

Financial Planning – Revenue Services

26/01/202

PART I - NOT DELEGATED

FINANCIAL PLANNING – REVENUE SERVICES

(DoF)

1 Summary

1.1 The purpose of this report is to enable the Policy and Resources Committee to recommend to the Council the updated revenue budget for 2025/26, proposed revenue budget for 2026/27, 2027/28 and 2028/29. These budgets form the Council's Medium Term Financial Plan (MTFP). The plan has been updated to include 2028/29 although it is recognised that 2028/29 would be the first year of the new unitary authority. This ensures that Three Rivers remains financially sustainable should local government reorganisation not go ahead or provides a sound base position from which to begin to develop a budget for the new unitary authority. £1m will be transferred from the Collection Fund reserve to the Local Government Reform reserve to provide resources for transition to the new Unitary authorities.

1.2 The report includes the budget monitoring information for the period to November 2025. The key changes from the original budget that was set in February 2025 are linked to inflation, including a positive variance on the SLM contract, the pay award and continuing high interest rates.

1.3 For 2026/27 the Government has implemented the Fair Funding Review and Business Rates Reset. The Fair Funding Review uses a set of formulae based on underlying statistics such as deprivation and population data to assess an individual authority's 'need to spend'. This 'need to spend' is then compared to the authority's ability to raise council tax based on the authority's own taxbase and a hypothecated national band D council tax level to work out the level of grant support and business rates the authority needs to bring it up to this level. At the same time the actual level of business rates based on 2025/26 estimates has been used to set a new tariff/top-up under the business rate system, for Three Rivers this will mean an increased tariff which takes into account business rate growth since the retained business rate system was introduced.

1.4 Fair funding and the business rate reset are further complicated by transitional arrangements that aim to smooth the transition to new funding arrangements. Following responses to the original consultation, the Government announced revised transitional arrangements that are based upon 2025/26 business rate income including both growth and an assessment of gains from business rate pooling arrangements. This is particularly beneficial to Three Rivers as Three Rivers was part of the Hertfordshire Pool for 2025/26 and was able to maximise its gains having not been part of the pool in the preceding year. The introduction of pooling gains into the calculation has led to significant swings in funding and as a result the provisional settlement is likely to come under greater challenge than would normally be the case.

1.5 Given the level of the risk around the numbers in the provisional settlement, business rate and revenue support grant income have been balanced against the Collection Fund Reserve which is used to manage the fluctuations in business rates that occur due to the way the system is implemented. This reserve will continue to be used to manage business rate income risks moving forward.

1.6 The Government has confirmed that Extended Producer Responsibility payments for local government will remain under the reset system so known income levels have been built into 2026/27 and estimates included for 2027/28 and 2028/29. This is a non-hypothecated income source and is built into the base.

1.7 The impact of increases in Fees and Charges agreed by full Council in December 2025 have been applied to the base budget. The increase in fees and charges is forecast to generate additional income of £148k in 2026/27, including the additional garage income and Garden Waste income agreed at the same meeting. The detail of the fees and charges is set out in Appendix 1.

1.8 Officers have prepared a three-year Medium Term Financial Plan (MTFP) base budget for 2026/27 to 2028/29 which includes a revised estimate for the current year.

