East Herts Council Report

Executive

Date of meeting: Tuesday, 7 October 2025

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

Report title: Medium Term Financial Plan 2026-2031

Ward(s) affected:

Summary – The report outlines East Herts Council's strategic financial planning framework for the five-year period from 2026/27 to 2030/31. It sets out the Council's approach to forecasting core resources, including business rates, central government grants, and council tax, and models different scenarios based on national policy developments and local economic conditions. The report also details the assumptions used for inflation, tax base growth, and funding allocations, and presents a structured financial timetable for decision-making and budget-setting.

It also identifies key pressures and adjustments that will be incorporated into the financial model, including inflationary assumptions, service-level budget changes, and expenditure revisions. These are supported by a savings programme that lists proposals for each year.

Finally, the report sets out the projected budget gap for each year and the Council's approach to managing this through further savings identification and reserve planning. It includes an assessment of the adequacy of general fund balances and earmarked reserves and describes the governance arrangements for monitoring financial performance and updating the MTFP as required.

RECOMMENDATIONS FOR EXECUTIVE:

a) To approve the Medium-Term Financial Plan (MTFP) 2026–2031 as set out in Appendix A, along with the financial assumptions and modelling used to forecast resources and pressures over the MTFP period.

b) To note the projected budget gap of £531k in 2026/27 and the cumulative gap of £2.41 million through to 2030/31.

c) To note the adequacy of General Fund balances and the ongoing review of grants and reserves, with outcomes to be reported as part of the 2026/27 budget report later in the year.

d) To note the financial planning framework and timetable for future reporting and decision-making.

1.0 Introduction

1.1 The Medium-Term Financial Plan (MTFP) is a strategic financial document that underpins the Council's decision-making and long-term financial sustainability of East Hertfordshire District Council (EHDC). It is core to the ongoing delivery of the Council's Corporate Strategy and Capital Programme, ensuring that financial resources are allocated effectively to meet service demands and transformation goals.

1.2 Using forecasting techniques, this strategy sets out the Council's most likely MTFP, alongside other potential scenarios surrounding known pressures, national policy and economic issues and local factors. Good and effective financial management and planning not only enables the Council to respond to pressures and changes but also is good practice.

1.3 While discussions around Local Government Reorganisation (LGR) are ongoing, the MTFP does not currently incorporate any assumptions related to LGR. This is due to the absence of a confirmed timeline, scope or financial framework for reorganisation. Including speculative impacts at this stage would risk undermining the robustness of the financial planning process. The Council will continue to monitor developments and update the MTFP accordingly when more concrete information becomes available.

2.0 Economic Outlook

2.1 The UK economy continues to navigate a complex and uncertain landscape. According to the Bank of England's August 2025 Monetary Policy Report, inflation has moderated significantly from its 2022 peak of over 11% but remains volatile. CPI inflation rose to 3.5% in Q2 2025, driven by increase in energy, food and administered prices and is expected to peak around 4% in September before gradually returning to the 2% target in the medium term.

2.2 The Bank Rate has been reduced to 4%, reflecting progress in controlling inflation. However, the Monetary Policy Committee (MPC) remains cautious. Noting that wage growth, currently around 5% and services inflation 4.7% could sustain inflationary pressures. The MPC has adopted a gradual and responsive approach to further rate cuts, contingent on continued disinflationary trends.

2.3 UK GDP growth remains subdued, with projections of 1.2% in 2025 Q3, rising to 1.7% by 2028. A margin of slack has emerged in the economy, particularly in the labour market, which is expected to loosen further before recovering. The unemployment rate is forecast to hover around 4.8-4.9% over the medium term.

2.4 The Office for Budget Responsibility's (OBR) 2025 Forecast Evaluation Report highlights the lingering effects of recent economic shocks, including the COVID-19 pandemic, energy price surges and geopolitical instability. These factors have reshaped fiscal planning and introduced greater uncertainty into long-term projections.

2.5 Public Sector borrowing and debt remain elevated and while government receipts have broadly aligned with forecasts, expenditure pressures – particularly in health, welfare and local services continue to challenge fiscal sustainability. The OBR emphasises the need for robust scenario planning and resilient budget frameworks to manage volatility.

2.6 For East Herts District Council, the national outlook presents several implications:

- **Inflationary Pressures**: Rising costs in energy, wages and services will affect operational budgets and contract renewals.
- **Interest Rate Sensitivity**: Changes in Bank Rate influence borrowing costs and treasury returns, impacting capital financing strategies.
- **Demand for Services**: Economic uncertainty may increase demand for council support services, including housing, benefits and hardship relief.
- **Income Volatility**: Discretionary income streams (e.g., fees and charges) may be affected by reduced consumer spending and business activity.

2.7 This means the Council must remain agile in its financial planning, incorporating national trends into local forecast and maintaining a strong risk management posture.

3.0 Local Government Funding – Fair Funding Review 2.0

3.1 Since the end of the last multi-year local government finance settlement in 2019, East Herts, like many other, has operated under a series of one-year settlements, typically confirmed in December, just weeks before councils set the budget for the coming year. This late confirmation severely limits the Council's ability to plan strategically, invest confidently, and engage meaningfully with stakeholders on long-term priorities.

