

	EXECUTIVE
Meeting	
Portfolio Area	RESOURCES
Date	18 January 2023



DRAFT GENERAL FUND AND COUNCIL TAX SETTING 2023/24

KEY DECISION

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1 PURPOSE

- 1.1 To consider the Council's draft 2023/24 General Fund Budget, Council Tax Support Scheme and draft proposals for the 2023/24 Council Tax.
- 1.2 To consider the projected 2022/23 General Fund Budget

2. RECOMMENDATIONS

- 2.1 The 2022/23 revised net expenditure on the General Fund of £11,938,420 is approved as set out in paragraph 4.10.1.
- 2.2 Members note the inclusion of the 2023/24 Fees and Charges of £325,840 including the 5% increase in market rents approved for inclusion at the December Executive, (Appendix B to this report), in the draft 2023/24 budget.
- 2.3 The draft General Fund Budget for 2023/24 of £10,723,320 (is proposed for consultation purposes), with a contribution from balances of £664,462 and a Band D Council Tax of £232.31, (assuming a 2.99% increase).

- 2.4 The updated position on the General Fund Medium Term Financial Strategy (MTFS) as summarised in section 4.12 be noted.
- 2.5 The minimum level of General Fund reserves of £3,419,753, in line with the 2023/24 risk assessment of balances, as shown at Appendix C to this report, is approved.
- 2.6 The contingency sum of £400,000 within which the Executive can approve supplementary estimates, be approved for 2023/24, (reflecting the level of balances available above the minimum amount).
- 2.7 The 2023/24 Making Your Money Count (MYMC) options as set out in section 4.2 and Appendix A, totalling £1,373,999 and £32,502 (cost) for the General Fund and HRA respectively, be included into the Council's budget setting processes for consideration by the Overview & Scrutiny Committee, subject to recommendation 2.8.
- 2.8 That for 2023/24 £32,000 be transferred from the Business Rates Gains allocated reserve to fund next year's firework display and town twining event, together with the reviews set out in paragraph 4.7.12 and 4.7.13.
- 2.9 The Growth options included in section 4.8 are approved for inclusion in the 2023/24 General Fund (£73,150) and HRA (£56,892) budgets.
- 2.10 That the pressures identified in sections 4.2 and 4.9 to this report are noted.
- 2.11 Members note for 2023/24, £300,000 budget to pump prime Transformation and included in the General Fund budget setting processes, to enable to significantly contribute to the savings targets as set out in section 4.12.
- 2.12 Members approve the use of the business rate gains only once realised and ring fence the use for financial resilience of the Council.
- 2.13 That the decisions taken on recommendations 2.3 – 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.
- 2.14 That Members note the Equalities Impact Assessments appended to this report in Appendices D and E.
- 2.15 That key partners and other stakeholders are consulted and their views considered as part of the 2023/24 budget setting process.

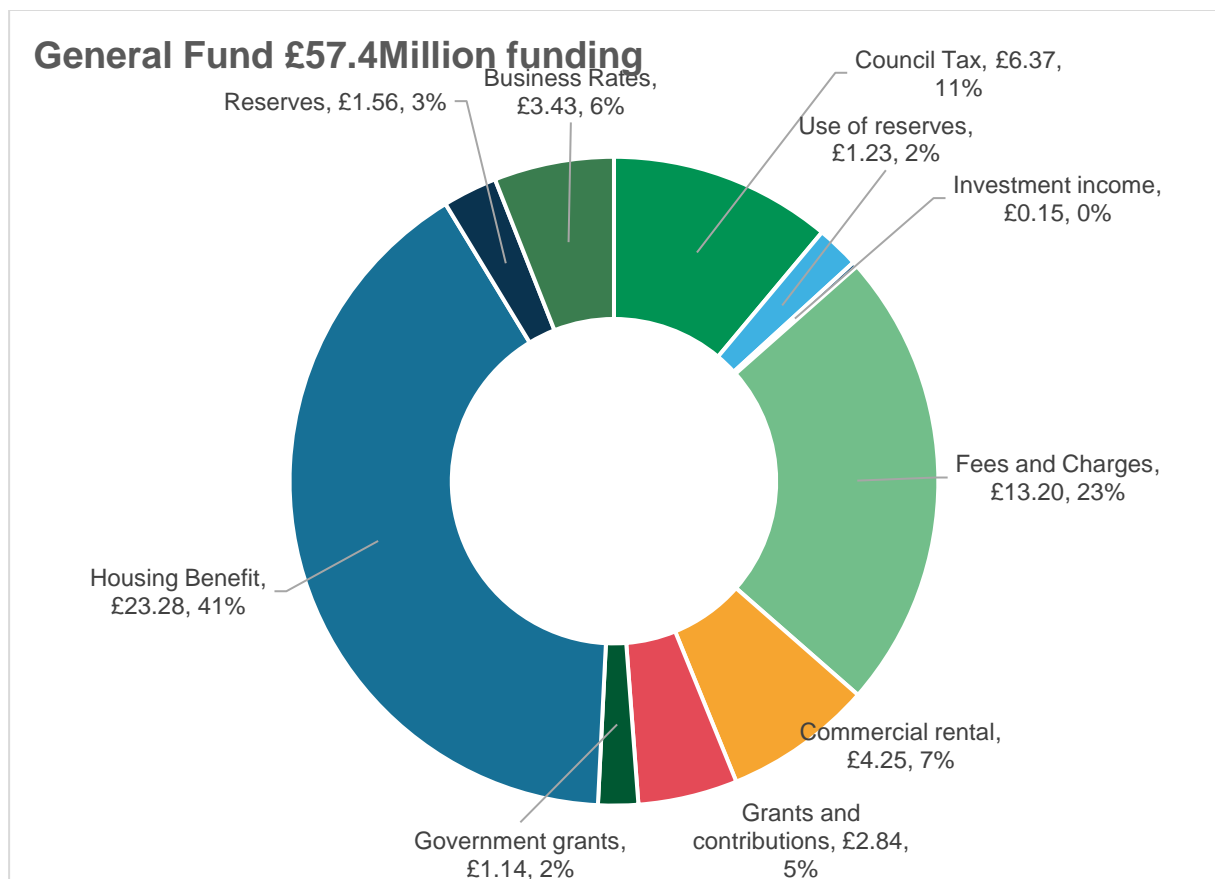
3. BACKGROUND

- 3.1 This report sets out the 2022/23 draft General Fund Budget including Making Your Money Count (MYMC) options, 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 As set out in the November and December Making Your Money Count (MYMC) reports, the 2023/24 budget setting process has been undertaken

during a very financially challenging period for the public sector as well as the broader national economy. The Council has weathered the operational and financial impacts of COVID during 2020/21-2021/22 which resulted in a net cost to the Council of circa £4Million, whilst still delivering the majority of its services and progressing a range of major regeneration and housing development projects. This has now been exacerbated by the current significant financial challenge of the 'Cost of Living' crisis which has resulted in a dramatic increase in inflationary pressures as set out in the September 2022 Executive Medium Term Financial Strategy (MTFS) report and again in the November and December MYMC reports.

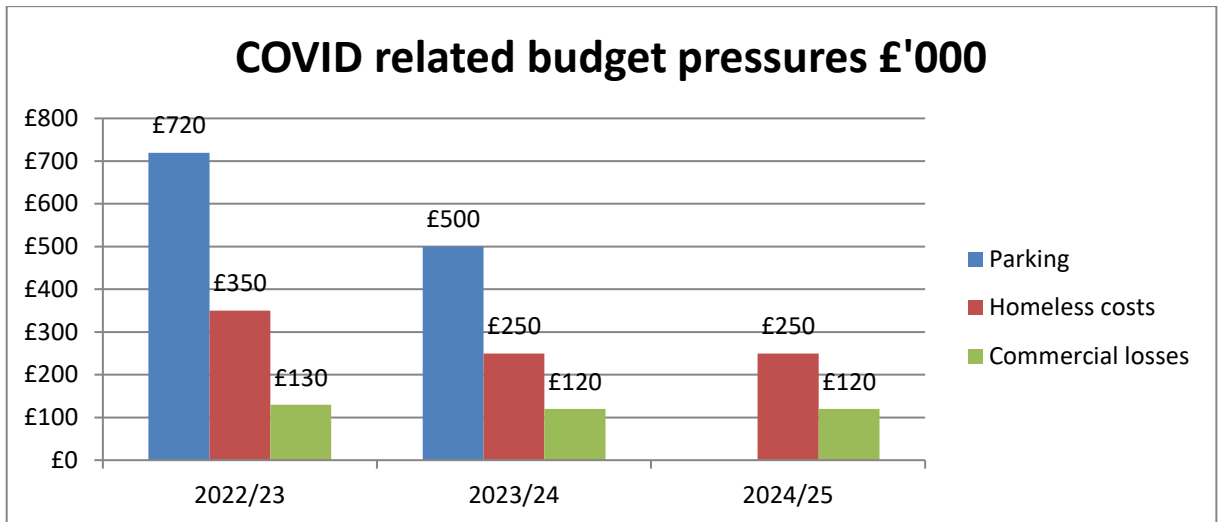
3.3 Since the December MYMC report the government has published the Finance Settlement for Councils for 2023/24. A summary of what this means for the Council is set out in section 4.1 and the General Fund resource projections have been updated accordingly.

