

# **East Herts Council Report**

## **Executive**

**Date of meeting: Tuesday 7 January 2025**

**Report by:** Councillor Carl Brittain – Executive Member for Financial Sustainability

**Report title:** Draft Budget 2025/26 and Medium Term Financial Plan 2025-2035

**Ward(s) affected: (All Wards);**

**Summary** – This report sets out the revised Medium Term Financial Plan (MTFP) and savings proposals to balance the 2025/26 budget. The council's financial position will remain uncertain until the draft Local Government Finance Settlement. This is due to be released week commencing 16<sup>th</sup> December. The MTFP is based on the latest intelligence around government funding for 2025/26.

The report presents a balanced budget for 2025/26 (with a small £6k surplus), there are a number of risks associated with this budget which will be discussed in the upcoming paragraphs. Delivery of the officer delegated and Executive recommended savings are critical to balancing the budget.

The base case MTFP was shared with Executive in October 2024 this version showed a budget gap of circa £2m. Base budgets, statutory and non-statutory services have been reviewed and savings options considered and discussed at both Leadership Team meetings and joint meetings with Executive. Proposals to mitigate the forecast budget gap of £2m are detailed within the report.

### **RECOMMENDATIONS FOR EXECUTIVE:**

- a) Requests Audit and Governance Committee to consider the savings proposals and advise Executive of any significant issues they believe may arise;

**b)** Delegate to the Interim Head of Strategic Finance, in consultation with the Executive Member for Financial Sustainability, the authority to amend the proposed budget and medium term financial plan to be put to Audit and Governance Committee on 29 January 2025 in order to reflect the Local Government Finance Settlement and other emerging information, so that the committee can consider the most complete and up to date information.

## **1.0 2025/26 Budget & MTFP**

1.1 The Medium Term Financial Plan (MTFP) approved by Council in February 2024, and amended in October 2024, has been updated to reflect the current known position and estimates of expected budget position. The MTFP is shown in Appendix A. Table 1 below shows the summary position.

<b>Table 1: Summary MTFP as at 10/12/2024</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>
	£'000	£'000	£'000	£'000
Net Cost of Services	19,266	19,142	19,860	20,809
Corporate Budgets	4,440	4,001	3,987	3,886
Savings plans	(3,409)	(4,222)	(5,210)	(5,420)
Government funding	(7,008)	(3,543)	(3,598)	(3,600)
Council Tax	(13,131)	(13,625)	(14,138)	(14,669)
Contributions to/from reserves	(164)	-	-	-
<b>Net Budget position</b>	<b>(6)</b>	<b>1,753</b>	<b>901</b>	<b>1,006</b>

1.2 The updated MTFP shows a balanced budget for 2025/26, with a small surplus of £6k, the paragraphs that follow detail the updates that have been made to the 2025/26 position since October 2024. The updated MTFP also shows that further work will be required to bridge the identified gaps for 2026/27 onwards – this work is ongoing.

1.3 Leadership Team, in conjunction with senior managers, presented savings options to the Executive in joint meetings to address the budget gap forecast in the MTFP. At these meetings consideration

was given to statutory and non- statutory services that the council provides and how services are delivered.

1.4 These savings options fall into 2 categories, those under officer delegation and those for Executive recommendation. The savings plans, as per table 1, total £3.4m. Of these, £1.582m are under officer delegation as shown in table 2 and Appendix B.

<b>Table 2: Savings implemented under officer delegation</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>
	£'000	£'000	£'000	£'000
<i>Approved as part of 2024/25 budget setting</i>	<i>(122)</i>	<i>(1,335)</i>	<i>(1,985)</i>	<i>(1,985)</i>
Savings proposed by Leadership Team – Dec 2024				
- Contractual changes	(937)	(1,137)	(1,137)	(1,137)
- Vacancy management	(337)	(421)	(421)	(421)
- General efficiencies	(128)	(128)	(128)	(128)
- Transformation	(58)	(88)	(103)	(103)
<b>Total officer delegated savings</b>	<b>(1,582)</b>	<b>(2,125)</b>	<b>(2,140)</b>	<b>(2,140)</b>

1.4.1 The savings proposals in place under officer delegation have fully worked up proposals to support, which will be shared following consultation with officers.

