Part I – Release to Press

Stevenage BOROUGH COUNCIL

Meeting:	**CABINET**	**Agenda Item:**
Portfolio Area:	Resources and Transformation	
Date:	**24 July 2024**	

4th QUARTER MONITORING REPORT GENERAL FUND, HOUSING REVENUE ACCOUNT, CAPITAL, AND GROUP COMPANIES.

KEY DECISION

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1 PURPOSE

1.1 To update Members on the 2023/24 outturn positions for the General Fund (GF), Housing Revenue Account (HRA), Capital, and the Council's Subsidiary Companies and to seek approval for changes to 2024/25 working revenue budgets. The report also requests an additional £2.434Million for 2024/25 HRA cost pressures in response to current and ongoing operational pressures. The revenue spends included within this report is still subject to completion and audit of the 2023/24 statement of accounts.

1.2 To update Members on the Council's reserves and balances available to support revenue expenditure and/or the financial resilience of the Council.

2 RECOMMENDATIONS

2.1 General Fund

2.1.1 That the 2023/24 actual General Fund net expenditure of £13.397Million be noted, subject to the 2023/24 audit of the Statement of Accounts.

2.1.2 That the 2023/24 actual core resources (government grants, business rates and council tax) of £12.747Million be noted, subject to the 2023/24 audit of the Statement of Accounts (paragraph 4.4).

2.1.3 That carry forward/spend requests totalling £535,600 be approved for the General Fund (paragraph 4.1.3 and 4.3).

2.1.4 That the Transfer to reserves of £1.902Million be approved for the General Fund (paragraph 4.7.1).

2.1.5 That Members note the transfer from allocated reserves in 2024/25 of £78,628 as detailed in paragraphs 4.6.1 - 4.6.3

2.1.6 That the increase in the new tenant administration fee on allotments from £15 to £25 with effect from September 2024 be approved for the General Fund (paragraph 4.6.6).

2.1.7 That the increase in the deposit for outbuildings on allotment plots, from £30 to £50 with effect from September 2024 be approved for the General Fund (paragraph 4.6.6).

2.1.8 That the introduced charge for the woodchips delivered to the allotment sites with effect from September 2024 be approved for the General Fund (paragraph 4.6.6).

2.2 Housing Revenue Account

2.2.1 That the 2023/24 actual in year HRA surplus of £106,271 be noted, subject to the audit of the Statement of Accounts.

2.2.2 That a carry forward requests for decant costs totalling £47,350 (paragraph 4.11.1) is approved.

2.2.3 That the 2024/25 budget pressure of £2,434,050 detailed at paragraph 4.11.2 and in Appendix C, be recommended to Council for approval on 31 July 2024.

2.3 Capital Programme

2.3.1 That the General Fund capital budget re-phasing of £4.4Million from 2023/24 to future years and that £1.2Million be re-phased from 2026/27 to 2024/25 be approved.

2.3.2 That the Housing Revenue Account capital budget re-phasing of £3.2Million from 2023/24 to future years be approved.

2.3.3 That the 2024/25 virement and in year growth funded from ringfences receipts detailed on paragraph **Error! Reference source not found.** be approved.

2.4 Council’s Subsidiary Companies

2.4.1 That Members note the 2023/24 outturn position for the Council’s subsidiary companies as set out in paragraphs 4.20 to 4.25.

2.4.2 That additional funding for the Building Control Company be approved in principle and the decision delegated to the SD (CFO) after consultation with the Portfolio Holder for Resources and Transformation (paragraph 4.24.3).

3 BACKGROUND

3.1.1 The General Fund 2023/24 working revenue budget of £13.743Million was approved by Members at the March 2024 Executive, as part of the Quarter 3 monitoring report.

3.1.2 The HRA working revenue budget surplus of £517,050 was approved by Members at the March 2024 Executive, as part of the Quarter 3 monitoring report.

3.1.3 The Accounts and Audit Regulations contain provisions on financial management, annual accounts and audit procedures. Within the amended regulations there is no requirement for Member approval of the Statement of Accounts prior to the completion of the external audit and only the Responsible Financial Officer is required to certify the presentation of the pre audit annual accounts.

3.1.4 Each financial year Stevenage Borough Council is required to produce and publish a draft set of accounts, allow public inspection of the draft accounts, have the draft accounts audited and to subsequently publish the final audited set of accounts. The deadlines set under regulation for the accounts prepared for the 2023/24 financial year are:

- publish draft set of accounts one day prior to the start of public inspection.
- public inspection to start no later than 1 June 2024 for a period of 30 working days.
- completion of audit and publication of audited accounts by 30 September 2024.

3.1.5 Public inspection for 2023/24 has been delayed whilst unaudited draft accounts are being finalised. The production of Council's accounts is taking longer than the regulations allow due to the complexity of local authority reporting requirements and resourcing issues and significant asset balances awaiting final valuation reports. Stevenage Borough Council continues to experience major audit delays along with many other Councils due to lack of resources in the audit sector. The audit of the Statement of Accounts 2020/21 has yet to be finalised and the audits of 2021/22 and 2022/23 are yet to commence. The Council continue to engage with external auditors and will announce when the accounts are open for inspection through all the standard channels in due course. This will also impact the completion of the audit and the publication of audited accounts.

3.1.6 Nationally, the number of outstanding audit opinions (all years) peaked on 30 September 2023 at 918. As at 31 December 2023, the backlog of outstanding audit opinions stood at 771. DLUHC's consultation on a proposed 'backstop', a compulsory deadline for all outstanding financial assessments, started in February 2024 and closed to submissions in March 2024. The plan includes phased deadlines for outstanding audits, starting with a backstop by 30 September 2024 to publish audited accounts for financial years 2015-16 to 2022-23.

3.1.7 The National Audit Office (NAO) Issued Guidance on 19 June 2024 considering the impacts of the general election on 4 July 2024 on the plans above - " The proposals consulted upon by the NAO and DLUHC respectively for changes to the Code of Audit Practice and the introduction of statutory publication deadlines for audited accounts ('backstop' dates) cannot proceed until a new Parliament is formed and the new government has had the opportunity to consider whether it wishes to proceed with the proposals. Until then, auditors should continue to follow the current Code of Audit Practice. Where auditors are planning to complete audits, they should continue to make every effort to do so and as soon as possible".

3.1.8 The performance of subsidiary companies and relevant joint ventures has been reported to members through the individual governance arrangements in place for each entity. These have now been consolidated and reported from paragraph 0 onwards. An overview of the performance of these entities reported through their governance arrangements, including any implications for the Council will be included in future reports to improve transparency and oversight.

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 General Fund 2023/24 outturn

4.1.1. The 2023/24 actual Services Net Expenditure on the General Fund was £13.397Million, compared to a budget of £13.743Million. The in-year underspend (before the consideration of any carry forward requests) was £346K.

4.1.2. A high-level summary of the over and underspends split by the cost categories are shown in the table below.

	Overspends	Underspend	Timing delays	Total
Employees:				
Professional training		(£16,075)		**(£16,075)**
Premises:				
Utility costs	£19,756			**£19,756**
Supplies & Services:				
Cost of shared services	£66,182			**£66,182**
Car Park internet connectivity	£160,072			**£160,072**
Bed & Breakfast costs		(£74,153)		**(£74,153)**
External Audit fees		(£67,828)		**(£67,828)**
Garages			(£90,000)	**(£90,000)**
Climate Change grants			(£70,000)	**(£70,000)**
Credit Card charges - Car parks	£10,840			**£10,840**
Trade Waste Disposal Costs	£73,599			**£73,599**
Joint Venture Set Up Costs (Swingate)	£59,992			**£59,992**
Transport:				
Vehicles		(£40,787)		**(£40,787)**
Funding Capital:				
Direct Revenue Financing			(£123,250)	**(£123,250)**
Income:				
Investment Income		(£128,933)		**(£128,933)**
On-street Car parks		(£92,441)		**(£92,441)**
Markets income	£14,543			**£14,543**
Other		(£48,000)		**(£48,000)**
	£404,985	**(£468,218)**	**(£283,250)**	**(£346,483)**

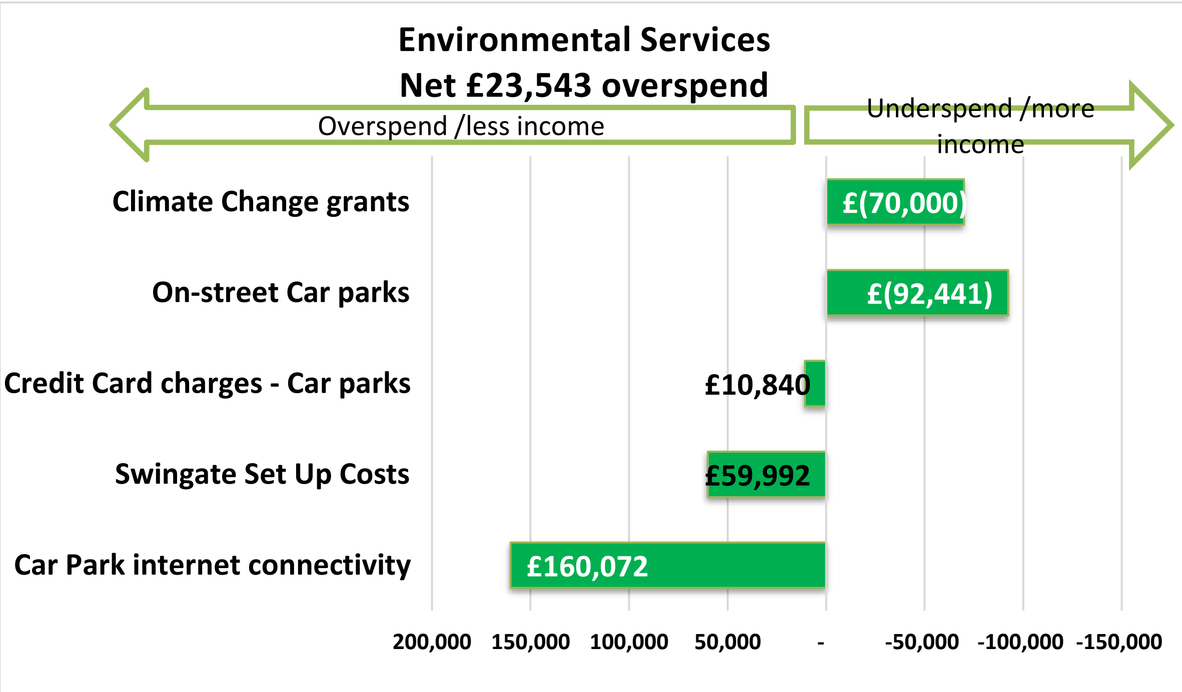
4.1.3. In addition, a number of carry forward request have been received from officers, the table below represents the total carry forward requests, split by timing delays and general carry forwards. These requests are detailed below in paragraph 4.3.