3.4 The original 2022/23 SBC General Fund net budget of £11.15Million (gross £57Million) is funded as set out below.

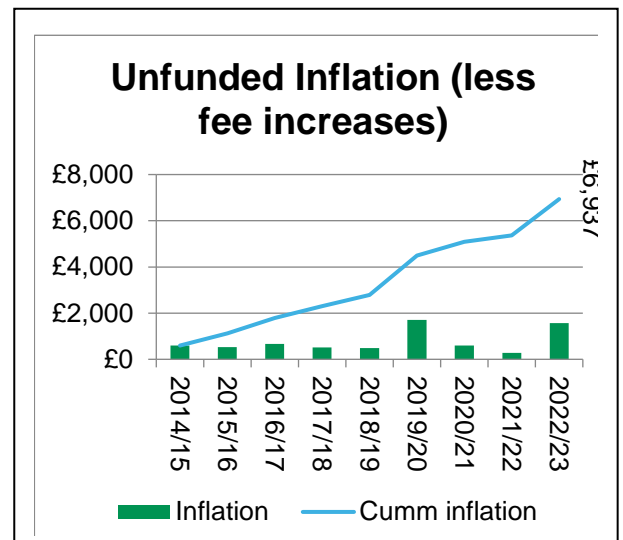
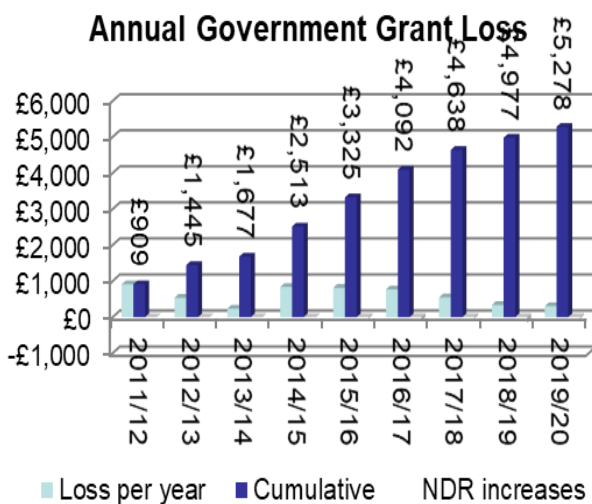


Note: government funding includes a £500K of Homeless funding, The income shown excludes HRA income (£7Million) as this has been treated reducing expenditure.

3.5 The 2022/23 budget still included COVID related pressures for income loss (£850K) and additional costs (£350K) totalling £1.2Million. The September COVID MTFS (September 2022) assumptions are summarised in the chart below. In addition to these assumptions, parking income losses have subsequently been reported to be a further £300K lower than the original budget. These impacts remain under constant review and will be refined up to and including the February 2023/24 Council report.



3.6 The ability to set a balanced budget and at the same time retain the same level of services has become harder due to the combined financial impacts of government grant reduction and absorbing inflation (see below).

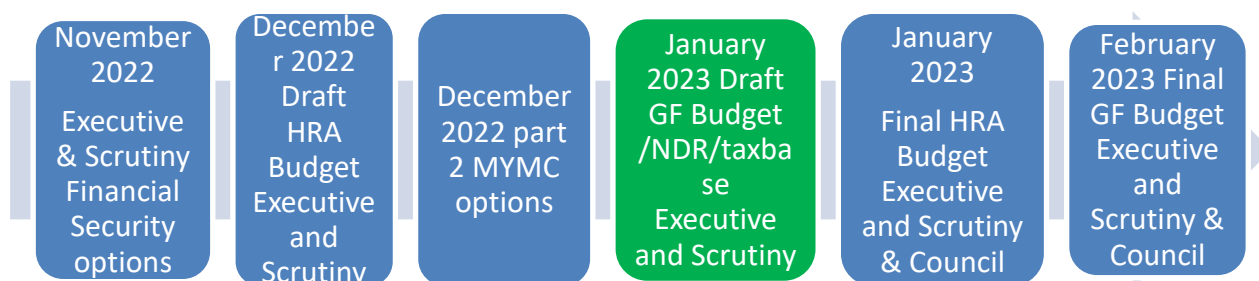


3.7 New pressures, a more to less certainty over funding, government policy changes with a financial impact, COVID losses and now high inflation make the ability to fund within the existing financial footprint impossible. At the same time there has been a transition towards more inherent risk within local government funding, where resources can fluctuate significantly between years, such as new homes bonus or business rates and annual specific service grant awards.

3.8 The DCN have commented that the 2022 finance policy statement contained good news that all councils will be guaranteed an increase of at least 3% in their spending power next year. On top of the previously announced flexibility for district councils to raise council tax by 3%, going some way to addressing the budget gap that all councils are confronting. However, it still means district councils face a real-term cuts in their spending power next year as inflation outstrips the new funding support. This comes at a time when demand for a range of important services, such as housing support and homelessness

prevention, is rising. Income from fees and charges remains below pre-pandemic levels. District councils have warned they faced a collective funding gap of at least £500m in 2023-24. That's equivalent to almost 15% of their net budget. The new support announced only covers a small proportion of the gap.

- 3.9 While the magnitude of savings required for 2023/24 a one year budget setting process has been adopted. To prevent a further erosion of services it is critical beyond 2023/24, that the Transformation and the Co-operative Commercial insourcing Strategy and services and assets are reviewed during 2023/24 to ensure the Council continues to be able to function and still deliver the required future years savings.
- 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.



4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 Stevenage Borough Finance Settlement 2023/24

- 4.1.1 On 19 December 2022, the Secretary of State for the Department for Levelling Up, Housing and Communities (DLUHC) released a written statement to Parliament on the provisional local government finance settlement 2023/24. The settlement is for two years and is based on the Spending Review 2021 (SR21) funding levels. The National Core Spending Power figures show an increase of 9.2% for 2023/24, however this includes assumptions about increases in council tax, which increases core spending power by 6% nationally.

National Provisional Funding Settlement	2022-23 £Million	2023-24 £Million	Variance £Million	% change
Settlement Funding Assessment	£14,882	£15,671	£789	
Under-indexing the business rates multiplier	£1,275	£2,205	£930	
Council Tax Requirement exc. parish precepts	£31,922	£33,838	£1,916	6.0%
New Homes Bonus	£556	£291	(£265)	
Services Grant	£822	£464	(£358)	
Grants rolled in (including council tax support)	£239		(£239)	

National Provisional Funding Settlement	2022-23 £Million	2023-24 £Million	Variance £Million	% change
Funding Guarantee	£0	£136	£136	
Rural Services Delivery Grant	£85	£85	£0	
Improved Better Care Fund	£2,140	£2,140	£0	
Social Care Grant	£2,346	£3,852	£1,506	
Market Sustainability and Fair Cost of Care Fund	£162		(£162)	
ASC Mkt Sustainability and Improvement Fund		£562	£562	
Lower Tier Services Grant	£111		(£111)	
Adult Social Care Discharge Fund		£300	£300	
Core Spending Power	£54,541	£59,544	£5,003	9.2%

4.1.3 The lower Tier grant has not been continued into 2023/24, (Stevenage received £177,337 in 2022/23). In addition, the 2023/24 Service Grant has been reduced for the reversal of the Adult Social Care National Insurance (1.25%).

4.1.4 The council tax referendum limit will be 3% or £5 on a Band D, whichever is the greater for local authorities, with social care authorities allowed an additional 2% social care precept.

4.1.5 As announced in the SR22, the business rates multiplier has been frozen for 2023/24, but does include within that 3.74% inflation increase, (the third bullet point below)

- Reduction in the multiplier of equal and opposite magnitude to offset the impact of the national change in Rateable Value due to Revaluation 2023 (assumed to reduce it to 46.5p).
- Allowance for subsequent appeals from Revaluation 2023 (estimated 3.3%, taking the multiplier to 48.0p).
- Element for inflation, assumed at 3.74%, taking the multiplier back to 49.9p.

4.1.6 The government committed to an increase for Councils in business rates income in line with September CPI of 10.1% and the multiplier allowance only has 3.74% included, so there is a further increase required within the Under-Indexing Business Rates Multiplier funding of 6.26%.

4.1.7 New Homes Bonus (NHB) 2023/24 allocations have been announced at £291Million, a reduction of £265Million from the current year. There have been no technical changes to the scheme for next year, but with just a single year's new allocation made and no legacy payments (contributing to the year-on-year national reduction). The Stevenage NHB allowance for 2023/24 is £86,736 (one off).

4.1.8 Top Up/Tariff Adjustments (Negative RSG) – As in previous years, the government has decided to eliminate the negative RSG amounts, this would have been a cost of £27,146 to the Council in 2023/24.

4.1.9 A summary of the settlement versus the September and then December MTFS assumptions are shown in the table below with funding £106,302 higher than estimated in the December MTFS.

