

EXECUTIVE/COUNCIL

Meeting

Portfolio Area RESOURCES AND TRANSFORMATION

Date 7 February 2024 / 21 February 2024



DRAFT GENERAL FUND AND COUNCIL TAX SETTING 2024/25

KEY DECISION

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1 PURPOSE

- 1.1 To consider the Council's draft 2024/25 General Fund Budget, Council Tax Support Scheme and draft proposals for the 2024/25 Council Tax.
- 1.2 To consider the projected 2023/24 General Fund Budget.

2 RECOMMENDATIONS

That the following proposals be recommended to Council on 21 February 2024

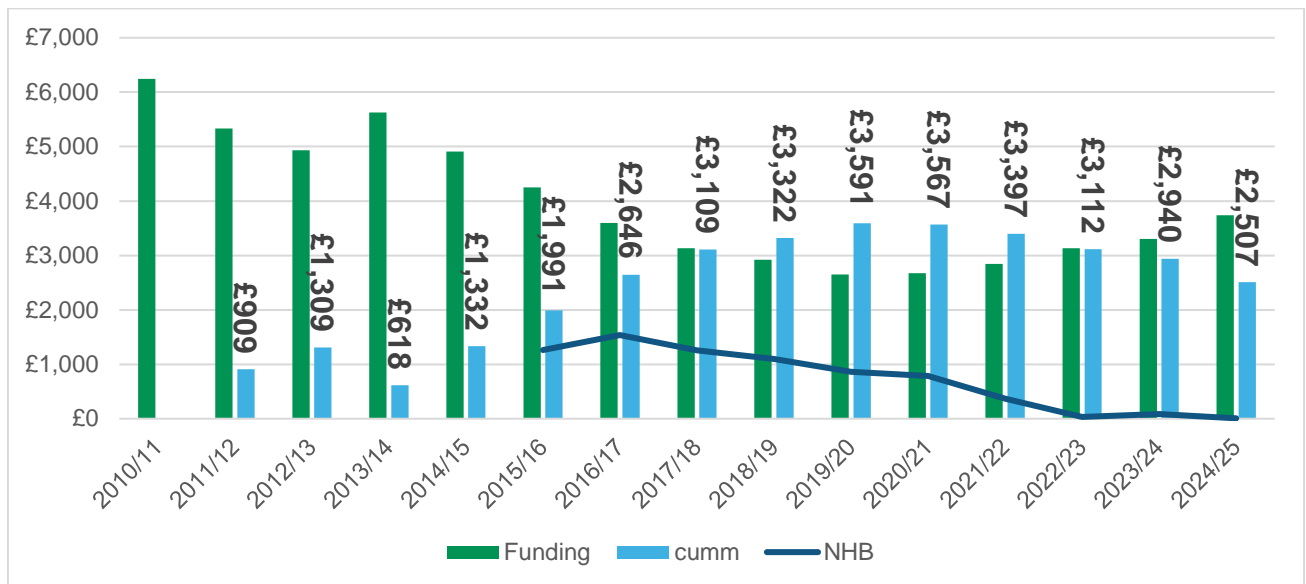
- 2.1 The 2023/24 revised net expenditure on the General Fund of **£13,571,480** is approved as set out in paragraph 4.10.1.
- 2.2 The draft General Fund Budget for 2024/25 of **£12,762,310** with no contribution from balances and a Band D Council Tax of £239.26, (assuming a 2.99% Council Tax increase) and as summarised in Appendix G.
- 2.3 The updated position on the General Fund Medium Term Financial Strategy (MTFS) as summarised in section 4.12 be noted.

- 2.4 The minimum level of General Fund reserves of **£3,537,794**, which is in line with the 2024/25 risk assessment of balances, as shown at Appendix C to this report, is approved.
- 2.5 The contingency sum of **£400,000** within which the Executive can approve supplementary estimates, be approved for 2024/25, (reflecting the level of balances available above the minimum amount).
- 2.6 The 2024/25 Balancing the Budget options as set out in section 4.7 and Appendix A, totalling **£1,223,852** and **£95,063** for the General Fund and HRA respectively, be approved.
- 2.7 That events options as set out in paragraph 4.7.4 are approved for 2024/25.
- 2.8 The Growth options included in section 4.8 are approved for inclusion in the 2024/25 General Fund (**£167,120**) and HRA (£47,265) budgets.
- 2.9 That the pressures identified in sections 4.2 and 4.9 to this report are noted.
- 2.10 Approval is granted to use of £200K of Business Rates in the base budget and that any gains secured above that sum are only used once realised and are ring fenced to maintain the Council's financial resilience.
- 2.11 Members note the use of the 'pooling gains' of **£220,000** as set out in paragraph 4.4.9.
- 2.12 That the comments from Overview and Scrutiny Committee set out in section 4.16 are noted.
- 2.13 That Members note the Equalities Impact Assessment appended to this report (Appendix D).
- 2.14 That key partners and other stakeholders are consulted and their views considered as part of the 2024/25 budget setting process.

3. BACKGROUND

- 3.1 This report is an update on the Council's Draft General Fund and Council Tax setting report 2024/25 which was presented to the January 2024 Executive. This report sets out the 2024/25 draft General Fund Budget including Balancing the Budget (BTB) 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 previous budget reports, the 2024/25 budget setting process is set in the context against the backdrop of Government grant cuts which total £5.3Million since 2010 which have required the Council to find cumulative savings of £14Million when inflationary costs are also taken into consideration. COVID affected the Council's finances during 2020/21-2021/22 (an estimated £4Million cost) as has the cost of living crisis due to higher inflation (estimated £1.7Million inflationary pressures for 2023/24). The chart below shows that the Council's funding is still £2.5Million lower than it was in 2020/11. The CFO does

not recommend using grant stream such as New Homes Bonus (NHB) or for that matter business rate gains in their entirety to support core spending. The chart below shows how NHB have reduced from over £1Million to £7K in 2024/25.

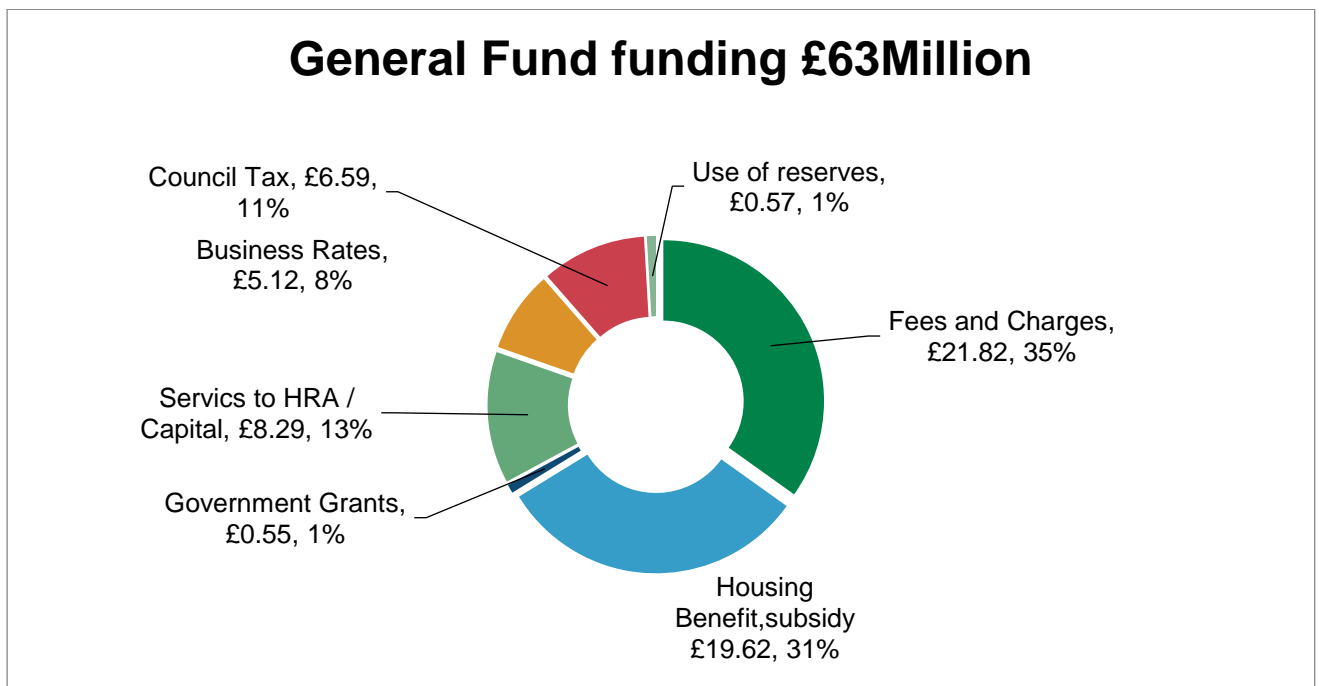


3.3 Members will have seen a number of local government journal and national press articles which highlight concerns concerning the local government funding model. The Government has commenced an inquiry on financial distress in local authorities. This follows a number of Councils issuing a section 114 notice because they can no longer set a balanced budget for the year. The Local Government Association (LGA), District Council Network (DCN) and the County Council’s Network (CCN) amongst other organisations have all warned that more Section 114 notices are likely unless the local government funding model is revised to reflect the pressures councils are facing across a range of services.

