

**FINANCE, AUDIT AND RISK COMMITTEE**  
**10 September 2025**

**PART 1 – PUBLIC DOCUMENT**

**TITLE OF REPORT: FIRST QUARTER REVENUE BUDGET MONITORING 2025/26**

REPORT OF: THE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: RESOURCES

COUNCIL PRIORITY: SUSTAINABILITY

**1. EXECUTIVE SUMMARY**

- 1.1. The purpose of this report is to inform Cabinet of the summary position on revenue income and expenditure forecasts for the financial year 2025/26, as at the end of the first quarter. The forecast variance is a £453k increase in the net working budget of £24.043million, with an ongoing impact in future years of a £314k increase. There are requests to carry forward unspent budget totalling £375k to fund specific activities in the next financial year. Explanations for all the significant variances are provided in table 3.

**2. RECOMMENDATIONS**

That Finance, Audit and Risk Committee consider any governance and risk issues in relation to the Cabinet recommendations, which are:

- 2.1. That Cabinet note this report.
- 2.2. That Cabinet approves the changes to the 2025/26 General Fund budget, as identified in table 3 and paragraph 8.2, a £453k increase in net expenditure.
- 2.3. That Cabinet notes the changes to the 2026/27 General Fund budget, as identified in table 3 and paragraph 8.2, a total £689k increase in net expenditure. These will be incorporated in the draft revenue budget for 2026/27.
- 2.4. That Cabinet delegates to the Director-Resources (in consultation with the Executive Member for Resources) authority to enter in to a Business Rate Pooling arrangement (if available) if it is estimated that it will be in the financial interests of the Council.

**3. REASONS FOR RECOMMENDATIONS**

- 3.1. Members are able to monitor, make adjustments within the overall budgetary framework and request appropriate action of Services who do not meet the budget targets set as part of the Corporate Business Planning process.

**4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1. Budget holders have considered the options to manage within the existing budget but consider the variances reported here necessary and appropriate.

## 5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1. Consultation on the budget monitoring report is not required. Members will be aware that there is wider consultation on budget estimates during the corporate business planning process each year.

## 6. FORWARD PLAN

- 6.1. The report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 25<sup>th</sup> July 2025.

## 7. BACKGROUND

- 7.1. Council approved the revenue budget for 2024/25 of £22.914million in February 2025. As at the end of Quarter One, the working budget has increased to £24.043million. Table 1 below details the approved changes to this budget to get to the current working budget:

**Table 1 - Current Working Budget**

	£k
Original Revenue Budget for 2025/26 approved by Full Council	22,914
Quarter 3 2024/25 Revenue Budget Monitoring report – 2025/26 budget changes approved by Cabinet (March 2025)	807
2024/25 Revenue Budget Outturn report – 2025/26 budget changes approved by Cabinet (June 2025)	202
Churchgate Viability and Next Steps report – additional funding for a specialist Project Manager approved by Council (July 2025)	120
<b>Current Working Budget</b>	<b>24,043</b>

- 7.2. The Council is managed under Service Directorates. Table 2 below confirms the current net direct resource allocation of each Service Directorate, following the corporate restructure effective from 1<sup>st</sup> April 2025, and how the forecast total cost of services within each Directorate has changed since the original budget was approved by Council in February 2025.

**Table 2 – Service Directorate Budget Allocations**

	Original Budget 2025/26	Changes approved at Q3 2024/25	Changes approved at Outturn 2024/25	Other Budget Changes / Transfers	Current Net Direct Working Budget
Service Directorate	£k	£k	£k	£k	£k
Chief Executive	1,030	53	154	(112)	1,125
Customers	3,899	79	(14)	(9)	3,955
Enterprise	1,168	73	41	120	1,402
Environment	8,053	8	(253)	13	7,821
Governance	2,391	25	1	(5)	2,412
Place	751	530	212	1	1,494
Regulatory Services	2,706	0	14	117	2,837
Resources	2,916	39	47	(5)	2,997
<b>TOTAL</b>	<b>22,914</b>	<b>807</b>	<b>202</b>	<b>120</b>	<b>24,043</b>

- 7.3. The Revenue Budget Outturn 2024/25 report recorded net revenue expenditure of £17.932 million for 2024/25 and the balance on the General Fund reserve at the end of 2024/25 of £16.081million. In finalising the Draft Statement of Accounts prior to issue, it was identified that £14k of interest payment transactions relating to the Council's outstanding borrowing had been incorrectly charged in the Council's General Ledger. The subsequent correction transferred these amounts to ensure that these were charged to the General Fund in 2024/25. This resulted in a revised outturn for 2024/25 of £17.946million, with a closing General Fund balance of £16.067million. The revised General Fund balance is reflected in table 7 below.

