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**CABINET/COUNCIL**

**Meeting**

**Portfolio Area** RESOURCES AND TRANSFORMATION

**Date** 26 February 2025



## FINAL GENERAL FUND AND COUNCIL TAX SETTING 2025/26

### KEY DECISION

**Author** Clare Fletcher

**Contributors** Senior Leadership Team

**Lead Officer** Clare Fletcher

**Contact Officer** Clare Fletcher

### 1 PURPOSE

- 1.1 To consider the Council's draft 2025/26 General Fund Budget, Council Tax Support Scheme and draft proposals for the 2025/26 Council Tax.
- 1.2 To consider the projected 2024/25 General Fund Budget.

### 2 RECOMMENDATIONS

That Council approve:

- 2.1 The 2024/25 revised net expenditure on the General Fund of **£12,251,910** is approved as set out in paragraph 4.8.1 as summarised in Appendix B.
- 2.2 The draft General Fund Budget for 2025/26 of **£10,753,540** is proposed for consultation purposes, with a contribution to balances of **£6,053** and a Band D Council Tax of **£246.41**, (assuming a 2.99% Council Tax increase), as summarised in Appendix B and included in the Council tax resolution in Appendix F.

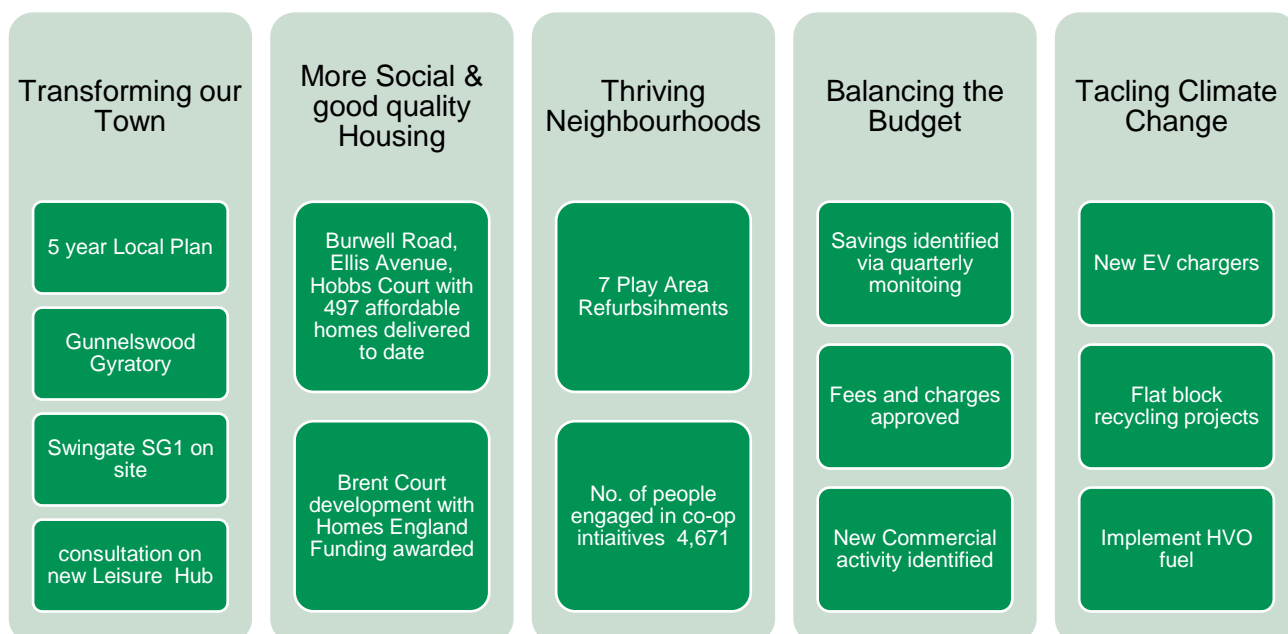
- 2.3 The updated position on the General Fund Medium Term Financial Strategy (MTFS) as summarised in section 4.10 be noted.
- 2.4 The minimum level of General Fund reserves of **£3,421,625**, which is in line with the 2025/26 risk assessment of balances, as shown at Appendix C to this report, is approved.
- 2.5 The contingency sum of **£500,000** within which the Cabinet can approve supplementary estimates, be approved for 2025/26, (reflecting the level of balances available above the minimum amount).
- 2.6 The 2025/26 Balancing the Budget options as set out in section 4.5 and Appendix A, totalling **£275,907** and **£29,651** for the General Fund and HRA respectively, be approved.
- 2.7 The use of the Business Rate reserve to fund a Graduate and Apprentice scheme as set out in section 4.6 is approved for inclusion in the 2025/26 General Fund (**£202,760**).
- 2.8 That a first call on underspends of **£150,000** (in total from the General Fund and HRA) is approved to support the Graduate and Apprentice scheme as set out in section 4.6.
- 2.9 That the growth bid for graffiti removal of **£75,000** as set out in section 4.6 is approved.
- 2.10 That the pressures identified in sections 4.2 and 4.7 to this report are noted.
- 2.11 That Members approve the Council Tax Support scheme for 2025/26 as set out in paragraphs 4.3.8-4.3.9
- 2.12 That the Section 25 Statement on Robustness of Estimates and Adequacy of Reserve as set out in Appendix D is approved.
- 2.13 That Members note the Equalities Impact Assessment appended to this report for the Council Tax increase (Appendix E).
- 2.14 That Members note the feedback on the budget from Overview and Scrutiny as set out in Para.4.13.1 and public consultation in Para. 4.13.2 onwards.

### **3. BACKGROUND**

- 3.1 This report is an update on the January 2025 Draft budget report and sets out the latest position for the 2024/25 and 2025/26 General Fund Budget. 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 The Council approved an ambitious new Making Stevenage Even Better Corporate Plan in February 2024. It is essential that the Council employs a robust budget review and setting process in order to ensure that both front line service and Making Stevenage Even Better Corporate Plan priorities can be achieved. As such the budgets both revenue and capital provide the means

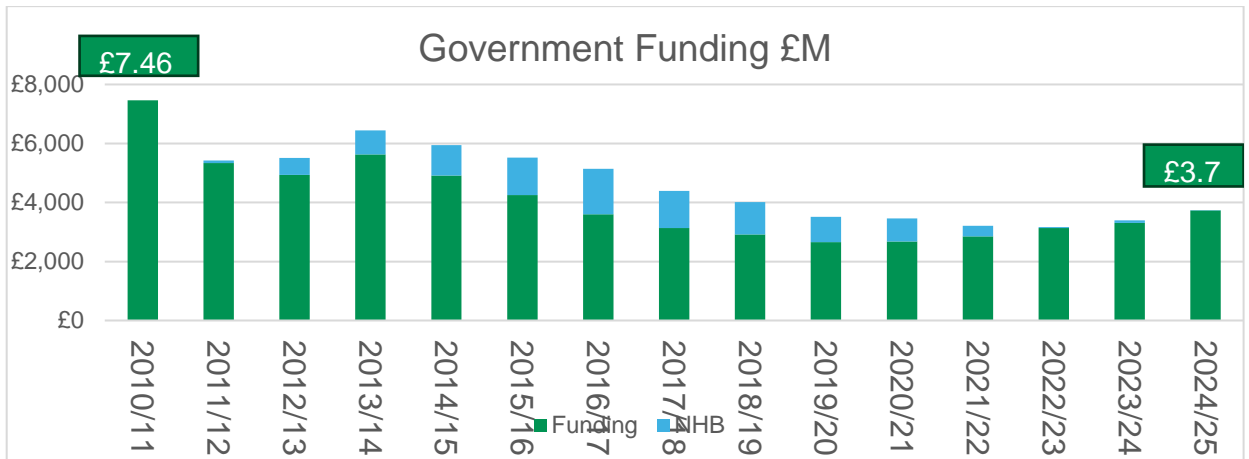
through which delivery of core service and Corporate Plan objectives can be achieved.

3.3 A summary of some of the service and MSEB priority activities which have been delivered as a result of the budget setting activity for 2024/25 is set out below:

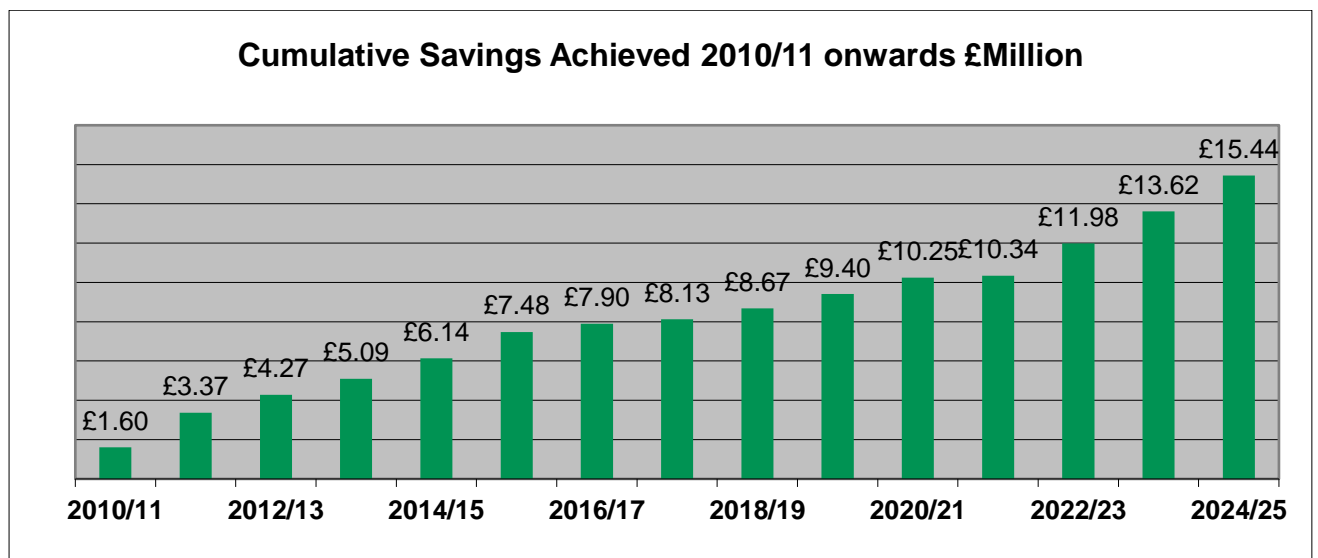


3.4 As set out in the November 2024 Cabinet Balancing the Budget report, the financial landscape for Councils is increasingly difficult due to historic funding cuts, inflationary pressures and increased demands on services. The LGA stated in their response to the provisional settlement *'We welcome both the increase in Core Spending Power and those resources outside Core Spending Power such as the extra £1.1 billion in extra resources for 2025/26 from the new Extended Producer Responsibility for packaging scheme and the extra £515 million to compensate for increases in employer national insurance contributions (NICs). This extra funding, inside and outside Core Spending Power, will help councils meet some - but not all - of the cost and demand pressures councils face. Councils of all types will continue to struggle to balance the books. Many face having to increase council tax bills to bring in desperately needed funding next year but will still be forced to make further cuts to services'*.

