

**Meeting: CABINET**

**Agenda Item: 4**

Portfolio Area: Resources and Transformation



**Date: 09 July 2025**

## **OUTTURN Q4 MONITORING REPORT FOR GENERAL FUND, HOUSING REVENUE ACCOUNT, CAPITAL, AND GROUP COMPANIES.**

### **KEY DECISION**

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### **1 PURPOSE**

- 1.1 To update Members on the 2024/25 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 2025/26 working revenue budgets. The revenue spends included within this report is still subject to completion and audit of the 2024/25 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 2024/25 actual General Fund net expenditure of £11.792 million be noted, subject to the 2024/25 audit of the Statement of Accounts.
- 2.1.2 That the 2024/25 actual core resources (government grants, business rates and council tax) of £12.994 million be noted, subject to the 2024/25 audit of the Statement of Accounts (paragraph 4.4).
- 2.1.3 That carry forward/spend requests totalling £262,070 be approved for the General Fund (paragraph 4.3).
- 2.1.4 That the Transfer to reserves of £1.450 million be approved for the General Fund (paragraph 4.7.1), subject to the 2024/25 audit of the Statement of Accounts.

- 2.1.5 That Members note the transfer from General Fund reserves to allocated reserves in 2024/25 of £150,000 as detailed in paragraph 4.2.1 (III) and included in the overall additional transfer to reserves as set out in para. 2.1.4.
- 2.1.6 That the transfer from reserves in 2025/26 from the Transformation reserves (£9,390 para.4.6.8 refers). Town Square reserves (£104,560 para 4.6.1 refers) and transfer to the Elections reserves (£60,000 para 4.6.7 refers) in 2025/26 be approved.
- 2.1.7 That Members approve the changes to the 2025/26 as set out in the table in paragraph 4.6.

## **2.2 Housing Revenue Account**

- 2.2.1 That the 2024/25 in year HRA surplus of £341,243 be noted, subject to the audit of the Statement of Accounts.
- 2.2.2 That a carry forward request for fencing work of £120,000 (paragraph 4.11.1) is approved.

## **2.3 Capital Programme**

- 2.3.1 That the General Fund capital budget re-phasing of £8 million from 2024/25 to future years be approved.
- 2.3.2 That the Housing Revenue Account capital budget re-phasing of £0.4 million from 2025/26 to 2024/25 be approved.
- 2.3.3 That the virements detailed on paragraph 4.17 be noted.

## **2.4 Council's Subsidiary Companies**

- 2.4.1 That Members note the 2024/25 outturn position for the Council's subsidiary companies as set out in paragraphs 4.20 to 4.25.

## **3 BACKGROUND**

- 3.1.1 The General Fund 2024/25 working revenue budget of £12.219 million was approved by Members at the March 2025 Cabinet, as part of the Quarter 3 monitoring report.
- 3.1.2 The HRA working revenue budget surplus of £206,920 was approved by Members at the March 2025 Cabinet, as part of the Quarter 3 monitoring report.

- 3.1.3 The Accounts and Audit Regulations set out the requirements for financial management, the preparation of annual accounts, and audit procedures. Under the amended regulations, there is no longer a requirement for Member approval of the Statement of Accounts prior to the completion of the external audit. Instead, only the Responsible Financial Officer is required to certify the presentation of the unaudited annual accounts before they are submitted for external audit.
- 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 2024/25 financial year are:
- publish draft set of accounts one day prior to the start of public inspection (30 June 2025).
  - public inspection to start no later than 1 July 2025 for a period of 30 working days.
  - completion of audit and publication of audited accounts by 27 February 2026.
- 3.1.5 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 4.21 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**

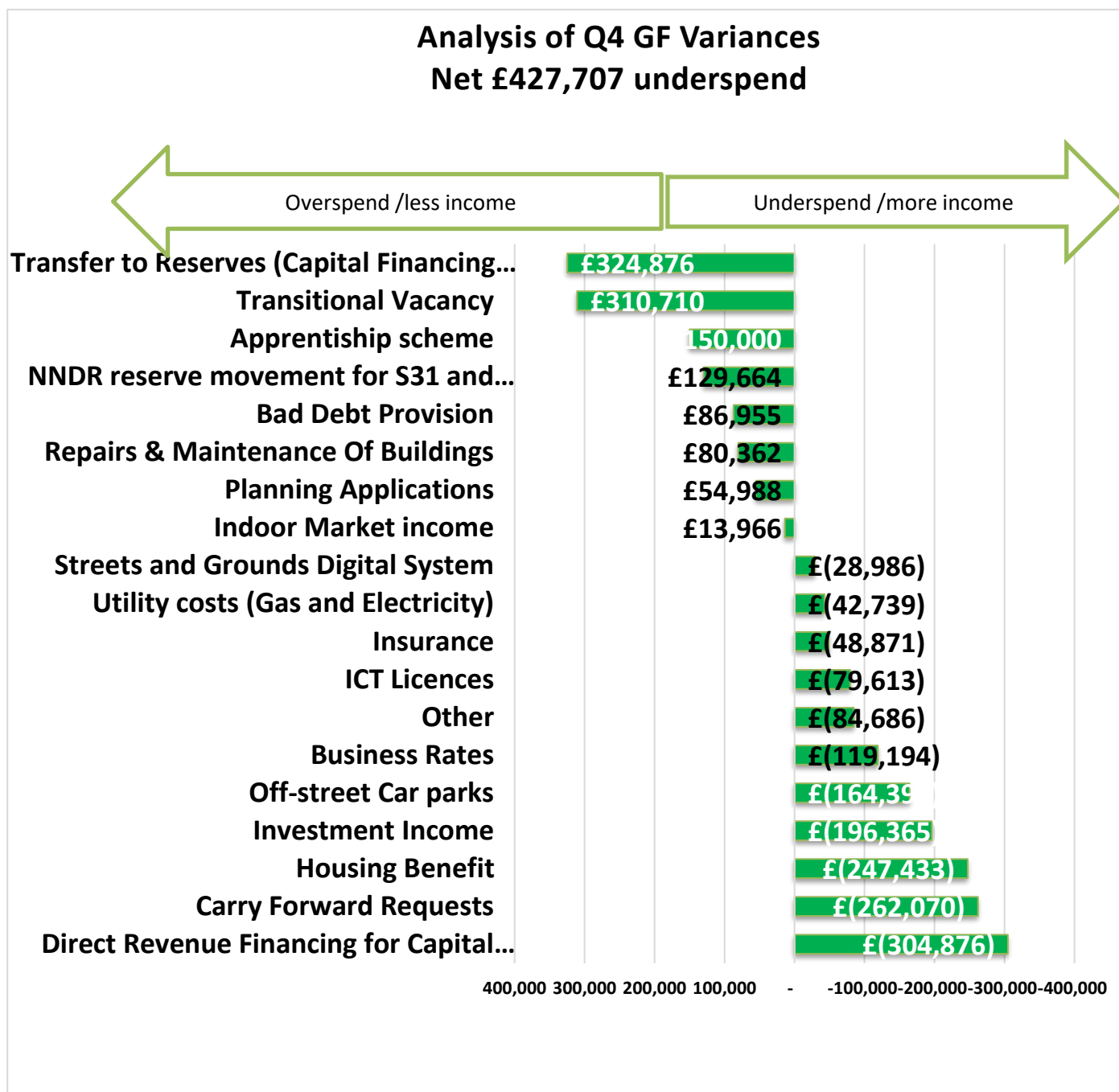
### **4.1 General Fund 2024/25 outturn**

- 4.1.1. The 2024/25 actual Services Net Expenditure on the General Fund was £11.792 million, compared to a budget of £12.219 million. The in-year underspend (before carry forward requests) was £427K.
- 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	Total
<b>Employees:</b>			
Transitional Vacancy	£310,710		£310,710
<b>Premises:</b>			
Utility costs (Gas and Electricity)		(£42,739)	(£42,739)
Repairs & Maintenance Of Buildings	£80,362		£80,362
Business Rates		(£119,194)	(£119,194)
<b>Supplies &amp; Services:</b>			
ICT Licences		(£79,613)	(£79,613)
Bad Debt Provision	£86,955		£86,955
Insurance		(£48,871)	(£48,871)
Housing Benefit		(£247,433)	(£247,433)
Streets and Grounds Digital System		(£28,986)	(£28,986)
<b>Funding Capital:</b>			
Direct Revenue Financing for Capital works		(£274,603)	(£274,603)
Transfer to Reserves (Capital Financing not used in year)	£294,603		£294,603
<b>Income:</b>			
Investment Income		(£196,365)	(£196,365)
Off-street Car parks		(£164,395)	(£164,395)
Indoor Market income	£13,966		£13,966
Planning Applications	£54,988		£54,988
Other		(£84,686)	(£84,686)
<b>Reserves:</b>			
Apprentiship scheme	£150,000		£150,000
S31 and Levy on NNDR	£129,664		£129,664
<b>Carry Forwards:</b>			
Carry Forward Requests		(£262,070)	(£262,070)
	£1,121,248	(£1,548,955)	(£427,707)

4.1.3. In addition, a few carry forward request totalling £262,070 have been received from officers, these requests are detailed in section 4.3.

## 4.2. Analysis of variances



4.2.1. The primary reasons for the variances are detailed below:

- I. **Transitional Vacancy £311K Overspend** – 4.5% saving on staffing costs is assumed across most of the service pay budgets, reflecting expected staff turnover and natural vacancy periods. The table below provides a breakdown by business unit where the transitional vacancy target was not achieved. While identified as a risk

of not being achieved during Quarter three, the overspend was not highlighted at the time, in anticipation that other underspends would offset this pressure. One of the reasons for not achieving the target includes the use of agency staff to cover vacancies to maintain operational services and a lower turnover of staff in services.