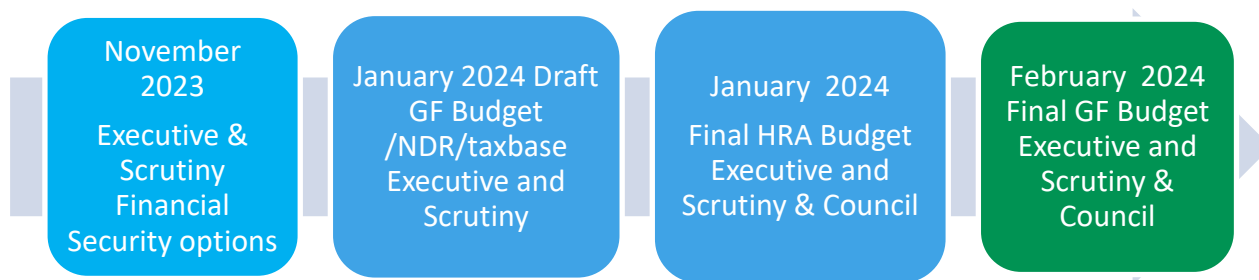
3.4 A survey by the District Councils’ Network (DCN), published 24 October 2023 revealed that 52% of respondents do not expect to be able to balance their budget in 2024/25 without needing to draw on reserves, with a further 24% unsure of their positions. The DCN predicted that authorities face a total budget deficit of £550m in 2023/24 and £610m in 2024/25. The DCN stated that Councils also anticipate making savings amounting to 9% of their budgets which are likely to affect service provision. Elizabeth Dennis, the DCN’s finance spokesperson, said: “Unless we receive a realistic financial settlement and the financial freedoms to ensure we can raise extra money to undertake

our work, councils are left only with an impossible choice of which services to cut back. “Any further scaling back of district council services would be disastrous.”

- 3.5 The January 2024 Executive budget report set out the provisional finance funding settlement which totalled £3.746Million and was £149K more than the amount assumed in the MTFS. At the time of writing this report the final financial settlement had not been published.
- 3.6 The original 2023/24 SBC General Fund net budget of £12.46Million (gross £63Million) is funded as set out below.



- 3.8 Due to the significant level of savings required in recent years this Council along with many others has adopted a one year budget setting process rather than taking a three year savings view. Whilst the Council does not currently have a three year savings plan identified, the Medium Term Financial Strategy gives the projected funding needs over a longer period and is reviewed annually. The Balancing the Budget priority has a number of workstreams and Members will note that for 2024/25, the Transformation and the Co-operative Commercial Insourcing Strategy have contributed significantly for the 2024/25 ‘Balancing the Budget’ savings target. Accordingly, no service cuts are proposed for next year. However, with a forecasted on-going need to make £1Million savings per year, work to look at initiatives / options for 2025/26 and beyond will commence early in the next financial year.
- 3.9 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 2024/25

4.1.1 On 18 December 2023, 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 2024/25. The settlement is for one year (for the 6th year running) and is based on the Spending Review 2023 (SR23) funding levels. The National Core Spending Power (CSP) figures show an increase of 6.5% for 2024/25, however this includes assumptions about increases in council tax, which increases core spending power by 3.5% nationally. On the 24 January 2024 the government announced an increase in funding including uprating the 3% income guarantee to 4%, £500m additional Social care funding and a further £15m for the Rural Delivery Grant. However the announcement preceded the publication of the final settlement and the revised numbers are based on indicative and may change once confirmed. A summary of the final and provisional settlement figures are shown below.

National Provisional Funding Settlement	2023-24 £Million	2024-25 Prov. £Million	Var. £Million	% change of total incr.	2024-25 Final £Million	Var £Million	% change of total incr.
Settlement Funding Assessment	£15,671	£16,563	£892		£16,563	£892	
Under-indexing the business rates multiplier	£2,205	£2,581	£376		£2,581	£376	
Council Tax Requirement exc. parish precepts	£33,984	£36,062	£2,078	3.5%	£36,062	£2,078	3.5%
New Homes Bonus	£291	£291	£0		£291	£0	
Services Grant	£483	£77	(£406)		£77	(£406)	
Funding Guarantee	£133	£197	£64		£262	£129	
Drainage Boards	£0	£0	£0		£3	£3	

National Provisional Funding Settlement	2023-24 £Million	2024-25 Prov. £Million	Var. £Million	% change of total incr.	2024-25 Final £Million	Var £Million	% change of total incr.
Rural Services Delivery Grant	£95	£95	£0		£110	£15	
Improved Better Care Fund	£2,140	£2,140	(£0)		£2,640	£500	
Social Care Grant	£3,852	£4,544	£692		£4,544	£692	
ASC Mkt Sustainability and Improvement Fund	£562	£1,050	£488		£1,050	£488	
Adult Social Care Discharge Fund	£300	£500	£200		£500	£200	
Grants rolled in	£480	£0	(£480)		£0	(£480)	
Core Spending Power	£60,196	£64,100	£3,904	6.5%	£64,683	£4,487	7.5%

4.1.2 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 to collect an additional 2% social care precept. There were exceptions to the referendum limits for a few Councils with Woking at 10% and Slough / Thurrock 8%. This remains unchanged from the Provisional settlement.

4.1.3 For 2024/25 the small business multiplier (SBRR) in England will be frozen for a fourth consecutive year at 49.9p, which applies to businesses with a rateable value of less than £51,000, while the standard multiplier (for all other businesses) will be uprated by September CPI (6.7%) to 54.6p. The under-indexing of the SBRR means the Council will collect less NNDR but the government has committed to funding these policy changes by giving Council's S31 grants to compensate for the reduction in income collected, unchanged from the provisional settlement.

4.1.4 The Stevenage New Homes Bonus (NHB) allowance for 2024/25 is £7,290 (2023/24 £86,736), unchanged from the provisional settlement.

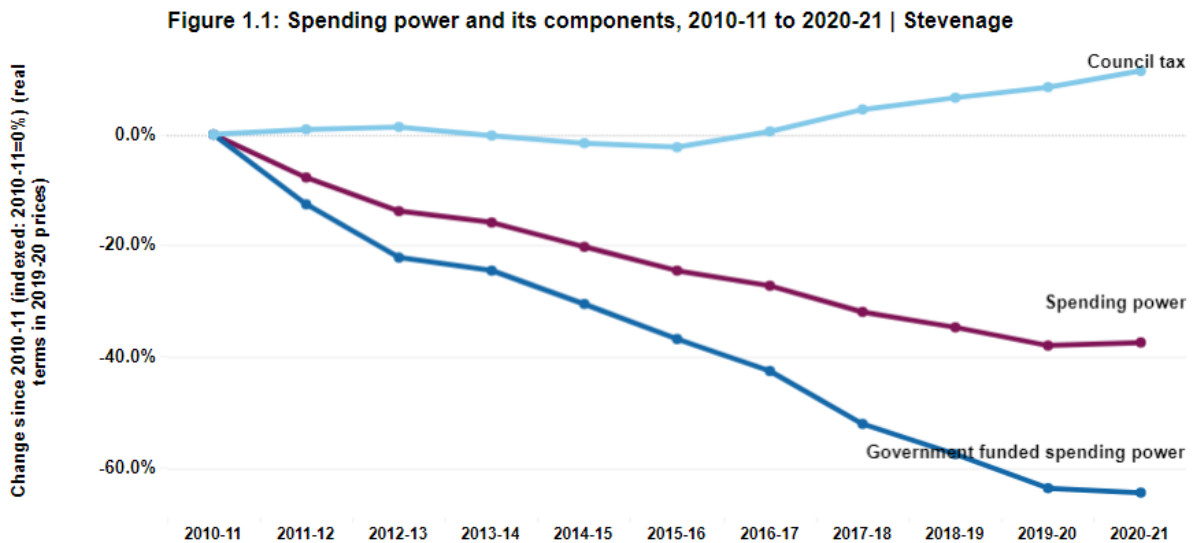
4.1.5 Top Up/Tariff Adjustments (Negative Revenue Support Grant RSG) – As in previous years, the government has not included any negative RSG in the final settlement. As part of previous funding deals Councils were due to have their funding reduced by negative RSG which essential cuts the amount of monies retained by business rates as paying RSG had actually ceased by 2019/20. This would result in a cost of £27,146 to SBC in 2024/25 before any inflation indexing.

4.1.6 A summary of the indicative final 2024/25 settlement versus the September MTFs assumptions is shown in the table below which includes an additional £100K over and above the £147K reported in January. The final settlement increased the funding guarantee by 1% increase. The provisional settlement was better than originally modelled partly because the government used a four

year historic average increase to estimate council tax bases for the CSP and that estimate was £50K lower than Stevenage’s 2024/25 approved taxbase.

	September MTFS	Provisional Settlement	Final Settlement
Business Rates	(£2,847,507)	(£2,812,960)	(£2,812,960)
Under indexing	(£482,000)	(£509,446)	(£509,446)
Total Business Rates	(£3,329,507)	(£3,322,406)	(£3,322,406)
Revenue Support Grant	(£108,120)	(£108,811)	(£108,811)
New Homes Bonus (NHB)	(£10,000)	(£7,290)	(£7,290)
Services Grant	(£100,000)	(£16,371)	(£16,371)
3%/4% guarantee	(£51,728)	(£291,982)	(£392,330)
Total	(£3,599,355)	(£3,746,860)	(£3,847,208)
Increase to MTFS		(£147,505)	(£247,853)

4.1.7 While the 2024/25 CSP increase is now 7.5%, The National Audit Office (NAO) have published data that shows Stevenage’s Core Spending Power (CSP) **has reduced by 64.5% in real terms** (2019/20 prices) when comparing 2010/11 to 2020/21).



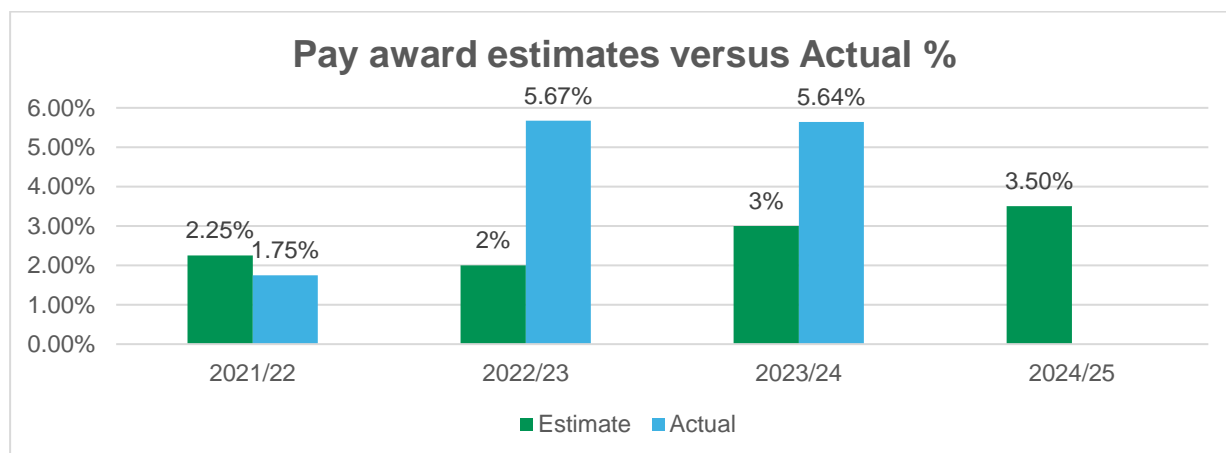
4.2 Pressures and Gains currently assumed in the General Fund 2024/25

4.2.1 The General Fund budget assumptions for 2024/25 now include growth pressures of £2.15Million (January Draft Budget £2.36Million) as set out below and are included in section 4.9 to this report.