3.2 The lack of certainty has been compounded by the continued delay in key reforms, including the Review of Needs and Resources, the Business Rates Retention reset, and the future of the New Homes Bonus. Despite multiple consultations and calls for evidence, no definitive framework has emerged, leaving councils reliant on short-term allocations and transactional mechanisms such as the Funding Guarantee, which ensure a minimum annual increase in Core Spending Power but does not address underlying structural issues.

3.3 The Government's Fair Funding Review 2.0, now underway, seeks to address these long-standing challenges by redistributing funding more equitably across local authorities. The review aims to ensure that resources are allocated based on assessed needs, with greater weight given to areas facing higher levels of deprivation, service demand and demographic pressures. The key proposals in the review:

- **Multi-year settlement** to improve financial planning certainty
- **Grant simplification**, reducing reliance on competitive bidding and consolidating fragmented funding streams.
- **Updated formula for assessing relative needs and local resource capacity**, including revised Area Cost Adjustments (ACA) and Relative Needs Formulas (RNFs) for services such as adult social care, children's services, temporary accommodation.
- **Sales, fees and Charges reform**, offering councils greater flexibility to raise income locally.
- **Business Rates Retention Reform**, including a long-awaited reset of the baseline to reflect actual growth since 2013.
- **New Homes Bonus** transitional arrangements, with legacy payments phased out and no replacement scheme confirmed.

3.4 The government proposes a "cash flat floor" to ensure councils do not receive less funding in cash terms than the previous year. However, this does not protect against real-term reductions, and not all councils will qualify.

3.5 The Implications for East Herts:

- **Risk of reduced Core Spending Power** – as part of the consultation, the government has not issued any figures for individual councils, so councils are having to rely on advisors to best guess the impact on each council, with the likelihood East Herts will be worse off based on all scenarios considered.
- **Business Rates Reset**. The Council will lose retained growth (as part of the existing scheme all authorities can retain 50% of

any growth), if the baseline is reset without adequate transitional support.

- **Council Tax Constraints**. While reform is proposed, referendum limits and exemptions remain in place, restricting local flexibility.
- **New Homes Bonus**. With this ending and no replacement scheme confirmed, the Council faces a reduction in grant income.

4.0 Core Resources

4.1 The Council is funded from three primary sources:

- Business Rates
- Central Government Grants
- Council Tax

4.2 **<u>Business Rates (National Non-Domestic Rates – NNDR)</u>** – are collected locally but governed nationally. The Valuation Office Agency (VOA) sets rateable values, and council retain a portion of the income under the Business Rates Retention Scheme. Currently, East Herts retains 50% of locally collected rates, subject to a tariff or top-up based on its assessed capacity to raise revenue. For East Herts, this is a tariff, which results in the Council only retaining circa 9% of locally collected rates, after Section 31 are added. However, the retention baseline, that was set in 2013, has not been updated, meaning councils like East Herts that have seen growth may lose out when the system is reset (2026).

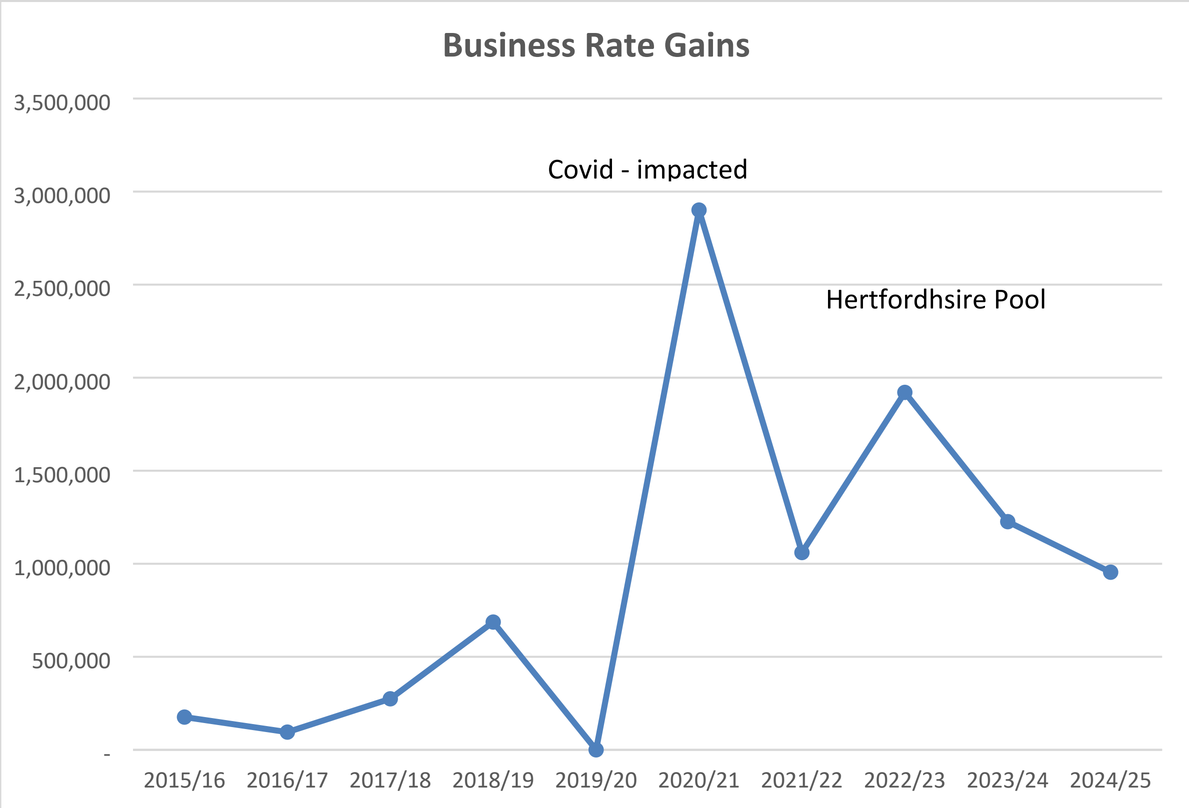
4.3 The MTFP assumes that the authority will continue to retain business rates at current levels, with a projected annual increase around 2%. This uplift reflects expected inflationary trends and modest growth in the local business base.

