

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

Portfolio Area: RESOURCES &amp; TRANSFORMATION

**Date: 20 SEPTEMBER 2023**

## **GENERAL FUND MEDIUM TERM FINANCIAL STRATEGY UPDATE (2023/24 – 2027/28)**

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### **1. PURPOSE**

- 1.1. To update Members on the General Fund Medium Term Financial Strategy (MTFS) including any on-going impacts from Cost of Living crisis.
- 1.2. To advise Members concerning the current and future position of the Council's General Fund budget over the next five years.
- 1.3. To update Members regarding the revised inflation projections and pressures for the General Fund MTFS.
- 1.4. To update the 'Balancing the Budget' (previously 'The 'Making Your Money Count) Future Town Future Council (FTFC) financial targets for the period 2024/25 – 2027/28.

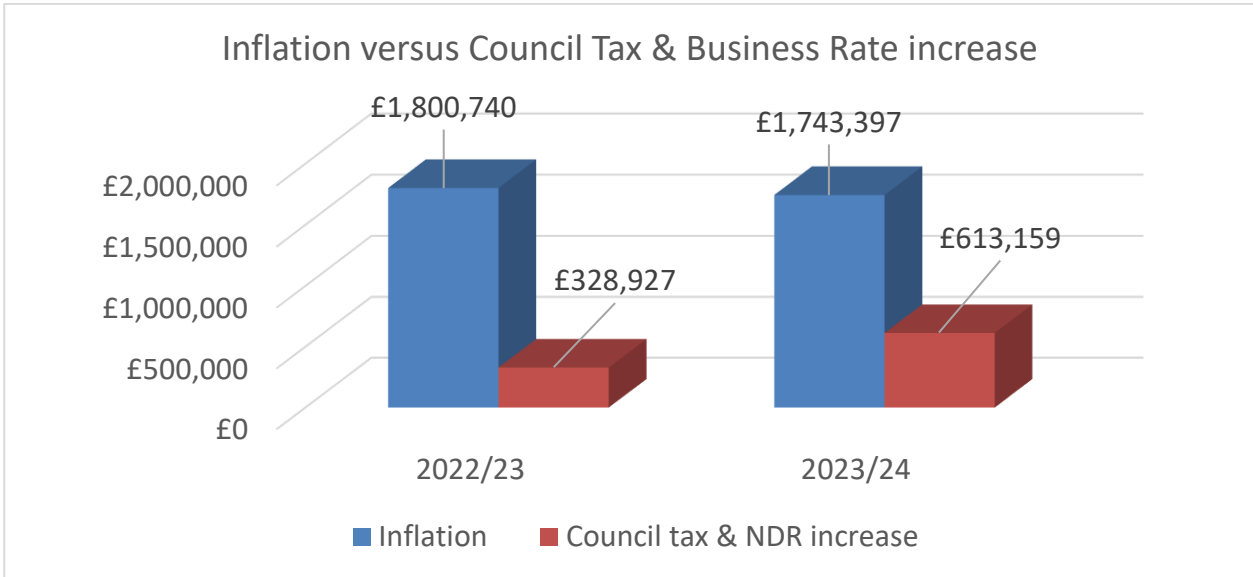
### **2. RECOMMENDATIONS**

- 2.1 That Members approve the change to the MTFS principles, as outlined in paragraph 3.11 to this report and as amended in paragraph 4.9.11.
- 2.2 That, for modelling purposes, Council tax increases be set at the threshold allowed assumed at 2.99%, subject to any change in government rules, in order to help achieve a balanced budget as set out in paragraph 4.6.8.
- 2.3 That the updated inflation assumptions used in the MTFS as set out in section 4 of the report be approved.
- 2.4 That Members approve the recommendation in paragraph 4.3.4 to transfer a maximum of £225K from the Business Rates Reserve should the SG1 Swingate site Joint Venture not proceed.

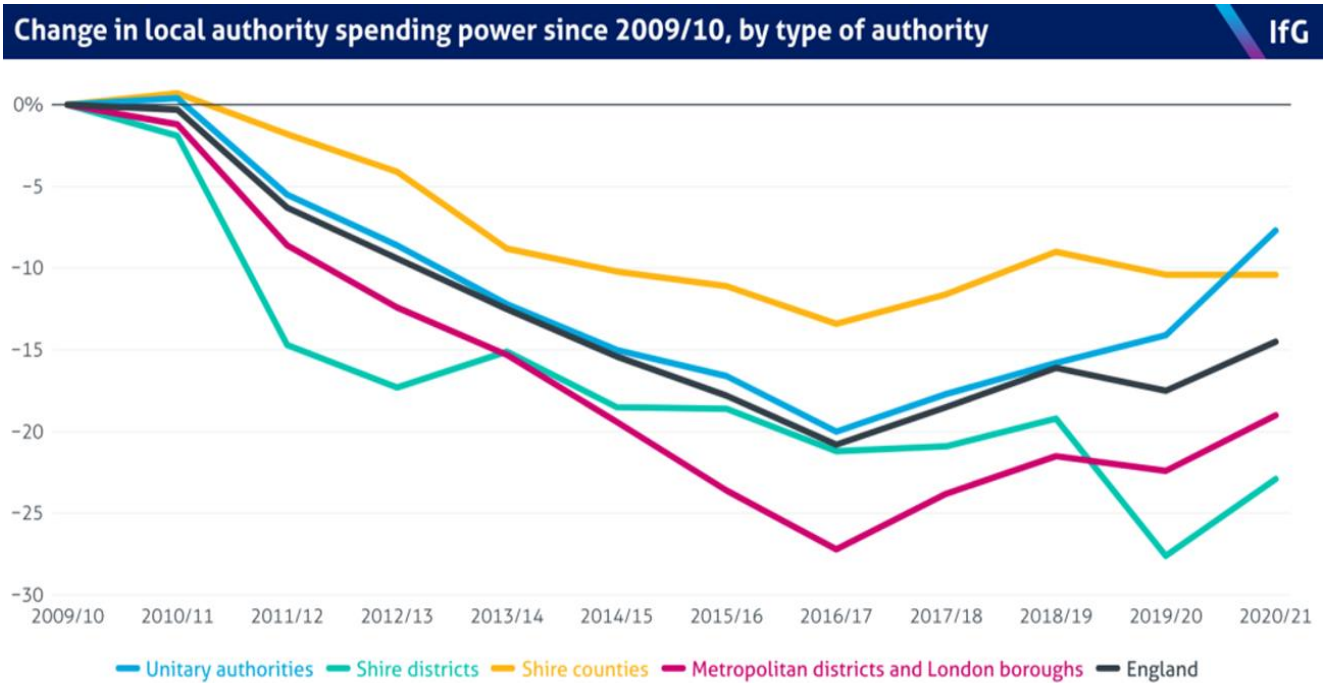
- 2.5 That the approach to the 'Balancing the Budget' options as set out in section 4.8 be approved.
- 2.6 That an amount of £300,000 for 2024/25 be approved for inclusion in the budget setting process to support the Transformation Fund, to help deliver the Balancing the Budget Target, as set out in paragraph 4.8.3.
- 2.7 That a Balancing the Budget Target of £3.2Million, (of which £1.23Million relates to 2024/25), be approved for the period 2024/25- 2026/27 as set out in section 4.9 of the report.
- 2.8 That General Fund growth is only approved for the Council's FTFC priorities and the growth allowance included in the 2024/25 budget is £75,000. Growth above that level will need to be funded by further savings in addition to the £3.2Million target identified.
- 2.9 That a minimum level of balances for the General Fund of £3.50million be approved for 2023/24 as set out in paragraph 4.10.8.
- 2.9 The MTFS is regularly reviewed and revised to reflect any material financial pressures so forecasts are updated and re-presented to the Executive for approval.
- 2.10 That the Trade Unions and staff be consulted on the key messages contained within the MTFS and more specifically when drawing up any proposals where there is a risk of redundancy.

### **3. BACKGROUND**

- 3.1 The MTFS is presented at least annually to the Executive and more often if financial risks are heightened due to matters such COVID and, more recently, the current cost of living crisis.
- 3.2 This report will provide Members with a projection for the General Fund for the period 2023/24-2027/28, with particular emphasis on the current and next year's budgets. The 2023/24 original budget still contained legacy financial pressures which arose during the COVID pandemic such as lower parking income and higher homeless costs, combined with much higher inflationary pressures particularly for utilities and fuel following the Russian invasion of Ukraine and the ensuing cost of living crisis.
- 3.3 The financial challenges outlined above follow 13 years of local authority funding cuts which, when considered alongside the need to absorb inflationary pressures and taxation changes results in the need to make significant savings in order to balance the books. Inflationary and service pressures have continued to outstrip the income from council tax rises (capped by government policy). The chart below shows the inflation projected in the MTFS for 2022/23 and 2023/24 versus the government settlement for business rates (before any in year gains) and Stevenage's share of council tax for the year. During periods of high inflation this gap is significantly wider and requires a higher level of cost reductions



3.4 The Institute for Local Government reported in March 2020 that the deepest local government funding cuts have been experienced by shire districts. In part this is because they did not benefit from the 2019/20 and 2020/21 social care uplifts given to upper and single-tier authorities.

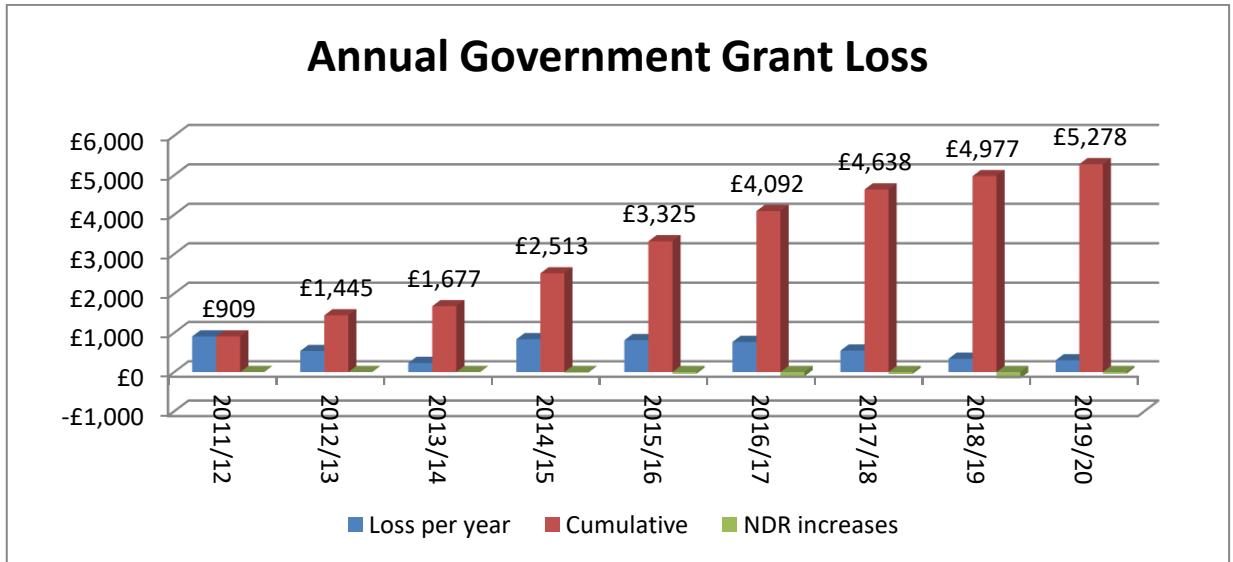


Source: Institute for Government analysis of DLUHC, Local Authority Revenue expenditure and financing in England: individual local authority data – revenue outturn. Notes: 'England' excludes 'Other' authorities, and excludes grants for education services, police, and public health. The sharp increase in Unitary authority spending power between 2018/19 and 2020/21 mostly reflects local authority reorganisations in Dorset and Buckinghamshire. This analysis excludes 2021/22 because totals are still provisional.

