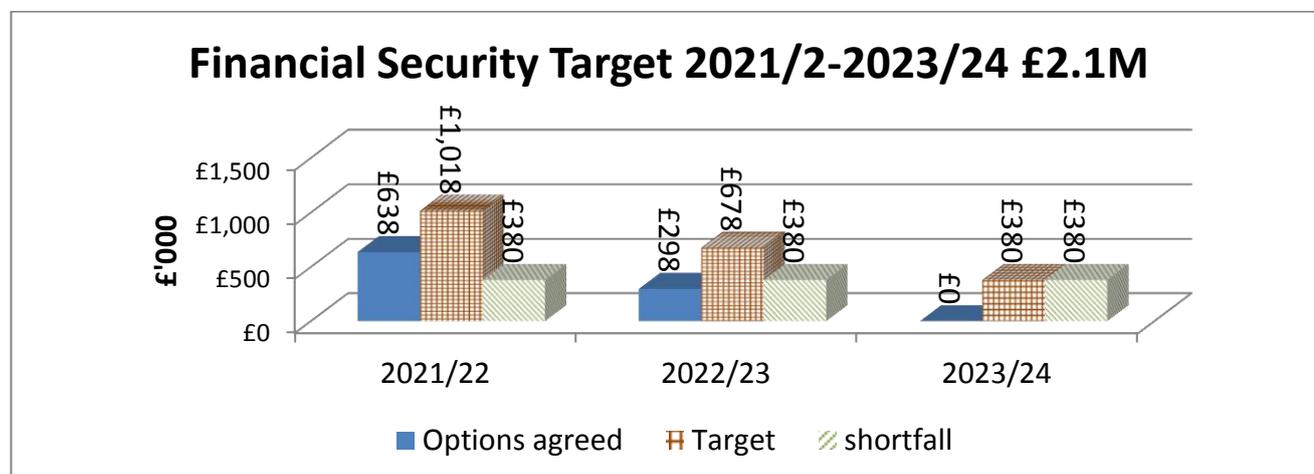
	2019/20 Estimate	2019/20 Projected	2020/21 Estimate
Net Expenditure*	£8,802,520	£9,664,250	£9,136,430
(Use of)/ Contribution to Balances	(£48,446)	(£910,177)	(£150,401)
Budget Requirement	£8,754,074	£8,754,074	£8,986,029
RSG	£0	£0	£0
Business Rates	(£2,562,580)	(£2,562,580)	(£2,930,543)
Total Government Support	(£2,562,580)	(£2,562,580)	(£2,930,543)
(Return) /Contribution to Collection Fund (NDR)	(£380,962)	(£380,962)	£380

	2019/20 Estimate	2019/20 Projected	2020/21 Estimate
Collection Fund Surplus (ctax)	(£55,621)	(£55,621)	(£67,265)
Council Tax Requirement	£5,754,911	£5,754,911	£5,988,601
Council Tax Base	27,330	27,330	27,781
Council Tax Band D	£210.57	£210.57	£215.57
Council Tax Band C	£187.17	£187.17	£191.61

* includes S31 grants for reliefs given for business rates

4.11 Revision of Financial Security Targets Future Years

4.11.1 The Financial Security target for 2021/22-2023/24 is £2.1 Million, however, Members have approved options with a future years impact of £938K, which leaves £1.14 Million to be identified for the period.



4.11.2 The remaining funding gap has been re-profiled to give a more even annual target of £380K per year. Previously there was a target of £410K and £470K for 2022/23 and 2023/24 respectively, at a time when it is critical to be making a contribution to General Fund reserves. Members are asked to approve the revised Financial Security targets.

4.11.3 The Financial Security report to the November Executive identified that relying on efficiency savings options is proving more difficult. This leaves commercial and increasing income which brings the risk of not achieving the income, or digital options to increase productivity and so reduce headcount and net General Fund expenditure. This has led the Senior Leadership Team (SLT) to explore more transformational options, this is preferable to cutting or reducing services.

4.12 General Fund Reserve Projections

4.12.1 General Fund balances are projected to be £3.9 Million by 2023/24 which means a reduction of £867K from balances held at 1 April 2019.