Pressures	2024/25 MTFS	2024/25 Budget	+/-	Comments
ICT review	£104,000	£104,000		Following review by Society for Innovation Technology and Modernisation on the right size of the ICT operation to deliver on both Councils priorities, the MTFS assumes an increase in budget of £104K in 2024/25 (part year implementation).
ICT Licences, software and hardware costs	£205,000	£184,260	↓	Following a root and branch review of hardware and software costs and licences, however the cost in 2024/25 has reduced as some of the costs are for a proportion of the year only.
Reduction in rental income from Daneshill house	£0	£65,260	↑	Reduction in rental income (9 months) as tenant serves notice
Car Park income losses	£300,000	£300,000		Although income is improving year on year, it is still not achieving income levels pre-COVID. Latest MTFS shows a projected pressure in 2024/25 of £300K.
Garage income losses	£85,000	£85,000		2024/25 Income will continue to be impacted because of the asbestos issue in the garages, although the introduction of on-line garage lettings has enabled the Council to reduce the losses more quickly than previously anticipated.
Inflation pressures	£1,636,332	£1,425,531	↓	This is based on the latest projections for utilities and a 3.5% pay award. The figure shown is gross of costs charged to the HRA.
Local Plan costs	£100,000	£100,000		There is a need to complete number of studies for the next Local Plan update.
Net cost of Housing Benefit	£10,000	(£12,490)	↓	Although the level of housing subsidy admin grant has reduced the net loss on subsidy versus payments has reduced as more benefit is 100% recoverable
Increase in Audit fees	£0	£66,700	↑	Notification by the PSAA of higher audit fees for 2023/24 onwards
Increase in Bank Charges	£0	£13,340	↑	Higher cost of processing the Council's income and expenditure

Pressures	2024/25 MTFS	2024/25 Budget	+/-	Comments
Changes to recharges	(£172,332)	(£235,364)	↓	Changes to recharges as reported in the January Draft Budget report to the HRA and Capital
Reduction in ICT reserve trf to General Fund	£100,000	£85,550	↑	Part of the reserve was required in 2023/24 and the remaining balance has been transferred to the General Fund in 2024/25
Minor budget changes		(£34,100)	↓	Minor budget changes reported to in the January Draft Budget report
Total Pressures identified	£2,368,000	£2,147,687	↓	
		(£220,313)		

4.2.2 The General Fund BTB savings target accounts for the impact of higher inflationary pressures than experienced in previous years. The current MTFS targets may need to be increased again beyond 2024/25 if, for instance, pay inflation remains at the levels seen in 2022/23 and 2023/24. The pay awards since 2022/23 have been significantly above MTFS estimates as the National Joint Council (NJC) offer has sought to address the higher announced increases to the living wage. The table below shows the estimate versus actual since 2021/22.



4.2.3 Utility costs are projected to reduce from the peak projected for 2023/24 and have been modelled to be lower for this and next year. The current year's costs have reduced as highlighted in the table below. However, this remains an estimate and utility prices may still fluctuate based on economic and market conditions which drove the initial spike in costs.

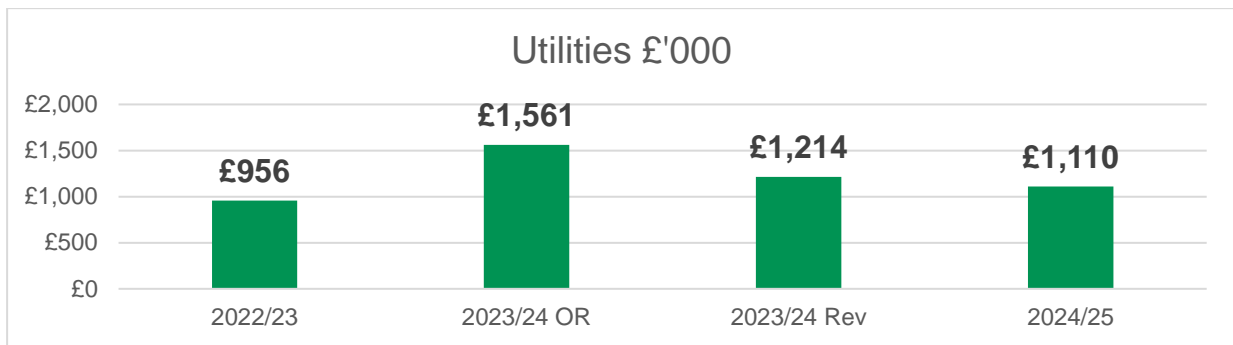


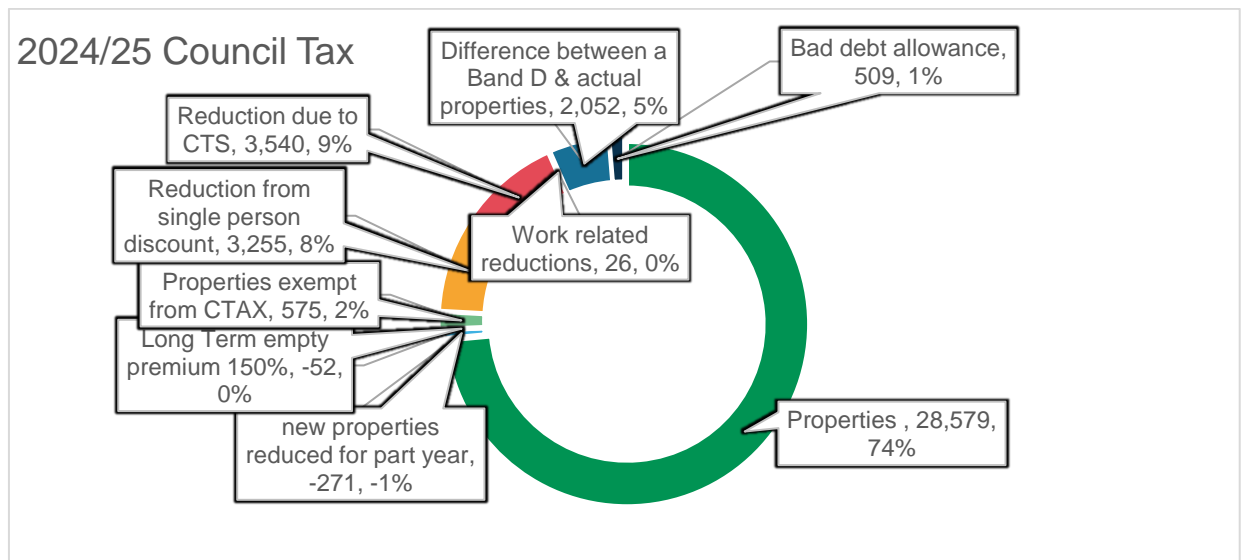
Chart updated since January report for 2023/24 revised estimate

4.2.4 As noted in paragraph 4.2.1 Car Parking income is still below pre-pandemic levels and a reduction of £300K has been estimated for 2024/25. It should also be noted that commuter parking income has also been adversely impacted by train strikes during 2023/24, however the current year projected £600K loss has improve by £80K see para 4.10.2.

4.3 Council Tax and Council Tax Support

4.3.1 The December 2023 Executive Council Tax base report showed an increase in the tax base of 1.51% compared to 2023/24. This includes an increase of 2% in the CTS caseload, (compared to the October 2023 caseload) and also known new housing numbers.

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 November 2023 Executive BTB report recommended that Members approve an increase of 2.99% for the Stevenage Borough Council share of the council tax which equates to £198,514 new income in addition to the increase in the taxbase (reported to the December 2023 Executive), which adds a further £99,039. Under the 2024/25 referendum regulations, the County Council (HCC) can increase council tax by 3% and, as noted previously, 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 £13 on a Band D. This remains unchanged from the January report.

- 4.3.4 Members should note that SBC only retains a relatively small part of the overall Council Tax raised each year. A Band C property, (which is the biggest proportion of properties in Stevenage) shares of council tax for a band C property are shown below.

Authority	2022/23	2023/24	Cost per week	Increase	Share 2022/23	Share 2023/24
Hertfordshire County Council	£1,359.38	£1,427.23	£27.45	4.99%	77.33%	77.35%
Stevenage Borough Council	£200.51	£206.50	£3.97	2.99%	11.40%	11.19%
Police Crime Commissioner	£198.22	£211.56	£4.07	6.73%	11.27%	11.46%
Total	£1,758.11	£1,845.29	£35.49	4.96%	100.00%	100.00%

- 4.3.5 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 2024/25				
Council Tax band	2023/24	2.99% increase	Total cost per year	Total cost per week
A	£154.87	£4.63	£159.50	£3.07
B	£180.69	£5.40	£186.09	£3.58
C	£206.50	£6.17	£212.67	£4.09
D	£232.31	£6.95	£239.26	£4.60
E	£283.93	£8.48	£292.41	£5.62
F	£335.56	£10.03	£345.59	£6.65
G	£387.18	£11.57	£398.75	£7.67
H	£464.62	£13.89	£478.51	£9.20

Council Tax Support

- 4.3.6 A local CTS scheme cannot be revised for at least one financial year. Billing Authorities (such as SBC) must consider whether to revise or replace their scheme with another on an annual basis.
- 4.3.7 Any revision to a scheme must be made by the Council by the 11 March, immediately preceding the financial year in which it is to take effect and will require consultation with those affected. Additionally, consideration should be given to providing transitional protection where the support is to be reduced or removed.