<u>Business Rate Gains</u>

4.4 The Council has historically seen gains from business rates. Opportunities such as pooling arrangements and pilot schemes, like the 2022/23 Hertfordshire pilot allowing councils to retain 75%

of business rates have provided occasional uplifts. However, East Herts have only participated in the Hertfordshire pool once, and the region has only been included in one pilot scheme. This makes projecting future income complex, especially as gains are typically realised based on prior year estimate rather than in-year performance.

4.5 Given the inherent volatility of business rate income, the Council has not relied on retained growth or pooling gains to fund ongoing service delivery. Instead, these surpluses have been used prudently to strengthen financial resilience and to support one-off in-year pressures, including unforeseen costs and strategic investments. The table below sets out the level of business rate gains received since 2015. These gains have provided a valuable source of flexible funding, enabling the Council to respond to emerging priorities without placing additional strain on core budgets. However, under the proposed Business Rates Retention Reform and baseline reset, the Council is at risk of losing access to this income stream. This would remove a key financial lever that has historically supported the Council's ability to manage risk and deliver responsive service.



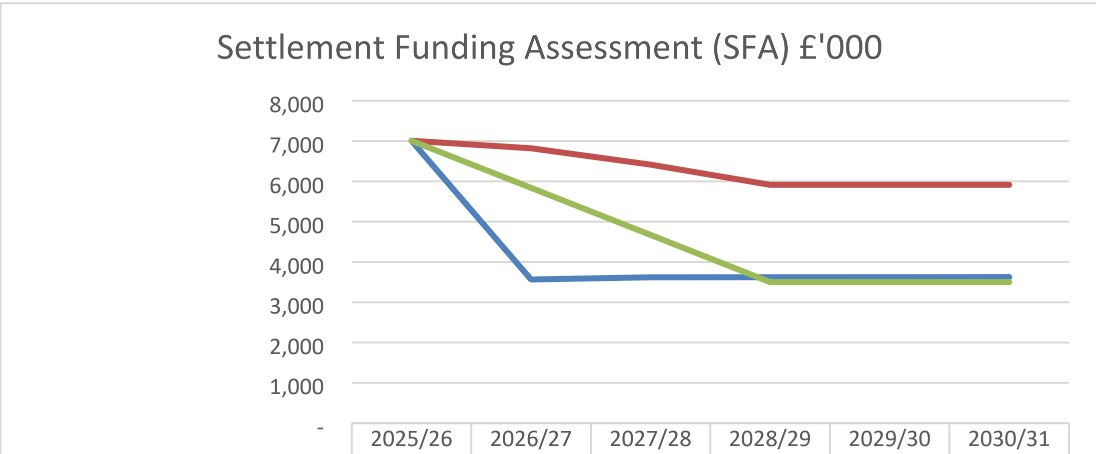
4.6 **Central Government Grants**- these includes general grants that contribute to core funding. Over the past decade, general grant funding, particularly the Revenue Support Grant (RSG) has significantly declined. While schemes like the New Homes Bonus previously rewarded housing growth, this has now ended, and future funding mechanisms remain uncertain pending the outcome of the Fair Funding Review 2.0.

4.7 The new proposed Fair Funding Review is using updated formulae and data including population projections and deprivation indices, to determine funding allocations.

4.8 For East Herts, the impact of FFR is significant. The optimistic case modelling by advisors suggests a 15.6% reduction in the authority's funding baseline, equating to a loss of £1.1million by 2028/29. This reduction is driven by a combination of factors, including East Herts' relatively high council tax base compared to its assessed level of need, and the effect of the new notional council tax level used in the resource adjustment calculation, with transitional arrangements phasing in the changes over three years.

4.9 However, a more cautious approach assumes that the Social Care Grant may be excluded from the funding pot to be redistributed to councils without social care responsibilities. Under this assumption, the Council share of redistributed resources would fall further, potentially resulting in a 50.1% reduction in Baseline Funding over the three-year transition period. This highlights the financial risk posed by future changes to the funding framework.

