

**Meeting** EXECUTIVE  
**Portfolio Area** Resources  
**Date** 12 FEBRUARY 2020



**FINAL 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**

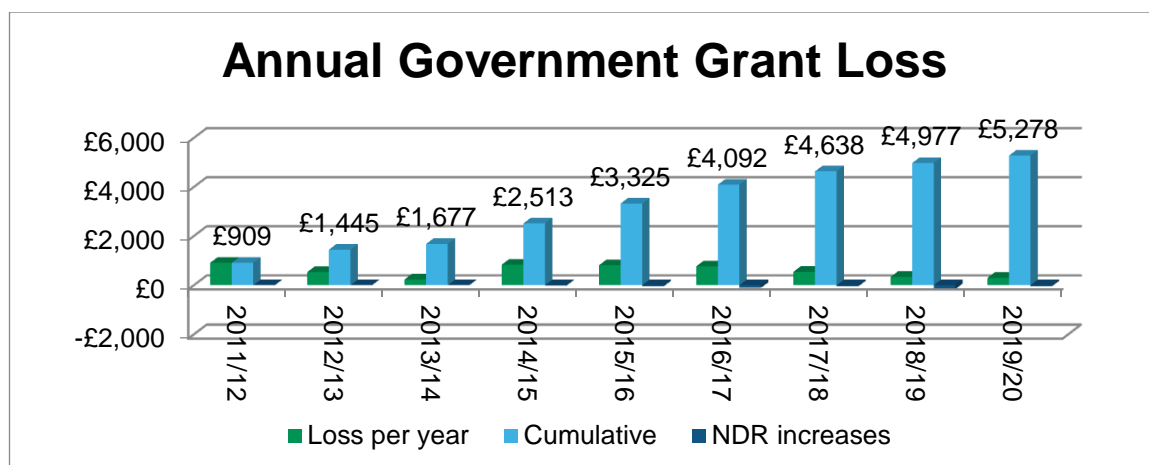
That the following proposals be recommended to Council on 26 February 2020:

- 2.1 That the 2019/20 revised net expenditure on the General Fund of £9,678,680 be approved.
- 2.2 That a draft General Fund Budget for 2020/21 of £9,069,830 be proposed for consultation purposes, with a contribution from balances of £349,030 and a Band D Council Tax of £215.57 (assuming a 2.37% increase).
- 2.3 That the updated position on the General Fund and the Risk Assessment of General Fund balances, 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 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 Financial Security Options of £846,964 and including fees and charges of £117,490 be included in the final budget.

- 2.7 That 2020/21 business rate gains totalling £1.14Million above the baseline need be allocated as set out in paragraph 4.6.7 of this report.
- 2.8 That the 2020/21 Council Tax Support scheme is approved as set out in section 4.8 to this report.
- 2.9 That New Homes Bonus of £30,380 is transferred to the reserve to fund future potential shortfalls in funding paragraph 4.4.4 refers
- 2.10 That the comments from the Overview and Scrutiny Committee be noted.

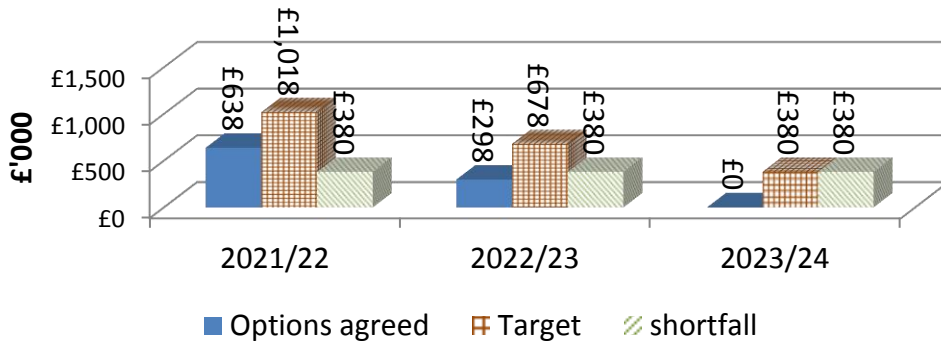
### 3. BACKGROUND

- 3.1 This report is an update on the Council’s Draft General Fund and Council Tax setting report 2020/21 presented to the January 2020 Executive meeting. This report gives any updates on the 2019/20 and 2020/21 budgets, including Financial Security options and growth bids and pressures, Council Tax and Council Tax Support scheme.
- 3.2 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.
- 3.3 As reported in the January report there is an on-going need for Financial Security savings targets to fund inflationary and service pressures along with the absorption of central government grant losses of £5.3Million by 2019/20.