## 8. RELEVANT CONSIDERATIONS

- 8.1. Service Managers are responsible for monitoring their expenditure and income against their working budget. Table 3 below highlights those areas where there are forecast to be differences. An explanation is provided for each of the most significant variances, which are generally more than £25k. The final columns detail if there is expected to be an impact on next year's (2026/27) budget:

**Table 3 - Summary of significant variances**

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2026/27 £k
<b>All Directorates</b> 2025/26 Staff Pay Inflation	554	590	+36	Overspend variance indicates estimated impact of the nationally agreed pay awards for 2025/26 for Local Government Officers, Chief Officers [Directors] and Chief Executives. The outcome was an increase of 3.2% to all salary scale points. The assumption in the budget was an increase of 3%.	0	36
<b>Chief Executive</b> Treasury Investments Interest Income	(825)	(1,825)	(1,000)	Increase in estimated interest income receivable relates to significantly higher cash balances available for investment than anticipated when the income budget estimate was prepared at the start of the calendar year. This is due to the reprofiling of planned capital investments. Estimates for future years will be updated when the next Investment Strategy is finalised in January 2026.	0	0

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2026/27 £k
Chief Executive Revenue savings from planned capital investments				Three ongoing revenue savings resulting from the delivery of planned capital schemes in 2024/25 were anticipated to materialise in 2025/26 when the original budget estimates for 2024/25 onwards were approved by Council in February 2024. Each saving was assumed to be at least equivalent to the associated capital financing cost. These should have been removed as part of setting 2025/26 budget.		
Royston Leisure Centre Learner Pool	(125)	0	+125	Delivery of this capital project had been initially expected to result in an ongoing increase to the annual management fee income due to the Council that off-set the revenue costs of capital. As the proposals progressed, the expected income was much lower than the revenue costs of capital. It was therefore subsequently removed from the capital programme pending a defined viable plan. In February 2025 Council approved to set aside a contingency budget of £40k in 2025/26 to enable further feasibility work to be carried out to further assess whether there are viable options for a Learner pool at Royston Leisure Centre.	0	125
Leisure Centres Improvements	(262)	0	+262	The improvement works completed in 24/25 (Year 1 of the two-year scheme) have delivered an ongoing annual saving of £339k, as highlighted in the Revenue Budget Outturn 2024/25 report. The £339k ongoing saving was included in the recommended adjustments to the 2025/26 budget within the Outturn report approved by Cabinet in June and is therefore included in the current working budget for the leisure centre contract, managed under the Environment Directorate.	0	262
Leisure Centres Decarbonisation	(230)	0	+230	Ongoing revenue savings were initially envisaged from the delivery of those decarbonisation projects eligible for matched grant funding from the Public Sector Decarbonisation Fund. However, as detailed to both Cabinet and Council in January 2025, during the detailed RIBA Stage 3 / Stage 4 design phase, a review of the proposed air source heat pumps (ASHP) at all three leisure centres highlighted significant additional running costs, compared to previous estimates at the detailed feasibility stage.	0	230

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2026/27 £k
<b>Customers</b> IT Services staffing costs	891	870	(21)	£88k of unspent budget was approved to be carried forward from 2024/25 to fund the costs of two temporary posts in IT. While both posts have been recruited to, the contract of the part-time Helpdesk Support Officer post is for a period of two years. A carry forward of the unspent budget in this financial year is therefore requested to cover the costs of the post falling in the next financial year.	21	0
<b>Enterprise</b> Museum Items Transport and Storage	70	0	(70)	Cabinet approved the carry forward of the £70k revenue investment proposal originally earmarked in 2024/25 for the removal and temporary storage costs of artefacts in Burymead while the longer-term storage solution was developed. It was envisaged that the museum collection would require removal away from the current Burymead Road site, before later returning to the site following its redevelopment. As a result of the Councils acquisition of an alternative site in Letchworth, the museum collection will instead only be moved once. This has therefore reduced the resource required, with £45k now requested to be carried forward to facilitate the transfer in the next financial year.	45	0
<b>Enterprise</b> Investment Properties Rental Income	(1,124)	(1,163)	(39)	Increase in forecast rent income this year is mainly due to the recent acquisition of the Museum Storage site in Letchworth, which has an existing tenant with a lease until January 2026.	0	0
<b>Enterprise</b> Charnwood House Rent Income	(30)	0	+30	While capital resource is earmarked for the renovation of Charnwood House, previous marketing did not produce a suitable letting. Officers are currently reviewing reports on the building in the preparation of options for the next steps.	0	0
<b>Environment</b> Leisure Centres Swimming Pool Tiling Repairs	120	33	(87)	Three investment bids to repair tiling and grouting following underwater surveys at each of the Council's swimming pools, to ensure compliance with Health and Safety legislation, were approved by Council in February. The investment values originated from quotations based on a full specification of repair works - low, medium and high priority. The only works that were contractually required to be carried out were those marked as high priority, resulting in an underspend on the original budget provision.	0	0

