

**PART 1 – PUBLIC DOCUMENT**

**TITLE OF REPORT: THIRD 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 third quarter. The forecast variance is a £902k decrease in the net working budget of £23.687million, of which £483k is requested to be carried forward to fund specific activities in the next financial year, with an ongoing impact in future years of a £282k decrease. Explanations for all the significant variances are provided in table 3.

**2. RECOMMENDATIONS**

- 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 £902k decrease in net expenditure.
- 2.3. That Cabinet approves the changes to the 2026/27 General Fund budget, as identified in table 3 and paragraph 8.2, a total £201k increase in net expenditure.

**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 19<sup>th</sup> December 2025.

## 7. BACKGROUND

- 7.1. Council approved the revenue budget for 2025/26 of £22.914million in February 2025. As at the end of Quarter Three, the working budget has increased to £23.687million. Table 1 below details the approved changes to this budget to get to the current working budget:

**Table 1 - Current Working Budget**

	<b>£k</b>
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
First Quarter Revenue Budget Monitoring 2025/26 – working budget changes approved by Cabinet (September 2025)	453
Second Quarter Revenue Budget Monitoring 2025/26 – working budget changes approved by Cabinet (January 2026)	(846)
Decarbonisation of Leisure Centres Contract Award – working budget changes resulting from the extended opening of the lidos (May 2025)	37
<b>Current Working Budget</b>	<b>23,687</b>

- 7.2. The Council is managed under Service Directorates. Table 2 below confirms the current net direct resource allocation of each Service Directorate and how this has changed from the budget allocations published in the Quarter Two revenue monitoring report.

**Table 2 – Service Directorate Budget Allocations**

<b>Service Directorate</b>	<b>Net Direct Working Budget at Quarter Two</b>	<b>Changes approved at Quarter Two</b>	<b>Other Budget Changes / Transfers</b>	<b>Current Net Direct Working Budget</b>
	<b>£k</b>	<b>£k</b>	<b>£k</b>	<b>£k</b>
Chief Executive	322	(119)	0	203
Customers	4,133	25	0	4,158
Enterprise	1,365	(7)	0	1,358
Environment	8,743	(97)	37	8,683
Governance	2,536	65	4	2,605
Place	1,351	(559)	0	792
Regulatory Services	2,807	(18)	0	2,789
Resources	3,239	(136)	(4)	3,099
<b>TOTAL</b>	<b>24,496</b>	<b>(846)</b>	<b>37</b>	<b>23,687</b>

