Part I – Release to Press

Meeting: **CABINET** **Agenda Item:**

Portfolio Area: RESOURCES & PERFORMANCE

Date: **10 SEPTEMBER 2026**

GENERAL FUND MEDIUM TERM FINANCIAL STRATEGY UPDATE (2026/27 – 2030/31)

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1. PURPOSE

1.1. To update Members on the General Fund Medium Term Financial Strategy (MTFS).

1.2. To update Members on Fair Funding 2027/28-2028/29 for Stevenage Borough Council.

1.3. To advise Members concerning the current and future position of the Council's General Fund budget over the next five years, noting this covers changes as a result of Local Government Reform (LGR).

1.4. To update Members regarding the revised inflation projections and pressures for the General Fund MTFS.

1.5. To update the 'Balancing the Budget' Future Town Future Council (FTFC) financial targets for the period 2027/28 – 2029/30.

2. RECOMMENDATIONS

2.1 That Members re-approve the MTFS principles, as outlined in paragraph 3.6.

2.2 That, for modelling purposes, Council tax increases be set at the threshold assumed by the Government in the Fair Funding three-year settlement in order to support the resilience of the Council's finances as set out in paragraph 4.7.6.

2.3 That the updated inflation assumptions used in the MTFS as set out in section 4.1 of the report be approved.

2.4 That the budget pressures and reductions as set out in section 4.2 of the report are approved.

2.5 That Members approve the revised use of Business Rates reserve (NNDR reserve) to fund the set aside and minimum revenue provision (MRP) for the Local Enterprise Partnership (LEP now Herts Futures) loans as set out in paragraph 4.3.7.

2.6 That the approach to the ‘Balancing the Budget’ options as set out in section 4.10 be approved.

2.7 That the Balancing the Budget options identified of £76,880 are noted.

2.8 That the Balancing the Budget target of £1.2MIlion, be approved for the period 2027/28-2030/31, as set out in section 4.10 of the report, (subject to decisions made after 2027/28 by the new Unitary Authority).

2.9 That the additional allowance for Local Government Reorganisation is approved as set out in paragraph 4.12.1 of £500K in 2026/27.

2.10 That Members approve the inclusion of £200K in 2026/27 and 2027/28 to help fund works arising from the stock condition survey on the Council’s assets as set out in paragraph 4.12.2.

2.11 That Members approve the additional funding to be set aside in an earmarked reserve for the Council’s Queensway LLP of a further £40K per year, (paragraph 4.12.3).

2.12 That Members note the 2026/27 General Fund budget and MTFS reflect the latest financial position for the Swingate JV.

2.13 That the General Fund growth allowance of £75K is noted and is approved for the use of the Council’s MSEB priorities.

2.14 That Members approve the Council tax support scheme as set out in section 4.8 for 2027/28.

2.15 That a minimum level of balances for the General Fund of £3.92million be approved for 2026/27 as set out in paragraph 4.13.7.

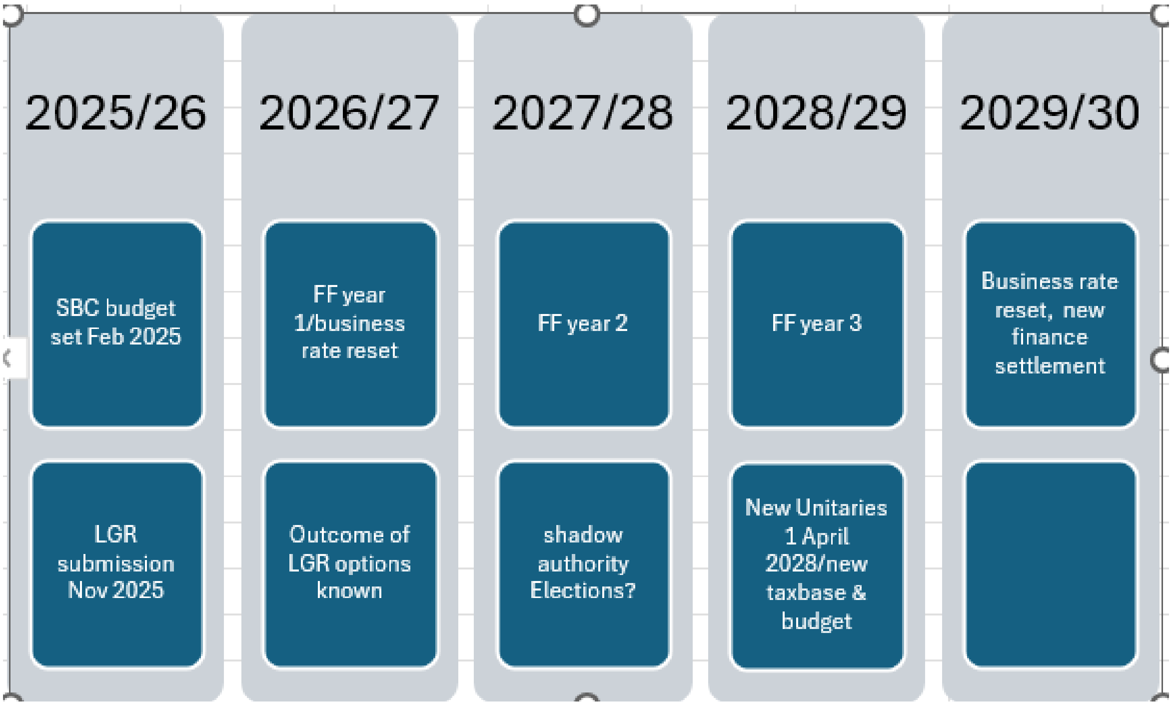
2.16 The MTFS is regularly reviewed and revised to reflect any material financial pressures, so forecasts are updated and re-presented to the Cabinet for approval.

2.17 That the Trade Unions and staff be consulted on the key messages contained within the MTFS and more specifically when drawing up any proposals where there is a risk of redundancy.

3. BACKGROUND

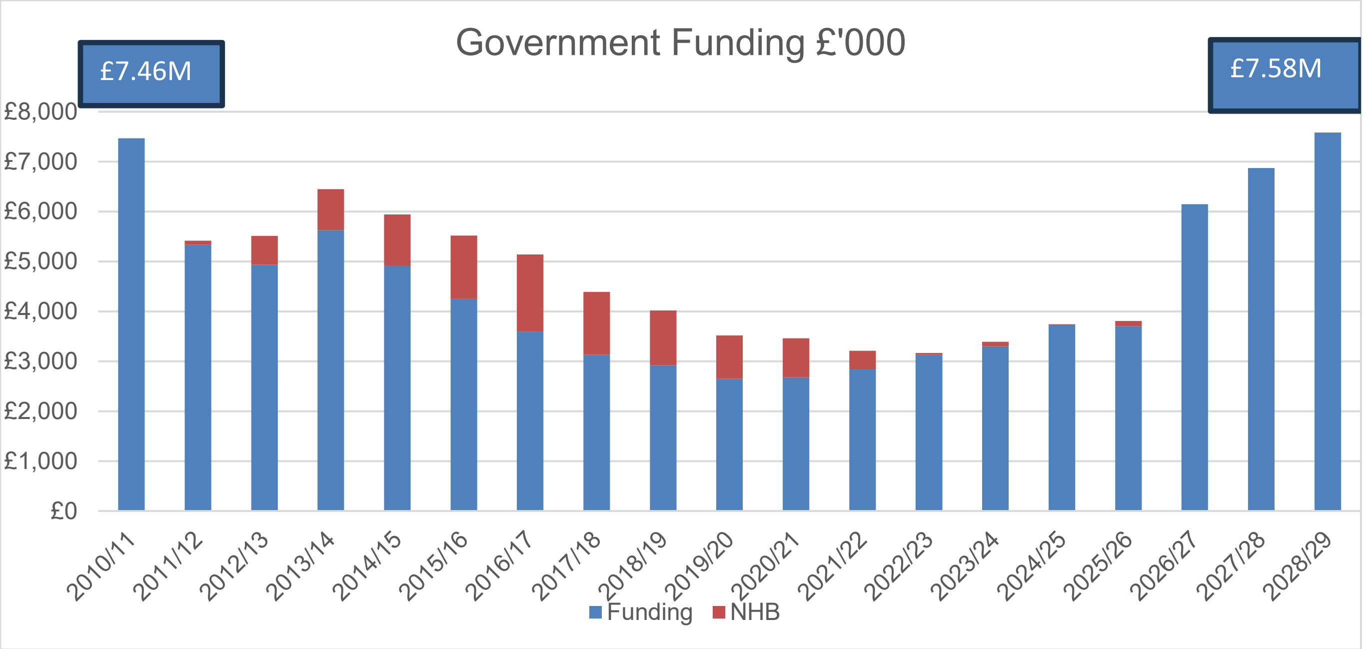
3.1 The MTFS is presented at least annually to the Cabinet and more often if financial risks are heightened. This report will update Members on a projection for the General Fund for the period 2026/27-2030/31, with particular emphasis on the current and next year’s budgets. The MTFS has been written under the backdrop of fundamental change for two tier local government areas with the Government’s Local Government Reform (LGR) Agenda, which will see four new unitary Councils formed for Hertfordshire on 1 April

2028. While the MTFS period exceeds the existing District Council's existence it sets out pressure and savings for the new Central unitary to be cognisant of.



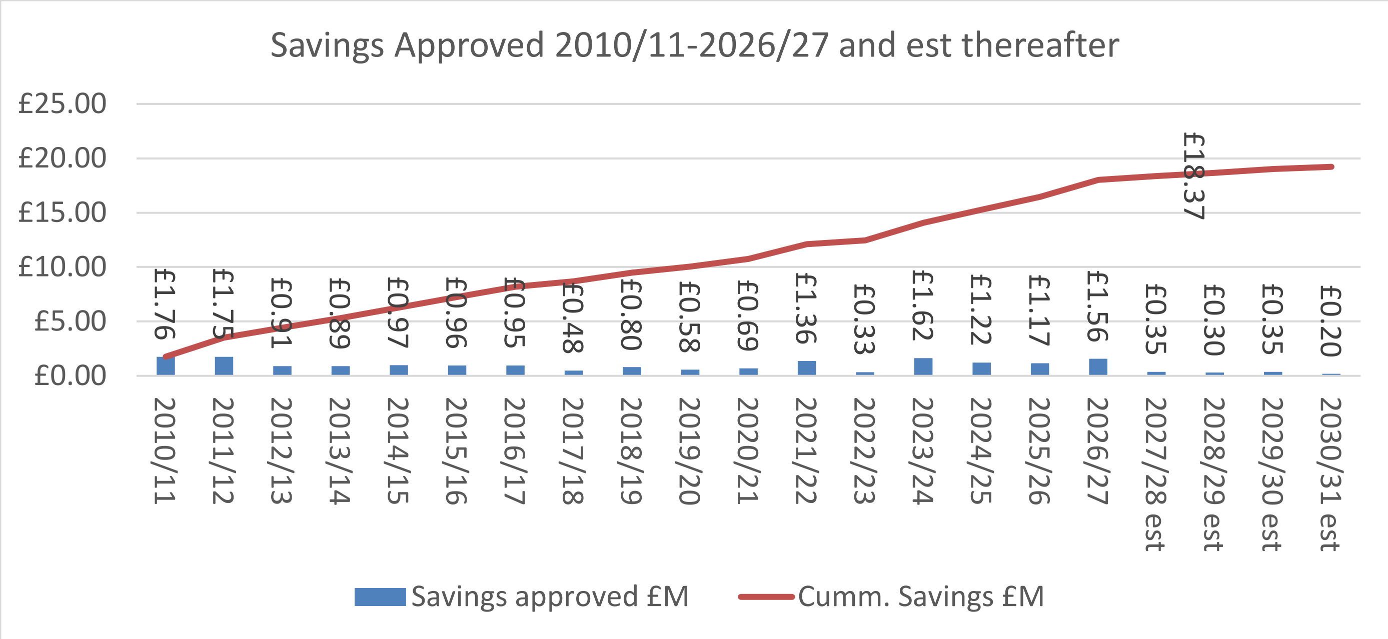
3.2 The changes set out in para. 3.1 present challenges in the construction of the MTFS, in that Stevenage Borough Council administration will change from 2028/29 into a larger unitary Council, with shadow authority elections to the new unitary Council taking place in May 2027. From April 2028, this means combining upper and lower tier functions into a single unitary Council in central Hertfordshire, covering a larger geographical area. It is important to demonstrate the financial resilience of Stevenage Borough Council as it enters into the new unitary. The MTFS gives the shadow authority and subsequent unitary Council an indication of projected baseline costs and income that will form part of the new unitary Council budgets. There is also a fiduciary duty on the current Council to ensure its finances are sufficient.

3.3 The local government sector has faced financial challenges over a number of years. Stevenage Borough Council faced during a decade of local authority funding cuts between 2010/11 and 2019/20. The 2025/26 funding settlement improved funding for Stevenage Borough Council, though 2025/26 funding remain levels well below historic levels pre 2010/11.