General Fund Balances £'000	2019/20	2020/21	2021/22	2022/23	2023/24
Opening balance 1 April	(£4,794)	(£3,884)	(£3,733)	(£3,678)	(£3,812)
Use of/ (Contribution to) Balances	£910	£150	£56	(£135)	(£114)
Closing balance 31 March	(£3,884)	(£3,733)	(£3,678)	(£3,812)	(£3,927)

4.12.2 The projected balances are higher than those included in the November MTFs, (as summarised in the table below).

2019/20-2022/23 cumulative Impact of changes on reserves £'000			
increasing General Fund Balances		Reducing General Fund Balances	
increased commercial rental	(£ 267)	one off repairs (from stock condition survey)	£128
lower inflation (3 year impact)	(£ 145)	garage projections (including higher interest costs and lower income projected)	£200
Swingate house savings	(£ 110)		
Additional NDR (higher compensation for indexing estimated)	(£ 196)		
saving changes (including MRP review)	(£ 258)		
other	(£ 104)		
Total	(£ 1,079)	Total	£328
		Net Change in Reserves	(£ 752)

4.12.3 However as stated in this and previous reports, there is considerable uncertainty around future levels of retained business rates and NHB. There are also significant business rate gains for 2019/20 (as a result of the Hertfordshire Pilot) and in 2020/21 (Hertfordshire Pool), which still need to be realised.

4.12.4 In additional to risk around future resources, some of the proposals for growth (included in Appendix E) which are time limited may need further funding.

4.12.5 The Council will need to increase future years General Fund reserves to ensure that there are sufficient future resources not only to enable for a sustainable financial position but to also help facilitate the town centre regeneration including the associated risk of funding the bus station if LEP funding is not released.

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

4.13 Risk Assessment of General Fund balances

4.13.1 The General Fund balances have been risk assessed for 2020/21 and the minimum level of balances required is £2,920,935

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

4.11.3 New risks that have been added to the risk assessment of balances include:

- Increased cost of bed and breakfast costs based on the level of increased expenditure identified in 2020/21
- Increased revenue repair costs as a result of the stock condition surveys (see also paragraph 4.9.2)
- Increased cost of capital works requiring funding as a result of re-phasing/deferring works in the Capital.

4.14 Contingency Sums

4.14.1 The Executive will recall that a Contingency Sum needs to be determined by the Council as part of the Budget and Policy Framework in order to avoid the need for Council to consider all supplementary estimates during the course of the year. This contingency sum constitutes an upper cumulative limit during the financial year within which the Executive can approve supplementary estimates, rather than part of the Council's Budget Requirement for the year. A sum of £400,000 is proposed for 2020/21, this remains unchanged from the current year.

4.15 Allocated Reserves

4.15.1 The allocated reserves as at 31 March 2021 are estimated to be £2.061 Million, which is a reduction of £1.250 Million (38% of total reserves) from 1 April 2019. The allocated reserves are summarised in the following table.

Movements to/from Allocated Reserves £'000					
Allocated Reserve	Balance as at 1 April 2019	Anticipated transfer to/from reserves	Forecast balance as at 31 March 2020	Anticipated transfer to/from reserves	Forecast balance as at 31 March 2021
New Homes Bonus	(£ 728)	£ 633	(£ 96)	£ 66	(£ 30)
Business Rates Reserve	(£ 172)	(£ 275)	(£ 447)	£ 0	(£ 447)
Business Rates Reserve- equalisation reserve	£ 0	£ 0	£ 0	(£ 455)	(£ 455)
Regeneration Assets	(£ 1,342)	£ 592	(£ 750)	(£ 80)	(£ 830)
Insurance Reserve	(£ 113)	£ 113	£ 0	£ 0	£ 0
Regeneration Fund (SG1)	(£ 724)	£ 155	(£ 569)	£ 295	(£ 274)
Town Centre	(£ 55)	£ 31	(£ 24)	£ 0	(£ 24)
ICT Reserve	(£ 54)	£ 54	(£ 0)	£ 0	(£ 0)
LAMs reserve	(£ 61)	£ 0	(£ 61)	£ 61	£ 0
Planning Delivery Grant	(£ 61)	£ 20	(£ 41)	£ 41	£ 0
Total	(£ 3,311)	£ 1,323	(£ 1,988)	(£ 72)	(£ 2,061)

4.16 Consultation

4.16.1 In previous years the views of residents and stakeholders have been attained through consultation, finding out their preferences for reducing services, increasing

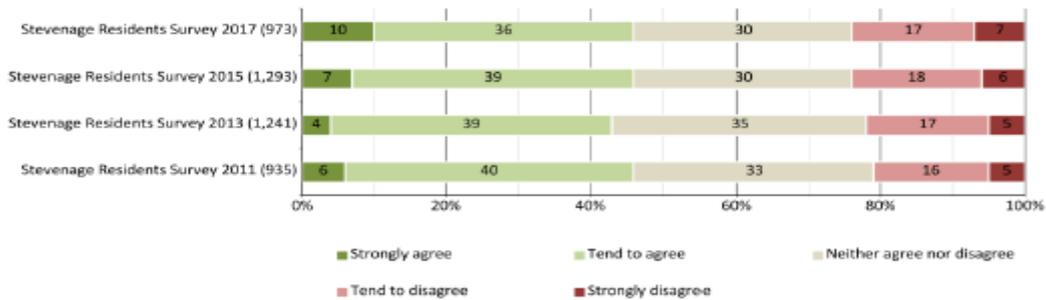
fees and charges and increasing Council Tax. No further consultation was considered as a result of the General Election in December.