## 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**

<b>Budget Area</b>	<b>Working Budget</b>	<b>Forecast Outturn</b>	<b>Variance</b>	<b>Reason for difference</b>	<b>Carry Forward Request</b>	<b>Estimated Impact on 2026/27</b>
	<b>£k</b>	<b>£k</b>	<b>£k</b>		<b>£k</b>	<b>£k</b>
<b>Chief Executive</b> Capital Financing - Minimum Revenue Provision (MRP)	402	0	(402)	The original 2025/26 budget included provision for capital expenditure to be financed through internal borrowing. As there was no capital expenditure in 2024/25 that required funding through borrowing, there is no MRP charge required in this financial year. The MRP estimates for future years were updated when the Budget 2026/27 report was approved by Council in February.	0	0
<b>Customers</b> Directorate Staffing Costs	5,915	5,895	(20)	Forecast underspend is mainly due to various vacancies held this year within the Customer Service Centre and Digital Services team. Most of these vacancies have now been recruited to or recruitment is currently in progress. It is requested to carry forward £5,500 of the unspent budget, which relates to the Shared Prosperity Fund grant amount for the digital inclusion programme. Part of the grant was identified to fund an officer to support the project until June 2026.	6	0
<b>Customers</b> Careline Service Telephony	169	126	(43)	Project to upgrade the current ISDN phone lines to Session Initiation Protocol (SIP) lines has been delayed due to resourcing issues experienced by the supplier, with a lack of engineers available to perform the work. The forecast unspent budget is requested to be carried forward to meet the costs of the project that will now fall in the next financial year.	43	0
<b>Enterprise</b> Churchgate Regeneration Project – Consultants Expenditure	0	163	+163	To complete the due diligence required to progress with this project, the team have appointed relevant consultants to support the work. These consultants have scoped out the possibilities associated with the parking, public realm and market elements. This has allowed the team to financially appraise the scheme to find a viable option for the Council to take forward. While part of the spend in this year will be funded from surplus rent income collected (over and above the cost of capital related to the purchase of the head leasehold) and the balance remaining in the Churchgate Regeneration Project earmarked reserve, the variance indicates that this is not sufficient to fund the forecast level of expenditure. This was identified as a financial risk when the budget was approved in February 2025.	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>Enterprise</b> Churchgate Regeneration Project – Project Manager	120	65	(55)	As recorded in table 1, Council approved £120k of additional funding for the recruitment of a specialist Project Manager in July 2025. The Project Manager was subsequently appointed in September 2025 with a contract through to September 2026. It is therefore requested that the forecast unspent budget is carried forward to finance the costs of the post falling in the next financial year.	55	0
<b>Enterprise</b> Directorate Staffing Expenditure	1,799	1,699	(100)	Forecast underspend is due to vacant posts held in Property Services and the unspent investment budget for the recruitment of a project officer to support the Museum Storage project. The timing of the appointment to the two-year fixed term project officer / curator position will be coordinated with the timetable for the construction work to renovate the facility. Recruitment is currently anticipated in January 2027. It is therefore requested that the unspent budget is carried forward to finance the anticipated expenditure in future years.	100	0
<b>Enterprise</b> Sale of the Snipe, Weston – deposit received	0	(62)	(62)	The Snipe at Weston was sold under a conditional contract dated 1st October 2024, with the the contract providing the purchaser up to 15 months within which to secure planning consent. This period has now expired and, with no live planning application or appeal in progress, the contract has been formally terminated. As the asset has not been sold, the non-refundable deposit received under the terms of the conditional sale contract does not represent a capital receipt and instead is charged as income to the General Fund.	0	0
<b>Enterprise</b> Royston Town Council Annexe Redevelopment	20	0	(20)	This site requires certainty on vehicle access and collaboration with adjoining landowners to facilitate a more comprehensive potential re-development. Progress has been made in respect of the access issue alongside renewal of the car park lease with Herts County Council. Estates officers will also seek for the site to retain its allocation for a mixed-use redevelopment in the new Local Plan. It is therefore requested that this unspent investment budget is carried forward to fund the appointment of an architect in the next financial year.	20	0

Budget Area	Working Budget	Forecast Outturn	Variance	Reason for difference	Carry Forward Request	Estimated Impact on 2026/27
	£k	£k	£k		£k	£k
<b>Enterprise</b> Riverside Walk Hitchin footpath repair and maintenance	24	13	(11)	The final drawings are being prepared for the submission of a planning application and obtaining the necessary Environment Agency and County Council Highways consents. Tenders for the work will be sought in parallel with the progress of the application. This is expected to take place during 2026/27 and therefore the forecast unspent budget is requested to be carried forward to meet the costs of delivering the project next year.	11	0
<b>Environment</b> Climate Change and Sustainability Expenditure	27	10	(17)	The Sustainability Strategy was finalised in Summer 2025 and while progress has been made with some actions, there are others we haven't been able to develop, due to capacity, other priorities and timing. We will be able to make further progress on some of these actions in 26/27, with the carry forward of the unspent budget requested to support these. Examples include developing advice and support on sustainability for local businesses and looking at options for more natural shading in our district.	17	0
<b>Environment</b> Repairs and Maintenance at Ransoms Rec Hitchin	25	0	(25)	This investment budget for repairs to the lighting and footpaths at Ransoms Rec was approved by Council in February 2025. Green Space Officers have since identified other sites requiring lighting works, so a holistic approach is being taken to resolve the lighting issues simultaneously, liaising with Property Services to identify the most effective and efficient means of doing so. The intention is to complete the works required at Ransoms Rec in the new financial year, therefore the carry forward of the investment budget is requested.	25	0
<b>Environment</b> Burial Grounds Income	(359)	(320)	+39	Shortfall in income is attributed to the trend, apparent across the industry, away from full body burials to cremations. The Council only receives income from cremations if the family choose to purchase a grave space or a memorial tree within a North Herts Cemetery. With Hitchin Cemetery now at capacity for burials, the Council may also be losing custom to the new crematorium at Holwell, which offers cremations, cremated remains and full burial grave spaces. Some Hitchin residents may therefore be choosing this option in preference to Wilbury Hills Cemetery.	0	42