Grant loss has been reversed (although not in real terms) with the introduction of Fair Funding in 2026/27-2028/29, although this does not account for the value of 2020/11 funding in 2028/29 prices. It marks a significant reversal and improvement in funding for the Council. The result of this financial improvement has been a lower level of annual savings required (see section 4.11), which can be partly met from annual fees and charges increases. This has created the opportunity to fund some one-off 2026/27 growth and implement additional capital schemes - beyond simply meeting the highest priority need - which will enable the delivery of projects such as Ridlins athletics track renewal and reinvestment into Stevenage Arts and Leisure centre, planned over 2026/27 and 2027/28 by using a revenue contribution to capital.

3.4 Despite the significant historical financial pressures the Council has faced since 2010/11, Stevenage has had a track record of identifying and delivering permanent savings to reduce the overall financial footprint of the Council and to date has delivered £18Million of savings through its priority, 'Balancing the Budget'. The chart below shows savings made and the lower level of future savings required.



3.5 Clearly beyond 2028/29 there could be different funding challenges for the new Unitaries as they face the pressure of adult social care and children's services. However, the four Hertfordshire Unitary model bid submission identified a number of funding levers that could be used to meet those resourcing issues.

3.6 The current approved MTFS principles are set out below.

No	MTFS principles
1	To ensure the financial resilience of the General Fund that any net funding gap is reduced by 2028/29.
2	To consider as part of the budget setting process, and throughout the year as necessary, what support can be given to the community, tenants, leaseholders and businesses in times of particular hardship.
3	To use the Council's reserves in a cost-efficient and planned manner to deliver the Council's priorities.
4	To maximise the Council's income by promptly raising all monies due and minimising the levels of arrears and debt write-offs.
5	To identify alternative means of resourcing the Capital Strategy to minimise the impact of borrowing (GF only).
6	In setting General Fund balances, a % for overruns (currently 1.5%), specific known risks, loss of savings & risks associated with new ventures and the cost of borrowing for the capital programme is included.
7	To identify variations to the approved budget via quarterly monitoring and only incur additional on-going spending when matched by increased income or identified savings.
8	To propose Council tax increases in line with the Government 's annual thresholds for modelling purposes to ensure that the General Fund core resources are sufficient to meet the cost of running the Council's services.
9	To ensure that resources are aligned with the Council's Strategic Plan and MSEB priorities and growth limited to the Council's top priorities

No	MTFS principles
10	The Council does not depend upon short term sources of funding such as business rate gains and in any one year only allows a proportion of the gains to be retained in the General Fund based on the MTFS projections.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 General Fund pressures -Inflation

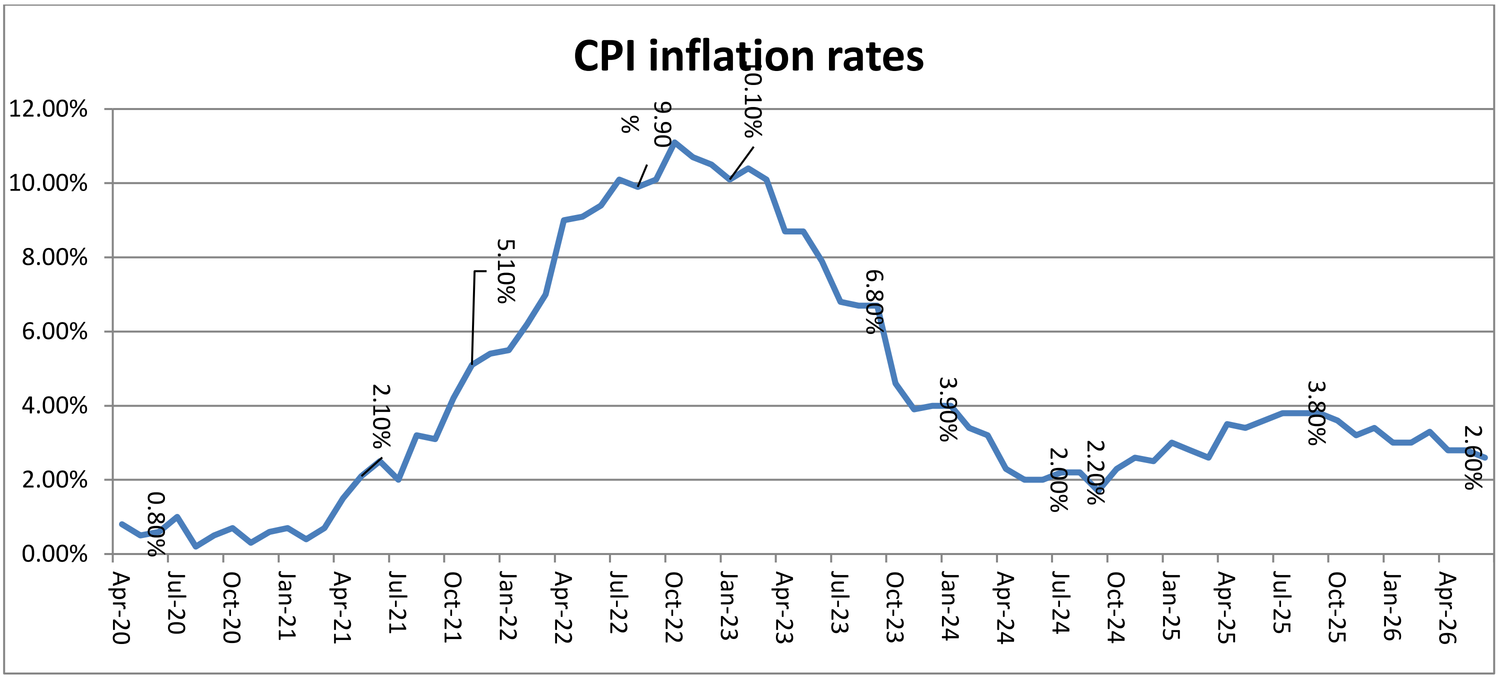
4.1.1 The inflation included within the MTFS is modelled using estimates for salary and direct pay inflators. This takes into account current levels of inflation and predictions over a five-year period, with pay being the biggest inflation element for the Council. Pay awards have gradually reduced over the last few years from an average in excess of 5% to 3.3% in the current year.

4.1.2 Looking ahead the Bank England (BoE) forecasts the base rate held at 3.75%, based on Inflation falling faster than expected (2.6% for June), but the conflict in the Middle East continuing to mean high and volatile energy prices. This means the BoE near-term CPI inflation projection rises to 3.2% in October and November 2026 before easing a little with direct effects of higher energy prices are projected to rise over coming months before fading somewhat in 2026 Quarter four. The Bank of England's target for inflation (CPI) remains at 2%.

4.1.3 The indices used in the 2026 MTFS update have due regard to current levels of inflation, Bank of England forecasts and the 2027/28 onwards inflation assumptions are summarised in the table below. For note the July Consumer Price Index (CPI) was 2.9% and has risen compared to June and may rise higher due the pressures set out in para. 4.1.2.

	2027/28	2028/29	2029/30	2030/31
Inflation-Applied to:				
Salaries - % increase	3.00%	2.50%	2.50%	2.50%
CPI indices increase	2.50%	2.25%	2.00%	2.00%
CPI September NNDR increase	3.00%	2.50%	2.00%	2.00%
Investment interest	3.50%	3.25%	2.50%	2.00%
Fuel Increases	5.00%	5.00%	5.00%	5.00%
Gas & Electric Increases :				
Gas (unit charge only)	10.00%	6.00%	6.00%	6.00%
Electricity (unit charge only)	10.00%	6.00%	6.00%	6.00%

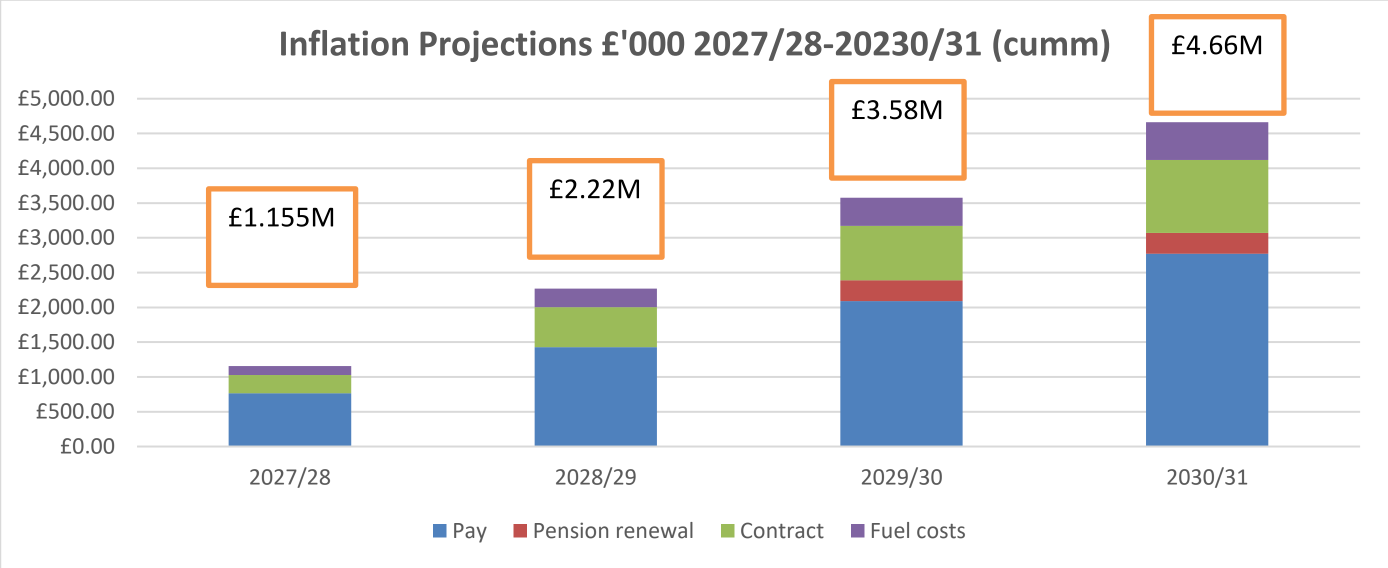
4.1.4 CPI is the tracked measure for inflation used by the government and also used for increases to business rates and Council housing rents, (September CPI). The historic CPI trend is shown below and the volatility with the impact of the cost-of-living crisis and higher utility costs and is still well above the Bank of England 2% target.



4.1.5 It is difficult to predict the sustainability of lower inflation over the medium term, but the MTFS rationale and alternative scenarios are set out below.

Rationale for inflation assumption	
Salaries - % increase	The employer offer has fallen from 5.67% in 2023/24, to 3.3% in 2026/27 (slightly above the budgeted 3.2% amount) the projection is 3% 2026/27 and 2.5% thereafter. This outside the control of the Council and subject to collective bargaining and whether pay offers will continue above CPI to reflect years of below inflation increases. The impact of the living wage increases impacts on the existing pay grades which is a further reason why a 2.5% increase has been assumed for 2028/29 onwards
Utility increases	Overall utility costs have decreased from a high of 2023/24, and lower increases are projected for 2026/27 onwards. The level of increase going forward in the MTFS are based on historic average increases (excluding the spike in 2023/24) and may fluctuate between individual years.
Consumer Price Index (CPI) indices increase	The July CPI was 2.9% but the BoE expecting an increase due to higher energy and food costs by October/ November and the MTFS has modelled inflation higher for 2026/27 reducing to the Bank of England target 2% during the MTFS.

4.1.6 The amount of inflation projected for 2027/28 to 2030/31 is summarised in the chart below and totals £4.66Million, this includes an amount of £300K for the triennial pension review in 2029/30 of £300K. Historically pension contributions have increased each review until 2026/27 which saw a sizeable reduction. However, there is uncertainty related to the impact of LGR on the pension fund. Pay inflation is the most significant inflation factor and this may reduce in the medium term if pay awards fall below 2.5% beyond 2027/28.



4.2 Other General Fund Pressures

4.2.1 In addition to meeting the inflation funding gap, the MTFS makes assumptions about other General Fund pressures, and these are summarised in the table below.

