

## **East Herts Council Report**

### **Audit and Governance Committee**

**Date of meeting: Tuesday 30 June 2026**

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

**Report title:** Provisional Outturn 2025/26 and Draft Statement of Accounts 2025/26

**Ward(s) affected: (All Wards);**

**Summary** – This report provides an overview of the provisional outturn for the General Fund Revenue Budget and the Capital Programme outturn for the 2025/26 financial year. The outturn remains provisional as the figures are subject to external audit.

Also presented are the 2025/26 draft Statement of Accounts.

### **RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE:**

- a) Note the general fund revenue outturn of £678K overspend to be funded from the general reserve; and
- b) Note the capital outturn position and approve carry forward budgets of £1.142m.
- c) Receive the 2025/26 draft statement of accounts prior to them being audited.

#### **1. Proposal(s)**

- 1.1. To advise members on the 2025/26 revenue outturn position and provide explanations for significant variances against approved budgets.
- 1.2. To advise members of the final capital outturn position and financing arrangements for the 2025/26 capital programme.
- 1.3. To provide the 2025/26 draft statement of accounts.

#### **2. Background**

- 2.1. The 2025/26 budget was set at full Council in February 2025. Quarterly budget monitoring reports were presented to members during the year, this report provides the 2025/26 outturn position.
- 2.2. The provisional outturn forms part of the Council's closure of accounts process for 2025/26. The outturn is reported prior to the audit of the council's accounts by the Council's external auditors, Azets, and therefore remains provisional until the audit is complete.
- 2.3. The draft 2025/26 Statement of Accounts will be published on the Council's website by the statutory deadline of 30<sup>th</sup> June 2026.

### 3. Revenue Outturn 2025/26

- 3.1. An overspend of £678K is reported against the 2025/26 revenue budget. In line with the Council's financial procedure rules the Director for Finance, Risk & Performance has approved that the overspend be funded from the general reserve. Table 1 shows the position before this use of reserves

*Table 1: Summarised 2025/26 Outturn position*

	<b>2025/26 Original Budget</b>	<b>2025/26 Outturn</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Net Cost of Services	15,757	18,162	2,405
Corporate Budgets	4,540	4,115	( 425)
Net (use)/Transfer to Reserves	(164)	(1,360)	(1,196)
Funding	(7,008)	(7,115)	( 107)
Council Tax	(13,131)	(13,131)	0
<b>2025/26 Overspend</b>	<b>(6)</b>	<b>672</b>	<b>678</b>

#### **Variance against original budget**

- 3.2. Appendix A provides the provisional outturn position and a more detailed analysis of the variances. The key drivers of the £2.405m overspend against the Net Cost of Services are summarised below:

- £1.167M net overspend on BEAM (a £709K adverse movement from quarter 3) reflecting lower income and higher staffing and operating costs. Further details is provided in Appendix A and the BEAM report on this agenda .
- £425K overspend on Property primarily relating to the costs of accommodating the grounds maintenance contractor at Rapier House and expenditure incurred at Limekiln, prior to disposal. Both issues are expected to be resolved in 2026/27, with limited ongoing financial pressure anticipated.
- £348K overspend in Parking, driven by higher business rates pressure, which has been resolved for 2026/27, and the cleansing contract which is under review and options to be considered for managing ongoing pressure.

3.3. The £425K variance against the corporate budgets is made up of the following movements:

- Review of Minimum Revenue Provision resulting in a £203K reduction against budget.
- Interest payment on loans was £186k lower than budgeted, partially due to lower interest rates on the Council's borrowing than those assumed during budget setting.
- The interest that the Council received on its investments was £505K higher than budgeted due to better performance of the Council's short-term investments.
- A £448K loss on the Lothbury Property Fund, which was partially funded through reserve usage and the overachievement of investment income. The final redemption in relation to this property fund was received in May 2026, the £448k loss represents the final position on this fund.

3.4. The Reserve position of the Council as at 31 March, after funding the 2025/26 underspend of £678k is shown in Table 2.

*Table 2: 2025/26 General and Earmarked Reserve position*

<b>Usable reserves</b>	<b>31 Mar 2025</b>	<b>31 Mar 2026</b>	<b>2025/26 Movement</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>

General Fund	3,854	3,854	-
Earmarked reserves	17,297	15,259	2,038
Capital grants unapplied	189	189	-
<b>Total</b>	<b>21,340</b>	<b>19,302</b>	<b>2,038</b>

- 3.5. As set out by the Chief Finance Officer in the March 2026 budget report to Council, the calculated minimum level of General Fund balance is £3.649m. As at 31 March 2026, the Council's General Fund balance was £3.854M. This is set aside to meet unforeseen risks. There has been no use of the general fund reserve in 2025/26.
- 3.6. In 2025/26, a net £2.038M was transferred from the Council's Earmarked Reserves, with the main areas of reserve usage being:
- £986K to fund expenditure within the Net Cost of Services, including mobilisation costs of the new waste contract, costs associated with Local Government reorganisation, redundancies, volatility in the housing benefits budget and increased costs against the grounds maintenance contract;
  - £678K to fund the 2025/26 revenue overspend;
  - £240k to fund the loss against the Lothbury Property fund; and
  - £133k to smooth business rates collection fund deficit in year.