Transitional Vacancies by Business Units	Total
Corporate Projects, Customer Services and Technology	£19,160
Corporate Services and Transformation	£13,500
Finance and Estates	£20,290
Housing and Neighbourhoods	£89,630
Planning and Regulatory	£73,040
Stevenage Direct services	£95,090
<b>Grand Total</b>	<b>£310,710</b>

- II. **Transfer to Reserves (Capital Financing) £295K** – refers to leisure provision and garages not used 2024/25, to be used in 2025/26 (para. XIX refers).
- III. **Apprenticeship Scheme £150K Transfer to Reserve** – An Apprentice scheme and funding mechanism were approved at Full Council in February 2025 as part of the Final General Fund and Council Tax Setting 2025/26. The CFO recommended that a total of £150,000 of year end underspends are transferred to a ring-fenced reserve to part fund the scheme.
- IV. **S31 and Levy on NNDR £130K** – Paragraphs 4.4.2-4.4.3 set out the changes to NNDR Levy and Section 31 Grant in 2024/25. If there are gains above the £200K retained in the General Fund they are transferred to the NNDR reserve.
- V. **Bad Debt Provision £87K Increase** – in accordance with the Council's financial regulations, the bad debt provision is calculated based on both the value and the age of the outstanding debt. The reported overspend relates to a number of service areas which included garages and tenancy deposits. As debt ages the % provision of debt required increases. Bad debt has decreased for Housing Benefit overpayments as the arrears are reducing.

Service Area	Total
	£
Housing Benefits	(£109,255)
Garages	£81,679
Commercial Property	£29,265
Comm Prop-Town Square	£54,922
Comm Prop-The Plaza	£21,289
Miscellaneous	£9,055
<b>Grand Total</b>	<b>£86,955</b>

- VI. Repairs and Maintenance of Buildings £80K Overspend** – this has been driven by a combination of factors, including the ongoing demands of an ageing property portfolio and increased costs of materials. Circa £51K of additional expenditure relates to corporate buildings and further £29K was incurred on commercial properties. However, the pressure from commercial repairs was offset by higher rental income. The repairs and maintenance budget does not receive an automatic annual uplift and fluctuates year on year depending on reactive works required. Compared to 2023/24, there has been an overall increase in spend of approximately £50K (12%). The level of provision within this budget will be reviewed as part of the budget setting process to ensure it remains appropriate.
- VII. Planning Applications £55K Reduced Income** – during the 2024/25 financial year, the number of planning applications continued to decline compared to previous years, with notable reduction in both major and household application categories. According to national government statistics, the volume of applications received across England has decreased by 7% since 2023. This reduction in demand has also impacted Stevenage income levels which is resulting in reported £55K reduced income. However, new planning application fees are scheduled to take effect in 2025/26. These changes are expected to help mitigate income fluctuations and better support the full cost recovery of the service going forward.
- VIII. Indoor Market Income £14K Reduced Income** – There have been continuing pressures within the Indoor Market income arising from the departure of several larger stallholders increasing void rates, which stood at 46.21% as of March 2025. The forthcoming relocation of Indoor Market is intended to provide an improved trading environment. This move is designed to support local enterprise, reduce void rates, and enhance the long-term financial sustainability. The relocation, originally budgeted for April 2025, is now planned in October - November 2025. The existing market space will be leased to North Hertfordshire College (NHC), for a Construction Trades and Motor Vehicle skills delivery centre. This initiative supports Council's commitment to providing high level educational facilities that develop the local workforce of the future. The revised timetable will reduce the savings assumed in 2025/26 and will be updated as part of the 1<sup>st</sup> quarter budget monitoring update.
- IX. Streets and Grounds Digital System £29K Underspend** – the underspend is in relation to the Streets and Grounds digital system Alloy. The funding originally allocated within the 2024/25 budget has not been utilised due supplier availability issues. A request has been made to carry this funding forward into the 2025/26 financial year (section 4.3) to support the successful rollout of the system.

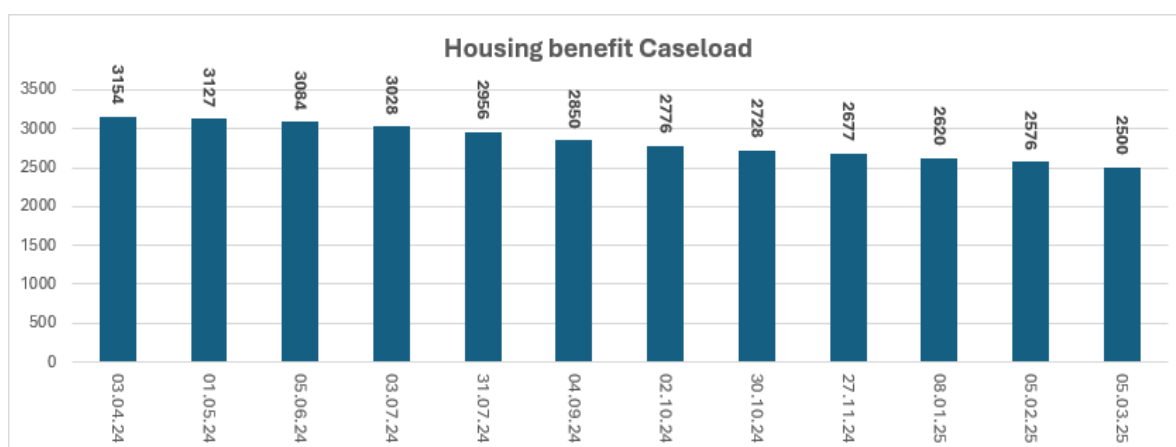
- X. Utility Costs £43K Underspend** – the reported underspend relates to savings on electricity (£29K) and gas (£14K). These savings are a combination of lower actual energy prices and lower usage during 2024/25. However, while the 2025/26 budget was based on 2024/25 usage and included an increase in costs of £67K, recent market analysis indicates a potential rise in energy prices - an additional cost pressure of £50K to the General Fund budget in 2025/26 - £42K for electricity and £8K for gas (para. 4.6.2 refers).
- XI. Insurance £49K** – the insurance budget is held corporately across all service areas, and it is a necessary safeguard in ensuring the Council can meet its legal obligations and protect public finances. While the financial impact of insurance is monitored throughout the year, the detailed position is reported at year end due to the evolving nature of the way claims histories develop. Despite the overall premium increasing to what we budgeted, the reason for the reduction was due to a lower provision being required than originally budgeted.
- XII. ICT Licences £80K Underspend** – this underspend is largely due to the timing of software implementation, with some applications scheduled for later installation than originally budgeted giving a one off in year saving.
- XIII. Other £85K Underspend** – a combination of various small underspends across the services.
- XIV. Business Rates £119K Additional Income** – this is largely due to a reduction in the number of vacant commercial properties owned by the Council. As more units have been successfully let to local businesses, the responsibility for paying business rates has transferred from the Council to the tenants.
- XV. Off-Street Car Parks £164K Additional Income** – The income exceeded forecasts. This positive variance was primarily driven by higher than anticipated usage at key locations, including Old Town car park, Railway North and Westgate. Additional contributing factors included the opening of Danesgate to non-season ticket holders in February 2025 (£9K) and Swingate car park contribution agreed with MACE (£95K). Despite budget being exceeded, the 2024/25 budget did include a £300K reduction to reflect the ongoing post-pandemic impact on car park usage, particularly due to the continued prevalence of hybrid working arrangements. For 2025/26, this impact has been reduced to £200K in anticipation of a gradual recovery in usage levels.
- XVI. Investment Income £196K Additional Income** – The interest earned for the year exceeded the forecast, due to average cash balances being higher than forecast in the last quarter of the year. This was partly driven by grant income already received and expected to be spent in 2025/26.
- XVII. Carry Forward Requests £262K** – para 4.3 refers for details.
- XVIII. Housing Benefits £247K** - The net underspend on Housing Benefit is £247K a combination of slightly lower benefit granted (-0.16%) and a higher level of subsidy claimed (+0.56%). The amount of benefit paid and claimed will also depend on whether any benefit paid is capped in terms of overpayments (40%) and benefit awarded above the Local Housing allowance. The number of claimants moving onto



universal credit (UC) is increasing and the 2025/26 benefit and subsidy budgets will be closely monitored.

Housing Benefit	Working Budget	Actual 2024/25	Variance	Variance to budget %
Housing Benefit	£21,098,950	£21,065,048	(£33,902)	-0.16%
Housing Subsidy	(£20,433,348)	(£20,547,767)	(£114,419)	0.56%
Overpayments raised	(£619,491)	(£718,603)	(£99,112)	
Net Cost	<b>£46,111</b>	<b>(£201,322)</b>	<b>(£247,433)</b>	

The amount of overpayments raised will be impacted by claimants moving onto UC reducing the amount raised as the Housing Benefit case load reduces (see claimants' caseload below). For note the 2023/24 and 2024/25 Housing Benefit subsidy claim audits have still to be completed and could change the amount claimed.



**XIX. Direct Revenue Financing for Capital works £275K** – This represents funding from the revenue budget that is used to support capital expenditure. While this initially appears as a reduction, £294,602 will be funded from reserves in 2025/26, rather than from the General Fund. As a result, the net impact is a £20K overspend, which was reported at Quarter One in 2024/25 but not added to the budget.

Item	Amount (£000)	Description
Initial Direct Revenue Financing reduction (para. 4.2.1 (II) refers)	(275)	Reported decrease in revenue contribution to capital
Capital financing funded from reserves transferred to reserves in 2024/25	295	Moved to 2025-26 and funded from reserves
Net overspend	£20	Actual position after adjustments

### 4.3. Carry Forwards

4.3.1. The carry forwards/spend requested for approval by Members is shown below and total £262K. This is broken down between carry forward/spend requests of £126K, and £136K timing delays.