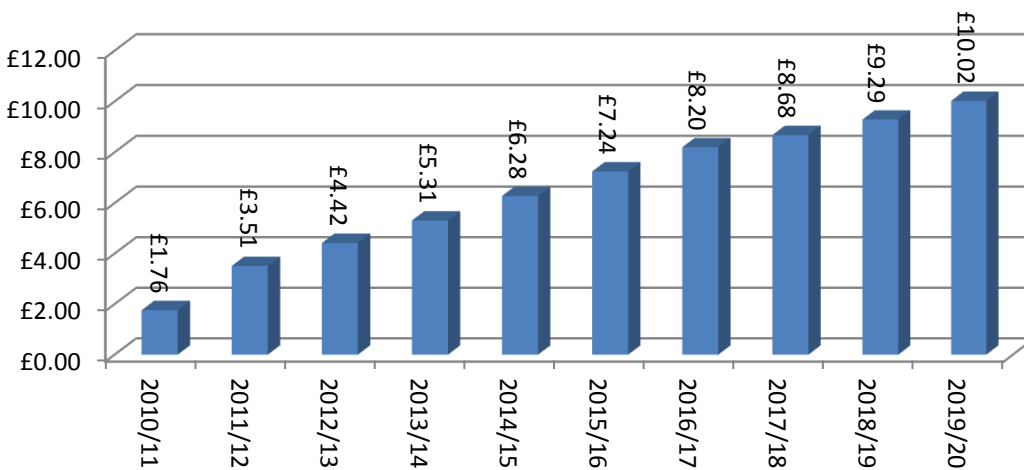
- 3.4 The January Executive report identified that in addition to the Financial Security options presented to the committee, there is funding gap of £2.1Million over the period 2021/22-2023/24, after the options agreed in previously years, future years options approved at the November Executive and those agreed at the January Executive are approved. 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.

### Financial Security Target 2020/21-2022/23 £2.1M



3.5 The drive for budget efficiencies has been in place for the last ten years as a result of lower government funding (see paragraph 3.3), 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.

### General Fund Budget Savings achieved £'M



3.6 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. The January report projected the following use of balances.

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	£149	£55	(£135)	(£115)
Closing balance 31 March	(£3,884)	(£3,733)	(£3,678)	(£3,812)	(£3,927)

- 3.7 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. These were approved at the January Executive (subject to Overview and Scrutiny) and totalled £864,644 for 2020/21.
- 3.8 There were also 2020/21 growth options totalling £163,470 and pressures of £372,750 which were approved at the January Executive (subject to Overview and Scrutiny).
- 3.9 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.
- 3.10 The January Executive report updated Members on the Hertfordshire business rates pool, which potentially increases Stevenage Borough Council business rates by a further £455K, 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 and January reports 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).
- 3.11 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 and the January budget report contained a 2.37% increase in council tax for 2020/21. This equated to a Stevenage precept of £215.57 on a Band D property.
- 3.12 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

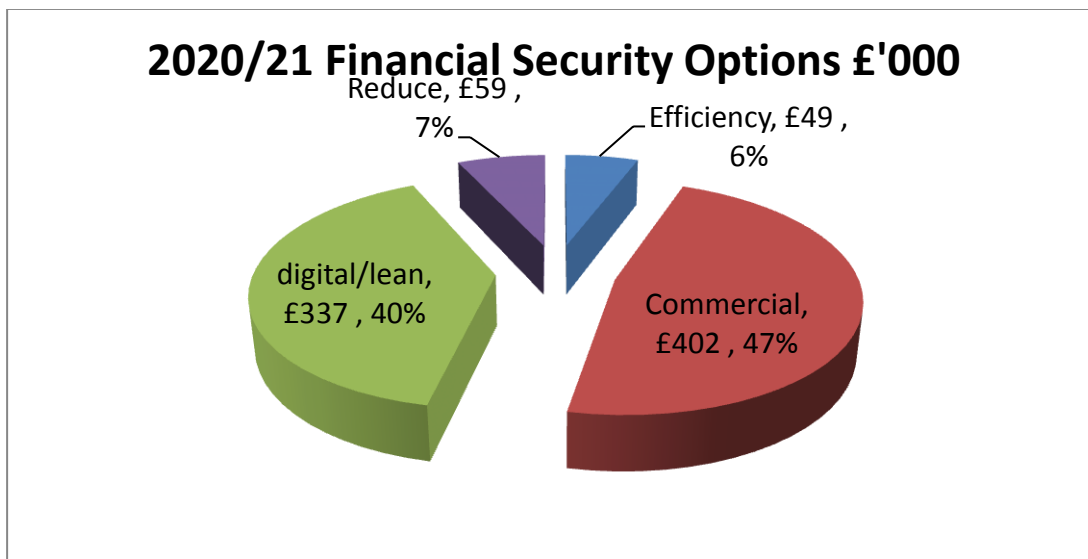
##### 4.1 Financial Security Options

4.1.1 At the January Executive, Members approved General Fund Options of £864,644 which was an increase of £23,142 on the £841,502, reported at the November Executive, mainly as a result of a restructure option from Stevenage Direct Services.