Committee	Timing Delays	Carry Forward	Total
Housing & Neighbourhoods		£40,000	£40,000
Environmental Services	£70,000	£87,460	£157,460
Housing Services		£28,420	£28,420
Resources - Services	£194,970	£55,000	£249,970
Resources - Support Services		£21,000	£21,000
Trading Accounts		£38,750	£38,750
	£264,970	**£270,630**	**£535,600**

4.2. Analysis of variances

4.2.1. **Housing Services** net underspend of £74K. The Council has taken action to reduce the bed and breakfast costs by interventions such as the Housing First model and provision of modular units to accommodate people for example at Oaks Cross and the purchase of other accommodation (172 units to date), which has resulted in Bed and Breakfast costs reducing from a high in 2021/22 of £1Million to just £5.8K in 2023/24. However, owing to the challenges facing the UK economy and the ongoing cost of living crisis, this remains an area in which further pressures could emerge and will be monitored closely.

4.2.2. **Environmental Services** shows a net overspend of £24K. In addition, there was a request for carry forward of £185K (section 4.3 for details). This would leave a net variance of £209K as one off in year overspend. The breakdown of this is shown in the chart below:



- **Climate Change Grants** – £70K funding was allocated to provide micro grants to SME's to support them to decarbonise and grow in Stevenage. The use of the business rate pooling monies was agreed and received in February 2024 (at Council), resulting in the monies being spent in 2024/25.

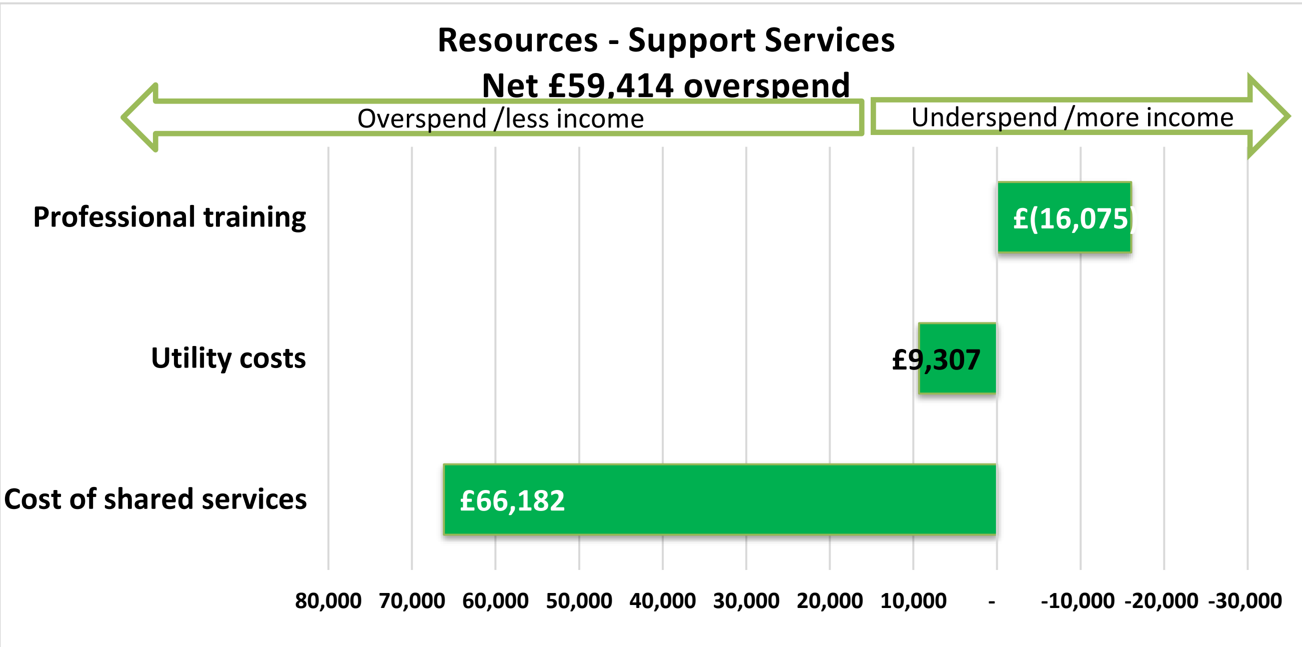
- **On-Street Car Parks** - in 2023/24 the Parking enforcement service returned back to pre-Covid deployed hours of patrols which has resulted in additional parking fines income of £92K.The implications for the 2024/25 budget onwards will be reviewed as part of the quarter one monitoring report.

- **Credit Card Charges – Car Parks** – Since moving to cashless payments in 2021, credit card charges have increased in line with income. These charges equate to approximate 3% of off-street parking annually, however the 2023/24 budget had not been increased to allow for this rise in costs resulting in an overspend of £11K. However, as part of the 2024/25 budget setting process the budget was adjusted for the increase in charges.

- **Swingate Set Up Costs** – Members approved a budget of £150K for the Joint Venture (JV) set up costs funded from Business rate pooling gains. The actual spend was £315K for SG1 professional fees partly offset by £105K funding to be returned from Mace due to an underspend on Plot A enabling works. This resulted in a £60K overspend.

- **Car Park Internet Connectivity** – during the Automatic Number Plate Recognition (ANPR) system installation it was identified that internet connectivity for the car parks was running on end-of-life technology. To avoid any disruption to the collection of payments, the Council had to continue with the private emergency overrun service until the new fibre service was connected. This has resulted in one off costs of £160K.

4.2.3. **Resources** – Support Services reported a net overspend of £59K. In addition, £28K has been requested as carry forward (section 4.3 for details). This leaves a net variance (one-off) overspend of £87K. The breakdown of the overspend is given below:

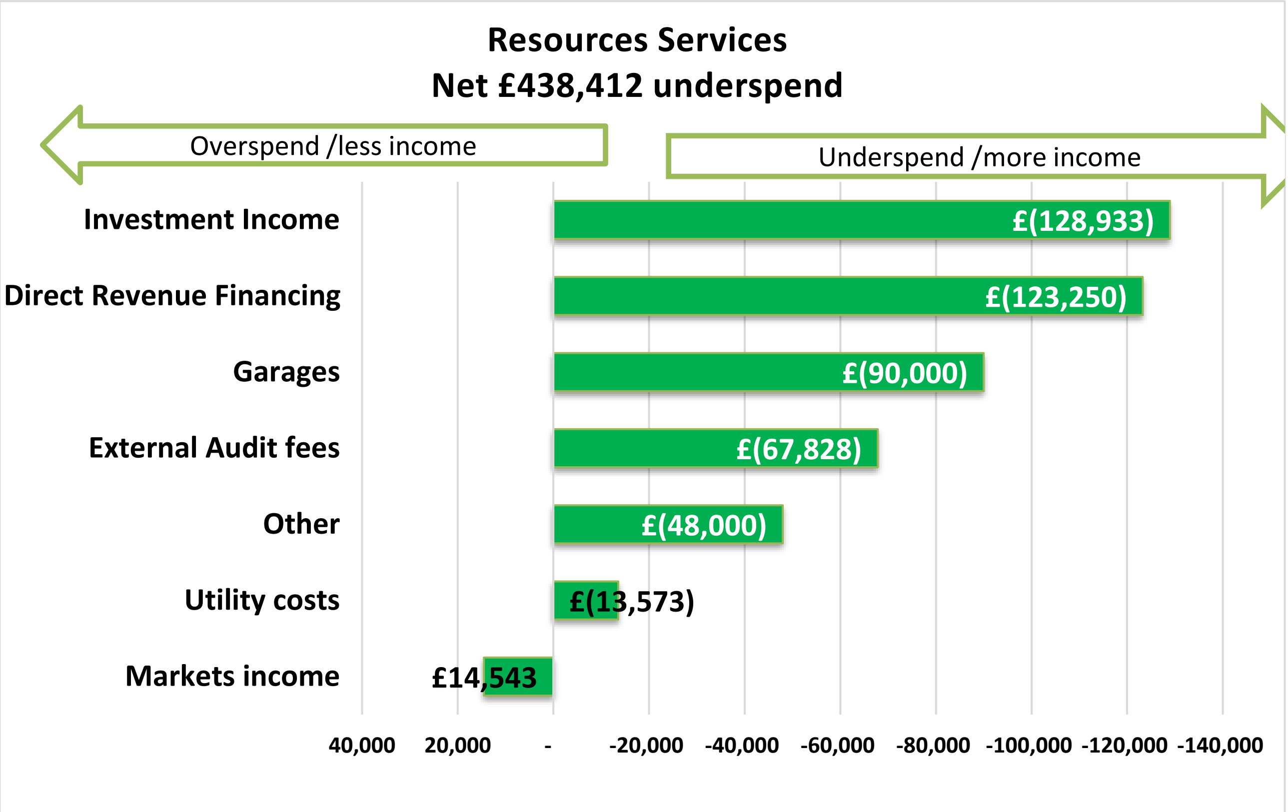


- **Professional Training** - Professional training budget was not fully utilised across the Council during 2023/24, with £6K being spent against the £22K budget, resulting in an in-year saving of £16K.

- **Utility Costs** – there was an overspend on electricity at Daneshill House (£21K) which was partly offset by £7k saving on gas, and £5K saving on metered water.

- **Costs of Shared Services -** this is a combination of pressures from Revenues & Benefits and Legal Services. The latter being the main contributor due to an increase of additional hours used in the year compared to the budget. A review is currently being undertaken of why hours have increased.

4.2.4. **Resources Services** reported an underspend of £438K. The carry forward request for this service is £268K (section 4.3 for details) of which £213K relates to timing delays. This leaves as an underspend one-off variance of £170K. The analysis is provided below:



- **Investment Income** – Interest earned for the year exceeded forecast, due to average balances and rates achieved remaining higher than forecasted, which resulted in additional £129K. Any impact on 2024/25 will be updated as part of quarter one monitoring report.

- **Direct Revenue Financing -** The slippage in capital schemes has meant the funding is now required in 2024/25.

- **Garages** - Carry forward funding from 2022/23 was approved to provide disturbance payments to garage holders affected by asbestos. During 2023/24, 115 garage accounts were issued with payments with the remainder to be completed in 2024/25.

A carry forward of £90,000 is required for 2024/25 for the remaining affected garage tenants.