## Funding

- 3.7. The funding position shows an overachievement of income of £107K, this is due to a surplus of government grants being received, a deficit against the collection fund and retained business rates being higher than budgeted.

## Comparison of Outturn position to Q3 monitoring

- 3.8. The Council undertakes quarterly budget monitoring which is reported to Members. The latest position reported at Quarter 3 (based on information available at December and reported at February Audit and Governance Committee), where it indicated a projected overspend of £505k. This represented a position at a point in time, based on the information available then. The movement since that position of £172k is explained below.

- £1.5m adverse movement against net cost of services, primarily BEAM £706K, Grounds Maintenance £193K, Waste mobilisation £331K;
- £333k adverse movement against corporate budgets, mainly due to loss on property funds;
- £107k favourable movement against funding, due to additional government grants.

3.9. In line with the Council's financial procedure rules the Director for Finance, Risk & Performance has approved a total of £1.196m from reserves to fund one off pressures in 2025/26. The balance on the councils earmarked reserves as at 31 March 2026 remains consistent with the levels forecast as at the 2026/27 MTFP and budget setting.

#### 4. Capital Outturn 2025/26

4.1. The progress of the capital programme has been reported to Audit and Governance Committee throughout the year as part of the budget monitoring process. Capital expenditure in 2025/26 was £8.628M, against a budget of £11.925M as set out in Table 3.

Table 3: 2025/26 Capital Outturn & Budget Carry Forwards to 2026/27

	<b>2025/26 Revised Budget</b>	<b>2025/26 Outturn</b>	<b>Variance</b>	<b>Carry Forwards to 2026/27</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Land & Buildings	2,019	379	(1,640)	840
Infrastructure	38	33	( 5)	0
Vehicles & Equipment	8,870	7,942	( 928)	107
Community Assets	349	9	( 340)	70
REFCUS	649	265	( 384)	125
Capitalisation of Interest	-	-	0	-
<b>Total</b>	<b>11,925</b>	<b>8,628</b>	<b>(3,297)</b>	<b>1,142</b>

- 4.2. A breakdown of expenditure against the Capital Programme is shown in Appendix C.
- 4.3. The 2026/27 Capital Programme, approved by full Council in February 2026, included carry forwards of £1.114m. As at 31st March 2026, an additional £28k of carry forwards have been identified for approval where schemes were not completed by the end of the financial year.
- 4.4. Of the £3.297m underspend, approximately two-thirds (£2.155m) will not be carried forward to 2026/27, following a detailed review of budget requirements. Further details are outlined below:
- The capital budgets for investment in BEAM, Depot Upgrades and Pinehurst Community Hall were reviewed as part of the 2026/27 budget setting process and reset to the required level , as a result, £800k of the 2025/26 underspends is not required to be carried forward.
  - The ICT Projects rolling programme has been subject to a similar review, with £338K underspend not being rolled forward to 2026/27.
  - The Refuse & Recycling Containers and Transformation programmes together account for just under £500K of underspend that will not be carried forward to 2026/27.
- 4.5. The 2025/26 Capital Programme has been financed from the following sources:

Table 4: 2025/26 Capital Financing

	£'000
Capital receipts	4,978
Government grant	1,501
Third part contributions	383
Borrowing	1,766
<b>Total</b>	<b>8,628</b>

## 5. Draft Statement of Accounts 2025/26

- 5.1. The 2025/26 draft Statement of Accounts was not available for publication at the same time as this report. It is expected to be published by 30 June, at which point members will be notified and provided with a copy. The period for public inspection will open on

when the draft statement of accounts is published and remain open for 30 working days. Officers are working with the councils' external auditors (Azets) to complete the 2025/26 audit by the backstop date of 31 January 2027.

## **6. Options**

- 6.1. The Executive can choose not to carry forward capital budgets although this would cause budget shortfalls and overspends on projects. This is not recommended.

## **7. Risks**

- 7.1. The Statement of Accounts and provisional outturn are subject to external audit and there is a risk that the accounts will need to be adjusted, which may affect the outturn position.

## **8. Implications/Consultations**

### **Community Safety**

None arising directly from this report.

### **Data Protection**

None arising directly from this report.

### **Equalities**

None arising directly from this report.

### **Environmental Sustainability**

None arising directly from this report.

### **Financial**

All financial implications are included in the report.

### **Health and Safety**

None arising directly from this report.

### **Human Resources**

None arising directly from this report.

## Human Rights

None arising directly from this report.

## Legal

Regular monitoring and forecasting of the revenue budget and capital programme are required to ensure that the council is managing its resources effectively and complies with section 28 of the Local Government Act 2003 and the Councils financial procedure rules.

## Specific Wards

No

## 9. Background papers, appendices and other relevant material

9.1. Appendices A - C

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