Budget Area	Working Budget	Forecast Outturn	Variance	Reason for difference	Carry Forward Request	Estimated Impact on 2026/27
	£k	£k	£k		£k	£k
<b>Environment</b> Removal of Combined Heat and Power (CHP) units at North Herts Leisure Centre and Hitchin Fitness and Swimming Centre	757	731	(26)	At its meeting of 11th July 2024, Council approved expenditure of up to £757k for the termination and removal fees of the gas CHP units at North Herts Leisure Centre and Hitchin Fitness and Swimming Centre as part of the delivery of the Leisure Centres Decarbonisation project. The budget provision was based on the financial penalties for early termination with a removal date of 31 <sup>st</sup> March 2025. As the two units were ultimately removed in November 2025 (NHLC) and December 2025 (Hitchin), this has consequently reduced the early termination fees liability.	0	0
<b>Environment</b> Commercial Waste and Recycling Service - Customer Income	(1,267)	(1,237)	+30	Forecast shortfall in income follows the steady decline in the size of the customer base, as has been captured in the corporate financial health indicators included in previous monitoring reports. This may be indicative of a competitive market, where businesses are incentivised to switch provider with introductory pricing for new customers; changes in business behaviours to generate less waste in general, with existing customers reducing the level of service required; a difficult economic climate more generally. A shortfall in income from Commercial Waste services due to an economic downturn was identified as a financial risk when the original budget was approved in February 2025.	0	30
<b>Environment</b> Commercial Waste and Recycling Service – Tipping Charges Expenditure	421	344	(77)	The fall in tipping charges is a direct result of less residual waste tonnage being generated and disposed of by commercial customers. While this will be in part a consequence of the falling customer numbers referenced above, improved recycling provisions, such as the introduction of commercial food waste collections, has also contributed to the fall in residual waste tonnages. The trend may also have been accelerated by the government's 'Simpler Recycling' reforms, with all workplaces in England with 10+ FTEs legally required to separate their waste from 31 March 2025 (with smaller businesses subject to the same requirement from 31 March 2027).	0	(77)

Budget Area	Working Budget	Forecast Outturn	Variance	Reason for difference	Carry Forward Request	Estimated Impact on 2026/27
	£k	£k	£k		£k	£k
<b>Environment</b> Income from sale of fibre (paper and cardboard) collected for recycling	(85)	(193)	(108)	Working budget total was based on the sale of paper (only) collected for recycling, in line with recycling service arrangements at the time the original budget was set. Since the domestic waste and recycling service changes were implemented in August 2025, paper and cardboard have been collected together as a single fibre recycling stream. While the grade of the material collected is lower than a paper-only stream, with this reflected in a lower sale price per ton, the additional tonnage collected has more than offset this. The reduction in the frequency of residual waste collections and the provision of a larger container for paper and cardboard as part of the service changes has also facilitated and encouraged resident recycling of paper and cardboard. The ongoing saving value indicates the twelve-month impact on this income stream.	0	(167)
<b>Environment</b> Hertfordshire County Council Recycling Credits Income	(703)	(659)	+44	Recycling credits income working budget includes the planned efficiency of £48k following the waste and recycling service changes from August 2025. The efficiency value was based on the collection of an additional 300 tonnes of soft plastic and 200 tonnes of additional recycling. Part of the income shortfall in 25/26 is therefore that the forecast outturn only includes the part-year impact from the service changes in August, while the efficiency calculation was over a 12-month period. The estimated annual shortfall going forward of £16k is due to the increase in tonnages from the introduction of soft plastics recycling being lower than anticipated.	0	16
<b>Place</b> Car Parking Pay-As-You-Go Fees Income	(1,926)	(2,051)	(125)	Forecast outturn is indicative of higher car parking activity in the first three quarters of the year than expected in the budget. With no apparent increase in the volume of paid tickets sold compared to the prior year, the increase in revenue may indicate that, with the new check in and check out system, users are staying longer in the car parks.	0	(125)
<b>Place</b> Car Parking Machines Repairs & Maintenance	42	3	(39)	With the new parking machines installed in March 2025 under a two-year warranty, maintenance costs in this financial year relate to only those four machines that have not yet been replaced. A maintenance budget of £15k will be required from 2027/28 following the expiry of the warranty.	0	(39)