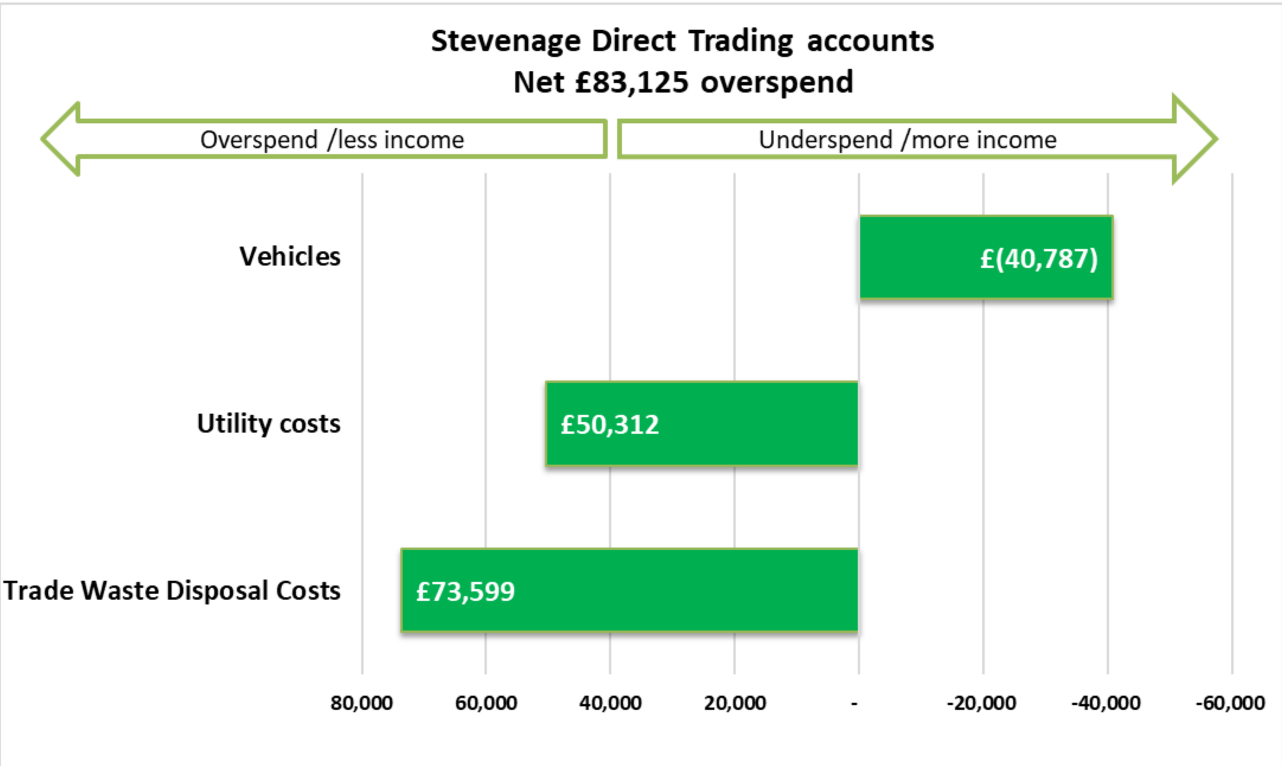
- **External Audit Fees -** based on the latest information around the backstop arrangements to bring all Councils back to the latest years (2023/24) to be audited in-year. The Council has assessed that for 2021/22 and 2022/23 the audit fees required will be reduced due to only the Value for Money audits being undertaken, with the main audit of those years accounts not being undertaken due to the well documented issues with national backlog of local authority audits. This has allowed the Council to reduce its accruals for previous audit fee years by £68K. However, this is dependent on the final invoices to be received by EY for any Value for Money and disclaimer opinions and the 2020/21 audit. Members should also note as set out in para.3.1.7 the legislation for the backstop has yet to be laid before parliament.

- **Utility** – there was electricity saving of £35K at the Bus Interchange, which was partly offset by overspends elsewhere within the Council Commercial Properties.

- **Markets Income** – Continued pressures within the indoor market due to higher void rates which were around 38% as at March 2024.

- **Other Variances** – a combination of small underspends across the remaining services.

4.2.5. **Trading Accounts** reported £83K net overspend. A carry forward of £55K (see section 4.3 for details) has been requested, this would leave a net adverse variance of £138K. A breakdown of the service is below:



- **Vehicles** - At Quarter 3, vehicle fuel budgets were reduced by £47K to reflect the impact of falling prices throughout 2023/24. This reduction included an expectation that prices would increase during the last quarter, however they remained at lower rates which resulted in a further £35K saving. In addition, there was a saving of £9K on tyres and tubes due to many of the general fund fleet vehicles being newer and requiring fewer replacements. An assessment of the impact on 2024/25 budgets will be included in the first quarter monitor to the September Cabinet.

- **Utility Costs** – mainly related to an overspend on electricity costs at Cavendish Road (£45K) relating to a year end adjustment to clear historic invoices.

- **Trade Waste Disposal Costs -** an increase of disposal costs from £135 to £155/tonne between 2022/23 and 2023/24 resulted in one-off cost pressures of £74K. An assessment of the impact on 2024/25 budgets will be included in the first quarter monitor to the September Cabinet.

4.3. Carry Forwards

4.3.1. The carry forwards/spend requested for approval by Members is shown below and total £536K. This is breakdown down between carry forward requests of £271K, and £265K timing delays.

Service Area	Carry Forward/Spend Requests	£
Environmental Health	To continue to fund a fixed term post in Environmental Health	£30,000
Climate Change	To fund promotional activities in relation to the decarbonisation scheme	£7,460
Civic Links	To fund hosting of Town Twinning in 2024	£20,000
Daneshill House	Funding for continual AV Improvements works in committee rooms	£21,000
Stevenage Direct Services	For contract works for graffiti blitz (funding received from community neighbourhoods Q4 2023/24)	£34,750
Environmental Health	Smoke Control grant received and is being used to fund agency for residential team temp technical officer	£23,420
Emergency Planning	Investment into new InPhase (reporting software) portal in preparation for performance reporting in 2024/25. To improve insight into performance across a range of services and aligned with an increase focus nationally to monitor local government performance through implementation of the Office for Local Government performance metrics.	£10,000
Sports Development	Funding for fixed term post. Due to timing issues, funding needs to be carried forward to fund the period Apr-Jul 24	£15,000
Neighbourhood Wardens	To fund 6 months Community Development Officer post (Apr-Sep 24)	£25,000
Housing Options	Private landlord deposit scheme	£5,000
	TOTAL Carry Forwards	**£191,630**
TRF Station	A request to contribute towards funding IT hardware (tablets) - required for all refuse and recycling vehicles	£4,000

Service Area	Carry Forward/Spend Requests	£
Environmental Development	To fund 1-year SDS Systems Manager Post	£50,000
Transformation	To support costs associated with office moves at Daneshill	£25,000
	TOTAL Spend Requests	**£79,000**
Garages	£90k dispensation claims not fully paid in year	£90,000
Climate Change	Support to Businesses for Climate Change initiatives	£70,000
Direct Revenue Financing	To be used in 2024/25 to fund capital schemes (RCCO)	£104,970
	TOTAL Timing	**£264,970**

£535,600

4.4. General Fund Core Resources

4.4.1. The budgeted level of Core Funding for 2023/24 (as detailed in the table below), was £12.380Million; the total amount recognised in the 2023/24 pre-audited accounts is £12.747Million, a surplus of £367K.

Core Resources	2023/24 Working Budget	2023/24 Outturn	Variance
	£	£	£
Business Rates net of tariff (note 1)	(£2,941,673)	(£3,526,402)	(£584,729)
Business Rates Pooling Gains	(£220,000)	(£220,000)	£0
Section 31 Grant (note 2)	(£2,347,568)	(£2,103,944)	£243,624
Council Tax SBC Precept	(£6,586,657)	(£6,586,657)	£0
Government Grants (note 3)	(£284,492)	(£310,298)	(£25,806)
Total Core Funding Position	**(£12,380,390)**	**(£12,747,301)**	**(£366,911)**

4.4.2. The reasons for the variances are given below:

- Note 1- Business Rates – The amount of business rates in the General Fund is fixed at the point the budget was approved in February 2023 and was included in the NNDR1 return to Government. The variance relates to a positive adjustment to the tariff payment (one year only), and reduction in the levy charge to Council as a result of less 2023/24 business rates yield of £1.6Million than projected.

- Note 2 - Section 31 Grant – The amount of Section 31 grant received was lower than the working budget. This is based on actuals for the year and is what the Government needs to compensate councils for, for decisions made nationally around giving reliefs to businesses.

- Note 3 – Government Grants – the Council received unexpected grant as part of Redmond Review around Local Audits to meet the anticipated rise in audit fees, driven by new requirements on auditors including the 2020 Code of Audit Practice. This is Stevenage share of the £15Million Government provided nationally.

4.5. 2023/24 General Fund Budget

4.5.1. The outturn position for the General Fund budget is summarised in the table below and this provides some additional resilience to the Council as there was a reduction in the projected drawdown on balances of £712K, before the 2024/25 impact on the budget for carry forwards (£536K) and changes to business rates. This will be incorporated in the next General Fund Medium Term Financial Strategy (MTFS) update.

General Fund Outturn Position	2023/24 Working Budget	2023/24 Outturn	Variance
	£	£	£
Services Net Expenditure	£13,743,466	£13,397,416	(£346,050)
Core Resources (including TIG)	(£12,380,393)	(£12,747,160)	(£366,767)
General Fund Outturn Position	£1,363,073	£650,256	(£712,817)
Balance Brought Forward	(£5,953,648)	(£5,953,648)	£0
Use of balances	£1,363,073	£650,256	(£712,817)
Balance Carried Forward	(£4,590,575)	(£5,303,392)	(£712,817)

4.6. Impact on 2024/25 General Fund Budget

Impact of 2023/24 Outturn on 2024/25 budgets

4.6.1. As set out in table 4.3.1 there was an underspend to the working budget for Revenue Contribution to Capital (RCCO) which is required in 2024/25 for the following schemes from allocated reserves/General Fund balances, where there was a corresponding underspend:

- Leisure £66K, from General Fund balances.
- Memorial Tree £39K, from General Fund balances.
- Asset Management System £10K, from Allocated reserves

4.6.2. Following a review of the costs associated with the Local Plan within the Medium Term Financial Strategy and the monies already set aside in 2023/24 and included in the 2024/25, the AD Planning and Regulation has identified that £50K of monies set aside in the Planning reserve for that purpose can be returned to General Fund balances.

4.6.3. Due to the timing in the setup of the Swingate Joint Venture (JV) drawdown of £18,628 from the Business Rates reserve is now required in 2024/25 for the holding costs associated with the Council's Equity investment in the JV.

Other Potential Impacts on the 2024/25 budget

4.6.4. The current pay award for 2024/25 is still being negotiated between the unions and employers. The current offer is £1,290 per employee up to spinal point 43 and 2.5% for above. This would represent slight saving against 3.5% pay award budgeted for 2024/25. This has been rejected by the unions.

4.6.5. Finance is currently working on the underspends and overspends analysis to identify any potential impact on the 2024/25 budget. This will be reported back as part of Quarter 1 report to the Cabinet in September.

Other Recommended changes to the 2024/25 budget

4.6.6. In February 2024 officers undertook a review of the allotments function with the aim of identifying any areas of efficiency or savings and informing future projects in Digital and Transformation. The report was presented to the meeting of the informal officer and Member Commercial and Investment Working Group in March 2024. The recommendations were that the administration fee for new tenants should be increased in order to fully cover the cost of providing the service. Similarly, the deposit for constructing an outbuilding on a plot should be increased, in order to offset the increased costs of outbuilding removal. The increased price of woodchips was noted in the report, with the recommendation that fees for wood chips are applied, to be set according to market prices at the time, in consultation with Stevenage Gardens and Allotments Association (SGAA).