1.5 A range of savings options were presented for Member consideration, those proposed to be taken forward total £1.827m, of this total, £492k are new proposals for 2025/26 with the balance already approved as part of the 2024/25 budget setting process. These are shown in table 3 and Appendix C.

<b>Table 3: Executive recommended savings</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>
	£'000	£'000	£'000	£'000
<i>Approved as part of</i>	<i>(1,335)</i>	<i>(1,335)</i>	<i>(1,985)</i>	<i>(1,985)</i>

<i>2024/25 budget setting</i>				
Savings proposed 2025/26 budget setting				
- Retender of ground maintenance contract	-	-	(50)	(50)
- Increase Garden Waste charges by £10 to £59, then cpi increase per year	(300)	(330)	(360)	(390)
- Reduce contribution to HGGT	(15)	(15)	(15)	(15)
- Reduce member training budget	(10)	(10)	(10)	(10)
- Community grants - reduction	(30)	(30)	(30)	(30)
- Millstream property disposals	(63)	(190)	(253)	(253)
- New approach to partnerships	(74)	(147)	(147)	(147)
- Customer services, review receptions	-	(40)	(40)	(40)
- Transformation	-	-	(180)	(360)
<b>Total Executive recommended savings</b>	<b>(1,827)</b>	<b>(2,097)</b>	<b>(3,070)</b>	<b>(3,280)</b>

1.5.1 All options for Executive consideration are shown in Appendix C, including those that have been rejected as part of the 2025/26 budget setting.

1.5.2 Delivery of all savings proposed is vital to ensure that the authority can meet its commitments. Robust monitoring of the savings plan, early identification of risks and proposals for future savings and transformation will be carried out by Leadership Team.

## **1.6 Net Cost of services - updated figures**

### **1.6.1 Extended Producer Responsibility**

Confirmation from government was received on 2<sup>nd</sup> December 2024 that East Herts would receive £1.4m in 2025/26 in respect of the extended producer responsibility scheme, this is to compensate councils for managing packaging waste collected from households. No assumption was made in the previous versions of the MTFP previously as the amounts were unknown.

### **1.6.2 BEAM budget contribution**

A review of the business plan for BEAM has been undertaken by external consultants. The net cost of services has been updated with a reduced surplus position from £1.8m to £200k in 2025/26. Any overachievement against this base position will be transferred to reserves.

### **1.6.3 Pay award 2024/25 & Salaries**

The 2024/25 pay award was agreed in October 2024 at a lower rate than was included in the budget. A reduction of £200k in the 2025/26 base budget has been accounted for in the net cost of services. All salary budgets have been updated in line with current scale point and appointments made in 2024/25. A 3% pay award has been assumed in 2025/26 and all future years.

### **1.6.4 Employers National Insurance**

Following the announcement of an increase from 13.8% to 15% in employers' national insurance contributions as part of the 2024 Autumn Budget, an increase of £347k has been built into the net cost of services figures. It is expected that the council will receive compensation from government for some of this cost, and £200k has been built into the government funding line in the MTFP to reflect this. This amount is not guaranteed and at present is an estimate. Officers are working with contractors to

ascertain the impact that the increase in national insurance contributions will have on the cost of contracts.

#### **1.6.5 Business Rates – Charringtons House**

A budget has been built in to cover ongoing pressure in respect of business rates liability at Charrington's House, these are £300k in 2025/26 reducing to £150k in 2026/27.

#### **1.6.6 Capital Expenditure charged to a revenue account**

The previous version of the MTFP included a budget of £550k for capital expenditure charged to a revenue account, this has been reduced to £50k in line with the reduced capital programme.

