

Section 25 Statement of the Chief Financial Officer (CFO) – East Herts Council 2026/27

1. Introduction and Wider Economic Environment

The 2026/27 budget for East Herts Council has been prepared in the context of ongoing uncertainty in the wider economic environment, including persistent inflationary pressures, fluctuating interest rates, and continued volatility in staffing and other costs. The national and local economic climate continues to impact both the Council's income streams and expenditure, requiring prudent financial management and robust governance.

East Herts Council has a strong track record of sound financial management, compliance with statutory codes, and effective delivery of strategic objectives. The Council's financial planning is underpinned by regular review and challenge, ensuring that the budget is both realistic and sustainable.

2. Robustness of Estimates

Budget Process and Governance

The Council's budget-setting process is rigorous and collaborative, involving:

- **Enhanced challenge and scrutiny** by the CFO and Deputy CFO, who work closely with business partners, service managers, the Leadership Team, and the Executive to ensure all budget proposals are robust and evidence based.
- **Quarterly budget monitoring** and regular review of outturn positions, enabling early identification and management of variances.
- **Active engagement** of Members through the Scrutiny Committees, ensuring transparency and accountability.

Key Assumptions and Risks

- **Inflation and Pay:** The 2026/27 estimates incorporate prudent assumptions on inflation, pay awards, and contract costs, reflecting the latest forecasts and local intelligence.
- **Income and Grants:** Income projections are based on realistic assessments of demand and economic conditions. The budget includes the impact of Fair Funding 2.0.
- **Savings and Efficiencies:** The Council continues to deliver savings through efficiency programmes. The budget includes a significant asset disposal programme, notably the disposal of all properties within the Millstream company. These receipts are critical to reducing the Council's Minimum Revenue Provision (MRP) and interest costs.
- **Capital Programme:** The capital estimates have been reviewed for deliverability and risk. The Council's capital strategy is closely aligned with its asset management and treasury strategies, with clear governance arrangements in place.
- **Risk Management:** The Council has identified and mitigated key financial risks, including those associated with commercial income, asset disposals, and market volatility. Sensitivity analysis and scenario planning are embedded in the budget process.

Financial Controls

- The Council's Financial Regulations require all budget holders to manage within approved budgets, with clear procedures for virements and supplementary estimates.
- Where budget pressures arise, these are reported promptly to Members, with action plans developed to address significant variances.

3. Adequacy of Reserves

General and Earmarked Reserves

- The Council maintains a clear distinction between general, earmarked, and unusable reserves. The adequacy of reserves is reviewed annually, taking into account service risks, transformation commitments, and the need for financial resilience.

- **Breakdown of Earmarked Reserves:** Work is completed on which reserves are committed and which may be available for future use. A breakdown of reserves is provided as an appendix to the final budget report.
- The Council's reserves are regularly reviewed to ensure that balances remain above the minimum risk-assessed level, providing a buffer against unforeseen events and timing differences between expenditure and income.

4. Statement of Accounts and Audit

- East Herts Council has caught up on all outstanding statements of accounts up to and including 2024/25. While these accounts are currently disclaimed, work is progressing with auditors to gain further assurance and move towards unqualified opinions.
- The Council's financial management and reporting arrangements remain robust, providing Members and the public with confidence in the integrity of the Council's finances.

5. Capital Programme

- The Council has a minimal capital programme, including a heavy asset disposal strategy. The disposal of Millstream company properties is a key element, with receipts earmarked to support reductions in MRP and interest costs.
- The capital programme is subject to rigorous review and governance, with risks and dependencies clearly identified and managed.

6. Conclusion and CFO Opinion

In my opinion as Chief Financial Officer, the budget estimates for 2026/27 are robust, and the level of reserves is adequate to support the Council's financial position and medium-term strategy. The latest MTFP has taken account of a greater proportion of the ongoing financial pressures anticipated to persist into future years, which should help to reduce the budgetary challenges projected for 2026/27 and beyond.

Members are recommended to:

- Approve the budget and reserves strategy as set out,

- Note the risks and assumptions underpinning the estimates,
- Support the ongoing delivery of savings, transformation, and asset disposal plans,
- Note the Council's compliance with statutory and professional codes of practice.