	2026/27	2027/28	2028/29	2029/30	Rationale
Budget reductions:	£'000	£'000	£'000	£'000	
ICT staff costs not charged to capital works	£55	£55	£55	£55	Staff costs were historically attributable to capital schemes however the work required is more revenue based going forward
Indoor market increased costs	£31	£31	£31	£31	The Market budgets were estimated prior to taking occupation of the building and actual cost are higher. The new markets officer will be looking at ways to reduce costs on the site while maximising footfall
Commercial asset repairs	£50	£50	£50	£50	Income has increased over the last few years due to more active management, however with that has been the need to complete repairs on a more fully let commercial stock
Recycling Deposit Return Scheme	£8	£15	£15	£15	While the changes will support national recycling and waste reduction objectives, they are expected to increase costs and reduce recycling income, creating a financial pressure on the service

	2026/27	2027/28	2028/29	2029/30	Rationale
Projected increase refuse & recycling rounds as a result of new development	£0	£0	£0	£130	Growth in housing, public spaces and community infrastructure is likely to require additional resource to maintain service standards. This is an estimate and will need to be assessed by the new Unitary Council
ICT software pressure costs	£0	£29	£29	£29	identified increase in software pressures across a number of services
Charge for Housing Development time on General Fund disposals	£20	£20	£20	£20	The Housing Development team is responsible for some of the General Fund disposals such as Bragbury end and garage sites and this represents the charge for that service and a saving to the HRA where the team are funded from
Increase cost of fireworks above budget	£18	£18	£18	£18	The fireworks budget is £10k, however this did not include the supporting infrastructure such as security, road closure arrangements, first aid and sound systems. In addition, the cost of the supplies and contractors have increased over time, and consequently there is additional growth of £18k required to alleviate the overspend pressure
Local plan	£0	£275	£350	£200	This is the estimated cost of the new local plan which is now required over a more condensed 30-month period. There may be opportunities to share costs with Councils in the Central unitary area
Increased cost of Elections (reported budget setting)	£0	£50	£50	£50	This was previously reported but for 2026/27 an underspend was reported.
Estimated Audit Build back costs	£100	£100	£0	£0	The Council's Auditors will be setting out the build back programme to ensure a clean opinion on the Statement of Accounts by 2027/28. The work requires reconciling back to the last clean opinion set of accounts which is 2021/22 so this is likely to entail significantly more costs
Compensation ceases for compounding of Swingate car park	£55	£200	£200	£200	Swingate JV compensated the Council for the use of the car park as a compound, this is due to end in December 2026

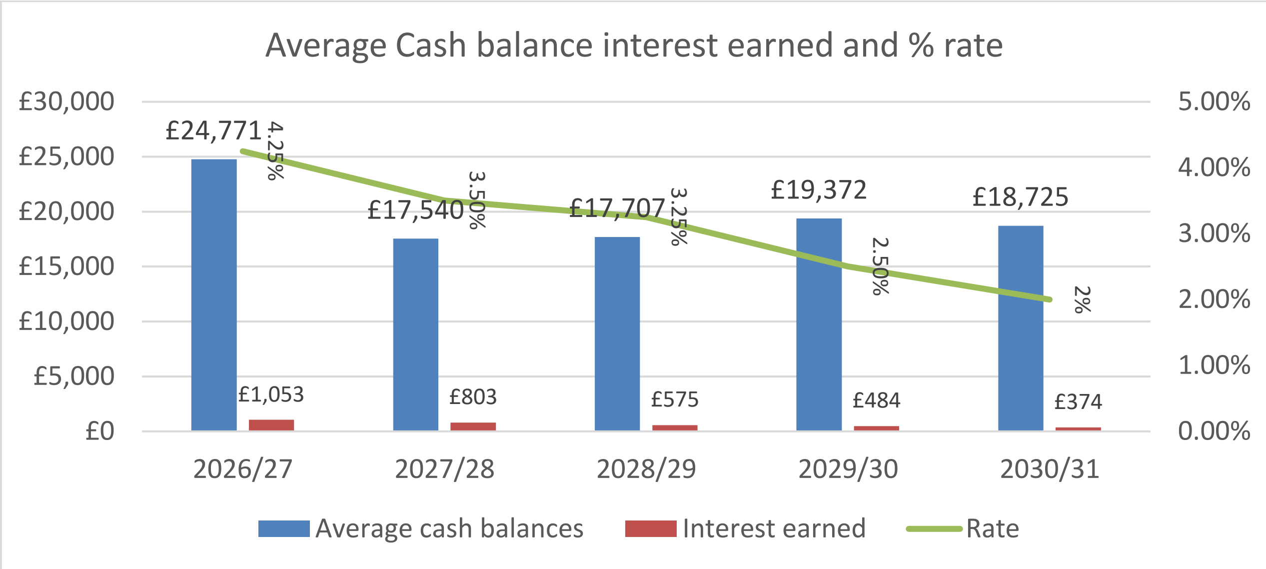
	2026/27	2027/28	2028/29	2029/30	Rationale
increased cost of Shared Legal service	£66	£66	£66	£66	costs are recharged on an hourly basis and the increase represents increased use of the service
Queensway LLP reserve	£40	£40	£40	£40	The CFO recommends setting aside more monies to support the Queensway asset, more information can be found in the company's report on the September 2026 Cabinet agenda
Other small adjustments	£3	£11	£11	£11	
Total	**£446**	**£961**	**£936**	**£916**	
Budget reductions:	£'000	£'000	£'000	£'000	
Leisure Management Fee for new facility impact	£0	(£632)	(£605)	(£1,099)	This is based on the tender submission for the leisure contract which averages the impact of the new leisure facility which means the Council sees a 'financial benefit' in advance of the facilities completion
Increase in investment income (over the previous MTFS)	(£711)	(£746)	£20	£61	This is the latest estimate based on projected investment balances and interest rates being higher for the current and next year
Net Position	**(£265)**	**(£417)**	**£351**	**(£121)**	

4.2.2 The changes need to be taken together with inflation projections (para 4.1.6) and other financial pressures/growth identified in the report and as set out in section 4.12. The MTFS does includes a limited growth allowance of £75K per year. Currently there are options in excess of this total which are being reviewed and will be put forward for Member consideration in the November Balancing the budget report. The growth allowance beyond 2027/28 has been increased to £100K in the MTFS.

4.3 Investment interest projections and borrowing costs

4.3.1 investment income projections are based on an estimate of the amount of cash reserves the Council will hold in any one year, (both revenue and capital) and provisions such as business rate appeals, less any internal borrowing (using the Council's cash), rather than taking external borrowing via Public Works Loan Board (PWLB). General Fund cash balances have remained higher than anticipated for 2026/27 and 2027/28 partly due to capital grant income received in advance of use, compounded by higher borrowing rates (Public Loan Works Board (PWLB) linked to government gilts), leading to inter authority lending at competitive rates as Councils seek to avoid locking in higher fixed borrowing rates say at 6% compared to inter-authority short term rates at an average of 4.25% for 2026/27.

4.3.2 The Council has also used internal borrowing to fund capital expenditure rather than take external loans particularly when PWLB rates are high and the cost of lost investment interest is lower. This impact is more of challenge for the Housing Revenue Account (HRA) as the fund has a higher loans portfolio and investment need. The current projections for investment interest are summarised below.



4.3.3 The Council has not borrowed for General Fund prudential borrowing as there have been available cash balances and investment interest rates have been lower than PWLB.

4.3.4 If the General Fund needs to externally borrow as cash balances reduce below that required for day to day running of the Council, then this will increase expenditure in the General Fund for example, based on an average rate of lost investment income at 4.25% versus a borrowing rate currently of 6.05% would be an extra £20,000 per million externally borrowed.

4.3.5 The General Fund includes/considered future prudential borrowing for:

- The General Fund share of the Oval neighbourhood regeneration scheme £5.5Milion for the period 2027/28-2028/29 at 5%
- There is no budget included for borrowing for the new Leisure Hub (see also July 2026 Council report), however the facility to borrow £6Million remains in place in principle should the anticipated land value assumed not materialise fully. This would require an increase in the savings target should this be required, with eh contract gain already assumed in the MTFS (see the table in para. 4.2.1).

4.3.6 There is provision for the cost of repaying borrowing or Minimum Revenue Provision (MRP), which is based on the cost of the asset investment divided by its life. The amount of MRP provided for is shown in the table below. The Local Enterprise Partnership (LEP now Herts Futures) loans includes a voluntary MRP repayment in 2029/30 of £5.33Million as this coincides with the requirement to repay the remaining loans back to Herts Futures in 2029/30, however the new unitary council could choose to pay the annual MRP of £131,400 rather than make a VMRP of £5.33Million, if cash balances allow.

Borrowing Analysis	2026/27	2027/28	2028/29	2029/30	2030/31	Funded from
Historic Borrowing 2011/12-2013/24	£130,703	£115,949	£110,386	£68,802	£68,802	General Fund balances
Regeneration	£193,703	£193,703	£193,703	£193,703	£193,703	Town Centre reserve

Borrowing Analysis	2026/27	2027/28	2028/29	2029/30	2030/31	Funded from
Garages	£161,299	£173,088	£186,548	£232,868	£232,868	Additional rental income in General Fund
Commercial Property	£35,119	£35,119	£35,119	£35,119	£35,119	Additional rental income in General Fund
Railway MSCP	£41,000	£41,000	£41,000	£41,000	£41,000	Additional fee income in General Fund
Leisure works	£118,733	£118,733	£118,733	£118,733	£118,733	Leisure Management contract tender price
Marshgate loans	£12,220	£12,220	£12,220	£12,220	£12,220	Company income in General Fund
Oval regeneration	£0	£0	£0	£137,500	£137,500	The General Fund and partly additional projected commercial income
LEP Loans MRP	£847,975	£131,400	£131,400	£5,459,225	£0	Funded from the NNDR reserve and set aside approved in 2025/26 MTFS report relates to purchase of SG1 sites
Total	**£1,540,752**	**£821,212**	**£829,109**	**£6,299,170**	**£839,945**	

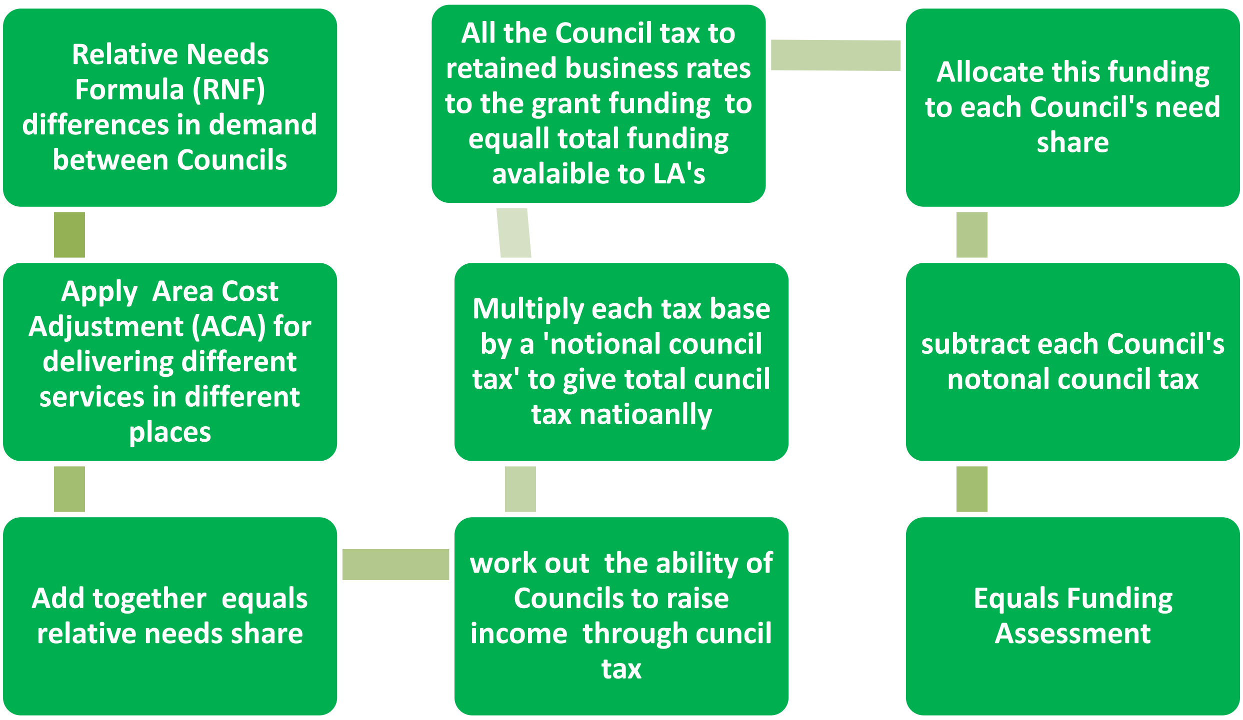
4.3.7 A LEP loans repayment set aside reserve was included in the 2026/27 Budget setting report together with the use of NNDR reserve to fund the remaining unfunded amount. This has now been revised to show the actual MRP payment required and then final voluntary MRP repayment in 2029/30. The impact of the change is to use more of the NNDR reserve in 2026/27 (£348K) and less in 2029/30.

LEP Loan provision revised £'000	***2026/27***	***2027/28***	***2028/29***	***2029/30***	***Total***
MRP	*£848*	*£131*	*£131*	*£0*	*£1,111*
Trf. money to LEP loan reserve	*£0*	*£869*	*£1,169*	*£0*	*£2,037*
General Fund provision				*£1,300*	*£1,300*
NNDR reserve				*£2,122*	*£2,122*
Total Loans to be repaid 2029/30	***£848***	***£1,000***	***£1,300***	***£3,422***	***£6,570***
Funded from General Fund/MRP	*(£500)*	*(£131)*	*(£131)*	*(£1,300)*	*(£2,063)*
Funded from LEP reserve				*(£2,037)*	*(£2,037)*
Use of NNDR reserve	*(£348)*			*(£2,122)*	*(£2,470)*
Total	***(£848)***	***(£131)***	***(£131)***	***(£5,459)***	***(£6,570)***

4.4 Fair Funding Reform introduced 2026/27 for the period 2026/27-2028/29

4.4.1 Fair Funding was implemented by the government in 2026/27, and local government resources were set out for a three-year period enabling Councils to better financially plan ahead, instead of the annual financial settlement announced in December of the preceding year. The final year of Fair Funding spending period covers the first year of the new Hertfordshire unitaries. The government has indicated that for the final year it will not recalculate Fair Funding into the new unitary boundaries, but that this will be completed as part of the Hertfordshire LGR work for 2028/29.