- 4.3.8 The Council must, in the following order, consult with major precepting authorities, (i.e. Hertfordshire County Council and Police and Crime Commissioner (PCC) for Hertfordshire), publish a draft scheme in such manner as it thinks fit, and consult such other persons as it considers are likely to have an interest in the operation of the scheme. Both precepting authorities have been written to regarding the proposal for 2024/25.
- 4.3.9 The current **working age** scheme requires those on maximum benefits only to pay 8.5% of their council tax bill for the year. This equated to £156.85 for a Band C council home in 2023/24 on the total bill (with an additional 25% discount for a single person) or £3.02 per week.
- 4.3.10 Members approved a resolution, within the 20 September 2023 Executive Council Tax Support report, to retain the existing scheme for 2024/25. Members are asked to approve the existing scheme updated to reflect benefit changes for 2024/25.

4.4 Business Rates Income

- 4.4.1 The financial information setting out the revision to the 2023/24 forecast business rates and the estimate due for 2024/25 is set out in the NDR1 form which must be agreed by 31 January and was delegated to the CFO to complete.
- 4.4.2 The 2023/24 projections have been revised and show the actual SBC share of business rates has increased by £397K to a total £897K. This is due to a number of factors:
- Although the gross yield of business rates has reduced due to a number of prior year adjustments as the 2017 appeals have been finalised, these are funded from the appeals provision.
 - There has also been a reduction in the level of appeals provision set aside for 2023/24. However, appeals can take a number of years to be concluded and the revised provision is based on the level of appeals which is now outstanding, together with an assumption for the 2023 list which may increase as the 2023 valuation changes are implemented (2023/24). This saw resulted in Stevenage rateable values increasing by £20Million which equates to an 18.9% increase in the gross yield before transitional relief or other mandatory or discretionary reliefs.
 - The provision for bad debt has been reduced based on current arrears. Collection has been helped in part by some of the on-going reliefs that are still in place for business rates.

	NDR 1 2023/24 £	Projection 2023/24 £	Var to NDR 1 £	Var SBC £
Gross Yield	(62,596,456)	(60,742,059)	1,854,397	741,759
Reliefs (mandatory/ discretionary)	5,203,826	4,658,426	(545,400)	(218,160)

	NNDR 1 2023/24 £	Projection 2023/24 £	Var to NNDR 1 £	Var SBC £
S31	2,694,269	2,367,808	(326,461)	(130,584)
Bad Debt	500,000	103,416	(396,584)	(158,634)
Cost of Collection	107,645	107,645	0	0
Appeals	2,672,000	1,092,953	(1,579,047)	(631,619)
Total	(51,418,716)	(52,411,810)	(993,094)	(397,238)

- 4.4.3 The impact of the increase in business rates retained is spread across two financial years, because any changes to the levy and S31 grants are implemented in the year they relate too but amounts due from the Collection Fund are paid based on the original estimate and variations are returned to the General Fund in the following year. The General Fund estimates have been updated to transfer £172.5K to the NNDR reserve in 2023/24 and the business rate gains of £397K have been transferred to the NNDR reserve in 2024/25. The increase in 2023/24 is because of the one off tariff adjustment for indexing assumed in 2023/24 notified as part of the settlement. The changes to 2023/24 business rates are set out below.

	Compare 2023/24 Original v Projected			Changes required based on projection	
	NNDR 1 2023/24 £	Projection 2023/24 £	Var to NNDR 1 £	2023/24	2024/25
Net yield	(51,418,716)	(52,411,810)	(993,094)		
Stevenage share of yield	(20,567,486)	(20,964,724)	(397,238)	0	(397,238)
Tariff	18,797,044	18,797,044	0		
Tariff adjustment	0	(555,758)	(555,758)	(555,758)	
Share net of tariff	(1,770,443)	(2,723,438)	(952,996)	(555,758)	(397,238)
S31 grant payable*	(2,233,191)	(2,323,817)	(90,626)	(90,626)	
Baseline Funding Level	(2,668,705)	(2,668,705)	0		
Gains before levy applied	(1,334,928)	(2,378,550)			
Gains applicable for levy	(760,893)	(1,708,632)		0	
Levy due 50%	380,447	854,316	473,869	473,869	
			0	0	
Retained Business Rates	(3,623,187)	(4,192,940)	(569,752)	(172,515)	(397,238)
Variance				(172,515)	(397,238)

- 4.4.4 The 2024/25 estimates for business rates have also been calculated at £54.8Million, the yield has increased due to the reduction in transition to the higher business rates from the 2023 revaluation (£3.4Million) and the growth in anticipated new premises (£1.5Million) and the increase in the standard rate of NNDR (6.7%). However due to this projected increase in income both the appeals and bad debt provision have been increased to reflect the likelihood of more appeals as a result of the 2023 rating list and a higher level of arrears.

Business Rates Due	2023/24 Projected	NNDR 1 2024/25 £
Gross Yield*	(60,742,059)	(68,493,940)
Reliefs (mandatory/ discretionary)	4,658,426	6,347,779
transitional Relief given	4,908,354	1,548,927
S31 reliefs	2,367,808	2,789,803
Transitional Relief repaid to Council	(4,908,354)	(1,548,927)
Bad Debt	103,416	750,000
Cost of Collection	107,645	107,499
Renewable Energy	0	1,518
Appeals provision	1,092,953	3,700,000
Total	(52,411,810)	(54,797,341)

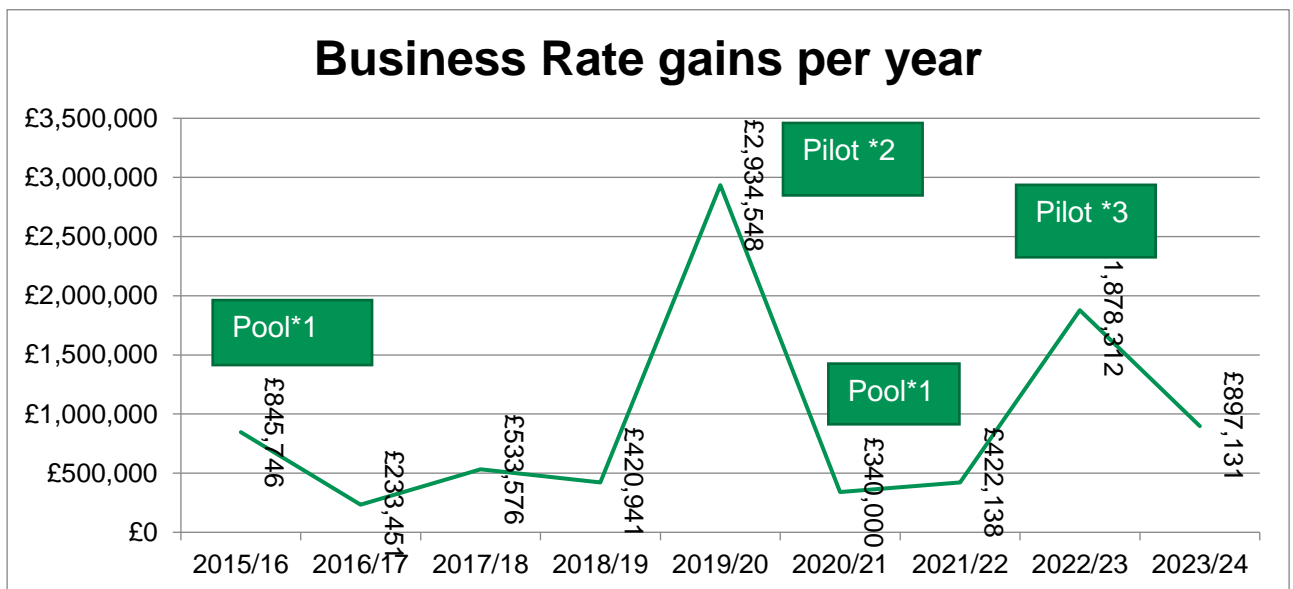
*includes a reduction in transitional relief of £3.4Million and an increase in the standard rate of NDR of 6.7%

- 4.4.5 The amount due to the General Fund is summarised in the table below versus the draft budget assumptions. This shows an estimated increase in NDR income of £1.08Million, driven by the increase in the 2023 rating list. Members should note that these gains are yet to be realised (as is the increase in 2023/24). Accordingly, they have been transferred to the Business Rates allocated Reserve until they are realised.

Stevenage Share	NNDR 1 2024/25 £
Stevenage share (40%)	(21,918,936)
Tariff	19,227,311
Share net of tariff	(2,691,625)
S31 grant payable	(2,526,046)
Baseline Funding Level	(2,812,960)
Gains before levy applied	(2,404,711)
Gains applicable for levy	(1,622,536)
Levy that would be due	811,268
Retained rates	(4,406,403)
Draft Budget:	
Baseline Funding Level	(2,812,960)
Allowance for under-indexing	(509,446)
Total Draft Budget	(3,322,406)
Increase above the Draft Budget	(1,083,997)

- 4.4.6 The NDR estimates have been incorporated into the February 2024 budget estimates and the additional gains have been transferred to the Business Rates Reserve to support the General Fund's financial resilience as these gains cannot be relied on and fluctuate between years. Crucially:

- There are likely to be further appeals due to the 2023 list increasing the rateable value in Stevenage for example ten of the largest business rated hereditaments received an increase of £1.8Million after transitional. The Council itself is appealing a number of valuations.
- The gains are only estimated and still have to be realised, if the gains are spent in advance of realisation, any reduction in estimated gains would have to be repaid to the Collection Fund in the following years
- When any fair funding review is implemented and any reset of business rates, this will see those gains disappear, (by increasing the tariff payable by SBC).
- Gains fluctuate between years and are identified usually in January of the preceding financial year. Using all gains to support core services could result in large funding gaps from year to year requiring the pursuit of in year savings and the risk of not setting a balanced budget.
- The CFO has identified a number of risks that can be mitigated by holding the balances in a reserve as set out in para. 4.12.3-4.12.4.



