

EAST HERTS COUNCIL REPORT

EXECUTIVE

DATE OF MEETING: TUESDAY, 24 MARCH 2026

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

**REPORT TITLE: FINANCIAL MANAGEMENT 2025/26 - QUARTER 3
FORECAST TO YEAR END**

WARDS AFFECTED: ALL

Summary

This report summarises the Council's financial performance for quarter 3, highlighting the expected year-end position for both revenue and capital budgets.

The Council's net revenue budget for 2025/26 is £20.134 million. Based on spending up to 31 December 2025, we are currently forecasting that we will overspend by £505,000 by the end of the financial year.

For capital projects, the revised capital budget for 2025/26 is £11.885 million. We now expect to spend £9.38 million this year, which is £2.505 million less than planned.

RECOMMENDATIONS FOR EXECUTIVE

- a) Note and consider the projected £505k overspend on the 2025/26 revenue budget.
- b) Agree the inclusion of an additional £400k UK Shared Prosperity Fund (UKSPF) grant for capital projects, and its addition to the capital programme.
- c) Note and consider the forecast £2.505 million underspend on the 2025/26 capital programme and the currently anticipated £1.14 million carry-forward, which remains subject to change at year-end.

1.0 General Fund

- 1.1. The Council approved the 2025/26 Medium Term Financial Plan (MTFP), revenue budget and capital programme on 26 February 2025. For 2025/26, the net revenue budget is £20.133 million. The table below shows this budget alongside the quarter 3 forecast position. A full breakdown of the budget and forecast is provided in Appendix A, with explanations of the main 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)	15,921	16,827	906
Total corporate budgets	4,377	3,619	(758)
Total reserve movements	(164)	193	357
Net Revenue Budget	20,133	20,638	505
Total funding	(7,008)	(7,008)	-
Funded by Council Tax	(13,131)	(13,131)	-
Overspend/Underspend	(6)	499	505

- 1.2. The forecast for the Net Cost of Services has improved slightly since quarter 2, with a £4k reduction in the expected overspend.
- 1.3. Appendix B provides details of all key variances. Two areas have seen the largest adverse movements since quarter 2:
- Place – Planning: an adverse movement of £216k, mainly due to increased pressures from salary and agency costs.
 - Regeneration, Customer & Commercial – BEAM: an adverse movement of £191k, driven by income not meeting the expected target.
- 1.4. There have also been several significant favourable movements since quarter 2:
- Place – Leisure: an improvement of £142k, following the new agency arrangement with Everyone Active, our leisure operator.
 - Centrally Managed Costs: an improvement of £85k, linked to treasury management fees. This budget was reviewed in detail during quarter 3, and an underspend is now forecast.

- Finance, Risk & Performance: a favourable variance of £126k due to the release of contingency funds to help offset overspends within BEAM.

1.5. A £357k overachievement is currently forecast against the investment and interest income budget. This reflects stronger-than-expected returns on the Council's investments and the treasury management decisions made during the year. In line with the reserves policy, it is proposed that a contribution is made to the Interest Equalisation Reserve.

2. Capital Programme

2.1. The capital budget for 2025/26 has been revised to £11.885 million, which includes an additional £400k from the UK Shared Prosperity Fund (UKSPF) for new capital projects. The forecast outturn shows a £2.505 million underspend for the year, of which £1.114 million is currently expected to be carried forward. A summary of the capital programme is provided below, with further detail available in the Appendix.

Table 2: Capital Programme and Forecast outturn and carry forwards	Revised Budget 2025/26	Forecast Outturn 2025/26	Variance 2025/26	Carry forward to 2026/27
	£'000	£'000	£'000	£'000
Land and Buildings	2,019	413	(1,607)	782
Infrastructure	38	33	(5)	-
Vehicles, Equipment and Intangible Software	8,870	8,180	(690)	128
Community Assets	349	270	(79)	79
Revenue Expenditure funded as Capital under Statute (REFCUS)	609	484	(125)	125
Capital Programme Total	11,885	9,380	(2,505)	1,114

2.2. A total underspend of £2.505 million is currently forecast, made up of the following areas:

- Investment in Operational Assets: £392k underspend, with no expenditure now expected in 2025/26. It is proposed that this is carried forward to 2026/27.
- BEAM: £292k underspend, of which £81k is proposed to be carried forward to fund the outstanding Section 278 works.

- Old River Lane: £146k underspend, with £59k proposed to be carried forward to 2026/27 to meet the cost of public square design work.
- Pinehurst Community Hall: £172k underspend due to the transfer of the community hall to an external charity.
- Capital Contingency: No expenditure is expected against the £250k budget in 2025/26, and it is proposed that this is carried forward to 2026/27.
- ICT Rolling Programme: £275k underspend, with no further spend expected this year.
- Transformation Programme: £305k underspend, with £18k proposed to be carried forward to 2026/27.
- Parks & Open Spaces: £79k underspend, as Section 106 project work has not yet commenced and is now expected to be completed in 2026/27. A carry-forward is therefore proposed.
- UK Shared Prosperity Fund (UKSPF) Projects: £235k underspend. As these projects are expected to be delivered in 2026/27, ahead of the UKSPF deadline of September 2026, it is proposed that this budget is carried forward.

3. Debtors

- 3.1. At the end of December (Q3), outstanding debt stood at £2.350 million, which is an increase of £383k compared with the £1.967 million reported at quarter 2. However, it is important to note that £819k of the debt in the 30-day category relates to regular payments from neighbouring local authorities, which will be paid when due. Excluding this, the underlying debt has reduced by £435k, bringing it down to £1.532 million.
- 3.2. Debt over 180 days old stands at £1.029 million, which is a small improvement of £25k compared with the position reported at quarter 2.
- 3.3. Chasing outstanding debt continues to be a priority for the Exchequer Team. A detailed breakdown of the aged debt profile is provided in Appendix D.

4. Reasons

- 4.1. Section 28 of the Local Government Act 2003 requires the Council to monitor its budget and to review the adequacy of its reserves and balances throughout the year. East Herts Council's financial management framework supports this by requiring quarterly reports to the Audit and Governance Committee and the Executive, including forecasts to year-end.
- 4.2. The Executive is required to consider these budget forecasts and ensure that appropriate action is taken where there are spending pressures or shortfalls in income, so that the Council's overall financial resources are not exceeded.

5.0 Implications/Consultations

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 contained in the 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

Appendices	
A	2025/26 Revenue Budget & Forecast Outturn
B	2025/26 Significant variances
C	2025/26 Capital Programme and Forecast Outturn
D	Quarter 3 Debtors position

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