4.7. Reserves

4.7.1. Allocated Reserves - Some balances are 'ring fenced' and have been set aside for specific purposes. The total value of allocated reserves available for the Council to spend at 31 March 2024 is £8.8Million. The movement in the year has been an increase of £3.202Million in to reserves. Executive has already approved £1.3Million of reserves movement during the year therefore Members are requested to approve the remaining £1.902Million.

4.7.2. The reserve balances may seem a significant sum but are held for specific purposes, some of which are set out below. These mean they are not available to fund General Fund expenditure with the exception of NDR gains and the income equalisation reserve.

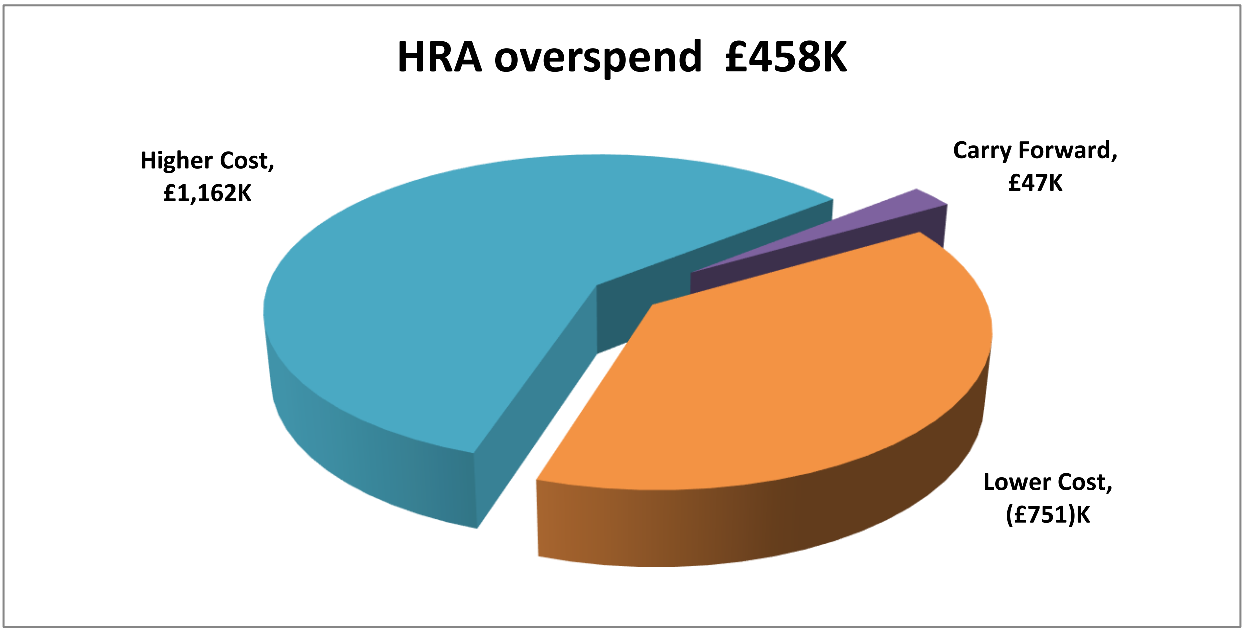
- £1.507Million required to fund the holding costs of assets in the r Town Square which includes assets for regeneration as part of SG1 *(note2)*
- £2.711Million of NNDR reserves relates to gains generated from previous years. Reserves remain high as there is a risk to the Council from unexpected appeals being given to businesses which may not been accounted in the provisions *(note 1)*
- £690K to fund the Councils Transformation ambitions and to support the 'Balancing the Budget' priority *(note 3)*
- £390K grant funding ring fenced for homeless and rough sleeper initiatives *(note 5)*
- £459K of Future Council's reserve relates to a new pilot scheme by the Department for Levelling Up, Housing and Communities (DLUHC) in Autumn 2022 to work with a group of eight councils to test and iterate a new approach to help local authorities become more modern and resilient *(note 4)*

Reserves	Opening 2023/24	Movement	Closing 2023/24	Projected Movement	Closing 2024/25
NHB reserve	(£253)	£0	(£253)	£243	(£10)
Transformation Reserve *note 3*	(£714)	£25	(£690)	£449	(£240)
Homeless reserve *note 5*	(£429)	£38	(£390)	£150	(£240)
Planning Delivery	(£165)	(£122)	(£287)	£110	(£177)

Reserves	Opening 2023/24	Movement	Closing 2023/24	Projected Movement	Closing 2024/25
Queensway Car Park monies	(£79)	(£43)	(£122)	(£43)	(£165)
Town square reserve *note 2*	(£1,059)	(£448)	(£1,507)	(£145)	(£1,652)
Regeneration Reserve	(£264)	£39	(£225)	£100	(£125)
Insurance reserve	(£78)	£6	(£72)	£10	(£62)
ICT reserve	(£327)	£137	(£190)	£86	(£105)
Town centre	(£12)	£12	(£0)	£0	(£0)
Leisure reserve	(£150)	(£190)	(£340)	£340	£0
Commercial Property repair	(£41)	£0	(£41)	£0	(£41)
Capital reserve	(£20)	£20	£0	£0	£0
Future Councils reserve *note 4*	(£750)	£291	(£459)	£375	(£84)
Asylum reserve	(£50)	(£450)	(£500)	£50	(£450)
Stevenage works	(£53)	£33	(£20)	£0	(£20)
Domestic abuse reserve	£0	(£196)	(£196)	£0	(£196)
Total Allocated for use	**(£4,443)**	**(£847)**	**(£5,289)**	**£1,724**	**(£3,565)**
Income equalisation Reserve	(£458)	(£300)	(£758)	£0	(£758)
Gains (NNDR) *note 1*	(£656)	(£2,055)	(£2,711)	(£1,534)	(£4,245)
Total Available to support the GF	**(£1,114)**	**(£2,355)**	**(£3,469)**	**(£1,534)**	**(£5,003)**
Total allocated reserves	**(£5,556)**	**(£3,202)**	**(£8,758)**	**£191**	**(£8,567)**

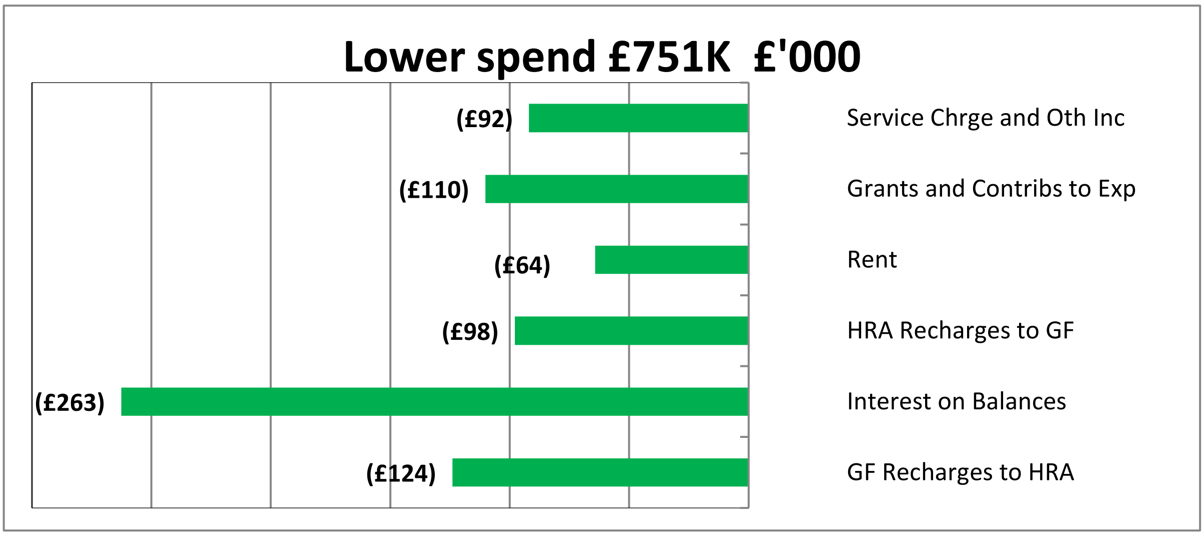
4.8. Housing Revenue Account (HRA)

4.8.1. The 2023/24 outturn position on the HRA was an in-year surplus of £106,271, a £410,779 decrease from the working budget surplus of £517,050. Allowing for carry forward requests of £47K, there is an underlying overspend of £458K. The main variances to the working budget are highlighted below.



4.9. Lower Costs / Higher income than budgeted

4.9.1. There were underspends, or greater income, of £751K that are listed in the chart, with explanations in the following paragraphs.



4.9.2. **Service Charge and Other Income £92K –** There was a net increase in non-rent income of £92K over the budget. This was spread across several areas including service charges and temporary accommodation. Some variability in the budget has been caused by the increase in temporary accommodation within the HRA, as void periods can be hard to predict and there are additional charges on this type of accommodation. There were also higher levels of income from utility charges in 2023/24, but the outturn is currently being reviewed to ensure that customers are only charged the actual costs incurred by the Council for the year. Any adjustment to rent accounts for these utility charges will be reported during 2024/25.

4.9.3. **Grants and Contributions towards Expenditure £110K** – The Council receives funding from the Government and other public bodies for specific schemes during the year. The funding is often project related and one-off in nature and the timing can be difficult to predict. In last year there was £110K more than anticipated, but this will have been offset by additional costs elsewhere in the HRA accounts and has not been included as an ongoing change to the budgets.

4.9.4. **Rent - £64K –** total rental income was £64K higher than the position estimated at quarter 3 and this is a 0.14% variance on the total rent budget of £44.8Million. However, the original rent budget had been reduced by £800K from £45.6Million during the year, giving an original to outturn variance of -1.75%. The income has fluctuated in 2023/24, due to the number of new properties versus budget expected from the Kenilworth development and operational difficulties in returning empty properties to a lettable state. The small positive variance over the last reported position was due to the timing of letting the new properties and contributed to a positive outturn compared to the working budget.