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2026/27 £k
<b>Environment</b> Leisure Centre Management Contract Income - Agency Agreement	0	(367)	(367)	From 1 May 2025 the Council entered into an Agency Agreement with SLM (Everyone Active) for the operation of our leisure facilities. The change in contractual arrangements has allowed both the Council and SLM to benefit from changes to the VAT treatment of local authority leisure services announced by HMRC in March 2023. The adjustment also reflects inflation and reductions in energy costs which have been incorporated in to the agency arrangement.	0	(367)
<b>Environment</b> Leisure Centre Management Contract Income – Temporary Leisure Centre Closures	0	1,200	+1,200	The leisure centres decarbonisation project will require some closures during the works, meaning a reduction in the management fee receivable under the terms of the Leisure and Active Communities contract. Forecast outturn represents the current estimated one-off loss of revenue for the closures across all three sites. A loss of income from the closures was recorded as a pressure in setting the budget for 2025/26, albeit at that stage the loss was not yet quantified, and hence was also identified as a financial risk when the original budget was approved in February.	0	0
<b>Environment</b> Flex Collect trial	0	136	+136	The Council was part of a Flex Collect trial (collection of soft plastics). The costs of this will be met by the additional grant detailed in paragraph 8.13.	0	0
<b>Place</b> Development Control - Legal and Consultants Expenditure	0	98	+98	Spend relates to the two public inquiries held in respect of Wandon End Solar Farm and the Land at Rhee Spring, following the refusal of planning permission at each site by the Council's Planning Control Committee. In each case the decision was contrary to officer recommendation. Barrister and consultants' fees were incurred in defending the Council's decision at the inquiries. Costs associated with a challenge to a decision of the Council were identified as a financial risk when the budget for 2025/26 was approved in February.	0	0

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2026/27 £k
<b>Place</b> Planning Control Staffing Costs	1,296	1,263	(33)	A revenue investment proposal for additional specialist planning advice was approved by Council in February. The investment has funded the creation of the new post of Tree and Landscape Officer. The new role has been advertised and is currently expected to be filled by November. The forecast underspend variance is due to the allocated budget provision assuming a full year of salary costs.	0	0
<b>Place</b> Planning Control Software	20	0	(20)	A revenue investment proposal of £20k was approved at 2025/26 budget setting to install IDOX insights software, an IDOX Uniform add-on that would improve the monitoring of casework and performance management as well as enable analysis and comparison with other authorities. The installation is now planned to be deferred to the next financial year, pending further progress with Local Government reorganisation, to establish that the system is compatible with any future partners prior to procurement. The carry forward of the unspent budget is therefore requested to finance installation in the next financial year.	20	0

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2026/27 £k
<b>Place</b> Planning Policy Projects						
Extension of the Chilterns National Landscape (formerly the Chilterns Area of Outstanding Natural Beauty)	30	2	(28)	An investment bid to progress the application to extend the Chilterns National Landscape was previously approved by Council, with budget of £10k allocated in each of 2023/24, 2024/25 and 2025/26. The budget allocated in prior years has been carried forward while awaiting the outcome of the review by Natural England. Natural England have however stopped their review due to a lack of funding and resources at Natural England. Natural England have instead recommended that this work could be done as part of the Local Plan. It is requested to therefore reallocate the unspent resource to the budget supporting the Local Plan in the next financial year, where it will be used to determine whether the area is valued landscape, in the absence of the extension review work.	0	0
Local Plan	386	207	(179)	Several evidence-based projects initially planned for completion in this financial year have taken slightly longer to procure and therefore complete. Projects now to be completed in 2026/27 include the viability study, employment needs assessment, strategic flood risk and strategic housing market assessment. A carry forward of the unspent budget is therefore requested to cover the costs of these projects falling in the next financial year. The requested carry forward value includes the unspent budget relating to the Extension of the Chilterns National Landscape.	207	0
<b>Place</b> Net income from Princes Mews Car Park	(10)	0	+10	The Council previously operated the Princes Mews Car Park in Royston under a licence agreement with the landowners. The landowners have since terminated the licence agreement and the car park was closed permanently from 7 <sup>th</sup> April 2025. The Council therefore will no longer receive any parking fees or management fee income for this car park.	0	10



Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2026/27 £k
<b>Regulatory</b> Environmental Health Apprenticeship	100	18	(82)	Budget was carried forward to fund the costs of the 4-year Environmental Health Officer Apprentice post. The recruitment is due to take place in September in line with the academic year. It is requested to carry forward the estimated budget required to meet the cost of the apprenticeship in future years.	82	0
<b>Resources</b> Court Summons Fees Income	(178)	(89)	+89	Income recovery in the first half of the year has been affected by the transition to the new financial system, with no court hearings arranged to date in this financial year. Payment reminder notices have however been issued, while additional temporary staffing resource has been recruited to ensure payments received are correctly allocated to support recovery of debts.	0	0
<b>Resources</b> Property Insurance Premiums	95	139	+44	Additional property insurance is required to cover the leisure centres for the period decarbonisation works are undertaken. In addition, the estimated ongoing impact reflects general property insurance inflation being higher than assumed in the original budget.	0	+7
<b>Total of explained variances</b>	<b>778</b>	<b>1,112</b>	<b>+334</b>		<b>375</b>	<b>303</b>
Other minor balances	23,265	23,384	+119		0	11
<b>Overall Total</b>	<b>24,043</b>	<b>24,496</b>	<b>+453</b>		<b>375</b>	<b>314</b>

8.2. Cabinet are asked to approve the differences highlighted in the table above (a £453k increase in spend), as an adjustment to the working budget (recommendation 2.2). Cabinet are also asked to note the estimated impact on the 2026/27 budget, a £689k increase in budget, which includes the request to carry forward £375k of unspent budget for specific purposes next year, which will be incorporated in to the 2026/27 budget setting process (recommendation 2.3).

8.3. The original approved budget for 2025/26 (and therefore working budget) included efficiencies totalling £1.341million, which were agreed by Council in February 2025. Any under or over delivery of efficiencies will be picked up by any budget variances (table 3 above). However, there can be off-setting variances which mean that it is unclear whether the efficiency has been delivered. Where this is the case, this will be highlighted. The current forecast at the end of Quarter One is a net underachievement of £9k. This comprises:

- Revenue saving from proposed provision of a learner swimming pool at Royston leisure centre, as highlighted in table three above. £125k underachievement. This should have been removed from the budget.
- Revenue saving from financing improvement projects at our Leisure Centres, as explained in table 3 above. £77k overachievement.
- Revenue savings from decarbonisation projects, as highlighted in table 3 above. £230k underachievement. This should have been removed from the budget.