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

Value for money

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

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



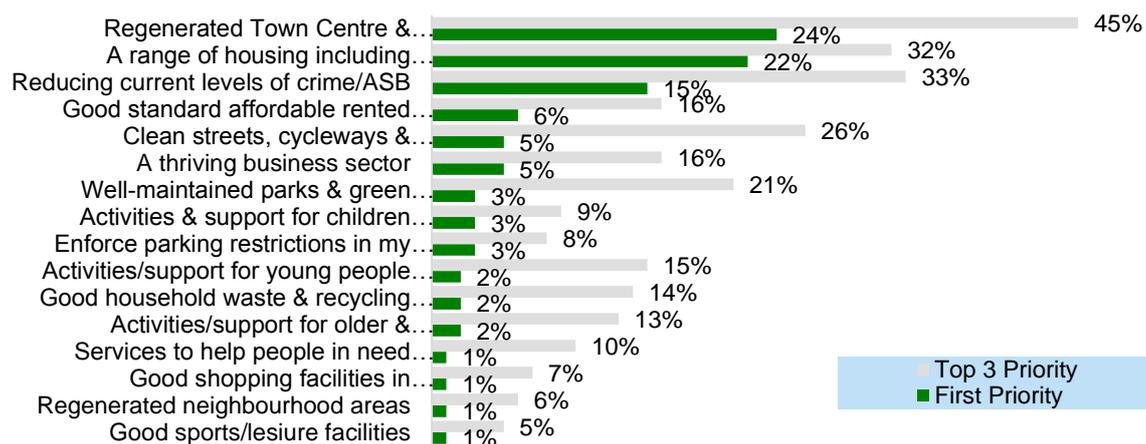
4.16.3 Residents were asked how best to make the savings required by ranking the options provided from 1 to 5, with 1 being the most preferred option and 5 being the least preferred option. The results are shown in the table below.

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

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

4.16.4 The top ranked option by residents was ‘reducing paperwork and interacting with more residents on line’. This chimes with the digital/lean work stream.

4.16.5 The top residents priority was Town Centre Regeneration, followed by affordable housing as shown in the following chart.



4.16.6 The Financial Security package includes staff related options (introducing staff car park charges) which a corporate message has been published to inform staff, however the option will be subject to consultation.

4.16.7 In addition a number of options impact on the Council's partners/contractors such as the CAB and Stevenage Leisure Limited (SLL), consultation has started with these partners in terms of the level of changes proposed.

4.16.8 There are also significant changes proposed for allotment charges beyond 2020/21 as a result of responsibility being passed back to the Council for the management of the allotments, Members approved at the November Executive to passport the additional £22K of costs to the allotment holders from 2021/22. The notice period of 12 months is no longer applicable as stated in the report and officers are reviewing the options to bring this forward during 2020/21. Allotment holders will be written to, to advise them of the change.

4.17 Chief Finance Officer's Commentary

4.17.1 The Chief Finance Officer is the Council's principal financial advisor and has statutory responsibilities in relation to the administration of the Council's financial affairs (Section 151 of the Local Government Act 1972 and Section 114 of the Local Government Finance Act 1988). This commentary is given in light of these statutory responsibilities.

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

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

- 4.17.4 The Council has taken significant steps over recent years to balance its budget and one of the principle aims of the MTFS is 'achieve an on-going balanced budget by 2022/23 by ensuring inflationary pressures are matched by increases in fees and income or reductions in expenditure'. This is projected to meet the target by £151,717 return to balances in 2022/23. However there is a significant draw on balances through the MTFS period and a £1.1Million draw on balances between 2019/20 and 2021/22. This forecast is also reliant on identifying and delivering further savings of £778K currently unidentified for the period 2021/22-2022/23 and implementing identified savings options. As stated in the report efficiency savings cannot be relied on to meet the funding gap and a transformational approach is required. The Senior Leadership Team are investigating options to meet this challenge.
- 4.17.5 Despite the improvement in General Fund balances as summarised in paragraph 4.12.2, this is predicated on an improvement in NDR of £196K , but the future retained business rates and amount of NHB is not currently known and any current projections in the MTFS could be significantly different.
- 4.17.6 The Council while trying to ensure financial stability, is also in one of its most ambitious phases with the Council looking to redevelop and regenerate the town centre and at the same time improve the housing market in Stevenage. Both these priorities come with the risk of potentially needing to invest more resources. To mitigate some of this risk some business rate gains are recommended to be ring fenced to meet any future regeneration needs are earmarked for the Council's top priorities.
- 4.17.7 The updated MTFS (Appendix A) shows that in future years there is still a draw on General Fund balances up to 2022/23. This is the impact of on-going increases in inflationary pressures compounded by projected government funding cuts.