Provisional Finance Settlement (2023/24)				
	September MTFS	December MTFS	Settlement	Variance (= less)
Business Rates	(£2,926,302)	(£2,926,302)	(£ 2,770,756)	£ 155,546
Under indexing	(£ 186,035)	(£ 186,035)	(£ 454,589)	(£ 268,554)
Total Business Rates	(£3,112,337)	(£3,112,337)	(£ 3,225,345)	(£ 113,008)
New Homes Bonus (NHB)	£ 0	(£ 82,862)	(£ 86,736)	(£ 3,874)
2022-23 Services Grant	(£ 120,000)	(£ 88,669)	(£ 99,927)	(£ 11,258)
3% guarantee			(£ 82,513)	(£ 82,513)
Grants now in the settlement:				
Council Tax Support	(£ 104,350)	(£ 104,350)		£ 104,350
Total	(£3,232,337)	(£3,283,868)	(£ 3,494,520)	(£ 106,302)

4.2 Pressures and Gains currently assumed in the General Fund 2023/24

4.2.1 The General Fund budget assumptions for 2023/24 now include growth pressures of £2.862Million and budget reductions of £287K, as set out below.

New Pressures	2023/24	Comments
Car Park income losses	£600,000	The November MTFS had losses of £700K for 2023/24 (with £200K already removed from the base budget), however based on current projections for 2022/23, next year's projection has been amended by £100K. The new Railway station MSCP should come on stream for 2023/24 which is anticipated to improve income received.
Garage income losses	£200,000	2023/24 Income will continue to be impacted because of the asbestos issue in the garages, a report has been commissioned to consider what the next steps are for the affected sites.
REVISED :Inflation pressures	£1,650,084	This is based on the latest projections for utilities and a 3% pay award. The figure shown is net of costs charged to the HRA.
Homeless costs	£260,000	The cost assumed in 2022/23 was £410K, this has assumed to reduce (with new properties coming on stream), however the Cost-of-Living crisis may cause a surge in demand.

New Pressures	2023/24	Comments
Borrowing costs	£77,310	Increase in borrowing costs for the General Fund based on higher interest rates (assumed 5.5%)
Local Plan survey costs	£75,000	There is a need to complete further work over the next three years for the revised Local Plan. 2024/25 £125K (350K from local plan reserve), 2025/26 £100K. An equivalent amount has been drawn back from the NDR reserve to meet this pressure in both years.
Total Pressures identified	£2,862,394	

New Budget reductions	2023/24	Comments
Investment interest	(£287,005)	This is based on a 4% investment yield for 2023/24. This anticipated to reduce for 2024/25, however this will depend on market reaction to government policy, unchanged from the November estimate as higher interest rates had already been factored in.

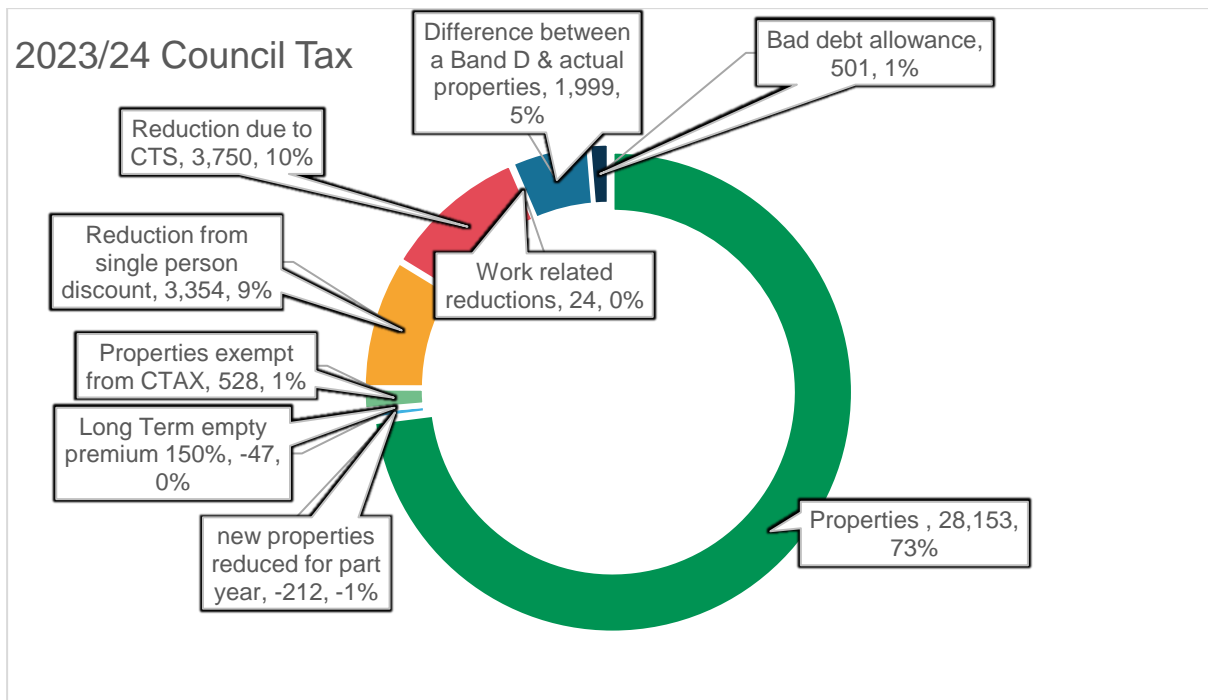
4.2.2 The need to find savings has been exacerbated by:

- Higher inflationary pressures 2022/23 pay award estimated at 2%, actual 5.67%, with a 3% pay award assumed for 2023/24 (previously 2%)
- Higher Utility costs increase 2022/23 which are £278K above the budget, with 2023/24 additional utility and fuel costs

4.3 Council Tax

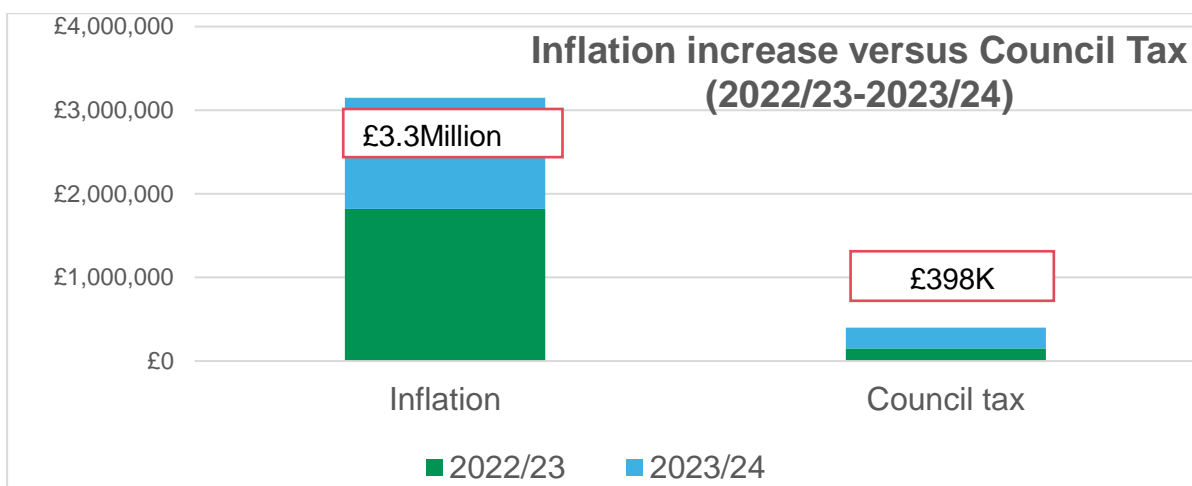
4.3.1 The Council Tax base report to the December Executive showed an increase in the tax base of 0.53% compared to 2022/23 and includes an increase of 5% in the CTS caseload, (compared to the October 2022 caseload) and known new housing developments.

4.3.2 The impact of discounts and reliefs on the gross tax base or number of properties in Stevenage is summarised in the chart below.



4.3.3 The December MYMC report recommended that Members approve an increase of 2.99% for the Stevenage Borough Council share of the council tax which equates to an additional £223,575 of income. Under the referendum regulations, the County Council (HCC) can increase by 3% and a further 2% for the Social Care precept and the Police and Crime Commissioner (PCC) can increase their share of council tax by up to £15 on a Band D.

4.3.4 The ability to increase council tax by a further 1% (by moving the referendum criteria from 2% to up to 3%) generates an additional £63,505, which falls significantly short of the inflationary pressures identified in this report. Members are recommended to approve a 2.99% increase in Council Tax as part of the savings to close the budget gap for 2023/24.



4.3.5 Members should note that SBC only retains a relatively small part of the overall Council Tax raised for the year. To illustrate this, taking a Band C property,

(which is the biggest proportion of properties in Stevenage) the relative shares of council tax for a band C property are shown below.

Authority	2021/22	2022/23	Cost per week	Increase	Share
Hertfordshire County Council	£1,307.22	£1,359.38	£26.14	3.99%	77.32%
Stevenage Borough Council	£196.06	£200.51	£3.86	2.26%	11.40%
Police Crime Commissioner	£189.33	£198.22	£3.81	4.70%	11.27%
Total	£1,692.61	£1,758.11	£33.81	3.86%	100.00%

4.3.6 An estimate of the 2.99% increase in council tax for Stevenage Borough Council is summarised in the table below.

Council Tax increase modelled for Stevenage Precept 2023/24				
Council Tax band	2022/23	2.99% increase	Total cost per year	Total cost per week
A	£150.38	£4.49	£154.87	£2.98
B	£175.44	£5.25	£180.69	£3.47
C	£200.51	£5.99	£206.50	£3.97
D	£225.57	£6.74	£232.31	£4.47
E	£275.70	£8.23	£283.93	£5.46
F	£325.82	£9.74	£335.56	£6.45
G	£375.95	£11.23	£387.18	£7.45
H	£451.14	£13.48	£464.62	£8.94

4.4 Business Rates Income

4.4.1 The MTFs currently only includes the 2023/24 base line funding for business rates, or the amount the government has assessed the Council needs under its funding formula. In year gains are not guaranteed and have fluctuated each year and cannot fund on-going spend.

