

EAST HERTS COUNCIL REPORT

EXECUTIVE

DATE OF MEETING: TUESDAY 13 JANUARY 2026

REPORT BY: COUNCILLOR CARL BRITTAIN – EXECUTIVE MEMBER FOR FINANCIAL SUSTAINABILITY

REPORT TITLE: FINANCIAL MANAGEMENT 2025/26 - QUARTER 2 FORECAST TO YEAR END

WARD(S) AFFECTED: (ALL WARDS); ALL

Summary –

- The net revenue budget for 2025/26 is £ 20.134m as set out in Table 1. The forecast yearend outturn as of 30th September 2025 predicts an overspend of £509k.
- The revised capital budget for 2025/26 is £11.485m, as set out in Appendix C. The forecast outturn is £10.763m giving a variance of £722k.

RECOMMENDATIONS FOR EXECUTIVE:

- a) Note and consider the net revenue budget end of year projected overspend of £509k.
- b) Accept the additional Heritage Lottery capital fund grant of £238k for Hertford Castle Greenspace renewal and reflect this additional resource in the capital programme.
- c) Note and consider the capital programme forecast outturn underspend of £722k.

1. General Fund

1.1. The 2025/26 Medium Term Financial Plan (MTFP), revenue budget and capital programme were approved by Council on 26th February

2025. The 2025/26 net revenue budget is £20.134m, the table below shows the budget alongside the 2025/26 forecast outturn as at quarter 1. A full breakdown of the revenue budget and forecast can be found in **Appendix A** and an explanation of key variances in **Appendix B**.

Table 1: Revenue Budget and End of Year Forecast Outturn	2025/26 Budget	2025/26 Forecast Outturn	Variance
	£'000	£'000	£'000
Net Cost of Services (NCS)	15,920	16,731	811
Total corporate budgets	4,377	4,005	(372)
Total reserve movements	(164)	(94)	70
Net Revenue Budget	20,133	20,642	509
Total funding	(7,008)	(7,008)	-
Funded by Council Tax	(13,131)	(13,131)	-
Overspend/Underspend	(6)	503	509

- 1.2. The forecast position for the Net Cost of Services has improved since Quarter 1 by £77k, and by £280k across the Net Revenue Budget. There have been modest gains in the Place Directorate (£47k) and Regeneration (£21k), while Finance and Risk Performance has improved by £131k. However, Communities has deteriorated by £208k, primarily due to ongoing pressures at Rapier House following the need to rehouse the grounds maintenance contractor from Buntingford Depot as a result of the new waste services contract.
- 1.3. Legal Policy and Governance are also showing a net pressure of £58k. It should also be noted that the Waste service previously reported under Communities in quarter 1 has been moved to Legal Policy and Governance.
- 1.4. There has also been an improvement in the Minimum Revenue Provision estimate which shows under corporate budgets of £203k and a net improvement of £70k across interest payment on loans and interest receivable. It is proposed that this improvement is contributed to reserves.

1.5. The Net Cost of Services (NCS) budget of £15.921m includes the saving proposals of £3.409m that were approved as part of the budget. The table below shows “RAG” rating of the savings as at quarter 2.

RAG Rating	Numbers of Measures	£'000s
Red	6	129
Amber	2	93
Green	37	3,187
Total	45	3,409

1.6. A red rating is where the saving cannot be achieved and the value of that is shown in the table. Amber is where savings have in part been achieved and the value represents what is forecast to not be achieved in the current year, but most likely to be fully achieved in the following financial years due to timing, and green is where the savings have been achieved. Appendix B shows the key variances and picks up on where there are more significant savings variances.

1.7. Where savings are rated red, the service are reviewing whether they can be delivered. The savings that were deemed unachievable, were presented as part of the Medium-Term Financial Plan presented to Executive in October.

2. Capital Programme

2.1. The capital budget has been revised and increased to £11.485m for 2025/26. This now reflects the new capital grant resource from the Heritage Lottery Fund which was a successful bid for additional monies for the design phase of the project’s final development of £238k. The forecast outturn shows a variance of £722k underspend on the year. A summary of the Capital Programme is provided below, with further detail available within Appendix C.

	Revised	Forecast	Variance
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	Budget 2025/26	Outturn 2025/26	2025/26
	£'000s	£'000s	£'000s
Land and Buildings	2,019	1,887	(132)
Infrastructure	38	33	(5)
Vehicles, Equipment and Intangible Software	8,760	8,175	(585)
Community Assets	349	349	0
Revenue Expenditure funded as Capital under Statute (REFCUS)	319	319	0
Current Capital Programme Total	11,485	10,763	(722)

2.2. An underspend of £722k is forecast, these are:

- Old River Lane project there is no further expenditure for the main scheme, and an underspend of £70k is being reported.
- There is a revised Q2 forecast underspend of £297k against the ICT rolling programme. The marginal movement is due to changes in hardware costs. This budget will be reviewed as part of the 2026/27 budget setting.
- There is an underspend on Pinehurst Community Hall due to the Councils contribution of £62k no longer being required. The remaining budget of £118k is a time sensitive S106 contribution that is to be used for play equipment.
- A small underspend on the Bridges programme of £5k.
- There is a reported underspend on the Transformation Programme of £288k. The forecast expenditure of £212k for this programme is for Customer Relationship Management system (CRM) upgrades the underspend is likely to be a carry forward request later in the year.

3. Debtors

3.1. The outstanding debt as at the end of September was £1.967m which is a reduction on the position reported in quarter 1 that was £2.515m. Debt greater than 180 days is £1.054m 54% of the total, an increase of £2k. The debt when compared to the position at the end of July has decreased by £547k.

3.2. Chasing of the aged debts continues to be worked on. Appendix D shows the profile of the aged debt.

4. Reason(s)

4.1. Section 28 of the Local Government Act 2003 requires the council to monitor the budget and monitor and assess the adequacy of reserves and balances during the year. East Herts Council's financial management framework requires quarterly reports to Audit and Governance Committee and the Executive with forecasts to year end.

4.2. The Executive is required to consider the budget forecasts and ensure that action is taken in relation to any expenditure overspends or any underachievement of income so that the council's financial resources are not exceeded.

5. Options

5.1. Not applicable.

6. Risks

6.1. The finance implications are contained within the report.

Community Safety

None arising from this report.

Data Protection

None arising from this report.

Equalities

None arising from this report.

Environmental Sustainability

None arising from this report.

Financial

All financial implications are included in this report.

Health and Safety

None arising from this report.

Human Resources

None arising from this report.

Human Rights

None arising from this report.

Legal

Section 28 of the Local Government Act 2003 requires the council to monitor the budget and monitor and assess the adequacy of reserves and balances during the year. East Herts Council's financial management framework requires the quarterly reports to Audit and Governance Committee and the Executive with forecasts to year end.

Specific Wards

No

6.0 Background papers, appendices and other relevant material

6.1

Appendices	
A	2025/26 Revenue Budget & Forecast Outturn
B	2025/26 Significant variances
C	2025/26 Capital Programme and Forecast Outturn
D	Quarter 2 Debtors position

Contact Member

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