4.4.2 The Fair Funding aim was to reallocate resources to Councils in England, accounting for the different needs and costs faced by communities across the country, including adjusting for the costs of remoteness faced by rural communities, and the ability of individual local authorities to raise Council Tax, while also resetting business rates income based on current business rate income take. The formula for calculating Council's resources is summarised below.



4.4.3 There were mechanisms put in place to dampen any large swings in lower funding, the proposed changes are phased in over three years to ease the transition for Authorities, with funding floors in place to limit losses for those receiving less funding under the new system than currently. However, there was no ceiling on the amount of increased gain Council's received, which Stevenage has benefited from (see also para.4.5.1).

4.4.4 There were changes between the provisional and final settlement for the treatment of 2025/25 Business Rates Pooling Gains Calculation. The Government provided a one-off Adjustment Support Grant in 2026/27 of £116 million nationally to authorities who would otherwise see their CSP reduce in 2026/27, compared to indicative allocations set out at the provisional settlement. This was because the Government had changed how business rates pooling rates gains were accounted in the baseline. This did not impact Stevenage's funding settlement, but it did apply to some other Hertfordshire Councils, and the funding is not provided in future years currently.

4.4.5 Alongside changes to government funding allocations there were changes to grant funding pots. In 2025/26, over 300 grants were awarded to local government from across Whitehall. But moving forward the aim is that Local authorities will receive bigger, combined grants that replace several smaller ones, helping Councils to focus more on delivering services than on managing payments. The combined grants which relate to Stevenage were:

1. Homelessness, Rough Sleeping and Domestic Abuse funding received by SBC
2. Crisis and Resilience, - including Discretionary Housing Payments received by SBC,

A number of other grants which were previously identified in the 2025/26 funding settlement were 'rolled' into revenue support funding which included grants such as the National Insurance compensation grant and some temporary accommodation funding. The government also confirmed the final settlement included funding for the new weekly food waste service.

4.4.6 The Fair Funding final settlement 2026/27 for England are summarised below.

England Core Spending Power	2025-26 £M	2026-27 £M	2027-28 £M	2028-29 £M
Fair Funding Allocation	£0.00	£33,928.80	£34,401.00	£34,895.82
of which: Baseline Funding Level	£0.00	£16,240.24	£16,612.76	£16,947.90
of which: Revenue Support Grant	£0.00	£15,048.73	£17,788.24	£17,947.92
of which: Local Authority Better Care Grant	£0.00	£2,639.82	£0.00	£0.00
Legacy Funding Assessment	£32,442.87	£0.00	£0.00	£0.00
of which: Legacy Business Rates	£18,770.47	£0.00	£0.00	£0.00
of which: Legacy Grant	£11,032.57	£0.00	£0.00	£0.00
of which: Local Authority Better Care Grant	£2,639.82	£0.00	£0.00	£0.00
Council tax requirement	£38,656.60	£41,212.26	£44,019.62	£47,010.85
Homelessness, Rough Sleeping and Domestic Abuse	£725.14	£885.01	£905.79	£927.32
Families First Partnership	£523.13	£853.13	£853.13	£729.13
Total Transitional Protections	£0.00	£134.48	£272.18	£447.76
of which: 95% income protection	£0.00	£86.36	£172.33	£293.90
of which: 100% income protection	£0.00	£39.58	£89.43	£140.18
of which: Fire and Rescue real-terms floor	£0.00	£8.54	£10.42	£13.68
Grants rolled in to Revenue Support Grant	£543.15	£0.00	£0.00	£0.00
Total Recovery Grant Allocation	£600.00	£864.45	£863.75	£874.80
of which: Recovery Grant	£600.00	£600.00	£600.00	£600.00
of which: Recovery Grant Guarantee	£0.00	£149.45	£113.75	£99.80
of which: Recovery Grant Uplift	£0.00	£115.00	£150.00	£175.00
Adjustment Support Grant	£0.00	£116.06	£0.00	£0.00
Mayoral Capacity Fund	£33.50	£45.11	£45.15	£48.34
Core Spending Power	**£73,524.38**	**£78,039.31**	**£81,360.63**	**£84,934.03**
Core Spending Power year-on-year change (£ millions)		£4,514.92	£3,321.32	£3,573.40
Core Spending Power year-on-year change (%)		6.14%	4.26%	4.39%
Core Spending Power change since 2025 (%)		6.14%	10.66%	15.52%

4.4.7 Fair Funding core spending required for Councils also includes Council tax income with an assumption of a 3% core council tax referendum principle and a 2% adult social care precept. Actual council tax income approved may vary to the governments projections as a result of movement in the council tax base due to new properties, discounts and premiums.

4.5 Fair Funding and Stevenage Borough Council

4.5.1 A summary of government funding for Stevenage Borough Council is included in the table below, the actual projected core funding (see also para. 4.9.2) may change as result of:

- The September CPI increase for business rates (assumed to be 3%)
- Changes in the 2027/28 council taxbase increasing/decreasing council tax income from that estimated by the government
- Lower projected Business Rates than the baseline estimate, for 2027/28 and 2028/29, as the first 5% and 7.5% is funded by the Council for future years respectively, (see section 4.6)

Stevenage Core Spending Power	2025-26 £M	2026-27 £M	2027-28 £M	2028-29 £M
Baseline Funding	£0.00	£3.61	£3.69	£3.77
Revenue Support Grant	£0.00	£2.85	£3.49	£4.13
Legacy Funding Assessment	£5.08	£0.00	£0.00	£0.00
of which: Legacy Business Rates (includes 2025/26 est. gains)	£4.63	£0.00	£0.00	£0.00
of which: Legacy Grant Funding	£0.45	£0.00	£0.00	£0.00
Council tax requirement assuming 3% increase	£7.04	£7.31	£7.58	£7.87
Homelessness, Rough Sleeping and Domestic Abuse	£0.87	£1.09	£1.13	£1.16
Grants rolled in to Revenue Support Grant	£0.60	£0.00	£0.00	£0.00
Recovery Grant	£0.28	£0.28	£0.28	£0.28
Core Spending Power	**£13.86**	**£15.14**	**£16.18**	**£17.21**
Core Spending Power year-on-year change (£M)		£1.28	£1.03	£1.03
Core Spending Power year-on-year change %		9.2%	6.8%	6.4%

4.5.2 Stevenage's Core Spending Power has risen higher than the average for England shown in para 4.4.6. Beyond 2028/29 a 2% increase has been assumed in the MTFS, however this goes beyond the Fair Funding period and into the new unitaries for Hertfordshire (1 April 2028).

4.6 Business Rates

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

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

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

Step three- Calculate the amount of section 31 grant due to the Collection Fund based on mandatory reliefs such as retail reliefs, small business rate relief, empty property reliefs. Discretionary reliefs do not attract Section 31 grant e.g. Charity top up relief of 20% beyond the mandatory 80%.

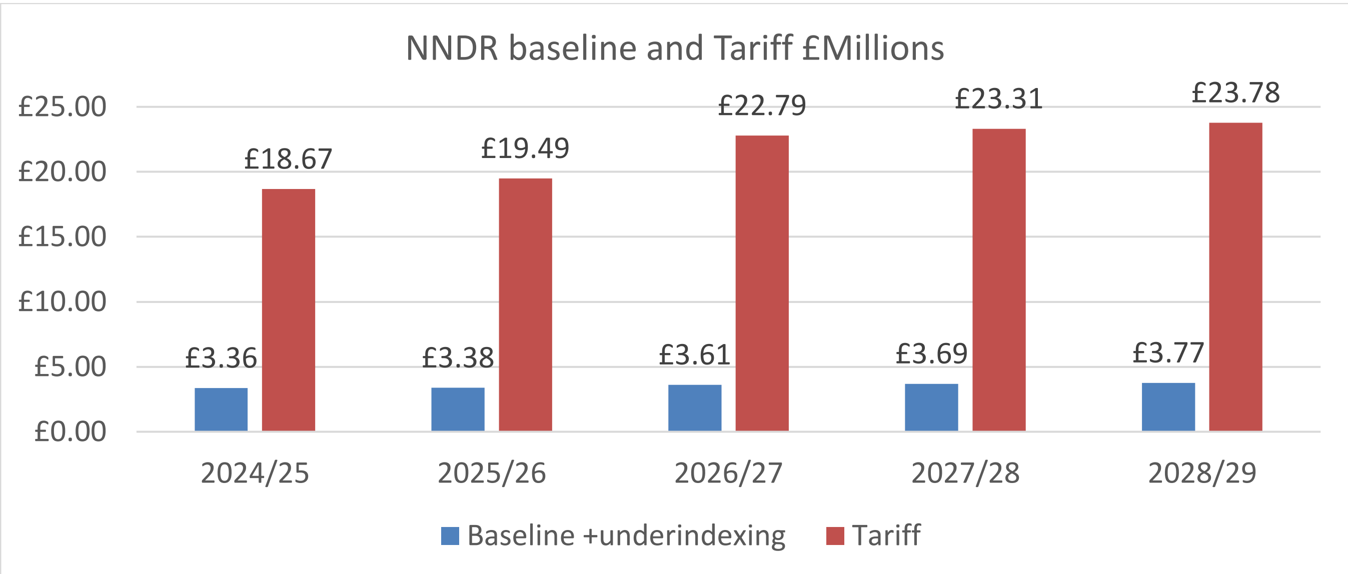
Step four -The government applies a tariff which then reduces the collected 40% share of business rates and reliefs (based on the last revaluation on rates), so that it is closer to the baseline need (as identified in step one).

Step five - If there are still gains after step four, a further levy is applied at 45% (pre 2026/27 was 50%) so effectively any gains above baseline need are split with the government.

Or In the event that there are in fact losses (i.e. less business rate income was received than the baseline) SBC must fund the first 5% in 2026/27 and 7.5% beyond that year (approximately £184K 5% (2026/27) and £284K 7.5% (2027/28)). The rest of the losses are funded by the government via the 'safety net'.

Step six - The levy, safety net and section 31 grants are paid based on the amount due in year, all other payments are paid based on estimate with gains and losses due/paid in future years. However, from 2026/27 S31 grants under or over claimed will put through the Collection Fund and not the General Fund as previous.

4.6.2 As part Fair Funding there was a full reset of Business Rates in 2026/27 this saw the level of tariff increase significantly in 2026/27 for SBC (£3.3Million, 16.96%) intended to 'eliminate historic NNDR gains', while the amount the Council should retain 'the baseline' increased by only 6.8%.



4.6.3 The Reset of Business Rates retained by Councils in 2026 happened alongside significant changes to the business rates tax system, which saw the number of multipliers increase from two to five. The intention was that the large rateable multiplier (RV) over £500K would fund reductions to Retail Hospitality and Leisure businesses (RHL) multipliers. Subsequent to these changes the government made a further announcement and reduced eligible pubs in England with a further 15% business rates relief for the

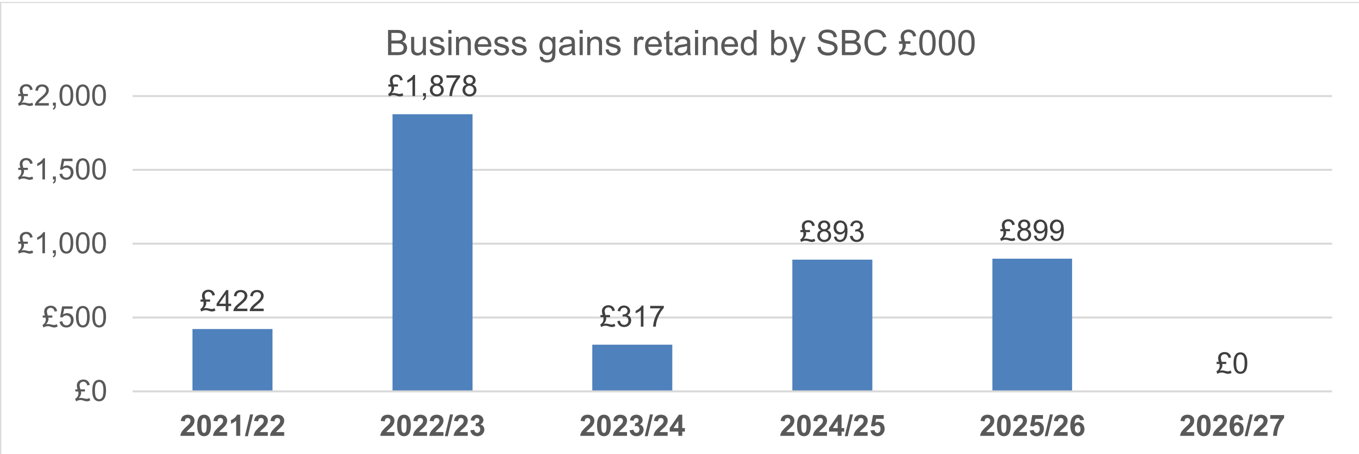
2026/27 tax year, applied on top of transitional reliefs. Bills are subsequently frozen in real terms for 2027/28 and 2028/29, alongside an additional 20% cut planned for qualifying pubs and live music venues from 2027/28.