MEDIUM TERM FINANCIAL PLAN 2025/26 to 2028/29

Medium Term Financial Plan - Consolidated Revenue Account (General Fund)								
Funding	2025/26					2026/27	2027/28	2028/29
	Original	Original Budget plus Carry Forwards from 2024/25	Latest Budget	Previous Forecast	Latest Forecast	Forecast	Forecast	Forecast
	£	£	£	£	£	£	£	£
Council Tax Base (No.)	40,038.90	40,038.90	40,038.90	40,038.90	40,038.90	40,124.80	40,927.30	41,745.80
Council Tax Base Increase (%)	0.0	0.0	0.0	0.0	0.0	0.21	1.96	1.96
Band D Council Tax (£)	206.36	206.36	206.36	206.36	206.36	212.53	218.88	225.42
Council Tax Increase - TRDC (%)	0.00	0.00	0.00	0.00	0.00	2.99	2.99	2.99
Council Tax (£)	(8,262,427)	(8,262,427)	(8,262,427)	(8,262,427)	(8,262,427)	(8,527,724)	(8,958,167)	(9,410,338)
Parish Precepts (£)	(2,612,285)	(2,612,285)	(2,612,285)	(2,612,285)	(2,612,285)	(2,664,530)	(2,717,820)	(2,717,820)
Total Taxation (£)	(10,874,713)	(10,874,713)	(10,874,713)	(10,874,713)	(10,874,713)	(11,192,254)	(11,675,987)	(12,128,158)
Business Rates/Revenue Support Grant (£)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,500,000)	(4,000,000)	(4,000,000)
Collection Fund Surplus/Deficit (£)	124,592	124,592	124,592	124,592	124,592	254,000	0	0
New Homes Bonus Grant (£)	(116,296)	(116,296)	(116,296)	(116,296)	(116,296)			
Government Funding (£)	(419,117)	(419,117)	(419,117)	(419,117)	(419,117)			
Total Grant Funding (£)	(3,410,821)	(3,410,821)	(3,410,821)	(3,410,821)	(3,410,821)	(3,246,000)	(4,000,000)	(4,000,000)
Total Taxation & Grant Funding (£)	(14,285,534)	(14,285,534)	(14,285,534)	(14,285,534)	(14,285,534)	(14,438,254)	(15,675,987)	(16,128,158)
2025/26					2026/27	2027/28	2028/29	
Financial Statement - Summary	Original	Original Budget plus Carry Forwards from 2024/25	Latest Budget	Previous Forecast	Latest Forecast	Forecast	Forecast	Forecast
	£	£	£	£	£	£	£	£
Committee - Net Cost Of Services								
General Public Services and Community Engagement	6,030,333	6,106,130	6,363,874	6,377,374	6,377,374	6,101,322	6,086,698	6,086,698
Climate Change and Leisure	1,504,253	1,572,788	1,560,087	1,560,087	1,560,087	1,533,248	1,544,170	1,544,170
Policy and Resources	4,884,726	5,172,239	4,981,013	4,978,713	4,978,713	4,950,123	5,217,540	5,217,540
Period 8 Variances	0	0	0	0	0	(168,149)	(103,305)	452,393
Sub-Total	12,419,312	12,851,157	12,904,974	12,916,174	12,748,025	12,481,388	13,300,801	13,690,615
Other								
Parish Precepts	2,612,285	2,612,285	2,612,285	2,612,285	2,612,285	2,664,530	2,717,820	2,717,820
Interest Payable & Borrowing costs	755,266	755,266	755,266	755,266	755,266	825,296	864,796	864,796
Interest Received	(1,110,000)	(1,110,000)	(1,110,000)	(1,110,000)	(1,110,000)	(1,110,000)	(1,060,000)	(1,010,000)
Period 8 Variances	0	0	0	0	0	(510,602)	(380,603)	(86,996)
Sub-Total	2,257,551	2,257,551	2,257,551	2,257,551	1,746,949	2,049,223	2,485,620	2,592,620
Net Expenditure	14,676,863	15,108,708	15,162,525	15,173,725	14,494,974	14,530,611	15,786,421	16,283,235
Income from Council Tax, Government Grants & Business Rates	(14,285,534)	(14,285,534)	(14,285,534)	(14,285,534)	(14,285,534)	(14,438,254)	(15,675,987)	(16,128,158)
(Surplus)/Deficit Before Use of Earmarked Reserves	391,329	823,174	876,991	888,191	209,440	92,357	110,434	155,077
Planned Use of Reserves:								
Economic Impact Reserve	0	0	0	0	(347,587)	0	0	0
(Surplus) / Deficit to be funded from General Balances	391,329	823,174	876,991	888,191	(138,147)	92,357	110,434	155,077

Movement on General Fund Balance	2025/26					2026/27	2027/28	2028/29
	Original	Original Budget plus Carry Forwards from 2024/25	Latest Budget	Previous Forecast	Latest Forecast	Forecast	Forecast	Forecast
	£	£	£	£	£	£	£	£
Balance Brought Forward at 1 April	(4,408,764)	(4,408,764)	(4,408,764)	(4,408,764)	(4,408,764)	(4,546,911)	(4,454,554)	(4,344,120)
Revenue Budget (Surplus)/Deficit for Year	391,329	823,174	876,991	888,191	(138,147)	92,357	110,434	155,077
Closing Balance at 31 March	(4,017,435)	(3,585,590)	(3,531,773)	(3,520,573)	(4,546,911)	(4,454,554)	(4,344,120)	(4,189,044)