Budget Area	Working Budget	Forecast Outturn	Variance	Reason for difference	Carry Forward Request	Estimated Impact on 2026/27
	£k	£k	£k		£k	£k
<b>Place</b> Planning Transport Policy - Consultants Expenditure	124	28	(96)	Forecast outturn is the estimated spend incurred in progressing the Hitchin Rail Station eastern access project in this year. Officers are working together with Hertfordshire County Council to prioritise projects that can be taken forward as part of the Sustainable Travel Town Programme. Work in progressing these projects will commence in the next financial year and it is therefore requested that the unspent budget is carried forward to 2026/27.	96	0
<b>Place</b> London Luton Airport Development Consent Order Application	20	0	(20)	An investment bid for 2024/25 was originally approved by Council to support the work arising from a positive decision from the Planning Inspectorate. The approval from the Planning Inspectorate however was subsequently called in by the Secretary of State. The Secretary of State granted the development consent order (DCO) in April 2025, which was then the subject of a 6-week High Court Judicial Review Challenge. This took place in November 2025 where the High Court ruled in favour of the Secretary of State's decision to permit the DCO application. The Judicial Review however is now the subject of a further legal challenge. Officers are continuing to monitor the legal proceedings and work together with the Hertfordshire Host authorities. It is requested that the unspent investment budget is carried forward to 2026/27 to fund further advice around our role / powers once the legal proceedings are resolved.	20	0
<b>Place</b> Local Plan Development	99	66	(33)	Further reduction in projected spend from that reported at Quarter Two is due to MHCLG delaying new legislation on how authorities should prepare their Local Plan. With no transition period for implementation expected, the Council must wait for the legislation to be published to ensure it fully meets the requirements. The legislation was originally expected in Summer 2025, then MHCLG delayed this until early 2026. Regulations were published at the start of March 2026 to bring the new system into force from the 25 <sup>th</sup> March 2026. This means that work that was planned for 2025/26 will now slip into 2026/27, so it is requested to carry forward the £32k of forecast unspent budget into 2026/27.	33	0

<b>Budget Area</b>	<b>Working Budget</b>	<b>Forecast Outturn</b>	<b>Variance</b>	<b>Reason for difference</b>	<b>Carry Forward Request</b>	<b>Estimated Impact on 2026/27</b>
	<b>£k</b>	<b>£k</b>	<b>£k</b>		<b>£k</b>	<b>£k</b>
<b>Place</b> Planning Control IT Software Expenditure	32	7	(25)	An investment bid was approved for 2025/26 for the procurement of Agile AI software to reduce the manual workload with the checking and validation of planning applications. Having initially anticipated Hertfordshire County Council would lead on a county-wide procurement exercise, discussions are currently ongoing with East Herts and Stevenage regarding a joint procurement but work on this will not commence until 2026/27, with the unspent budget requested to be carried forward.	25	0
<b>Regulatory</b> Housing Stock Condition Survey	40	0	(40)	The service is currently undertaking preliminary market engagement for a tender. It is unlikely work will take place during the 2025/26 financial year and therefore it is requested that the unspent budget is carried forward to fund the activity in the next financial year.	40	0
<b>Resources</b> Directorate Staffing Costs	2,856	2,828	(28)	Forecast variance relates to the Revenues and Benefits service, where vacancies held and flexible working requests have reduced staffing expenditure in this financial year. Recruitment to two full time posts is currently in progress, with interviews taking place in early February, however the successful applicants are unlikely to be in post before the end of March.	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>Resources</b> Net Housing Benefit Expenditure	311	512	+201	Forecast overspend variance relates to historical housing benefit subsidy received that must be paid back to the DWP. The 2021/22 Housing Benefit audit, only recently completed, identified that clients placed in temporary accommodation during that year had not been advised of the amount of rent being charged. As the housing costs were to be met through Housing Benefit payments, the importance of advising the claimants of the rent liability was overlooked by officers. This has meant there is insufficient evidence of rent agreements with the claimants for the Council to be eligible for the corresponding Housing Benefit subsidy it received in that year. Housing Services have since made changes to Housing Benefit claim forms to ensure customers are notified of their rental liabilities. With those changes in place since early 2024, it is anticipated that this issue may also affect Housing Benefit subsidy received for 2022/23 and 2023/24. With the impact not yet fully quantified and the final amounts unknown, a contingent liability will be disclosed in the 2025/26 statement of accounts.	0	0
<b>Total of explained variances</b>	<b>8,863</b>	<b>7,968</b>	<b>(895)</b>		<b>491</b>	<b>(320)</b>
Other minor balances	14,824	14,817	(7)		(8)	38
<b>Overall Total</b>	<b>23,687</b>	<b>22,785</b>	<b>(902)</b>		<b>483</b>	<b>(282)</b>