### **1.7 Corporate Budgets**

#### **1.7.1 Minimum Revenue Provision (MRP)**

The budget in the MTFP hasn't been adjusted at present as a review of the Councils MRP policy is currently underway. Any identified savings will be set aside to the interest equalisation reserve to cover reduction in principal amount invested in property funds.

#### **1.7.2 Interest payable on loans & investment income**

Both lines have remained the same in the MTFP as they are currently being reviewed, in line with MRP any savings identified will be set aside to the interest equalisation reserve to cover reduction in principal amount invested in property funds.

### **1.8 Government Funding**

All assumptions regarding government funding have been reviewed and updated in line with latest guidance from LG futures. The Local Government Finance Settlement is expected to be available week

commencing 16<sup>th</sup> December when received we will have greater certainty around our funding position

### **1.9 Council Tax increase**

The MTFP includes a 2.98% increase in council tax for 2025/26 and all future years. For 2025/26 this gives a band D council tax of £201.04.

### **2.0 Uncertainty**

- 2.1 The figures in the current MTFP are based on the best information available at the time of writing the report. The Local Government Finance Settlement is not expected until later in December. The figures included for government funding are therefore at risk of change.
- 2.2 Although this appears to be a balanced budget, the underlying need to deliver every saving cannot be stressed too much. There is a high risk that these savings may not materialise and there is a limited amount of reserves.
- 2.3 In the MTFP 2026/27 onwards is showing a budget gap of £1.7m that we currently haven't been able to bridge. Transformation and savings proposals need to be developed to set a balanced budget for future years.

### **3.0 Reason(s)**

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

### **4.0 Options**

4.1 Given the financial outlook there are limited options available to ensure a balanced budget. Any growth will need to be balanced with savings.

## **5.0 Risks**

5.1 Risk and known uncertainties are highlighted in the body of the report.

## **6.0 Implications/Consultations**

6.1 The council is required to consult with Business Ratepayers under s.34 Local Government Finance Act 1988.

6.2 The budget papers will be available on line for residents to view. Alongside this we will invite comments and feedback from residents on the proposals via an online survey which will run from late December until the 15th January. The results of this survey will be shared with Audit and Governance Committee for their consideration alongside the budget papers.

## **Community Safety**

The budget underpins delivery of the council's policies and priorities in relation to community safety.

## **Data Protection**

None directly arising from this report.

## **Equalities**

The Council has a statutory duty under the Equalities Act 2010, in particular s149. This includes the requirements on the Council to have due regard to the need to eliminate discrimination and harassment, to advance equality of opportunity, to foster good relations and to remove or minimise disadvantages suffered by persons who share protected characteristics. Compliance with these duties in the Equalities Act does permit the Council to treat some persons more favourably than others,



but only to the extent that such conduct is not otherwise prohibited. In setting the budget, decisions on some matters may be particularly relevant to the discharge of this duty, particularly fees and charges concessions and an equalities impact assessment will be undertaken to assess and ensure compliance with this duty

### **Environmental Sustainability**

The budget underpins delivery of the council's policies and priorities in relation to the environmental and sustainability areas.

### **Financial**

All financial implications are contained within the report.

### **Health and Safety**

None directly arising from this report.

### **Human Resources**

The budget provides provision of a pay award for up to 3% in 2025/26, the actual award is subject to national NJC negotiations.

### **Human Rights**

None directly arising from this report.

### **Legal**

The council is required to set a balanced budget each year. The Local Government Finance Act 1992 (as amended by the Localism Act 2011) requires the council to estimate revenue expenditure and income for the forthcoming year from all sources, together with government grant and contributions from reserves, in order to determine a basic Council Tax Requirement.

Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of the estimates and adequacy of reserves to the council when it is considering the budget.

### **Specific Wards**

No

## **7.0 Background papers, appendices and other relevant material**

- 7.1 Budget 2025/26 and Medium Term Financial Plan – 28 February 2024 Council Meeting
- 7.2 Budget 2025-26 and Medium Term Financial Plan (MTFP) 2025-2035 Preparation – 1 October 2024 Executive

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