Movement on Economic Impact	2025/26					2026/27	2027/28	2028/29
	Original	Original Budget plus Carry Forwards from 2024/25	Latest Budget	Previous Forecast	Latest Forecast	Forecast	Forecast	Forecast
	£	£	£	£	£	£	£	£
Balance Brought Forward at 1 April	(1,382,901)	(1,382,901)	(1,382,901)	(1,382,901)	(1,382,901)	(1,035,314)	(1,035,314)	(1,035,314)
COVID-19 Impact for Year	0	0	0	0	347,587	0	0	0
Closing Balance at 31 March	(1,382,901)	(1,382,901)	(1,382,901)	(1,382,901)	(1,035,314)	(1,035,314)	(1,035,314)	(1,035,314)

Total Reserves Impact	2025/26					2026/27	2027/28	2028/29
	Original	Original Budget plus Carry Forwards from 2024/25	Latest Budget	Previous Forecast	Latest Forecast	Forecast	Forecast	Forecast
	£	£	£	£	£	£	£	£
Balance Brought Forward at 1 April	(5,791,665)	(5,791,665)	(5,791,665)	(5,791,665)	(5,791,665)	(5,582,225)	(5,489,868)	(5,379,434)
Impact for Year	391,329	823,174	876,991	888,191	209,440	92,357	110,434	155,077
Closing Balance at 31 March	(5,400,336)	(4,968,491)	(4,914,674)	(4,903,474)	(5,582,225)	(5,489,868)	(5,379,434)	(5,224,358)
Total Reserves	(5,400,336)	(4,968,491)	(4,914,674)	(4,903,474)	(5,582,225)	(5,489,868)	(5,379,434)	(5,224,358)

2 Recommendation

2.1 That the report is noted.

3 Details

2025/26 Forecast Position

3.1 The original net revenue budget for 2025/26 plus carry forwards from 2024/25 was £15.109m. The latest forecast budget is £15.174m (approved by Council on 9 December 2025). The table below shows the approved changes to date and the variances reported for this period (end of November) to give a forecast outturn position of £14.495m.

Revenue Budget 2025/26	£000
Original Net Revenue Budget	14,677
Carry Forward from 2024/25 (Year end report July 2025)	432
Original Budget Plus Carry Forwards from 2024/25	15,109
Variances previously reported	65
Previous Forecast	15,174
Supplementary Estimates reported this Period	(1,113)
Variances to budget reported this Period	434
Forecast Outturn Position	14,495

At the end of November, Services show an estimated favourable variance of £0.168m. The budget will be changed to reflect this outturn forecast if approved at Council. Details of the Supplementary Estimates and Variances to budgets, along with budget virements in the period are contained in Appendices 1-3.

3.2 The table below shows the net direct expenditure budgets, actuals to date, forecast outturn and variance for each service committee.

Committee	2025/26 Revenue Account - General Fund Summary							
	Original Budget £000	Original Budget Plus 2024/25 Carry Forwards £000	(C)	(A)	(B)	(B-A)	(B-C)	
			Latest Budget £000	Previous Forecast £000	Net Spend to Date £000	Latest Forecast £000	Supplementary Estimates and Variances £000	Variation to Latest Budget £000
General Public Services & Community Engagement	6,030	6,106	6,364	6,377	2,415	6,197	(181)	(167)
Climate Change & Leisure	1,504	1,573	1,560	1,560	817	1,707	147	147
Policy & Resources	4,885	5,172	4,981	4,979	8,912	4,845	(134)	(136)
Total Service Budgets	12,419	12,851	12,905	12,916	12,143	12,748	(168)	(157)
Corporate Costs (Interest Earned/Paid) and Parish Precepts	2,258	2,258	2,258	2,258	2,163	1,747	(511)	(511)
Net General Fund	14,677	15,109	15,163	15,174	14,307	14,495	(679)	(668)

The main items that contribute to the net favourable services variance of £0.168m are set out in the following table:

	£000
1. 2025/26 Pay Award and Restructure of Services	175
2. Salary Contingency (applied to services in 1. Above)	(175)
3. Increase in Insurance premiums	100
4. Increase in Extended Producer Responsibility income	(634)
5. Efficiency Savings budget no longer required	100
6. Vacancy Saving achieved	180
7. Increase in external Audit Fees	190
8. Audit Backstop New Burdens funding received	(43)
9. Support Service Income budget no longer required	227
10. Other	(48)
Total	(168)

3.3 The forecast for Revenue Reserves at the end of 2025/26 is shown at Appendix 4.

2026/27 to 2028/29 - The Medium Term Financial Plan (MTFP)

3.4 Looking ahead over the next three years, the MTFP has been prepared against the continued backdrop of uncertainty about government funding, rising demand for services and increasing expectations from stakeholders for levels of service provision.