- Income from the letting of Charnwood House in Hitchin, as highlighted in table three above. £30k underachievement.
  - Leisure provider moving to acting as our agent in running our leisure centres, as highlighted in table 3 above. £367k overachievement. This also includes adjustments for energy costs and inflation.
- 8.4. The working budget for 2025/26 includes budgets totalling £1.682million that were carried forward from the previous year. These are generally carried forward so that they can be spent for a particular purpose that had been due to happen in 2024/25 but was delayed into 2025/26. At Quarter One, it is forecast that £199k of the budget carried forward will not be spent in this year. This relates to the budget carried forward for:
- IT temporary staffing costs. £21k is forecast not to be spent in this year and is requested to be carried forward again, as highlighted in table three above.
  - Museum artefacts transport and temporary storage. The £70k carry forward budget will not be spent in this year, with £45k requested to be carried forward again to fund the activity in next year, as explained in table three above.
  - Environmental Health apprenticeship. £82k of the £100k budget carried forward is forecast to be unspent this year and is requested to be carried forward again, as highlighted in table 3 above.
  - Application for the extension of the Chilterns National Landscape. £18k of the £20k budget carried forward will not be spent in this year and is requested to be carried forward again and included in the budget for work on the Local Plan, as explained in table three above.
  - Business rates review. £8k of the £26k budget is forecast to be unspent this year (included within the 'other minor variances' total in table 3 above).
- 8.5. Six corporate 'financial health' indicators have been identified in relation to key sources of income for the Council in 2025/26. Table 4 below shows the performance for the year. A comparison is made to the original budget to give the complete picture for the year. Each indicator is given a status of red, amber, or green. A green indicator means that they are forecast to match or exceed the budgeted level of income. An amber indicator means that there is a risk that they will not meet the budgeted level of income. A red indicator means that they will not meet the budgeted level of income.
- 8.6. At the end of Quarter One, four of the indicators are green, one is amber and one of the indicators is red. Explanation for the red indicator in respect of Leisure Centres Management Fee income is included in table 3 above. The amber indicator for car parking fees income follows the closure of Princes Mews car park in April and the associated forecast loss of income, as noted in table 3 above, which means there is a risk that the budget will not be achieved. The high actual to date totals relative to the annual budget for Planning Fees and Garden Waste income are due to the reversal in the current year of the accounting adjustments posted at the end of the prior financial year to ensure the income totals recorded for 2024/25 only related to activity in 2024/25, (i.e. planning applications resolved / garden waste collections undertaken between 1<sup>st</sup> April 2024 and 31<sup>st</sup> March 2025), and therefore are not necessarily indicative of the achievement of surplus income in this financial year.

**Table 4 - Corporate financial health indicators**





Indicator	Status	Original Budget	Actual to Date	Projected Outturn	Variance
		£k	£k	£k	£k
Leisure Centres Management Fee Income	Red	(714)	(85)	(151)	+563

Garden Waste Collection Service Subscriptions	Green	(1,622)	(1,521)	(1,622)	0
Commercial Refuse & Recycling Service Income	Green	(1,267)	(701)	(1,267)	0
Planning Application Fees (including fees for pre-application advice)	Green	(1,188)	(961)	(1,188)	0
Car Parking Fees	Amber	(1,978)	(555)	(1,928)	+50
Parking Penalty Charge Notices (PCNs)	Green	(573)	(143)	(573)	0

8.7. The 2024/25 year end position for PCNs was shown as TBC. In preparing the Statement of Accounts this total was £514k. There is likely to be a further increase to this total as there will be cash that was sitting in suspense accounts that will be allocated to PCN income. Significant progress is being made on clearing these balances.

8.8. Table 5 below indicates current activity levels, where these drive financial performance, and how these compare to the prior year to indicate the direction of current trends. As performance against the planning applications fee income budget is generally determined by the number of large applications resolved in the year (rather than the total number of applications received), and this distinction is not captured in the data available, this indicator is omitted from table 5.

**Table 5 - Corporate financial health indicators – activity drivers**

Indicator	Activity Measure	Performance Q1 2025/26	Performance Q1 2024/25	Percentage Movement	Direction of Trend
Leisure Centres Management Fee	Number of Leisure Centre visits in quarter	462,992	399,264	+16.0%	
Garden Waste Collection Service	Number of bin subscriptions at end of quarter	TBC	32,866	TBC	TBC
Commercial Refuse & Recycling Service	Number of customers at end of quarter	931	963	-3.3%	
Car Parking Fees	Car park tickets sold / average ticket price sold during quarter	298,891 / £1.68	281,349 / £1.77	+6.2% / -4.9%	
Parking Penalty Charge Notices	Number of PCNs issued during quarter	5,780	3,894	+48.4%	

## **FUNDING, RISK AND GENERAL FUND BALANCE**

8.9. The Council's revenue budget is funded primarily from Council Tax and Retained Business Rates income. In November 2024, central government guaranteed an amount of Extended Producer Responsibility (EPR) funding in 2025/26. The Council was subsequently notified by Central Government in February 2025 of the amount of New Homes Bonus, Employer National Insurance Contributions Grant and Funding Guarantee Grant it could expect to receive in 2025/26 and planned accordingly.