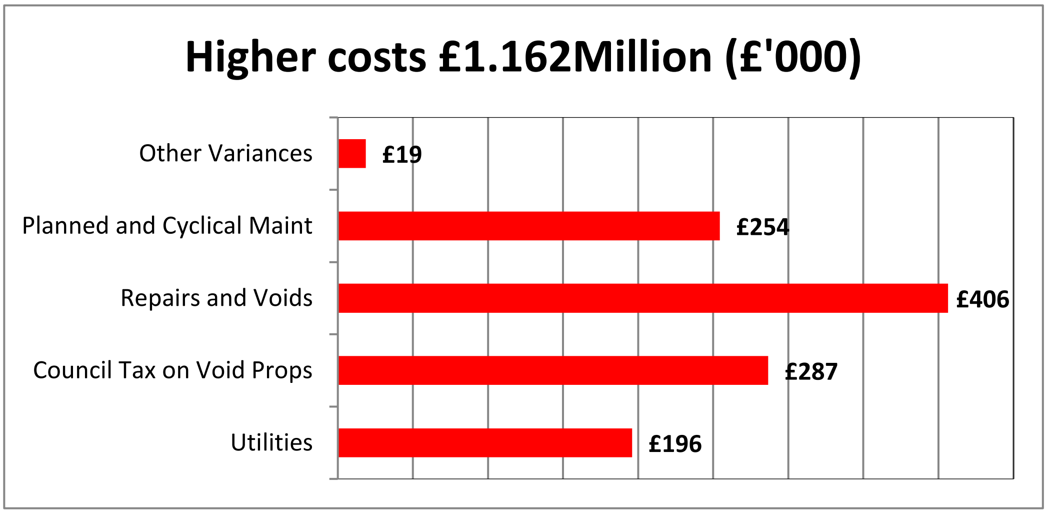
4.9.5. **Recharges to the General Fund £98K** – the HRA makes recharges to the General Fund to reflect costs incurred in the ring-fenced account that relate to non-HRA activities. This includes allocation of management time, use of the housing management system and the non-landlord proportion of temporary accommodation costs. Due to the large increase in temporary accommodation capacity and cases being handled, the recharge from the HRA in this area increased. This area is currently under review so there are likely to be further changes during 2024/25 and these will be reflected in the quarterly reports.

4.9.6. **Interest on Balances £263K –** the Council earns interest on the balances held in its accounts and these need to be split between the General Fund and the HRA. This split is dependent on the amounts held over the year and the prevailing interest rates available from investments. It also includes capital reserves as well as revenue reserves. Due to interest rate changes during the year the budget was increased from £1.025Million to £1.547Million. However, the final outturn increased this figure by £263K to £1.810Million, taking into account the relative reserves of both the HRA and the General Fund. The level of interest rates and the balances held by the Council will impact on the 2024/25 HRA position and these will be reported in future monitoring reports.

4.9.7. **General Fund Recharges to the HRA £124K -** there was a reduction in recharges form the General Fund to the HRA of £124K compared to a working budget of £5.7Milion. This was due to variances in the final costs relating to central services provided to the HRA.

4.10. Higher Costs / Lower income than budgeted

4.10.1. In contrast to lower costs/increased income of £715K, there were also higher costs of £1.162Million which are summarised below together with explanations.



4.10.2. **Planned and Cyclical Maintenance £254K –** There was a £254K overspend in this area on a working budget of £3.9Million and this represents a 6.5% variance for the year. The main areas of overspend were on gas maintenance at £181K, water tank testing at £88K and, landlord lighting testing at £172K. These additional costs were all related to compliance works and the overspends will be reviewed to make sure that there is adequate budget in 2024/25 to cover the required work programmes.

4.10.3. **Repairs and Void Costs £406K** – The original budget for responsive repairs and voids work was increased significantly over 2023/24 from £5.1Million to £6.8Million. This was in response to growing pressures in the service detailed in Appendix C of this report. Despite the additional budget provision in 2023/24 there were further pressures realised in year of £406K. This has had an ongoing impact into the 2024/25 budget year and is detailed at paragraph 4.11.2.

4.10.4. **Council Tax on Void and Temporary Accom. Property £287K –** A number of factors have contributed to a significant increase in the level of council tax paid on vacant property during the year. A full review of long term empty properties has been undertaken in liaison with the shared Revenues and Benefits service, with the results summarised below.

- Timing on the major re-development programme at Kenilworth has led to some properties being held vacant before demolition can take place and this has added £89K to the budget.

- There are also increased costs from holding a higher level of temporary accommodation (TA) stock in the HRA, where the Council is responsible for paying the initial bill and then recharging the tenant. The additional recharges were included in the income to cover these costs, but due to timing differences in processing the bills, these were not included in the Q3 reports and have led to a further pressure of £31K.

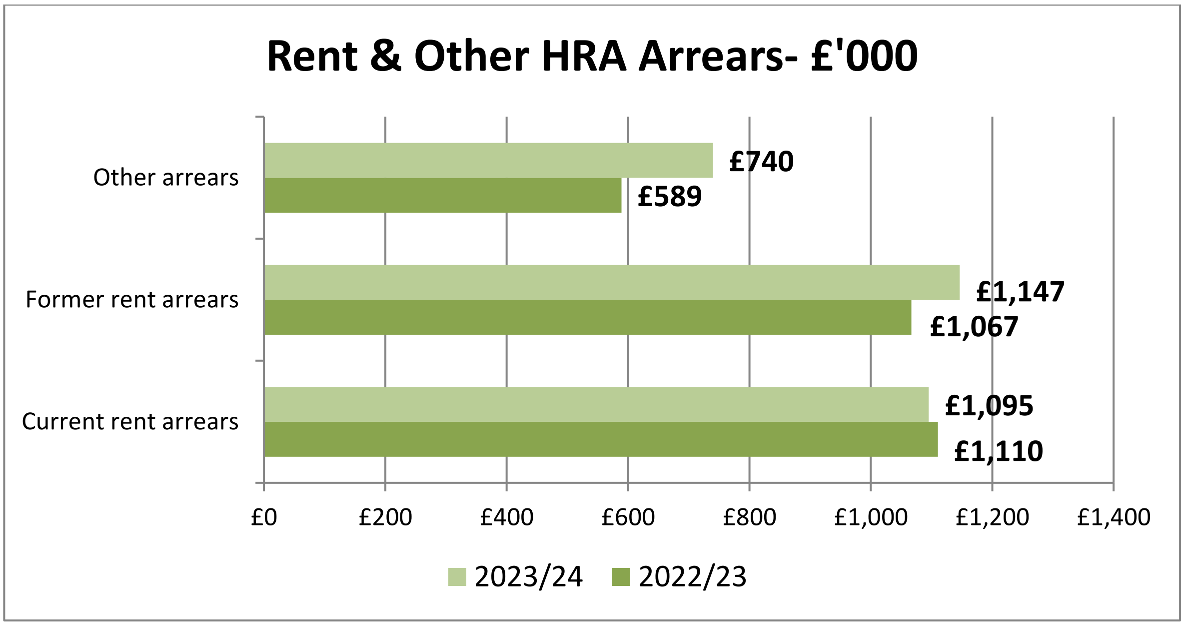
- There were also £58K of historic account charges that were processed after the last monitoring report and were not reflected in the working budget. The remaining budget pressure related to the backlog of void properties and the operational difficulties in clearing this work, as detailed in Appendix C to this report. Looking forward to 2024/25, void processing is coming under control and should be less significant in this area.

- There are some re-development properties that are awaiting demolition and the TA stock holding will need to be reflected in the base budget in the Q1 monitoring report, but most of the cost pressures should substantially reduce in 2024/25.

4.10.5. **Utility Costs £196K –** Gas and electricity costs were higher than budgeted, with a final budget pressure of £196K for the year on a total budget of £1.6Million. Gas costs were £36K over the budget and electricity costs were higher by £159K. A review of utility costs is being undertaken by the Facilities Team and if any refunds are secured on overcharges these will be reflected in future periods. As reported in 4.9.2, service charges were also higher than the budget, but the increased income did not fully cover this variance. The budgets set for 2024/25 are adequate to cover this level of spend, so no ongoing pressure has been included.

4.10.6. **Other Variances £19K –** there were a combination of other variances across the HRA with a combined total of £19K that have not been reported separately.

4.10.7. **Bad Debt Provision –** the contribution to the provision for bad debts was in line with the budget, the graph below gives a more detailed position and breakdown of the current outstanding rent and other income in the HRA. The provision is based on the level and type of outstanding debt in the HRA. This mainly relates to rent arrears and a higher provision is allowed for former tenants, where it is normally more difficult to recover outstanding amounts. Current tenant rent arrears were stable through the year, decreasing slightly by £15K to £1.095Million. However, former tenant rent arrears rose by £80K, to £1.147Million and these are provided for at a higher percentage. The provision held against bad debt currently sits at £1.95Million and this covers 65% of the total arrears of £2.98Million. Total outstanding debt is now equivalent to 5.45% of the £54.7Million HRA income budgeted for 2024/25.



4.11. Carry Forwards and Future Budget Pressure

4.11.1. As part of Quarter 4 monitoring, only one carry forward has been identified. There is a request to carry forward £47,350 on the decant cost budget. This is in relation to the remaining tenants that are due to move as part of the Kenilworth development and has occurred due to the timing of completion of the scheme.

2024/25 New Budget Pressures

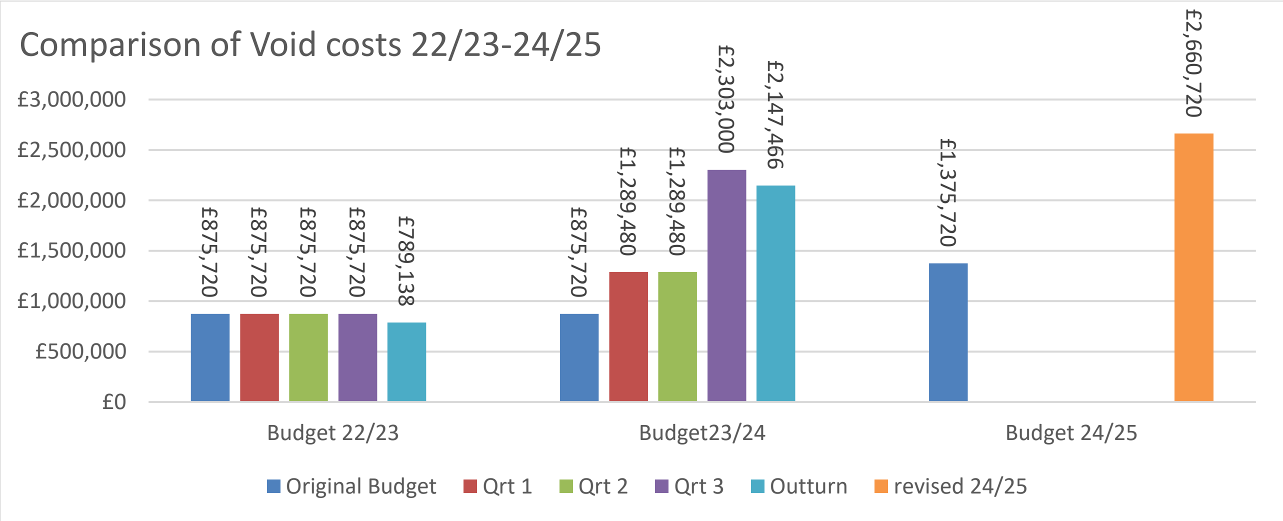
4.11.2. The table below lists the requested growth in the 2024/25 HRA budget in response to current identified service pressures that have been detailed in Appendix C.