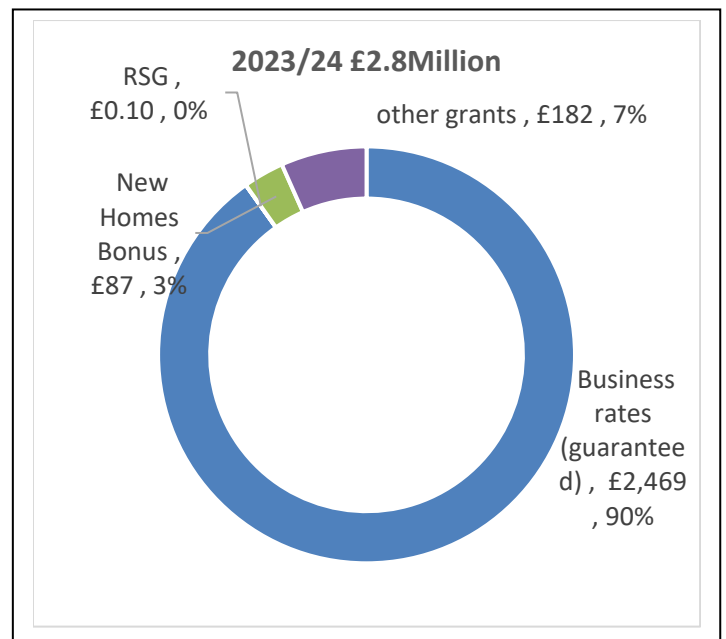
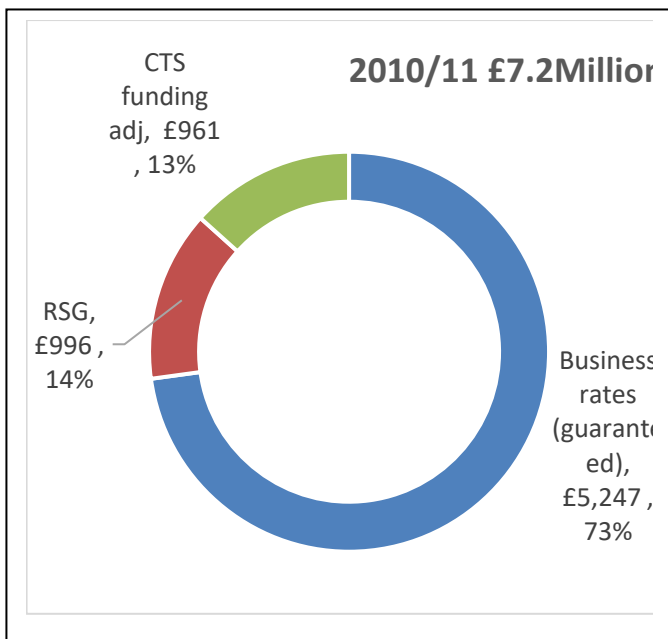


3.5 At a local Stevenage level the annual budget cuts for the period 2011/12 to 2019/20 are summarised below and highlight a circa £5.2Million grant loss. The

currently approved MTFS principle is for the Council to not have a draw on balances by 2025/26 to ensure that reserves are not depleted below a minimum level. This target has been revised again within this MTFS update as a result of higher inflationary and cost pressures (see paragraph 4.9.10) and only modest increases in government funding, (well below inflation) being received hence why service costs have had to be reduced.

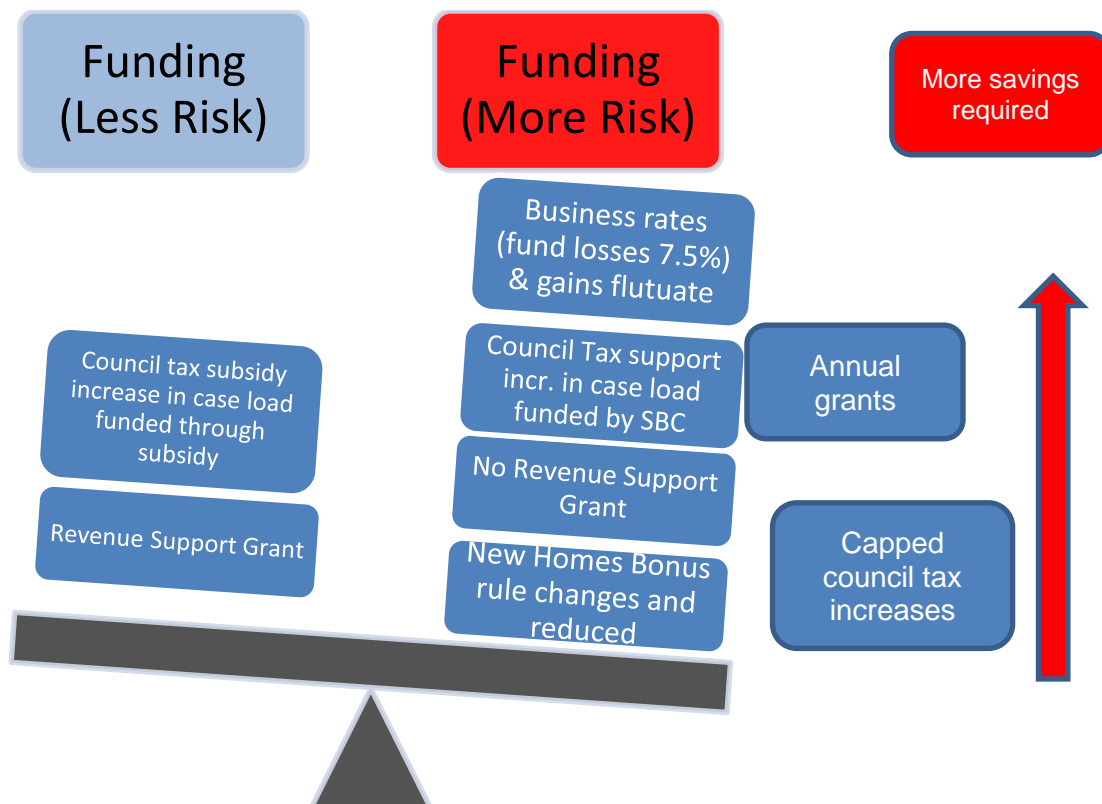


3.6 To illustrate that difference, In 2010/11, government funding support for SBC was £7.2Million (after adjusting for council tax support costs introduced in 2012/13), compared to £2.8Million for 2023/24. The business rate funding in 2023/24 is only guaranteed at 92.5% of the total funding with individual Councils having to pick up the first 7.5% of business rate losses. In addition, New Homes Bonus and the other grants in the 2023/24 settlement are not expected to be on-going.



Numbers are £'000

- 3.7 Since 2011 these impacts have resulted in the Council having to find cumulative savings of £11Million plus to meet the shortfall between reducing funding and increases in annual inflation.
- 3.8 At the same time there has been a transition towards more inherent risks within local government funding, as illustrated below.



- 3.9 These funding challenges further evidence the importance of MTFs planning which is the mechanism through which the Council assesses the financial impacts of national and local pressures. All budget challenges are modelled and the impacts on the draw and level of balances are considered, such as:
- National and local government policy on the five year forecast of resources for the General Fund (and Housing Revenue Account);
  - Local pressures emerging from service provision, i.e. homeless costs;
  - COVID financial impacts that remain due to changes in customer behaviour.
  - Cost of Living inflationary pressures on the Council's finances
- 3.10 Individually, in year or on-going financial pressures may sometimes be absorbed through a draw on balances or by a small increase to the level of savings, subject to the shortfall in any one year and post considering what is realistically achievable.
- 3.11 The current approved MTFs principles are set out below.

No	MTFS principles
1	To remove the General Fund's reliance on RSG by 2019/20 when the funding is removed and achieve an on-going balanced budget <b>by</b>

No	MTFS principles
	<b>2025/26</b> (by ensuring inflationary pressures are matched by increases in fees and income or reductions in expenditure from 2025/26
2	To consider as part of the budget setting process, and throughout the year as necessary, what support can be given to the community, tenants, leaseholders and businesses in times of particular hardship.
3	To use the Council's reserves in a cost-efficient and planned manner to deliver the Council's priorities.
4	To maximise the Council's income by promptly raising all monies due and minimising the levels of arrears and debt write-offs.
5	To identify alternative means of resourcing the Capital Strategy to minimise the impact of borrowing (GF only).
6	In setting General Fund balances a % for overruns (currently 1.5%), specific known risks, loss of savings & risks associated with new ventures and the cost of borrowing for the capital programme is included.
7	To identify variations to the approved budget via quarterly monitoring and only incur additional on-going spending when matched by increased income or identified savings.
8	To propose Council tax increases in line with inflation for modelling purposes with any increase above inflation used to achieve a balanced budget.
9	To ensure that resources are aligned with the Council's Strategic Plan and FTFC priorities and growth limited to the Council's top priorities
10	The Council does not depend upon short term sources of funding such as New Homes Bonus or business rate gains.

## 4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

### 4.1 General Fund pressures

4.1.1 Included within the MTFS modelling are a number of considerations which are:

- Inflationary pressures (section 4.2)
- New Service pressures and any on-going COVID related fees and charges losses (section 4.3)

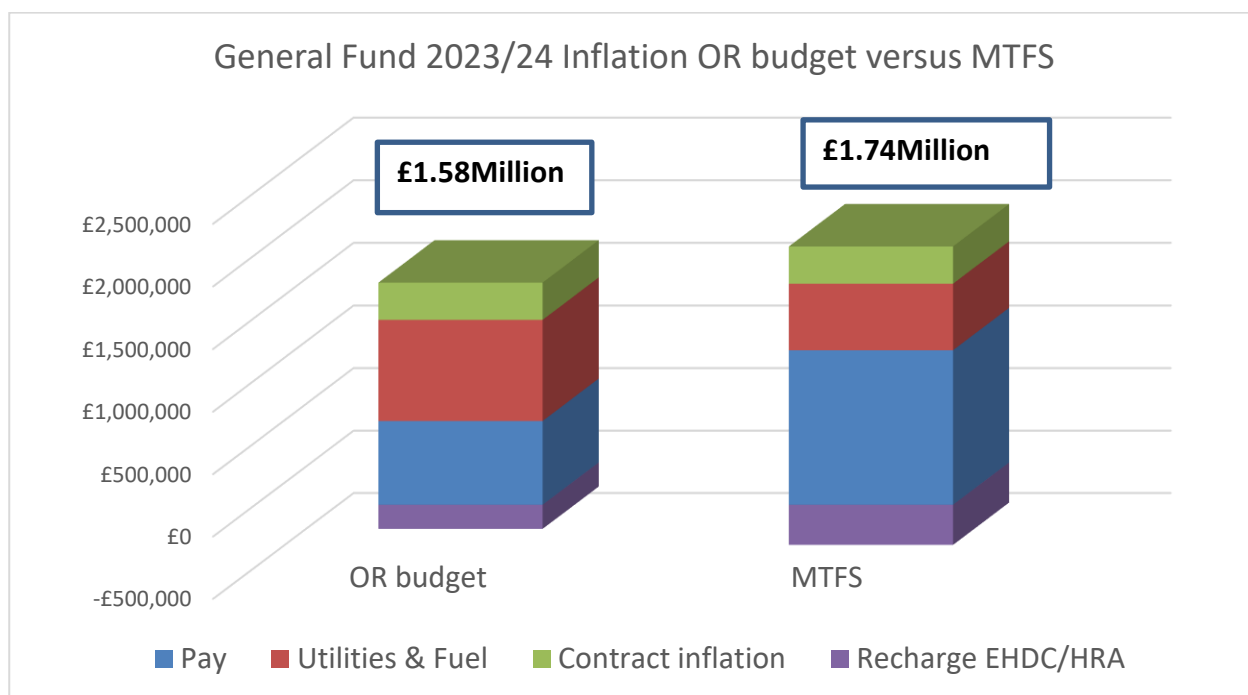
### 4.2 Inflationary Pressures

4.2.1 The 2023/24 MTFS inflation update versus the original budget shows an overall increase of £160K. This latest projection is based on a:

- Reduction of £276K in the anticipated 1 October utility increases based on the latest contract data from the Crown Commercial Services (CCS), gas and electric prices down by 60% and 13%, versus the previous estimated increase
- Increase in the projected pay award costs of £565K (before HRA share of £107K) based on the current employers offer (£1,925 on spinal points up to mid grade 10 and 3.88% thereafter, Chief Officers (agreed) and Chief Executives (not agreed) 3.5%. This has not yet been accepted by all unions. The Original budget included a 3.5% increase versus the estimated average of 5.4%. The current deal offered

was to mitigate the impact on the pay scales from the increases in the minimum wage. While this is welcome for Local Government employees who face increased costs of living and have had below inflation pay increases in previous years pay awards, they are both not government funded and outside of the Council's control.