Service Area	Carry Forward/Spend Requests	£
Stevenage Direct Services	To fund the keys/tablets safe for entire vehicle fleet to provide the required security.	£45,000
Facilities	Funding for continual AV Improvements works in committee rooms	£17,600
	<b>TOTAL Carry Forwards</b>	<b>£62,600</b>
Climate Change	To fund promotional activities in relation to the decarbonisation scheme	£33,000
ICT	The underspend on ICT is required to fund the CRM software capital cost	£30,270
	<b>TOTAL Spend Requests</b>	<b>£63,270</b>
Garages	Dispensation claims not fully paid in year	£30,000
Garages	Revenue contribution to fund a demolition & re-build project for the garage site	£12,000
Environmental Development	Delays in implementation of new digital streets and grounds system (Alloy)	£29,000
Climate Change	Support to Businesses for Climate Change initiatives	£65,200
	<b>TOTAL Timing</b>	<b>£136,200</b>
<b>GRAND TOTAL</b>		<b>£262,070</b>

### 4.4. General Fund Core Resources

4.4.1. Budgeted level of Core Funding for 2024/25 (as detailed in the table below), was £12.848 million; the total amount included in the 2024/25 pre-audited accounts is £12.994 million, a surplus of £146K.

<b>Core Resources</b>	<b>2024/25 Working Budget £</b>	<b>2024/25 Outturn £</b>	<b>Variance £</b>
Business Rates net of tariff	(£2,691,625)	(£2,691,625)	£0
Levy payable	£776,901	£677,545.00	(£99,356)
Levy surplus redistributed	(£22,000)	(£21,574)	£426
Section 31 Grant	(£2,556,087)	(£2,573,343)	(£17,256)
Transfer from the Collection Fund NNDR	(£838,057)	(£838,057)	(£0)
Council Tax SBC Precept	(£6,837,929)	(£6,837,929)	£0
Transfer from the Collection Fund Council tax	(£162,404)	(£162,402)	£2
Government Grants	(£517,511)	(£517,511)	£0
Renewable Energy S31 Grant	£0	(£1,518)	(£1,518)
Redmond Review Audit Grant	£0	(£27,906)	(£27,906)
<b>Total Core Funding Position</b>	<b>(£12,848,712)</b>	<b>(£12,994,320)</b>	<b>(£145,608)</b>

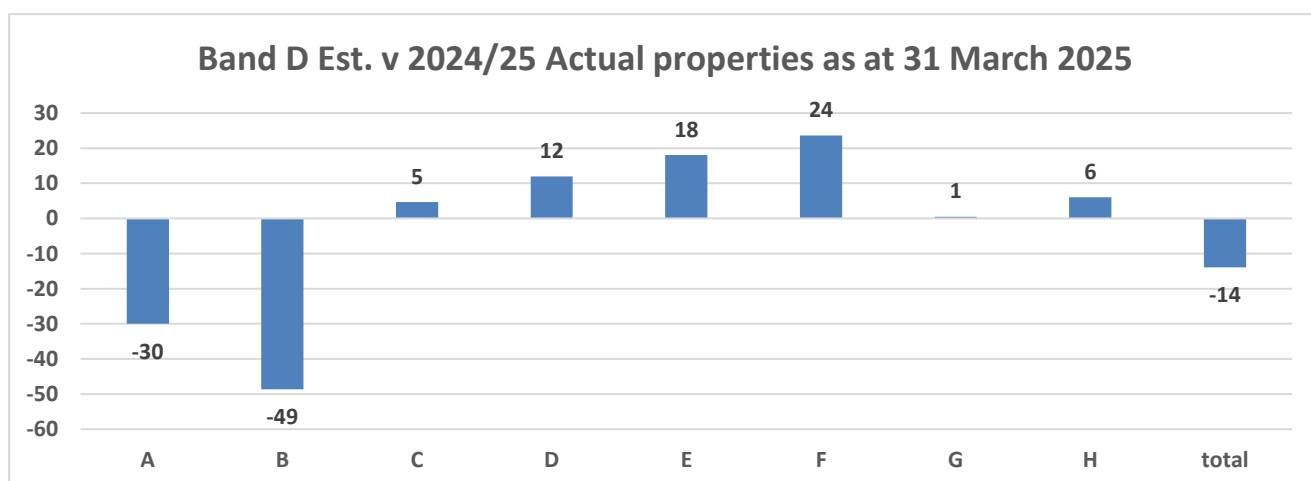
4.4.2. Business Rates credited to the General Fund do not change in year regardless of whether all the income is realised, and any changes identified as part of the 2025/26 Budget setting (NNDR 1) and actual as at 31 March 2025 will be recognised in 2025/26 and 2026/27. The only values that change are those transactions between the Government and the Council and these are:

- The Levy- Stevenage Borough Council pays a 50% levy on all applicable 'gains' above the baseline amount or the governments assessment of what SBC should retain. Members should note that the 'Needs Formula' has not been reviewed for over 10 years and the current government is proposing to revise this for the 2026/27 financial year.
- Section 31 Grants- the government pays Council for 'lost NNDR income' because of changes to the NNDR system such as freezing the small business multiplier.

4.4.3. The table below summarises the Original Budget NNDR, the changes approved in the January 2025 NNDR 1 report and the 2024/25 actual position. This shows that while the impact on the General Fund for 2024/25 was a net reduction in costs of £116,612, overall, there was a £67,026 reduction in NNDR related income and a deficit to return to the Collection Fund in 2026/27 of £183,637, which is in addition to the £124,439 reported in the January 2025 NNDR1 report. Members should note that this still represents a gain to the General Fund above the baseline amount of £1.4 million.

	Original v Projected Reported Feb 2025			included in Jan 2025 report		Actual 2024/25		
	NNDR 1 24/25 £	Projection 24/25 £	Var to NNDR 1 £	24/25	25/26	24/25	24/25	26/27
Net yield	(54,797,341)	(54,357,860)	439,481			(53,898,766)		459,094
Stevenage share of yield	(21,918,936)	(21,743,144)	175,793	0	175,793	(21,559,506)		183,637
Tariff	19,227,311	19,227,311	0			19,227,311		
Share net of tariff	(2,691,626)	(2,515,833)	175,793	0	175,793	(2,332,195)	0	183,637
S31 grant payable	(2,526,046)	(2,529,981)	(3,935)	(3,935)		(2,547,236)	(17,255)	
Baseline Funding Level	(2,812,960)	(2,812,960)	0			(2,812,960)		
Gains before levy applied	(2,404,712)	(2,232,854)				(2,092,578)		
Gains applicable for levy	(1,622,536)	(1,527,698)		0		(1,355,089)		
Levy due 50%	811,268	763,849	(47,419)	(47,419)		664,492	(99,357)	
			0	0		0		
Retained Business Rates	(4,406,404)	(4,281,966)	124,439	(51,354)	175,793	(4,214,940)	(116,612)	183,637
Variance				(51,354)	175,793		(116,612)	183,637
					124,439			67,026

- 4.4.4. Council Tax income included in the General Fund is also based on the estimated amount and not the year position, (after taking bad debt provision into account). There was 2024/25 council tax surplus returned to the General Fund of £162,402, which related predominately related 2023/24. At the 31 March 2025 there were 14 equivalent Band D properties less in the taxbase (after discounts) than the 2024/25 estimate, which equates to a loss of £3,261 in council tax.



- 4.4.5. When the 2025/26 budget was approved in February 2025 an assessment was made of the projected 2024/25 council tax collection fund year end deficit. This assumed a lower number of net properties than was realised, (see also paragraph 4.4.6) and a higher provision for bad debt than was required at the year end.

- 4.4.6. The year end loss on the collection fund for 2024/25 was only £8,364 and not the £168,694 estimated and to be returned to the collection fund in 2025/26. This means there will be a surplus return to the General Fund in 2026/27 of £160,330. A summary of the collection fund impacts for NNDR and council tax on future budgets is summarised in the table below.

<b>Core Resources- Collection Fund Movements</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27 NEW</b>
	<b>£</b>	<b>£</b>	<b>£</b>
NNDR Collection Fund prior years	(£838,057)	£1,056,964	£0
NNDR Collection Fund 2024/25		£175,793	£183,637
Council Tax Collection Fund prior years	(£162,402)	£27,938	
Council Tax Collection Fund 2024/25		£168,694	(£160,330)
<b>Total Core Funding Position</b>	<b>(£1,000,459)</b>	<b>£1,429,389</b>	<b>£23,307</b>

- 4.4.7. The amounts identified may seem significant, however particularly business rates can fluctuate due to rating changes and other associated discounts. The Council raised £53.9 million business rates and £62.9 million of council tax bills. It should be noted that the Stevenage's share of the retained business rates (and S31 payments) was 7.5%.
- 4.4.8. In addition to council tax and NNDR, the Council's core resources also include non-ringfenced grants and there was an additional £28,998 than included in the working budget, which mainly related to the audit grant which was published after the Council's General Fund was revised.

#### **4.5. 2024/25 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 £573K, before the 2025/26 impact on the budget for carry forwards (£262K). This will be incorporated in the next General Fund Medium Term Financial Strategy (MTFS) update.

<b>General Fund Outturn Position</b>	<b>2024/25 Budget</b>	<b>2024/25 Outturn</b>	<b>Variance</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Services Net Expenditure	£12,219,430	£11,791,723	(£427,707)
Core Resources (including TIG)	(£12,848,712)	(£12,994,320)	(£145,608)
General Fund Outturn Position	(£629,282)	(£1,202,597)	(£573,315)
Balance Brought Forward	(£5,303,224)	(£5,303,224)	£0
Use of balances	(£629,282)	(£1,202,597)	(£573,315)
Balance Carried Forward	(£5,932,506)	(£6,505,821)	(£573,315)

#### **4.6. Impact on 2025/26 General Fund Budget**

##### Recommended changes to the 2025/26 budget

- 4.6.1. **Town Square Minimum Revenue Provision (MRP) £105K**– the Council is required by law to set aside money each year to repay borrowing undertaken to fund capital projects. The Council looked at MRP payments and asset life assumptions

in 2018/19. As a result, MRP payments were rephased. The 2025/26 payment due was omitted from the budget. The cost is funded from the Town Square reserves requiring a corresponding contribution from reserves is required to fund it.