3.5 The Provisional Local Government Settlement, which provides details of central government funding to local authorities, was published on 17 December. This was a three year settlement providing funding information for 2026/27 to 2028/29. The provisional settlement is unexpectedly advantageous to Three Rivers as a result of transitional arrangements. These take into account business rate growth and an allocation for pooling gains included in estimates for 2025/26. Commentators are expecting more challenge to the provisional settlement than would usually be the case with a greater risk of change. The MTFP includes an assessment of business rate income required to maintain services at current levels balanced against the Collection Fund Reserve. The final settlement is due in January 2026. 2028/29 is expected to be the first year of the new unitary authorities and the Government has indicated that it will not adjust the settlement or this but expect agreement over the allocation of resources within the originating county areas.

3.6 The MTFP includes a budget to provide for a 3% pay award in 2026/27 and in future years, in addition to the costs of applying increases in the real living wage and the changes to Local Government Pension Scheme contributions. The formal pay award for 2025/26 has been agreed and implemented and future year pay awards will be subject to negotiation. There is a risk that the pay award could be higher as the increase to cost of living is above the BoE target. However, any increase will need to be balanced against affordability for the sector, and Government public sector austerity targets, as any pay award will need to be funded from existing budgets.

3.7 Services have worked hard during the budget setting process to keep budget growth to a minimum and remain within their budget limits without affecting service delivery. Unavoidable growth relating to policy commitments and statutory or contractual requirements has been included in the base budgets.

3.8 Appendix 5 shows the cumulative impact of all the variances reported for the current period (end of November) that affect all years. Where variances flow through into future years these have been incorporated into the Medium Term Financial Plan for the financial years 2026/27 to 2028/29. The effect of all variances on the Council's (surplus)/deficit for the year and the resulting forecast general fund balance over the medium term is shown below:

Movement on General Fund	2025/26 Forecast Outturn £000	2026/27 Indicative Budget £000	2027/28 Indicative Budget £000	2028/29 Indicative Budget £000
Balance at 1 April	(4,408)	(4,546)	(4,454)	(4,344)
(Surplus)/deficit for year	(138)	92	110	155
Balance at 31 March	(4,546)	(4,454)	(4,344)	(4,189)

3.9 It is recommended that a balance of at least £2.000m should be retained in the General Fund to enable the Council to manage unexpected cost pressures or shortfalls in income. The Council has an additional earmarked reserve, the Economic Impact Reserve (EIR), to manage risk. This is forecast to be £1.035m at the end of March 2026 and is available to manage future economic downturn or loss of business rates.

3.10 The long term use of reserves to offset deficits is not sustainable or prudent. However, the forecast indicates that general balances will remain well above the risk assessed level of £2,000m over the MTFP period after taking account of meeting the budgeted deficit from general balances in 2026/27, 2027/28 and 2028/29.

Fees, Charges and Rents

3.11 The Council set its fees and charges for 2026/27, effective from 12 January 2026 and 1 April 2026, on 9 December 2025.

Council Tax for 2026/27

3.12 The Council needs to set a budget that gives an acceptable level of council tax and is balanced in the medium to long term using the resources at its disposal.

3.13 A council tax increase of 2.99% has been assumed for 2026/27. The Council expects to collect £8,528m of council tax income in 2026/27. A one percentage increase in the council tax rate generates approximately a £85,277 increase in Council Tax revenue.

3.14 The Localism Act 2011 introduced a power for local electorates to approve or veto excessive council tax rises. The Local Government Financial Settlement sets the limit above which any authority will be required to hold a council tax referendum. This was set at 3% or more or more than £5 for 2026/27.

3.15 A council tax increase of 2.99% is therefore included in the draft budget for 2026/27. Given the pressure on local government finances, the 3% or £5 limit has been maintained for future years.

3.16 The government assessment of core spending power assumes local authorities will increase Council Tax by the maximum amount available without triggering a referendum.

Council Tax Base

3.17 The Council Tax base for 2026/27 was set at the Council meeting on the 9 December 2025 and totalled 40,124.8 Band D equivalents.

3.18 A further increase of 2.0% is assumed for tax base growth in 2027/28 and 2028/29 in the MTFP. Despite this being higher than growth in 2025/26, this remains a prudent estimate.