Multipliers	2025/26	2026/27	Scope
Small Business RHL* Multiplier		38.2p	RHL hereditaments with RVs under £51,000
Standard RHL* Multiplier		43p	RHL hereditaments with RVs between £51,000 and £499,999
National Small Business Multiplier	49.9p	43.2p	Non-RHL hereditaments with RVs under £51,000
National Standard Multiplier	55.5p	48p	Non-RHL hereditaments with RVs between £51,000 and £499,999
High-value Multiplier		50.8p	All hereditaments with RVs of £500,000 or above

4.6.4 The resetting Business Rates Baselines in 2026/27 has the potential (due to the complexity, new multipliers and government assumptions about gains) to expose authorities to a higher risk of falling below their Baseline Funding Level, particularly in the first year following a reset before any growth accumulates again To that end the government introduced changes to the safety net which is summarised below.

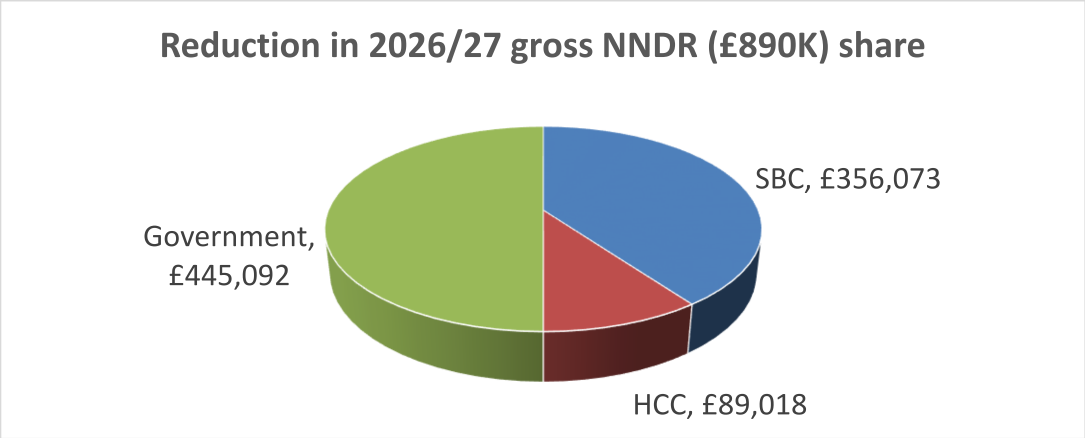
Funding NNDR losses	2026/27	2027/28	2028/29
Safety net payment	100%	95%	92.50%
Council funded losses	0%	5%	7.50%
Total	**100%**	**100%**	**100%**
General Fund share	£0	£184,606	£282,495

4.6.5 Whilst Stevenage has benefited historically from business rate gains, when the estimate was completed for 2026/27 (NNDR 1 government return) no gains were projected and the retained business rates for Stevenage are at the baseline level (see para. 4.6.2).

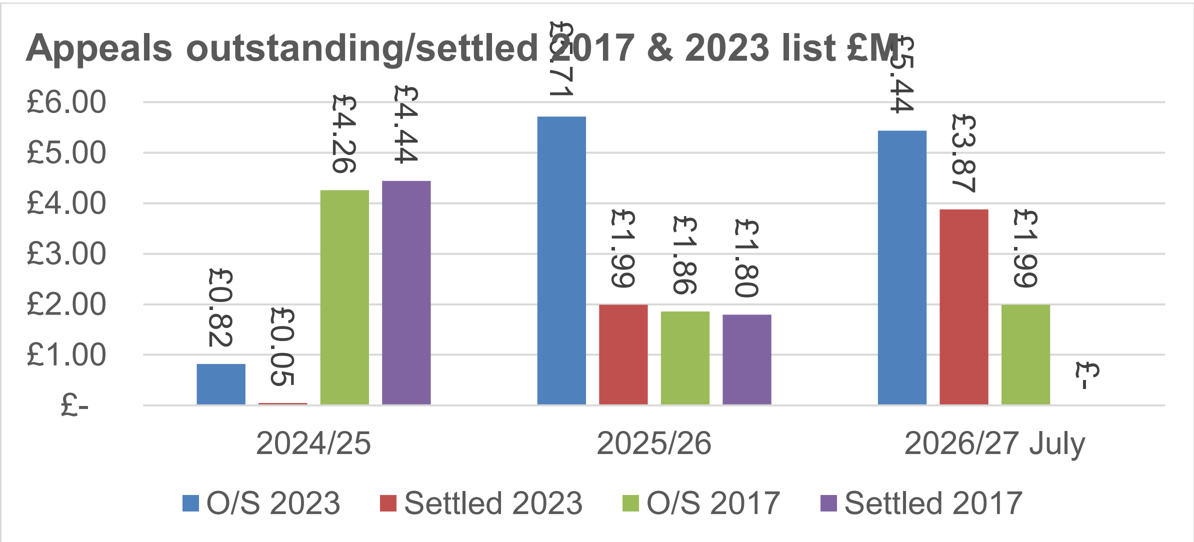


Note: 2022/23 was the release of the appeals provision following the 2023/24 revaluation.

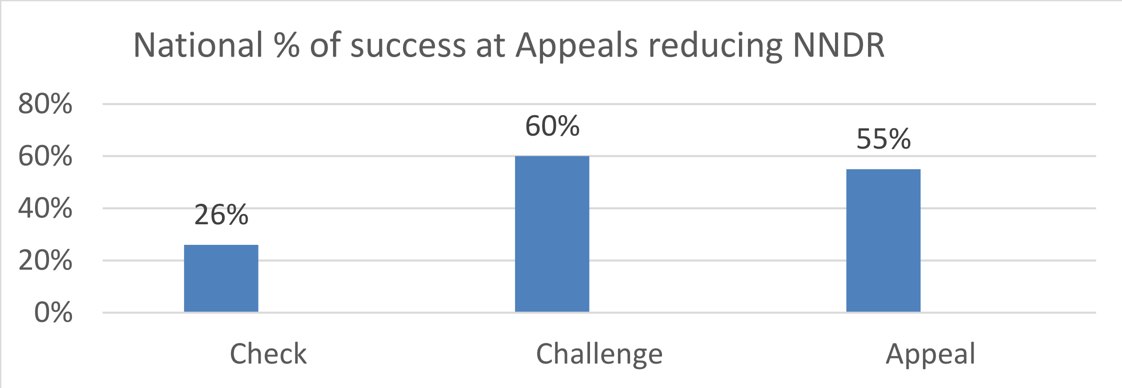
4.6.6 Looking at the in-year yield at the beginning of August 2026 it is £890K below the 2026/27 NNDR 1 original estimate due to hereditaments being removed/reduced (before the impact of appeal outcomes). This has been impacted also by developments such as the Forum with the loss temporary until new development takes place. If the £890K loss was realised for 2026/27, the reduction would be shared as shown in the chart below. However as stated in para. 4.6.4 the safety net is set at 100% for 2026/27 and the government would fund any shortfall in retained income.



4.6.7 The other cost that can significantly impact how much NNDR is retained is the amount set aside for appeals. Business rate appeals can take many years to be settled and it's a three-stage process, Check, challenge and then Appeal (to the independent valuation tribunal if Check and Challenge fail). There are currently £7.4Million rating appeals outstanding with £1.9Million relating to the 2017 rating list. Businesses have six months from the date of the unsuccessful Check/Challenge to put in a further appeal. If all the outstanding appeals were successful requiring an increase in the assumed in year appeals provision meaning SBC retained NNDR could be as low as £1.4Million business rates versus the £3.6Million baseline assumed.



4.6.8 The chart below shows percentage of claims nationally that result in a reduction to business rates. An assessment is currently being made of the likely SBC level of appeal provision required for 2026/27, however already stated the safety net is set at 100% for Councils in 2026/27, meaning no loss of income in year below the baseline amount, (the amount the government assumed SBC would keep).



4.7 Council Tax

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

4.7.2 The tax base is calculated based on an estimate of the gross dwellings in Stevenage, reduced by the amount of discounts, (single person discount, council tax support and other exemptions). The increase in new properties fluctuates significantly based on economic development. The taxbase for 2026/27 (approved at the December 2025 Cabinet meeting) totalled 28,884.5 equivalent "Band D" properties after making allowances for a 98.0% collection rate. The Taxbase as at 1 August 2026 is 29,090.15 which is 205.65 Band D equivalents higher, with still a further nine months for changes to the tax base, meaning the approved taxbase will be exceeded. The increase can happen because properties come into the taxbase earlier than anticipated and/or an increase in say single person discounts and uptake in the council tax support scheme (CTS) doesn't happen as projected. The Table below identifies that there are more properties in the taxbase than expected and at a higher banding, it has been assumed that a lot of the new flatted developments would have lower tax banding than the actual together with a lower the projected take up of single person discount.

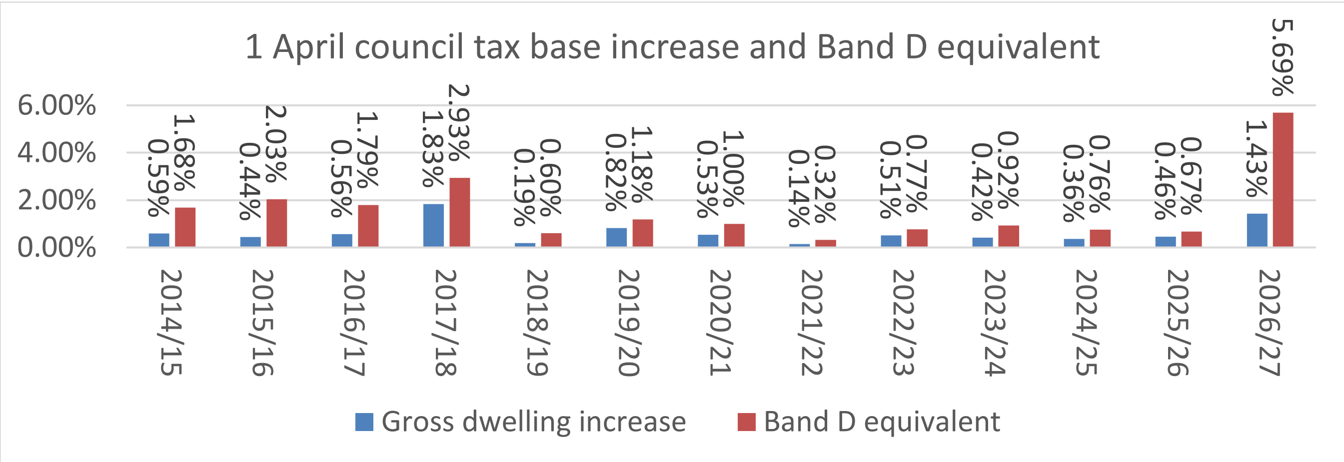
Council Bands (as at 1/8/2026)	A	B	C	D	E	F	G	H	Total
Properties increase/(decrease)	-3.00	-264.68	170.89	61.58	78.50	38.00	29.00	2.00	112.29
Discounts increase/(decrease)	-11.48	-11.76	110.27	-57.58	0.51	-12.84	-5.17	-1.96	9.99
Total increase/(decrease)	**-14.48**	**-276.44**	**281.16**	**4.01**	**79.01**	**25.16**	**23.83**	**0.04**	**122.29**
Band D equivalent	**-9.57**	**-120.10**	**100.73**	**62.09**	**80.25**	**47.43**	**45.06**	**4.00**	**209.89**

4.7.3 It is estimated that the taxbase as at 31 March 2027 will be at circa 29,483.8 which is 599.3 increase on the 2026/27 approved taxbase or an increase of 2.07% for 2027/28 and has been included in the MTFS update. The impact of higher banded dwellings in the taxbase means 122.29 properties, equates to an increase in 209.89 Band D equivalents.

4.7.4 The percentage increase in the taxbase does fluctuate from year to year the MTFS has assumed an average increase of 0.75% per annum, (the average between 2021/22 and 2025/26 was 0.69% annual increase), however there has been a recent spike in housing delivery which has driven the increase in the calculated taxbase for 2026/27 and 2027/28. This is also borne out by planning data submitted on net housing completions with 2025/26 being the highest year at 937 completions.