8.10. Council Tax and Business Rates are accounted for in the Collection Fund rather than directly in our accounts, as we also collect them on behalf of other bodies. Each organisation has a share of the balance on the Collection Fund account. The Council must repay in this year its share of the Council Tax deficit for the prior year and will

receive in this year its share of the Business Rates Collection Fund surplus for the prior year, as estimated in January 2025. As reported previously, this means a contribution from the Council Tax Collection Fund to the General Fund of £144k and a contribution to the General Fund of £98k from the Business Rates Collection Fund. While the transfer of the Council Tax surplus amount of £144k is included in the funding total in table 7, the business rates surplus will be transferred to reserve and used to mitigate the impact of deficits recorded, and/or changes to the rates retention scheme, in future years. It is also reviewed as part of the Medium-Term Financial Strategy and budget process to assess whether it can be used to support the General Fund budget. The final totals recorded at the end of the last financial year was a surplus of £132k in respect of Council Tax and a business rates surplus of £2.404million. The difference between the January estimates and the final position will affect the calculation of the surplus / deficit for 2025/26 and hence funding available in 2026/27.

- 8.11. The Council is also subject to a business rates levy from Central Government where it collects more in business rates than the baseline determined by Central Government. The current forecast for 2025/26 is a business rates levy liability of around £1.5million at the end of the financial year. The final amount payable will however depend on the actual level of business rates income collected during the year. In any case, the business rates levy payable will be funded from grant held in reserve and as such will have a net zero impact on the General Fund balance at the end of the year.
- 8.12. In previous years, the government department with responsibility for Local Government has written to Local Authority Chief Finance Officers to invite applications to be part of a Business Rates Pool in the following financial year. This letter has usually been received in September. Being part of a Pool can reduce the levy that the Council must pay and therefore increase the amount of business rates income retained by the authority. This was the case in the last financial year, with the Council benefiting from a 'pooling gain' (reduction in levy otherwise payable) of more than £1.5million. As part of Fairer Funding changes there is due to be a business rates reset for 2026/27 so that may remove any benefit from pooling. The work being undertaken by MHCLG on Fairer Funding and/or Local Government Reorganisation may also mean that they do not make the pooling option available. If the option is available for 2026/27, the County Council is likely to engage specialist consultants to determine the optimum pool membership, and it is possible that we would form part of such an optimum Pool for Hertfordshire. An optimum pool would be comprised of the County Council and up to 5 District / Borough Councils. Recommendation 2.4 therefore seeks that the final decision is delegated to the Director-Resources in consultation with the Executive Member for Resources.
- 8.13. The Council receives compensation in the form of a grant from Central Government for business rate reliefs introduced, which goes into our funds rather than the Collection Fund. The final amount of grant the Council can retain depends on the actual level of reliefs applied during the year. The Council currently expects to receive a total grant allocation of £4.445m for reliefs in 2025/26, which includes an amount of £620k received as compensation for the Government's previous decisions to cap the increases in the business rates multiplier. The multiplier compensation is included in the funding total in table 7 below. The rest of the grant received is held in reserve. Some of the amount held in reserve will be used to fund the business rates levy payable for this year, while a further £1.3million will be used to top up the business rates income charged to the General Fund in 2025/26 to the baseline funding amount anticipated when the budget was set. In addition, as shown in table 7 below, there will be the planned release of £2.861million from the reserve to the General Fund in 2024/25 to bridge the funding gap anticipated when the budget was set.
- 8.14. In July the Council received notification from DEFRA of the payment currently anticipated to the Council in respect of extended Producer Responsibility (EPR) for packaging for

2025/26 (Year 1 of the scheme). The updated assessment indicated a total funding amount for 2025/26 of £1.747million, which is £312k more than the guaranteed amount of £1.435 million from the previous assessment in November 2024 included in the original funding estimates. Part of that increase is to fund the Flex Collect trial (see table 3). While the revised total is included in the funding projected outturn in table 7 below, it should be noted that, as the latest estimate is higher than the guaranteed amount, the additional income (above the amount to fund the Flex Collect trial) is not guaranteed by DEFRA and is subject to sufficient recovery of funds from producers.

- 8.15. Table 7 below summarises the impact on the General Fund balance of the position at Quarter One detailed in this report.