4.4.2 Any NDR gains above the baseline have been used previously to fund time limited growth and regeneration objectives. The rules governing NDR accounting mean any estimated gains are taken in year and any difference between the actual and the estimate are taken from or, in the case of losses refunded to, the Collection Fund in future years. The CFO recommends that

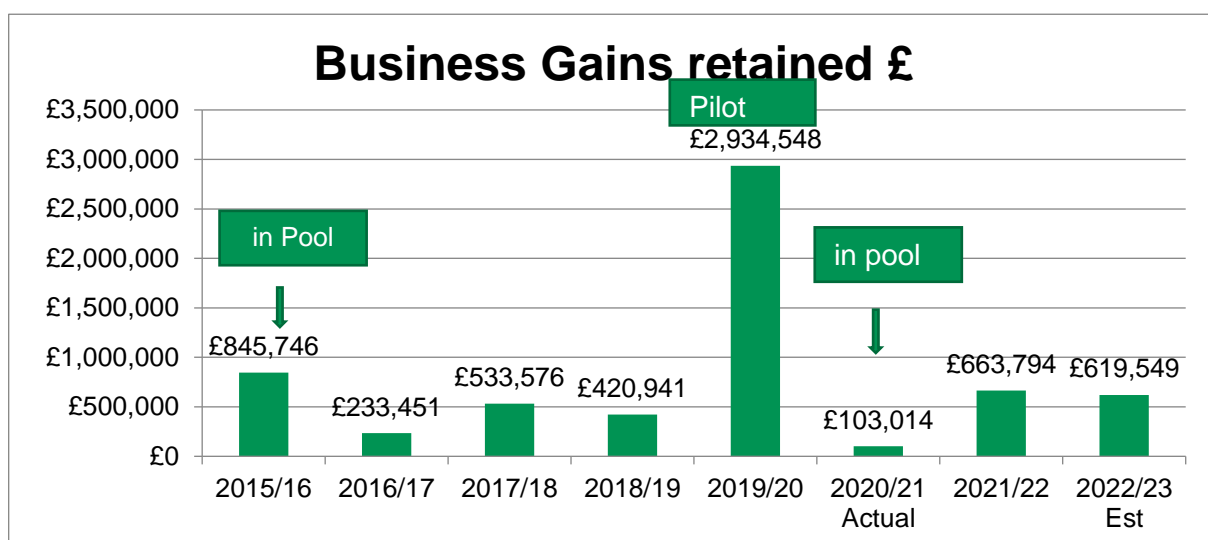
any business rate gains are transferred to the NDR reserve to improve the resilience of the General Fund.

4.4.3 The completion of the NDR1 form issued by the government determines the level of business rates collectable, level of reliefs to be given in 2023/24 together with the current business rate yield in January. The November MYMC report recommended this be delegated to the CFO after consultation with the Resources & Information Technology Portfolio Holder.

4.4.4 In order to complete the NNDR1 and the projected business rates for 2023/24 the year end release needs to go into system and tested and this means that a first draft will not be completed until 18-20 January and as such after the publication of the January draft budget report.

4.4.5 The 2022/23 business rates will be reviewed as part of the NNDR1 activity, as at the 1 December there were reductions to the current year's yield as a result of prior year adjustments totalling £2.3Million. Based on the current data and without compensatory reduction in the appeals provision, this would mean 2022/23 business rate income would be £200K lower than estimated, with the difference repaid to the Collection Fund in 2023/24. However, it is anticipated the majority relates to appeals from the 2017 rating list and will be funded from the appeals provision.

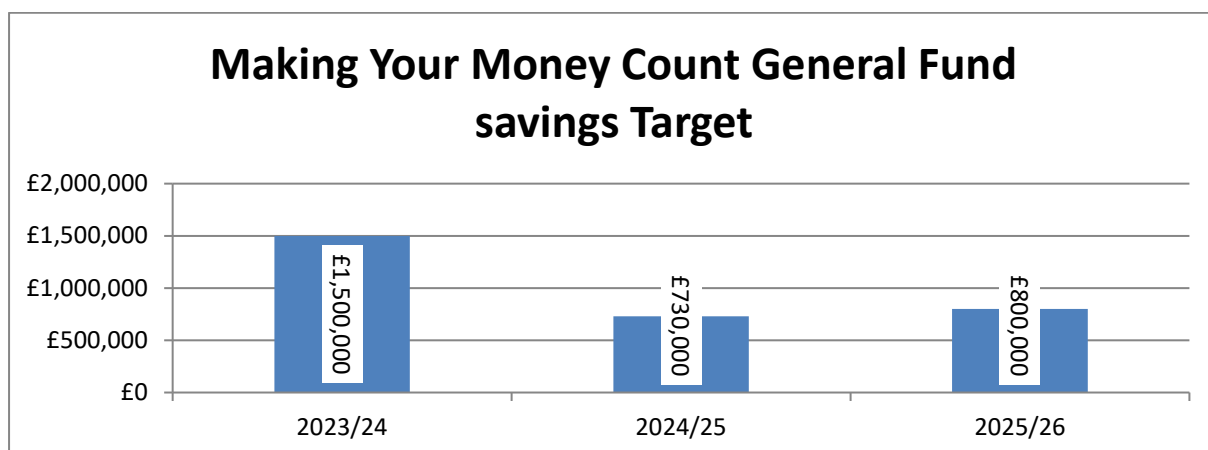
4.4.6 Business rate gains fluctuate between financial years as shown below and as they cannot be guaranteed are used for financial resilience of the General Fund (i.e. in year shortfall on savings due to part year implementation), rather than used to fund the running of day to day services.



4.5 The MYMC Savings Target to Find

4.5.1 The November MYMC report set out the increased savings target as a direct result of projected increases in utility and pay costs. The September 2022 MTFS report identified a total £2Million funding gap for 2023/24 but recognised the balance between the level of reserves held versus the ability to find large

scale reductions and therefore a target lower than the budget gap was recommended.



4.5.2 The MYMC savings target will need to be kept under constant review, due to the considerable uncertainty surrounding local government finance and other economic pressures. The level of reserves required and therefore the level of savings to achieve is based on a risk assessment. Some of those more significant risks which could materialise and increase the need for further savings are summarised in the table below.

Expenditure and Income	Impacted by	Risk (to increase cost)
Inflation	Increases in utility costs continue to be in the order of 300% on gas and 150% on electricity in 2023/24 and beyond, currently the indication is up to £300K more than the MTFS assumption	high
	The MTFS assumes a 3% pay award for 2023/24, a continuation of higher inflation may drive much higher pay negotiation outcomes. A 1% increase in the pay award equates to an additional £200K of costs.	high
	Projections for inflation of CPI at 10.1% (September) will exacerbate inflationary pressures in the General Fund and HRA for pay, goods and services.	high
Demand for services	There may be an increase for support services such as homeless and advice and this puts further pressure on the Council's budgets	high
Retention and Recruitment of staff	The ability to recruit and retain staff in the current employment market may lead to the need to increase salary costs and use a higher level of agency workers to ensure service continuity	high

Expenditure and Income	Impacted by	Risk (to increase cost)
Fees and Charges	The impact of COVID and new ways of working in addition to the Cost of Living Crisis may impact of the Council's fees and charges income which is required to support the funding of services.	high
Core funding	New Homes Bonus although likely to be in place for 2023/24-2024/25 can fluctuate from year to year and has to exceed the threshold calculation.	high
	The Government reviews the base line funding for Council's, while there is insufficient time for 2023/24, this may be a way to reduce the cost of the Local Government in future years.	Medium
	Grant funding for new burdens is announced annually such as homeless or rough sleeper funding which makes recruitment and retention difficult on a permanent basis	high

4.6 The 2023/24 Making Your Money Count Options process for the General Fund and HRA.

4.6.1 The Council's Senior Leadership Team in recognising the scale of the savings required, agreed with the Executive Portfolio holders that a star chamber process would be held with all Assistant Directors, looking at;

- New surplus income streams
- Opportunities for grant funding
- Services provided for third parties recover all our costs and management time
- What discretionary services could potentially be reduced or stopped
- For all services what would a reduction in service feel like e.g. from gold standard to bronze (whilst ensuring that statutory services continue to be provided).
- In addition, cross cutting areas such as training, post etc would be reviewed.

4.6.2 Executive portfolio holders met and considered the MYMC budget options included in the November MYMC report. Only one of those options presented was not recommended for consideration, which was a 50% reduction in Local Community Budgets totalling £30K.

4.6.3 Since the November Executive the Senior Leadership Team considered further options to meet the £429,551 savings gap identified and these were contained within December MYMC report and are incorporated into Appendix A to this report.