**1 Pool- SBC has only been chosen to be in the Hertfordshire pool twice which benefits those in the pool as they pay a lower levy*

**2 Pilot-the government allowed 75% of NNDR to be retained in Hertfordshire this was not continued*

**3 2022/23 was the last year of the 2017 rating list and the appeals provision was reduced increasing gains in that year*

4.4.7 As can be shown above there are significant gain fluctuations between years which can also be impacted by regulation changes. The MTFs and draft General Fund budget only includes the 2024/25 baseline funding for business rates, or the amount the government has assessed the Council needs under its funding formula, plus an assumption of £200K gains per year for the period 2024/25-2027/28.

4.4.8 Any NDR gains above the baseline have been used previously to fund time limited growth, implementation costs for invest to save options and

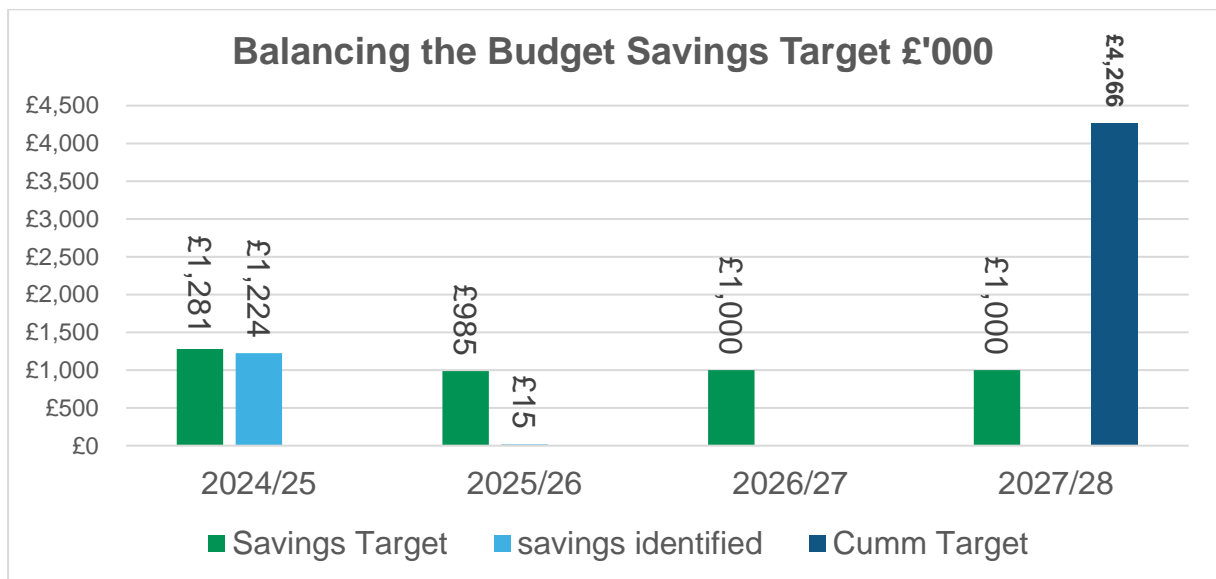
regeneration objectives. The rules governing NDR accounting mean any estimated gains are taken in year and any difference between the actual and the estimate are taken from or, in the case of losses refunded to, the Collection Fund in future years. In the September 2023 MTFS the CFO recommended that due to the level of gains being achieved that a prudent level is assumed of £200K per year with any above this transferred to the NDR reserve to improve the resilience of the General Fund.

4.4.9 In addition to the business rates income identified above Stevenage is also due to receive £220K in 2023/24 from the Hertfordshire 'pool'. When a 'pooling arrangement' is formed between a number of Districts and the County, an amount of money is top sliced for growth bids, with a bigger share going to those Hertfordshire Councils not in the 'pool' that year. The County Council 'hold' the funds and this has built up over a couple of years. The Executive in January 2024 approved the following bids which are to meet the criteria 'to deliver economic development'

- Project 1- Plot A Swingate SG1 Regeneration scheme. £150K**
 The money will support the Council's costs to set up a JV to help activate the first SG1 plot which will generate 261 homes on the former Swingate office site £150K (legals/commercials/tax advice)
- Project 2- Support to Businesses for climate change initiatives £70K**
 To provide micro grants to SME's to support them to decarbonise and grow in Stevenage, the scheme would be run through SBC Economic Development Team and SME's would need to bid for the funding

4.5 The Balancing the Budget Savings Target to Find

4.5.1 The September MTFS report set out the General Fund's savings target over the next four years (£4.27Million) with £1.23Million being required in 2024/25. The January 2023 Executive identified BTB savings of £1.223Million for consideration and this remains unchanged from that report.



4.5.2 The level of savings identified is lower than the original targeted amount, however other cost pressures have reduced along with higher than anticipated government funding for 2024/25. The Balancing the Budget savings target will be kept under constant review due to points highlighted in section three of this report.

4.5.3 The level of reserves required and therefore the level of savings is based on a risk assessment. Some of the 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	Although price increases around utilities and fuel have fallen, there is still huge volatility in the market with the continual war in Ukraine.	medium
	The MTFS assumes a 3.5% pay award for 2024/25, a continuation of higher inflation may drive much higher pay negotiation outcomes (see also para 4.2.2)	high
	Projections for inflation will continue to exacerbate inflationary pressures in the General Fund and HRA for pay, goods and services, although month on month inflation increase has fallen, the base still includes the higher increases at circa 10%. (August CPI 6.2%, October CPI 4.6%, December 4%)	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	medium
Fees and Charges	The continual impact of 'Cost of Living Crisis' may impact the Council's fees and charges income which is required to support the funding of services.	medium
Core funding	The government has not signalled any new funding for the Public Sector and the MTFS includes a 'status quo' for grant funding, there is a risk that funding could be reduced will be removed. The IFS have estimated that, based on reasonable assumptions about what may be needed for the NHS and schools and existing commitments on defence, overseas aid and childcare, funding for other services in England may need to be cut by an average of over 3% per year in real-terms.	high
	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
	There is uncertainty around future years government funding.	high

4.6 The 2024/25 Balancing the Budget Options process for the General Fund

4.6.1 In recognising the scale of the savings required, the Council's Senior Leadership Team (SLT), agreed with the Executive Portfolio holders that a star chamber process would be undertaken looking at:

- New surplus income streams.
- Opportunities for grant funding.
- Opportunities to secure for full cost recovery concerning services provided for third parties.
- The potential to reduce / cease discretionary services highlighting related consequences.
- Opportunities to reduce service frequencies / standards e.g. from gold standard to bronze (whilst ensuring that statutory services continue to be provided).
- a review of cross cutting areas such as training, post etc.

4.6.2 This work was carried out during September and October 2023 and culminated in the options contained within this report. As noted previously due the identification of Commercial / Insourcing and Transformation opportunities has negated the need for service reductions being proposed for 2024/25 with the exception to changes to football pitches.

4.6.3 Looking forward beyond 2024/25 the CFO is working on a three year savings strategy, rather than the current one year view to help inform what level of savings can be delivered in a particular year. This will look at the workstreams set out in para. 4.7.1 to determine whether those work programmes meet the level of savings required or whether the Senior Leadership Team in consultation with Members need to take additional measures to ensure the financial resilience of the Council.

4.7 Balancing the Budget Savings 2024/25

4.7.1 The Council's Officers and Executive Members have been able to recommend a savings package for 2024/25 which maintains service provision. The sum value of options recommended for approval is summarised in the chart below and totals £1.223Million (Appendix A). These options remain unchanged from the January 2024 Draft Budget report.



4.7.2 Part of the Transformation workstream reported to the September 2023 Executive resulted in one post being deleted for which redundancy costs of £40,000 will be incurred of which 50% will be charged to the General Fund in 2023/24. There are no redundancies projected for the 2024/25 savings package as the other 2024/25 Transformational options will be achieved through staff turnover or vacant posts.

4.7.3 The Council's Transformation programme is the key strand of the BTB corporate priority through which the Council can seek to maintain as much of its service offer as possible. 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 highly likely that an element of year-on-year savings will still be required as part of a blended budget setting approach.

4.7.4 As part of the 2023/24 budget setting process (at the January 2023 Executive) Members approved the removal of the fireworks saving option (£18,000) and the Town Twinning savings option (£14,000) for one year and funded them from the allocated Business rates gain reserve. The January 2024 Draft budget report recommended following a review of all events in the Town the following alternative options to the removal of the fireworks and Town Twinning:

- Removal of free parking for town centre events
- Members attending Town Twinning paying for their transport and reducing the event to three days through holding business meetings remotely. This will result in accommodation and travel savings
- Reduction in Mayoral budgets (historic underspends)
- Reduction in the spend for 'celebrities' for Christmas light switch on events
- Cease filming of Pride of Stevenage awards
- Reduce costs of events through smarter working e.g. digital marketing

4.7.5 It is recommended that the options identified above are approved and the Fireworks and Town Twinning events are re-instated in the budget.

4.8 Growth Options

4.8.1 The growth bids for 2024/25 remain unchanged from the Draft January budget report and are summarised below.

Recommended Growth	2024/25 GF	2024/25 HRA	Comments
Payroll Apprentice	£15,410	£7,590	Development of the inhouse resource will result in reduction in reliance on third party contractor.
Graduate / Trainee Planner	£35,300	£0	To enable the service to continue its performance around bringing new revenue into the Council and to support the Council in growing its own staff.
Switch from diesel fuel to HVO for the Council fleet	£66,000	£9,000	This will support the Council ambition to lower its greenhouses gas emissions until the opportunity arises to an alternative power source for the fleet, reducing emissions by up to 90% or 795 tonnes per year implementation 1 October 2024. This would equate to £132K for 2025/26 (see Appendix E)
Street Scene digital operation solution	£15,000	£0	A digital system to manage and deliver the street and grounds maintenance service through improve scheduling, easier adjustment of frequencies of operation and real time job progress and could lead to future savings.
Woodlands Team -HRA post	£0	£30,675	Bid approved in part for one HRA post to review trees on HRA land
Growth on-going	£131,710	£47,265	
Green Space Development Officer- 2024/25 only	£35,410		Included for one year until review of allotments completed, funded from General Fund balances
Growth 2024/25 only	£35,410	£0	
Total Growth	£167,120	£47,265	

4.8.2 As part of the review of growth by SLT and the Executive , it is recommended that:

- The introduction of a 2nd Green Spaces Development Officer at a cost of £35,410 should continue for a further year to allow for a review of the allotment service processes and procedures to be undertaken and that the 2024/25 cost is funded from reserves.