3.5 The need to find year on year savings since 2010/11 is illustrated within the chart below. In summary Government funding for SBC (adjusted for subsequent changes for council tax support etc) fell from £7.46Million in 2010/11 to £3.72Million in 2024/25. The impact of this significant reduction in funding was further compounded by a 10% growth of the population in this period and 14 years of unfunded inflationary pressures.



3.6 The Council has a major focus on addressing the resulting financial funding gap through its 'Balancing the Budget' priority and this report sets out the options identified through the Efficiency, Transformation and Commercial / Insourcing elements of the budget setting programme. The Cabinet and Senior Leadership Team recognise the need to plan on the basis of a three year savings horizon to both balance the budget and ensure that there are options identified which can be delivered within the timescales required. Taking such an approach should minimise the need for service cuts. The cumulative savings identified to date since 2010/11 are circa £15Million as shown in the chart below.

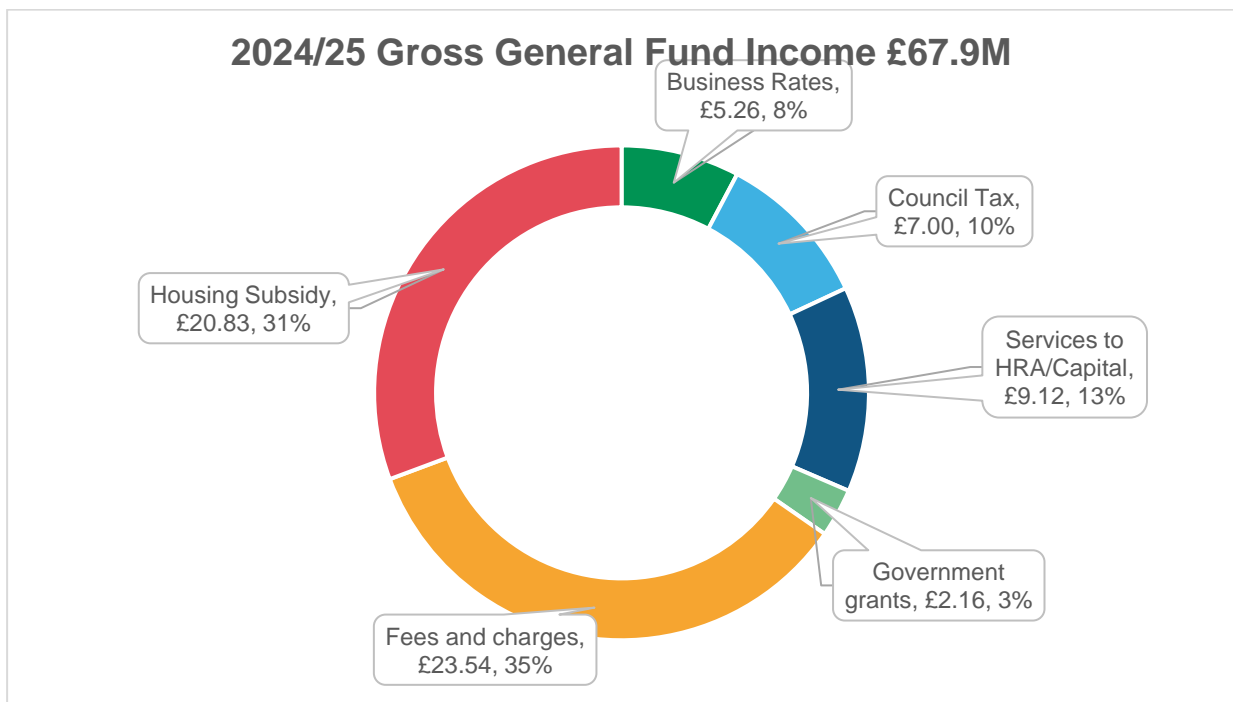


3.7 The 'Balancing the Budget' (BTB) funding gap identified in the September Medium Term Financial Strategy (MTFS) was £2.98Million for 2025/26-2027/28. This was updated in the January 2025 report leaving a residual £1.172Million gap for the period, however the January 2025 report highlighted that sufficient savings for 2025/26 had been identified due to other favourable budget changes. In addition, further Transformation options are anticipated to come forward in 2025 which will further reduce the savings gap.

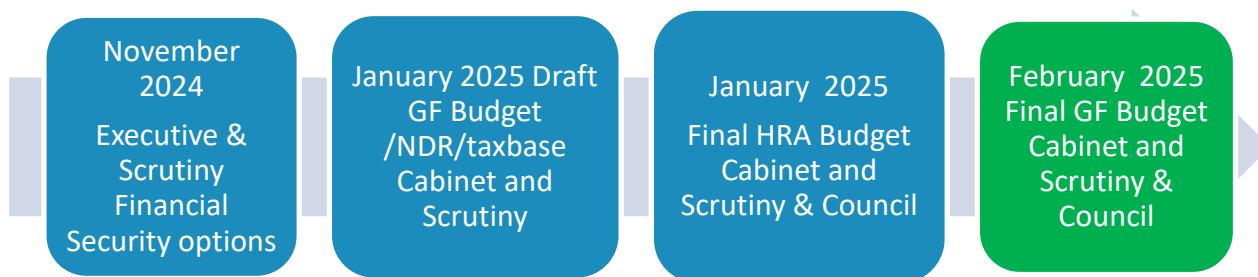
Future Years Savings	2025/26	2026/27	2027/28	Total
Projected Fees and Charges modelled	£493,005	£267,497	£260,062	£1,020,564
Transformation	TBC	TBC	TBC	TBC
Other	£678,677			£678,677
2025/26 Compensating budget adjustments	£113,318			£113,318
<b>Total</b>	<b>£1,285,000</b>	<b>£267,497</b>	<b>£260,062</b>	<b>£1,699,241</b>
Target	£1,285,000	£900,000	£800,000	£2,985,000
<b>Shortfall per year</b>	<b>£0</b>	<b>£632,503</b>	<b>£539,938</b>	<b>£1,172,441</b>

3.8 The January 2025 report summarised the 2025/26 provisional Finance Settlement for Councils (published 18 December 2025), which gave a national increase in core spending power (CSP) of 6%. An update on the final settlement is detailed at paragraphs 4.1.1-4.1.12 and General Fund resource projections have been updated accordingly in the 2025/26 budget.

3.9 The original 2024/25 SBC General Fund budget was £67.9Million but after taking into account fees and charges, government grants, services to the HRA/Capital and housing subsidy resulted in a net budget of £12.78Million and is funded as set out below.



3.10 The Budget and Policy Framework Procedure Rules in the Constitution, prescribe the Budget setting process, which includes a consultation period. The timescale required to implement this process is outlined below.



- 3.11 Since the February Cabinet report was published the report has been updated to include the other preceptors council tax bands (subject to the County budget being approved on the 25 February 2025 and a review of the summary budget has led to a number of coding corrections including the inclusion of the UKSPF funding for 2025/26.

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

##### 4.1 Stevenage Borough Finance Settlement 2025/26

- 4.1.1 On 18 December 2024, the Secretary of State for the Ministry for Housing and Communities Local Government (MHCLG) released a written statement to Parliament on the provisional local government finance settlement 2025/26. The final settlement was published on the 3 February 2025. The settlement is for one year with a proposed move to multi-year settlements planned beyond 2025/26.
- 4.1.2 There were a few differences between the provisional and final settlements which included a change to the Employer National Insurance Contributions (NICs) Grant in Core Spending Power. The original announcement was for £515 million, but £13Million is being allocated to Mayoral Combined Authorities. Also announced, was a change in the method for allocating the Employer NICs Grant since this funding was announced in the provisional settlement. The allocation method now includes spend on certain aspects of councils' Housing Revenue Accounts. **SBC received £200,820 in the final settlement versus £85,530 estimated in the provisional announcement.** Members should note there was no additional overall funding at national level for this allocation adjustment. When setting the 2025/26 Housing Revenue Account budget, an adjustment was made to recharges of £200,000 to insulate the impact of the additional NI on the HRA and any subsequent retention of the full NI grant in the General Fund.
- 4.1.3 An extra £19.7 million for the Children's Social Care Prevention Grant. Some £13Million of this was announced at the provisional settlement, but not formally included in Core Spending Power at that point. A minimum of £30,000 has been introduced and the sum subject to an equalisation adjustment has increased from £75Million to £80Million.
- 4.1.4 An increase in New Homes Bonus of £448,000 and a reduction in the support provided through the Funding Floor (or minimum amount of grant awarded) of £275,000, **with no change for SBC.**

- 4.1.5 The Government has confirmed £5Million, an extra £2 million compared to the provisional settlement, for authorities facing high Internal Drainage Board levies. This is not included within Core Spending Power and **has no impact on SBC.**
- 4.1.6 The statement also mentioned £60Million for long-term improvements over the next year, including for devolution and fixing the local audit system. Further details of this funding will be made available in due course.
- 4.1.7 The National Core Spending Power (CSP) figures for Councils shows an increase of 6.0% for 2025/26 (excluding national insurance grant), however this includes assumptions about increases in council tax, which accounts for 5.97% of that increase nationally.