8.2. Cabinet are asked to approve the differences highlighted in the table above (a £902k decrease in spend), as an adjustment to the working budget (recommendation 2.2). Cabinet are also asked to approve the estimated impact on the 2026/27 budget, a £201k increase in budget, which includes the request to carry forward £483k of unspent budget for specific purposes in the next financial year (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 forecast at the end of Quarter Two was a net overachievement of £59k. At the end of Quarter Three the forecast is a net overachievement of £38k. The reduction of £21k relates to;

- Recycling credit income from Herts County Council. £44k underachievement, as highlighted and explained in table 3 above.
- Garden waste collection service subscriber income. £23k overachievement of additional income from the changes to subscription fees. The efficiency estimate

calculation was based on the original budget expectation for 2024/25 of £1.029m. The actual income recorded for 2024/25 was almost £70k higher, as highlighted in the Third Quarter 2024/25 revenue budget monitoring report. Therefore, although the level of demand for the service is marginally lower than last year, as shown in table 5 below, the additional income from the pricing changes is forecast to exceed the assumption in the budget (included within 'other minor variances' in table 3 above).

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 Two, it was forecast that £526k of the budget carried forward will not be spent in this year. At the end of Quarter Three it is forecast that £710k of the budget carried forward will not be spent. The increase of £184k, all of which is requested to be carried forward again into 2026/27, relates to:

- Careline telephone lines upgrade. £20k of the £27k carried forward is forecast not to be spent in this year, as highlighted in table three above.
- Royston Town Council Annexe Redevelopment. The £20k carry forward budget will not be spent in this year, as explained in table three above.
- Riverside walk, Hitchin. 11k of the £24k carry forward is forecast to be unspent in this year, as highlighted in table three above.
- Climate change strategy. £11k of the £19k carry forward budget will not be spent in this year, as explained in table three above.
- Supplementary Planning documents. £76k (reduction of £7k from the £83k requested to be carried forward at Quarter Two) of the £135k budget carried forward is forecast to be unspent at the end of the year. The £7k forecast increase in spend in this financial year and the corresponding reduction in the carry forward budget is included in the 'other minor variances' totals in table three above.
- Local Plan review. A total of £67k (£54k requested at Quarter Two) of the £186k carried forward is now forecast not to be spent in this year, as explained in table three above.
- London Luton Airport Development Consent Order application. The £20k carry forward budget will not be spent in this year, as explained in table three above.
- Transport policy projects and initiatives. £56k of the £84k budget carried forward for various schemes is forecast to be unspent this year, as noted in table three above.
- Housing stock condition survey. The £40k carry forward budget will not be spent in this financial year, as highlighted in table three 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 Two, four of the indicators were green, one was amber and one of the indicators was red. At the end of Quarter Three, four of the indicators are green and two are red. The green indicator for car parking fees income at Quarter Three replaces the amber indicator at Quarter Two, with the forecast increase in the income expectation highlighted in table three above. The forecast increase exceeds the estimated income lost from the closure of Princes Mews car park in April, which was the basis for the amber status at the end of the first two quarters of the year. The additional red indicator relates

to the estimated shortfall in income generated from the Commercial waste and recycling service, as highlighted and explained in table three above.

- 8.7. The actual to date exceeding the projected outturn for leisure centres management fee income in table 4 is because the compensation to the leisure service provider for the closure of the leisure centres while the decarbonisation works took place, as reported at Quarter Two, has not yet been settled. The high actual to date total relative to the annual budget / projected outturn for Planning Fees income is due to the reversal in the current year of the accounting adjustment posted at the end of the prior financial year to ensure the income total recorded for 2024/25 only related to activity in 2024/25 (i.e. planning applications resolved between 1<sup>st</sup> April 2024 and 31<sup>st</sup> March 2025), and therefore is not necessarily indicative of the achievement of additional surplus income to the General Fund in this financial year above that projected.