4.6.4 Due to the scale of the 2023/24 budget challenge and the difficulties and time spent in identifying a package of savings, there was not sufficient time and resources to meet with the Leaders Financial Security cross party group to consider the savings package proposed.

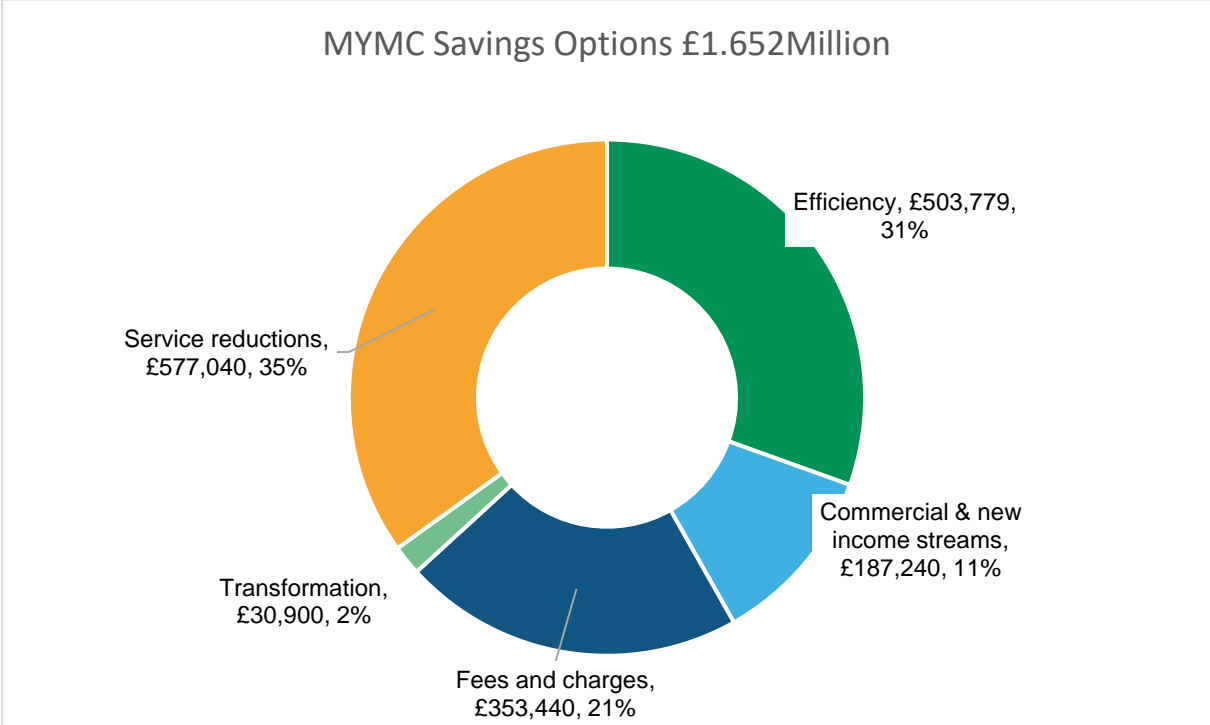
4.7 Making Your Money Count (MYMC) Savings

4.7.1 As already stated elsewhere in this report, the 2023/24 budget gap has been one of the most difficult challenges to address, in the wake of years of austerity grant funding reductions whilst at the same time absorbing significant unbudgeted inflationary pressures. Followed by the impact of Covid making the financial position more difficult and now the Invasion of Ukraine along with the Cost of Living crisis adding additional pressure. This has meant that this Council along with many others has had to recommend service reductions in order to set a balanced budget.

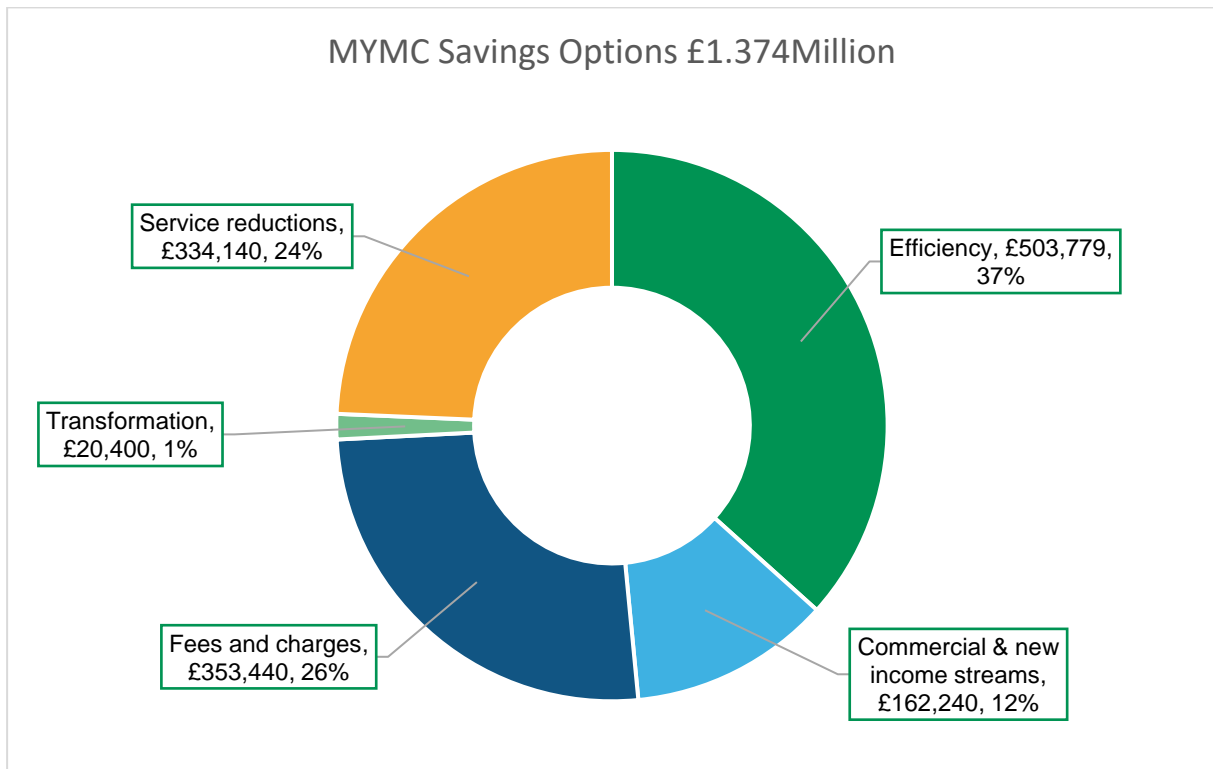
4.7.2 Finding £1.5Million plus of savings because of this heightened inflation, (compared to the original MYMC target of £830K) has proved to be difficult. The December MYMC report also identified a further increase in inflation pressures of circa £300K, potentially increasing the draw on balances to potentially £900K, versus the £563K assumed in the September 2022 report.

4.7.3 As stated in the two MYMC reports to the November and December (2022) Executive, some of the options are not recommended lightly and represent a balance between having to increase an achievable level of fees but also needing to make service reductions to set the budget for next year. With no easy options left, the preferred approach was to look for some larger savings options in specific areas, in favour of having dozens of smaller cuts.

4.7.4 The total value of options now recommended for approval is summarised in the chart below and total £1.652Million (as a result of higher inflation).

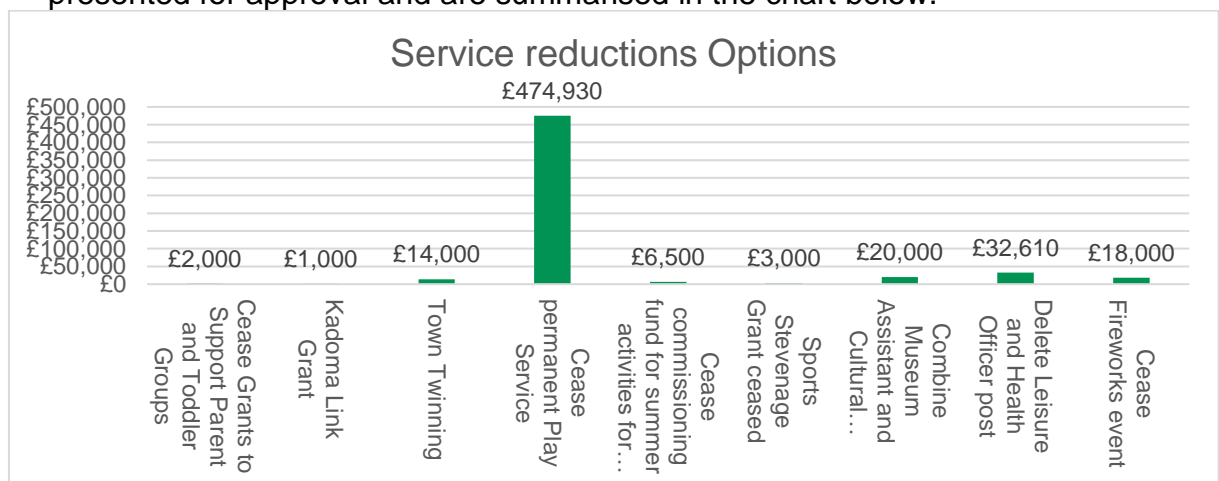


4.7.5 However, a number of the options require an implementation time period and an assessment of this has been made and detailed in Appendix A and the realistic level for 2023/24 is summarised in the chart below.