**Table 7 – General Fund impact**

	<b>Working Budget</b>	<b>Projected Outturn</b>	<b>Difference</b>
	<b>£k</b>	<b>£k</b>	<b>£k</b>
<b>Brought Forward balance (1<sup>st</sup> April 2024)</b>	<b>(16,067)</b>	<b>(16,067)</b>	<b>-</b>
Net Expenditure	24,043	24,496	453
Funding (Council Tax, Business Rates, EPR, NHB, ENIC, Funding Guarantee)	(20,053)	(20,365)	(312)
Funding from Reserves (including Business Rate Relief Grant)	(2,861)	(2,861)	0
<b>Carried Forward balance (31<sup>st</sup> March 2025)</b>	<b>(14,938)</b>	<b>(14,797)</b>	<b>141</b>

- 8.16. The minimum level of General Fund balance is determined based on known and unknown risks. Known risks are those things that we think could happen and we can forecast both a potential cost if they happen, and percentage likelihood. The notional amount is based on multiplying the cost by the potential likelihood. The notional amount for unknown risks is based on 5% of net expenditure. There is not an actual budget set aside for either of these risk types so, when they occur, they are reflected as budget variances (see table 3). We monitor the level of known risks that actually happen, as it highlights whether there might be further variances. This would be likely if a number of risks come to fruition during the early part of the year. We also use this monitoring to inform the assessment of risks in future years. The notional amount calculated at the start of the year for known risks was £1,077k, and at the end of the first quarter a total of £1,298k has come to fruition. The identified risks realised in the first quarter relate to:

- Costs associated with a challenge to a decision of the Council. Legal and consultants' fees incurred from two planning appeals requiring public inquiries, as highlighted in table 3 above - £98k.
- Loss of revenue due to full or partial closures of the Council's leisure centres while the decarbonisation works take place, as highlighted in table 3 above - £1.2million.

**Table 8 – Known financial risks**

	<b>£'000</b>
<b>Original allowance for known financial risks</b>	<b>1,077</b>
Known financial risks realised in Quarter 1	(1,298)
<b>Remaining allowance for known financial risks</b>	<b>(221)</b>

## 9. LEGAL IMPLICATIONS

- 9.1. Finance, Audit and Risk Committee's Terms of Reference (Constitution section 10, paragraph 10.1.5 (f) include "[t]o review the financial performance of the Council in

relation to its policy objectives, and budgetary amounts, and to make recommendations to Cabinet (unless legally reserved to Full Council) on any matter arising out of the finance monitoring and review process within the terms of this Committee”.

- 9.2. The Cabinet has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council. Specifically, 5.7.8 of Cabinet’s terms of reference state that it has remit “*to monitor quarterly revenue expenditure and agree adjustments within the overall budgetary framework*”. By considering monitoring reports throughout the financial year Cabinet is able to make informed recommendations on the budget to Council. The Council is under a duty to maintain a balanced budget and to maintain a prudent balance of reserves.
- 9.3. The recommendations contained within this report are to comply with the council’s financial regulations with attention drawn to significant budget variances as part of good financial planning to ensure the council remains financially viable over the current fiscal year and into the future. Local authorities are required by law to set a balanced budget for each financial year. During the year, there is an ongoing responsibility to monitor spending and ensure the finances continue to be sound. This means there must be frequent reviews of spending and obligation trends so that timely intervention can be made ensuring the annual budgeting targets are met.

## **10. FINANCIAL IMPLICATIONS**

- 10.1. Members have been advised of any variations from the budgets in the body of this report and of any action taken by officers.

## **11. RISK IMPLICATIONS**

- 11.1. Good Risk Management supports and enhances the decision-making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly and effectively to change. When taking decisions, risks and opportunities must be considered.
- 11.2. As outlined in the body of the report. The process of quarterly monitoring to Cabinet is a control mechanism to help to mitigate the risk of unplanned overspending of the overall Council budget.

## **12. EQUALITIES IMPLICATIONS**

- 12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2. For any individual new revenue investment proposal of £50k or more, or affecting more than two wards, a brief equality analysis is required to be carried out to demonstrate that the authority has taken full account of any negative, or positive, equalities implications; this will take place following agreement of the investment.

## **13. SOCIAL VALUE IMPLICATIONS**

- 13.1. The Social Value Act and “go local” policy do not apply to this report.

## **14. ENVIRONMENTAL IMPLICATIONS**

- 14.1. There are no known Environmental impacts or requirements that apply to this report.

## **15. HUMAN RESOURCE IMPLICATIONS**

- 15.1. Although there are no direct human resource implications at this stage, care is taken to ensure that where efficiency proposals or service reviews may affect staff, appropriate communication and consultation is provided in line with HR policy.

## **16. APPENDICES**

- 16.1. None.

## **17. CONTACT OFFICERS**

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## **18. BACKGROUND PAPERS**

- 18.1. None.