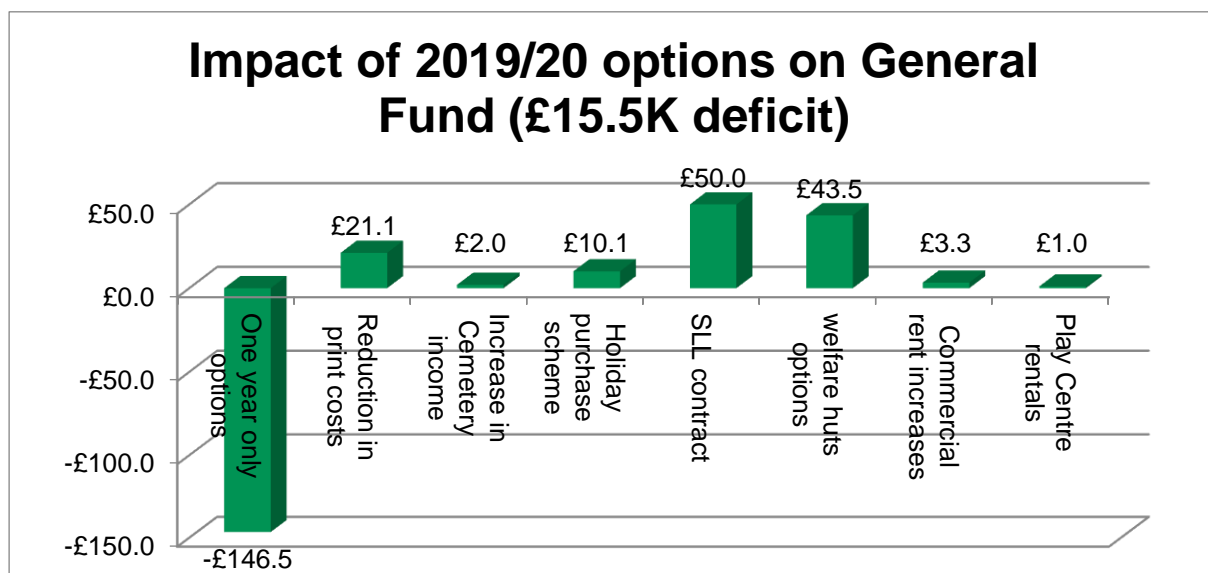
4.1.2 There has been one change since the January Executive and that relates to option number FS47 addition income from recycles of £75,000. Other recycling streams have been retendered and this has reduced the overall saving to an estimated £4,320.

4.1.3 However in the January report additional commercial property income of £53,000 was projected and included in the General Fund budget for 2019/20 and 2020/21.

4.1.4 This means the savings identified for 2020/21 now total £846,964. A summary of the proposed options is shown below and the detailed options were appended to the January Executive General Fund Budget and Council Tax report (Appendix C & D).



4.1.5 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 and remain unchanged from the January report.



4.1.6 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 were reviewed at the January Executive following scrutiny and recommendations from LFSG, as detailed in Appendix D to the January budget report (£117,490) and included in the Financial Security totals in 4.1 above. The majority of fee increases agreed at the November Executive have been implemented in January 2020, with the exception of garage rent increases. There are no changes to report from the January Executive.

## 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 which were recommended for approval as part of the Draft January General Fund budget and are summarised below.

	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
<b>Total</b>	<b>£536,220</b>	<b>£325,502</b>	<b>£322,172</b>	<b>£1,183,894</b>

4.3.2 Some of the options were for inclusion in the budget for a limited time period, due to the financial pressures the council faces. Members recommended for approval at the January Executive some options 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.

4.3.3 However the growth bids relating to managing the allotments function following cessation of volunteer arrangement, Members approved at the January Executive that the saving be implemented by 31 October 2020 and not 1 April 2021, this would save the Council a projected £11,000 in 2020/21.