The table below outlines the expected funding from Business Rates and Central Government Grants via the Settlement Funding Assessment (SFA). The MTFP is based on a cautious approach due to ongoing uncertainty around future government allocations and the wider economic climate. This ensures the Council remains resilient, avoids overestimating its financial position, and is better prepared for potential funding reductions or cost pressures. Prudent assumptions provide a stable foundation for financial planning and help protect essential services over the medium term.



	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Current MTFP	7,008	3,564	3,619	3,621	3,622	3,624
Optimistic FFR position	7,008	6,821	6,415	5,914	5,914	5,914
Cautious FFR position	7,008	5,839	4,670	3,500	3,500	3,500

4.10 **Council Tax** – is levied on residential properties and includes precepts for Hertfordshire County Council, the Police and Crime Commissioner and local Parish councils. East Herts sets its own share, which has been capped by government referendum limits, currently the higher of 2.99% or £5 for district councils. While councils can propose higher increases, they must hold a local referendum, which is often prohibitively expensive. Additionally, council have limited flexibility over exemptions and discounts, such as for students or single occupants.

4.11 The annual amount of council tax that can be raised is influenced by two key factors:

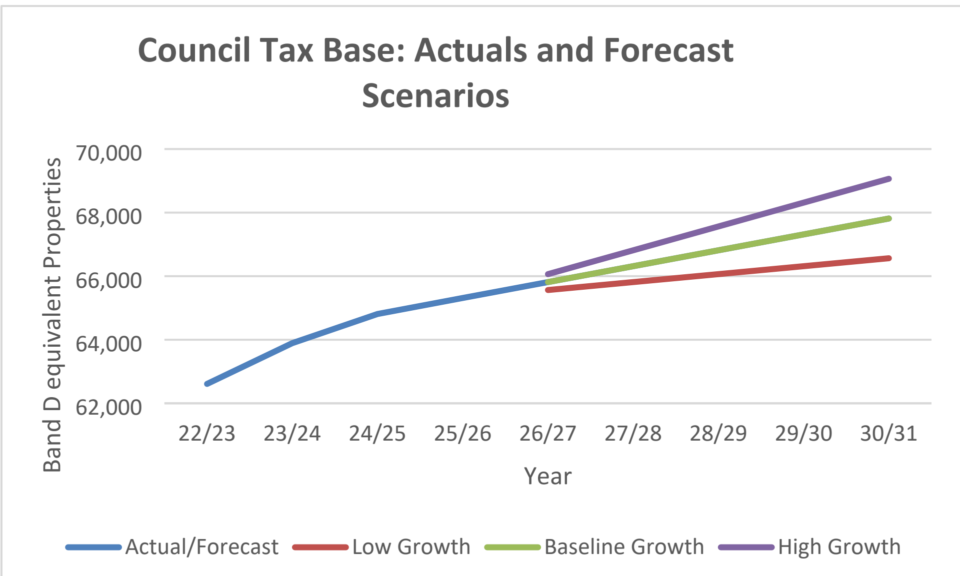
- Growth in the tax base, and
- The inflationary uplift applied each year

<u>Tax Base</u>

4.12 The tax base reflects the estimated number of new properties expected to come into use, converted into Band D equivalents. This includes all existing properties, adjusted for applicable discounts and exemptions.

4.13 The table below illustrates the movement in the tax base from 2022/23 to 2025/26, alongside forecasted figures through to 2030/31. To support financial planning, three growth scenarios have been modelled from 2026/27 onwards.

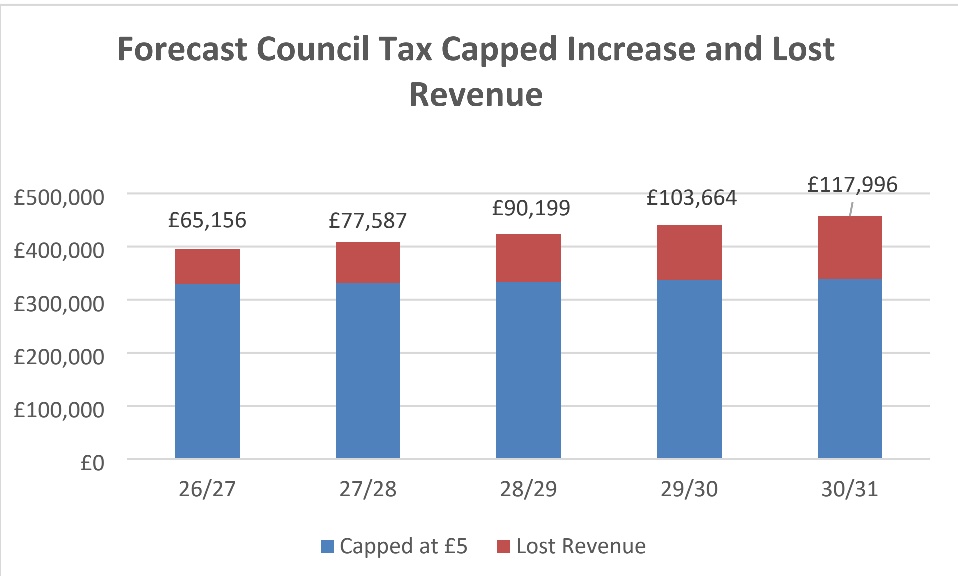
- Low Growth +250 Band D equivalent properties per Year
- Medium Growth + 500 properties per year (baseline assumption).
- High Growth +750 properties per year



4.14 The medium growth scenario of 500 Band D equivalent properties has been selected as the baseline assumption. While East Herts Council's housing targets have been taken into account, it remains important to adopt a prudent approach to forecasting. Maintaining the 500-property assumption reflects recent trends and provides a balanced and realistic foundation for financial planning. This approach allows flexibility to respond to future changes in housing development and council tax support levels, without overcommitting resources.