4.18 Leaders Financial Security Group

- 4.18.1 The LFSG chaired by the portfolio holder for Resources on behalf of the Leader and with cross party representation has been meeting frequently since August 2016. The group has;
1. Reviewed the GF assumptions regarding the 2020/21 onwards saving target
 2. Reviewed the GF MTFS assumptions
 3. Reviewed the GF 2020/21 Financial Security package
 4. Reviewed the GF 2020/21 Fees and charges
- 4.18.2 The LFSG considered the options above and scored the Financial Security options, growth and fees and charges for inclusion in the General Fund budget.

5. IMPLICATIONS

5.1 Financial Implications

- 5.1.1 The report deals with Council policy and finances and as such all implications are contained in the main body of the report.

5.2 Legal Implications

5.2.1 The Council is required to set a balanced budget each year. The Local Government Finance Act 1992 requires the Council to estimate revenue expenditure and income for the forthcoming year from all sources, together with contributions from reserves, in order to determine a net budget requirement to be met by government grant and council tax.

5.3 Risk Implications

5.3.1 There are risk implications to setting a prudent General Fund budget if the Fees and charges (Appendix D) and Financial Security options (Appendix C) are not achieved and crucially if future options are not found to meet the targets outlined in the report. The risk to financial security has also been increased as the Council's ambitions have meant significant growth bids and service pressures have been identified above the MTFs assumptions. If this trend were to continue then the General Fund balances would be substantially eroded and potentially beyond the level that would be deemed a prudent level. The Council faces considerable risks with future reductions to central government grant funding and the ever changing landscape of Local Government Finance.

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

5.4 Equalities and Diversity Implications

5.4.1 In carrying out or changing its functions (including those relating to the provision of services and the employment of staff) the Council must comply with the Equality Act 2010 and in particular section 149 which is the Public Sector Equality Duty. The Council has a statutory obligation to comply with the requirements of The Act, demonstrating that as part of the decision-making process, due regard has been given to the need to:

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

5.4.2 These duties are non-delegable and must be considered by Council when setting the Budget in February 2020.

5.4.3 To inform the decisions about the Budget 2020/21 officers have begun Equality Impact Assessments (EqIAs) for service-related savings proposals. These are currently in draft form, since they must consider appropriate evidence and the findings of consultation with various stakeholders to inform the decision by Council in February 2020. Where there is a potentially negative impact, officers will collect further information and identify actions to mitigate the impact as far as possible.

These EqlAs are summarised and attached in **Appendix F** with further information on the process to date and planned activity. EqlAs for future years' savings will be presented alongside the draft Budget for the relevant year.

- 5.4.4 An overarching EqlA will also be developed once individual EqlAs are finalised for Council in February 2020. This will consider the collective impact of the Budget on people with protected characteristics.
- 5.4.5 As well as considering the impact on service delivery and equality, an EqlA concerning all strands of potential discrimination will be required by the Head of Paid Service on proposed redundancies and restructures per savings proposal and as a whole. It is proposed that this will be produced alongside the required restructure consultation documents as it is only at this stage that the actual impact on staff will start to be known. As the proposals will be delivered over a range of different timescales, the whole, i.e. combined EqlA, will be reviewed periodically with the Council's Strategic Management Board. All staff impacts are summarised at **Appendix G**.

5.5 Climate Change Implications

- 5.5.1 The Council declared a climate change emergency at the June 2019 Council meeting with a resolution to work towards a target of achieving net zero emissions by 2050.
- 5.5.2 To support the work required to achieve this aim, resources totalling £108,760, or £54,380 per year, (General Fund share £72,869 in total) to fund a climate change officer/works to meet the Council's climate change aims have been recommended for approval.
- 5.5.3 This has been approved for two years, to be reviewed after that period to determine the effectiveness of the role and whether the post is still required on-going.

BACKGROUND DOCUMENTS

BD1 General Fund Medium Term Financial Strategy (2019/20-2023/24)

BD2 Financial Security Options (November Executive)

APPENDICES

- A Updated Medium Term Financial Strategy
- B Risk Assessment of Balances 2020/21
- C Financial Security Options 2020/21
- D Fees and Charges 2020/21
- E Growth Options 2020/21
- F Equalities Impact Assessment General Fund and HRA
- G Equalities Impact Assessment staffing