Funding Settlement	Final 2024-25 £Million	Provisional 2025-26 £Million	Final 2025/26	Final V Final Variance £Million	% change of total increase
Settlement Funding Assessment	£16,563	£16,841	£16,841	£278	
Under-indexing the business rates multiplier	£2,581	£2,696	£2,696	£115	
Council Tax Requirement exc. parish precepts	£36,154	£38,312	£38,312	£2,158	<b>5.97%</b>
New Homes Bonus	£291	£290	£290	(£1)	
Services Grant	£87	£0		(£87)	
Funding Guarantee	£269	£0		(£269)	
Rural Services Delivery Grant	£110	£0		(£110)	
Improved Better Care Fund	£2,140	£2,640	£2,640	£500	
Social Care Grant	£5,044	£5,924	£5,924	£880	
ASC Mkt Sustainability and Improvement Fund	£1,050	£1,050	£1,050	£0	
Adult Social Care Discharge Fund (2025/26 now in better care grant)	£500	£0	£0	(£500)	
Recovery grant	£0	£600	£600	£600	
Children's Social Care Prevention Grant	£0	£250	£270	£270	
Domestic Abuse Grant	£130	£160	£160	£30	
Funding Floor		£121	£121	£121	
Grants rolled in	£64	£0	£0	(£64)	
<b>Core Spending Power</b>	<b>£64,983</b>	<b>£68,884</b>	<b>£68,904</b>	<b>£3,921</b>	<b>6.03%</b>
National Insurance grant *1	£0	£515	£502	£502	
<b>Grand Total</b>	<b>£64,983</b>	<b>£69,399</b>	<b>£69,406</b>	<b>£4,423</b>	<b>6.81%</b>

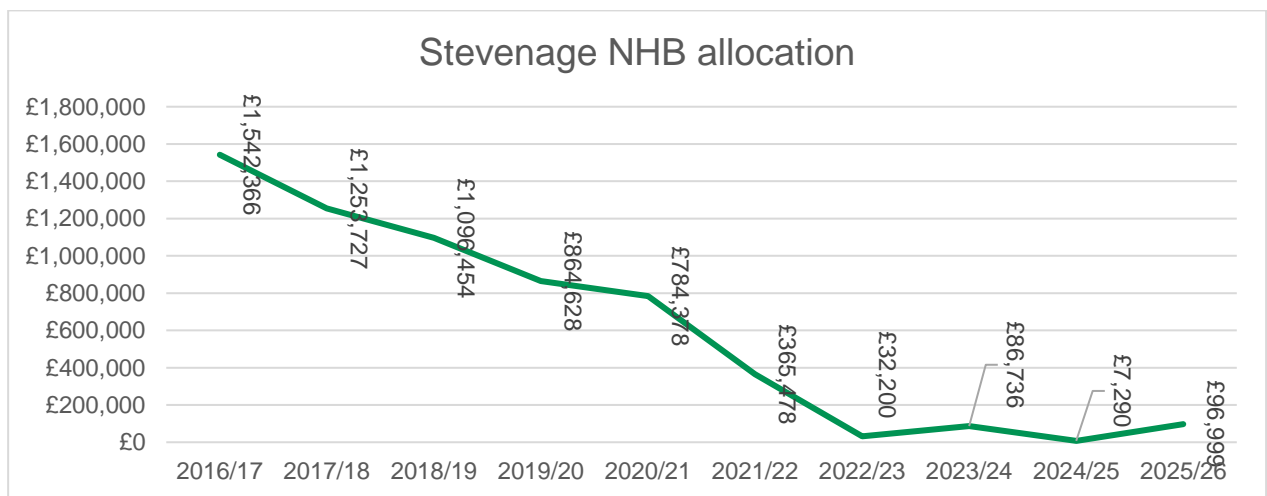
*NB () = less funding \*1 £13Million of National insurance grant was top sliced for combined authorities.*

- 4.1.8 The council tax referendum limit remained at 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 and the Police and Crime Commissioner

(PCC) up to £14 on a Band D. For Stevenage £5 equates to a 2.09% increase versus 2.99% or £7.15 on a Band D property. However, the Government did announce in the final settlement additional council tax flexibility for: Windsor and Maidenhead Borough Council (+4%); Birmingham City Council (+2.5%); Bradford Council (+5%); Newham Council (+4%); Somerset Council (+2.5%); and Trafford Council (+2.5%). This is outside of Core Spending Power.

4.1.9 For 2025/26 the small business multiplier (SBRR) in England will be frozen for a fifth 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 2024 CPI (1.7%) to 55.5p. 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 Section 31 grants to compensate for the reduction in income collected.

4.1.10 The Stevenage New Homes Bonus (NHB) allowance for 2025/26 is unchanged at £96,999, (2024/25 £7,290). The government indicated in the Finance Policy Statement that having a portion of the Settlement allocated on a payments-by-results basis negatively interacts with the remainder of the Settlement. The government will therefore be consulting on proposals for reforming the NHB beyond 2025-26 in due course. The potential change to the rules around NHB awards does not impact the Council significantly as Stevenage does not account for NHB in the base budget and has only received relatively small amounts in recent years.



4.1.11 Top Up/Tariff Adjustments (Negative Revenue Support Grant RSG) – As in previous years, the government has not included any negative RSG in this year's settlement and the review of funding the government has announced from 2026/27 will supersede this. As part of previous funding deals Councils were due to have their funding reduced by negative RSG which essentially cuts the amount of monies retained via business rates. This would have resulted in a cost of £27,146 to SBC in 2025/26 before any inflation indexing was added.

4.1.12 A summary of the 2025/26 settlement versus 2024/25 and the November MTFS assumptions is shown in the table below. The final and provisional settlement is **£61.7K higher** (before ringfenced grants) **than 2024/25** and **£348K higher**



than the **MTFS** assumptions which is to be welcomed (excluding National Insurance grant).

	Final 2024/25 Settlement	November MTFS Assumptions	Final Settlement	MTFS V Provisional Variance
Business Rates	(£2,812,960)	(£2,860,780)	(£2,851,146)	£9,635
Under indexing	(£509,446)	(£529,087)	(£527,879)	£1,208
<b>Total Business Rates</b>	<b>(£3,322,406)</b>	<b>(£3,389,867)</b>	<b>(£3,379,025)</b>	<b>£10,842</b>
Revenue Support Grant	(£108,811)	(£110,661)	(£149,048)	(£38,387)
New Homes Bonus (NHB)	(£7,290)	(£60,000)	(£96,999)	(£36,999)
Services Grant	(£17,960)	£0	£0	£0
3%/4%guarantee	(£390,740)	£0	£0	£0
Recovery grant	£0	£0	(£283,819)	(£283,819)
<b>Total</b>	<b>(£3,847,207)</b>	<b>(£3,560,528)</b>	<b>(£3,908,891)</b>	<b>(£348,363)</b>
<b>Increase from 2024/25 to 2025/26</b>			<b>(£61,684)</b>	
<b>Ring fenced Grants:</b>				
Domestic Abuse	(£37,162)	(£37,162)	(£37,663)	(£501)
Homeless & Rough Sleeper	(£945,845)	(£945,845)	(£1,395,414)	(£449,569)
<b>Ring Fenced Grants increase from 2024/25 to 2025/26</b>			<b>(£449,569)</b>	
<b>Total increase in real funding</b>			<b>(£511,253)</b>	<b>(£798,433)</b>

4.1.13 The 2025/26 grant funding for homelessness directly awarded to Stevenage is significantly higher and a further £228,000 of rough sleeper accommodation programme funding for Stevenage has been allocated to Homes England.

4.1.14 In addition to the Finance Settlement, Councils were advised on the 29 November 2024 about funding relating to Extended Producer Responsibility (EPR). The funding will come from the collection of producer fees which may change, but to provide certainty to authorities, the government is only guaranteeing the 2025/26 amount which for Stevenage is £1.078Million. The intention is the funding will enable Councils to drive the changes needed to deliver an efficient recycling service. Further notice of assessment will be provided once the draft Producer Responsibility Obligations (Packaging and Packaging Waste) Regulations are in force.

4.1.15 The Government has also made announcements about simpler recycling or the four bin approach, which the Council will need to consider the impact of. The future years EPR funding is not guaranteed and will be subsumed into the Finance Settlement from 2026/27 onwards. The CFO recommends ring-fencing this money into a reserve and using it to fund recycling improvements or meet any associated increase in costs. Officers are currently looking at options including recycling for flat blocks and will bring recommendations forward for approval.

4.1.16 The Local Government Association has stated that *'We welcome both the increase in Core Spending Power and those resources outside Core Spending Power such as the extra £1.1 billion in extra resources for 2025/26 from the new Extended Producer Responsibility for packaging scheme and the extra £515 million to compensate for increases in employer national insurance*

*contributions (NICs). This extra funding, inside and outside Core Spending Power, will help councils meet some - but not all - of the cost and demand pressures councils face. Councils of all types will continue to struggle to balance the books. Many face having to increase council tax bills to bring in desperately needed funding next year but will still be forced to make further cuts to services’.*

4.1.17 In addition to the government monies set out above, Stevenage will also receive a UK Shared Prosperity Fund allocation for 2025/26 totalling **£327,146**, comprised of **£60,401** for capital and **£266,745** for revenue. A number of proposals are being worked up for Members consideration in the 3<sup>rd</sup> quarter monitoring report to the March Cabinet for approval.

## 4.2 Pressures Projected in the General Fund 2025/26

4.2.1 The General Fund budget assumptions for 2025/26 now include growth pressures of £1.336Million (draft budget £1.474Million) as set out below which are included in section 4.7 of this report.