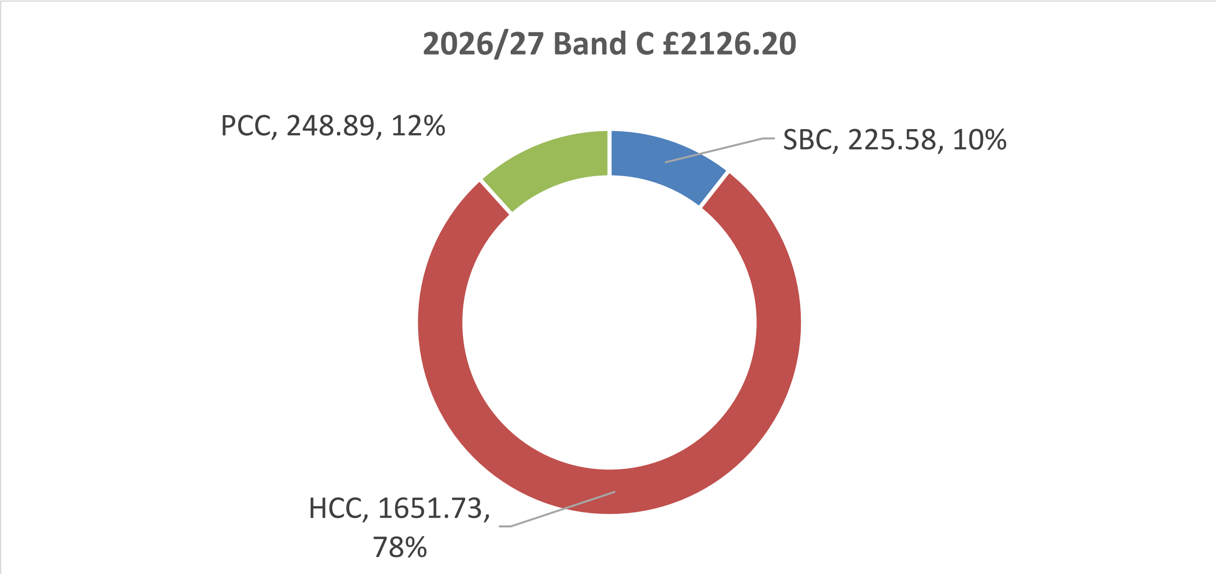
Cumulative Net Housing Completions - 2011/12 – 2025/26		
Year	**Actual**	**Cumulative**
2011/12	190	190
2012/13	85	275
2013/14	172	447
2014/15	146	593
2015/16	153	746
2016/17	690	1,436
2017/18	71	1,507
2018/19	285	1,792
2019/20	321	2,113
2020/21	143	2,256
2021/22	69	2,325
2022/23	156	2,481
2023/24	163	2,644
2024/25	636	3,280
2025/26	**937**	4,217

4.7.5 Beyond 2027/28 the increase has been modelled at 0.75% until further analysis of planned housing delivery has been assessed.



4.7.6 The MTFS includes a 2.99% increase in council tax for 2027/28 onwards, in line with the government Fair Funding assumptions (see also section 4.5), noting however the MTFS period covers the commencement of the new Central Unitary and the ability to charge the 2% social care precept in addition. Members will be aware that up to that point SBC retains a relatively small part of the overall council tax raised in a year. To illustrate this, taking a Band C property (which makes up 56% of total properties in Stevenage as at 1

August 2026), SBC keeps £225.58 or only 10% of the total council tax bill as shown below. This share has decreased year on year as the County and Police annual allowed percentage increase has been much higher. To illustrate this the County increase was 4.99% (including 2% for social care) and the PCC increase was £15 or 5.66%.



4.8 Council Tax Support Scheme

4.8.1 In November 2025 Members approved the retention of the existing CTS scheme for next year (uprated to reflect benefit changes for 2026/27) at 8.5% liability for working age claimants on maximum benefit and for elderly claimants a zero liability for those on full benefit (as the latter are protected in legislation).

4.8.2 With the increase in housing benefit claimants transitioning to universal credit and having their claims reassessed on a four weekly basis this means multiple changes for CTS claimants for small changes in assessed income, creating increased billing and issues with collection and uncertainty for UC claimants. Members however did agree that officers should look at a banded scheme for proposal to include engagement / consultation with residents subject to the Local Government Reform timetable for Hertfordshire. If a scheme was implemented in 2027/28 it would be superseded by the CTS scheme for the Central unitary which will need to be in place for 2028/29. On that basis the CFO recommends that the existing CTS scheme is retained for 2027/28.

4.8.3 For note North Herts District Council operate a banded scheme and Welwyn Hatfield District Council have the default scheme which operated under council tax benefit which is a zero liability for working and elderly claimants. Any new scheme will need to be affordable and have consideration of winners and losers across the CTS caseload in the Central unitary.

4.9 Finance Settlement and assumptions in the MTFS

4.9.1 The funding assumptions in the MTFS have been updated using the three-year fair funding increase as set out in section 4.5 together with adjustments for business rates losses, increases assumed for business rates (September CPI) and increases in the council tax base. Beyond the three-year period a 2% uplift on Baseline funding and

Revenue Support grant has been assumed, however this is indicative only with the new Central unitary vesting day 1 April 2028 and potentially Fair Funding 3.0 from 2029/30.

4.9.2 The Chancellor has announced the Autumn budget date of 28 October 2026, and it is not known at the current time whether this will impact on Council finances. The provisional funding settlement is anticipated in late November/December before parliament rises and is anticipated to be in line with the fair funding announced last year for the three financial years.

Stevenage Core Spending Power	2026-27 £M	2027-28 £M	2028-29 £M	2028-29 £M	2028-29 £M
Baseline Funding (2% increase beyond 2028/29)	£3.61	£3.69	£3.77	£3.89	£3.96
Business Rate losses projected above safety net	£0.00	(£0.18)	(£0.28)	(£0.29)	(£0.30)
Revenue Support Grant	£2.85	£3.49	£4.13	£4.21	£4.30
Recovery grant	£0.28	£0.28	£0.28	£0.28	£0.28
Council tax requirement	£7.33	£7.71	£8.00	£8.30	£8.61
Total Finance Settlement in core resources	**£14.07**	**£14.99**	**£15.89**	**£16.39**	**£16.86**
Council tax historic surplus returns re 2025/26 (para 4.9.3)	£0.23	£0.06	£0.00	£0.00	£0.00
NNDR 2024/25 and 2025/26 deficit returns to the collection fund (para 4.9.3)	(£0.72)	(£0.09)	£0.00	£0.00	£0.00
Total Core Resources	**£13.59**	**£14.97**	**£15.89**	**£16.39**	**£16.86**
Grants assumed in Net cost of services	**2026-27 £M**	**2027-28 £M**	**2028-29 £M**	**2028-29 £M**	**2028-29 £M**
Homelessness, Rough Sleeping and Domestic Abuse	£1.09	£1.13	£1.16	£1.19	£1.21
Crisis Resilience Fund	£0.16	£0.16	£0.00	£0.33	£0.00
Total Settlement Grants in Net cost of services	**£1.26**	**£1.29**	**£1.16**	**£1.51**	**£1.21**

4.9.3 The MTFS includes funding from '**Extended Producer Pays'** funding initiative via the Department for Environment and Rural Affairs (DEFRA) monies have been received for 2025/26 and 2026/27 and the MTFS assumes amounts beyond that will remain at the current year's level. The Council's policy is to use this for new recycling initiatives or purchase of freighters and not to support General Fund base expenditure. However, going forward one permanent post will be funded from the grant to support and progress projects and sufficient funding will be kept in the reserve to allow that post to continue should the award reduce. Members approved the use of the 2026/27 EPR funding in the General Fund budget report to February Council.

4.9.4 Included in MTFS core resources are prior years gains and losses for council tax and business rates going to/from the Collection Fund. When the budget for the year is set an estimate is made of business rates (NNDR1), this is revised as part of the following years return and again at the outturn for the year (NNDR3). The business rate adjustments are 'matched' by a transfer to/from the NNDR reserve as no historic gains are spent until realised. Similarly for council tax an assessment of any surpluses and deficits for all preceptors are calculated as part of the budget setting process.

Collection Fund Core Resource movements	2026/27	2027/28	Total	Note Surplus achieved after loss returns
2024/25 Business rate losses	(£183,637)		(£183,637)	£892,534
2025/26 Business rate losses	(£536,717)	(£85,653)	(£622,370)	£899,266
2024/25 Council Tax surplus	£234,991		£234,991	-
2025/26 Council Tax surplus		£13,912	£13,912	-
2026/27 Council Tax surplus		£47,110	£47,110	-
Total	**(£485,363)**	**(£24,631)**	**(£509,994)**	**£1,791,800**

4.9.4 Council tax surplus and deficits tend to be much smaller as they are not complicated by NNDR appeals and large revaluation movements.

4.10 Balancing the Budget

4.10.1 Balancing the Budget is one of the Council’s key Making Stevenage Even Better (MSEB) priorities to ensure that the Council remains financially resilient whilst striving to deliver against its service and high-level ambitions across both the General Fund and the HRA. Appendix B to this report sets out how the Council is spending money this year on both Council and resident priorities.

4.10.2 Balancing the budget consists of four main streams and work on potential budget options is carried out all year round.

Transformation by improving customer access to services through digital means and improving and streamling processes

Co-operative Commercial and insourcing bringing services in-house if value for money and ensuring we charge appropriately for our services

Efficiencies through robust monitoring savings will be identified where they arise ,to ensure that Council stays financially resilient

Prioritise services if there are not sufficient budget savings achieved from the other three work streams to ensure a balanced budget or new priorities emerge requiring funding.

4.10.2 **Business Change and digital** –Customers are at the heart of the Council’s services, so the aim of the programme is to ensure that they will be served in a straightforward way, with resolution at the first point of contact and, where deemed possible, through the provision of easy to access online services that are so good, people choose to use them and can also lever in savings.

4.10.3 With the advent of LGR the programme has been refocused to focus on getting the Council 'match fit' for LGR through improving customer journeys through digital interventions but without the need for significant staff restructuring.

4.10.4 **Commercialisation & Insourcing** -The Council approved the latest Co-operative Commercial and Insourcing Strategy at the October 2023 Executive. This strategy set out a number of work streams which are overseen by an Executive working group.

4.10.5 A further update on the work arising from the Co-operative Commercial and Insourcing Strategy will be included in the 2027/28 October Fees and Charges report to the Cabinet.

4.10.6 **Efficiency savings** are reported and removed from the General Fund as part of the formal quarterly monitoring process and are included in the 1st Quarter monitoring report if identified. In addition, a star chamber process to identify savings has been carried out over the summer and a number of savings and growth have been identified and are being assessed for recommendation to Members. A summary of the efficiency savings identified to date are shown in the table below and included in the MTFS totalling £76,880, with a further £273,120 to find to meet the 2027/28 Balancing the Budget target.

General Fund Efficiency Savings £'000	Qrt 1 report	2026/27	2027/28	Total
Align Third party tipping income budget to current levels (reported quarter 1 monitoring)	Y	£42,820	£9,460	£52,280
Renegotiation of Citizens Advice contract	Y	£20,080	£0	£20,080
Increase in Procurement income from shared service (GF share)	Y	£4,600	£0	£4,600
Projected increase in commercial lease renewals	Y		£13,000	£13,000
To be identified from fees and Charges and Star Chamber options			£260,040	£260,040
Total		**£67,500**	**£282,500**	**£350,000**

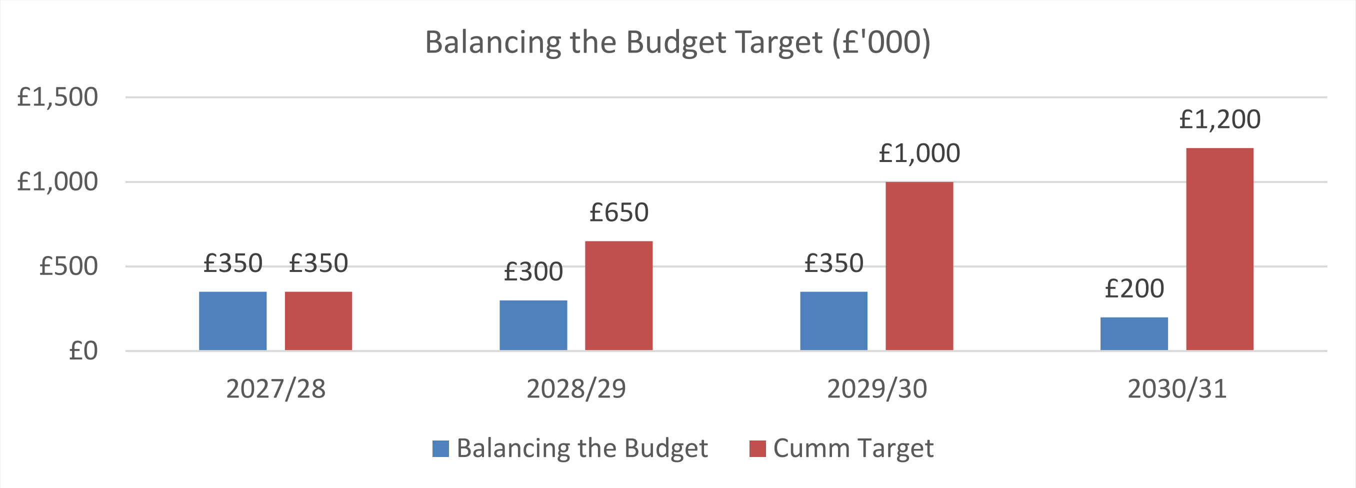
4.10.7 The CFO is confident the target left to find will be identified for the General Fund through the fees and charges proposed and star chamber options. This is alongside a number of growth bids being reviewed for Member approval, which exceed the annual growth allowance and may require a higher level of savings approved or rationalisation of growth options.