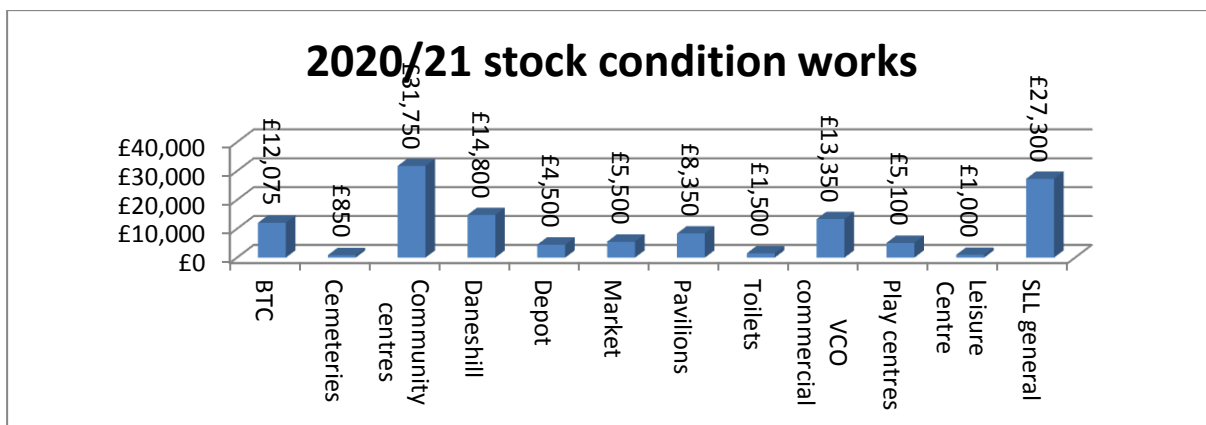
4.3.4 A limited number of bids were also recommended for permanent inclusion in the budget and these remain unchanged from the January report and are summarised below.

Growth	2020/21	General Fund	HRA
Regeneration team	£27,710	£27,710	£0
Digital platform-self serve	£10,000	£6,660	£3,340
E-car club extend contract	£18,620	£12,475	£6,145
Old Town Christmas lights event	£7,000	£7,000	£0
<b>Total</b>	<b>£63,330</b>	<b>£53,845</b>	<b>£9,485</b>

4.3.5 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 the flexible support grant and homeless reduction grant totals £406,811 for 2020/21 and this money has been transferred to an allocated reserve to either fund future years staff costs or new pressures that arise in 2020/21.

4.3.6 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.

4.3.7 At the January Executive a one year pressure was identified of £128,000 relating to 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. A growth of £128,000 (one off) has been included in the 2020/21 budget to allow for any works and a summary of where the works relate to is summarised below.



4.3.8 The revised growth bids are summarised in the table below and total £653,220 for 2020/21.

	2020/21	2021/22	2022/23	Total
Growth-January Executive	£163,470	£176,532	£173,202	£513,204
Allotment growth reduction	(£ 11,000)	£0	£0	(£ 11,000)
Pressures- January Executive	£372,750	£148,970	£148,970	£670,690
Stock condition survey work	£128,000			£128,000
<b>Total</b>	<b>£653,220</b>	<b>£325,502</b>	<b>£322,172</b>	<b>£1,300,894</b>

4.3.9 The January report identified the potential pressure of the bus station as 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.** However the Treasury Management Strategy has increased the operational boundary to allow for additional borrowing if the GD3 monies are not realised and the mitigation would be:

- Significant increase in the savings target required by circa £160K-£260K/or reduction in services
- Suspension of capital programme, with the exception of urgent works.

#### 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 January General fund budget 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
<b>Total Expenditure</b>	<b>£864</b>	<b>£700</b>	<b>£700</b>
Potential Funding identified November	£784	£298	£8
<b>Shortfall (shortfall)/surplus</b>	<b>£80</b>	<b>(£402)</b>	<b>(£692)</b>

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

4.4.3 The report recommended, the use of NHB as summarised in the table below and a transfer of £30K to reserves to fund any future year shortfalls in CNM or capital funding.

New Homes Bonus £'000	2020/21 Revised
Play & Bins (Capital)CNM	£312
CNM other	£75
Contribution to Capital Reserve	£250
General Fund	£117
<b>Total Expenditure</b>	<b>£754</b>
<b>Potential Funding</b>	<b>£754</b>
<b>Balance available for 2021/22</b>	<b>£30</b>

4.4.4 If the legacy NHB payments continued for 2021/22 and new criteria for NHB resulted in no new funding for the Council, there would be £328K available which would preclude a significant amount of the commitments identified in 4.4.2. Once the methodology is known the Capital Strategy funding will need to be updated.

## 4.5 Finance Settlement

4.5.1 The provisional finance settlement was published on the 20 December 2019 and totalled £2,675,543. The final finance settlement had not been published at the time of writing the report and a verbal update will be given at the Executive, if there are any changes from the provisional. 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.