3.19 Where amounts of Council Tax collected exceed the estimates made, the surplus is shared between the relevant major precepting authorities (Hertfordshire County Council, Three Rivers District Council and Hertfordshire Police & Crime Commissioner). In the same way, where amounts collected are lower than the estimates made, the deficit is shared between the relevant precepting authorities and recovered in the following year. To reduce risk for the Parish Councils, surpluses or deficits are not paid or charged to them.

Local Council Tax Reduction Scheme

3.20 It is proposed that the existing Council Tax Reduction Scheme is continued into 2026/27. The only changes that will be made are those necessary to align with the prescribed regulations.

Collection Fund

3.21 There is a statutory requirement to account separately for Council Tax and Business Rates. The Collection Fund has been established to achieve this. The Fund records all transactions such as the yield, exemptions, discounts, provisions for bad debts, payments to major preceptors to Central Government and takes into account collection rates.

The Council Tax setting process requires an estimate of the surplus or deficit at 31 March 2026 on Council Tax and Business Rates. The balances are distributed to the Council as the Billing Authority, the major preceptors and Central Government. For 2026/27, a deficit of £0.254m in relation to Council Tax will be recovered from Three Rivers as a result of slower than forecast tax base growth in 2025/26.

Draft Revenue Estimates and General Fund Balance

3.22 Under Section 25 of the Local Government Act 2003, the Council's Chief Finance Officer (designated officer under section 151 of the Local Government Act 1972) must report to Council on the following matters:

- the robustness of the estimates made for the purposes of the calculations, and
- the adequacy of the proposed financial reserves.

The Director of Finance will make this report available alongside the final budget proposals to be considered by Council at its meeting on 24 February 2026

4 Options/Reasons for Recommendation

4.1 The recommendation at 2.1 enables the Committee to make recommendations to the Council on 24 February 2026 concerning the Council's budget.

5 Policy/Budget Reference and Implications

5.1 The recommendations in this report contribute to the process whereby the Council will approve and adopt its budget under Article 4 of the Council's Constitution.

6 Equal opportunities, Environmental, Community Safety, Customer Services Centre, Communications, Health & Safety & Website Implications

See agenda item. Financial Planning Recommendations.

7 Financial Implications

7.1 Financial implications are set out in the main body of the report.

8 Legal Implications

8.1 The provisions of the Local Government Finance Act 1992 (LGFA 1992) set out what the Council has to base its budget calculations upon regarding council tax and requires the Council to set a balanced budget having regard to the advice of its Chief Finance Officer (section 151 Officer). The setting of the budget is a function reserved to Full Council in accordance with Part 2, Article 4.02 of the Council's Constitution and the Policy and Resources Committee must therefore forward its recommendations on the budget to Full Council.

8.2 Section 30(6) LGFA 1992 provides that the Council has got to set its budget calculations before 11 March in the financial year preceding the one in respect of which the budget is set although, it is not invalid merely because it is not set on or after 11 March. However, it is important that the Council sets its 2026/27 budget by 11 March 2026 as any delay in setting council tax may leave the Council vulnerable to legal proceedings requiring it to set the tax.

9 Staffing Implications

9.1 The proposed budget focuses on management of existing vacancies and does not result in any change in number of permanent employees.

10 Risk Management Implications

10.1 The Council has agreed its risk management strategy. Financial and budgetary risks are shown at Appendix 6.

10.2 In the officers' opinion none of the risks detailed in Appendix 6, in isolation, were they to come about, would seriously prejudice the achievement of the Council Plan and are therefore operational risks that will be included and managed via the Corporate Services Service Plan. The effectiveness of treatment plans are reviewed by the Audit Committee.

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Checked by: Michelle Howell – Interim Head of Finance

Background Papers

Reports and Minutes of the Policy and Resources Committee and Council

The recommendations contained in this report DO NOT constitute a KEY DECISION but contribute to the process whereby the Council will approve and adopt its Strategic, Service and Financial Plans under Article 4 of the Council's Constitution

Appendices

- Appendix 1 Service Committees Supplementary Estimates at end of November 2025/26 to 2028/29
- Appendix 2 Service Committees Variances to be managed at end of November 2025/26 to 2028/29
- Appendix 3 Service Committees Virements at end of November 2025/26 to 2028/29
- Appendix 4 Reserves
- Appendix 5 Service Committees Medium term Financial Plan 2025/26 to 2028/29
- Appendix 6 Financial and Budgetary Key Risks

