

East Herts Council Report

Executive

Date of meeting: Tuesday 11 February 2025

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

Report title: Budget 2025/26 & 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 Local Government Finance Settlement was published on 18th December, the impact of the finance settlement is included in the report. 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 and income generation plans are key 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 forecast budget gap of £2m are detailed within the report.

The 2025-2035 Capital programme reflects the Councils Capital strategy and the statutory guidance that debt should remain below the Capital Financing Requirement. The Council is compliant with this guidance, however there is no scope for further borrowing above the levels proposed in the current capital programme.

RECOMMENDATION FOR EXECUTIVE:

- a) Recommend to Full Council; to approve the budget and Medium Term Financial Plan at Appendix A, savings programme at Appendix C, Capital Programme at Appendix D, Fees and Charges at Appendix E and increase Council Tax by 2.98%, which will result in a Band D Council Tax increase of £5.82 to £201.04 per year.

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 following the draft Local Government Finance Settlement issued on 18th December 2024 and estimates of expected budget position. The MTFP is shown in Appendix A. Table 1 below shows the summary position

Table 1: Summary MTFP as at 10/01/2025	2025/26	2026/27	2027/28	2028/29
	£'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)	(3,564)	(3,619)	(3,621)
Council Tax	(13,131)	(13,625)	(14,138)	(14,669)
Contributions to/from reserves	(164)	-	-	-
Net Budget position	(6)	1,732	880	984

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 total, as per table 1, £3.4m. Of these £1.582m are under officer delegation as shown in table 2 and Appendix B.

Table 2: Savings implemented under officer delegation	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000
<i>Approved as part of 2024/25 budget setting</i>	(122)	(1,335)	(1,985)	(1,985)
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)
Total officer delegated savings	(1,582)	(2,125)	(2,140)	(2,140)

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 and income generation proposals 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.

Table 3: Executive recommended savings	2025/26	2026/27	2027/28	2028/29
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& Income generation proposals				
	£'000	£'000	£'000	£'000
<i>Approved as part of 2024/25 budget setting</i>	<i>(1,335)</i>	<i>(1,335)</i>	<i>(1,985)</i>	<i>(1,985)</i>
<i>Executive member decisions in 2024/25</i>				
<i>Proposed increase Garden Waste charges by £10 to £59</i>	<i>(300)</i>	<i>(300)</i>	<i>(300)</i>	<i>(300)</i>
Savings proposed 2025/26 budget setting				
- Retender of ground maintenance contract	-	-	(50)	(50)
- Increase Garden Waste charges annually by contract inflation	-	(30)	(60)	(90)
- 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)
Total Executive recommended savings & income generation 2025/26	(192)	(462)	(753)	(945)
Total Executive recommended savings & income generation	(1,827)	(2,097)	(3,070)	(3,280)

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 2nd 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 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. The government has announced an additional £515m for local authorities in compensation of National Insurance Contributions as part of the 2025/26 local government finance settlement. The exact amount that East Herts will receive is still uncertain, included in the MTFP is an assumption of £179k (51% of the additional cost forecast). 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 Charringtons 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.

1.7.3 Fees and Charges

The fees and charges schedule is included as Appendix E. All fees and charges have been reviewed by officers and increased, where applicable, in line with the councils fees and charges policy for cost recovery.

1.8 Government Funding & Council Tax increase

1.8.1 All assumptions regarding government funding have been reviewed and updated in line with latest guidance from LG futures and the Local Government Finance Settlement which was published on 18th December 2024.

1.8.2 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.

1.9 Capital Programme

1.9.1 The 2025/26 – 2034/35 Capital programme and capital funding is shown in Appendix D and a summary in Table 4

Table 4: Capital Programme & Capital Funding	2024/25 Forecast Outturn	2024/25 Carry forward	2025/26 Estimate	2026/27 Estimate
Capital Expenditure	£'000	£'000	£'000	£'000
Land & Buildings	5,554	1,150	1,535	2,195
Infrastructure	262	-	-	-
Vehicles & Equipment	450	7,835	8,260	300
Community Assets	1,252	-	-	-
Transformation	-	-	500	500
Contingency	-	-	250	250
Total capital expenditure	7,518	8,985	10,545	3,245
Capital Funding				
External borrowing	(3,291)	-	(7,898)	-
Capital receipts	(206)	-	(1,400)	(3,245)
S106	(599)	-	(1,247)	-
Capital grants applied	(422)	-	-	-
Reserve funded	(3,000)	-	-	-
Total capital funding	(7,518)	-	(10,545)	(3,245)

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1.9.2 The capital programme presented is much reduced from previous years in line with the completion of major schemes. The capital programme has been prepared by Leadership Team and is the maximum that is affordable for the authority, there is no scope within the councils Capital Financing Requirement for any additional unfunded schemes.

1.9.3 The majority of the carry forward budgets relate to the purchase of vehicles and equipment and adjustments to Buntingford Depot required for the new waste contract that commences in May 2025. The purchase of these is now scheduled to take place in quarter one of 2025/26.

1.9.4 The council has received section 31 grant from DEFRA to fund the purchase of food waste bins and food waste collection vehicles. In 2025/26 £1.2m will be utilised. The balance of the funding for these vehicles will come from external borrowing and capital receipts. The Minimum Revenue Provision (MRP) in relation to these assets will, in line with the councils MRP policy, be straight line over the assets useful life, of 8 years. This gives a MRP requirement of c£838k per year.

1.9.5 The officer asset management group is reviewing assets that are proposed for disposal, with the view to accelerate disposal of assets in order to reduce the cost of borrowing and the future MRP charges to the council. For each £1m of borrowing the Council enters into there is a revenue cost of at least 8%

1.9.6 The only capital schemes that are proposed from 2027/28 onwards are for investment in operational assets and IT, both of these are currently under review and will form part of the 2026/27 budget and MTFP report.

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 was received on 18th of December, and increase to

the Revenue Support Grant has been included in the MTFP. There is still uncertainty about the grant relating to Employees National Insurance contributions.

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, that could be utilised to support any shortfall in savings.

2.3 In the MTFP 2026/27 onwards is showing a budget gap of £1.7m. Transformation and savings proposals will need to be developed to bridge this budgetary gap.

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 and any shortfall from the limited reserves the council holds.

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.

6.3 A meeting of the Joint Scrutiny Committees was held on 28 February 2025, comments raised are shown in Appendix F along with Executive member response.

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

7.3 Draft Budget 2025-26 and Medium Term Financial Plan - 7 January 2025 Executive

7.4 Appendices

Appendix A	Medium Term Financial Plan
Appendix B	Savings implemented under officer delegation
Appendix C	Executive recommended savings & Income generation proposals
Appendix D	Capital Programme & Capital Funding
Appendix E	Fees and Charges 2025/26
Appendix F	Comments from the Joint meeting of Scrutiny Committees 29/01/2025

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