	2024/25 £	Ongoing £
New Posts re Regulatory Demands	**144,050**	**246,940**
Repairs and Voids Costs		
Responsive Repairs	500,000	500,000
Voids	1,285,000	750,000
Staffing Restructure	375,000	95,000
Disrepair Claims	130,000	130,000
	2,290,000	**1,475,000**
Total Growth Request	**2,434,050**	**1,721,940**

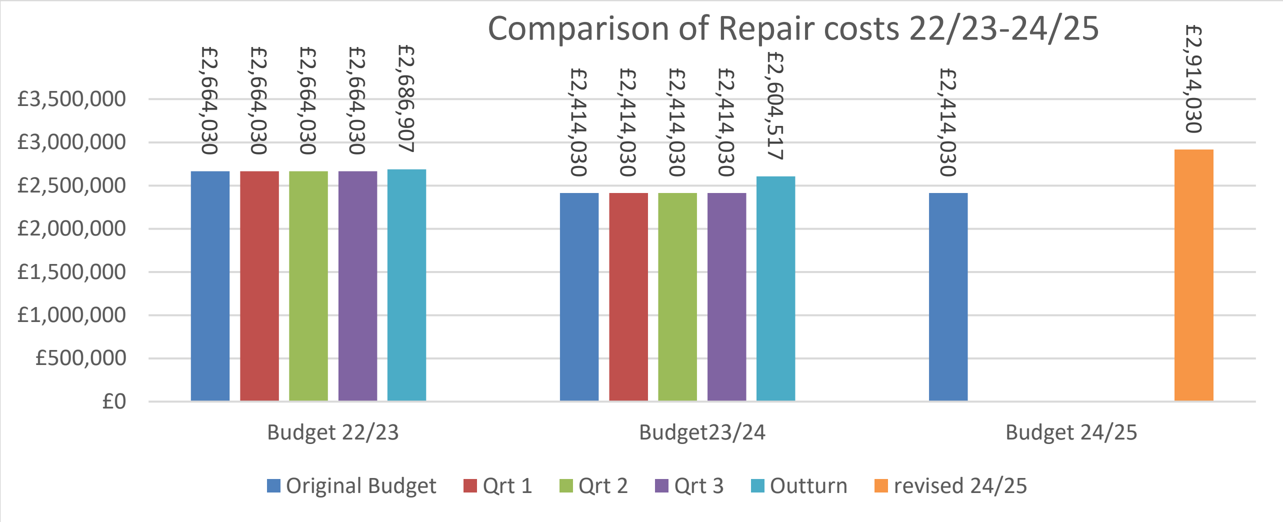
4.11.3. There is a request of £144K in relation to new regulatory requirements, with an ongoing cost of £246K in future years. This will cover four new positions and will supplement existing posts to form a Business Insight and Performance Unit for the housing service. These changes aim to improve digital services and data quality for the HRA and to enhance resident engagement in direct response to legislative changes and the new requirements placed on Local Authority housing providers.

4.11.4. There is also a £2.290Million request for growth in the repairs and voids service, with an ongoing impact of £1.475Million. This breaks down into four core areas, detailed below:

- **Void Repairs £1.285Million -** As detailed in Appendix C, there has been a large increase in void repairs expenditure over the last two years, with average revenue repair costs rising from £2.5K to an estimated £6K per repair for 2024/25. The graph below shows the dramatic increase in costs over the last two years and the anticipated impact on the current year. Last year the budget was increased by £1.4Million to £2.3Million in order to meet demand and return properties to use. At this time it was anticipated that costs could be reduced in the current year and the budget was reduced to a base of £1.375Million. However, a combination of continued high numbers, higher repairs costs and higher amounts of work in each property mean that it is likely that ongoing costs will be significantly higher than historic averages. This has led to the request of £1.285Million for 2024/25, but with a lower ongoing impact of £750K per annum, as the new staff structures and work programmes take effect.



- **Responsive Repairs £500K -** The second growth request of £500K relates to responsive repair costs on roofing, fencing and damp and mould work. The graph below shows the last two years and the anticipated costs for the current year. Additional one-off funding was made available for some of this work in 2023/24, but demand and costs are higher than current budgets and a growth request has been necessary to cover this demand led activity. While this has also been assumed as an ongoing increase there are mitigations being made that could help to reduce this in the longer term and these are detailed in Appendix C.



- **Staff Restructure £375K-** Due to the current level of vacancies in management and supervisory roles there is currently a reliance on agency staff to maintain the service. This cost has led to a required budget growth of £375K in 2024/25, but the ongoing growth for 2025/26 and beyond is reduced to £95K per annum and reflects the proposed introduction of a new staffing structure from October of this year. Details of these proposals have been included in Appendix C.

- **Disrepair Claims £130K** – There were increased costs associated with disrepair claims against the Council in last year and there remains a list of cases that are currently being processed. Therefore, an ongoing growth request of £130K has been made to cover these costs. While mitigations have been made to reduce claims there are further regulatory changes that could increase activity in this area. However, there is an expectation that this can be reduced in the medium term with the management actions currently being undertaken.

4.11.5. Currently no potential savings to offset the growth requested have been identified and they exceed the amount delegated to the Cabinet for approval. The increased costs will need to be funded from HRA reserves, but Members should note that the last HRA business plan highlighted the increased risks facing the HRA and required minimum balances to increase to £10Million from £3Million. The projected 2024/25 year-end balance means that the HRA reserves, at £7.9Million, fall below that level. However, it is possible to absorb this growth in the current year, but this would not be sustainable going forward without changes to the business plan in November 2024, which may include:

- Review of borrowing versus use of revenue balances

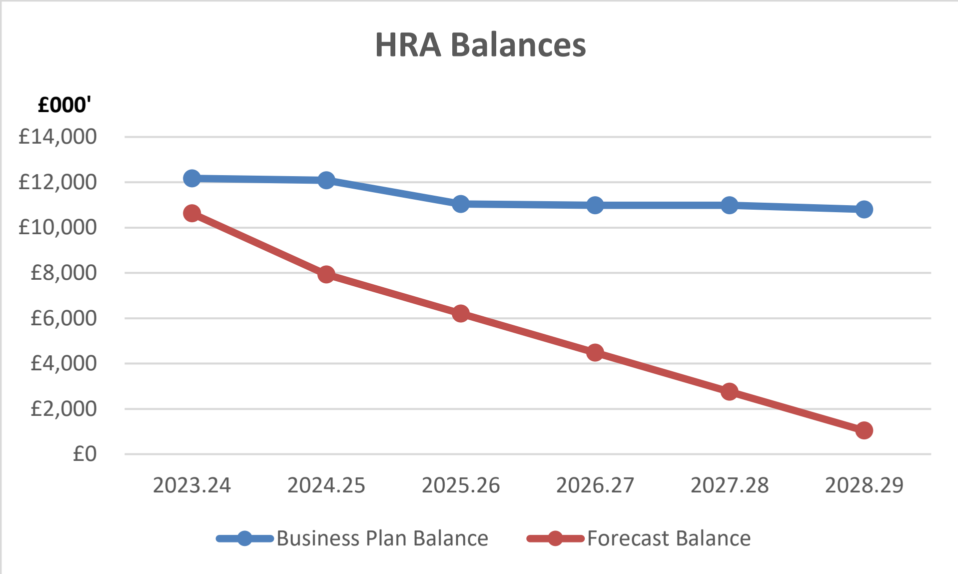
- Review of borrowing costs as interest rates have reduced below the 5% included in the business plan (4.9% as at 25 June 2024)

- Release of part of the debt repayment reserve in the interim as savings are identified through the Transformation programme and Balancing the Budget options. The balance is currently £17.2Million

- Increase in the Balancing the Budget Target, currently £500K for 2025/26

- Reduction in expenditure including what the Council will resource for tenants

- Reduction in discretionary spend
- Review of income charges



4.11.6. The graph above compares the expected level of reserves in the HRA business plan from 2023/24 to 2028/29 and the combined impact of last year's outturn and the requested growth items. This illustrates that reserves would fall to £1Million over the next five years if everything else remains equal. Members should note that the business plan also includes cumulative savings targets of £2.2Million over this timeframe that will need to be identified in future budget setting.

4.11.7. There are areas that will be reviewed in the next business plan revision, highlighted in 4.11.5, that could help ease the current budget pressures. However, there is also uncertainty around key Government policies post the General Election, particularly on rent levels from 2025/26 that have currently not been agreed. Anecdotally it is believed that the social housing sector is under financial strain at this time, particularly maintenance costs, and the Local Government Association is currently completing a piece of work assessing the national position in order to help inform policy making going forward. This could lead to more positive interventions from Government going into next year, but this is currently uncertain.

4.11.8. As these are significant growth requests a more detailed explanation has been included separately in Appendix C. These requests will be recommended to Council for approval on 31 July 2024, as they exceed the amount delegated to the Cabinet.

4.12. 2023/24 – HRA Out-turn Position

4.12.1. The impact of the outturn position for 2023/24 on HRA balances is summarised in the table below.

HRA Balance £'000	2023/24 Original Budget	2023/24 Working Budget	2023/24 Actual	Variance to Working
HRA Balance 1 April	**(£10,518,527)**	**(£10,518,527)**	**(£10,518,527)**	
In Year (Surplus) / Deficit	(£1,792,270)	(£517,050)	(£106,271)	(£410,779)
HRA Balance 31 March	**(£12,310,797)**	**(£11,035,577)**	**(£10,624,798)**	**(£410,779)**

4.12.2. The last HRA business plan, presented in November 2023, recognised the significant challenges facing the ring-fenced account. Recent inflationary pressures, rent capping by the Government, higher interest rates on borrowing and increased regulation and statutory requirements have added to budget uncertainty and higher risk. The ongoing budget pressures for 2024/25, detailed at 4.11.2 in the report, clearly illustrates the need for higher reserves and this position will be reassessed in the next MTFS review for 2025/26, due in October.

4.13. Usable reserves – Housing Revenue Account

4.13.1. The total value of allocated reserves available for the HRA to spend at 31 March 2024 is £20.7Million consisting of three reserves.

4.13.2. Compared to general HRA balances, these are high, but are held for specific purposes, set out below.

- The Interest Equalisation Reserve was set up to allow the HRA to absorb interest rate increases in the short term. The HRA is due to take significant borrowing over the next two years and it could be necessary to use this reserve where there is a significant rate difference between the cost of the loans taken and the assumptions made in the current business plan.
- The Transformation Reserve had a £90K drawdown in 2023/24, leaving a balance of £118K carried forward. This is due to be spent on the ongoing programme in the short term.
- The Debt Repayment Reserve was created to reflect upcoming loan repayments in the HRA and to show a more realistic working balance in the main HRA account. This currently reflects loan repayments up to 2027/28, but no loan repayments were due in 2023/24 and the reserve was not used.

Reserves £'000	2022/23 Opening £	Use £	2022/23 Closing £	Use £	Closing 2023/24 £
Debt Repayment Reserve	£0	(£17,200)	(£17,200)	£0	(£17,200)
Interest equalisation reserve	(£3,423)	£0	(£3,423)	£0	(£3,423)
Transformation Reserve	(£164)	(£44)	(£208)	£90	(£118)
Total Allocated Reserves	**(£3,587)**	**(£17,244)**	**(£20,831)**	**£90**	**(£20,741)**

4.14. Capital Monitoring

4.14.1. The revised capital strategy at Q3 2023/24 was approved by Executive on 13 March 2024. The 2023/24 approved budget for each fund was:

- General Fund £13.3Million
- Housing Revenue Account £41Million

4.14.2. The table below summarises the Capital outturn 2023/24 and the proposed rephasing of capital budgets at Q4 into future years. Projects that have completed in the year resulted in underspends of £280K.