Pressures	2024/25 MTFS	2025/26 Final Budget	+/-	Comments
Inflation	£1,102,380	£886,781	(£215,599)	Reduction in utility, salary inflation and lower software costs
Inflation National Insurance increased rate and threshold	£0	£426,279	£426,279	para 4.1.2 refers
National insurance compensation projected for changes to the rate and threshold from April 2025	£0	(£200,820)	(£200,820)	para 4.1.2 refers
Council Tax Support - Cost of new scheme	£0	£33,250	£33,250	As approved by Cabinet in the November 2024 Council Tax support report
Bat survey Fairlands Park	£0	£15,000	£15,000	Survey required prior to any lighting solutions at Fairlands Valley Park
Reduction in Benefit Subsidy & net cost of housing Benefit	£10,000	(£24,020)	(£34,020)	Reduction in subsidy due to the reducing caseload, formal notification not yet received £10K offset by reduction in net cost of benefits £34K
Car Park income	£200,000	£200,000	£0	Although income is improving year on year, it is still not achieving income levels pre-COVID.
<b>Total Identified</b>	<b>£1,312,380</b>	<b>£1,336,470</b>	<b>£24,090</b>	

### 4.3 Council Tax and Council Tax Support

- 4.3.1 The December 2024 Cabinet Council Tax base report showed a decrease in the tax base of 0.3% compared to 2024/25. This is because some of the anticipated growth in housing numbers did not materialise due to slower than anticipated scheme delivery and the taxbase now includes a reduction of 2% (2024/25 1.75%) for bad debt provision as a result of lower in year collection rates and higher arrears. The growth in the taxbase assumed by the government was higher when the Core Spending Power (CSP) was calculated for Stevenage. This meant the government assumed £52,395 more council tax income than Stevenage is projecting for 2025/26.
- 4.3.2 The January 2025 Cabinet Draft Budget report recommended a 2.99% increase in council tax (1% higher than included in the MTFs) following the November Finance Policy statement which allowed for up to a 3% increase before a referendum threshold is triggered. This gives an additional £68,361 in council tax income and contributes to the BTB savings target and the CFO recommends increasing council tax by 2.99%.
- 4.3.3 Members will recall that SBC retains the lowest share of the overall Council Tax raised each year. To illustrate this, taking a Band C property, (which is the biggest proportion of properties in Stevenage) the relative shares of council tax for a band C property are shown below. The Council tax resolution included at Appendix F has been updated since the February Cabinet for the PCC and HCC precept demands.

Authority	2023/24	2024/25	Cost per week	Increase	Share
Hertfordshire County Council	£1,427.23	£1,498.45	£28.82	4.99%	77.47%
Stevenage Borough Council	£206.50	£212.68	£4.09	2.99%	11.00%
Police Crime Commissioner	£211.56	£223.11	£4.29	5.46%	11.53%
<b>Total</b>	<b>£1,845.29</b>	<b>£1,934.24</b>	<b>£37.20</b>	<b>4.82%</b>	<b>100.00%</b>

- 4.3.4 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 2025/26				
Council Tax band	2024/25	2.99% increase	Total cost per year	Total cost per week
A	£159.51	£4.76	£164.27	£3.16
B	£186.09	£5.56	£191.65	£3.69
C	£212.68	£6.35	£219.03	£4.21

Council Tax increase modelled for Stevenage Precept 2025/26				
Council Tax band	2024/25	2.99% increase	Total cost per year	Total cost per week
D	£239.26	£7.15	£246.41	£4.74
E	£292.43	£8.74	£301.17	£5.79
F	£345.60	£10.33	£355.93	£6.84
G	£398.77	£11.91	£410.68	£7.90
H	£478.52	£14.30	£492.82	£9.48

4.3.5 Since the publication of the January 2025 Draft Budget report the 2024/25 projected council tax income collectable in year versus the amount due has been reviewed showing a projected deficit of £1.5Million of which Stevenage's share is £169K, an increase of £33,575 to be repaid in 2025/26. This has been included in the General Fund core resources.

### Council Tax Support

4.3.5 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.

4.3.6 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.

4.3.7 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. The CFO wrote to both precepting authorities regarding the proposal for 2025/26.

4.3.8 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 £164.41 for a Band C council home in 2024/25 on the total bill (with an additional 25% discount for a single person) or £3.16 per week.

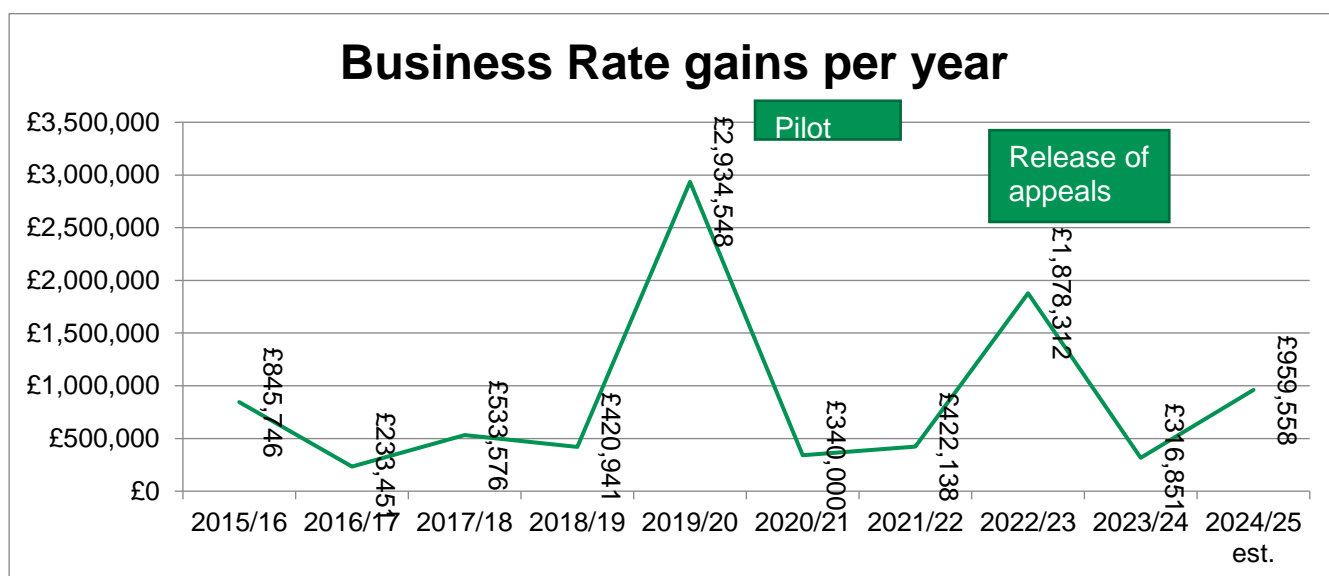
4.3.9 In November 2024 Members approved the retention of the existing scheme for next year (uprated to reflect benefit changes for 2025/26) and agreed that officers should look at a banded scheme for proposal to include engagement / consultation with residents.

### 4.4 Business Rates Income

4.4.1 The MTFs and draft General Fund budget only includes the 2025/26 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 2025/26-2028/29.

- 4.4.2 Any NDR gains above the baseline have been used previously to fund time limited growth and regeneration objectives. The rules governing NDR accounting mean any estimated gains are taken in year and any difference between the actual and the estimate are taken from or, in the case of losses refunded to, the Collection Fund in future years.
- 4.4.3 Business rate gains fluctuate between financial years as shown below and as they cannot be guaranteed. Above the threshold of £200K they are used to help maintain the financial resilience of the General Fund, (i.e. in year shortfall on savings due to part year implementation), rather than to fund the running of day to day services.



*Note: Pilot -75% of gains retained in Hertfordshire. Pool-A number of Hertfordshire Councils join and retain more gains through a lower levy*

- 4.4.4 The level of business rates that the Council keeps each year is determined once the NDR1 form issued by the government is completed. This calculates business rates collectable, level of reliefs to be given in 2025/26 and S31 grants due. The November BTB report recommended this be delegated to the CFO after consultation with the Resources & Transformation Portfolio Holder due to the need to complete by the 31 January 2025 with the data not being available to the 13 January 2025.
- 4.4.5 The 2024/25 revised NNDR estimate has now been completed and this projects a reduction of £124,439 in 2024/25 business rate gains and the impact is shown in the table below. Changes to grants and the levy are always paid in the year they relate (from/to the government) and business rate gains and losses paid in the following year when the estimate is revised.

	Compare 2024/25 Original v Projected			Changes required based on projection	
	NNDR 1 2024/25 £	Projection 2024/25 £	Var to NNDR 1 £	2024/25	2025/26
Net yield	(54,797,341)	(54,357,860)	439,481		
Stevenage share of yield	(21,918,936)	(21,743,144)	175,793	0	175,793
Tariff	19,227,311	19,227,311	0		
<b>Share net of tariff</b>	<b>(2,691,626)</b>	<b>(2,515,833)</b>	<b>175,793</b>	<b>0</b>	<b>175,793</b>
S31 grant payable*	(2,526,046)	(2,529,981)	(3,935)	(3,935)	
Baseline Funding Level	(2,812,960)	(2,812,960)	0		
Gains before levy applied	(2,404,712)	(2,232,854)			
Gains applicable for levy	(1,622,536)	(1,527,698)		0	
Levy due 50%	811,268	763,849	(47,419)	(47,419)	
			0	0	
<b>Retained Business Rates</b>	<b>(4,406,404)</b>	<b>(4,281,966)</b>	<b>124,439</b>	<b>(51,354)</b>	<b>175,793</b>
Variance				<b>(51,354)</b>	<b>175,793</b>

4.4.6 The 2025/26 NNDR estimates have been completed and show that the total estimated gains for 2025/26 are £1.24Million (summarised below) with £200K budgeted to be retained in the General Fund for next year. Further detail can be found in the NNDR1 report on the Council's website.