4.10.8 There are other financial risks as set out in this report including:

- If inflationary pressures exceed that included in the MTFS (see section 4.1 and 4.2) which may be exacerbated by global conflicts.
- The impact of higher transition LGR costs combined with ability to attract and retain staff in the interim period.
- The General Fund recharges circa £9Million in recharges to the HRA and the HRA requires significant levels of savings per year circa £2Million and may need the General Fund to reduce support costs.
- Savings set out above may change between now and budget setting

4.11 Balancing the Budget Target

4.11.1 The General Fund MTFS has had to set an annual Balancing the Budget savings target due to the gap between funding and expenditure as set out in section three of this report. The target as stated earlier is much lower going forward than in recent years (see also para 3.4) due to the positive impact of Fair Funding. The current targets are shown below.



4.11.2 In setting the savings target, consideration needs to be given as to whether the target sum is achievable in any given year (less of an issue currently), versus setting an amount which delivers no draw on balances. This should be done whilst at the same time, ensuring the Council is still able to deliver on its priorities and that a budget can be set with a prudent level of balances and ensuring Stevenage's finances support the financial resilience of the new Unitary.

4.11.3 Set out in section 4.10 fees and charges are still to be approved (October 2026 Cabinet report) and there are a number of other efficiency and income options are being assessed, together growth bids will be included in the November Balancing the budget report.

4.12 Other Budget Considerations

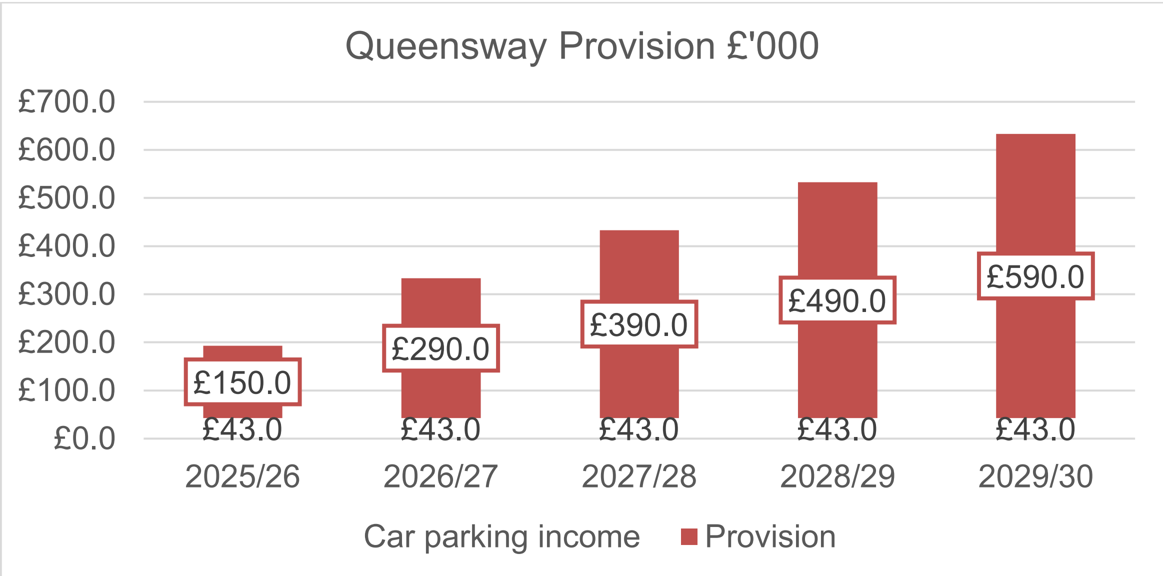
4.12.1 The General Fund currently includes an amount for **LGR funding** which will contribute to the central Hertfordshire programme board estimated to be £500K for 2026/27 and £650K for 2027/28. There is an agreed split of 50:50 between County and Districts and this would give a total identified programme cost of £23Million. This is less than the initial modelling identified in the November 2025 four unitary submission and does not account for any additional support individual Councils may need to backfill those working on LGR etc. Therefore, the CFO recommends the following provisions are made in the General Fund to ensure there is sufficient capacity to deliver the activities required.

General Fund £'000	2026/27	2027/28
Approved/MTFS	£500	£500
Additional	£500	£550
Total	**£1,000**	**£1,050**

4.12.2 A Stock condition survey has been commissioned by the new Head of Property Services to understand the condition of the Councils non housing assets and was trailed in the Capital Strategy, with the previous survey being a number of years ago. It is likely that works will be required, (due October 2026) as a result the CFO recommends £200K of Revenue Contribution to Capital (RCCO) for 2026/27 and 2027/28 is included in the General Fund.

Revenue used for Capital £'000	2026/27	2027/28	2028/29	2029/30	2030/31
RCCO in GF and MTFS	£1,200	£1,200	£1,200	£1,200	£1,200
Stock condition survey costs	£200	£200			
Total	**£1,400**	**£1,400**	**£1,200**	**£1,200**	**£1,200**

4.12.3 The General Fund has set aside monies to support its retail and residential income strip in Queensway North which was acquired for regeneration purposes and to reinvigorate the high street. The challenges for high streets is well documented, and the CFO recommends that an additional £40K over the MTFS per annum is set aside to invest in the asset. More information can be found in the Council's companies report on this Cabinet's meeting agenda. Should the monies be no longer needed they can be returned to General Fund balances. The chart below summarises the annual set aside in the reserve.



4.13 General Fund Balances and Reserves in the MTFS

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

4.13.2 The Council's General Fund balances projected for 2027/28 show a deficit of £202K but reserves are above minimum levels and for 2028/29 this is reversed. The level balances are summarised in the table below and include the recommended budget items:

1. Inclusion of additional LGR provision as set out in para. 4.12.1
2. Inclusion of additional capital funding as a result of the stock condition survey as set out in para 4.12.2
3. Inclusion of a further £40K per year for the Queensway LLP para. 4.12.3
4. BTB savings of £1.2Million between 2027/28-2030/31.

General Fund £'000	2026/27	2027/28	2028/29	2029/30	2030/31
Opening Balance	£7,572	£7,591	£7,390	£7,482	£7,064
Use of balances	£19	(£202)	£92	(£418)	£402
Closing balance	£7,591	£7,390	£7,482	£7,064	£7,466

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

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

4.13.5 Reserves can be held for three main purposes:

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

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

4.13.7 In terms of determining the level of general balances, the CFO has based her advice on consideration of the factors included in the table below which projects a £3.92Million (2026/27 £3.65Million) minimum level. This assessment is indicative at the current time and will be further reviewed as part of the budget setting process and is significantly lower than the projected level of balances in the MTFS.

4.13.8 The level of reserves is above the minimum level which may give rise to include in the 2027/28 budget some one-off spend such as included in the 2026/27 General Fund budget report. This will need to be assessed based on the requirement to maintain balances to support the new unitary and the level of savings and any growth identified, which will be included in the November BTB Cabinet report.

General Fund balances Minimum Level Assessment	2027/28 £Million
Amount to cover a 1.5% overrun in gross expenditure	£1.06

General Fund balances Minimum Level Assessment	2027/28 £Million
Amount to cover a 1.5% overrun in gross income	£0.86
Amount to cover pay award above the budgeted amount	£0.20
Amount to cover higher prices with higher than forecast inflation	£0.50
Amount to cover fee and charges losses through price fluctuation	£0.30
Amount to cover risk of higher LGR transition costs	£1.00
Total Estimated General Fund Reserves	**£3.92**

4.14 Allocated Reserves

4.14.1 The Council's Allocated revenue reserve projections are summarised in the table below. The reserves have been categorised as being allocated for a specific use or available to support the General Fund. A review of continued need of the reserves will be undertaken before the 2027/28 Budget process and reported back to Members.

Reserves £'000	Closing 2025/26	(Use)/trf	Closing 2026/27	Closing 2027/28
NHB reserve	£10	£0	£10	£10
Business Change & Digital Reserve	£988	(£99)	£889	£889
Homeless reserve	£593	(£96)	£497	£497
Planning Delivery	£343	£0	£343	£343
Queensway monies	£408	£333	£741	£1,174
Event island	£30	£0	£30	£30
Town square reserve	£1,798	(£27)	£1,771	£1,586
Regeneration Reserve	£253	£0	£253	£253
Insurance reserve	£62	£0	£62	£62
ICT reserve	£327	(£50)	£277	£277
Asylum seekers reserve	£1,416	(£518)	£898	£898
Commercial Property repair reserve	£50	£0	£50	£50
Domestic abuse reserve	£196	£0	£196	£196
Extended Producer Pays grant	£1,153	(£699)	£454	£454
Elections Reserve	£50	(£50)	£0	£0
LEP Loan Reserve	£0	£0	£0	£869
Apprentice Reserve	£300	£150	£450	£600
Pride in Place	£150	(£150)	£0	£0
Housing strategies	£49	(£49)	£0	£0
Commuted Sums	£134	(£20)	£113	£93
UKSPF	£13	(£13)	£0	£0
Total Allocated for use	**£8,323**	**(£1,289)**	**£7,034**	**£8,280**

Reserves £'000	Closing 2025/26	(Use)/trf	Closing 2026/27	Closing 2027/28
Gains (NNDR)	£4,404	(£793)	£3,611	£3,690
Income equalisation Reserve	**£558**	**£0**	**£558**	**£558**
Total Available to support the GF	**£4,962**	**(£793)**	**£4,169**	**£3,844**
Total allocated reserves	**£13,285**	**(£2,083)**	**£11,202**	**£12,124**
Capital Reserve	£665	(£415)	£250	£250
Total Reserves	**£13,950**	**(£2,498)**	**£11,452**	**£12,374**

4.14.2 There are balances of £3.690Million estimated at the end of 2027/28 in the NNDR business rates gains reserve, but this includes some 'unrealised' gains and future approved commitments which are summarised below.

Use of NNDR reserve	2025/26 and prior	2026/27	2027/28	2028/29	2029/30	Total
includes :						
Swingate interest accrued & return	(£587)	(£530)	(£465)	£0	£0	**(£1,581)**
LEP MRP/Loan repayment	£0	£348	£0	£0	£2,122	**£2,470**
Losses to be repaid:	£0	£0	£0	£0	£0	**£0**
2024/25	£0	£184	£86	£0	£0	**£269**
2025/26	£0	£537	£0	£0	£0	**£537**
Apprentice	£0	£255	£301	£0	£0	**£555**
Total	**(£587)**	**£793**	**(£79)**	**£0**	**£2,122**	**£2,250**
Opening balance		**(£4,404)**	**(£3,611)**	**(£3,690)**	**(£3,690)**	
In year adjustments		**£793**	**(£79)**	**£0**	**£2,122**	
Total		**(£3,611)**	**(£3,690)**	**(£3,690)**	**(£1,568)**	

4.14.3 The table above identifies there is circa £1.57Million remaining in the reserve in 2029/30 assuming the Swingate LLP interest earned and return on the Equity share invested are realised. Therefore, until the interest is realised there is no further available balances in the reserve that can be utilised. The interest and return earned on the Swingate joint venture reflects the position set out in the Companies report to this Cabinet.

4.14.4 The Council also has an income equalisation reserve with a total of £558K as at 31 March 2027, this reserve can be used if fees and charge are impacted and the General Fund requires cash balances to be returned.

4.14.5 The remaining earmarked reserves are held for a number of specific reasons such as the holding costs of the regeneration sites in Town Square and to support the Council's Queensway LLP asset holding to maintain its financial resilience. The CFO will review the earmarked reserves between the MTFS and budget to determine whether all the balances are still required.

4.15 CFO commentary

4.15.1 There is no doubt that the 2026/27 funding settlement and annual savings achieved have enabled a more sustainable financial position with the ability to invest in assets such as the theatre and Ridlins with the RCCO annual investment of circa £1.2Million and additional investment in one revenue growth, together with much lower future savings required.

4.15.2 Looking forward the MTFS projects that 2027/28 general balances will be well above minimum levels -positively impacted by the changes to government funding and the level of balancing the budget savings identified to date. However, the General Fund and Council faces a level of risk from:

- LGR means a shadow authority will be in place for 2027/28, and there will be a level of one off and transition cost that need to be funded. The Council's finances should remain financially resilient to absorb these up-front costs as part of the new unitary.
- The increase in funding from 2026/27 has not been the same for the County Council and from 2028/29 the Central unitary will 'inherit' a proportion of those pressures.
- There is a potential on-going risk to income streams from higher cost of living levels. The Council holds an income equalisation reserve to neutralise this impact in medium term.
- The 2026/27 are now concluded but above CPI and future pay negotiations may remain so. A 2.5% pay award has been modelled beyond 2027/28.
- The Stock condition survey results may show a higher level of works required than available.
- Investment balances may reduce quicker than included in the MTFS reducing available resources.

4.15.3 Growth should be limited to that which is necessary to deliver the Council's top priorities based on the ability to deliver the existing Corporate Plan commitments to ensure there is sufficient monies to maintain the resilience of the new unitary authority Stevenage becomes part of. There may be some opportunity to use balances to support capital bids which have been severely curtailed due to a lack of funding and a report will be presented to a later Cabinet meeting.