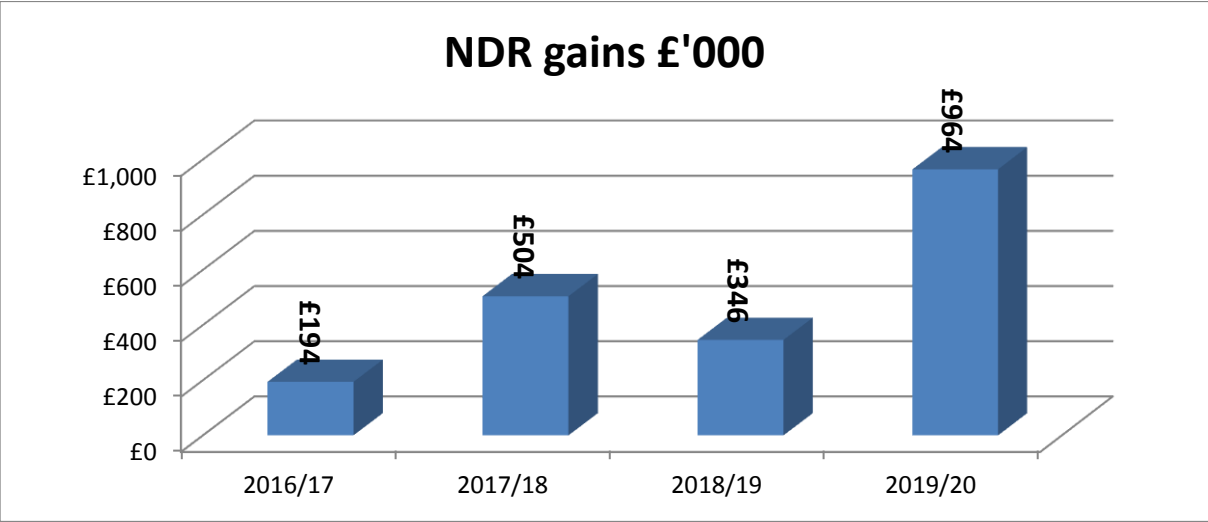
Finance Settlement	
	2020/21
Revenue Support Grant	£0
Business Rates:	
Business Rates	£2,572,439
Under indexing (s31 grant)	£103,104
<b>Total</b>	<b>£2,675,543</b>

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 were estimated to be £1.105Million in the Draft General Fund report. The estimated amount of business rates to be retained by SBC has been calculated for next year and is £35K higher. 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 paragraphs 4.5.3- 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 2020/21 calculation of gains from the NNDR1 form, the CFO recommends that 2020/21 NDR gains of £1.14Million (£1.105Million draft report) should be used for:**
- **One off funding of priority growth £204,688 (2 years funding),**
  - **To increase General Fund balances £480,314 (draft report £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 at the January

Executive Members delegated this 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.

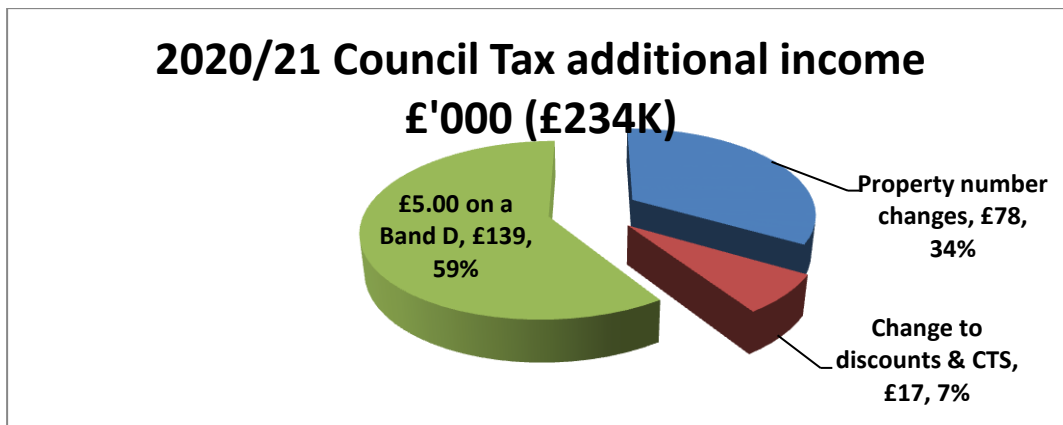
After consideration of the responses to the technical consultation, the Government decided to include a £5 on an Band D or up to 2%, whichever is the higher. The consultation on the finance settlement closed on the 17 January 2020 and at the time of writing the report the final settlement had not been published.

4.7.3 The table below shows the increase per property band based on a 2.37% increase. The numbers have been revised since the January Executive for rounding adjustments

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	£3.89	£167.67	£3.22
C	£187.17	£4.45	£191.62	£3.68
D	£210.57	£5.00	£215.57	£4.15
E	£257.36	£6.11	£263.47	£5.07
F	£304.16	£7.22	£311.38	£5.99
G	£350.95	£8.33	£359.28	£6.91
H	£421.14	£10.00	£431.14	£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 based on the 2020/21 approved tax base for that year 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. The increase has been based on potential precept increases of:

- SBC- 2.37% or £5.00 on a band d
- HCC-3.99% based on £2.00 adult social care precept and 1.99% council tax increase (estimated based on provisional settlement limits)
- PCC-£5.00 on a band d or 2.66% (funding not yet known at the time of writing the report)

4.8.6 The impact of the estimated increases for 2020/21 would mean an increase of £5.46 per year or £0.11 per week for those on maximum benefit, (band d property).