- Increase in the cost of the Shared Revenues and Benefits contract based on a 4% pay offer, however this cost is likely to rise and the Council is liaising with colleagues at EHDC regarding any further cost increases
- Increase in the income from EHDC for the Shared ICT service based on current 2023/24 projections of £106K (reported 1<sup>st</sup> quarter monitoring)

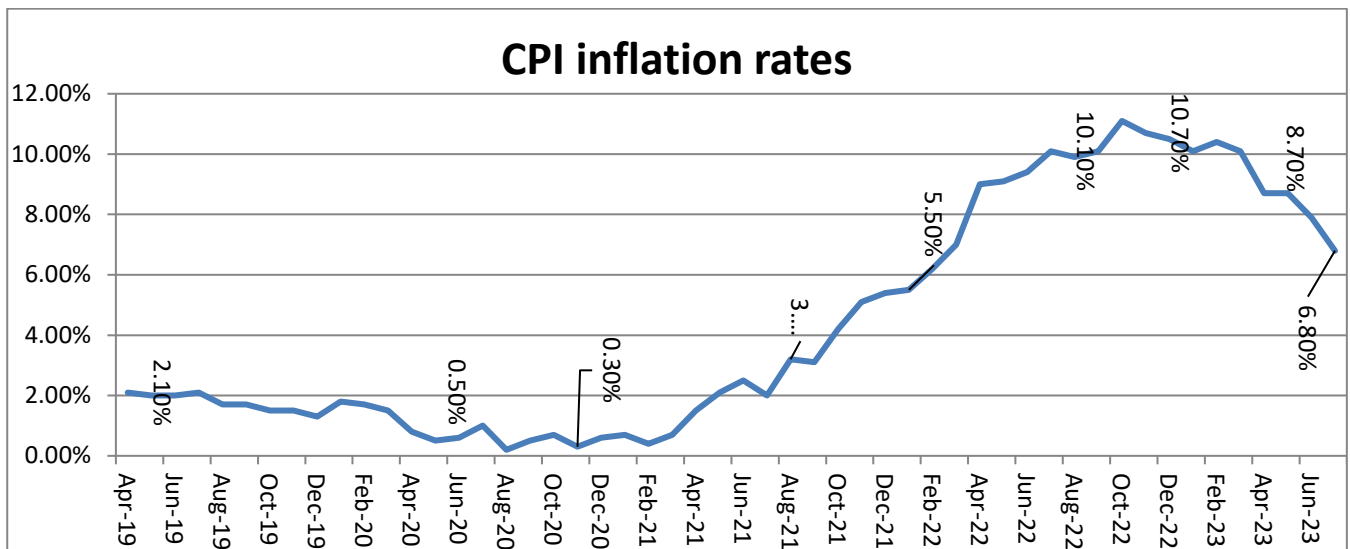


4.2.4 The 2024/25 onwards inflation assumptions included in the MTFS are summarised in the table below, however there is uncertainty as to when 'normal' levels of inflation will resume.

	2024/25	2025/26	2026/27	2027/28
<b>Inflation-Applied to:</b>				
<b>September CPI for business rate increases</b>	6.00%	4.00%	2.00%	2.00%
<b>Salaries - % increase</b>	3.50%	3.00%	2.00%	2.00%
<b>CPI indices increases</b>	4.00%	3.40%	2.00%	2.00%
<b>Investment interest</b>	4.43%	2.50%	2.00%	2.00%
<b>Fuel Increases</b>	5.00%	5.00%	5.00%	5.00%
<b>Gas &amp; Electric Increases 1 Oct 2023</b>				
<b>Gas (unit charge only)</b>	8.00%	8.00%	8.00%	8.00%
<b>Electricity (unit charge only)</b>	8.00%	10.00%	10.00%	10.00%

4.2.5 CPI is the tracked measure for inflation used by the government and used for increases to business rates and council housing rents, (September CPI). The

historic CPI trend is shown below, September 2019 was 1.7% compared to 6.8% for July 2023.



4.2.6 The government did not cap business rate (BR) increases for 2023/24 when CPI was 10.1% (September 2022) and the MTFs assumes that BR will rise by an estimated 6% for 2024/25. Any reduction or capping of business rates should be compensated by new burdens section 31 grant.

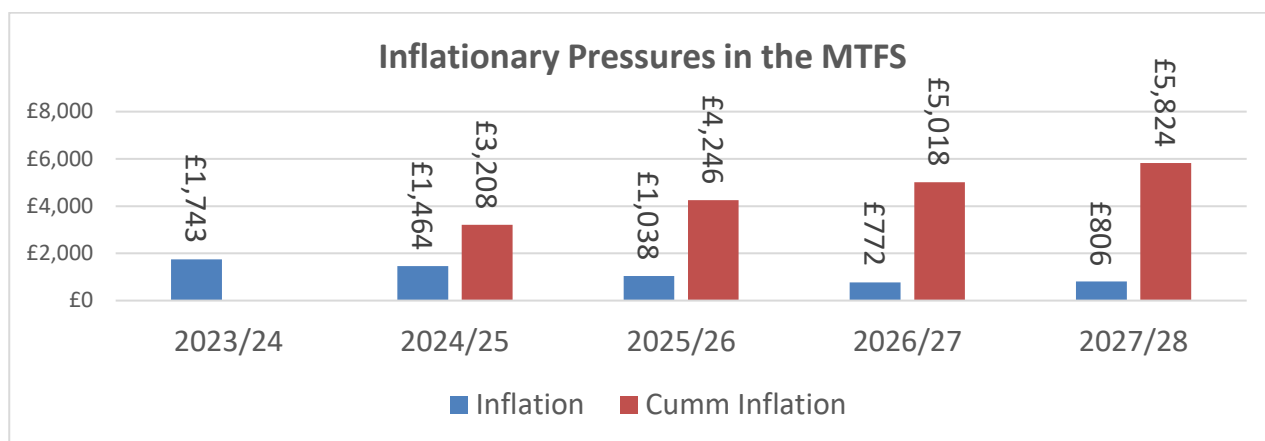
4.2.7 It is difficult to predict how long higher high inflation will be in the economy but the MTFs rationale and alternative scenarios are set out below.

Rationale for inflation assumption	
Salaries - % increase	Salary inflation is estimated at 3.5% for the period 2024/25, 3% 2025/26 and thereafter 2%. The level of increase is largely dependent on the impact of increases in the living wage if inflation remains high.
Utility increases	The level of utility increases has been revised for the 1 October 2023 (giving an in year saving for 2023/24) and 1 April 2024, based on current contract projections, however as Councils saw for 2023/24, budget increases are influenced by global factors. The level of increase going forward in the MTFs are based on historic average increases and may fluctuate between individual years.
Consumer Price Index (CPI) indices increases	The July CPI was 6.8% and has been modelled to gradually reduce during the MTFs to a level of 2% by 2026/27. This would still be higher for fuel related costs. For Business Rates the modelling includes an assumption that the September CPI will be 6% and this will be the level of business rates increase for 2024/25.
Business Rate Increases	Business rates are projected to increase by £144K in 2024/25 as a significant number of the Council's buildings experienced an increase in business rates as part of the 2023 revaluation. Increases are capped over a transitional period.



4.2.8 There is a significant gap between the level of inflationary pressures versus projected increases in council tax and business rates, which further illustrates the challenge the Council faces in absorbing inflationary pressures, while trying to maintain services, (see paragraph 3.3).

4.2.9 The amount of inflation projected in the current year and MTFS period is a total of £5.824Million as shown in the chart below, versus an increase in council tax of £1.06Million over the same period. This illustrates the funding gap that needs to be addressed (before any other pressures (see section 4.3)) which is exacerbated during periods of high inflation.

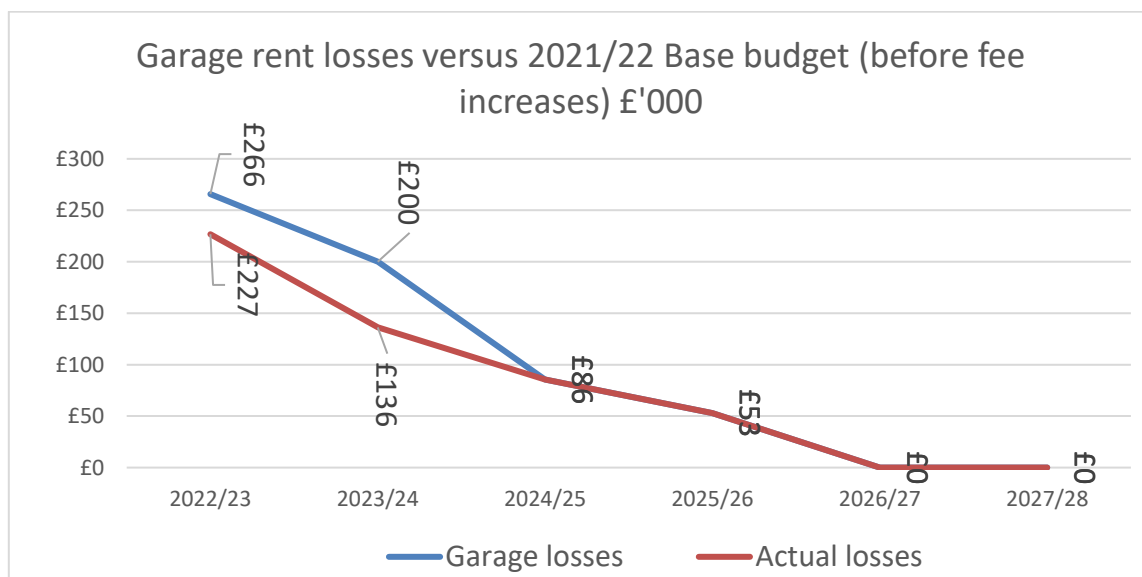


### 4.3 Other General Fund Pressures and Savings

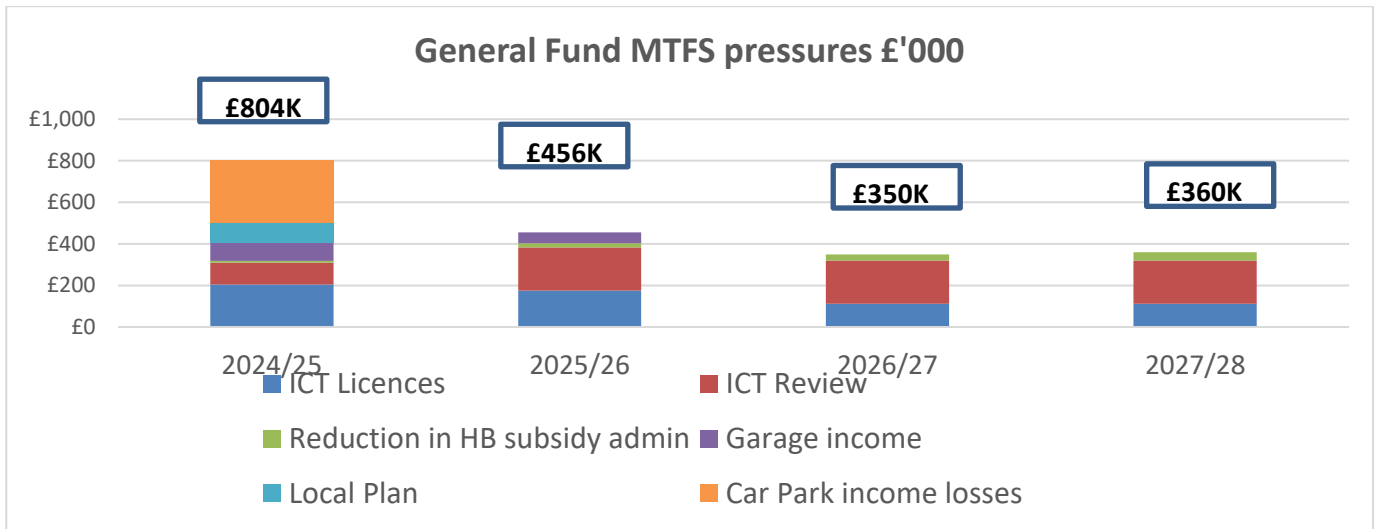
4.3.1 In addition to the inflation challenge, the MTFS makes some assumptions about other pressures for the General Fund which include:

- ICT Pressures** -The Shared ICT Council partners commissioned some work on the ICT service regarding its direction of travel from the Society for Innovation, Technology and Modernisation (SOCITIM) to include consideration of what the 'right size' of the operation would be to deliver on both Councils priorities. This review highlighted that ICT service lacked capacity to properly undertake its functions. A report will be presented to the Joint ICT Committee and, following that, to each Council's respective Executives, setting out the rationale for investing in the service, which is anticipated to return savings after a two year period. The level of savings is yet to quantified however the impact on the General Fund is projected to be £104K in 2024/25 and then £208K in 2025/26 (full year implementation). This growth is not yet approved but has been modelled in the MTFS.
- Microsoft Licences and other ICT software and Hardware related costs**-A root and branch review of hardware and software costs and licences has been carried out by the new Assistant Director for ICT and this has identified that there are additional licence cost pressures relating to the Council's ICT operations and the General Fund share is £204K (2024/25), £175K (2025/26) and £112K (2026/27).