- There is a need to review trees on HRA land and that one post should be approved to focus on the HRA trees at a cost of £30,675.

4.9 Changes to the 2024/25 General Fund budget versus the September MTFS

4.9.1 The General Fund budget is now projected to be £12.762Million with no draw on balances), versus the September General Fund projection of £11.373Million (and a draw on balances of £310K), the variances to the MTFS are summarised below and includes the pressure detailed in section 4.2.

Changes to the 2024/25 Budget				
Expenditure and income	January Report	February Report	Total	Comments
September MTFS			£11,373,517	
Inflation:				
Increased pay inflation	£78,101	£6,990		Para 4.9.3 refers
Increased contractual inflation	£80,919	(£32,380)		Para 4.9.3 refers
Reduction in Member allowances		(£8,270)		Para.4.9.3 refers
Reduction in utility inflation	(£339,963)	£0	(£214,603)	Para. 4.2.3 & 4.9.3 refers
Pressures:				
External Audit Fees	£66,670			Para 4.9.4 refers
Bank Charges	£13,330			Para 4.9.4 refers
Reduction in cost of ICT software	(£20,740)			Para 4.9.4 refers
Reduction in net cost of Housing Benefit		(£22,490)		Para.4.9.4 refers
Reduction in rental income		£116,720		Para.4.9.4 refers
Reduction in New Homes Bonus (NHB)	£2,710		£156,200	Para.4.1.6 refers
Charges to Other Funds:				
Recharges to the HRA	(£341,113)	(£31,400)		Para 4.9.5 refers
Recharges to Capital	£202,990	£0	(£169,523)	Para 4.9.6 refers
Growth Options:				
Growth recommended for approval	£87,771	£0	£87,771	This includes one off growth funded for a year (see para. 4.8.1)
Balancing the Budget Savings Options:				
Options recommended for approval	£6,048	£0		The September MTFS target was £1.23M
2023/24 options	£36,000	£0	£42,048	Para 4.9.7 refers

Changes to the 2024/25 Budget				
Expenditure and income	January Report	February Report	Total	Comments
Use of Reserves:				
Income guarantee reserve	£150,000	£0		Para 4.9.8 refers
Transfer of ICT reserve to GF	£14,450	£0		Para 4.9.8 refers
Transfer to NNDR Reserve		£1,356,550	£1,521,000	Para 4.9.8 & Para 4.4.2 refers
Other:	£16,400	(£50,500)	(£34,100)	Small budget variances
	£53,573	£1,335,219	£1,388,793	
Revised General Fund budget			£12,762,310	

4.9.2 The difference between the September MTFS and the draft budget is £1.39Million, but this does include an additional transfer of business rate gains to the allocated reserve of £1.357Million, (see also section 4 and para's 4.12.3 -4.12.4) other explanations are given below.

4.9.3 Inflationary pressures are estimated to be £214K lower (January report £181K lower) than the September 2023 high level estimate as a result of:

- The total salary cost is now estimated to be £85K higher which represents 0.33% of the 2024/25 salary estimate based on the current salary establishment.
- Higher contractual inflation including an increase in business rates of £39K as result of the impact of transitional increases and final adjustments to shared services for ICT and Procurement.
- Reduction in utility prices as set out in paragraph 4.2.3.
- Reduction in Member allowances as a result of the independent pay review reported to Council in January 2024, the net reduction also allows for an increase in the amount of carers allowance that can be claimed.

4.9.4 Since the 2023 MTFS was reported a number of additional new pressures have arisen these include:

- External Audit Fees- the Council has been advised by the Public Sector Audit Appointments (PSAA) that from 2023/24 the scale fees for external audits have increased from £86K to £186K (General Fund and HRA share). Members will be aware the external audit sector has faced significant issues in terms of backlogs. Members should also note that the scale fees reduced when the Audit Commission was abolished by circa 50%.
- There has been an increase in bank transaction charges over the last couple of years as a result of an increase in card transactions and costs, totalling £20K of which £6K is recharged to the HRA.
- The ICT software and hardware pressure identified in the September 2023 MTFS of £205K has reduced by £20.7K as some of this increase starts part way through 2024/25 and the reduction has been re-profiled into 2025/26

- The overall cost of Housing Benefit has reduced as a result of the projected reduction in the housing benefit caseload and the lower modelled spend on Bed and Breakfast as not all of this benefit given can be reclaimed through the Department of Work and Pensions (New).
- Reduction in rental income at Daneshill House, one of the Council's tenants has served notice and the costs relate to nine months in 2024/25. The Council will seek to relet the space, however the budget is based on the offices remaining void for next year (New).

4.9.5 Recharges to the HRA have increased due to a number of factors which include:

- HRA share of increased External Audit fees - £33K
- HRA share of increased bank charges £6K
- HRA share of Daneshill rental income loss £51K (New)
- HRA growth for management of HRA trees (see also para 4.8.2)
- A number of cost drivers are based on headcount (ICT, HR & payroll, employee insurance etc) and the number of HRA staff as a proportion of the overall head count has increased from 33% to 38% and this has increased the HRA's share of support costs.

4.9.6 Officer time charged to capital (TA) is now projected to be £202K lower (£302K to £100K) in 2024/25 due to the switch from capital to more revenue projects such as the garages and commercial stock. While this has now been recognised in the General Fund for next year, Members should also be aware that a review of the structure of the property team is currently underway and any changes that impact on the General Fund further (favourable or adverse) will be reported back to Members as part of the quarterly monitoring reports.

4.9.7 One of the 2023/24 savings option was a commercial let for Shephalbury depot (estimated at £100K for 2024/25). The structure of the rental agreed means the income is lower in the first two years than the savings option approved, but exceeds the target thereafter and this has been built into the revised MTFs.

4.9.8 The 2024/25 budget assumed a number of allocated reserve movements:

- A Contribution of £150K from the income equalisation reserve, to support General Fund balances in recognition of the current parking losses estimated. However due to the revised draw on balances for next year and the level of increase in fees and charges for 2024/25, plus the risk around fees in the current economic climate, the CFO recommends not returning these monies to the General Fund. This means the income equalisation balance for 2024/25 remains unchanged at £750K which represents 3% of the Council's fees and charges budgets. This reserve can be drawn down on should fees and charges fall below the budgeted amount in year.
- A Contribution of £100K was assumed from the ICT reserve for 2024/25, however some of the reserve was required in year and the amount available to be transferred back to the General Fund is £14K lower.
- A Contribution of £397K to the NNDR reserve to transfer the 2023/24 additional gains as set out in para 4.4.2 and £959K of yet unrealised 2024/25 business rate gains.

4.9.9 Excluding the £1.356Million transfer to the business rate reserve the 2024/25 General Fund net expenditure is £32K higher than the September 2023 MTFS, in addition core resources have also increased which has mitigated the increase in expenditure and reduced the draw on balances this is because:

- Government funding is higher (see para 4.1.6), this now includes the anticipated impact of the increase to a 4% guarantee scheme (from 3%), however the final settlement is still to be announced and therefore this is still estimated.
- The projected surplus for Council tax relating to this and prior years is higher by £132K (January report £128K)
- The Council tax base increase approved at the December Executive was a 1.51% increase versus a 1% in the September MTFS (£35K)
- The increase in net budget is driven largely by the increase in transfer to the business rates allocated reserve for unrealised gains from 2023/24 and 2024/25.

Comparison of September and Draft Budget			
	September MTFS	Draft Budget	Variance
Net Budget	£11,374	£12,762	£1,389
Core Resources:			
Government funding *1	(£3,589)	(£3,840)	(£251)
Business gains assumed *2	(£200)	(£1,084)	(£884)
Council Tax	(£6,803)	(£6,838)	(£35)
Council tax surplus	(£30)	(£162)	(£132)
Business Rate (surplus/deficit)	(£441)	(£838)	(£397)
Total Core Resources	(£11,063)	(£12,762)	(£1,699)
Draw on balances	£310	£0	(£310)

**1-NHB shown in net expenditure *2-additional gains transferred to allocated reserve in net expenditure*

4.9.10 There could be a further reduction in the Council's contract costs when the utility prices for the Leisure contract are purchased prior to the commencement of the 2024/25 financial year. The Council benefits/bears the cost of price fluctuations less/in excess of the contract price after the first 5% variation. If utility prices reduce this can be used to help support the 2025/26 BTB savings target.

4.10 2023/24 Budget changes

4.10.1 The 2023/24 General Fund budget is projected to increase by £298,520 the explanations are set out below.

Changes to the 2023/24 Budget		
Expenditure and income	2023/24	Comments
General Fund working budget	£13,272,960	Approved January Executive 2024
Hertfordshire Pooling gains	£220,000	The income reported in January is now shown in core resources.
Reduction in car park income losses	(£80,000)	Para 4.10.2
Reduction in income from the Business Technology Centre (BTC)	£38,880	Para 4.10.2
Further reduction in utility costs	(£45,550)	Para 4.10.3
HRA share of utility savings	£26,980	Para 4.10.3
Transfer to NNDR reserve	£172,510	See para. 4.4.3
Reduction of planned spend from reserves	(£277,310)	See para 4.10.4
Reduction in draw down of reserves	£243,010	See para 4.10.4
Total Changes	£298,520	
Revised General Fund budget	£13,571,480	

- 4.10.2 A review of the current year's budget has a net increase in projected income for 2023/24 which relates to:
- The 2023/24 budget had a £600K loss of parking income compared to pre-covid levels, in year commuter income has been impacted by train strikes however the current projection is a net £520K loss in income. The 2024/25 budget reduces these losses further to £300K for next year.
 - The BTC has a number of voids combined with increased costs, the Council is current in dialogue with Wenta that run the BTC on the Council's behalf about future budget projections.
- 4.10.3 A review of utility costs for 2023/24 project a further reduction of £45.5K in 2023/24 based on current usage and pricing, (no impact expected in 2024/25). However, part of the saving relates to the HRA as their share of office space.
- 4.10.4 There has been a reduction in the spend and use of reserves of £ 243K as set out below (see also para. 4.12.5).
- Additional homeless grant funding in year has reduced the need to use the allocated reserve £236K
 - Additional projected Town Square income has reduced the need to use the allocated reserve, offset by higher utility costs £65.4K
 - Projected spend on Transformation requires an additional £58.9K from the allocated reserve.