**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
<b>Band A</b>	£95.71	£99.65	£103.29	£3.64	£0.07
<b>Band B</b>	£111.66	£116.26	£120.51	£4.25	£0.08
<b>Band C</b>	£127.61	£132.87	£137.72	£4.86	£0.09
<b>Band D</b>	£143.56	£149.47	£154.94	£5.46	£0.11
<b>Band E</b>	£175.46	£182.69	£189.37	£6.68	£0.13
<b>Band F</b>	£207.36	£215.91	£223.80	£7.89	£0.15
<b>Band G</b>	£239.26	£249.12	£258.23	£9.10	£0.18
<b>Band H</b>	£287.12	£298.95	£309.87	£10.92	£0.21

4.8.7 As part of the Budget and Policy framework the CTS scheme is required to follow the timetable set out in paragraph 3.12. **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 Appendix A. The 2020/21 net budget has decreased by £66,600 compared to the January Executive, however this includes increased S31 grants and there is an on-going pressure of £65,030.

Summary of 2020/21 budget movements	On-going?	£	On-going £
January Executive		£ 9,136,430	
<b>Lower costs/Increased Income:</b>			
Increased parking and permit income (on-going £25K)	Y-part	(£ 80,000)	(£ 25,000)
Inflation and recharge changes	Y	(£ 20,140)	(£ 20,140)
change to savings option	Y	(£ 11,000)	
Homeless grant award 202/21	N	(£ 406,810)	
Reduction in print costs	Y	(£ 20,000)	(£ 20,000)
<b>Increased Costs/lower Income:</b>			

Summary of 2020/21 budget movements	On-going?	£	On-going £
Salary budget and inflation changes	Y	£ 18,930	£ 18,930
Reduction in Housing Benefit admin subsidy (DWP)	Y	£ 9,820	£ 9,820
Contribution to Capital one off	N	£ 250,000	
Recycling income changes	Y	£ 70,680	£ 86,770
Transfer to homelessness reserve	N	£ 406,810	
Other on-going	Y	£ 71,170	£ 14,650
Other one off	N	(£ 55,830)	
<b>Total budget movements</b>		<b>£ 233,630</b>	<b>£ 65,030</b>
<b>Change between Net Expenditure and core resources:</b>			
Increased S31's relief (Business rates -reduces business rates "below the line" neutral impact	N	(£ 300,230)	
<b>Updated General Fund 2020-21 net budget</b>		<b>9,069,830</b>	

4.9.2 The reasons for the changes to the budget are summarised below:

- There is an estimated £80,000 of additional income for parking permits from businesses and the public of which £25,000 is projected to be on-going.
- The settlement for homeless grants have been published and total £406,810, Members will be aware that that funding was required beyond 2020/21 to fund the team and the grant will transferred to a allocated reserve and drawn down as needed.
- The 2020/21 funding for the rough sleeper initiative was announced on the 28 January and the grant and anticipated spend has been included in the budget.
- A one off contribution to capital is proposed for next year of £250,000 to ensure there are sufficient funds for the capital programme, however if the Locality Reviews outlined in the Capital Strategy generate some land sales the contribution will not be needed. This will be assessed for the closure of accounts for 2020/21 and increases the draw on balances for the General Fund.
- The re-procurement of recycling materials is projected to show a £70,680 reduction income and this will be on-going until the contract is renewed.
- The on-going net costs are a number of budgetary corrections partly offset by assumptions about SG1 assets being demolished buildings.
- The increase in s31 grant for NDR reliefs is the estimated impact on the business rate yield compensated by the government for the increase in reliefs for small businesses from 33% to 50%, the legislation is currently not in place and neither is the software changes required and this will mean rebilling of a proportion of the annual bills. The Society of District Treasurers in response to the settlement stated that Council's should be compensated for any additional costs.

4.9.3 **The 2019/20 General Fund working budget** has increased by £14,430 compared to the January report, 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	
January Executive		(£ 211,890)	(£ 128,440)
<b>revised January budget</b>		<b>£ 9,664,250</b>	<b>(£ 128,440)</b>
<b>Lower costs/Increased Income:</b>			
Increase land rental income	N	(£ 25,000)	
Other changes	N	(£ 570)	
<b>Increased Costs/lower Income:</b>			
Increase in garage repair costs	N	£ 20,000	
Lower garage lets	N	£ 20,000	
<b>Total budget movements</b>		<b>£ 14,430</b>	
<b>Updated General Fund 2019-20 net budget</b>		<b>9,678,680</b>	<b>(£ 128,440)</b>