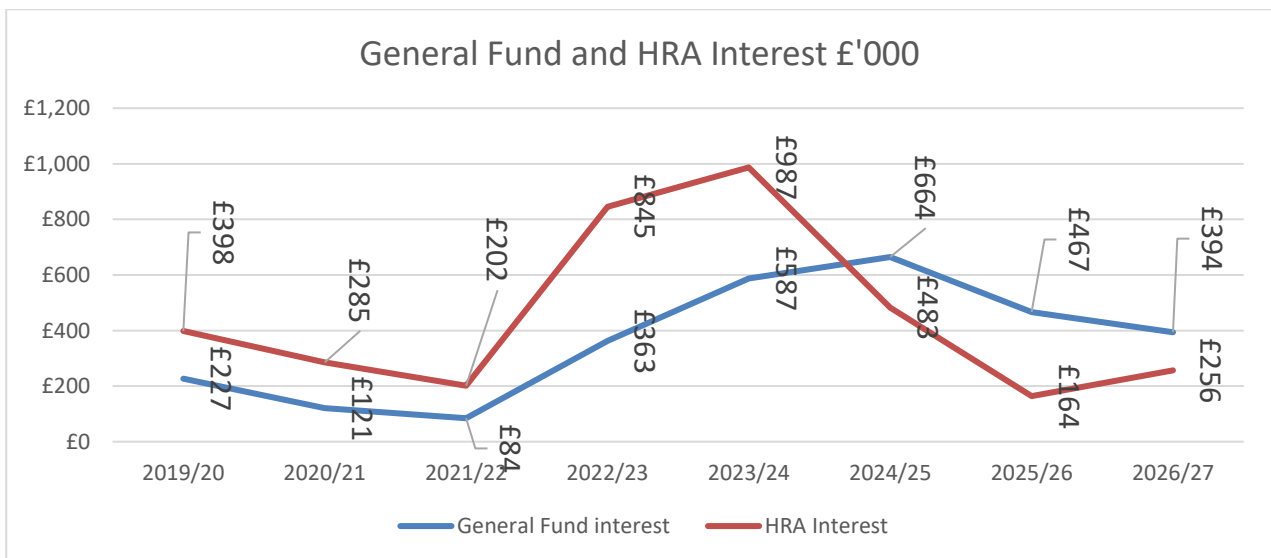
- Car Park Income-** income continues to be lower than pre-COVID levels, (2020/21 £2Million lower, 2021/22 £1.5Million lower, 2022/23 £928K lower, 2023/24 £600K lower). As those numbers show there has been a gradual increase in income and it is assumed that there will be a further £300K income reduction into 2024/25. However, this will need to be monitored and if the income level doesn't improve, then a permanent reduction for the General Fund will need to be factored in and/or alternative user groups targeted.
- Garage Income-** This has been updated in the MTFS to reflect the garages that are not able to be rented due to asbestos issues. However, projected in the MTFS 2022/23 this was a £265K reduction, 2023/24 £200K gap, 2024/25 £150K. The introduction of on-line garage lettings and the targeted approach to avoidable voids and the refurbished garages through the Garage Improvement Programme (GIP) has led to an improvement in income being reported in the quarter one monitoring report in the current year. The forecasted gap of £85K in 2024/25 should reduce to £53K in 2025/26 before fee increases. Work has been commission regarding the options for the asbestos impacted garages and the Estates team are reviewing the opportunities around the sites. However, all options are likely to require significant financial investment.



- Local Plan-** There is a requirement to carry out a number of studies for the next Local Plan update. This cost will be in addition to the planning reserve which also used to fund some of the outputs required.
- Housing Subsidy Admin-** Subsidy payments are based on caseload which is reducing although the workload has not reduced at the same rate due to the increased real time information and changes of circumstances. The MTFS is assuming a £10K reduction in cost per year.

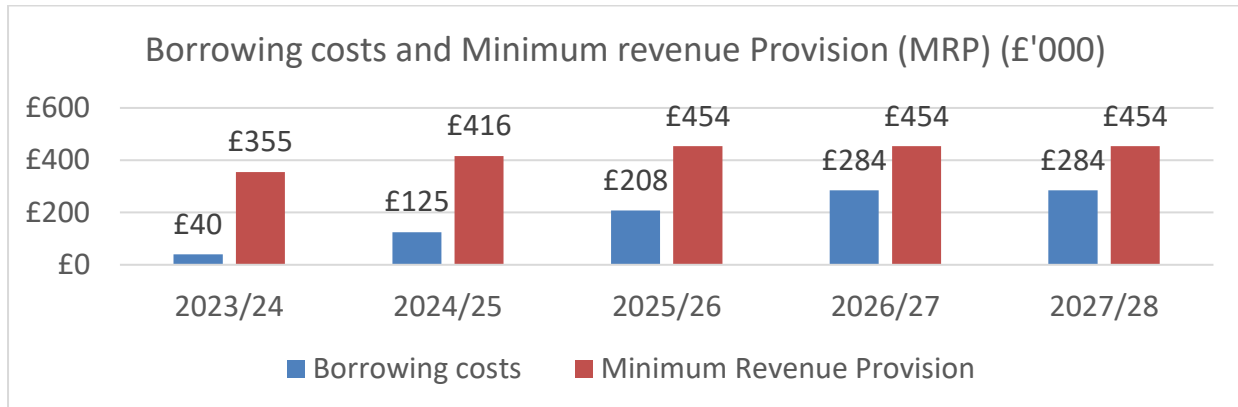


4.3.2 **Investment income** has partly offset some of the General Fund Pressures in the Medium Term as currently projected, however this cannot be relied on to reduce General Fund net expenditure on-going because it is linked to changes in the Bank of England base rate. The quarter one monitoring report identifies an increase in income due to the base rate rises (from 4% in January 2023 to 5.5% August 2023). The chart below shows the annual predicted income with an average interest rate of 5.18% predicted for 2023/24 and the level of reserves held by the Council, reducing to 2% by 2026/27. This is tracked as part of the quarterly monitoring process. In addition, as interest rates have risen the Council has not taken all the borrowing for 2022/23 and 2023/24 as PWLB borrowing rates are high. The CFO has agreed some limited 2023/24 HRA borrowing and General Fund borrowing (for the GIP programme) in 2024/25, in the expectation that borrowing rates fall.



4.3.3 **Cost of Borrowing** has reduced for the General Fund in 2023/24 because instead of taking PWLB loans at a higher than budgeted rates, internal borrowing has been utilised instead, this in effect dampens down investment interest but does allow the loans to be taken at a more advantageous time when borrowing rates are lower. An assumption is that some borrowing will be taken in 2024/25 when rates are predicted to start falling. There is a limit to the amount of General Fund

(and HRA) internal borrowing that can be enacted as the Council needs to predict levels of future balances and leave sufficient balances for cashflow purposes.

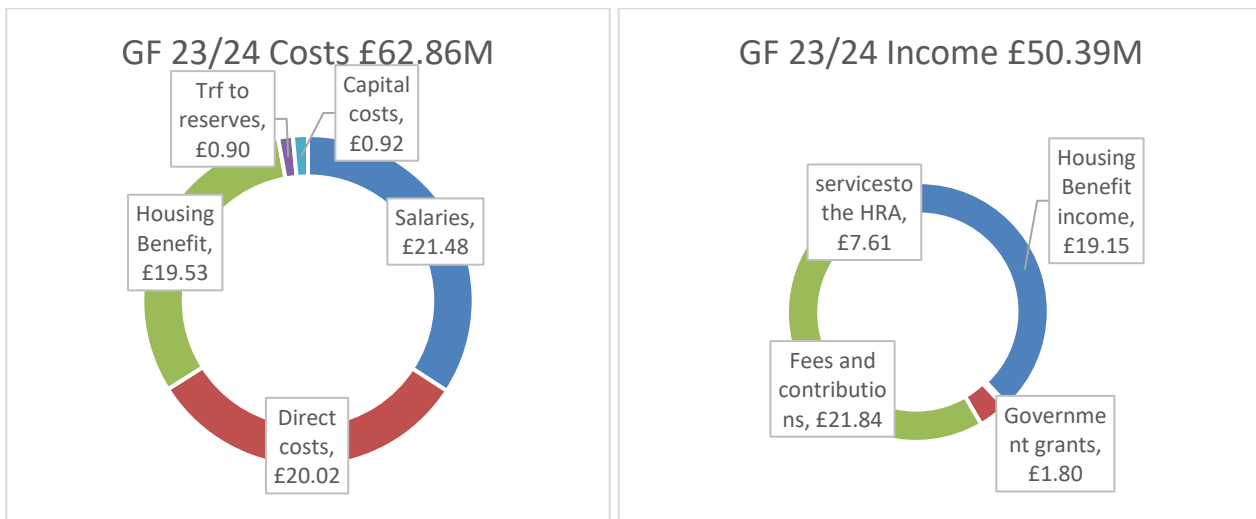


**4.3.4 Set up costs for SG1 project - Swingate site:** The Council approved a budget of £150K to set up a joint venture with Mace at the July 2023 Executive and Council, however this is likely to be nearer £50K and Members will be updated once the costs are concluded. Negotiations are continuing with Mace on the Heads of Terms and joint venture (JV) vehicle. In order to get to final construction costs and a detailed delivery plan, there is a need to spend circa £225K (by both partners) on professional fees ahead of entering into the JV, to ensure that the financial model and plans are in line with that previously reported to Executive and Council. Members should note that the spend is included in the JV total expenditure, not an additional cost. But, the Council would still be liable for £225K plus set up costs spent to date should the Council chose not to enter into the agreement. The CFO recommends that officers are authorised to sign a letter of intent to that effect and that should the JV not be formed the monies are transferred from the business rates reserve.

**4.3.5** The Council has also made a successful bid for £700k funding from the Homes England One Public Estate programme, which is intended to support the delivery of challenging brownfield sites. This funding is to be used to support highways and access changes to the Swingate site within the SG1 scheme, to help support delivery of the project and will reduce the construction costs in the JV. Works are expected to commence in the 4<sup>th</sup> Quarter of 2023/24.

#### **4.4 General Fund Resources available to fund the Net Cost of Services**

**4.4.1** The original 2023/24 General Fund net budget was £12.63Million, before any of the changes that have been identified as part of the quarterly monitoring reports or this MTFs update.



4.4.2 The cost of General Fund services is not fully funded through fees and charges, grants from central government i.e. flexible homeless grant and NDR admin allowance and housing subsidy grants. This means the Council sets a General Fund annual net expenditure budget.

4.4.3 The General Fund only has three 'core income resources' to meet the annual cost of providing services for local people and businesses, namely council tax, retained business rates and any additional non service specific government grants such as the service grant or the 3% income guarantee grant, the latter of which cannot be guaranteed. 2024/25 will be the sixth one year grant funding, making planning in the medium term very difficult.

4.4.4 The ongoing uncertainty around government funding levels compounds the difficulties in trying to set a balanced budget and in reality council tax increase levels have been capped below inflation levels increasing the reliance on having to make savings to maintain services as highlighted in paragraphs 3.3-3.10 of this report.

## 4.5 Business Rates

4.5.1 Retained business rates are the amount above which the government allows Councils to keep business rates generated in their boundary. This is calculated by:

Step one - The government sets a baseline need value - this is assessed as the amount needed based on the funding formula.

Step two – The Council collects business rates in Stevenage, net of reliefs, and keeps a notional 40%, (50% is sent to the government and 10% to Hertfordshire County Council).

Step three- Calculate the amount of section 31 grant due to the Council based on reliefs the government has legislated (post the business rate methodology was introduced), given to reduce the amount of collectable business rates (retail reliefs, extended small business rate relief, zero rating increases in business rates).

Step four -The government applies a tariff which then reduces the collected 40% share of business rates and reliefs (based on the last revaluation on rates), so that it is closer to the baseline need (as identified in step 1).

Step five - If there are still gains after step 4, a further levy is applied at 50% so effectively any gains above baseline need are split 50:50 with the government

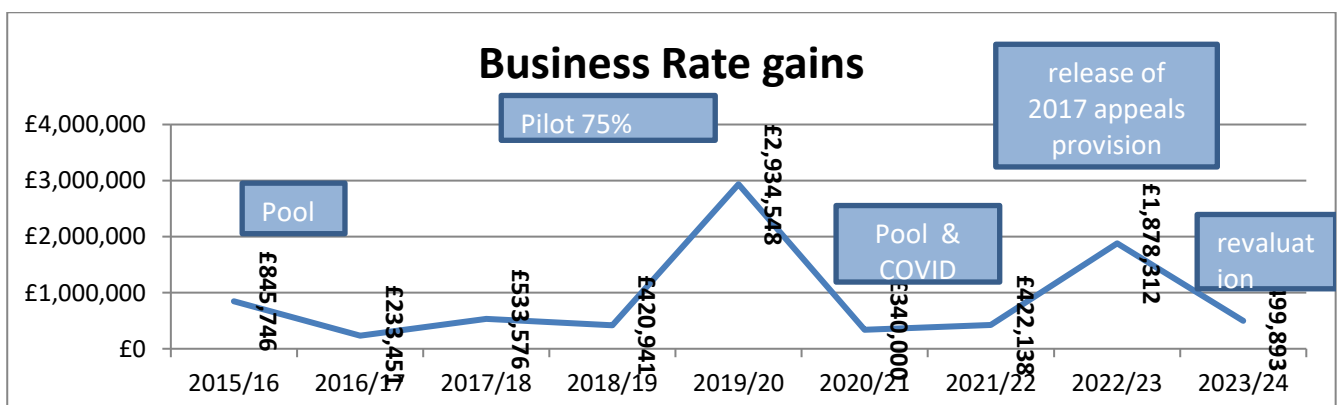
Or In the event that there are in fact losses (i.e. less business rate income was received than the baseline) SBC must fund the first 7.5% below the base line need (approximately £180,000). The rest of the losses are funded by the government via the ‘safety net’

Step six - The levy, safety net and section 31 grants are paid based on the amount due in year, all other payments are paid based on estimate with gains and losses due/paid in future years.