Inflationary Uplift

4.15 Up until 2022/23, district councils could only raise council tax by up to 1.99% or £5, whichever was higher, without triggering a referendum. From 2023/24, this limit increased to 2.99%, allowing council more flexibility to manage inflation and raising service demands. The MTFP assumes this higher threshold will continue. If the government reverts to the previous limit (1.99% or £5), it will result in a notable reduction in resources as shown in the table below.



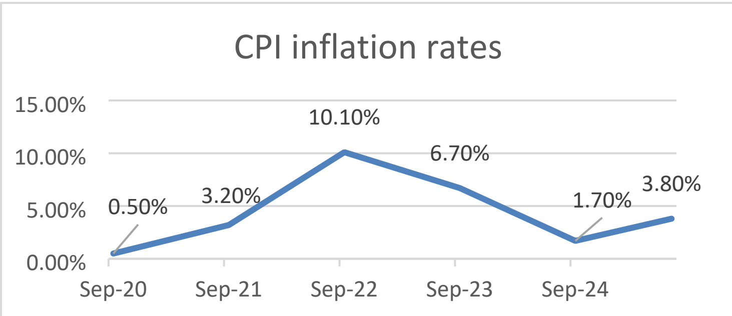
4.16 The table below summarises the Council's core resource position for the medium-term, drawing on the assumptions set out in the preceding sections on Business Rates and Government Grants (SFA – settlement Funding Assessment) and Council Tax income. These resources represent the funding available to support service delivery and form the foundation of the Medium-Term Financial Plan.

Summary MTFP Resources	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000
SFA	5,839	4,670	3,500	3,500	3,500
Council Tax	13,625	14,138	14,669	15,219	15,789
Total Resources	**19,464**	**18,808**	**18,169**	**18,719**	**19,289**

5.0 Inflationary and Other Pressures and Savings

Inflationary Pressures

5.1 CPI is the tracked measure for inflation used by the government and also used for increases to business rates (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.



5.2 The 2026/27 onwards inflation assumptions are summarised in the table below. The August Consumer Price Index (CPI) was 3.8% unchanged from July, the MTFP assumes that inflation will remain at this level for a number of months before start reducing back to the Government 2% level, however this remains uncertain. Lower inflation will reduce the financial pressure on the General Fund and in turn subject to other pressures being identified reduce the need to make further levels of savings.

Inflation – Applied to:	2026/27	2027/28	2028/29	2029/30	2030/31
Pay award	3%	3%	3%	3%	3%
Contract Inflation	3%	2%	2%	2%	2%
Business Rates increases based on September CPI	3%	2%	2%	2%	2%
Borrowing Interest	4.5%	4.25%	4.25%	4.25%	4.25%
Investment Interest	3.5%	3.25%	3.25%	3.25%	3.25%

5.3 The MTFP rationale and alternative scenarios are set out below.

Rationale for inflation assumption	
Pay Award	The employer pay offer for 2025/26 has been confirmed at 3.2%, reflecting ongoing inflationary pressures and the continued influence of the National Living Wage on pay negotiations. The Council has revised its planning assumptions from 2.5% to 3% throughout the MTFP. This assumption provides a more realistic and resilient basis for financial planning, offering protection against downside risk and aligning more closely with current CPI projections. Pay awards remain subject to national collective bargaining and outside the Council's direct control.
Contracted Inflation	The July CPI was 3.8% and the MTFP has modelled inflation at 3% for 2026/27 and then down to 2% for all future years, to reflect the Government long-term target of 2%.
Business Rate Increases	Business Rate is linked to September CPI, which is used by government to set annual uplifts. For 2026/27, the Council has assumed a 3% increase, reflecting current CPI forecast. The remaining years been reduced to 2% to reflect the government long-term inflation target.
Borrowing Interest	These rates based on current market forecast and treasury advisors' guidance, reflecting expected trends in interest rates and borrowing conditions. Assumptions aim to balance prudence with realism, while maintaining a deliverable financial position.
Investment Interest	These figures are based on current market forecast and reflect expected movements in interest rates and cash balances. The assumptions are closely linked to the Council's borrowing strategy, ensuring consistency between interest earned and paid projections.

General Pressures

5.4 In addition to the inflationary assumptions outlined above, the MTFP incorporates a range of other budget pressures identified through quarterly budget monitoring and engagement with service areas. These pressures reflect known changes in demand, service delivery requirements, and emerging financial risks. A summary of these pressures is provided in the table below.