#### 4.10 Projected General Fund Balances

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

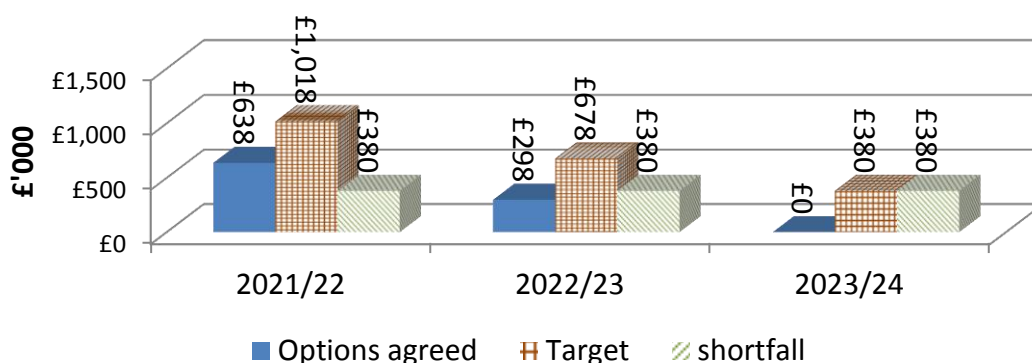
	2019/20 Estimate	2019/20 Projected	2020/21 Estimate
Net Expenditure*	£8,802,520	£9,678,680	£9,069,830
(Use of)/ Contribution to Balances	(£48,446)	(£924,610)	(£349,030)
<b>Budget Requirement</b>	<b>£8,754,074</b>	<b>£8,754,070</b>	<b>£8,720,800</b>
Business Rates	(£2,562,580)	(£2,562,580)	(£2,665,314)
<b>Total Government Support</b>	<b>(£2,562,580)</b>	<b>(£2,562,580)</b>	<b>(£2,665,314)</b>
(Return) /Contribution to Collection Fund (NDR)	(£380,962)	(£380,962)	£380
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	£191.62

#### 4.11 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. Members approved the smoothing of the savings target over the period 2021/22-2023/24 at the January Executive.



## Financial Security Target 2021/2-2023/24 £2.1M



4.11.2 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 £3.5Million by 2023/24 which means a reduction of £1.290Million 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)	(£3,869)	(£3,520)	(£3,395)	(£3,459)
Use of/ (Contribution to) Balances	£925	£349	£125	(£65)	(£45)
Closing balance 31 March	(£3,869)	(£3,520)	(£3,395)	(£3,459)	(£3,504)
Closing balance 31 March January Executive	(£3,884)	(£3,733)	(£3,678)	(£3,812)	(£3,927)
Variance	£15	£213	£283	£353	£423

4.12.2 The General Fund balances have reduced by £423K since the January report a significant factor being the one off contribution to capital proposed for 2020/21 of £250K. However as previously stated this will only be drawn down if additional Locality Review site sales are not realised in year.

4.12.3 Despite the improvement in projections for NDR gains and NHB, these are one off due to the 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 addition some of the proposals for growth as shown in Appendix E of the January report 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 balance was risk assessed for 2020/21 and the minimum level of balances required is £2,920,935, unchanged from the January report.

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.

4.13.3 New risks for 2020/21 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
- 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 £2.75 Million, this is £689K higher than that reported in the January report (£2.061 Million). This is largely due to the homeless reserve of £406K and the omission of the fixed term growth of £117K. The allocated reserves are summarised in the following table.

Allocated Reserve	Balance as at 1 April 2019	Est. transfer to/from reserves	Forecast balance as at 31 March 2020	Est. 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)	£ 417	(£ 925)	(£ 76)	(£ 1,001)
Insurance Reserve	(£ 113)	£ 113	£ 0	£ 0	£ 0
Regeneration Fund (SG1)	(£ 724)	£ 155	(£ 569)	£ 295	(£ 274)
Town Centre	(£ 55)	£ 31	(£ 24)	£ 0	(£ 24)

Allocated Reserve	Balance as at 1 April 2019	Est. transfer to/from reserves	Forecast balance as at 31 March 2020	Est. transfer to/from reserves	Forecast balance as at 31 March 2021
ICT Reserve	(£ 54)	£ 54	(£ 0)	£ 0	(£ 0)
LAMs reserve	(£ 61)	£ 61	(£ 0)	£ 0	£ 0
Planning Delivery Grant	(£ 61)	£ 20	(£ 41)	£ 41	£ 0
Funding of fixed term growth	£ 0	£ 0	£ 0	(£ 117)	(£ 117)
Homeless Reserve	£ 0	£ 0	£ 0	(£ 406)	(£ 406)
Total	(£ 3,311)	£ 1,209	(£ 2,102)	(£ 653)	(£ 2,755)

4.15.2 The largest reserve is for Regeneration Assets (£1Million), this reserve has funds the cost of assets held for the SG1 scheme supported by income from the Town Square and Plaza. The balances on the reserve have benefited significantly from the minimum revenue provision (MRP) review, however the balances are held to fund the debt on assets that will be demolished and also to fund future works to the assets.