- 4.6.2. **Utilities £50K** – as referenced in section 4.2.1 based on the latest forecasts, the utility costs are expected to exceed the original budget by £50K. This anticipated increase reflects the ongoing volatility in the energy market and will need to be closely monitored throughout the year.
- 4.6.3. **Asylum Dispersal Grant £472K** – the Home Office has notified the Council on 31 March 2025 of the additional grant funding for 2025/26. This grant provides funding to support local authorities in accommodating asylum seekers. The grant and an associated expenditure budget have now been incorporated into the 2025/26 budget.
- 4.6.4. **Housing Benefit Administration Subsidy (HBAS) Grant £15K** – The final grant funding allocations were confirmed by the Department for Work and Pensions (DWP) in late March 2025 resulting in an additional £14,626 in HBAS funding for 2025/26. This grant provides a contribution towards the cost of administering Housing Benefit (HB). Although HB is being gradually replaced by Universal Credit (UC), the Council is still responsible for existing and legacy claims.
- 4.6.5. **Senior Pay changes £14K** – The impact of the changes to senior officer pay were set out in the 2025/26 Pay Policy Statement to the February Full Council meeting.
- 4.6.6. **Everyone Active (EA) contract, utility costs £50K** – when the Council retendered its Leisure Contract for 2023/24 utility prices were as a consequence a clause within the contract to ensure contractors bid was for the Council to cover utility cost fluctuations above a 5% threshold, this also applies should prices reduce as in 2024/25 (£340K reduction). Utility usage fluctuations remain the responsibility of the contractor. Energy prices for 2025/26 were tendered for in March 2025 and although officers were expecting increase in energy prices in the region of £70K the actual increase amounted to circa £120K resulting in a £50K shortfall.
- 4.6.7. **Elections £101K** – Funding was included in the 2025/26 for both a local and County election in error, officers have requested that £60K of the budget is transferred to an Election Reserve to support future Stevenage Borough Council's election base budget, which is not always sufficient to cover the full cost of running the annual election. The remaining £41K is a one-off 2025/26 saving.
- 4.6.8. **Streets and Grounds System £9K** – The Business Change team has agreed to fund the digitalisation of Streets and Grounds system. This investment will be funded from the Council's Transformation reserves and will be treated as a revenue contribution to capital (RCCO).

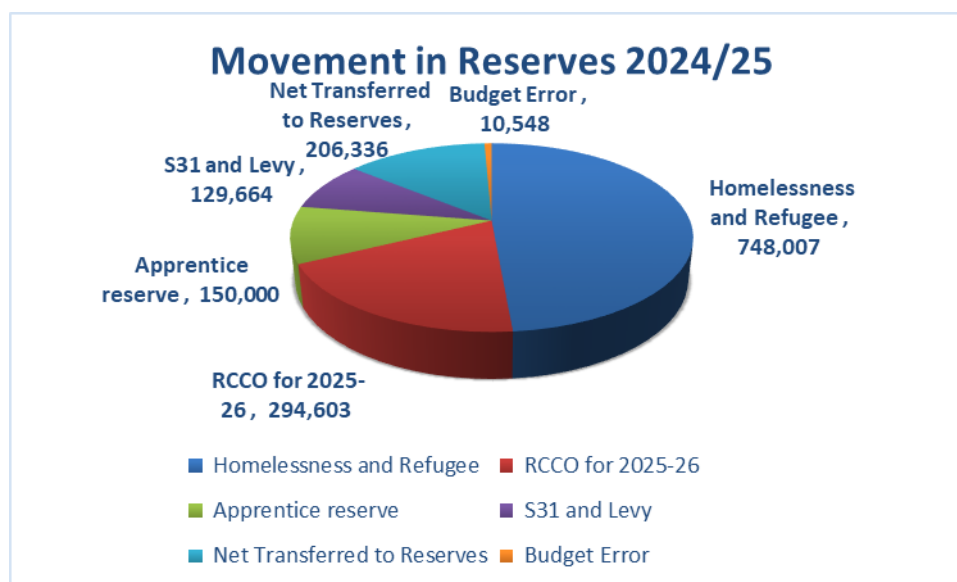
	2025/26 Budget changes £	2025/26 Revised Budget £
<b>Original Budget</b>		<b>£10,753,540</b>
<b>Increased Spend:</b>		
Carry Forwards (para 4.3.1 refers)	£262,070	
Town Square Minimum Revenue Provision (MRP) (para 4.6.1 refers)	£104,560	
Utility increases (para 4.6.2 refers)	£50,000	
Senior Pay changes (para 4.6.5 refers)	£14,000	
Everyone Active (EA) contract, utility costs (para 4.6.6 refers)	£50,000	
Direct Revenue Financing -Streets and Grounds System (para 4.6.8 refers)	£9,390	
Direct Revenue Financing- Leisure capital spend (para 4.2.1 (XIX) refers)	£219,320	£709,340
<b>Increased grant &amp; associated spend:</b>		
Asylum Dispersal Grant (para 4.6.3 refers)	(£471,600)	
Asylum Dispersal Grant Spend (para 4.6.3 refers)	£471,600	
Housing Benefit Administration Subsidy (HBAS) Grant (para. 4.6.4 refers)	(£14,630)	(£14,630)
<b>Reduction in Budget:</b>		
County Elections budget underspend (para 4.6.7 refers)	(£41,050)	
County Elections underspend to transfer to reserves (para 4.6.7 refers)	(£60,000)	(£101,050)
<b>Use of reserves:</b>		
Use of Town Square reserve for MRP cost (para 4.6.1 refers)	(£104,560)	
Use of Transformation Reserve for streets & grounds (para. 4.6.8 refers)	(£9,390)	
Use of Leisure Reserve (reprofiled from 2024/25) (para 4.2.1 (XIX) refers)	(£219,320)	
County Elections Reserves (para 4.6.7 refers)	£60,000	(£273,270)
<b>Net Expenditure Budget</b>	<b>£320,390</b>	<b>£11,073,930</b>

#### Other Potential Impacts on the 2025/26 budget

- 4.6.9. The current **pay award for 2025/26** is still being negotiated between the unions and employers. The National Employers made an offer of 3.2% increase. This offer slightly exceeds the 3% provision currently budgeted for 2025/26. The indicative cost for the increase is £50K.
- 4.6.10. The Finance team is continuously reviewing underspends and overspends to assess any potential impact on the 2025/26 budget. The findings will be included in the Quarter 1 report, which will be presented to the Cabinet in September.

## 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 on 31 March 2025 is £11 million. The movement in the year has been an increase of £2.272 million in to reserves. Cabinet has already approved £0.822 million of reserves movement during the year therefore Members are requested to approve the remaining £1.450 million.



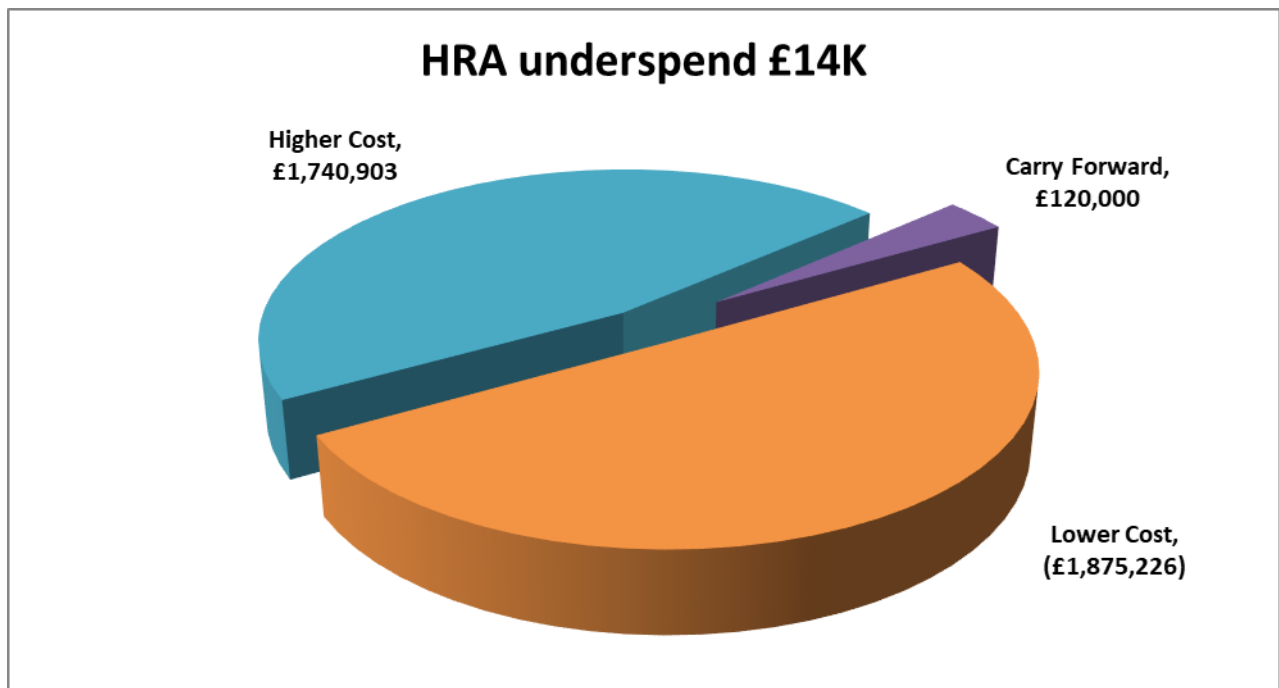
- 4.7.2. The reserve balances may seem a significant sum but are held for specific purposes, some of which are set out below. This mean they are not available to fund General Fund expenditure apart from NNDR gains and the income equalisation reserve.
- £1.711 million required to fund the holding costs of assets in the Town Square which includes assets for regeneration as part of SG1 (*note 2*)
  - £4.580 million 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*)
  - £773k to fund the Councils Transformation ambitions and to support the 'Balancing the Budget' priority (*note 4*)
  - £1.018 million of Homelessness and Refugee reserve - The Council received a higher level of grant support than initially anticipated for housing purposes in 2024/25. These included grants for general homelessness, refugees and asylum seeker support. Some of these grants are used over a few years to support specific cases and these reserves will diminish in the short to medium term. However, a detailed programme is also being constructed for use of a discretionary grant, where there are Government asylum seeker placements in the Council's jurisdiction. This proposed activity will be included in future quarterly budget monitoring reports during 2025/26. to help Council cover the costs associated with supporting asylum seekers including accommodation, services, and local pressures. (*note 3*)