4.16 Approach to Consultation

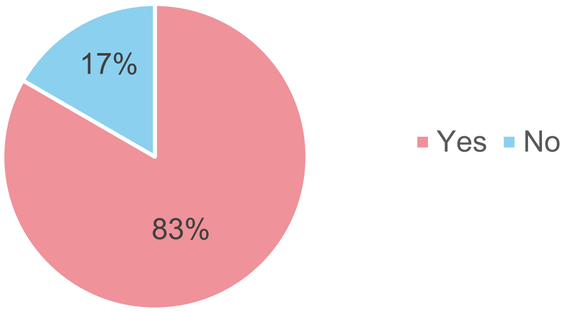
4.16.1 The Council consulted on the 2025/26 budget via an on-line form on the SBC's website the responses were a small sample of 30 so not statistically sound. The growth for apprentices was supported and the graffiti growth was only narrowly not supported.

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%

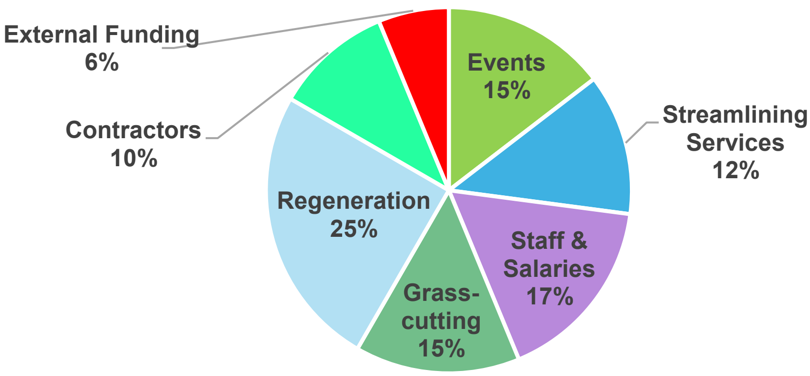
2025/26 Budget Feedback	Yes	No
Only cutting services if no other options available	67%	33%

4.16.2 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:



4.16.3 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 business change 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 (2025)

4.16.4 The 2025/26 Residents survey (on this Cabinet agenda) 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 2025, 2021 and 2017) with 46%. This first-rate ranking has increased from 2021 and supports the Digital Strategy (approved at the December Cabinet) as a method to reduce costs and improve efficiency / productivity.

Please tell us your order of preference for each of the following options by ordering them 1 to 5	2025 rank	2021 rank	1st
Reduce time and money spent on paperwork by interacting with more residents and customers online/modenising services	1	1	46%
Make money by selling more of our services to residents and customers	2	4	9%
Increase income from fees and chargeable services, to keep the council's element of Council Tax as low as possible	3	2	24%
Spend less by reducing or cutting the services that you tell us are not a priority	4	3	10%
Increase our element of Council Tax (for example from 51p per day to 55p per day)	5	5	7%

4.16.2 The 2025 residents' survey asked residents whether the council tax represented value for money. While strongly disagree has decreased (from 15% to 12%), overall 44% (was 52% in 2021) of residents agree it represents value for money, with an increase in the number neither agreeing or disagreeing. It should be noted that Stevenage's performance remains above the LGA benchmark (2024) of 36%. Stevenage Borough Council is also the billing authority but only accounts for 10.8% of the overall council tax. The 2025 data and prior year comparators are shown in the chart below.

	Responses	2025	2021	2017	2015	2011
To what extent do you agree or disagree that the Council Tax paid to Stevenage Borough Council provides good value for money?	Strongly agree	5%	16%	10%	7%	6%
	Tend to agree	39%	36%	36%	39%	40%
	Neither	28%	18%	30%	30%	33%
	Tend to disagree	13%	10%	17%	18%	16%
	Strongly disagree	12%	15%	7%	6%	5%
	Don't know (DNRO)	4%	4%			
	Summary: Agree	**44%**	**52%**	**46%**	**46%**	**46%**
	Summary: Disagree	**12%**	**26%**	**24%**	**24%**	**21%**

4.17 Decision Making Process

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

Date	Meeting	Report
Oct-26	Cabinet	2027/28 Fees and Charges
	Overview and Scrutiny	2027/28 Fees and Charges
Nov-26	Cabinet	Balancing the Budget Report with the savings proposals for the General Fund and HRA
	Overview and Scrutiny	Balancing the Budget Report with the savings proposals for the General Fund and HRA
Dec-26	Cabinet	Draft 2027/28 HRA budget and rent setting report
	Overview and Scrutiny	Draft 2027/28 HRA budget and rent setting report
Jan-27	Cabinet	Final 2027/28 HRA budget and rent setting report Draft 2027/28 General Fund budget, Council Tax and Council Tax Support
	Overview and Scrutiny	Draft 2027/28 General Fund budget, Council Tax and Council Tax Support
	Council	Final 2027/28 HRA budget and rent setting report

Date	Meeting	Report
Feb-27	Cabinet	Final 2027/28 General Fund budget, Council Tax and Council Tax Support
	Overview and Scrutiny	Final 2027/28 General Fund budget, Council Tax and Council Tax Support
	Council	Final 2027/28 General Fund budget, Council Tax and Council Tax Support

4.17.2 Following the approval of the proposed options for 2027/28, the Council will have an obligation to begin consultation with staff and partners.

5. IMPLICATIONS

5.1. Financial Implications

5.1.1 The CFO view is set out within this report.

5.2. Legal Implications

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

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

5.3. Risk Implications

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

Risk Area	Risk Mitigation	Likelihood	Impact
Anticipated savings options not achieved (Negative Risk) –agreed options do not deliver expected level of savings either on a one-off basis or On-going.	Regular monitoring and reporting takes place, but the size of the net budget reductions increases the risk into the future. Non achievement of options would require other options to be brought forward. General Fund reserves should be held to ensure that decisions to reduce net costs are taken in a considered manner. This may become more of a risk as options around commercialisation are explored.	Medium	Medium

Risk Area	Risk Mitigation	Likelihood	Impact
Council Tax Support (CTS) (Negative Risk) – increased demand is under- estimated.	An increase in demand would impact on future years as the deficit in the collection fund would need to be repaid by the General Fund. However, the modelling in the MTFS leaves the higher level of CTS caseload	Medium	Medium
Council Tax collection rates remain lower and the taxbase is reduced	The trend has been towards lower collection rates and this could mean the amount included in the taxbase will need to increase for bad debt. The CFO is tracking trends across other Herts Councils and looking at measures to reduce arrears	High	Medium
Localisation of Business Rates (Potential Negative) – A major employer leaves the town and impacts the business rate yield due to the Council	Negative: The MTFS includes an assumption that a safety net payment will be made during the MTFS period. There are no assumed gains in the MTFS period.	Medium	Low
Loss of Business Rates due to Companies going into administration	As above.	Medium	Low
The NDR Check Challenge Appeal process impacts on the Council's baseline assessment and increases the level of successful appeals and reduces the yield (Negative risk)	Officers will be monitoring changes to the NDR system and will be talking to the Valuation office. However, since the system has been introduced. There are still appeals outstanding on the 2017 list and the revaluation for 2023 has seen an increase in business rates which inevitably will lead to an increase in appeals for the new list.	Medium	Low
Recession risk due to high inflation	General balances are risk assessed to ensure overall levels are maintained that meet an in-year short fall in income and higher costs. In addition, the Council has an income equalisation reserve to mitigate against fluctuating income levels.	Medium	High
All MTFS risks not adequately identified (Negative or Positive Risk) – Financial risks and their timing are not	Council's risk management framework ensures operational and strategic risks are identified as part of the annual service and MTFS planning process.	Low	High

Risk Area	Risk Mitigation	Likelihood	Impact
accurately judged leading to either a pressure or benefit to the MTFS.			
Impact of future years capital programme (Negative) There could be increased pressure from the capital programme on the General Fund.	There is a robust challenge process for capital bids. Officers will be required to confirm that resources are in place to deliver any approved spend Additional revenue resources to fund capital have been identified in the MTFS .A stock condition survey has been commissioned in 2026/27 which should highlight any additional need.	Medium	High
The Council's regeneration of SG1 increases the financial resources the Council must find.	The Council has already approved the use of ring fenced NDR gains for this purpose and the MTFS recommends this continues. The Council has identified NDR reserves to support the holding costs associated with the Swingate site in conjunction with Mace.	High	High
Fees and Charges target may not be reached (negative risk)	Non achievement of the target may require other options to be brought forward, for future years. But the Council has an income equalisation reserve to meet in year losses and an assumption is also contained within the minimum level of balances to meet an in-year loss.	High	High
Homeless Bed and Breakfast costs increase	A budget of £80K budget is included within the General Fund for this.	Medium	Medium
Increased support for Companies	Surpluses assumed for Company activity may be lower than anticipated or support required higher than modelled leading to lower net returns	Medium	High
LGR increased costs	The Council has provided for some additional spend to fund the impact of the amount required by the Hertfordshire central office and to provide additional resources at a local level	High	High

5.4. Equalities and Diversity Implications

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

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

5.5. Policy Implications

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

5.6 Staffing and Accommodation Implications

5.6.1 There are no staffing implications in this report.

5.7 Climate Change Implications

5.7.1 The Budget and Policy setting process has prioritised growth for climate change as part of the 2022/23, 2023/24 and 2024/25 budget setting process. However, there will be a need to provide more resource than is currently included in the budget to meet the 2030 deadline. The 2027/28 process should have due regard for climate change implications based on the Council's approved Climate Change Strategy.

5.8 LGR Implications

5.8.1 As part of the timetable for LGR, the Secretary of State's will issue a Direction under section 24 of the Local Government and Public Involvement in Health Act 2007 (the Section 24 Direction) and this will place restrictions on different types of expenditure by the Hertfordshire Councils without consent in the period up to vesting day.

5.8.2 Section 24 of the Local Government and Public Involvement in Health Act 2007 allows the Secretary of State to direct that from a certain date the authorities to be dissolved under a Structural Change Order may not, without the written consent of those specified in the direction:

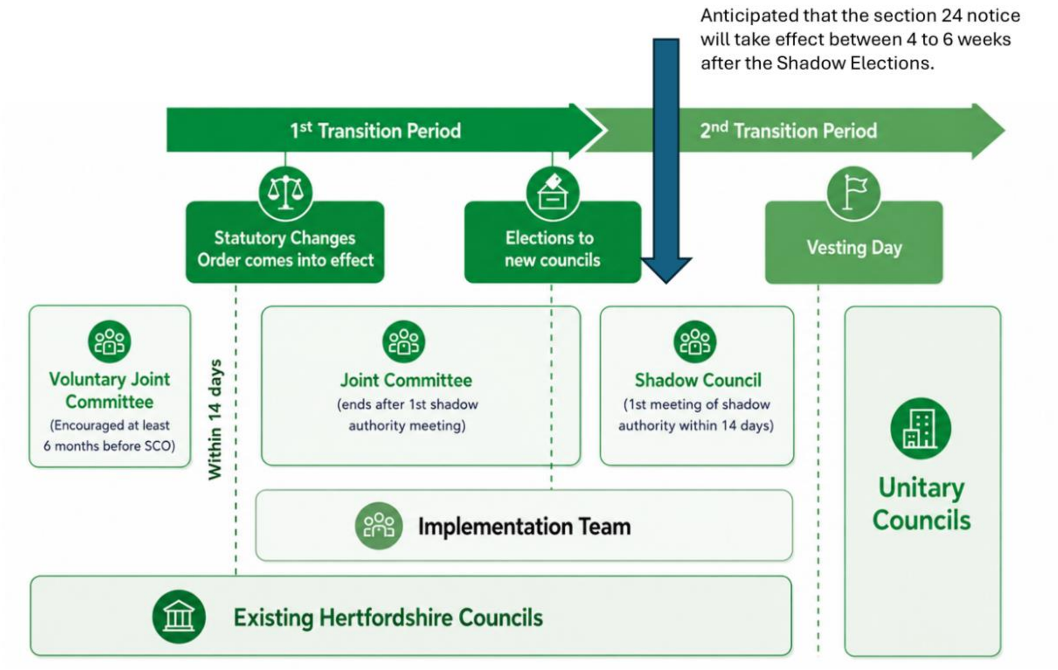
- Dispose of land for more than £100,000 (note: disposals include granting or disposing of any interest in land; entering into a contract to dispose of land or grant or dispose of any such interest; and granting an option to acquire any land or any such interest)
- Enter into contracts that exceed the following limits Capital £1,000,000+

- Non-capital £100,000+

Note: all of the financial limits set out above would be cumulative from the date enacted.

5.8.3 This means all disposals of land and, for contracts, repeat contracts with the same third party or for a similar description of matter as a previous contract are caught.

5.8.4 The purpose of a section 24 direction is to ensure that a new authority has oversight of and a degree of control over the decisions of its predecessor councils which could have implications for the finances and plans of that new authority. The timeline from District to unitary is summarised below.



BACKGROUND DOCUMENTS

BD1 – 2025 September MTFS Strategy

APPENDICES

Appendix A MTFS

Appendix B summary spending initiatives on Council and resident priorities.