**Table 4 - Corporate financial health indicators**

Indicator	Status	Original Budget £k	Actual to Date £k	Projected Outturn £k	Variance £k
Leisure Centres Management Fee Income	Red	(714)	(872)	(196)	+518
Garden Waste Collection Service Subscriptions	Green	(1,622)	(1,634)	(1,645)	(23)
Commercial Refuse & Recycling Service Income	Red	(1,267)	(968)	(1,237)	+30
Planning Application Fees (including fees for pre-application advice)	Green	(1,188)	(2,284)	(1,458)	(270)
Car Parking Fees	Green	(1,978)	(1,623)	(2,051)	(73)
Parking Penalty Charge Notices (PCNs)	Green	(573)	(399)	(573)	0

- 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 to end of Q3 2025/26	Performance to end of Q3 2024/25	Percentage Movement	Direction of Trend
Leisure Centres Management Fee	Number of Leisure Centre visits	1,317,474	1,305,810	+0.9%	
Garden Waste Collection Service	Number of bin subscriptions	32,706	33,860	-3.4%	
Commercial Refuse & Recycling Service	Number of customers	955	1,015	-5.9%	
Car Parking Fees	Car park tickets sold / average ticket price sold	914,819 / £1.74	871,308 / £1.78	+5.0% / -2.2%	
Parking Penalty Charge Notices	Number of PCNs issued	14,300	11,733	+21.9%	

## 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 below, 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 (MTFS) and budget process to assess whether it can be used to support the General Fund budget.
- 8.11. The Council's share of the Council Tax Collection Fund is forecast to be a surplus balance of £251k at the end of the financial year. A contribution of £251k will be transferred from the Collection Fund to the General Fund in the next financial year and this will therefore increase the amount of Council Tax funding available in 2026/27, as was shown in Appendix E to the Budget 2026/27 report. Any difference between this forecast and the actual position recorded at the end of the financial year will affect the calculation of the surplus / deficit position for 2026/27 and therefore impact the level of Council Tax funding available in 2027/28.
- 8.12. The Council's share of the Business Rates Collection Fund at the end of this year is forecast to be overall surplus position of £2.826m, as declared in the NNDR1 return submitted to Government in January. This will be transferred from the Collection Fund to the General Fund in the next financial year, with the contribution ultimately helping to bridge the funding gap for 2026/27. The size of the surplus is primarily due to the £2.3million increase in surplus between the January 2025 estimate and the final position recorded for 2024/25, which followed the release of provisions at the end of the financial year for the estimated cost of Business Rate appeals as detailed and explained in the Revenue Budget Outturn 2024/25 report. Any difference between this estimate and the final outturn for 2025/26 will impact the calculated surplus / deficit position for 2026/27 and hence cashflows in 2027/28.
- 8.13. 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 £1.2million 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 the grant held in reserve and as such will have a net zero impact on the General Fund balance at the end of the year.
- 8.14. 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.

- 8.15. Table 7 below summarises the impact on the General Fund balance of the position at Quarter Three 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	23,687	22,785	(902)
Funding (Council Tax, Business Rates, EPR, NHB, ENIC, Funding Guarantee)	(20,365)	(20,365)	0
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>(15,606)</b>	<b>(16,508)</b>	<b>(902)</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 third quarter a total of £1,584k has come to fruition. The identified risks realised in the third quarter relate to:

- Reduction in income from Churchgate means that funds are not available for the external spend required to progress the regeneration project, as highlighted and explained in table 3 above - £163k.
- Income from trade refuse, as highlighted in table 3 above - £30k.
- Specialist advice required with regard to planning applications, included within the 'other minor variances' total in table 3 above - £20k.
- Costs associated with a challenge to a Planning Committee decision, included within the 'other minor variances' total in table 3 above - £6k.

**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)

Known financial risks realised in Quarter 2	(67)
Known financial risks realised in Quarter 3	(219)
<b>Remaining allowance for known financial risks</b>	<b>(507)</b>

## 9. LEGAL IMPLICATIONS

- 9.1. 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.
- 9.2. 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.