Reserves	Opening 2024/25	Movement	Closing 2024/25	Movement	Closing 2025/26
NHB reserve	(£253)	£243	(£10)	£0	(£10)
Transformation Reserve <b>note 4</b>	(£690)	(£83)	(£773)	£9	(£764)
Homeless reserve <b>note 3</b>	(£390)	(£30)	(£420)	£0	(£420)
Planning Delivery	(£287)	£89	(£198)	£95	(£103)
Queensway Car Park monies	(£122)	(£93)	(£215)	(£143)	(£358)
Town square reserve <b>note 2</b>	(£1,507)	(£204)	(£1,711)	(£46)	(£1,757)
Regeneration Reserve	(£225)	(£21)	(£245)	£100	(£145)
Insurance reserve	(£72)	£10	(£62)	£0	(£62)
ICT reserve	(£190)	£48	(£142)	£0	(£142)
Town centre	(£0)	£0	£0	£0	£0
Leisure reserve	(£340)	£121	(£219)	£219	£0
Commercial Property repair reserve	(£41)	£0	(£41)	£0	(£41)
Capital reserve	£0	(£75)	(£75)	£75	£0
Future Councils reserve	(£459)	£261	(£198)	£224	£26
Asylum reserve <b>note 3</b>	(£500)	(£518)	(£1,018)	£0	(£1,018)
Stevenage works	(£20)	£0	(£20)	£0	(£20)
Domestic abuse reserve	(£196)	£0	(£196)	£0	(£196)
Apprentice reserve	£0	(£150)	(£150)	(£60)	(£210)
EPR reserve	£0	£0	£0	(£1,078)	(£1,078)
<b>Total Allocated for use</b>	<b>(£5,289)</b>	<b>(£403)</b>	<b>(£5,692)</b>	<b>(£604)</b>	<b>(£6,296)</b>
Income equalisation Reserve	(£758)	£0	(£758)	£200	(£558)
Gains (NNDR) <b>note 1</b>	(£2,711)	(£1,869)	(£4,580)	£709	(£3,871)
Total Available to support the GF	<b>(£3,469)</b>	<b>(£1,869)</b>	<b>(£5,338)</b>	<b>£909</b>	<b>(£4,429)</b>
<b>Total allocated reserves</b>	<b>(£8,758)</b>	<b>(£2,272)</b>	<b>(£11,030)</b>	<b>£305</b>	<b>(£10,726)</b>

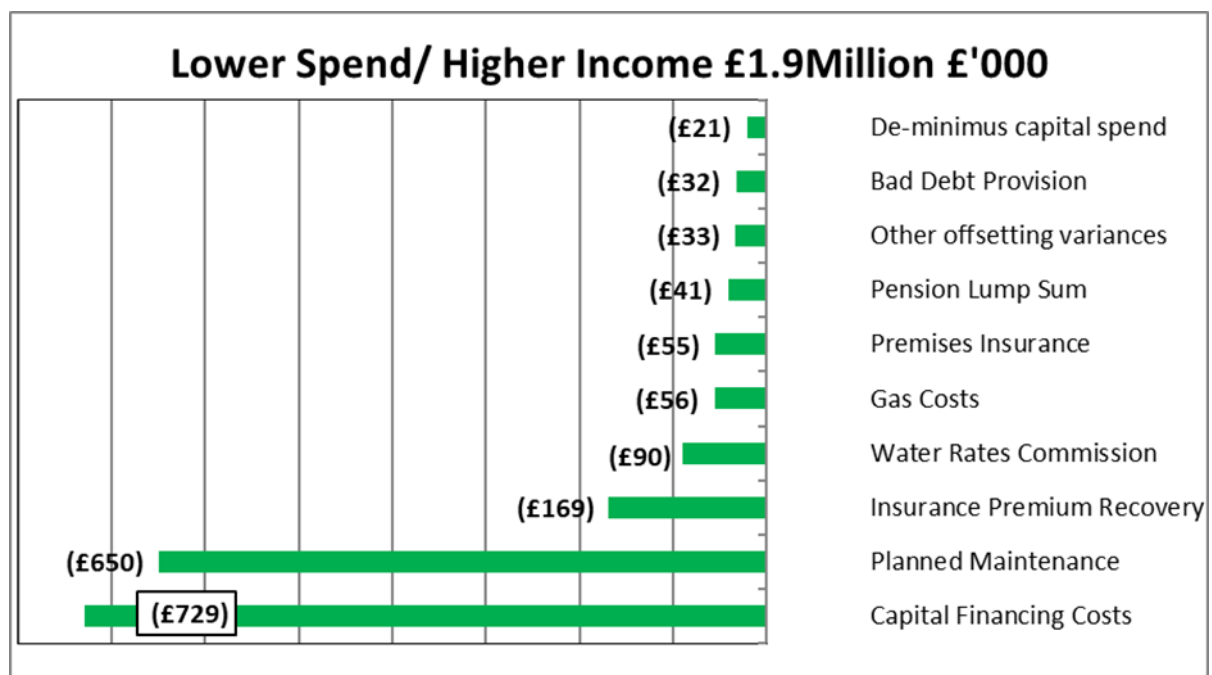
#### 4.8. Housing Revenue Account (HRA)

- 4.8.1. The 2024/25 outturn position on the HRA was an in-year surplus of £341,243, a £134,323 increase from the working budget surplus of £206,920. Allowing for carry forward requests of £120K, there is an underlying underspend of £14K. The main variances to the working budget are highlighted below. These have been split to show those areas where there was lower cost, or higher income and those where costs were higher, or income was lower.



#### 4.9. Lower Costs / Higher income than budgeted

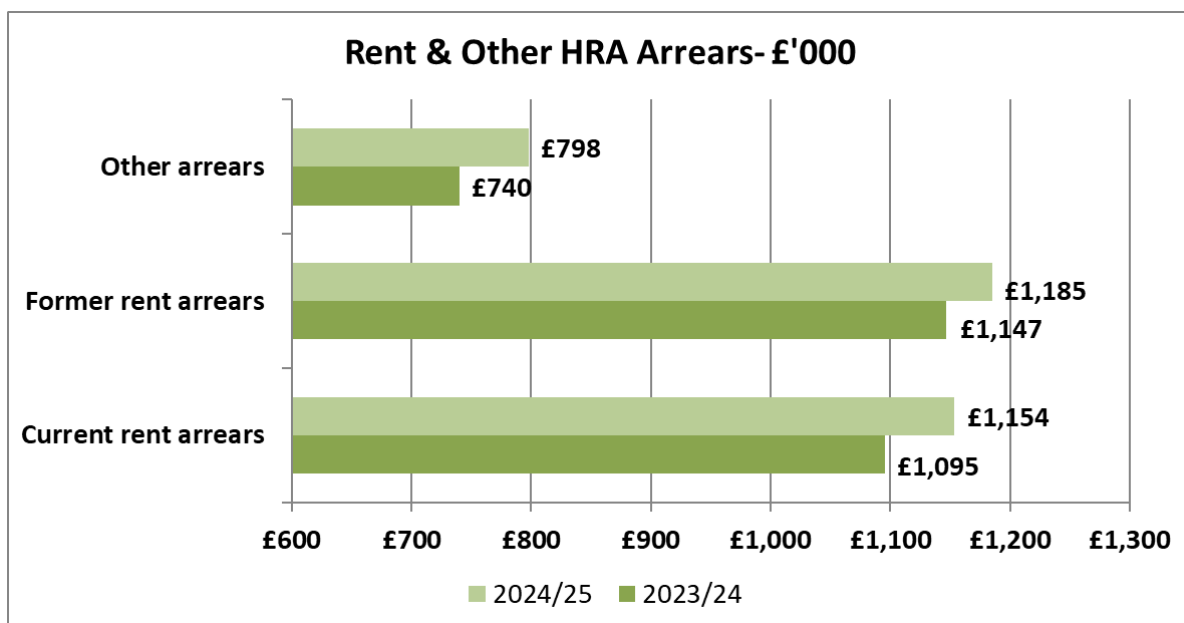
4.9.1. There were underspends, or increased income, of £1.9 million that are listed in the chart, with explanations in the following paragraphs.



4.9.2. **De-Minimus Capital Spend £21K Underspend** – A budget is held in the revenue accounts for items coded to capital expenditure (in year) that are either not qualifying capital expenditure, or where the total spent does not meet the minimum level of spend of £10K. There were no items found in the capital programme that needed to be recoded to revenue in 2024/25 and this resulted in a saving on the budget of £21K.