4.5.2 Stevenage has benefited historically from business rate gains, which have been influenced by a number of factors such as opportunities to pool gains among councils or the pilot where Hertfordshire Councils kept 75% of all business rates. However, SBC has only been in the ‘Hertfordshire pool’ twice and the government has only allowed Hertfordshire Councils to be in one pilot scheme. This adds complexity to projecting income and, in addition to this complexity, gains are not realised in the year they were achieved but are based on the prior year estimates.

4.5.3 Members should be aware that implementing further retention and the reset of business rates baselines, alongside the wider reform of the distribution of funding through the Review of Relative Needs and Resources (the “Fair Funding Review”), has been repeatedly moved back, the Government has confirmed its commitment to this (at the 2021/22 Local Government Finance Settlement), but has been unable to implement the reforms. This means the actual levels of business rates collected by local authorities have become increasingly decoupled from their baselines (target levels) which were set in 2013. Any future “reset” of the system could therefore see significant changes in baselines meaning, authorities like Stevenage which benefits from gains could see a reduction in funding.

4.5.4 The reforms that have taken place have revalued businesses, the last one was also a revaluation for 2023 based on the 2021 year. Unlike the previous revaluation in 2018, this has led to an increase in collectable business rates in Stevenage. It could also lead to more appeals therefore an amount has been set aside to deal with those claims.



4.5.4 This business rate system, whilst allowing SBC to benefit from gains, is hard to predict as income fluctuates between years and can be reset to reduce the net annual amount retained as stated above with the Government delaying the fair funding review as outlined in para 4.5.3. This makes income difficult to ‘bank’ on and to use business rates as a source to fund on-going services. Accordingly, such gains have been used to increase financial resilience or fund priority one off growth pressures. The CFO considers that based on prior years gains it would still be prudent to assume an amount of £200K per year for 2024/25-2027/28 as this is below the level achieved in historically to support service expenditure and also the likely growth in life sciences in the town is likely to generate higher business rate yields.

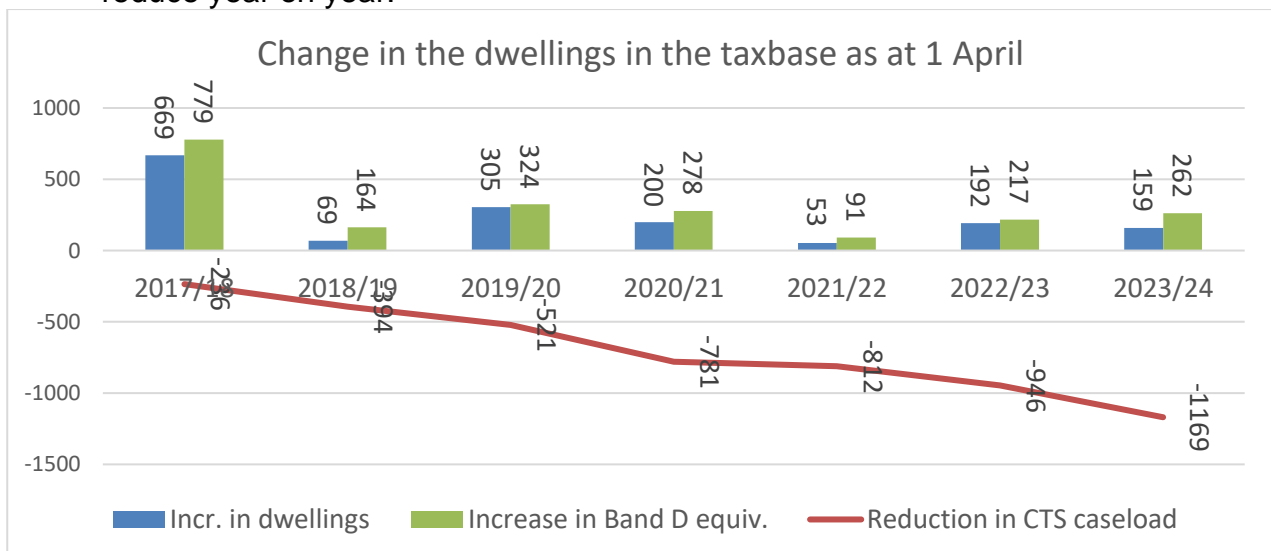
4.5.7 The Business rate yield for 2023/24 is broadly in line with the 2023/24 original estimate and is tracked on a monthly basis. Members will be updated as part of the November Balancing the Budget report on the projected level of business rates for 2023/24.

4.5.8 The business rate inflation projection built into the MTF5 is 6% for 2024/25, 4% 2025/26 and 2% thereafter.

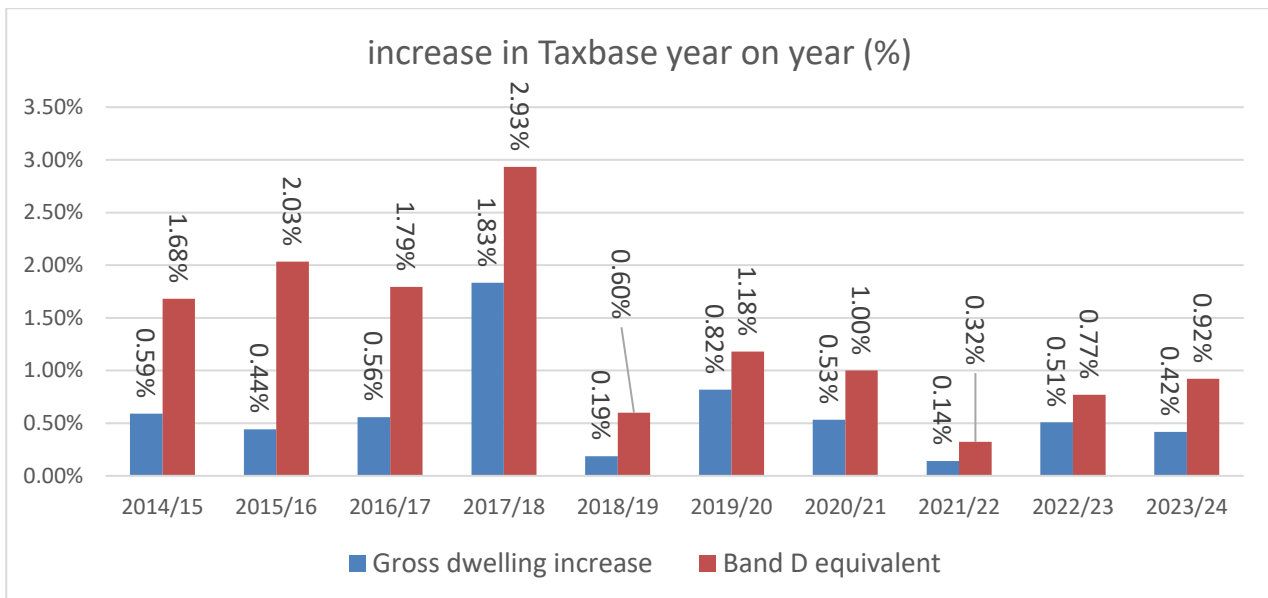
#### 4.6 Council Tax

4.6.1 The amount of council tax that can be raised annually is influenced by two factors, firstly the growth in the tax base and secondly the inflationary increase applied each year. The tax base estimates when new properties will be brought into use and converts this to Band D equivalents for the year, together with all the existing properties and discounts given.

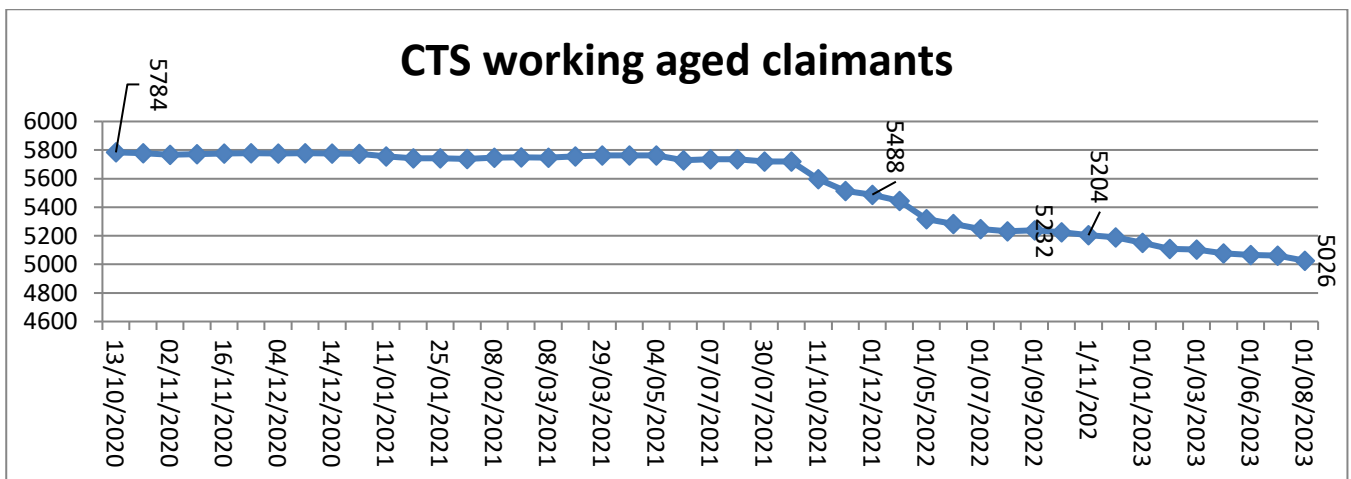
4.6.2 The tax base is calculated based on an estimate of the gross dwellings in Stevenage, reduced by the amount of discounts, (single person discount, council tax support and other exemptions). The increase in new properties fluctuates significantly based on economic development, however the net number of Band D properties has exceeded the new homes in the town (which should be less as there are more properties banded A to C), not because they equate to Band E and above, but because the level of Council tax support (CTS) claimants continues to reduce year on year.



4.6.4 The increase in the taxbase does fluctuate from year to year depending on new properties, CTS and discounts applied, as shown below. This is the amount preceptors will be able to levy council tax on.



4.6.5 Predicting the taxbase for 2024/25 is difficult as there could be an increase in the council tax support (CTS) caseload, as a result of the current cost of living crisis. A spike was seen temporarily during the COVID pandemic but the caseload subsequently reduced. The shared Revenue and Benefits service has been promoting the CTS scheme.



4.6.6 in terms of modelling, the 2023/24 taxbase assumed 5,226 CTS claimants (which equated to the November 2022 caseload plus an allowance for new properties). The actual number of claimants is 200 (3.8%) less. Using the current taxbase to scenario plan for 2024/25 plus 1% of growth indicates that there is headroom to absorb additional CTS cases if they arise as a result of the current economic conditions. This will be monitored up to when the taxbase is approved in January for 2024/25. The current net tax base is 28,330 as at 1 August 2023, compared to the yearend target of 28,153 (after allowance for bad debt), which is 177 band D equivalents higher (mainly due to the reduction in the CTS caseload), equating to an additional £41,103 for Stevenage for a full year.



4.6.7 Overview and Scrutiny met in July 2023 to review the existing CTS scheme to determine whether it should be amended to a banded scheme to reflect the caseload transitioning from housing benefit to universal credit (UC), to allow for the increased changes under UC. Members recommended that the CTS scheme remain unchanged at a maximum discount for working aged claimants of 91.5%, until such time there is a significant roll out of Universal Credit. This will be revisited in 2024/25.

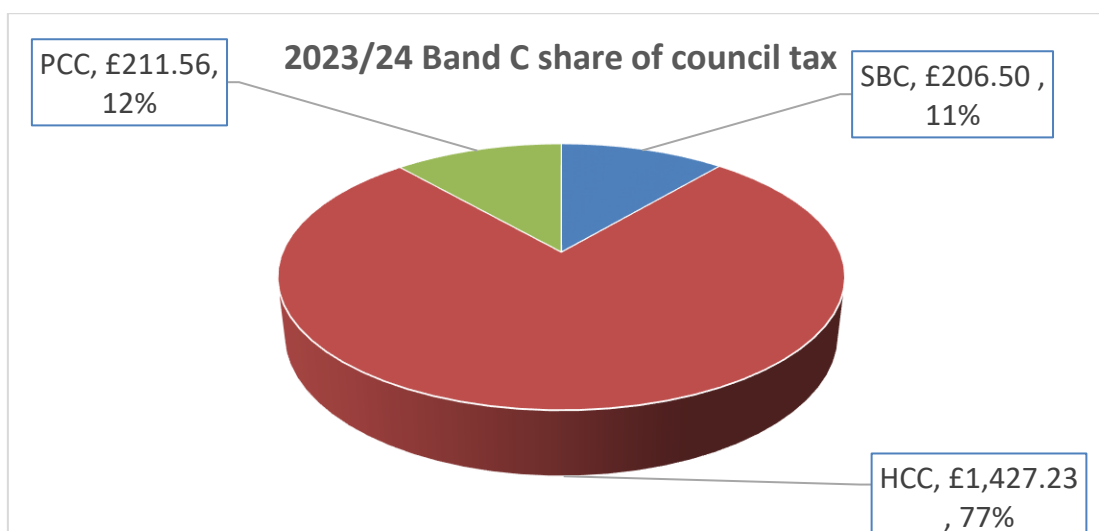
4.6.10 The MTFS assumed a net annual growth in the council taxbase of 0.75% per year. For 2023/24 it was only a 0.53% increase projected with an assumption of gross property numbers of 38,310 (which equates to pro-rata 38,263 based on when -new properties come into the taxbase). Looking at new properties in the 2023/24 taxbase, at the 1 August there are 38,186, which is 124 properties less than estimated for 2023/24 for a full year. However, based on the overall increase in the taxbase, (mainly due to the reducing CTS levels), the 2023/24 taxbase growth increase for 2024/25 has been modelled at 1%.