4.11 Level of Balances required for General Fund and projected balances

- 4.11.1 The September 2023 MTFS assumed that the minimum level of balances required would be £3.5Million. A full assessment has been carried out and

detailed in Appendix C and, accordingly, the minimum level of balances now totals £3,537,794. 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 set out below and show a £0 contribution from balances for 2024/25.

General Fund Budget	2023/24 Estimate	2023/24 Projected	2024/25 Estimate
Net Expenditure	£12,463,780	£13,571,480	£12,762,310
(Use of)/ Contribution to Balances	(£572,268)	(£1,236,426)	(£)
Budget Requirement	£11,891,512	£12,335,054	£12,762,310
Revenue Support Grant	(£102,052)	(£102,052)	(£108,811)
Service Grant	(£104,041)	(£104,041)	(£16,371)
3%/4% guarantee grant	(£78,399)	(£78,399)	(£392,330)
Total grant support	(£284,492)	(£284,492)	(£517,512)
Business Rates net of tariff and levy	(£1,338,970)	(£1,471,885)	(£1,880,358)
S31 grants NNDR	(£2,233,191)	(£2,323,817)	(£2,526,046)
Total in year business rates	(£3,572,161)	(£3,795,702)	(£4,406,404)
Hertfordshire Pooling gains	£0	(£220,000)	£0
(Return) /Contribution to Collection Fund (NDR) re 2020/21, 2021/22, 2022/23 & 2023/24	(£1,448,201)	(£1,448,201)	(£838,057)
Collection Fund Surplus (ctax)	(£46,290)	(£46,290)	(£162,408)
Council Tax Requirement	£6,540,369	£6,540,369	£6,837,929
Council Tax Base	28,153	28,153	28,579
Council Tax Band D	£232.31	£232.31	£239.26
Council Tax Band C	£206.50	£206.50	£212.68

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	2023/24	2024/25	2025/26	2026/27	2027/28
Opening Balance	(£5,954)	(£4,717)	(£4,717)	(£4,079)	(£3,786)
In Year	£1,236	£0	£638	£293	(£93)
Closing Balance	(£4,717)	(£4,717)	(£4,079)	(£3,786)	(£3,879)
Minimum balances	(£3,547)	(£3,537)	(£3,500)	(£3,500)	(£3,500)
Closing Balance versus minimum level	(£1,170)	(£1,180)	(£579)	(£286)	(£379)

()=more balances than the minimum level

4.12.2 The financial year 2025/26 shows a significant increase in the draw on balances compared to 2024/25, however Members should be aware that the 2025/26 projections:

- Makes no assumption about the 3% income guarantee grant or service grant which if continued into 2025/26 would be circa £300K reducing the draw on balances to £366K
- Does not include any council tax collection Fund surplus which has averaged £86K over the period 2022/23-2024/25, however no assumptions have been included until a gain is realised.
- A similar level of net inflationary pressures to that in 2024/25 (£1.024Million versus £1.015Million), however for 2026/27 this is modelled to reduce to £776K, which is reflected in the reduction in the draw on balances for that and future years.
- An amount from the business rate gains reserve could be returned to the General Fund to reduce the draw on balances in year to allow balances maintained as savings are realised in the MTFs.

4.12.3 The risks to setting a balanced budget going forward are that:

- The funding assumptions included in the SRR23 show a decrease for unprotected services, such as some of those provided by District and Borough Councils, going forward.
- There is a need to make on-going annual savings for the reasons set out in sections three and five to this report.
- The General Fund Capital Strategy has a future funding shortfall and capital spend has been on a 'fix on fail' strategy with spend in 2024/25 rationalised and there is a risk that revenue contributions from the General Fund may be required for unforeseen spend.
- Pay and contractual inflation are projected to fall in the medium term, should this not happen the level of savings required for the General Fund will be significant, a 5% increase rather than the 3.5% budgeted could result in an additional £319K inflation pressure and a £1Million draw on balances in 2025/26.
- Parking Income projected to reach pre-pandemic levels by 2025/26 may not recover (2023/24 gap £520K, 2024/25 gap £300K), increasing the draw on balances and need for increased savings.
- The Council's regeneration ambitions may require additional resources to supplement costs of the on-going work programme together with the need to ensure the Town Square reserve has sufficient funding to meet the borrowing obligations and the holding costs in the next few years to allow SG1 to progress
- Business rate gains will be lost in the medium term as Council funding is reviewed (fair funding review).

4.12.4 Taking into account the risks identified above and in addition to the risk assessment of balances to support the General Fund's financial resilience, there are two allocated reserves available which are summarised below. The CFO recommends they are retained at the projected levels in case they are needed to support the General Fund in year. This means that:

- The Business rates gain reserve can support the General Fund in increasing balances for instance in 2025/26 where there is an estimated £638K draw on

balances despite a £1Million Balancing The Budget target. The CFO recommends that gains above the £200K are transferred to the reserve to allow the risks identified in para. 4.12.3 to be mitigated and protect the General Fund from unachievable savings targets.

- They can be used to supplement the General Fund balance where there is a time delay in the delivery of Transformation options avoiding the need to make cuts to services.
- If inflation remains high or government funding reduces or remains static the reserves can be used to ensure General Fund balances remain at the risk assessed levels

Reserves £'000	2023/24	Use	Closing 2023/24	Use	Closing 2024/25	Use	Closing 2025/26
General Fund	(£5,954)	£1,236	(£4,717)	£0	(£4,717)	£638	(£4,079)
Income equalisation Reserve	(£458)	(£300)	(£758)	£0	(£758)	£0	(£758)
Gains (NNDR)	(£656)	(£1,722)	(£2,378)	(£1,526)	(£3,904)	£185	(£3,720)
Total Available to support the GF	(£7,067)	(£786)	(£7,853)	(£1,526)	(£9,380)	£823	(£8,557)
% of net original budget	57%		63%		73%		76%

4.12.5 The General Fund reserves allocated for specific purposes are summarised below.

Reserves £'000	Opening 2023/24	Use	Closing 2023/24	Use	Closing 2024/25
NHB reserve	(£253)	£0	(£253)	£243	(£10)
Transformation Reserve	(£714)	£113	(£601)	£449	(£152)
Homeless reserve	(£429)	£98	(£330)	£150	(£180)
Planning Delivery	(£165)	£90	(£75)	£60	(£15)
Queensway Car Park monies	(£79)	(£43)	(£122)	(£43)	(£165)
Town square reserve	(£1,059)	(£2)	(£1,061)	(£145)	(£1,206)
Regeneration Reserve	(£264)	(£35)	(£299)	£100	(£199)
Insurance reserve	(£78)	£16	(£62)	£0	(£62)
ICT reserve	(£327)	£241	(£86)	£86	(£0)
Town centre	(£12)	£12	(£0)	£0	(£0)
Leisure	(£150)	£10	(£140)	£140	£0
Future Councils reserve	(£750)	£375	(£375)	£375	£0
Stevenage works	(£53)	£0	(£53)	£0	(£53)
Asylum seekers reserve	(£50)	£0	(£50)	£50	£0
Commercial Property repair reserve	(£41)	£0	(£41)	£0	(£41)
Revenue Reserves for specific purpose	(£4,423)	£876	(£3,547)	£1,464	(£2,083)

4.12.6 There is a planned use of £876K and £1.46Million in 2023/24 and 2024/25 respectively. The reserves are used for as follows:

1. NHB reserve was created to hold NHB allocations so that the General Fund did not become reliant on the funding. This reserve has reduced from its peak of £1.6Million to £7.4K in 2024/25.
2. Transformation Reserve is used to hold the monies set out for the Council's Transformation programme including improving the Council's digital offer and streamlining processes to give better outcome for residents. The profiled spend has been updated since the January draft report.
3. These are ringfenced government Homeless grants which are used to support the Council's homeless function including additional staff resources.
4. Planning Delivery is required to support the surveys for the Local Plan and is used over and above the General Fund allocation in 2024/25 of £100K.
5. Queensway Car Park Monies - this is the income from the Queensway Limited Liability Partnership (LLP) for parking income. This money has been ringfenced to support the fit out of future commercially tenancies on Queensway North.
6. Town Square Reserve - the monies are held to support the running costs of assets acquired for regeneration purposes.
7. The Regeneration reserve is used to fund one off additional costs incurred by the Regeneration Team to support the teams projects including professional and legal advice.
8. The Insurance reserve is used to support adhoc preventative works to reduce potential future claims where no core budget is in place.
9. The Future Councils Reserve is used to ringfence the £750K of funding received by the government, part of which is being spent in the current year for digital improvements and cyber security. The Council was one of only eight Councils to successfully bid for funding.
10. Stevenage Works is a job and training hub / partnership which comprises SBC, North Herts College and Job Centre Plus. The funding in the reserve has yet to be forecast and an update will be included in the March report.
11. These are ringfenced Asylum grants which are used to support the Council's homeless function including the provision of additional staff resources. The funding in the reserve has yet to be forecast and an update will be included in the February 2023 Executive report.
12. The Commercial Property Reserve is a reactive pot which can be used to support works to the commercial estate if expenditure is above the in-year budget allocation.

4.12.7 There are a number of reserves where the monies are all spent by 31 March 2024 and these include;

13. ICT Reserve - this was used to absorb pressures in year, however a review of software and infrastructure pressures has been undertaken the results of which are included in the General Budget on-going for 2024/25 and the balance on the reserve has been returned to the General Fund to underwrite some of those costs in 2024/25
14. The Town Centre reserve was set up from monies transferred to the Council when the Council took back the Town Centre Management

function and has been used to support events in the Town Centre. A review of events has been undertaken as set out in this report.