4.9.3. **Reduction in Bad Debt Provision £32K** – A provision is held in the HRA against outstanding debts, primarily on rental income. As rental income increases each

year, in line with the annual rent increase, it is expected that this figure will normally rise, but it is calculated based on the type and age of the debt outstanding at the year end. The graph below shows the closing position of rent arrears for 2024/25, split between current and former tenants and other arrears (for example rechargeable repair costs).



As illustrated in the graph, the year-on-year increase in arrears was £154k across all three categories. This, combined with the age and type of debt, led to a lower provision than estimated and gave a budget saving of £32K for the year. Total arrears for the HRA currently stand at £3.1 million and is covered by a provision of £2.1 million (66% coverage). The outstanding debt currently equates to 5.57% of the annual income budget for 2025/26.

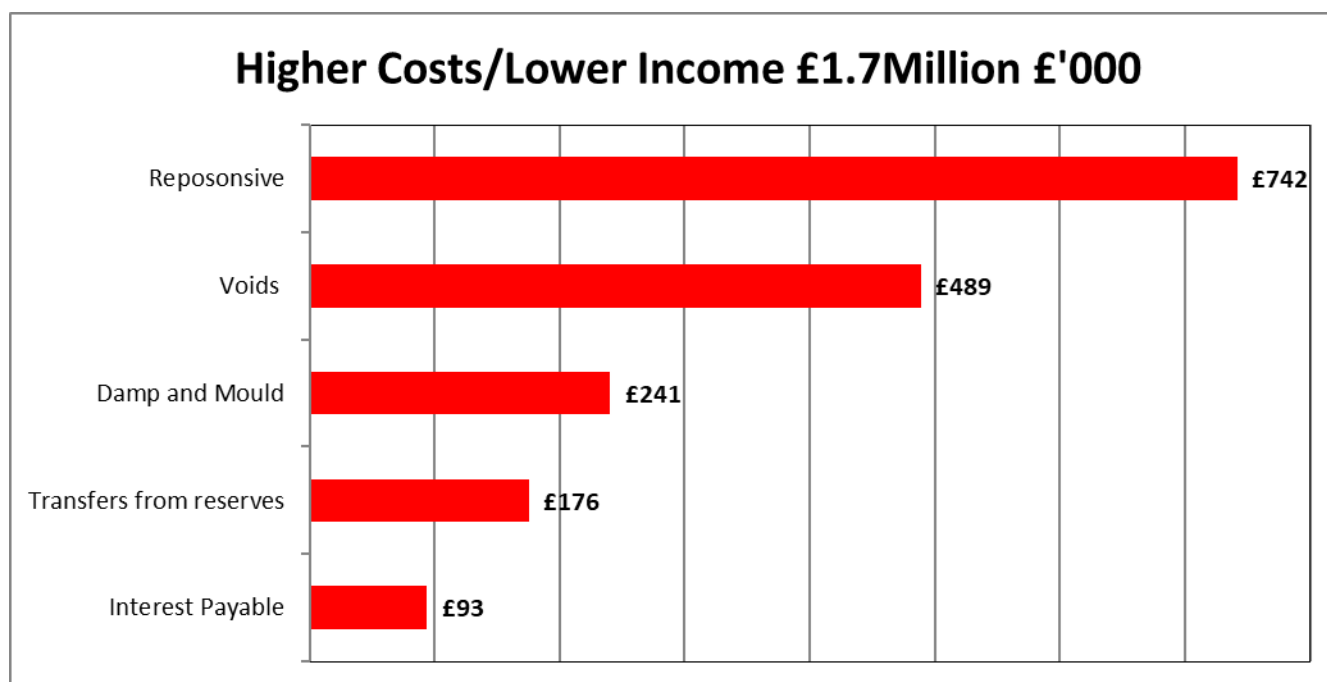
- 4.9.4. **Pension Lump Sum £41K Underspend**—The Council makes contributions based both on current employees and a lump sum payment for historic deficits. The lump sum payments are split between the General Fund and the HRA, based on annual activity in each fund and this was slightly lower for the HRA resulting in a budget saving of £41K for the year.
- 4.9.5. **Premises Insurance £55K Underspend** – The budgets for insurance include both premiums and a provision for uninsured losses. While premium costs were slightly higher than anticipated, the amount of provision required on premises insurance, based on current claims, was lower and resulted in a budget saving of £55K in year.
- 4.9.6. **Gas Utility Payments £56K Underspend** – There was a £56K saving on the £471K budget for 2024/25. This budget can fluctuate with actual gas usage over the winter months and this year was lower than estimated. The impact of any higher utility costs (as experienced for the General Fund) will be included in the 1<sup>st</sup> quarter monitoring report.
- 4.9.7. **Water Rates Commission £90K Increased Income** – The Council acts as an agent in billing and collecting water charges on over 6,700 of the current 8,000 housing stock. Under this agreement tenants are billed the same amount as the water company would charge, but the Council receive a commission and allowances

for empty properties and bad debts. This money is then re-invested in the housing service for the tenants.

- 4.9.8. **Insurance Premium Recovery £169K Increased Income** – While the premium cost for the tenant's insurance scheme was correctly included in the budget the income recovery of these costs was not set at a high enough rate and has led to an increased income of £169K. This will also need to be adjusted in the 2025/26 budget and will be included in the quarterly monitoring statements for 2025/26.
- 4.9.9. **Planned Maintenance £650K Underspend** – There were several areas in planned maintenance with significant under spends in the last financial year. A budget provision of £269K had been made for the implementation of a new "Decent Homes" standard, but this has yet to be agreed by the Government and led to an in-year saving. There was also a budget saving of £189K cyclical maintenance, which is currently being reviewed to procure the service. These two areas were also held in reserve against the additional costs identified in 4.10.2 below. There was also a £120k underspend on the fencing budget, due to the timing of the programme, but this has been requested as a carry forward at paragraph 4.11.1. Lastly, there was a further £72K saving on various planned maintenance budgets against a total annual budget of £5 million.
- 4.9.10. **Capital Financing Costs £729K Underspend** – There was a budgeted contribution to capital of £16.9 million in last year. However, due to a combination of total spend on capital projects and other receipts available for financing, the required revenue contribution dropped to £16.2 million. Further detail on the HRA capital programme is included in section 4.14 below.
- 4.9.11. **Other offsetting variances £33K Underspend** – Finally, there were other net variances on the accounts, totalling £33K against the working budget.

#### **4.10. Higher Costs / Lower income than budgeted**

- 4.10.1. In contrast to lower costs/increased income of £1.9 million, there were also higher costs/lower income of £1.7 million which are summarised below together with explanations.



4.10.2. The three main revenue repair areas of responsive, void property and damp and mould repairs saw the largest budget pressure at Q4. Members will be aware that this area of the HRA has been under significant pressure over the last year and additional budget provision was agreed, during 2024/25, to ensure that service levels and regulatory requirements continued to be met for tenants. However, despite these additional resources the outturn was higher than the projection included in the 3<sup>rd</sup> quarter monitoring report detailed below.

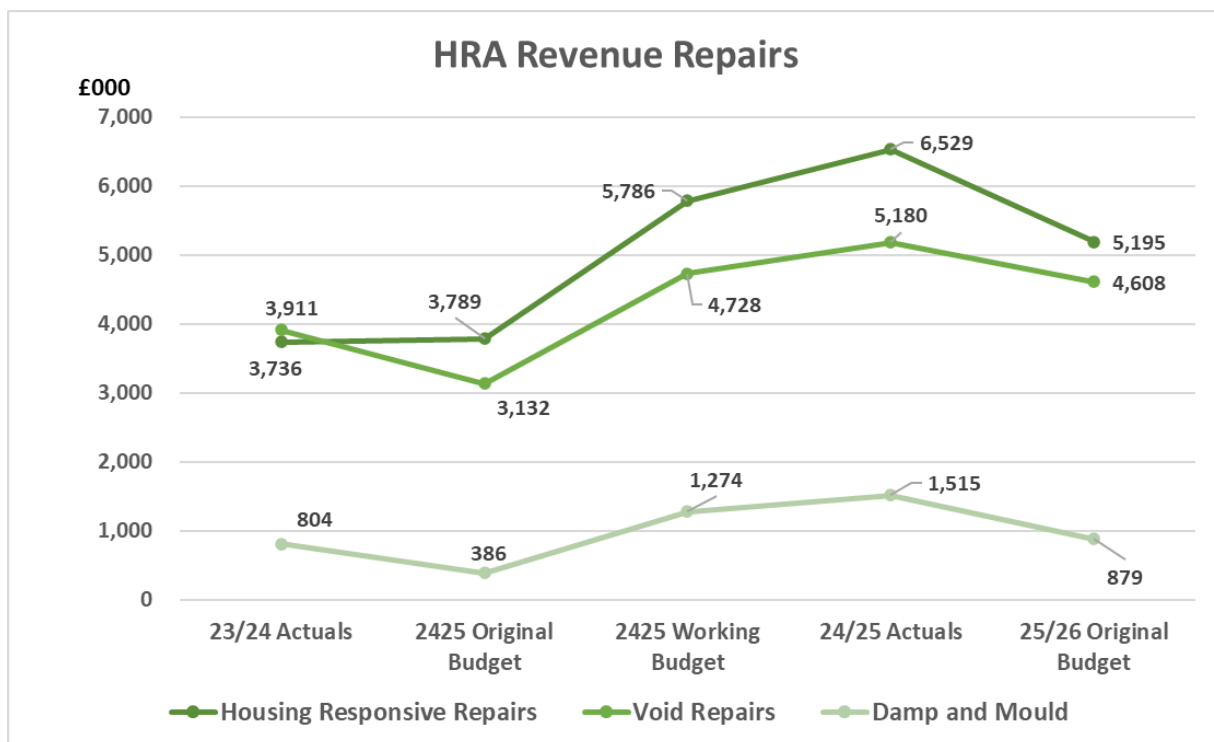
4.10.3. **Responsive Repairs Costs £742K Overspend** – Responsive repair costs have risen significantly from the original budget position of £3.8 million. The working budget was increased during the year to £5.7 million, but the final outturn gave a £742K overspend. This was a result of both volumes of work completed that were higher than forecast and demand led, and the cost of some specialist works that require external contractors to complete.