4.6.8 The MTFS currently includes a 2.99% increase in council tax for modelling purposes for 2024/25 and thereafter 1.99%. This rationale is based on the Government’s projections for Council’s core spending power (for 2023/24 and 2024/25). The table from the government’s Autumn Statement presentation shows a similar increase in Council tax increases (CT) for both 2023/24 and 2024/25 and stated that nationally that this will make available an anticipated additional £1.8Billion to Councils over the next two years, if Councils make use of the flexibilities available (5% total per annum). However, Members should note that a 3% increase is well below current levels of inflation and is estimated to generate only an extra £263K increase in income which is 18% of the inflationary pressures for 2024/25.

Change in Funding for Core Services	2023/24	2024/25	TOTAL
Change to CT Assumptions	0.6	1.2	1.8
Repurposed ASC Funding	1.3	1.9	3.2
New ASC Funding in LGDEL	0.7	1.2	1.9
Removal of NICs	-0.2	-0.2	-0.4
<b>TOTAL</b>	<b>2.4</b>	<b>4.1</b>	<b>6.5</b>

*\*extract from Autumn statement November 2022*

4.6.9 Members are aware 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 make up 57% of total properties in Stevenage), Stevenage Borough Council only retains £206.50 or 11% of the total charge as shown below.



#### 4.7 Finance Settlement including New Homes Bonus (NHB) and Support Grants

4.7.1 The 2023/24 finance settlement assumed a 3% overall increase in funding before council tax increases or use of reserves. The CFO has assumed the bottom-line funding position will be similar for 2024/25 and the rationale and values are shown in the table below. Beyond 2024/25 no assumptions have been made around NHB, Service Grant or the 3% guarantee due to the uncertainty around future funding models.

Finance Settlement (2023/24)	2023/24		2024/25	
	Provisional Settlement	Final	MTFS	Assumption
Business Rates	(£2,668,704)	(£ 2,668,704)	(£2,828,827)	6% CPI increase
Under indexing	(£ 454,589)	(£ 454,589)	(£ 482,000)	
<b>Total Business Rates</b>	<b>(£3,123,293)</b>	<b>(£ 3,123,293)</b>	<b>(£3,310,827)</b>	
Revenue Support Grant	(£ 102,052)	(£ 102,053)	(£ 108,120)	6% CPI increase
New Homes Bonus (NHB)	(£ 86,736)	(£ 86,736)	(£ 10,000)	see para 4.7.3
Services Grant	(£ 99,927)	(£ 104,040)	(£ 100,000)	Assume 3% increase from 2023/24 in 2024/25
3% guarantee	(£ 82,513)	(£ 78,399)	(£ 70,410)	
<b>Total</b>	<b>(£3,494,520)</b>	<b>(£ 3,494,521)</b>	<b>(£3,599,357)</b>	

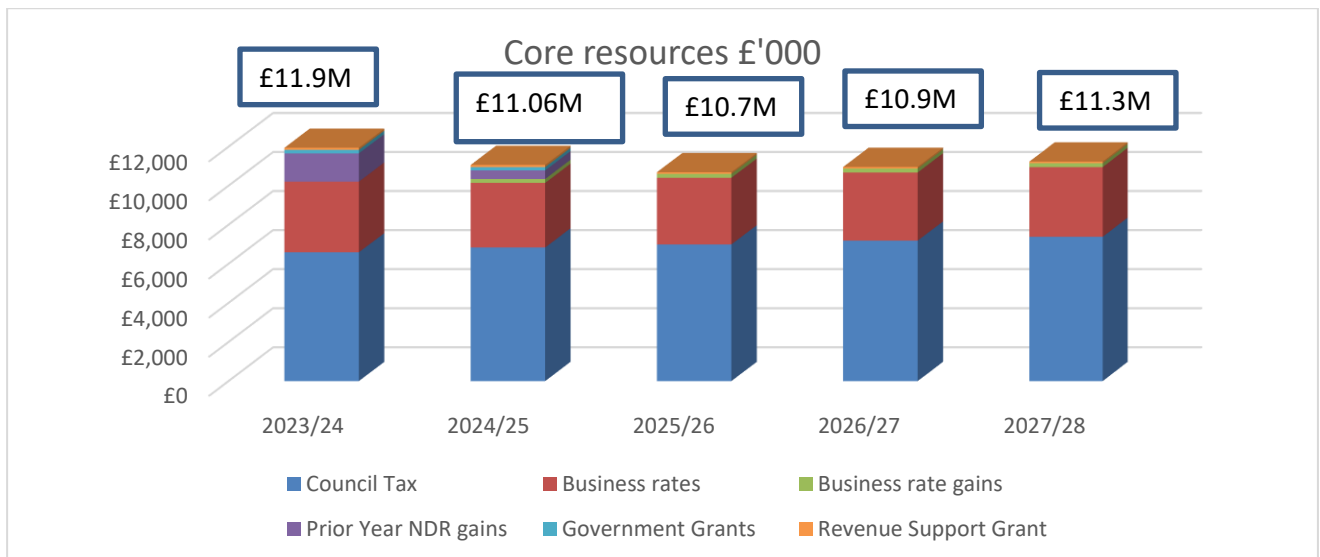
4.7.2 **NHB** was introduced in 2011/12. Essentially money is paid to Council's based on the increase in properties in the tax base, (top sliced from nationally business rate revenues). The scheme has been amended over the last few years which has made it less financially beneficial to Council's, by:

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

4.7.3 The Council received £86,736, (£32,200 in 2022/23, including a legacy payment of £8,400), The government is likely to continue with the scheme for a further year

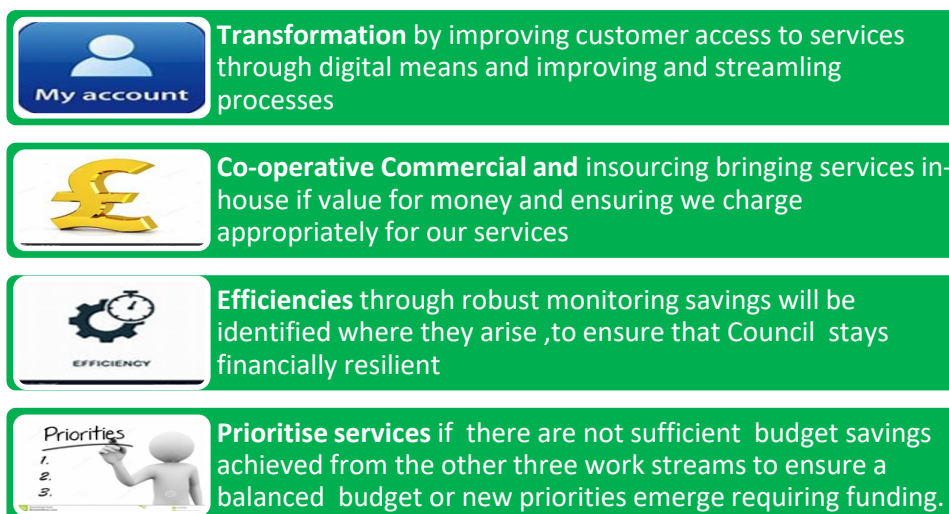
but beyond that has indicated a reform of this revenue stream. As at 1 August 2023 the NHB calculation showed that SBC was 33 properties below the threshold to qualify for a payment. With the calculation for NHB based on the number of new properties (Council Tax base, taken mid-September, CTB1), It is unlikely the threshold would be reached, a nominal amount has been included of £10,000 in 2024/25 for the affordable housing element, with no future income has been included in the MTFs beyond 2024/25.

- 4.7.4 **Service Grant and income guarantee funding** an assumption has been included in the MTFs for 2024/25 assuming a similar 3% increase overall as in 2023/24. The service grant numbers were distributed via 2013/14 Settlement Funding Assessment (SFA) shares. If the government did not continue this funding formula there would be a shortfall in grant funding of circa £170K in 2024/25, however General Fund balances are sufficient in 2024/25 to be able to absorb the shortfall. In that situation the 'balancing the budget target may need to be increased in future years.
- 4.7.5 The MTFs makes no assumption about '**Extended Producer Pays**' funding initiative which the Department for Environment and Rural Affairs (DEFRA) was due to introduce for 2024/25. This would have seen Councils compensated by packaging producers for the costs of efficiently and effectively managing household packaging waste collected from households. The Government announced earlier this the summer that implementation of the scheme would be delayed which is unfortunate as it may have become a new funding stream. No assumption has been made in the MTFs for future years until there is more certainty about the level of potential income but it remains a future opportunity if it's payable in addition to currently assumed Business rates retained.
- 4.7.6 The MTFs Core resources estimated for the period are summarised in the following chart and the reduction between 2024/25 and 2025/26 reflects the removal of the 3% guarantee and service grant (introduced for 2023/24 and modelled in 2024/25) and the reinstatement of the 'negative' Revenue Support Grant for 2025/26.
- 4.7.7 This highlights the difficulty in predicting government funding, which they have already stated has yet to be formulated from 2025/26 onwards. The majority of core funding comes from council tax which increases from 62% in 2024/25 to an estimated 66% by 2027/28. This also illustrates that core resources will not cover even the increase in inflationary pressures outlined in paragraph 4.2.9.



## 4.8 Balancing the Budget (Making Your Money Count)

4.8.1 The Balancing the Budget 2023/24 Cooperative Corporate Plan programme used to ensure that the Council remains financially resilient whilst striving to deliver against its service and high-level ambitions across both the General Fund and the HRA. Balancing the budget consists of four main streams. The graphic below sets out the process for 2023/24 onwards.



4.8.2 **Transformation (including digital)** –Members approved a set of principles to be applied to securing improvements to customer access to services, through the use of digital design at the August 2021 Executive meeting A further report outlining progress being made against this work stream is included on this Executive meeting agenda. Customers are at the heart of the Council’s services, so the aim of the programme is to ensure that they will be served in a straightforward way, with resolution at the first point of contact and, where deemed possible, through the provision of easy to access online services that are so good, people choose to use them. This will be achieved working cooperatively with residents to make sure services are designed with their support.

- 4.8.3 The MTFS assumes a fund of £300K for the period 2023/24-2027/28 and Members are asked in principle to approve the 2024/25 allocation to facilitate the release of the savings outlined in the Transformation report to this committee. The Transformation programme will deliver savings for both the General Fund and HRA in the medium term.
- 4.8.4 **Commercialisation & Insourcing** -The Council approved its Co-operative Commercial and Insourcing Strategy at the 12 August 2020 Executive. A revised strategy will be presented to the Executive at its October 2023 meeting. This strategy set out a number of work streams which are overseen by an Executive working group. This work has already contributed to Balancing the Budget and the October report will also include proposed fees and charges increases for 2024/25.
- 4.8.6 A further update on the work arising from the Co-operative Commercial and Insourcing Strategy will be included in the November 2023 Balancing the Budget Report to the Executive.
- 4.8.7 **Efficiency savings** are reported and removed from the General Fund as part of the formal quarterly monitoring process and were included in the 2022/23 4<sup>th</sup> quarter monitoring report and also in the 2023/24 monitoring report to this committee. However, these are becoming more difficult to realise which places more emphasis on the two strands identified above to deliver budget reductions. Opportunities around utility savings and commercial income lease renewals are anticipated
- 4.8.8 The last strand of the programme is to **prioritise services**. If a funding gap remains for the General Fund post taking action in relation to the previous activities, then the final option is to reduce the level of service provision after giving due regard to the Council's stated priorities. In 2022/23 and 2023/24 the Council had to reduce discretionary spend and ceased both the Community Transport and Play services. As noted previously the financial pressures experienced by Councils over the last four years have been exacerbated by COVID with the cost of living crisis adding further pressure. As set out in section 4.2, while utility costs are predicted to reduce in year pay inflation pressures add additional in year pressures to the General Fund for 2022/23-2023/24.
- 4.8.9 The CFO does not consider it prudent to set an undefined savings target for any of the Balancing the Budget workstreams, as any interventions need to be identified, scoped, discussed with and ultimately agreed by Members. Furthermore, setting an undefined target would compound risks to the budget and the Council's financial resilience.