4.7.6 The amount of savings that can be achieved in 2023/24 (£1.374Million) would mean a draw on balances of £942K, however, with such a large budget gap and more difficult options to implement and the need to meet necessary consultation timescales, the CFO recommends that if the options are approved a sum of £270K is transferred from the NDR allocated reserve to effectively bridge the gap between the in-year and full year impact of the recommended options.

4.7.7 The full year impact of service reductions total £577K or 35% of total options presented for approval and are summarised in the chart below.



- 4.7.8 The largest service reduction relates to the play, the cost of running the service is £451K before recharges and with them £601K (excluding depreciation costs) which equates to £566 per child, based on the 1,063 registered children. Since COVID the level of children attending the centres has reduced and in particular after school attendance. This may reflect the increased after Schools provision developed over recent years. Due to the cost of the service and the level of savings required it is recognised that the statutory responsibilities for children, education and health and wellbeing sit with the County Council and the Borough Council is not in a financial position to provide this level of investment to maintain the service.
- 4.7.9 There are other staff related service reductions including the deletion of the Leisure and Health officer post. This would mean the Council will not be able to offer sports development and it would also limit the Council's ability to run activities such as cycling and walking festivals along with supporting club development. The new Leisure contract does include an outreach service and this post could be deleted noting that the new provision will commence from April 2023. There are two posts in the service and one is vacant.
- 4.7.10 There is one further staff impact related saving which is to combine a museum assistant post with the culture post to maintain a cultural focus but reducing cost and assimilating the museum cultural offer more closely with the wider town cultural offer.
- 4.7.11 The detail relating to the remaining non staff related budget options are set out in Appendix A and are event based or grant funding reductions. These again are only recommended due to the financial position the Council finds itself in for the reasons that have previously been stated.
- 4.7.12 Since the December report was published, further liaison has taken place with the Fire Service concerning the cessation of the fire work display. Hertfordshire Fire and Rescue Service maintain that a managed display can help to reduce the number of injuries resulting from private firework functions. Accordingly, Members are asked to consider taking £18,000 one off funding from the business rates gain reserve to fund the display for 2023/24 to give event planning certainty. Running parallel with this a review of all events in the Town to include fireworks will be undertaken during 2023/24 to inform the 2024/25 budget setting process.
- 4.7.13 Given the perceived value to the town and the Council of maintaining the historic and successful relationships with Ingelheim and Autun and noting the aforementioned planned broader review of key corporate events, it is proposed that the associated funding be reinstated for 2023. To give planning certainty, as a one off, £14,000 will be taken from the business rate gains reserve to fund the visit to France.
- 4.7.14 The options recommended for approval are estimated to impact on 14 council officers and lead to a maximum of 12 redundancies with an estimated cost of £322K. The Council will always look to redeploy staff as a preference and there are a number of job opportunities identified in the Housing Revenue Account

report to this committee. While the implementation costs may seem high, they are one off expenditure and the General Fund also has the additional business rate and Income Equalisations reserve monies available for one off spend.

Option	Staff Number	*Cost £	Note
Play Service Reduction	12	£322,000	1 Member of staff retiring and a further officer seconded and likely to be redeployed in that role.
Sports Development reduction	1	£0	Maybe redeployed subject to consultation
Combine Museum Assistant and Cultural Manager post	1	£0	Likely to be redeployed
Total	14	£322,000	

**Redundancy costs are known of £162K with the pension impact still to be advised by the pension fund.*

4.7.15 The Council's Transformation programme (reported to the October 2022 Executive) is seen as the key option to seek to maintain as much as possible of the Council's remaining services by reducing the Council's financial footprint through more online service provision which will realise efficiency gains. This approach is deemed to be preferable to seeking year on year service cuts to meet the shortfall between funding and spend although it is likely that an element of year-on-year savings will still be required.

4.7.16 In addition, it is imperative that the Council can continue to function and deliver services which means a need to review services and assets held to withstand further inflationary and unfunded pressures as Local Government enters another ongoing period of financial uncertainty. This should include a review of the level of assets held and the level of service provided across the Business Units.

4.7.17 To illustrate the financial pressures the Council faces an initial review of utility and fuel costs for 2023/24 indicates that the total increase has risen from an estimated £732K to circa of £1.082Million resulting in a total annual cost of over £2Million.

4.7.18 In addition, at the December Executive, Members approved a number of further lines of enquiry to work through and to be brought back to as part of a future savings package to ensure the on-going financial resilience of the Council, together with further Transformation options during 2023/24 to meet the 2024/25 MYMC target.

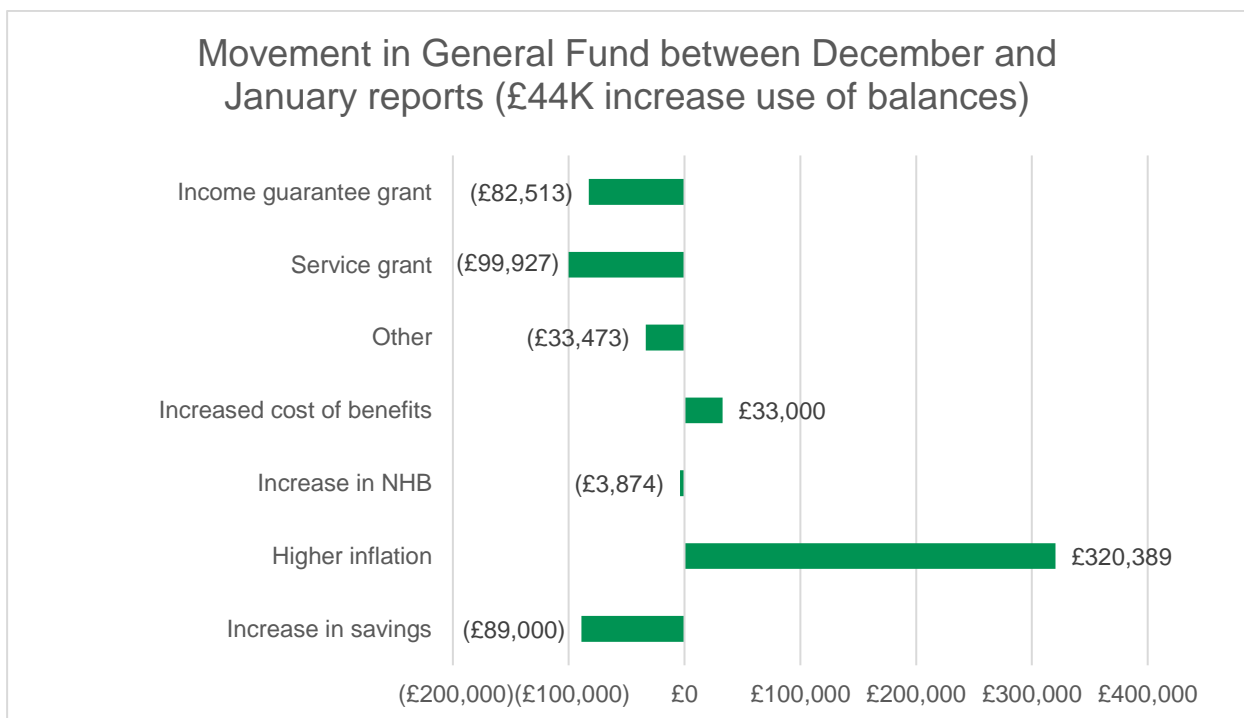
4.8 Growth Options

4.8.1 The 2022 MTFS did include a small allowance (£75K) for priority growth and the bids remain unchanged from the November MYMC report.

Description of Growth Proposal	Impact of Growth Proposal	£ General Fund	£ HRA
Climate Change Head of Service post	This post will help drive the further development and implementation of the Climate Change Strategy and investigate options for inward funding and strengthen the Council's ability to meet its climate change priorities	£41,115	£41,115
Commercial Sales Officer	This officer would increase the commercial income team to two and would actively strive to bring in new business and promote the Council's services. It is envisaged that this post would be self-funding beyond year two	£32,035	£15,777
		£73,150	£56,892