Stevenage Share	NNDR 1 2025/26 £
Stevenage share (40%)	(22,824,068)
Tariff	19,488,317
<b>Share net of tariff</b>	<b>(3,335,750)</b>
S31 grant payable	(2,210,192)
Baseline Funding Level	(2,851,146)
Gains before levy applied	(2,694,797)
Gains applicable for levy	(1,854,678)
Levy that would be due	927,339
<b>Retained rates</b>	<b>(4,618,603)</b>
<b>Draft Budget:</b>	
Baseline Funding Level	(2,851,146)
Allowance for under-indexing	(527,879)
<b>Total Draft Budget</b>	<b>(3,379,025)</b>
<b>Increase above the Draft Budget</b>	<b>(1,239,578)</b>

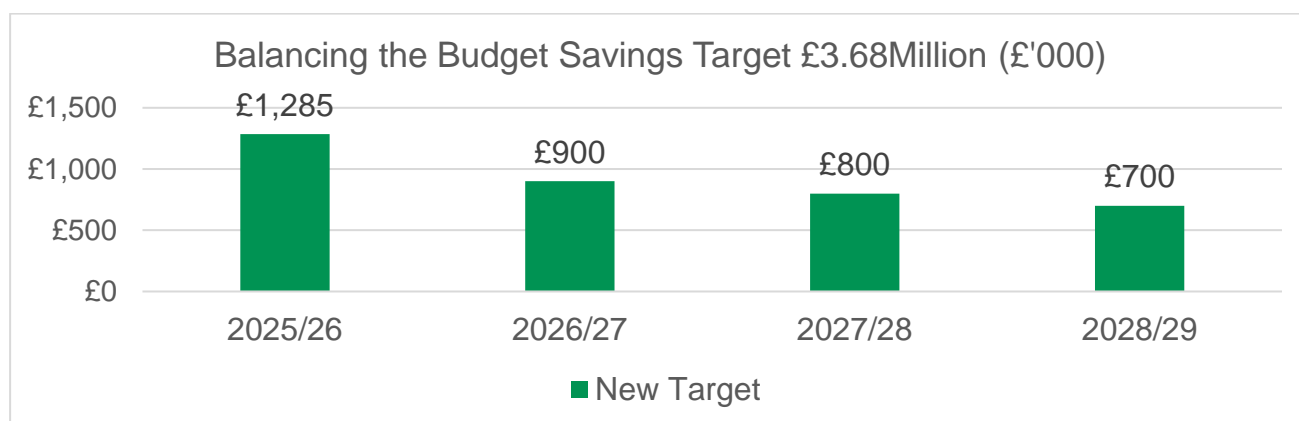
4.4.7 The CFO recommends that the additional gains of £1,039,578 are transferred to Business Rates earmarked reserve until realised and retained for financial

resilience. Business rate gains can fluctuate between estimate and actual and of 2023/24 £1Million of assumed gains have to be returned to the Collection Fund in 2025/26 due to a large valuation change.

- 4.4.8 From 2026/27, the government wants to fundamentally change the way Councils are funded and the intention is to direct funding to where it is most needed, based on an up-to-date assessment of need and local resources. The government will move gradually towards an updated system and will invite views on possible transitional arrangements to determine how local authorities reach their new funding allocations.
- 4.4.9 Part of the needs assessment will include a 'reset' for the business rates retention system, as was originally intended when the previous government established the system. There has been no reset of the system since its introduction in 2013/14. The government intends to use this reset to do the allocation of funding where it is most needed and the reset will apply nationally. It should be noted that Stevenage Borough Council has gained under the current regime with as set out in para. 4.4.3 and a re-set will undoubtedly reduce the amount NNDR retained by the Council.

#### 4.5 The Balancing the Budget Savings Target to Find

- 4.5.1 As set out in paragraph 3.7 there was a savings shortfall of £1.172Million for the period 2026/27-2027/28 once projected fees and charges increases (which for 2026/27 onwards are still to be approved) have been included. Because of the size of the annual funding financial challenge for Councils, SBC takes a three-year view to ensure that any annual savings target is achievable. This provides for sufficient time to bring options forward and to minimise reductions to services. The Council has a number of initiatives/options lined up to bridge that gap.
- 4.5.2 The Balancing the Budget annual savings target is kept under constant review as changes to inflation, new service pressures and government funding may have an impact on the level of savings needed and the subsequent level of reserves to retain. The level of reserves has improved since the September 2024 MTFS and draft budget presented to the January 2025 Cabinet meeting. The current targets are shown below and will be reviewed as part of the next MTFS update.



4.5.3 The risks to the General Fund are summarised below.

Expenditure and Income	Impacted by	Risk (to increase cost)
<b>Inflation</b>	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% pay award for 2025/26, however previous years deals have been higher and the need for the pay grades to have due regard to inflation and the minimum wage may drive much higher pay negotiation outcomes.	medium
	The MTFS assumes a CPI inflation of 2% during the MTFS and although September CPI fell to 1.7%, this has subsequently risen above the MTFS target	high
<b>Demand for services</b>	There may be an increase for support services such as homeless and advice and this puts further pressure on the Council's budgets	medium
<b>Local Government Reform</b>	There is a risk that the Council will incur more costs associated with LGR following the submission for Hertfordshire in March 2025 (£50K assumed in the budget). This may also affect the ability to attract staff which could lead to the need to pay higher salaries	high
<b>Fees and Charges</b>	The impact of the current economic climate may impact the Council's fees and charges income which is required to support the funding of services.	medium
<b>Core funding</b>	The new Labour government has signalled changes to funding from 2026/27 which includes a reset of business rates which may result in a reduction in business rate gains to SBC. Currently the Council uses £200K of gains in the General Fund and uses the remainder to fund key priorities or to support the financial resilience of the General Fund. However, a multi-year settlement will help future financial planning.	high
	Business rate gains estimated for 2025/26 will not be realised, however this will impact the level of projected reserves in the earmarked reserve as only £200K is included in the General Fund budget.	medium
	Grant funding for new burdens is announced annually such as that for homelessness and rough sleepers which makes recruitment and retention difficult on a permanent basis, however a multi-year settlement is expected for 2026/27.	medium
	National Insurance compensation formula will not change for future years and will not meet the increased costs for the General Fund and HRA which is estimated to be £711K per annum	High



4.5.4 In the January 2025 Draft Budget report BTB savings options were identified and recommended of £1.172Million for 2025/26. These are summarised below and included in Appendix A.

Savings Identified	Approved	Approved GF	Approved HRA
Efficiency savings	1st Quarter Monitoring Sept 2024	£422,770	
Indoor Market changes (dependent on the timing of the new market opening)	July 2024 Cabinet updated November 2024 (BTB)	£40,000	
Fees and Charges	October 2024 Fees and Charges report updated November 2024 (BTB)	£438,884	£2,478
Cease skip service (Appendix A)	November 2024 (BTB)	£50,000	£4,000
Star Chamber process (full year) (Appendix A)	November 2024 (BTB)	£34,045	£9,005
Shared Service savings (Appendix A)	November 2024 (BTB)	£89,150	
increase Council Tax to 2.99%	Recommended in the Draft January 2025 Cabinet report	£68,361	
ICT software savings (Appendix A)	Recommended in the Draft January 2025 Cabinet report	£16,290	11,710
Payroll Administration Savings (Appendix A)	Recommended in the Draft January 2025 Cabinet report	£8,060	4,940
Legal Admin charges	Approved January 2025 Cabinet	£4,121	
<b>Total Savings Identified</b>		<b>£1,171,682</b>	<b>£32,133</b>

4.5.5 The November Balancing the Budget report also identified that Transformation savings were currently being finalised. Subject to the associated proposals being recommended for Member approval by the Senior Leadership Team, they will be considered by Members in a separate report to the Cabinet in March 2025. The CFO recommends that only identified savings should be included in the 2025/26 General Fund budget. Therefore, the Transformation options relating to Community Advice and Support and Localities will contribute to the future savings gaps subject to consideration by Members.

## 4.6 Growth Options

4.6.1 The 2025/26 Draft General Fund budget presented to the January 2025 identified two new growth bids for consideration (see also paragraph 4.13.1 for Overview and Scrutiny comments).

4.6.3 The first option related to addressing the recruitment and retention challenges the Council has experienced in recent years being cognisant of the additional associated costs which are incurred. Taking this into consideration, the Senior Leadership Team recommends introducing a graduate and apprentice scheme for six placements in hard to recruit service areas. To ensure it is affordable for both the General Fund (and HRA), it is proposed that business rate gains already received of £757,940 are utilised for this purpose. In addition, the CFO recommends that a total of £150,000 year end underspends from the General Fund and HRA are identified and transferred to a ring-fenced reserve to ensure the ongoing delivery of the scheme. This will need to be monitored to ensure the anticipated underspends are achieved.

Graduate & Apprentice Programme	2024/25	2025/26	2026/27	2027/28	2028/29	Total
<b>Total Annual Cost</b>		£202,760	£254,507	£300,673	£307,839	<b>£1,065,778</b>
<b>Funding Reserve</b>						
<b>Brought Forward</b>	£0	(£150,000)	(£300,000)	(£450,000)	(£600,000)	
<b>NNDR reserve</b>		(£202,760)	(£254,507)	(£300,673)	£0	<b>(£757,940)</b>
<b>Underspends</b>	(£150,000)	(£150,000)	(£150,000)	(£150,000)	(£150,000)	<b>(£750,000)</b>
<b>Used in year</b>	£0	£202,760	£254,507	£300,673	£307,839	<b>£1,065,778</b>
<b>Carried Forward</b>	(£150,000)	(£300,000)	(£450,000)	(£600,000)	(£442,161)	

4.6.4 The impact on the NNDR reserve is shown in the chart below and reflects all balances budgeted and commitments on the fund and assumes no business rate gains beyond 2025/26. The table below shows there are sufficient balances to fund the scheme.

Business Rates Reserve £'000	2024/25	2025/26	2026/27	2027/28	2028/29
<b>Opening Balance</b>	(£2,711)	(£4,368)	(£3,659)	(£3,303)	(£4,745)
<b>Changes to Business Rate Gains/losses</b>	(£1,823)	£193	£0	£0	£0
<b>Local Plan</b>	£100	£0	£0	£0	£0
<b>Swingate holding costs/surplus</b>	£66	£313	£102	(£1,742)	£0
<b>Graduate &amp; Apprentice Programme</b>	£0	£203	£255	£301	£0
<b>Closing Balance</b>	(£4,368)	(£3,659)	(£3,303)	(£4,745)	(£4,745)

4.6.5 A second growth bid has been developed related to the Council's ongoing efforts to address graffiti removal. In the current year an additional employee and a specialist contractor were funded from the UKSPF. However, the allocation for 2025/26 reduced to £327K from £656K. A key Making Stevenage Even Better Corporate Plan priority of the Council is to deliver thriving and clean neighbourhoods, ensuring residents can be proud of where they live. To support this desired ambition the Council has committed to continue to deliver improvements in graffiti reduction over the lifetime of the plan. As part of the graffiti removal programme in 2024/25, which was funded through UKSPF resources, the Council's Environmental Services team and support contractor

removed over 1,000 incidences of graffiti between March and October. Despite these best efforts the Council is receiving on average 18 reports of new graffiti per month. To continue the graffiti removal programme, it is recommended that the Council funds a dedicated in-house cleansing operative during 2025/26 to undertake reported and ad hoc graffiti removal, predominantly from SBC owned assets and to appoint a specialist graffiti remover support contractor to undertake tasks which will supplement the Council's own function to include undertaking removal works during non-working hours at a cost of **£75,000** to the General Fund.