4.10.4. **Void Property Repairs £489K Overspend** – The last budget projection for works to void unoccupied properties assumed an average cost of approximately £12,800 and that there would be 450 in the year. In the final outturn there were 515 void properties in the year at a cost of approximately £12,600. There were exceptional circumstances that increased the level of voids in the last quarter of the year, as the commissioning of the new sheltered accommodation at Brodie Court generated an additional 58 moves within the housing stock. Many of these moves enabled downsizing from family sized accommodation and will enable the Council to allocate those homes to larger family groups, but this has generated an exceptional cost in 2024/25.

4.10.5. **Damp and Mould Repairs £241K Overspend** – This area of work also came under increased pressure in the last quarter of the financial year. There had been a substantial in year budget increase from £390K to £1.274 million for this work, but high demand in the last two months of the year led to a £241K overspend. Increased regulation in this area is likely to see continuing pressure on these types of repairs, but mitigation actions are being put in place, relating to management and

procurement of specialist contractors, to ensure value for money and high technical compliance in this sensitive area of the repairs operation.

- 4.10.6. Overall, the responsive repairs were £1.5 Million over the projected figure. However, as mentioned in paragraph 4.9.9, there were compensating underspends on some planned maintenance programmes that offset this additional cost by £650K. Looking forward to 2025/26 there are several mitigations that should ensure that overall costs reduce, and the comparative trends are shown in the graph below.



- 4.10.7. This graph clearly shows the rise in costs from the actual position for 2023/24 through to the 2024/25 outturn and illustrates the challenging targets set in the 2025/26 budget. Since the spike in costs in last year a detailed management action plan has been put in place to control and reduce overall costs in this area. This has included successful recruitment to senior management roles, new procurement of key contractors across the repairs service and new management processes and controls, particularly regarding void property management. However, this area remains a high risk going into 2025/26 and will be monitored closely during the year. For note as part of the budget process a risk assessment of HRA balances is made and the current risk assessed balances of £6.3 million identifies £1.9 million against repairs budgets in 2025/26.

- 4.10.8. **Transfer from Reserves £176K Overspend** – As detailed in paragraph 4.13.2 below, £3.4 million was returned to the HRA from a specific reserve to cover interest rate risk on planned borrowing. This was initially estimated at a slightly higher amount and led to a £176K budget pressure in the outturn for the year.

- 4.10.9. **Increased Interest Payable £93K Overspend** – the interest payments on HRA debt and leases were £93K higher than the budget of £8.2 million. These costs are dependent upon the prevalent rates when debt is taken out and the actual rates were slightly higher than budgeted. This will also need to be adjusted in the 2025/26 budget, as part of the quarterly monitoring process.

#### 4.11. Carry Forwards

4.11.1. As part of Quarter 4 monitoring, only one carry forward has been identified. There is a request to carry forward £120,000 on the fence replacement programme due to timing of completion of the works.

#### 4.12. 2024/25 – HRA Out-turn Position

4.12.1. The impact of the outturn position for 2024/25 on HRA balances is summarised in the table below.

HRA Balance £'000	2024/25 Original Budget £	2024/25 Working Budget £	2024/25 Actual £	Variance to Working £
HRA Balance 1 April	(£10,584,486)	(£10,584,486)	(£10,584,486)	
In Year (Surplus) / Deficit	£261,110	(£206,920)	(£341,243)	£134,323
HRA Balance 31 March	(£10,323,376)	(£10,791,406)	(£10,925,729)	£134,323

4.12.2. The HRA Budget Report, presented to members in January 2025, highlighted the ongoing and significant pressures facing the ring-fenced account. As reported last year, a combination of inflationary pressures, rent capping by the Government, higher interest rates on borrowing and increased regulation and statutory requirements have all contributed to future budget uncertainty and higher risk.

#### 4.13. Usable reserves – Housing Revenue Account

4.13.1. The total value of revenue reserves available for the HRA to spend at 31 March 2025 is £17.3 million consisting of two reserves.

4.13.2. The reserves are summarised in the table below with an explanation for each.

- 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 2024/25, and the reserve was not used.
- The **Interest Equalisation Reserve** was set up to allow the HRA to absorb interest rate increases in the short term. Due to recent higher interest rates and the planned conversion of internal debt to external borrowing, this reserve has been reversed into general HRA balances for use in meeting current and future interest payments.
- The **Transformation Reserve** was set up to fund elements of the transformation programme, due to complete over more than one financial year. There was a further £32K drawdown in 2024/25, leaving a balance of £86K carried forward. This is likely to be used in the current financial year.

Reserves	2023/24 Opening £'000	Use £'000	2023/24 Closing £'000	Use £'000	2024/25 Closing £'000
Debt Repayment Reserve	(£17,200)	£0	(£17,200)	£0	(£17,200)
Interest equalisation reserve	(£3,423)	£0	(£3,423)	£3,423	£0
Transformation Reserve	(£208)	£90	(£118)	£32	(£86)
<b>Total Allocated Reserves</b>	<b>(£20,831)</b>	<b>£90</b>	<b>(£20,741)</b>	<b>£3,455</b>	<b>(£17,286)</b>

#### 4.14. Capital Monitoring

4.14.1. The revised capital strategy in the 3<sup>rd</sup> quarter monitoring report was approved by Cabinet on 12 March 2025. The 2024/25 approved budget for each fund was:

- General Fund £21 million
- Housing Revenue Account £31 million

4.14.2. The table below summarises the Capital outturn 2024/25 and the proposed changes including rephasing of capital budgets at Q4 between 2024/25 and future years.

4.14.3. Projects that have completed in the year resulted in underspends of £321K.

4.14.4. An additional £27K has been added to the GF budget in 2026/27 for the Community Climate Change Fund budget (funded by CIL) of £7.5K per ward already approved by members.

	2024/25			2025/26		2026/27	
£000	Actual Spend to 31.03.25	Q3 Capital Strategy	Variance	Re-phased Q4	Revised Strategy	Re-phased Q4	Revised Strategy
Total GF Schemes	13,347	21,659	(8,312)	7,986	60,614	63	8,439
Total HRA Schemes	31,074	30,708	366	(366)	51,987	0	57,249
<b>Total Capital Programme</b>	<b>44,421</b>	<b>52,367</b>	<b>(7,946)</b>	<b>7,620</b>	<b>112,601</b>	<b>63</b>	<b>65,688</b>
<i>Re-phase detail:</i>							
Stevenage Direct Services			(1,880)	1,876		0	
Housing Development			126	(126)		0	
Finance & Estates			(403)	285		0	
Digital & Transformation			169	(139)		0	
Regeneration			(5,625)	5,591		(34)	
Communities and Neighbourhoods			(366)	236		0	
Planning and Regulatory			(168)	98		98	
Deferred Works Reserve			(165)	165		0	
<b>Total GF Re-phasing</b>			<b>(8,312)</b>	<b>7,986</b>		<b>63</b>	
Capital Programme Excluding New Build (Housing Investment)			758	(758)		0	
New Build (Housing Development)			(363)	363		0	
Digital & Transformation			(29)	29		0	
<b>Total HRA Re-phasing</b>			<b>366</b>	<b>(366)</b>		<b>0</b>	



## **Re-phasing**

4.15. 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.

4.15.1. 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.

4.15.2. General Fund – re-phasing £8 million - the main items are explained below:

- Stevenage Direct Services £1.9 million - recycling and food collection vehicles, were ordered in August with 3 out of the 4 still to be delivered due to an increase in the lead time from 16 weeks to 26 weeks. .
- Regeneration - Towns Fund £3 million - the Towns Fund programme consists of nine different projects and draws upon the £37.5 million secured from central government. The regeneration programme team administer the programme on behalf of the Stevenage Development Board. The Council has two roles within this programme; the first, delivery of some projects directly through the regeneration team (such as the Sports and Leisure Hub), the second, acting as Accountable Body to enable projects to utilise Towns Fund monies by other delivery mechanisms (such as Gunnels Wood Road) and monitor and evaluate the success of the overall Towns Fund programme. The spend profile for 2024/25 was an ambitious target which relied on elements of the projects aligning as many are interlinked in terms of delivery. The team are working with internal and external partners to ensure delivery continues at pace throughout 2025/26 to reach the spend target set.
- Regeneration - Swingate Joint venture £1.4 million, development work is now underway, some deliver has now been re-profiled into 2025/26.

4.15.3. HRA – re-phasing £0.4 million - the main items are explained below:

- Housing development - £(187)k - Brent Court Garages scheme - this scheme requires additional design work before meaningful construction work can begin because of the new Building Safety Regulations. As a result, progress has been slightly slower than anticipated.
- Housing investment - £758k – additional spend on void capital works which fell outside the planned improvements programmes in 2024/25 has resulted in the requirement to re-phase budgets back from 2025/26 to cover these essential works. See also HRA revenue void costs for further information.

## **4.16. Net Underspend GF 2024/25 £321K**

4.16.1. The main project making up this underspend is the release of the remaining post SLL contract leisure capital works budget - which is no longer required - £135K underspend.

## **4.17. Virements to note.**

4.17.1. Members are asked to note the following virements:

- From KC242 - SLL Leisure end of contract to KC309 Fairlands Valley Park - £25,000 for replacement boilers.
- From KC242 - as above, to KC242 SALC - £13,000 capital roof works.
- From KC242 - as above to KC242 Swim centre - £14,000 capital roof works.
- From KC242 - as above to KC242 Ridlins - £10,000 track enhancements.