4.9 Changes to the 2023/24 General Fund budget versus the December and September MTFs

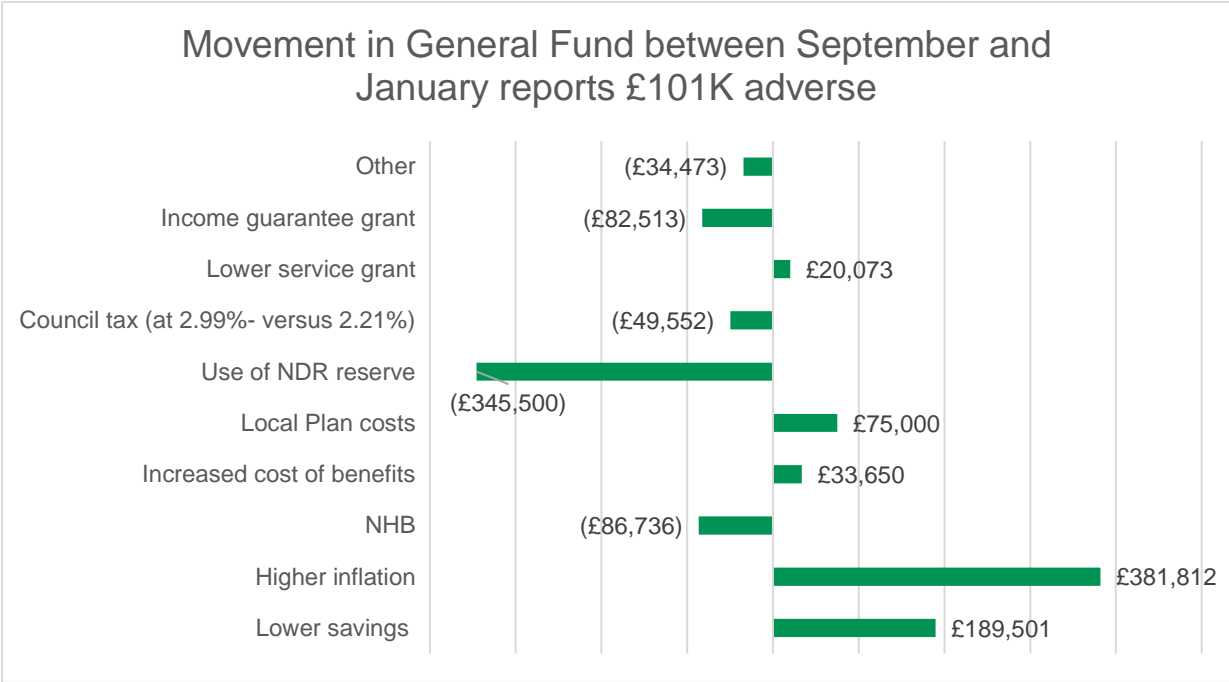
4.9.1 The General Fund budget is now projected to be £10.723Million with a draw on balances of £664K, versus the December General Fund projection of £10.383Million and a draw on balances of £620K, an adverse difference of £44K. This is largely an increase in inflation projections, offset by additional government grant and the increase in savings approved of £89K (play part year saving and increase in market rents). This is summarised below.



4.9.2 Compared to the September MTFs, which recommended the £1.5 Million savings target, the draw on General Fund balances is now £101K higher than in the September MTFs, (offset by use of Business rates allocated reserve). This is for a number of reasons which are:

- Higher inflation pressures including £61K increase in staff costs and £381K relating to utility inflation (the utility contract renewal for many sites is 1 October) much of the increase was identified between the December and January period as shown in the chart in paragraph 4.9.1
- The assumption in September was service grant of £120K but this was reduced following the Autumn Statement and there were no assumptions around NHB and income guarantee funding.
- Increase in Council tax as set out in the finance Settlement, prior to that only the £5 on a Band D as in previous years had been assumed.
- The increased costs have been ‘dampened’ by use of the NDR reserve to offset the part year implementation of savings options and the Local Plan costs.

4.9.3 The increase in General Fund spend compared to the September MTFs is summarised below.



4.9.4 At the time the report was due to be published a further pressure had been identified relating to the pension contributions from the triennial review for the period 2023/24-2025/26, this indicates there is a further General Fund pressure of £102K, with pension employer costs projected to be higher than estimated for both the General Fund and the HRA. Members will be updated about the impact on the General Fund as part of the February budget report.

4.10 2022/23 Budget changes

4.10.1 The 2022/23 General Fund budget is projected to increase by £760,730, predominately as a result of the 2022/23 pay award being higher than budgeted (5.67% versus 2%) and the implementation costs for the MYMC savings options. The implementation costs have increased due to the recommendation to completely cease the play service. A summary of the changes is detailed below.

Changes to the 2022/23 Budget		
Expenditure and income	2022/23	Comments
General Fund working budget	£11,177,690	
Increased pay award	£573,530	The impact of the pay award over than budgeted
Shared service Revenue and Benefits	£33,450	The impact of the 2022/23 pay award on SBC
Shared ICT service	(£26,430)	The impact of the 2022/23 pay award on EHDC
HRA costs	(£120,160)	An estimate of the impact on the HRA of support services increased pay award costs.
Implementation costs	£301,000	Increase in implementation and redundancy costs estimated (subject to consultation) over and above the £90K approved budget
Council tax annexe grant	(£660)	Notification in December for new burdens grant
Total Changes	£760,730	
Revised General Fund budget	£11,938,420	

4.11 Level of Balances required for General Fund and projected balances

4.11.1 The September 2022 MTFS assumed that the minimum level of balances required would be £3.57Million and a full assessment has been carried out and detailed in Appendix C and totals £3,419,753, however this will need to be kept under review based on the risks set out in this report.

4.11.2 The projected General Fund balances and council tax requirement are below, this does not include an assumptions regarding business rate gains for 2023/24 or a revision to 2022/23 which will be included in the General Fund February Draft budget report.

General Fund Budget	2022/23 Estimate	2022/23 Projected	2023/24 Estimate
Net Expenditure	£11,151,760	£11,938,420	£10,723,320
(Use of)/ Contribution to Balances	(£1,055,629)	(£1,995,970)	(£664,462)
Budget Requirement	£10,096,131	£9,942,450	£10,058,859
Lower Tier Grant	(£117,682)	(£117,682)	£0
Service Grant	(£177,337)	(£177,337)	(£99,927)
3 % guarantee grant			(£82,513)
Total grant support	(£295,019)	(£295,019)	(£182,439)
Business Rates net of tariff and levy	(£1,785,034)	(£1,785,034)	(£2,410,116)
S31 grants NNDR	(£1,618,316)	(£1,618,316)	(£815,229)
Total in year business rates	(£3,403,350)	(£3,403,350)	(£3,205,129)
(Return) /Contribution to Collection Fund (NDR) re 2021/22	£2,928,560	£2,928,560	(£171,689)
(Return) /Contribution to Collection Fund (NDR) re 2020/21	£816,665	£816,665	£86,839
Transfer from NNDR reserve	(£3,776,102)	(£3,622,421)	£0
Collection Fund Surplus (ctax)	(£50,090)	(£50,090)	(£25,855)
Council Tax Requirement	£6,316,795	£6,316,795	£6,540,369
Council Tax Base	£28,004	£28,004	£28,153
Council Tax Band D	£ 225.57	£ 225.57	£ 232.31
Council Tax Band C	£ 200.51	£ 200.51	£ 206.50

4.12 Medium Term Financial Strategy General Fund Summary

4.12.1 The MTFS modelling has been updated to reflect the contents of this report and is summarised below.

General Fund balances £'000	2022/23	2023/24	2024/25	2025/26	2026/27
Opening Balance	(£6,907)	(£4,911)	(£4,247)	(£3,659)	(£3,537)
In Year	£1,996	£664	£588	£122	(£55)
Closing Balance	(£4,911)	(£4,247)	(£3,659)	(£3,537)	(£3,591)
Minimum balances	(£3,471)	(£3,419)	TBD	TBD	TBD
Closing Balance versus minimum level	(£1,440)	(£828)			

()=more balances than the minimum level

4.12.2 The December MTFS had a 2023/24 draw on balances of £620K (September MTFS £565K) and the latest projection is £664K. However, the latter includes:

- NDR reserves have been utilised to fund the delay in introducing MYMC options and the cost of the Local Plan studies.
- A net increase of £106K of government funding over than previously estimated, as set out in paragraph 4.1.9 of which £86K of New Homes Bonus is one off (if a similar increase in the council tax base is not achieved).

4.12.3 The MTFS does require on-going savings with the added pressure of significant further inflation risks and uncertainty about future funding and there continues to be a draw on General Fund balances to 2026/27.

4.12.4 In addition to General Fund balances, there are two further allocated reserves which are available to support the Fund's financial resilience and the projections are summarised below. The CFO recommends they are held for this purpose.

Reserves £'000	Closing 2021/22	Use	Closing 2022/23	Use	Closing 2023/24
Income equalisation Reserve	(£258)	(£200)	(£458)	£50	(£408)
Gains (NNDR)	(£1,017)	(£145)	(£1,162)	£173	(£989)
Total Available to support the GF	(£1,275)	(£345)	(£1,620)	£223	(£1,397)

4.12.5 This means the total balances available to the General Fund are shown below, which represents 10% of the estimated gross original budget for 2023/24.