#### 4.7 Changes to the 2025/26 General Fund budget versus the September MTFS

4.7.1 The General Fund budget is now projected to be £10,656,540, (with a contribution to balances of £6,053, draft January budget £77,950), versus the September General Fund projection of £9,716,380 (and a draw on balances of £100,900). The changes to the September MTFS net budget and resources are set out below.

Changes to the 2025/26 Budget Versus MTFS			
<b>September MTFS</b>		<b>£9,716,380</b>	
<b>Inflation:</b>			
Lower pay inflation	(£17,850)		Reduced by £28.6K from draft budget report
Lower contractual inflation	(£26,005)		Increased by £16.9K from draft report due to lower shared Revenue and Benefits SLA for 2025/26
Lower business rates	(£35,870)		
Lower utility and fuel inflation	£2,040		
Higher Shared service income	(£138,235)		higher recharges to ICT service due to increase head count and NI increases
Lower HRA recharges	£70,320	(£145,601)	
<b>Pressures:</b>			
Increase in pressures		£355,179	Para. 4.2.1 refers
<b>Growth Options:</b>			
Increased growth		£277,760	Para. 4.6.4 refers
<b>Balancing the Budget Savings Options:</b>			
Options recommended for approval		£181,680	Section 4.5 refers (council tax saving shown in core resources)
increase commercial rental income		(£49,700)	Increase in commercial rental partly offset by lower bus station income
<b>Government Grant funding:</b>			
Extended Producer responsibility	(£1,078,000)		

Changes to the 2025/26 Budget Versus MTFS			
NI compensation	(£200,820)	(£1,375,819)	Para 4.1.2 refers
<b>Use of Reserves:</b>			
Transfer of NNDR reserve to fund apprentice programme	(£202,760)		Para. 4.6.2-4.6.3 refers
Transfer of NNDR net gains	£863,790		Para 4.45 & para 4.4.7 refers
Transfer of EPR grant to ring-fenced reserve	£1,078,000	£1,739,030	Para. 4.1.14-4.1.15 refers
On-going impacts of 2024/25 Changes			
Other:		(£42,369)	Small budget variances including impact of 2024/25 changes on-going and £50K for LGR costs.
<b>Total Changes</b>		<b>£940,160</b>	
<b>Revised General Fund budget</b>		<b>£10,753,540</b>	

4.7.2 Although the General Fund net expenditure has increased and core resources are also higher compared to the September MTFS as set out below.

Core Resources	MTFS Assumptions	Final Budget	MTFS V Settlement Variance
Business Rates (note 1)	(£2,869,578)	(£2,851,147)	£18,432
Under indexing (note 1)	(£529,087)	(£527,879)	£1,208
<b>Total Business Rates</b>	<b>(£3,398,665)</b>	<b>(£3,379,026)</b>	<b>£19,639</b>
New Homes Bonus (7)	<b>£0</b>	(£97,000)	(£97,000)
Revenue Support Grant (2)	(£110,282)	(£149,048)	(£38,766)
Recovery grant (2)	£0	(£283,819)	(£283,819)
Business rate gains (3)	(£200,000)	(£1,239,578)	(£1,039,578)
<b>Total</b>	<b>(£3,708,948)</b>	<b>(£5,148,472)</b>	<b>(£1,439,524)</b>
Council Tax (4)	(£6,991,438)	(£7,040,510)	(£49,072)
Transfers to Collection Fund NNDR (5)	£1,056,964	£1,232,757	£175,793
Transfers to Collection Fund council tax (6)	£27,939	£196,632	£168,693
<b>Total Collection Fund changes</b>	<b>(£5,906,535)</b>	<b>(£5,611,121)</b>	<b>£295,415</b>
<b>Total Funding</b>	<b>(£9,615,483)</b>	<b>(£10,759,592)</b>	<b>(£1,144,109)</b>
<b>Use of Balances</b>	<b>£100,897</b>	<b>(£6,053)</b>	<b>(£106,950)</b>

4.7.3 The reason for the changes is summarised below:

1. The MTFS had assumed an increase of 2% for September CPI which was 0.3% lower at 1.7%, which is used for the increase in business rates for the following year.

2. Paragraph 4.1.12 refers.
3. The MTFs only assumed a £200K retained business rate gain. Gains fluctuate between years as shown in paragraph 4.4.3, following completion of the 2025/26 NNDR 1 there are £1.239M gains for the year, however these have yet to be realised and are subject to change. The estimated gains above the £200K approved for retention in the General Fund have been transferred to the business rates earmarked reserve.
4. The MTFs assumed an increase of 1.99% in council tax and a slightly higher taxbase for 2025/26.
5. The £1.23Million is made up of a reduction in gains of £1.056Million for 2023/24 versus estimate plus a further £175K reduction projected for 2024/25, (see also paragraph 4.4.5)
6. The collection rate for council tax is projected to be below 95% for 2024/25 and the taxbase has not increased in line with expected housing growth numbers requiring all preceptors to return monies.
7. New homes Bonus is now shown in core resources and not net expenditure (as it is an un-ringfenced grant), this has been changed since the February Cabinet report.

#### 4.8 2024/25 Budget changes

4.8.1 The 2024/25 General Fund budget is projected to increase by £2,940. A summary of the changes is detailed below.

Changes to the 2024/25 Budget			
<b>General Fund quarter 2 budget</b>		<b>£12,414,510</b>	
Changes approved in January draft budget		(£165,540)	The reduction was predominately lower salary costs
<b>Revised Budget</b>		<b>£12,248,970</b>	
<b>Fees and Charges changes:</b>			
Reduction in skip income	£19,000		The skip service has been ceased as part of the 2025/26 savings options and actual in-year income levels are lower than the budget.
Reduction in bus station income	£42,300	£61,300	Departure charges are estimated to be lower for 2024/25 (and 2025/26) due to lower estimated bus journeys than estimated.
<b>Reserve Movements:</b>			
Future Councils spend	(£140,000)		The remaining part of the grant funding is planned to be spent in 2025/26 and has been returned to the earmarked reserve.

Changes to the 2024/25 Budget			
Transfer to reserves	£140,000	£0	see above
<b>Other:</b>			
Reduction in insurance provision	(£40,000)		The provision is based on current and projected claim excesses and the amount required for 2024/25 has reduced.
Reduction in the net cost of housing benefit	(£18,360)	(£58,360)	The council distributes housing benefit payments of circa £20Million and claims housing subsidy from the DWP. The net cost is now projected lower than the budget.
<b>Total changes February Cabinet</b>		<b>£2,940</b>	
<b>Revised General Fund budget</b>		<b>£12,251,910</b>	

#### 4.9 Level of Balances required for General Fund and projected balances

- 4.9.1 The September 2024 MTFS assumed that the minimum level of balances required would be £3.45Million. A full assessment was carried out for the Draft General Fund budget which is detailed in Appendix C totalling £3,421,625, this has remained unchanged for the final budget report.
- 4.9.2 The projected General Fund balances and council tax requirement are set out below. This table now include assumptions regarding business rate gains for 2025/26.

General Fund Budget	2024/25 Estimate	2024/25 Projected	2025/26 Estimate
Net Expenditure	£12,788,410	£12,251,910	£10,753,540
Use of/ (Contribution) to Balances	£0	(£596,801)	(£6,053)
<b>Budget Requirement</b>	<b>£12,788,410</b>	<b>£11,655,109</b>	<b>£10,747,487</b>
New Homes Bonus	£0	£0	(£97,000)
Revenue Support Grant	(£108,811)	(£108,811)	(£149,048)
Service Grant	(£17,960)	(£17,960)	£0
4 % guarantee grant	(£390,740)	(£390,740)	£0
Recovery grant	£0	£0	(£283,819)
Total grant support	<b>(£517,511)</b>	<b>(£517,511)</b>	<b>(£529,867)</b>
Business Rates net of tariff and levy	(£1,906,463)	(£1,940,830)	(£2,408,412)
Distribution of levy surplus	£0	(£22,000)	£0
S31 grants NNDR	(£2,526,046)	(£2,529,981)	(£2,210,192)

General Fund Budget	2024/25 Estimate	2024/25 Projected	2025/26 Estimate
Total in year business rates	<b>(£4,432,510)</b>	<b>(£4,492,811)</b>	<b>(£4,618,604)</b>
(Return) /Contribution to Collection Fund (NDR) re 2022/23 & 2023/24 & 2025/26	(£838,057)	(£838,057)	£1,232,757
Collection Fund Surplus (ctax)	(£162,403)	(£162,403)	£196,632
Council Tax Requirement	(£6,837,929)	(£6,837,929)	(£7,040,510)
Council Tax Base	£28,579	£28,579	£28,572
Council Tax Band D	£239.26	£239.26	£246.41
Council Tax Band C	£212.68	£212.68	£219.04

4.9.3 At first glance there appears to be a significant variation between the 2024/25 and 2025/26 Original net budget, however this relates to the impact of business rates being transferred to or from the Collection Fund, depending on whether there were additional losses or gains actually realised in a particular year. When this transfer is removed the difference between the 2024/25 and 2025/26 original budgets is only £18,225, (Draft budget £2,353). This has changed from the February Cabinet report as New Homes Bonus is now shown in core resources and not net expenditure.