	2023/24			2024/25		2025/26	
£000	**Actual Spend to 31.03.24**	**Q3 Capital Strategy**	**Variance**	**Re-phased Q4**	**Revised Strategy**	**Re-phased Q4**	**Revised Strategy**
Total GF Schemes	8,880	13,300	(4,420)	5,353	43,946	207	16,834
Total HRA Schemes	37,568	40,746	(3,178)	3,178	60,280	0	56,459
Total Capital Programme	**46,448**	**54,046**	**(7,598)**	**8,531**	**104,226**	**207**	**73,293**
Re-phase detail:							
Stevenage Direct Services			(426)	362		0	
Housing Development			(615)	615		0	
Finance & Estates			(1,297)	1,266		0	
Digital & Transformation			(205)	205		0	
Regeneration**			(940)	2,039		207	
Communities and Neighbourhoods			(302)	302		0	
Planning and Regulatory			(373)	301		0	
Deferred Works Reserve			(262)	262		0	
Total GF Re-phasing			**(4,420)**	**5,353**		**207**	
Capital Programme Excluding New Build (Housing Investment)			(352)	352		0	
New Build (Housing Development)			(2,590)	2,590		0	
Digital & Transformation			(236)	236		0	
Total HRA Re-phasing			**(3,178)**	**3,178**		**0**	

** £1.399Million Re-phased from 2026/27 to 2024/25 £1.192Million and 2025/25 £207K

Re-phasing

4.14.3. Re-phasing (re-profiling) of budgets are changes regarding the forecast timing of expenditure from the approved programme, between financial years, with no reported increase or decrease in budget requirement. At year end where projects are ongoing expenditure budgets have been re-phased into future years to reflect this.

4.14.4. Forecasting spend during the year involves making assumptions about future events that may be out of the control of service managers e.g. Weather, thus re-phasing is a normal part of capital monitoring. Actual spend during the year was 85% of the approved budget at the end of the year.

4.14.5. General Fund – re-phasing £5.3Million - £4.140Million from 2023/24 and £1.192Million from 2026/27 – the main items are explained below:

- Stevenage Direct Services £362K -

    - weather impacts and challenges procuring suppliers has delayed the completion of the garage improvement programme - £115K. This re-phasing represents 5.55% of the 2023/24 budget.
    - delays to replacement of vehicles £166K including extended lead times.

- Housing Development £615K – delay in completing the legal agreements between the WOC and the council relating to this loan facility has resulted in £611K of approved funding not being drawn down before 31 March. This will be spent in 2024/25 as part of the completion of the housing development at Courtland.

- Finance & Estates £1.266Million – significant resourcing issues within the team in 2023/24 (retirement and long-term sickness), resulted in delays to delivery of projects during the year, in this team and also other services where the estates team expertise supports the program. The team is now fully staffed and progress against targets is being made –
    - projects expected to complete Q1 2024/25 of £267K
    - projects now at the tendering stage amount to £253K
    - other ongoing projects £278K
    - essential works where boundaries of responsibility between the council and partners has delayed implementation £468K

- Digital & Transformation £205K GF £256K HRA - restructuring of the team to enhance capacity and resilience has been taking place in order to deliver on planned projects. A full review of capital requirements and budget provision will be undertaken in 2024/25.

- Regeneration £2.039Million –
    - The SG1 JV terms are being finalised and work on site is now likely commence in the next few months - £750K. This re-phasing represents 6.6% of the overall project.
    - Gunnels Wood - £980K, contracted works will take place in 2024/25 and the relevant budgets has been slipped. A balance of £977K was held in an Escrow account at year end.
    - Public Sector Hub – re-phased - £310K, reduced costs in 2023/24 as consultant and architect costings were lower than anticipated

- Communities and Neighbourhoods £302K – projects have been delayed due to vacancies in the surveying team needed to support these technical projects (fire stopping and the SALC lift). Cost of £258K (excluding accruals) were committed as at 31 March and projects are expected to be delivered in 2024/25.

- Planning and Regulatory £281K – the budget of £193K allocated to car park resurfacing was repurposed for the essential ANPR barrier system upgrade. Work began in 2023/24 with St Georges car park and is due to complete in 2024/25.

- Deferred Works Reserve £262k – this unallocated budget is required to support hyperinflation and emergency or unforeseen works that may arise in 2024/25.

4.14.6. HRA – re-phasing £3.2Million – the main items are explained below:

- Housing investment - £375K of decarbonisation re-phasing. This budget relates to two projects - combined SHDF wave 1 and SHDF wave 2. The second project has been delayed because of weather and planning related issues. It is expected that this project will be completed in 2024/25 and retentions slipping into 2025/26 (value of these yet to be confirmed).
- New Housing Development –
  - Dunn Close £1Million – The scheme suffered with delays on site over the winter and spring period due to adverse weather conditions which impacted progress. The site has since moved at a quicker pace and the scheme is expected to complete in 2024/25.
  - Brent Court £462K – Additional design enhancements to improve the overall scheme viability have meant a delay to starting on site whilst these opportunities are fully explored and costed. Some initial enabling works are expected to begin in summer 2024/25.
  - Kenilworth £882K – There have been some minor delays on site which limited spend on the internal design and decoration including furnishing for communal areas. This has since been resolved and lettings are expected to be taking place in Quarter 1 2024/25.

4.15. Net Underspend GF 2023/24 £280K

4.15.1. These savings relate to projects funded by ring fenced grants or contributions and do not represent funds available to finance new capital growth in 2024/25. This is particularly relevant to:

- Regeneration team £92K (Towns fund).
- Community Climate change fund £92K (funded from CIL).
- Chells park budget £46K (funded from developers' biodiversity contributions). Associated funding will be used for relevant purposes in 2024/25.

4.15.2. The total Capital Programme, detailing all programmes with the relevant approval to spend, is detailed in Appendix A and B. It shows the revised budget position.

4.16. Pressure 2024/25

4.16.1. Replacement of refuse vehicles 2024/25 – a separate report will be coming forward in July as a key Officer decision relating to the budget pressures now arising in relation to the purchase of 4 refuse and recycling freighters. The budget for 2024/25 of £1.010Million is now insufficient due the inflationary pressures since the budget was set. The service is working to mitigate this pressure and use underspends where possible.

4.17. Virement for Approval

4.17.1. Car Park ANPR Barrier System 2024/25 - the off street car parking budget used to fund this project - £374,950, was built up using virements and repurposing redundant budgets from within the service. The project was procured via a framework contract, to ensure compatibility with existing retained systems at the new railway MSCP, the total cost of the works is £521,000 which exceeds the budget available. Additional funds are likely to be found from other budgets within the service during 2024/25, but it is anticipated that there will be a £76,543 shortfall.

4.17.2. It is recommended that an in-year virement of £60K from KE569 – Cashless on street parking transition and £16,570 from KE530 Car Parking Equipment – Digitalisation to KE119 Off Street Car Parks be approved and that £76,543 is added to KE119 Off Street Car Parks, this shortfall to be funded from the capital receipt from the forum car park.

4.18. Capital Financing

4.18.1. The table below sets out the change in the Capital Financing position since Q3, as a result of changes to the expenditure phasing discussed above.

£000	**2023/24**			**2024/25**		**2025/26**	
	Actual Spend to 31.03.24	**Q3 Capital Strategy**	**Variance**	**Re-phased Q4**	**Revised Strategy**	**Re-phased Q4**	**Revised Strategy**
Total Capital Financing	**46,448**	**54,046**	**(7,598)**	**8,531**	**104,226**	**206**	**73,293**
Changes detail:							
Capital Receipts			(2,572)	754		0	
Towns Fund			223	0		206	
Other Grants and Contributions			(258)	85		0	
Other reserves			(264)	80		0	
Borrowing			(1,549)	4,433		0	
Total GF Financing changes			**(4,420)**	**5,352**		**206**	
MRR (Self Financing Depreciation)			342	(4,336)		**0**	
Capital Receipts			189	150		**0**	
Leaseholder Contributions			(2,627)	0		**0**	
Borrowing			(3,361)	6,128		**0**	
Direct Revenue Financing			813	(123)		**0**	
Grants			1,466	1,359		**0**	
Total HRA Financing changes			**(3,178)**	**3,178**		**0**	
Total Capital Financing			**(7,598)**	**8,531**		**206**	

4.19. Capital Receipts Forecast

4.19.1. A key recommendation from the June 2020 MTFS COVID recovery report was that a pipeline of land disposals be identified from Locality Reviews to help maintain the resilience of General Fund balances. This strategy continues and along with other property sales and housing development receipts support the delivery of capital projects.

4.19.2. The tables below summaries the current capital receipts forecasts for the General Fund.

Locality Receipts £000	Previous Forecast	Revised Forecast/Actual	Variance
Year 2023/24 Actual	335	70	(265)
Year 2024/25 Forecast	744	1,248	504
Year 2025/26 Forecast	0	300	300
TOTAL	**1,079**	**1,618**	**539**

Other Capital Receipts £000	Forecast / Actual
Year 2023/24 Actual	135
Year 2024/25 Forecast	5,694
Year 2025/26 Forecast	250
Year 2026/27 Forecast	12,390
TOTAL	**18,469**

4.19.3. Sales in the pipeline in March 2024, just missed being included in 2023/24. In April and May the council received £667K and anticipated sales in 2024/25 are expected to be significant across both tables above. The re-phasing of capital expenditure has meant that the sales not achieved in 2023/24 against the forecast has no impact on the delivery of the program in 2023/24.

4.20. Council's Subsidiary Companies

4.20.1. The Council own or part own a number of companies. The responsibilities for producing accounts and those being audited are with the Directors of those companies.

4.20.2. The table below summarises the relationships with the Council.

Company Name	Wholly owned either directly or indirectly by SBC	Included as a material subsidiary in council group accounts 2023/24
Queensway Properties (Stevenage) LLP - (QLLP)	Yes	Yes
Marshgate Ltd (WOC)	Yes	Yes
Hertfordshire CCTV Partnership Ltd (CCTV)	No – 37% share	No
Building Control Company (group)	No - 12.5% share	No
Joint venture (Mace)	No – JV with MACE	No Trading results 2023/24

4.20.3. More details of the individual companies can be found in the following paragraphs.

4.21. Queensway Properties (Stevenage) LLP – (QLLP)

Background

4.21.1. QLLP was set up in 2018 as a new partnership between Stevenage Borough Council (SBC) and Marshgate (WOC) to implement a multi-million-pound regeneration of 85 Queensway, 89-103 Queensway, 24-26 The Forum and Marshgate, an area of Stevenage town centre. This project was initiated as a catalyst for regeneration in the town centre and has been followed by the delivery of the new Autolus life sciences building creating up to 400 new jobs for the local economy, and planning consent for a mixed life-sciences, retail and commercial scheme in the Forum that could create up to 1,800 new jobs. The Queensway project was structured so that the Council established an entity (and LLP) to manage the asset, holding a long-term lease from the owner (and development funder, Aviva) with an option to acquire the asset for £1 at the end of the lease term. The total cost of the development was c£45m, funded by Aviva with the Council taking a lease and making an annual payment to Aviva.