Reserves £'000	Closing 2021/22	Use	Closing 2022/23	Use	Closing 2023/24
General fund	(£6,907)	£1,996	(£4,911)	£664	(£4,247)
Income equalisation Reserve	(£258)	(£200)	(£458)	£50	(£408)
Gains (NNDR)	(£1,017)	(£145)	(£1,162)	£173	(£989)
Total Available to support the GF	(£8,182)	£1,651	(£6,531)	£887	(£5,644)
% of net budget	77%		59%		53%
% of GF gross expenditure	14%		11%		10%

4.12.7 The General Fund has additional reserves allocated for specific purposes, these are summarised below.

Reserves £'000	Closing 2021/22	Use	Closing 2022/23	Use	Closing 2023/24
NHB reserve	(£479)	£479	£0	£0	£0
Transformation Reserve	(£506)	£230	(£276)	£276	£0
Homeless reserve	(£544)	£0	(£544)	£0	(£544)
Planning Delivery	(£62)	(£77)	(£139)	£139	£0
Queensway Car Park monies	(£39)	(£43)	(£82)	(£43)	(£125)
Town square reserve	(£649)	£40	(£609)	£40	(£569)
Regeneration Reserve	(£380)	£166	(£214)	£68	(£146)
Insurance reserve	(£65)	£54	(£11)	£0	(£11)
ICT reserve	(£316)	£151	(£165)	£0	(£165)
Town centre	(£42)	£14	(£28)	£0	(£28)
Leisure	(£363)	£363	£0	£0	£0
Commercial Property repair reserve	(£41)	£0	(£41)	£0	(£41)
Revenue Reserves for specific purpose	(£3,486)	£1,377	(£2,109)	£480	(£1,629)

4.12.8 This includes monies relating to:

- Planning Delivery £139K, required to support the surveys for the Local Plan, with a further £75K included in the budget.
- Queensway Car Park Monies, this is the income from the Queensway LLP for parking income, this money has been ringfenced to support the fit out of future commercially tenancies on Queensway North.
- Homeless grant £544K, the amount required for 2023/24 will be assessed as part of the budget setting process
- Town Square Reserve £609K, monies held to support the assets acquired for regeneration purposes.

4.13 Chief Finance Officer's Commentary

4.13.1 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.

4.13.2 The Council has evolved its budget strategy to meet multiple challenges as set out in this report and the financial strategy to deal with this is the 'Making Your Money Count' (MYMC) strand of 'Future Town Future Council'.

4.13.3 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 MYMC year round approach to identifying budget options means that work is on-going throughout the year to bridge the gap.

4.13.4 The Council has taken significant steps over recent years to balance its budget but as yet does not meet the principle aim of the MTFS to: 'achieve an on-going balanced budget until by 2024/25 by ensuring inflationary pressures are matched by increases in fees and income or reductions in expenditure'.

4.13.5 The impact of COVID and now the Cost of Living crisis has increased financial risk as is illustrated by the significant increase in inflation projected during this and next financial year. This has been a very difficult budget to set, particularly the balance between the need to increase fees and charges when the economy is still recovering from COVID and now in the throws of a recession versus other measures. The sheer size of the inflationary pressures faced by the Council have meant the need to find a bigger savings target than initially planned and larger than normally required as a result of government funding and council tax increases not meeting in year inflation. However, the financial resilience measures taken/for approval which increase the security of the Council's position, are:

- A risk assessment of balances to ensure general reserves held take into account increased risk from recessionary pressures.

- The income equalisation reserve (£408,000 by 31 March 2023) which can be returned to the General Fund if fees and charges are lower than projected.
- Reduce the use of reliance on Revenue Contributions to Capital (RCCO) by identifying sites for disposal and using capital receipts rather than revenue (September 2020 MTFS report).
- Identification of a sufficient level of on-going MYMC options to ensure General Fund balances are above or at the minimum level required for 2023/24 and the continued work on lines of enquiry for potential savings as noted in the November and December Executive MYMC reports.
- The December MYMC report also identified and recommended that there is a need to review physical assets held and services provided to ensure that the Council can continue to be financially resilient, with work to review this on-going.
- Use of any business rate gains only when realised and ring fenced to maintain the financial resilience of the General Fund and thereafter FTFC priorities. The projected balance as at 31 March 2023 projected to be £988,677.
- A transformation programme to deliver savings from 2023/24 onwards, with a further report to the Executive in 2023.

4.13.6 There is a draw on balances in 2024/25 of £587,773 fuelled by utility inflation, with a contribution to balances projected in 2026/27, however there is a significant draw on balances through the MTFS period and a need to deliver savings through the MTFS timeframe.

4.13.7 The current projections of balances and the measures the Council has taken to date, and as set in this report, have meant the level of balances projected are sufficient to set the 2023/24 budget, if the options included in the report are approved.

4.13.8 While delivering one of the most difficult budgets, the Council is also continuing with 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. There is a ring-fenced reserve for Regeneration and further estimates of resources have been included in the General Fund MTFS.

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 2023/24, this remains unchanged from the current year, however due regard will need to be given to breaching minimum balances.

4.15 Consultation

4.15.1 The 2021/22 Residents survey shows that resident's preferences with regards to achieving budget savings are firstly to reduce costs through the provision of more on line services. This was ranked the highest (out of five options in 2021 and 2017) with 41%. This first rate ranking has increased from 2017 and supports the Transformation programme as a method to reduce costs and improve efficiency / productivity.

Please tell us your order of preference for each of the following options by ordering them 1 to 5	2021 rank	2017 rank	1st
Reduce time and money spent on paperwork by interacting with more residents and customers online	1	1	41%
Increase income from fees and chargeable services, to keep the council's element of Council Tax as low as possible	2	3	24%
Spend less by reducing or cutting the services that you tell us are not a priority	3	2	16%
Make money by selling more of our services to residents and customers	4	5	9%
Increase our element of Council Tax (for example from 51p per day to 55p per day)	5	4	10%

4.14.2 The 2021 residents' survey asked residents whether the council tax represented value for money. While strongly disagree has increased (from 7% to 15%), overall 52% up from 46% agree it represents value for money as shown in the chart below.

	Responses	2021	2017	2015	2013	2011
To what extent do you agree or disagree that the Council Tax paid to Stevenage Borough Council provides good value for money?	Strongly agree	16%	10%	7%	6%	6%
	Tend to agree	36%	36%	39%	39%	40%
	Neither	18%	30%	30%	35%	33%
	Tend to disagree	10%	17%	18%	17%	16%
	Strongly disagree	15%	7%	6%	5%	5%
	Don't know (DNRO)	4%				
	Summary: Agree	52%	46%	46%	45%	46%
	Summary: Disagree	26%	24%	24%	22%	21%

4.14.3 Due to the level of savings required the CFO intends to set out the issues in a media communication campaign so that residents and businesses understand why the Council is facing budgetary as well as how it is seeking to respond. However, due to the Purdah period this will need to take place after the current bi-election to be held on the 19 January 2023.

5 IMPLICATIONS

5.1 Financial Implications

- 5.1.1 The report deals with Council finances and as such all implications are contained in the main body of the report.
- 5.1.2 Savings options are required to follow the Budget and Policy Framework as set out in Paragraph 3.1.10. Fees and charges require a report to the Executive and are included for note and to give the complete range of budget reductions for 2023/24.

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.
- 5.2.2 The Borough Solicitor has considered and confirmed that the Council has the necessary statutory powers to provide & charge for services as detailed under this report. This will be kept under review.

5.3 Policy Implications

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

5.4 Staffing and Accommodation Implications

- 5.4.1 The 2023/24 budget options include staff implications and these are summarised in paragraph 4.7.12. All the options are subject to consultation and the financial outcomes assumed may change as a result of that consultation taking place.
- 5.4.2 In compliance with SBC's Organisational Change Policy any proposals involving potential redundancies will be fully consulted on with the trade unions and affected staff for a minimum 30-day consultation period, and again may therefore change depending on the outcomes of the consultation process.
- 5.4.3 Officers will continue to work in an open and transparent way with the trades unions, and will provide them with the information required, in accordance with statutory requirements and best employment practice, as soon as this is available. The trades unions will be provided with all relevant information in accordance with the Council's legal obligations.
- 5.4.4 Wherever possible staff who find themselves in a redundancy situation will be redeployed to a suitable alternative post. If that redeployment results in the staff

affected moving into a lower-graded, post pay protection will apply for a 12-month period.

5.5 Equal Opportunities Implications

5.5.1 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 its 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.

5.5.2 These duties are non-delegable and must be considered by Council when setting the Budget in February 2023.

5.5.3 To inform the decisions about the Budget 2022/23 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 2022. 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 in **Appendix D** 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. .

5.5.4 An overarching EqIA will also be developed once individual EqIAs are finalised for Council in February 2022. This will consider the collective impact of the Budget on people with protected characteristics.

5.5.5 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 Leadership Team. All staff impacts are summarised at **Appendix E**.

5.5.6 The staff EQIA recognises that the options identified in Appendix A impact adversely on older staff members.

5.6 Risk Implications

- 5.6.1 There are risk implications to setting a prudent General Fund budget if the Financial Security options identified in Appendix A are not achieved and crucially if future options are not found to meet the targets outlined in the report.
- 5.6.2 There are a number of risks that have been identified and these are set out in the report.

5.7 Climate Change Implications

- 5.7.1 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. The Transformation programme and the digital on-line agenda will contribute to reducing the Councils carbon footprint. The report also recommends an option to strengthen leadership in this area to help drive development and delivery of the climate change strategy.

BACKGROUND DOCUMENTS

BD1 General Fund Medium Term Financial Strategy (2022/23-2026/27)

BD2 Making Your Money Count November Executive

BD3 Making Your Money Count (part 2) December Executive

APPENDICES

Appendix A General Fund and HRA Budget Options

Appendix B Fees & Charges GF (for note)

Appendix C Risk Assessment of Balances

Appendix D Equalities Impact Assessment

Appendix E Staff Equalities Impact Assessment