General Fund Budget	2024/25 Estimate	2024/25 Projected	2025/26 Estimate	2025/26 OR V 2024/25 OR
Net Expenditure	£10,964,941	£9,997,811	£10,946,716	(£18,225)
NNDR gains/(losses) to/(from) reserve	£1,823,469	£1,823,469	(£193,176)	(£2,016,645)
Carry Forwards	£0	£430,630	£0	£0
<b>Total Net Expenditure</b>	<b>£12,788,410</b>	<b>£12,251,910</b>	<b>£10,753,540</b>	<b>(£2,034,870)</b>

#### 4.10 Medium Term Financial Strategy General Fund Summary

4.10.1 The MTFs modelling has been updated to reflect the contents of this report as summarised below. Assuming that for 2026/27 onwards there is a similar level of government funding (to 2025/26) and only £200K business rates gains per year, the General Fund reserve balances position will have improved. For note the savings targets remain unchanged.

General Fund balances £'000	2024/25	2025/26	2026/27	2027/28	2027/28
<b>Opening Balance</b>	£5,303	£5,900	£5,906	£6,048	£6,105
<b>In Year</b>	£597	£6	£142	£56	£218
<b>Closing Balance</b>	£5,900	£5,906	£6,048	£6,105	£6,323
<b>Minimum balances</b>	£3,450	TBA	TBA	TBA	TBA

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

- The business rates re-set planned by the government for 2026/27 reduces retained NNDR for Stevenage. In mitigation the Council only

assumes a £200K gain each year which is lower than the average gains secured over the last few years (see also para.4.4.3).

- There is a need to make on-going annual savings for the reasons set out in sections three and 4.5 to this report.
- Government Funding reduces from that received in 2025/26 in the finance settlement and is not on-going at the same level.
- The General Fund Capital Strategy has a future funding shortfall and the capital spend in recent years has been rationalised and may require contributions from the General Fund to support meeting the Council's investment objectives. The CFO recommends if this were to happen that the business rate gains reserve should be used as a part mitigation.
- Inflation increases which results in the need for higher BTB savings targets to be set.

4.10.3 In addition to the risk assessment of balances to support the General Fund's financial resilience, there are two further 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.

Reserves £'000	Closing 2023/24	Use/(to)	Closing 2024/25	Use/(to)	Closing 2025/26
Gains (NNDR)	(£2,711)	(£1,657)	(£4,368)	£709	(£3,659)
Income equalisation Reserve	(£758)	£0	(£758)	£200	(£558)
<b>Total Available to support the GF</b>	<b>(£3,469)</b>	<b>(£1,657)</b>	<b>(£5,126)</b>	<b>£909</b>	<b>(£4,217)</b>

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

Reserves £'000	Closing 2023/24	Use/(to)	Closing 2024/25	Use/(to)	Closing 2025/26
NHB reserve <i>note 1</i>	(£253)	£243	(£10)	£0	(£10)
Transformation Reserve <i>note 2</i>	(£690)	£70	(£619)	£0	(£619)
Homeless reserve <i>note 3</i>	(£390)	£150	(£240)	£0	(£240)
Planning Delivery <i>note 4</i>	(£287)	£110	(£177)	£95	(£82)
Queensway monies <i>note 5</i>	(£122)	(£93)	(£215)	(£143)	(£358)
Regeneration Reserve <i>note 7</i>	(£225)	£0	(£225)	£100	(£125)
Town square reserve <i>note 6</i>	(£1,507)	(£183)	(£1,689)	(£125)	(£1,815)
Insurance reserve <i>note 8</i>	(£72)	£10	(£62)	£0	(£62)
ICT reserve <i>note 9</i>	(£190)	£62	(£128)	£0	(£128)
New Leisure <i>note 15</i>	(£340)	£340	£0	£0	£0
Stevenage works <i>note 11</i>	(£20)	£0	(£20)	£0	(£20)
Asylum seekers reserve	(£197)	£50	(£147)	£0	(£147)
Future Councils reserve <i>note 10</i>	(£459)	£235	(£224)	£224	(£0)
Commercial Property repair reserve <i>note 13</i>	(£41)	£0	(£41)	£0	(£41)
Ukraine reserve <i>note 12</i>	(£20)	£0	(£20)	TBA	(£20)
Syrian Refugees <i>note 12</i>	(£185)	£0	(£185)	TBA	(£185)



Reserves £'000	Closing 2023/24	Use/(to)	Closing 2024/25	Use/(to)	Closing 2025/26
Afghan Refugees <i>note 12</i>	(£97)	£0	(£97)	TBA	(£97)
Domestic abuse reserve	(£196)	£0	(£196)	TBA	(£196)
Extended Producer Pays grant <i>note 14</i>	£0	£0	£0	(£1,078)	(£1,078)
<b>Total Allocated for use</b>	<b>(£5,289)</b>	<b>£995</b>	<b>(£4,294)</b>	<b>(£927)</b>	<b>(£5,222)</b>

4.10.4 There is a planned contribution to reserves of £662K and £18K for 2024/25 and 2025/26 respectively. The established reserves are 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 £10K 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 outcomes and improved service delivery for residents.
3. These are ringfenced government Homeless grants which are used to support the Council's homeless function including additional staff resources. The 2025/26 allocation has been assumed to be spent in the 2026/26 budget.
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 and a further £95K is projected to be spent in 2025/26.
5. Queensway Car Park Monies - this is the income from the Queensway Limited Liability Partnership (LLP) for parking income and the allowance for future costs for the LLP as agreed in the September 2024 MTFS. This money has been ringfenced to support the fit out of future commercial 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 ICT reserve - this was used to absorb pressures in year.
10. The Future Councils Reserve is used to ringfence the £750K grant funding received by the government, part of which is being spent in the current year for digital improvements and cyber security. £140K has been returned to the reserve in 2024/25 (budget setting 2025) and there is planned use of £223K in 2025/26. The Council was one of only eight Councils to successfully bid for funding.
11. Stevenage Works Reserve – this is the flagship job and training hub / partnership which comprises SBC, North Herts College and Job Centre Plus.
12. These are ringfenced Asylum grants which are used to support the Council's homeless function including the provision of additional staff resources.

13. 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.

14. The Extended Producer Pays reserve see para. 4.1.14-4.1.15

4.10.5 There is one reserve where the monies will be spent by 31 March 2025 which is the Leisure reserve;

15. This 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.

4.10.6 The Council also has a number of subsidiaries which are summarised below:

- Queensway LLP- this is an income strip for 37 years for which the council holds the head lease to a pension company. The Council pay the lease each year and retains the income from residential and commercial in Queensway North and 'buys' the asset for a £1 after the lease term.
- Marshgate Ltd – this is the Councils housing company which has 10 properties leased to the HRA and is developing a site in Stevenage for sale. The balances in the company are projected to reduce as the current housing development is completed and the loans are repaid to the Council and properties are sold.
- CCTV Ltd - this company is held for private sector clients of the service and the Council has current commissioned a review of whether the company is required or the business within it can be subsumed into the General Fund.
- Swingate LLP - this is a joint venture with Mace on the former Swingate site building. This is first year of the operation and the Council will be committing an estimated £4Million into the LLP in 2024/25 with Mace committing an equivalent figure. The General Fund uses the NNDR reserve to fund the cost of lending the equity to the LLP.

4.10.7 The Council needs to ensure that these companies have sufficient funds to remain operational and the Council has set aside monies in an earmarked reserve for additional funding for Queensway LLP as set out in the September 2024 MTFs, to allow investment in the asset over the lease term. Estimated company cash balances at year end are summarised below.

<b>SBC subsidiaries</b>	<b>Closing 2023/24 £'000</b>	<b>Use £'000</b>	<b>Closing 2024/25 £'000</b>
Queensway LLP	£1,945	(£14)	£1,931
Marshgate Ltd (WOC)	£3,175	(£1,564)	£1,611
CCTV Ltd	£238	£38	£276
Swingate LLP	£0	£0	(£230)
<b>Total</b>	<b>£5,358</b>	<b>(£1,540)</b>	<b>£3,588</b>

4.10.8 The CFO is content the Council's companies have sufficient cash reserves to operate without further support from the General Fund other than that already approved.

#### **4.11 Chief Finance Officer's Commentary**

4.11.1 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, (see also Appendix D).

4.11.2 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' priority of 'Stevenage Even Better' Corporate Plan.

4.11.3 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 BTB Medium Term funding gap.

4.11.4 The Council has taken significant steps over recent years to balance its budget and the current projections show that from 2025/26 currently there is a contribution to reserves 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.

4.11.5 Events such as COVID and the Cost of Living crises have increased financial risks to Councils which has seen spikes in inflation and lower fees and charges, some of which has become baselined within the budget. The Council has however taken a number of financial resilience measures which seek to increase the resilience of the Council's position including:

- A risk assessment of balances to ensure general reserves held take the increased risk from recessionary pressures into account.
- Establishment of the income equalisation reserve (£558K by 31 March 2025) which can be returned to the General Fund if fees and charges are lower than projected.
- The opportunity to 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 BTB 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 Stevenage Even Better priorities. The projected balance as at 31 March 2026 projected to be £3.6Million
- Introduction of a transformation programme to deliver savings for both the General Fund and HRA.
- Implementation of a Commercial and Insourcing Strategy which looks for opportunities to increase the Council's net income from new commercial options, ensuring fees and charges are set based on the cost of services and any insourcing opportunities.
- Setting aside monies in the Queensway reserve to ensure there is sufficient monies available to Queensway LLP for future investment and support.

4.11.6 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 2025/26 budget.

4.11.7 As a result of its planned and prudent budget setting activities, the Council is able to continue the delivery of its ambitious programmes to redevelop and regenerate the town centre and to provide more social, affordable, aspirational and good quality homes. Amongst other schemes 2024/25 has seen the Council partner with Mace through an innovative 50:50 Joint Venture initiative to deliver the first SG1 site. Whilst both programmes offer great opportunities for the town and local residents they may also require more resources due to a number of reasons. There is a ring-fenced reserve for Regeneration and further estimates of resources have been included in the General Fund MTFS.

4.11.8 The priority use of the business rates reserve has also meant the Council can tackle issues such as recruitment and retention through the apprentice and graduate scheme set out in this report. This also allows the Council to afford the holding costs associated with the SG1 joint venture with Mace on the Swingate site.