## 4.9 Balancing the Budget Target

- 4.9.1 The General Fund MTFS has had to set an annual Balancing the Budget savings target due to the level of funding reductions and increased financial pressures as set out in this and previous reports. The previous target for 2024/22-2026/27 was £2.48Million.
- 4.9.2 Since approving the 2023/24 budget in February 2023, a number of factors have affected the level of savings which are required. These are:

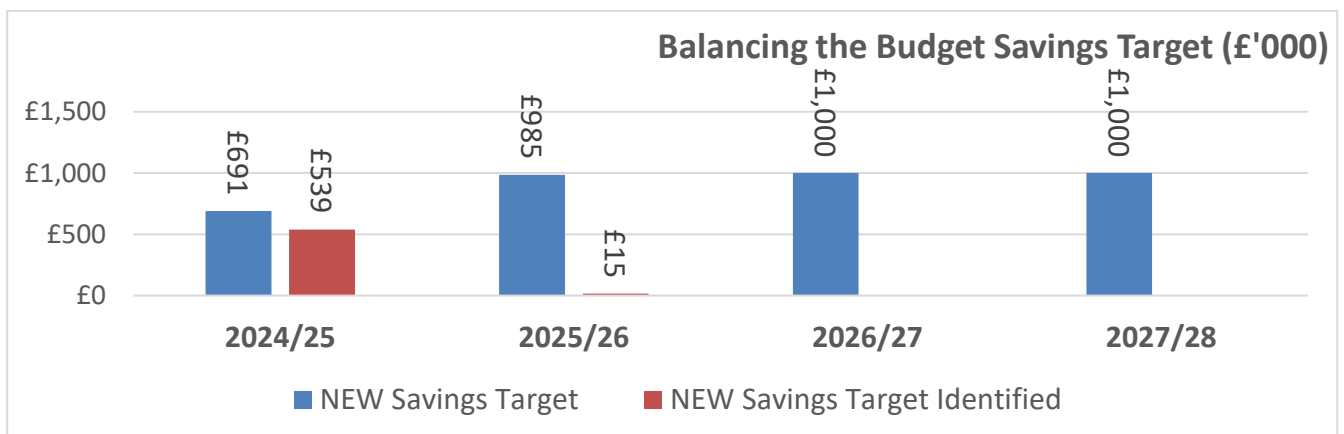
- Increase in 2023/24 pay inflation, (based on current employer offer) as a result of the rise in the living wage levels leading to an on-going pressure of £457K (after estimated recharges to the HRA).
- An increase in the estimate for pay in 2024/25 from 3% to 3.5% based on the levels of inflation, which has increased costs in 2024/25 by a further £164K than was previously estimated.
- On-going impact of lower parking income, with an estimated loss of £300K in 2024/25 (reducing from £600K in 2023/24).
- 2024/25 ICT pressures as outlined in paragraph 4.3.1

4.9.3 There are a number of mitigations that have dampened the impact of the financial pressures identified above and these are:

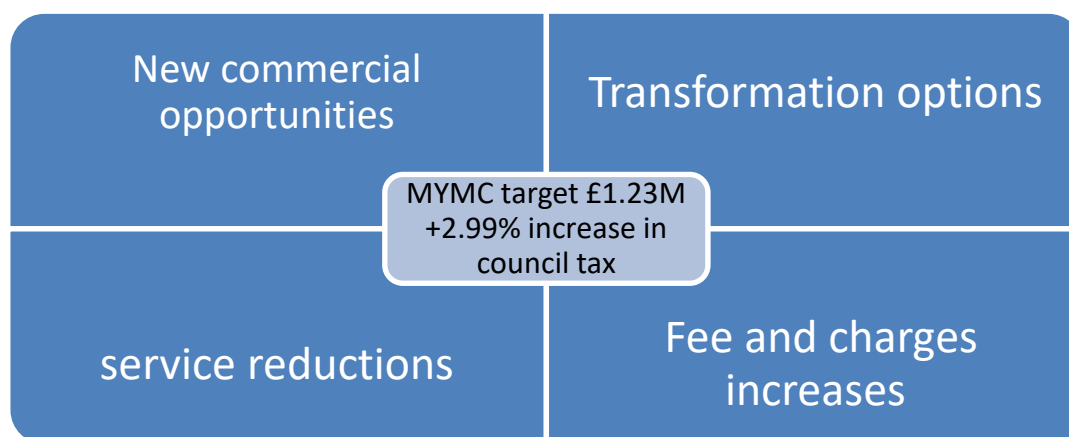
- The 2022/23 outturn position was a net underspend of £269K after carry forwards, which the Executive approved should be used to help maintain financial resilience.
- 1<sup>st</sup> quarter monitoring net cost reductions fund the projected additional 2023/24 pay award costs based on the employer's current offer (although this needs to be funded on-going in the MTFS)
- The Garage Improvement Programme (GIP) is estimated to generate a further £90K of income by the end of 2024/25
- Investment income has increased for the General Fund in 2023/24 and 2024/25, which reduces in the medium term and is partly netted of by higher borrowing costs
- The CFO recommends the use of business rate gains of £200K per annum for the period 2024/25-2026/27 to support the General Fund based on the current level of gains, while still allowing one off funds for priorities as previously approved.

4.9.4 In setting the savings target, consideration needs to be given as to whether the target sum is achievable in any given year versus setting an amount which delivers no draw on balances. This should be done whilst at the same time, ensuring the Council is still able to deliver on its priorities and that a budget can be set with a prudent level of balances.

4.9.5 The projected budget gap for 2024/25 is £1.54Million (before savings) and net costs outstrip resources in the MTFS compounded by significant uncertainty around future central government funding. Accordingly, the CFO recommends that a level of new savings over the MTFS is estimated to be £4.2Million and over the next three years is £3.2Million as set out below.



- 4.9.6 Although the target for 2024/25 is currently projected to be £1.23Million, a number of savings opportunities have been identified to help meet that target including, commercial lease renewals of potentially £186K (including new shops at Kennilworth) and a reduction in homeless costs of £100K as reported in the 1<sup>st</sup> quarter monitoring report. This leaves an estimated £691K to be identified from the ‘Balancing the Budget’ work streams as identified in section 4.8. Members will have an opportunity to consider the Balancing the Budget options at the November 2023 Executive meeting.
- 4.9.7 The planned approach will enable the Council to achieve a level of savings in any one year whilst continuing to deliver on priorities. Crucially the Senior Leadership Team anticipate that the Transformation programme will unlock savings in 2024/25 onwards which should ease financial pressures on the Council. However, this is subject to inflationary pay and contract pressures reducing beyond current levels and no further erosion of government funding and the return to ‘normal levels’ for car parking income and recycles.
- 4.9.8 A £1.23Million savings target will be challenging to meet and will undoubtedly necessitate the Council taking a blended approach, potentially requiring options to be presented from all four strands of the Balancing the Budget work stream. As has been the case in previous years the Senior Leadership Team has instigated a ‘star chamber’ approach to reviewing current expenditure and income to identify a range of options for Members to consider during September and for inclusion in the November Balancing the Budget report.



- 4.9.9 There are a number of opportunities that could contribute to future years savings targets which are currently not included in the MTFS including;
- Building a new leisure centre by 2026/27 will generate a reduction in the cost of the management by an estimated £1Million. This will be included in the MTFS once the funding strategy for the leisure centre is finalised. This is because a proportion of the saving may be used to support the cost of borrowing.
  - A reduction in utility costs for Council’s leisure building would see a reduction in the cost of the leisure management contract for 2024/25, this has not yet be quantified, but may yield a saving, however utility costs are anticipated to increase in excess of CPI so this could both contribute or increase the savings target.

- Extended Producer Pays (EPR) early funding calculations would see a significant funding for the cost of waste disposal and recycling. This service is estimated to cost the Council £2.5Million in 2023/24 (Original Budget). The EPR scheme excludes green waste and does not cover all costs but could become a significant income source for the Council. This has been delayed for a year already and it is not clear whether other funding reforms would offset the increase in income.
- Reduction in operational building costs with the building of the Council's multi-partner hub building in the town centre as part of SG1 regeneration programme.

4.9.10 The current MTFS principles require a contribution to balances by 2025/26 and the MTFS now predicts this to be 2027/28 which includes a requirement to find £4.23Million savings.

4.9.11 Based on the latest MTFS projections, a review of the MTFS principles has been undertaken and the following amendments are recommended.

No	MTFS principles
1	To remove the General Fund's reliance on RSG by 2019/20 when the funding is removed and achieve an on-going balanced budget <b>by 2025/26</b> (by ensuring inflationary pressures are matched by increases in fees and income or reductions in expenditure from 2025/26 <b>Amended to:</b> To ensure the financial resilience of the General Fund that any net funding gap is reduced by 2027/28
8	To propose Council tax increases in line with inflation for modelling purposes with any increase above inflation used to achieve a balanced budget. <b>Amended to:</b> To propose Council tax increases in line with the Government 's annual thresholds for modelling purposes to ensure that the General Fund core resources are sufficient to meet the cost of running the Council's services
10	The Council does not depend upon short term sources of funding such as New Homes Bonus or business rate gains. <b>Amended to:</b> The Council does not depend upon short term sources of funding such as business rate gains and in any one year only allows a proportion of the gains to be retained in the General Fund based on the MTFS projections.

#### 4.10 General Fund Balances and Reserves in the MTFS

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



4.10.2 The Council's General Fund balances projected in the MTFs are summarised in the table below and requires the £4.2Million savings to be modelled in the MTFs.

<b>General Fund balances</b>	<b>2023/24 £'000</b>	<b>2024/25 £'000</b>	<b>2025/26 £'000</b>	<b>2026/27 £'000</b>	<b>2027/28 £'000</b>
<b>Opening Balance</b>	(£5,954)	(£4,613)	(£4,303)	(£3,680)	(£3,355)
<b>In Year</b>	£1,340	£310	£624	£325	(£61)
<b>Closing Balance</b>	(£4,613)	(£4,303)	(£3,680)	(£3,355)	(£3,416)

() equals surplus

4.10.4 Guidance issued by CIPFA emphasises this requirement, particularly in light of the responsibilities placed upon the S151 Officer on an annual basis (under the Local Government Act 2003), to report on the adequacy of proposed reserves when Council sets the council tax for the forthcoming year.

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

4.10.6 Reserves can be held for three main purposes:

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

4.10.7 In order to assess the adequacy of unallocated general reserves when setting the budget, the CFO must take account of the strategic, operational and financial risks facing the authority.

4.10.8 In terms of determining the level of general balances, the CFO has based her advice on consideration of the factors included in the table below which projects a £3.50Million (2023/24 £3.42Million) minimum level. This is higher than in previous years due to the legacy impacts of COVID combined with a period of higher inflation. This assessment is indicative at the current time and will be further reviewed as part of the budget setting process.

<b>General Fund balances Minimum Level Assessment</b>	<b>2023/24 £Million</b>	<b>2024/25 £Million</b>
<b>Amount to cover a 1.5% overrun in gross expenditure</b>	£0.66	£0.70
<b>Amount to cover a 1.5% overrun in gross income</b>	£0.91	£0.75
<b>Amount to cover pay award above the budgeted amount</b>	£0.20	£0.40

General Fund balances Minimum Level Assessment	2023/24 £Million	2024/25 £Million
Amount to cover higher prices with higher than forecast inflation	£0.24	£0.60
Amount to cover fee and charges losses through price fluctuation	£0.52	£0.30
Amount to increased COVID /cost of living losses	£0.65	£0.30
Amount to increased homeless costs	£0.06	£0.05
Amount to cover risk to Balancing the Budget savings	£0.18	£0.40
<b>Total Estimated General Fund Reserves</b>	<b>£3.42</b>	<b>£3.50</b>

#### 4.11 Allocated Reserves

4.11.1 The Council's Allocated revenue reserve projections are summarised in the table below. The reserves have been categorised as being allocated for a specific use or available to support the General Fund.