## 4.16 Consultation

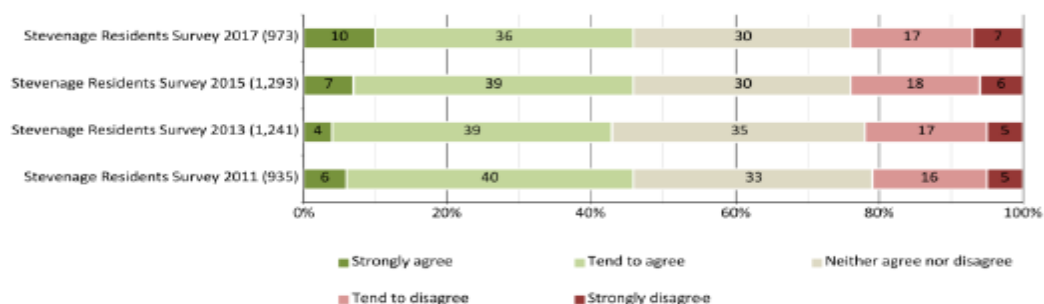
4.16.1 In previous years the views of residents and stakeholders have been attained through consultation, finding out their preferences for reducing services, increasing fees and charges and increasing Council Tax. No further consultation was considered as a result of the General Election in December.

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



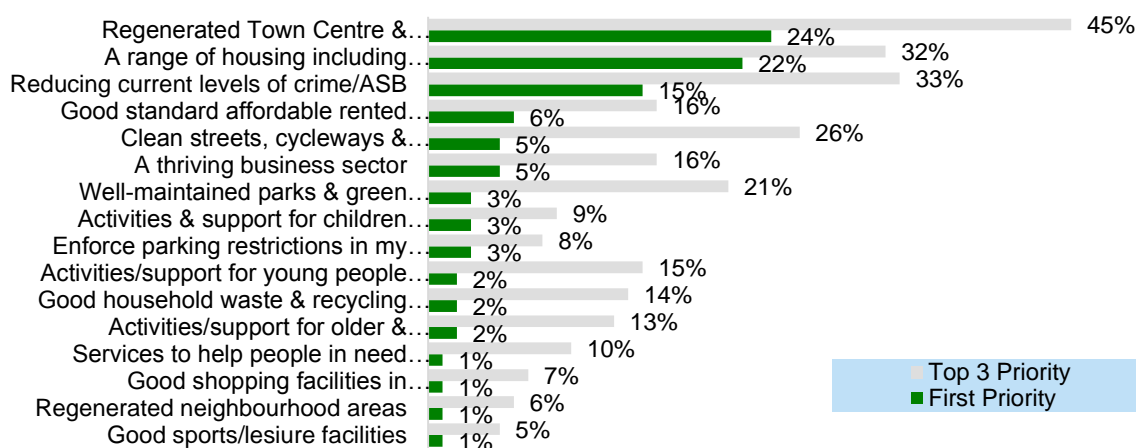
4.16.3 Residents were asked how best to make the savings required by ranking the options provided from 1 to 5, with 1 being the most preferred option and 5 being the least preferred option. The results are shown in the table below.

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 Members agreed at the January Executive 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 £64,542 (January report £151,717) return to balances in 2022/23. However there is a significant draw on balances through the MTFs period and a £1.4Million (£1.1Million January report) 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 is investigating options to meet this challenge.
- 4.17.5 Despite General Fund balances being higher than the minimum level during the MTFs period, 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 MTFs 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.

#### **4.19 Overview and Scrutiny Comments**

- 4.19.1 The Overview and Scrutiny Committee met on the 27 January and received an update on the budget from the CFO.
- 4.19.2 Members raised questions about the increase in charges in the Old Town car parks the car parks were invariably under-utilised. The Assistant Director (Finance & Estates) advised the committee that there was a continued requirement to make savings of a significant amount.
- 4.19.3 The Assistant Director (Finance & Estates) confirmed that all the savings options recommended by the Leader's Financial Security Group had been accepted by the Executive with the exception of the proposal to cease hard copy production of the Chronicle magazine. However, this had been offset by savings identified as a result of managerial changes within Stevenage Direct Services.

### **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 and Financial Security options 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 EqIAs are summarised and attached as Appendix F to the January Executive report with further information on the process to date and planned activity. EqIAs for future years' savings will be presented alongside the draft Budget for the relevant year.

5.4.4 An overarching EqIA will also be developed once individual EqIAs 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 EqIA 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 EqIA, will be reviewed periodically with the Council's Strategic Management Board. All staff impacts are summarised at Appendix G to the January Executive report

## **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 2030.

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)

BD3 Draft General Fund and Council Tax setting 2020/21 (January Executive) The relevant appendices for the budget are appended to this report.

## **APPENDICES**

A Robustness of Estimates

B Draft Council Tax resolution