#### 4.18. Capital Financing

4.18.1. The table below sets out the change in the Capital Financing position since Q3, because 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
<b>Total Capital Financing</b>	<b>44,421</b>	<b>52,367</b>	<b>(7,946)</b>	<b>7,620</b>	<b>112,601</b>	<b>63</b>	<b>65,688</b>
Changes detail:							
Capital Receipts			(3,119)	3,133		0	
Towns Fund			(3,068)	2,982		(35)	
Other Grants and Contributions			(727)	564		98	
Other reserves			(84)	(6)		0	
Borrowing			(1,314)	1,313		0	
<b>Total GF Financing changes</b>			<b>(8,312)</b>	<b>7,986</b>		<b>63</b>	
MRR (Self Financing Depreciation)			844	(245)		0	
Capital Receipts			1,087	(387)		0	
Leaseholder Contributions			(945)	(5)		0	
Direct Revenue Financing			(1,100)	1,156		0	
Grants			480	(885)		0	
<b>Total HRA Financing changes</b>			<b>366</b>	<b>(366)</b>		<b>0</b>	
<b>Total Capital Financing</b>			<b>(7,946)</b>	<b>7,620</b>		<b>63</b>	

#### 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.

<b>Table 5: Capital Receipts</b>	<b>Previous Forecast £000</b>	<b>Revised Forecast/Actual £000</b>	<b>Variance £000</b>
<b>Capital Receipts (including Locality)</b>			
Year 2024/25 Forecast / Actual	6,704	6,369	(335)
Year 2025/26 Forecast	3,045	3,885	840
Year 2026/27 Forecast	12,240	13,465	1,225
<b>Grant Total Capital Receipts</b>	<b>21,989</b>	<b>23,719</b>	<b>1,730</b>
Sales Costs 4%	(634)	(698)	(64)
Contingency adjustment	(145)	0	145
<b>Total Net Receipts</b>	<b>21,210</b>	<b>23,021</b>	<b>1,811</b>

4.19.3. Until sold, the value of land sales can fluctuate from the forecast as can be seen. The overall increase in the forecast is mainly due to the inclusion of potential additional land sale in 2025/26.

#### **4.20. Council's Subsidiary Companies**

4.20.1. The Council own or part own a few 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.

<b>Company Name</b>	<b>Wholly owned either directly or indirectly by SBC</b>	<b>Included as a material subsidiary in council group accounts 2024/25</b>
Queensway Properties (Stevenage) LLP - (QLLP)	Yes	Yes
Marshgate Ltd (WOC)	Yes	Yes
Hertfordshire CCTV Partnership Ltd (CCTV)	No – 37% share	No
Broste Rivers Ltd - (Building Control Company (group))	No - 12.5% share	No
Swingate Developments LLP	No – JV with MACE, SBC 50% interest.	50%

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£45 million, 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 2025 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.
- 4.21.4. ReefOrigin (Reef) who manage the site for the company, compile and present operational quarterly reports to the LLP Board at their quarterly meetings. Progress against the business plan is monitored, including full financial budget and expenditure, anticipated, agreed or expired lettings on retail, office and residential property, key milestones during the next quarter, health and safety and risk management. In addition to the quarterly meetings, Reef produces monthly written reports and attends other associated meetings on request.

#### Outturn 2024/25

- 4.21.5. The outturn below compares the actual performance for the year against the budget. forecasts presented to the QLLP Board at quarter 3. Future budgeting is based on the latest cash flow projections using information from QLLP leading property development and investment specialists, ReefOrigin and their subcontractors (Cortland and Colliers), as well as SBC officers. Note - overheads in the table below mainly consist of depreciation £497K and a lease adjustment for the principal element included in lease payments of £ (361) K, both of which are non-cash year end transactions.

£000	Outturn 2024/25	Budget 2024/25	Variance 2024/25	Draft Budget 2025/26
Commercial	484	428	56	496
Residential	(102)	(145)	43	(71)
<b>Operational Combined</b>	<b>382</b>	<b>283</b>	<b>99</b>	<b>425</b>
Overheads	131	151	(21)	138
<b>Net Operating Profit / loss</b>	<b>513</b>	<b>434</b>	<b>78</b>	<b>563</b>

- 4.21.6. The costs for 2024/25 also include the sublease on Queensway of £1.7 million. This cost should but are not yet 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 remain challenges within the commercial unit's performance because of tough retail environment and the need to offer lower rents as well as rent free incentives and contributions to fit out costs. These pressures contributed to an overall loss on the operations of £382K in 2024/25 (£569K in 2023/24). Residential lettings continue to perform, generating surplus income.

- 4.21.7. 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 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. As part of this ongoing process, Reef will be drawing up an updated business plan for 2025/26 that reflects the current state of the Residential, Commercial and Retail markets in Stevenage, and the Board's wish to adjust the building's mix and offer to make the development more financially sustainable in the coming years.
- 4.21.8. The draft operational budget for 2025/26 is based on current experience adjusted for cost inflation. As mentioned above actions is being undertaken by the working group in conjunction with Reef that 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. Within the MTFS process the Council is building up a reserve for future fit out contributions or remodelling to further improve financial performance. This reserve balance is £215K as at 31 March 2025, £50K will be added incrementally in future years.

#### **4.22. Marshgate Ltd (WOC)**

##### Background

- 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 2025 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 2024/25

- 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 2025/26.
- 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 (£90K). Overall, the company made £41K before tax in 2024/25.

£000	Outturn 2024/25	Revised Budget 2024/25	Variance 2024/25	Budget 2026/27
Total Sales	(57)	(57)	-	(12,878)
Total Cost of sales	55	55	-	10,335
<b>Gross Profit</b>	<b>(2)</b>	<b>(2)</b>	<b>-</b>	<b>(2,543)</b>
Total Other Costs	51	46	5	35
Interest Earned	(90)	(80)	10	(10)
Tax Provision	9	9	-	629
<b>(Profit)/Loss after tax</b>	<b>(32)</b>	<b>(27)</b>	<b>15</b>	<b>(1,889)</b>
Investment in Development at Courtlands	9,609			
Cash at Bank	1,839			
Net SBC liabilities	(12,120)			

- 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 these loans, due to be repaid in 2025/26, when the units are sold. Delays on site due to poor weather and beneficial redesign work has meant sales originally planned for 2024/25 are now due 2025/26.

#### 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 Hertsmeire 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 2024/25

- 4.23.2. The company made £18K profit after tax in the year to 31 March 2025. The SBC share of this is £7K.

#### 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 seven 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%. Members have agreed in principal that the loan facility can be increased by a similar amount to the existing loan, funded from the business rates reserve if required in 2024/25. This loan was not required in 2024/25, and no facility has been requested for 2025/26.
- 4.24.3. Whilst trading has continued to be a challenge in 2024/25, the group's results are a draft profit of £3K of which the councils share is 1/8<sup>th</sup> and this is an improvement on the previous year which saw a year end deficit position. The company has been on a programme of improvement over the last year since the new Managing Director was appointed.

#### **4.25. Swingate Developments LLP - Joint Venture with MACE**

- 4.25.1. The Council entered a formal Joint Venture with Mace in 2024/25 to redevelop Swingate (Plot A) site which commenced in the Autumn of 2024. The costs and benefits of the agreement are shared 50:50 with Mace who manage the delivery vehicle on which the council has a director on the board - Swingate Developments LLP.
- 4.25.2. Mace invoices the Council for 50% of costs as they arise up to the agreed equity share. In 2024/25 this drawdown amounted to £1.8 million. The budget for 2026/27 is £7.5 million with expected return on investment schedules for 2027/28.
- 4.25.3. This cost is shown in the statement of accounts as a long-term investment. The council accrues interest on the outstanding investment balance monthly, which is credited to the Council's revenue account. For 2024/25 this was £35,756.
- 4.24.4 Current projections on the construction cashflow, interest rate projections and sales forecasts show that the net return to the Council is projected to be £5.4 million (including the return on the equity debt, profit share and car parking income foregone).

### **5 IMPLICATIONS**

#### **5.1 Financial Implications**

- 5.1.1 This report is financial in nature and consequently financial implications are included in the body of the report.

#### **5.2 Legal Implications**

- 5.2.1 None identified at this time.

#### **5.3 Risk Implications**

- 5.3.1 Although the final outturn position in 2024/25 is showing a net underspend, there are still many uncertainties facing the Council in the coming years, from delayed local government funding reform, to cost of living crisis and legacy impacts from COVID. The 2024/25 General Fund surplus will improve financial resilience during this period of higher financial risk. The Council has a Strategy in place to address the financial

impacts and the 1<sup>st</sup> Quarter Monitoring report to September Cabinet will provide a further update.

- 5.3.2 The budget pressures seen in the HRA for 2024/25 clearly illustrate the current financial risks. Many of these pressures are also being experienced at a national level and the Government are currently reviewing several areas in the HRA, like the right to buy policy and the current rent settlement, to ensure that policy objectives can be met and that the social housing sector is viable. For Stevenage, increased regulation and operating requirements, combined with high inflation and recent rent capping, have significantly increased financial risk. Preliminary budget work for the 2026/27 year, has already identified the need to find savings of over £2 million and this trend is likely to continue. A full HRA Business Plan re-write is currently under way and will be used to inform future budget positions and help identify mitigations to the current financial risks faced by the ring-fenced account. The Council also hold risk assessed balances, but overall balances are set to reduce in coming years and this risk will need to be monitored closely.

## **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 and HRA Business Plan.

## **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 – 2024/25 Council Tax and General Fund Budget
- BD3 – 2024/25 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