Additional MTFP Pressures	2026/27 £'000	Rationale
Business Rates – Council Property Liabilities	337	Following the latest revaluation of business rates on Council-owned properties, there is a requirement to increase budgets to reflect the updated charges. Work is currently underway

Additional MTFP Pressures	2026/27 £'000	Rationale
		to identify premises where the Council may have grounds to appeal the revised valuations. Where appropriate, appeals will be pursued through the formal process with the aim of reducing future liabilities and mitigating the financial impact
Fees and Charges Budget Realignment	100	A review of fees and charges budgets was undertaken as part of the Quarter 1 monitoring process. This identified a number of income lines where targets have consistently been underachieved over several years. As a result, proposals have been made to realign these budgets to better reflect actual service demand and usage patterns. This approach ensures a more realistic and sustainable income forecast within the MTFP.
Unachievable Savings	576	A number of savings previously included in the MTFP for 2026/27 have been removed following a review of deliverability. These include a £200K saving from the Shared Revenues and Benefits Service, which lacks a clear basis and duplicates existing targets; a £190K saving from Millstream property disposals, now captured through MRP and borrowing cost adjustments; and £100K from car park cleansing procurement, which will be reassessed once a detailed understanding of service requirements is established. Additionally, smaller items totalling £85K have been adjusted to reflect actual delivery.
New Human Resources Officer post	60	A new HR Officer post has been proposed to support the additional workload arising from the Local Government Reorganisation (LGR) and associated transformation programmes. The post will focus on delivering core HR functions that are essential to preparing staff for the transition, ensuring workforce readiness and supporting organisational change. This includes workforce planning, staff engagement, and change management activities aligned with the Council's strategic objectives. The additional capacity will help ensure that HR processes are robust and responsive during this period of significant change.
BEAM Theatre – Revised Surplus Forecast	75	The BEAM Theatre, which opened in 2024, is still in its early operational phase and gradually building towards full capacity. While the current projection for 2026/27 indicates a surplus above the 2025/26 target of £200,000, this has been reviewed in light of performance to date and the realistic expectations for a new

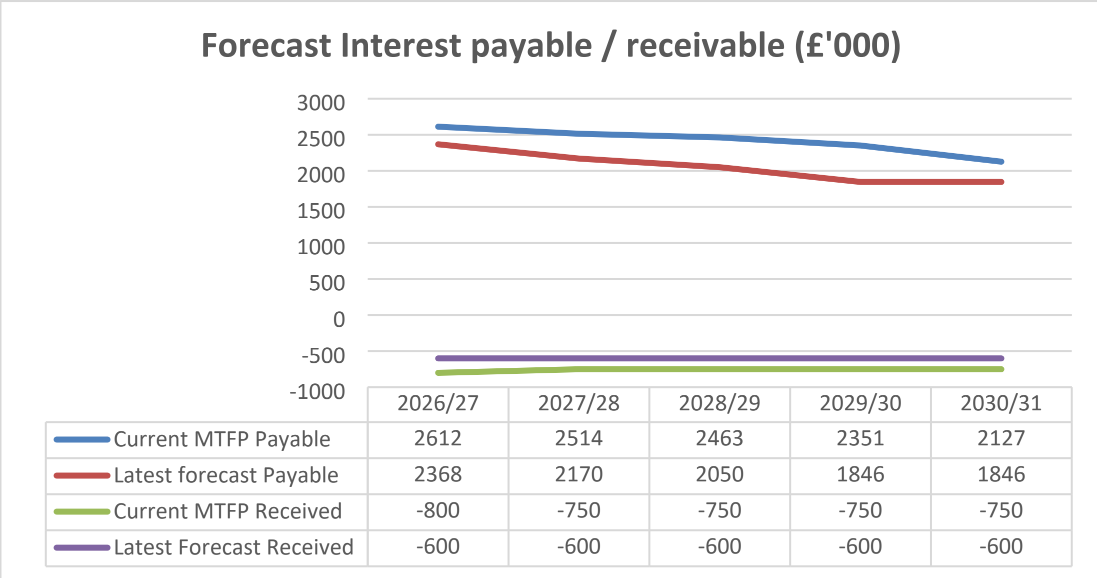
Additional MTFP Pressures	2026/27 £'000	Rationale
		venue. To support sustainable financial planning and provide a more achievable target, the surplus forecast for 2026/27 has been reduced to align with the 2025/26 level. This adjustment recognises the time needed for the theatre to establish its audience base and reach full operating potential

<u>Expenditure Reductions and increased income</u>

5.5 **Minimum Revenue Provision (MRP) –** A £250K reduction has been applied following a review of the Council's MRP calculation, undertaken earlier in the year with support from treasury advisors. This reflects a more accurate provision against capital expenditure funded by borrowing, aligned with current regulations and guidance. The adjustment also takes into account anticipated capital receipts from Millstream and other asset disposals, which will be used to offset borrowing costs — particularly in relation to the waste vehicle procurement programme.

5.6 While there is an inherent risk around the timing and value of receipts, this is mitigated through realistic valuations and quarterly reviews with the officer led Asset Management Group to ensure assumptions remain up to date.