15. The Leisure Reserve was set up to support the retendering and delivery of the new leisure management contract and the remaining balance has been used to support capital improvements to the Council's leisure assets included in the Draft Capital Strategy to this January 2024 Executive.

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 'Balancing the Budget' 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. Work is ongoing throughout the year to seek to bridge the Balancing the Budget funding gap.

4.13.4 The Council has taken significant steps over recent years to balance its budget and the current projections show that the on-going balanced budget will be achieved by 2027/28 ensuring inflationary pressures are matched by increases in fees and income or reductions in expenditure. However, this relies on a significant savings target being achieved (see section 4.5) and inflation reducing in the medium term and government funding in line with that projected in the MTFS.

4.13.5 The impact of COVID and the Cost of Living crises have increased financial risk to Councils with resultant increases in inflation and lower fees and charges. The Council has however taken a number of 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 the increased risk from recessionary pressures into account.
- The income equalisation reserve (£758K by 31 March 2024) 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). However, the Capital Strategy report to the October 2023 Executive set out a number of steps that needed to be taken and in the interim RCCO may need to be used to fund any capital resourcing gap.

- Identification of a sufficient level of on-going Balancing the Budget options to ensure the General Fund is above or at the minimum level of balances.
- Use of any business rate gains only when realised above the £200K identified and ring fenced to maintain the financial resilience of the General Fund and thereafter FTFC priorities. The projected balance as at 31 March 2025 projected to be £3.9Million
- A transformation programme to deliver savings for both the General Fund and HRA.
- A Commercial and Insourcing Strategy to look for opportunities to increase the Council's income from new commercial options, ensuring fees and charges are set based on the cost of services and any insourcing opportunities.

4.13.6 The current projections of balances and the measures the Council has taken to date as set in this report mean that the level of balances projected are sufficient to set the 2024/25 budget.

4.13.7 While delivering this budget, the Council is also continuing to deliver its ambitious programmes to redevelop and regenerate the town centre and to provide more social, affordable and aspirational homes. Whilst both programmes offer great opportunities for the town and local residents they also carry the risk of potentially needing 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 Executive Members 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 forming part of the Council's Budget Requirement for the year. A sum of £400,000 is proposed for 2024/25, this remains unchanged from the current year, however, as always, due regard will need to be given to breaching minimum balances.

4.15 Consultation

Council Financial Security Group (CFSG) (25 October 2023)

4.15.1 CFSG was presented with savings and growth options for consideration for 2024/25 balancing the budget. No voting was carried out for saving options, however, the group did consider the nine growth options (as detailed at Appendix A) and scored them by "do not support" 0 point, "support but low priority" 1 point and "support with high priority" 3 points. The table below shows the results.

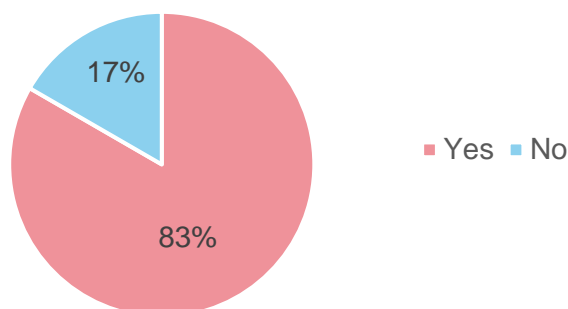
Growth bids received for 2024/25	Score	Recommended as per paragraph 4.6
Payroll Apprentice*	12	Yes
Graduate Planner*	12	Yes
Change remit of Planning Manager posts x 2	6	No
Improvement to finance ledger system	10	No – looking to fund through alternative sources
2nd Green Spaces Development Officer**	7	One year
Switch from diesel fuel to HVO*	9	Yes
Additional street scene manager	9	No
Creation of woodland team	10	1 post in HRA
Street scene digital operation solution*	6	Yes – a catalyst for further savings

Corporate Plan – six-week consultation starting 23 October

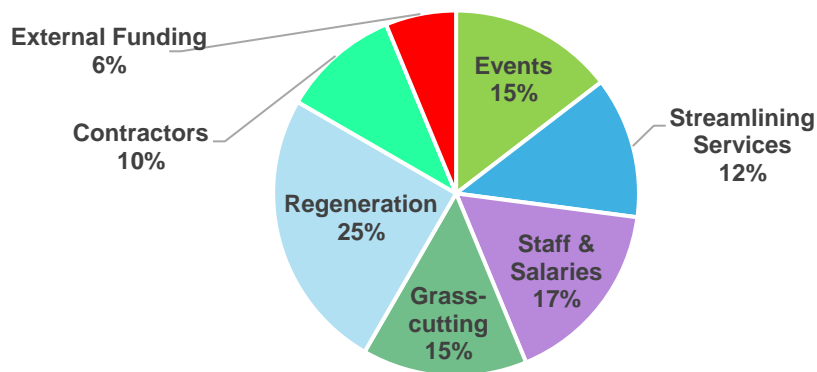
4.15.2 The Councils final draft Corporate Plan is also on the agenda for today's Executive meeting. As part of the process to co-produce the Corporate Plan consultation was undertaken to include ascertaining if respondents:

- Agree that Balancing the Budget should be a priority so that the Council can remain financially resilient and continue to deliver key services as set out in the Corporate Plan?
- If no, is the alternative is to reduce services and provide less?
- If yes, what should the Council stop doing to generate £1.23Million savings?

4.15.3 83% of respondents to the consultation agreed that Balancing the Budget should be a priority:



4.15.4 All survey respondents were asked for financial savings suggestions. The responses can be categorised into seven themes:



- Regeneration work would attract new businesses to the area which would increase business rate revenue and car parking income (25%). – *The Council has opened a new Multi Storey car park and is working with partners to bring new business into the town, also improving the business rates collected and retained by the Council.*
- Reduce Staff and Councillor salaries (17%). – *The Council’s Member allowances are reviewed and agreed by an Independent Remuneration Panel and staff pay is governed by the collective pay agreements as agreed with the unions.*
- The Council should consider selective grass-cutting allowing green spaces to grow wilder (within safe reasons) and reduce maintenance costs for grass cutting etc. (15%) – *The Council has already implemented this as a measure with an associated cost reduction.*
- Streamlining services (12%) – *The Council has a transformation programme which aims to streamline processes and reduce costs.*
- Reduce use of Contractors (10%) – *The Council has a Commercial and Insourcing Strategy which includes reviewing contracts to see if they can be brought back in-house at the point of re-tendering.*
- Reducing or cancelling events such as the November Fireworks Display, or those held on the Event Island and the Stevenage Museum. (15%)- *The Council has reviewed the cost of events to reduce their associated cost as set out in para. 4.78-4.7.9*
- Seeking external funding to plug the financial gap (6%). *The Council has actively sort external funding and has received circa £80Million of revenue and capital funding over the last few years.*

Resident Survey (2021)

4.15.3 The 2021/22 survey highlighted that resident’s number one cost reduction preference is for the Council to provide more online services. The ranking of this option increased since 2017 which supports the Transformation programme as a method to reduce costs, improve efficiency / productivity and customer service.

Please tell us your order of preference for each of the following options by ordering them 1 to 5	2021 rank	2017 rank	1 st
Reduce time and money spent on paperwork by interacting with more residents and customers online	1	1	41%

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

4.15.4 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% in 2017) 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%

4.16 Overview and Scrutiny Comments

4.16.1 Overview and Scrutiny Committee met on the 23 January 2024 to consider the draft budget proposals and the following comments were made:

- A Member thanked the finance team for a comprehensive report.
- A Member asked about the saving for booking celebrities and was advised it was a few thousand pounds, it was included as a savings option but it had bought footfall into the town. The Member suggested the Mayor would be a good local celebrity
- A Member asked about the consultation option around increasing council tax- said this was illustrative about the increase in the residents survey (51P to 55P), the CFO replied this was illustrative but pointed the Committee to the increase for a Band C in the report which is proposed at £6.17 per year and that the Council was received the smallest share of the council tax raised and that increase for SBC was capped at 2.99% for 2024/25
- A Member congratulated the growth bid for HVO fuel and also said important to keep the supply chain under review.

- A Member asked whether all the bids discussed at CFSG were in the report and the Member was advised this was shown at para. 4.15.1 of the report.

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 were included in the Commercial and Insourcing Strategy to the October 2023 Executive.

5.2 Legal Implications

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

5.3 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 2024/25 budget options include the redundancy of one member of staff, following a consultation period. All other staff options will be achieved through staff turnover.
- 5.4.2 In compliance with SBC's Organisational Change Policy any proposals that involve 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 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 2024.

5.5.3 To inform the decisions about the Budget 2024/25 officers have begun Equality Impact Assessments (EqIAs) and an overarching EQIA for the budget has been produced to inform the decision taken by Council in February 2024. This EqIA is summarised and attached in **Appendix D** with further information on the process to date and planned activity.

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. In 2023/24 the Council approved an additional officer post to support its efforts meet its climate change goals. Included in the 2024/25 options is a growth bid to convert the Council's fleet from diesel to use hydrogenated vegetable oil (HVO) in order to reduce the Councils carbon emissions. The business case setting out the carbon reductions is appended to this report (Appendix E).

BACKGROUND DOCUMENTS

BD1 General Fund Medium Term Financial Strategy (2023/24-2027/28) September 2023 Executive

BD2 Commercial and Insourcing Strategy October 2023 Executive (including fees and charges)

BD2 Balancing the Budget November 2023 Executive

BD3 Draft General Fund and Council Tax setting report January Executive 2024

APPENDICES

Appendix A General Fund and HRA Budget Options

Appendix B General Fund Growth Options

Appendix C Risk Assessment of Balances

Appendix D Equalities Impact Assessment

Appendix E Business Case for HVO fuel

Appendix F Council Tax resolution

Appendix G Draft General Fund Budget

Appendix H Robustness of Estimates