4.11.9 Further commentary can be found in Appendix D to this report (Section 25 Statement including Robustness of Estimates and Adequacy of Reserves) which Members are asked to approve.

## **4.12 Contingency Sums**

4.12.1 Cabinet 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 Cabinet can approve supplementary estimates, rather than forming part of the Council's Budget Requirement for

the year. A sum of £500,000 is proposed for 2025/26, this has increased from £400,000 in the current year as the amount has remained unchanged for a number of years, however, as always, due regard will need to be given to breaching minimum balances.

#### 4.13 Consultation

- 4.13.1 The Draft General Fund report was presented to the 21 January 2025 Overview and Scrutiny Meeting and Members considered the report and there was support for the growth bids. A Member asked about the proposed council tax increase of 2.99% versus the MTFs assumption of 1.99%. The Chief Financial Officer explained that the additional 1% made a contribution to the General Fund's savings target and this helped avoiding service reductions. The CFO also identified that in previous year's increases had been below inflation rises.
- 4.13.2 The Council consulted on the 2025/26 budget via an on-line form on the SBC's website the responses were a small sample of 30 so not statistically sound. The growth for apprentices was supported and the graffiti growth was only narrowly not supported.

2025/26 Budget Feedback	Yes	No
Stevenage Resident	87%	13%
Stevenage business owner	3%	97%
Agree to increase council tax by 3%	63%	37%
Pay more council tax for more services	43%	57%
Support Apprentice growth	70%	30%
Support graffiti growth	47%	53%
Support savings delivered through more digital and on-line	67%	33%
savings delivered from more commercial income	40%	60%
Only cutting services if no other options available	67%	33%

- 4.13.2 The consultation asked respondents to comment on future areas to invest in and the following areas were identified in a free form text box, with Council responses in *italics* to the comments.

- Improving the Town Centre and parks and open spaces- *the Council has a regeneration programme for the Town Centre and work has started on the former Swingate site in 2024. The Council is working on both a Green Spaces and Trees & Woodland strategy which will be reported to cabinet in the summer of 2025. This will outline our approach to enhance our parks and open spaces going forward. The*

*Council will also be spending an estimated £830K on parks and open spaces in 2025/26*

- Pavements cleaning generally and landscaping and maintaining the overall appearance of the streets across the town. –*Funding from the UK Shared Prosperity Fund has been utilised to undertake an enhanced cleansing routine of Stevenage’s neighbourhood centres and pathways over the last two years. The Council will also be spending £1.5Million in 2025/26 on street cleansing and litter picking.*
- Hedge and verge trimming to keep cycleways clear and accessible. - *The council is currently delivering a 10-year programmed Shrub Bed Improvement programme to remove old, tired, or operationally constrictive shrub beds to help keep pathways and cycleways clear and accessible.*
- Regeneration culture and leisure -*The Council has jointly invested in a JV with their Development Partner Mace to build new homes in the town centre and has consulted the public on a new leisure centre.*
- Solar panels to reduce energy costs. Improved bus service so residents are less reliant on cars.- *The Council has installed solar panels on refuse freighters and new buildings such as the bus interchange.*
- Council housing- *The Council is investing £51Million into existing and new homes in 2025/26*
- Town centre events - make the space more welcoming out of hours and provide a safer environment to encourage more evening venues- *The council has invested in ‘Events Island’ in the Town Centre and has a programme of events throughout the year.*
- more investment in digital logging/ online services -*The Council has a digital team and Transformation Plan to improve the on-line offer.*

4.13.3 The consultation also asked respondents what areas the council should make savings in the future:

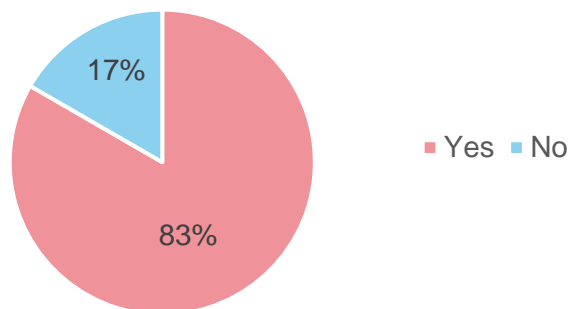
- High street- *The Council is working with businesses in the Indoor Market to transfer their services into the empty shopping units along the new Park Place development in the town centre. This will bring greater attention to local businesses in the council’s high street. This builds on the new ‘Event Island’ space in the town centre, which has a busy event schedule throughout the coming year.*
- Repairs -*Members approved a further £2Million spend on council home repairs in 2025/26.*
- Council should use the staff they currently have to tackle the graffiti problem in the town and invest in more artwork in underpasses to prevent it- *The Council successfully tested an enhanced Graffiti response, utilising funding from the UK Shared Prosperity Fund over the last year. This growth request establishes that level of response within core budgets going forward rather than relying on time limited external funding. The Council has a programme of artwork installations in underpasses and buildings as part of the Councils Towns Fund works.*
- Black bin collection once a month- *In setting the frequency of residual waste collections, Council’s need to consider a range of factors including the size of the bin, the number of occupants and storage*

*facilities, for example, the Council wants to increase recycling rates and reduce residual waste volumes going forwards, and will be looking to improve recycling facilities in a number of locations, including flat blocks.*

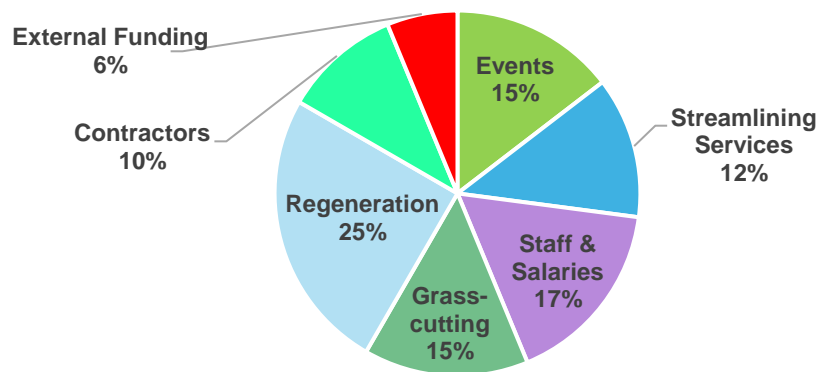
- *Stop investing in car infrastructure – The Council has invested in the Stevenage cycle ways through the new Arts & Heritage trail as part of its ambitious Regeneration programme of the town centre. This reemphasises the council’s commitment and investment into alternative travel options in the town.*
- *Outdated and incompatible ICT systems The Council along with East Herts Authority have jointly invested in the shared ICT service in 2024/25 & 2025/26 to ensure that both Councils have fit for purpose software.*
- *Staffing and pensions -staff pay is governed by the collective pay agreements as agreed with the unions.*

4.13.4 Development of the Councils 2024/25 Corporate Plan included a period of public and stakeholder engagement and consultation to include ascertaining if

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



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



- The Transforming Our Town programme will 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 is targeted at streamlining processes and reducing 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 where deemed viable to do so 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 been looking at how it manages and delivers future event activity with a view to driving out efficiencies where possible.*
- Seeking external funding to plug the financial gap (6%). *The Council has actively sought external funding and has received circa £80Million of revenue and capital funding over the last few years.*

### **Resident Survey (2021)**

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



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

4.13.7 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% of residents agree it represents value for money as shown in the chart below.

	<b>Responses</b>	<b>2021</b>	<b>2017</b>	<b>2015</b>	<b>2013</b>	<b>2011</b>
<b>To what extent do you agree or disagree that the Council Tax paid to Stevenage Borough Council provides good value for money?</b>	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%				
	<b>Summary: Agree</b>	<b>52%</b>	<b>46%</b>	<b>46%</b>	<b>45%</b>	<b>46%</b>
	<b>Summary: Disagree</b>	<b>26%</b>	<b>24%</b>	<b>24%</b>	<b>22%</b>	<b>21%</b>

4.13.8 The Council is commissioning a new Residents survey which is likely to be published for consultation in 2025/26.

4.13.9 Due to the level of savings required the CFO, in conjunction with the Leader, Portfolio Holder for Resources and Transformation and Comms colleagues intends to set out the issues in a media communication campaign so that residents and businesses understand why the Council is facing budgetary challenges as well as how it is seeking to respond.

## **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 this report. Fees and charges require a report to the Cabinet and were

included in the Commercial and Insourcing Strategy which was considered by the Cabinet in October 2024.

## **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 2025/26 budget growth options include the graduate and apprentice scheme which is designed to have a positive impact on staff recruitment and retention in hard to recruit to areas through adopting a 'grow your own' approach.
- 5.4.2 The report does indicate that Transformation options will be coming forward and any future report will set out staffing implications and any required EQIA.

## **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 2025.

- 5.5.3 To inform the decisions about the Budget 2025/26 an EQIA has been completed for the 2025/26 council tax increase and can be found in Appendix E to this report. There are no service cuts included in the 2025/26 budget and an

EQIA was completed for the fees and charges increases and appended to the October 2024 Cabinet report.

## **5.6 Risk Implications**

5.6.1 There are risk implications to setting a prudent General Fund budget if the Balancing the Budget options identified in Appendix A and within the report 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 Council's 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 was a growth bid to convert the Council's fleet from diesel to use hydrogenated vegetable oil (HVO) in order to reduce the Council's carbon emissions, the full year impact is included in the 2025/26 General Fund budget. A further update concerning the Council's Climate Change activities was presented to the Cabinet in October 2025.

## **BACKGROUND DOCUMENTS**

BD1 General Fund Medium Term Financial Strategy (2024/25-2028/29) September 2024 Cabinet

BD2 Balancing the Budget November 2024 Cabinet

BD3 Fees and Charges October 2024 Cabinet

BD4 Draft General Fund and Council Tax setting report January 2025 Cabinet

## **APPENDICES**

Appendix A General Fund and HRA Budget Options

Appendix B Budget Book summary

Appendix C Risk Assessment of Balances

Appendix D Section 25 Statement including Robustness of Estimates and Adequacy of Reserves

Appendix E Council Tax EQIA

Appendix F Council Tax resolution