5.7 **Net Interest Cost –** A reduction in net interest costs has been applied, with a £44K saving in 2026/27 rising to approximately £194K in 2027/28. This reflects a revised approach to both interest payable on borrowing and interest receivable, following a review of budget assumptions. Previous figures lacked supporting documentation, so both budgets have now been recalibrated to reflect the latest position on forecast interest rates, expected capital receipts, and projected cash balances. This adjustment ensures a more accurate and transparent financial position.



	2026/27	2027/28	2028/29	2029/30	2030/31
Current MTFP Payable	2612	2514	2463	2351	2127
Latest forecast Payable	2368	2170	2050	1846	1846
Current MTFP Received	-800	-750	-750	-750	-750
Latest Forecast Received	-600	-600	-600	-600	-600

5.8 **Other Minor Adjustments** - A number of smaller budget adjustments have been made, resulting in a net expenditure reduction of £48K. These reflect the latest forecast position across various service areas and are considered representative of the expected baseline going forward.

<u>Savings</u>

5.9 The MTFP includes a savings programme designed to address the projected budget gap over the period. While significant savings were front-loaded in earlier years, the later years of the MTFP still require targeted reductions to ensure financial sustainability. The original programme included a range of proposals, some of which lacked detailed workings or have since been reassessed for deliverability. The following section outlines the savings that remain in place for the MTFP.

	2026/27 £'000	**2027/28 £'000**	**2028/29 £'000**
Letting of Wallfields – to reflect the full year impact of the recent letting	29		
Agency model for leisure contract – full year impact	150		
EV Chargers on Council Premises – contract been procured with a projected increase in revenue over next two years	25	15	
Reducing BEAM costs	55		
Increase Garden Waste Charge by CPI	30	30	30
Efficiencies within Partnership team	73		
Efficiencies within Customer Services / Corporate Support	69		

	2026/27 £'000	2027/28 £'000	2028/29 £'000
Transformation – Review Programme		180	180
Civil Parking Enforcement		650	
Ground Maintenance Contract re-procurement		50	
Additional Market / Pavement licensing income	5		
Total	**436**	**925**	**210**

Fees and Charges

5.10 The Council is currently undertaking a review of how fees and charges are set, with a view to ensuring that the costs of services are appropriately recovered. This includes general fees and charges agreed annually by Members, as well as specific areas such as garden waste collections and car parking charges. The review will consider the assumptions underpinning current income forecasts and explore opportunities to strengthen the Council's financial position. A report outlining the findings and any proposed changes will be brought forward to Members at a future meeting once the review is complete.

Grants

5.11 As part of the MTFP update, a review of all grants currently embedded within the Net Cost of Services, excluding those classified as core resources is being undertaken. This exercise aims to assess the financial risks associated with the potential cessation of these grants and to develop appropriate exit strategies where necessary.

5.12 The most significant risk in this area relates to the Extended Producer Responsibility (EPR) scheme. EPR is a national initiative that shifts the financial burden of packaging waste management from taxpayers to producers, with local authorities expected to receive payments covering the net costs of collection, recycling, and disposal. While the government has guaranteed £1.1 billion in EPR funding for local authorities in 2025/26, the actual distribution will depend on data submissions and operational factors, introducing a degree of uncertainty. The current MTFP assumes a 10% reduction in EPR-related funding year-on-year. Should actual receipts deviate from this forecast, further savings may be required to maintain budgetary balance.

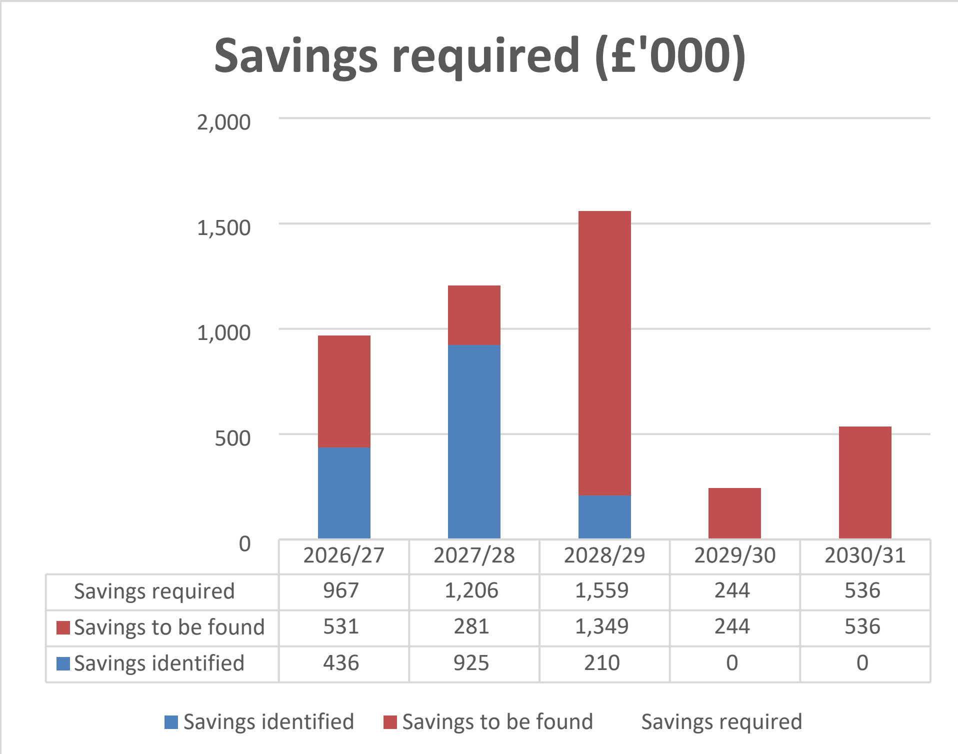
5.13 The outcome of the grants review exercise will be reported to Members later in the year as part of the 2026/27 budget report.