4.21.2. The benefits realised by the Queensway regeneration scheme include the enhancement of the existing shop fronts, canopies and facades, exciting new retail, fitness and food and beverage offers, rebranding the wayfinding and enlivenment, and the development of 110 brand new residential apartments in Queensway and Marshgate which is located behind Queensway. The aims of the scheme were to reposition the retail, create an enticing environment for retailers and customers, increase the night-time economy, improve the public realm, enhance new retail and leisure spend, increase dwell times, let vacant accommodation and increase occupational income and lease terms with existing tenants.

4.21.3. The accounts of QLLP for the 12 months to 31 March 2024 are incorporated into the SBC group accounts as a material subsidiary. Management accounts are presented to the Board of QLLP on a quarterly basis and costs and revenues scrutinised.

Outturn 2023/24

4.21.4. The outturn below compares the actual performance for the year against the forecasts presented to the QLLP Board at quarter 3. Future budgeting is based on the latest cash flow projections using information from QLLP appointed leading property development and investment specialists, Reef Estates and their subcontractors (Cortland and Colliers), as well as SBC officers.

£000	Outturn 2023/24	Q3 Forecast for the year 2324	Variance against Forecast	Budget 2425
Commercial	603	598	6	428
Residential	(34)	(88)	54	(145)
Operational Combined	**569**	**510**	**59**	**283**
Overheads	141	141	0	151
Net Operating Profit / loss	**710**	**651**	**59**	**435**

4.21.5. The costs for 2023/24 also include those related to the sublease on the above property - £1.8Million. This cost should be covered by net rents from commercial and residential tenancies. The development completed in 2021/22, with new residential and commercial spaces to be let commercially. There were some challenges in the early years of the asset related to the covid pandemic which, along with subsequent inflation and cost of living impacts have affected performance in the first years of operation. One-off costs relating to rent free incentives for commercial tenants, contributions to fit out costs, and significant negotiations on achievable commercial rents due to the economic climate, resulted in an overall loss on the operations of £569K in 2023/24. Residential lettings are performing well and generating income. Retail leases are in place for units within the scheme during 2023/24, including the recent letting to Lloyds Bank and the health and eye care centre. A new office letting to Serco is also in place with other office suite marketing also underway.

4.21.6. The Board and partners are actively engaged in managing the associated risks and challenges. A series of workshops between officers and partners have taken place and more are planned, reviewing cash forecasts, costs and income, investigating options and determining actions needed to develop the business to reduce financial risks in the medium to long term. This includes focusing on options to lease the remaining office space, reviewing costs and income related to residential lettings, and a retail unit. The company has sufficient cash reserves to fund the 2023/24 losses.

4.21.7. Overheads in the table at para. 4.21.4 mainly consist of depreciation £498k and a lease adjustment for the principal element included in lease payments of £(352)k, both of which are non-cash year end transactions.

4.21.8. The operational budget for 2024/25 shows a reduced operational loss as one-off costs and revenue curtailments drop out. Actions being undertaken by the working group should result in further improvements to the financial position in future years, stabilising the performance of this asset over the medium-term to long-term. Through the MTFS process consideration will be given to developing a reserve for future fit out contributions or remodelling to further improve financial performance. A further update will be provided later this year.

4.22. Marshgate Ltd (WOC)

<u>Background</u>

4.22.1. Marshgate Ltd was a company setup in 2018 originally with the principal purpose of forming a partnership with SBC - Queensway Properties (Stevenage) LLP. From 2021, Marshgate Ltd begun expanding its operations beyond this initial remit and is now operating within the residential property market within Stevenage as a property developer. This includes the purchase of land and properties for development and sale in the Stevenage area.

4.22.2. The accounts of Marshgate Ltd for the 12 months to 31 March 2024 are incorporated into the SBC group accounts as a material subsidiary. Management accounts are presented to the Board of Marshgate Ltd on a quarterly basis and costs and revenues scrutinised.

Outturn 2023/24

4.22.3. The main operating activity during the year has been the continuing development of the Courtland site. As a result, much of the company's costs have been capitalised and will be released through the profit and loss account when units are sold – planned for 2024/25.

4.22.4. The costs and income associated with the lease of 10 properties to the HRA is reflected in the gross profit of £2K below. Although the financing costs of the loan from SBC is capitalised, the income earned on placing surplus cash on the Money Markets is a revenue income stream (£150K). Overall, the company made £92k before tax in 2024/25.

£000	Outturn 2023/24	Q3 Forecast for the year 2324	Variance against Forecast	Budget 2425
Total Sales	(58)	(55)	(3)	(12,257)
Total Cost of sales	56	44	12	10,846
Gross Profit	**(2)**	**(11)**	**9**	**(1,411)**
Total Other Costs	60	55	5	49
Interest Earned	(150)	(160)	10	(50)
Tax Provision	13	22	(9)	268
(Profit)/Loss after tax	**(79)**	**(94)**	**15**	**(1,144)**
Investment in Development at Courtlands	7,567			
Cash at Bank	3,175			
Net SBC liabilities	(10,709)			

4.22.5. Loans from SBC have been invested in the development at Courtlands with the balance in cash as above. The net liability is made up mainly of this loan and is due to be repaid in 2024/25, when the units are sold.

4.23. Hertfordshire CCTV Partnership Ltd (CCTV)

Background

4.23.1. The Council has one jointly controlled operation for the provision and management of CCTV in the Hertfordshire and Bedfordshire area. This arrangement is with Stevenage Borough Council (SBC), North Hertfordshire District Council, East Hertfordshire District Council and Hertsmere Borough Council. On the 1 April 2015 a new company, Hertfordshire CCTV Partnership Ltd, was incorporated to conduct the commercial trading affairs of the CCTV Partnership. SBC holds 37% of the shares and "owns" 37% of the losses or profits. The company is not material and not included in the group accounts of SBC.

Outturn 2023/24

4.23.2. The company made £50K profit after tax in the year to 31 March 2024. The SBC share of this is £20K. This result is in line with expectations and performance in 2024/25 is expected to be similar – budgeted profit 2024/25 of £58K.

4.23.3. The board agreed that no dividend was to be paid to the shareholders in respect of 2023/24.

4.24. Building Control

4.24.1. On the 8 August 2016 Hertfordshire Building Control was formed under the trading name Broste Rivers Ltd, incorporating services from 7 Hertfordshire Local Authorities including Stevenage. The company formed to cover all building control service, some authorities DFG works and warranties and at the end of 2019, Dacorum joined and by 2021 Broste Rivers made a strategic move by acquiring Build Insight Group a private approved inspector and in 2023 the new CEO took over.

4.24.2. As part of the set up the company partner Councils gave a loan facility to the company which was adjusted to £107K when Dacorum joined and interest is currently paid at a commercial rate of 6%.

4.24.3. Trading has been challenging in 2023/24, as the market share has declined and the new CEO has put a plan in place to revert the deficit which the Directors of the Board have endorsed along with the individual Council's CFO's. Cash held by the company was £1.04Million on the 31 March 2024 a reduction of £776k on the balance the previous March. In order that the company's cash flow remains financially resilient the CFO's (including SBC's CFO) recommends that the Cabinet approves in principle that the loan facility could be increased by a similar amount to the existing loan, funded from the business rates reserve if required in 2024/25.

4.25. Joint Venture

4.25.1. The Council is also in the process of setting up a Joint Venture with Mace on the Swingate (Plot A) development. The cost of set up was budgeted for in 2023/24 with £150K and the net outturn position was higher at £210K. Current projections (as at the time of writing the report) on the construction cashflow, interest rate projections and sales forecasts shows that the net return to the Council is projected to be £5.17Million (including the return on the equity debt) and this is only £168K less than included in the June 2023 report approved by Members.

5 IMPLICATIONS

5.1 Financial Implications

5.1.1 This report is financial in nature and consequently financial implications are included above.

5.2 Legal Implications

5.2.1 None identified at this time.

5.3 Risk Implications

5.3.1 Although the Council achieved a surplus in 2023/24, there are still many uncertainties facing the Council in the coming years, from delayed local government funding reform, to cost of living crisis and continual impacts from COVID and the General Election. The surplus in 2023/24 will improve the financial resilience of the General Fund during this period of increased financial risk. The Council has a Strategy in place to address the financial impacts due to the likely level of funding and the increased uncertainty that income levels are going to be challenging to achieve for some time to come. The Quarter 1 Monitoring report to September Cabinet will cover this in more detail.

5.3.2 The budget pressures seen in the HRA for 2023/24 and the request for additional budget provision in 2024/25 clearly illustrate the current financial risks in the ring-fenced account. Many of these pressures are also being experienced at a national level in the social housing sector and the Local Government Association is currently commissioning work to assess the impact, to be better placed to inform the next Government of the extent of the problems and offer potential solutions. For Stevenage, increased regulation and operating requirements, combined with high inflation and recent rent capping, have significantly increased financial risk. The last HRA Business Plan recognised that there were many uncertainties in the medium term and in response increased the required minimum balances from £3Million to £10Million. This was to help cover budget pressures in the short to medium term, while longer term solutions could be put in place, and recognised the higher level of debt carried over the life of the plan. With the budget growth of £1.5Million requested in paragraph 4.11.2, the HRA is likely to fall below the minimum balances set out in the last business plan and this will need to be reviewed over the summer in preparation for the 2025/26 budget setting process. However, the HRA still has fairly high levels of funds with specific reserves, detailed at paragraph 4.13, still held for debt repayments and the impact of higher interest rates. This gives the Council some flexibility in balancing the account in the next 30 year plan.

5.4 Climate Change Implications

5.4.1 There are no specific climate change implications resulting from this report.

5.5 Policy Implications

5.5.1 The budget framework represents a development of a policy led budgeting approach across Council services and the overall Medium Term Financial Strategy.

5.6 Equalities and Diversity Implications

5.6.1 This report is of a technical nature reflecting the actual spend for the year for the General Fund and HRA. The identified ongoing budget changes reported have arisen through efficiencies and do not change any existing equalities and diversity policies, nor will they impact on any groups covered by statutory equalities duties.

BACKGROUND DOCUMENTS

- BD1 - 3rd Quarterly monitoring report General Fund and Housing Revenue Account
- BD2 – 2023/24 Council Tax and General Fund Budget
- BD3 – 2023/24 Final HRA Budget
- BD4 – National Audit Office – Supplementary Guidance Note (SGN) 04
- BD5 – Local Audit Delays Update March 2024

APPENDICES

Appendix A – General Fund Capital Strategy Q4
Appendix B – HRA Capital Strategy Q4
Appendix C – HRA Growth request for 2024/25