Reserves £'000	Opening 2023/24	Use	Closing 2023/24	Use	Closing 2024/25
NHB reserve	(£253)	£243	(£10)	£0	(£10)
Transformation Reserve	(£714)	£351	(£363)	£363	£0
Homeless reserve	(£429)	£335	(£94)	£94	£0
Planning Delivery	(£165)	£0	(£165)	£0	(£165)
Town centre	(£12)	£0	(£12)	£0	(£12)
Queensway Car Park monies	(£79)	(£43)	(£122)	(£43)	(£165)
Regeneration Reserve	(£264)	£27	(£237)	£100	(£137)
Town square reserve	(£1,059)	£63	(£996)	(£376)	(£1,371)
Insurance reserve	(£78)	£10	(£68)	£0	(£68)
ICT reserve	(£327)	£183	(£144)	£100	(£44)
New Leisure	(£150)	£10	(£140)	£0	(£140)
Stevenage works	(£53)	£0	(£53)	£0	(£53)
Asylum seekers reserve	(£50)	£0	(£50)	£50	£0
Capital reserve	(£20)	£20	£0	£0	£0
Future Councils reserve	(£750)	£375	(£375)	£375	£0
New Commercial Property repair reserve	(£41)	£0	(£41)	£0	(£41)
<b>Total Allocated for use</b>	<b>(£4,443)</b>	<b>£1,574</b>	<b>(£2,869)</b>	<b>£664</b>	<b>(£2,205)</b>
Gains (NNDR)	(£656)	(£1,530)	(£2,186)	£458	(£1,727)
Income equalisation Reserve	(£458)	(£300)	(£758)	£150	(£608)
Total Available to support the GF	<b>(£1,114)</b>	<b>(£1,830)</b>	<b>(£2,944)</b>	<b>£608</b>	<b>(£2,335)</b>
<b>Total allocated reserves</b>	<b>(£5,556)</b>	<b>(£256)</b>	<b>(£5,812)</b>	<b>£1,272</b>	<b>(£4,541)</b>

4.11.2 There are balances of £1.941Million estimated at the end of 2024/25 that would be available to support the financial resilience of the General Fund if inflationary pressures continue to increase and if fees and charge are impacted such as recyclates and indoor market rents. (This includes the need to make a further £395K contribution to the General Fund from the NNDR reserve in 2025/26).

4.11.3 There are still a number of reserve projections to be finalised particularly for the Town Square Reserve which supports the cost of holding assets until they are required as part of the SG1 regeneration programme, this will be updated as part of the next MTFS update.

4.11.4 Contrary to the governments view that Councils are holding onto higher level of reserves that could be released (and a number of surveys regarding reserves are currently out for completion), reserves are held for a number of specific reasons such as the Town Square reserve, or due to higher risk levels where funding levels cannot be guaranteed year on year. The MTFS does now assume a level of business rate gains of £200K per year, with any other annual gains retained in the NNDR reserve and released to support the General Fund resilience.

#### **4.12 CFO commentary**

4.12.1 The MTFS projects that 2024/25 general balances will be above minimum levels - based on the revised calculation in paragraph 4.10.8, with an additional £1.941Million of allocated reserves. However, the General Fund faces some financial uncertainty for the reasons previously stated and those set out below:

- There is still a draw on balances projected until 2027/28 and this relies on inflation levels reducing
- There is a potential on-going risk to income streams from cost of living crisis and parking income has not recovered to pre-pandemic levels. The quarter one monitoring report to this Executive identifies income shortfalls for some parts of the business.
- While inflation levels remains high there is a risk to higher inflationary pressures from utilities, contracts and pay negotiations
- There is considerable uncertainty around future funding and whether the fair funding review will reduce government funding further.

4.12.2 It is critical that General Fund reserve resilience measures, such as the Locality Review receipts, meet the in-year target required and the Balancing the Budget targets are achieved as set out in the Strategy. This means that options, identified and presented to the November Executive, need to meet the target for 2024/25 and that the Executive Transformation report sets out future year savings opportunities.

4.12.3 Growth should be limited to that which is necessary to deliver the Council's top priorities only, based on the ability to deliver the existing Corporate Plan commitments and should be met by increasing the savings target. The growth allowance for 2024/25 is modelled at £75,000. There is a need to increase resources to enable the Council to meet its 2030 net zero pledge including maximising grant funding opportunities and the ongoing development of the strategy and implementation of the related action plan which will be necessary to meet the deadline and mitigate costs to both the General Fund and the HRA. It should be noted though that further support from the Government with regards to elements such as social housing decarbonisation will also be needed in order for that target to be met.

4.12.4 The cost of living crisis and COVID legacy impacts are outside the control of the Council but this report sets out a roadmap to address the potential impacts. The

Council cannot just rely on unplanned underspends to improve balances, which are one off in nature and may not always happen.

#### 4.13 Approach to Consultation

4.13.1 Previously the Council has sought the views of residents and stakeholders through consultation, finding out their preferences for reducing services, increasing fees and charges and increasing Council Tax. The recent residents' survey results showed what priority the Council should make savings.

4.13.2 The 2021/22 Residents survey shows that resident's preferences are firstly to reduce costs through the provision of more on line services. Moving services on line was ranked the highest (out of five options in 2021 and 2017) with 41% of those responding to the survey indicating that this was their preferred option; this ranking has increased from 2017 and supports proposals being developed via the Transformation programme as a method to reduce costs and improve customer satisfaction / response times.

<b>Please tell us your order of preference for each of the following options by ordering them 1 to 5</b>	<b>2021 rank</b>	<b>2017 rank</b>	<b>1st</b>
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%

4.13.3 In addition, the CFO is reviewing what additional consultation and engagement with residents could be developed concerning the 2024/25 Balancing the Budget options. These options will be discussed with Members and through the Member Led cross party group.

#### 4.14 Decision Making Process

4.14.1 It is currently planned that the following approval process will be followed:

<b>Date</b>	<b>Meeting</b>	<b>Report</b>
Oct-23	Executive	Co-operative Commercial and Insourcing Strategy and 2024/25 Fees and Charges
	Overview and Scrutiny	Co-operative Commercial and Insourcing Strategy and 2024/25 Fees and Charges
Nov-23	Executive	Balancing the Budget Report with the savings proposals for the General Fund and HRA

Date	Meeting	Report
	Overview and Scrutiny	Balancing the Budget Report with the savings proposals for the General Fund and HRA
Dec-23	Executive	Draft 2024/25 HRA budget and rent setting report
	Overview and Scrutiny	Draft 2024/25 HRA budget and rent setting report
Jan-24	Executive	Final 2024/25 HRA budget and rent setting report Draft 2024/25 General Fund budget, Council Tax and Council Tax Support
	Overview and Scrutiny	Draft 2024/25 General Fund budget, Council Tax and Council Tax Support
	Council	Final 2024/25 HRA budget and rent setting report
Feb-24	Executive	Final 2024/25 General Fund budget, Council Tax and Council Tax Support
	Overview and Scrutiny	Final 2024/25 General Fund budget, Council Tax and Council Tax Support
	Council	Final 2024/25 General Fund budget, Council Tax and Council Tax Support

4.14.2 Following the approval of the proposed options for 2024/25, the Council will have an obligation to begin consultation with staff and partners.

## 5. IMPLICATIONS

### 5.1. Financial Implications

5.1.1 The CFO view is set out within this report. There is still a draw on balances which increases the necessity to adhere to the spending and saving plans.

5.1.2 There may also be pressure on fees and charges targets as increases in fees or new commercial options may conflict with other business objectives and COVID and the cost of living crisis have diminished the ability to achieve previous levels of rents and charges.

### 5.2. Legal Implications

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

5.2.2 Balancing the Budget savings options considered will have due regard to any consultation carried out, if consultation is required.

### 5.3. Risk Implications

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

Risk Area	Risk Mitigation	Likelihood	Impact
<p>Anticipated savings options not achieved (Negative Risk)                      –agreed options do not deliver expected level of savings either on a one-off basis or On-going.</p>	<p>Regular monitoring and reporting takes place, but the size of the net budget reductions increases the risk into the future. Non achievement of options would require other options to be brought forward. General Fund reserves should be held to ensure that decisions to reduce net costs are taken in a considered manner. This may become more of a risk as options around commercialisation are explored.</p>	<p>Medium</p>	<p>Medium</p>
<p>Council Tax Support (CTS) (Negative Risk) – increased demand is under- estimated.</p>	<p>An increase in demand would impact on future years as the deficit in the collection fund would need to be repaid by the General Fund. However, the modelling in the MTFS leaves the higher level of CTS caseload</p>	<p>Medium</p>	<p>Medium</p>
<p>Localisation of Business Rates (Potential Negative) – A major employer leaves the town and impacts the business rate yield due to the Council</p>	<p>Negative: The safety net means a maximum loss in year of £190K which the council has included in an allocated reserve. On-going this would impact on the savings target and ultimately services.</p>	<p>Medium</p>	<p>Medium</p>
<p>Loss of Business Rates due to Companies going into administration</p>	<p>As above.</p>	<p>High</p>	<p>High</p>
<p>The NDR Check Challenge Appeal process impacts on the Council's baseline assessment and increases the level of successful appeals and reduces the yield (Negative risk)</p>	<p>Officers will be monitoring changes to the NDR system and will be talking to the Valuation office. However, since the system has been introduced. There are still appeals outstanding on both the 2010 and 2017 list and the revaluation for 2023 has seen an increase in business rates which inevitably will lead to an increase in appeals for the new list.</p>	<p>Medium</p>	<p>Medium</p>

Risk Area	Risk Mitigation	Likelihood	Impact
Impact of the Universal Credit (Negative Risk) – The grant given to the Council is cut before the Revenue and Benefits Partnership is able to reduce costs. The Welfare reform bill may impact on residents' ability to pay council bills.	A reduction in the amount of grant assumed within the MTFs would require compensating reductions in planned spending within services. However, UC is being implemented at a very slow pace and the current case load is reducing.	Medium	High
pay inflation pressures increase	General balances are risk assessed to ensure overall levels are maintained that can meet higher than expected inflation rates. The inflation projections include a 3.5% pay award for 2024/25 (was 3%), however this remains a significant risk for the Council as a insourcing Council. However, it reduces the risk to inflationary pressures on external contracts	Medium	High
Utility inflation pressures increase	General balances are risk assessed to ensure overall levels are maintained that can meet higher than expected inflation rates. The inflation projections include a higher increase for 2024/25 (but utility increases are projected to reduce) while inflation remains higher. However this remains a significant risk for the Council.	High	High
Recession risk due to high inflation	General balances are risk assessed to ensure overall levels are maintained that meet an in-year short fall in income and higher costs. In addition the Council is building an income equalisation reserve to mitigate against fluctuating income levels	High	High
Impact of Future Welfare Reforms (Negative Risk) – There could be an increase in the need for the council's services requiring additional resources to be put into those services	Regular monitoring and reporting and the council has a welfare reform group which monitors impacts.	Medium	Medium
All MTFs risks not	Council's risk management	Low	High

Risk Area	Risk Mitigation	Likelihood	Impact
adequately identified (Negative or Positive Risk) – Financial risks and their timing are not accurately judged leading to either a pressure or benefit to the MTFS.	framework ensures operational and strategic risks are identified as part of the annual service and MTFS planning process.		
The impact of Ukraine war (negative risk) causes supply chain issues increasing costs such as steel	An amount has been included in the minimum level of balances and the inflation increases for contracts and utilities has been included in the MTFS modelling.	Medium	Medium
Impact of future years capital programme (Negative) There could be increased pressure from the capital programme on the General Fund.	There is a robust challenge process for capital bids. Officers will be required to confirm that resources are in place to deliver any approved spend. The Locality reviews should identify capital receipt opportunities.	Medium	High
The Council's regeneration of SG1 increases the financial resources the Council must find.	The Council has already approved the use of ring fenced NDR gains for this purpose and the MTFS recommends this continues. However, a full reset of business rate gains could see this reduce and put a pressure on the General Fund. The Council has identified NDR reserves to support the holding costs associated with the Swingate site in conjunction with Mace.	High	High
Fees and Charges target may not be reached (negative risk)	Non achievement of the target may require other options to be brought forward, for future years. But the Council has an income equalisation reserve to meet in year losses and an assumption is also contained within the minimum level of balances to meet an in year loss.	High	High
Homeless Bed and Breakfast costs increase	The budget is projected to reduce in 2023/24 on-wards to £80K. However, the cost of living crisis could see more residents presenting as homeless.	Medium	Medium
NEW: Government Funding reforms reduce more than the MTFS	The MTFS assumes £180K of grant funding in 2024/25 which may not be realised and require the use of balances. In addition the MTFS	High	High



Risk Area	Risk Mitigation	Likelihood	Impact
	includes the historic assumption for 'negative' RSG of £27K from 2025/26. Any changes to the Fair Funding settlement could be greater than modelled		

#### 5.4. Equalities and Diversity Implications

5.4.1 The Council has committed itself to providing high quality services that are relevant to the needs and responsive to the views of all sections of the local community, irrespective of their race, gender, disability, culture, religion, age, sexual orientation or marital status. The General Equality Duty (Section 149 of the Equality Act 2010) requires the Council to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations in the exercise of its functions. The Equality Duty and the impact of decisions on people with protected characteristics must be considered by decision makers before making relevant decisions, including budget savings.

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

#### 5.5. Policy Implications

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

#### 5.6 Staffing and Accommodation Implications

5.6.1 It will be evident that there are potentially staffing implications in this report. The associated matters will be discussed with the Trade Unions at the earliest opportunity.

#### 5.7 Climate Change Implications

5.7.1 The Budget and Policy setting process prioritised growth for climate change as part of the 2022/23 and 2023/24 budget setting process. However as set out in the report, there will be a need to provide more resource than what is currently included in the budget to meet the 2030 deadline. The 2024/25 process should

have due regard for climate change implications based on the Council's approved Climate Change Strategy.

## **BACKGROUND DOCUMENTS**

BD1 – 2022 September MTFS Strategy

## **APPENDICES**

Appendix A MTFS