6.0 Budget Gap

6.1 The MTFP has identified a budget gap over the period 2026/27 to 2030/31, driven by reductions in funding and increased financial pressures as outlined throughout this report. To address this, annual savings targets have been set to support the delivery of a balanced budget.

6.2 In setting these targets, consideration has been given to the achievability of savings in each year, balanced against the need to minimise reliance on reserves. This approach ensures the Council can continue to deliver its priorities while maintaining a prudent level of balances and financial resilience.

6.3 The projected budget gap for 2026/27, net of savings identified to date (see paragraph 5.9), stands at £531K. Over the following four years, from 2027/28 to 2030/31, a further £2.41 million will need to be addressed to achieve a balanced budget. The profile of this gap is summarised below, with the full Medium-Term Financial Plan shown at Appendix A.



6.4 The Council's Leadership Team has been tasked with going away to identify potential options to meet the gap currently identified for 2026/27. Members will have an opportunity to consider those options at a later Executive meeting.

7.0 General Fund Balances and Reserves

7.1 The Council's General Fund reserves are classified as either general or earmarked for specific purposes. The General Fund balance serves as a financial buffer to absorb the impact of unexpected events, emergencies, or fluctuations in cash flow.

7.2 The projected General Fund balance within the MTFP remains unchanged at £3.854 million, contingent on the delivery of £2.9 million in savings over the MTFP period. Maintaining this level of reserves is essential to support financial resilience and ensure the Council can respond to unforeseen pressures.

7.3 Guidance issued by CIPFA reinforces the statutory responsibility of the Section 151 Officer, under the Local Government Act 2003, to report annually on the adequacy of reserves when setting the Council Tax. The Act also provides the government with reserve powers to prescribe minimum reserve levels, although this has not been exercised to date. It is therefore expected that authorities will have regard to CIPFA's guidance when assessing the sufficiency of balances and earmarked reserves.

7.4 In determining the appropriate level of general balances, the Chief Financial Officer has based their advice on a range of risk factors, as summarised in the table below. This assessment currently indicates a minimum requirement of **£3.632 million**. The figure is indicative and will be subject to further review as part of the annual budget-setting process to ensure it reflects the latest financial risks and operational context.

General Fund balances Minimum Level Assessment	2025/26 £million
Annual Gross Revenue Expenditure (at 4%)	2.896
Annual Gross Capital Expenditure (at 2%)	0.211
Adj. for Council Tax as a funding source (at 4%)	0.525
Minimum General Fund Balance	**3.632**

7.5 The Council is projected to hold **£17.297 million** in earmarked reserves at the end of March 2025. A review of these reserves is currently underway to assess the purpose and relevance of each reserve, and to determine whether the overall level is sufficient to support the Council's financial strategy over the medium term. The outcome of this review will be reported to Members as part of the Budget Report in January.

8.0 Financial Planning Framework

8.1 To support the delivery of a balanced and sustainable Medium-Term Financial Plan, the Council has established a structured financial planning framework. This outlines the key milestones for reviewing assumptions, updating forecasts, and presenting proposals to Members. The framework ensures that financial decisions are timely, transparent, and aligned with the Council's strategic priorities. The timetable below sets out the planned reporting and decision-making points over the coming months.

Date	Meeting	Report
Oct-25	Executive	MTFP 2026/27 – 2030/31 – to approve assumptions
Nov-25	Audit & Governance	To review and comment on MTFP 2026/27 to 2030/31
Jan-26	Executive	Draft 2026/27 General Fund Budget, Council Tax and Council Tax Support
Jan-26	Joint Overview & Scrutiny and Audit & Governance	To Scrutinise the draft 2026/27 General Fund Budget, Council Tax and Council Tax Support
Feb-26	Executive	Final 2026/27 General Fund Budget, Council Tax and Council Tax Support for approval onto Council
Mar-26	Council	To approve the 2026/27 General Fund Budget, Council Tax and Council Tax Support

9.0 Risks

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

10.0 Implications/Consultations

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 2026/27, 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

11.0 Background papers, appendices and other relevant material

11.1 Budget 2025/26 and Medium Term Financial Plan – 26 February 2025 Council Meeting

11.2 Financial Management 2025/26 – Quarter 1 Forecast to year end – Audit & Governance 30 September 2025

11.3 Appendices

Appendix A	Medium Term Financial Plan 2026/27 to 2030/31

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