



# RESOURCES AND SERVICES OVERVIEW AND SCRUTINY COMMITTEE

<b>DATE:</b>	<b>Wednesday, 10 January 2024</b>
<b>TIME:</b>	<b>6.45 pm</b>
<b>VENUE:</b>	<b>Committee Room - Town Hall, Station Road, Clacton-on-Sea, CO15 1SE</b>

**MEMBERSHIP:**

**Councillor P Honeywood (Chairman)**  
**Councillor M Cossens (Vice Chairman)**  
**Councillor Bensilum**  
**Councillor Doyle**  
**Councillor Griffiths**

**Councillor S Honeywood**  
**Councillor Newton**  
**Councillor Smith**  
**Councillor Steady**

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DATE OF PUBLICATION: Wednesday, 20 December 2023

## AGENDA

### **1 Apologies for Absence and Substitutions**

The Committee is asked to note any apologies for absence and substitutions received from Members.

### **2 Declarations of Interest**

Councillors are invited to declare any Disclosable Pecuniary Interests, Other Registerable Interests of Non-Registerable Interests, and the nature of it, in relation to any item on the agenda.

### **3 Questions on Notice pursuant to Council Procedure Rule 38**

Subject to providing two working days' notice, a Member of the Committee may ask the Chairman of the Committee a question on any matter in relation to which the Council has powers or duties which affect the Tendring District and which falls within the terms of reference of the Committee.

### **4 Interim Report of the Council's Enforcement Arrangements Task and Finish Group (Pages 1 - 12)**

The purpose of this report is to provide the Committee with the interim Report from its Council's Enforcement Arrangements Task and Finish Group. This interim report is being submitted as the Task and Finish Group has concluded the element of its enquiry concerning Planning Enforcement. The interim report is set out in the Appendix to this report. The intention of the whole enquiry was recorded as:

“To identify the extent to which here are further steps that can be taken to further achieve a fair and equitable use of enforcement powers, taking account of relevant information and that the resources made available for enforcement are used to best effect.”

### **5 Delivering Against The Council's Corporate Plan 2022-28 - Initial Proposals For Highlight Priorities For 2024-25 (Pages 13 - 26)**

The Committee is asked to consider and comment upon, as appropriate, the initial proposals for the highlight priorities for 2024/25 submitted to it by the Cabinet.

### **6 General Fund and HRA Budget Proposals 2024-25 (Pages 27 - 76)**

To set out the budget proposals for 2024/25 in respect of both the General Fund (GF) and Housing Revenue Account (HRA) for consideration by the Committee.

### **Date of the Next Scheduled Meeting**

*The next scheduled meeting of the Resources and Services Overview and Scrutiny Committee is to be held in the Committee Room - Town Hall, Station Road, Clacton-on-Sea, CO15 1SE at 10.50 am on Tuesday, 5 March 2024.*

## **Information for Visitors**

### **FIRE EVACUATION PROCEDURE**

There is no alarm test scheduled for this meeting. In the event of an alarm sounding, please calmly make your way out of any of the fire exits in the hall and follow the exit signs out of the building.

Please heed the instructions given by any member of staff and they will assist you in leaving the building and direct you to the assembly point.

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Your calmness and assistance is greatly appreciated.

## RESOURCES AND SERVICES OVERVIEW AND SCRUTINY COMMITTEE

10 JANUARY 2024

### REPORT OF HEAD OF DEMOCRATIC SERVICES AND ELECTIONS

#### **A.1 COUNCIL ENFORCEMENT ARRANGEMENTS TASK AND FINISH GROUP – INTERIM REPORT (PLANNING ENFORCEMENT)**

##### **PURPOSE OF THE REPORT**

The purpose of this report is to provide the Committee with the interim Report from its Council Enforcement Arrangements Task and Finish Group. This interim report is being submitted as the Task and Finish Group has concluded the element of its enquiry concerning Planning Enforcement. The interim report is set out in the Appendix to this report. The intention of the whole enquiry was recorded as:

*“To identify the extent to which here are further steps that can be taken to further achieve a fair and equitable use of enforcement powers, taking account of relevant information and that the resources made available for enforcement are used to best effect.”*

##### **SCOPE - THE AIMS AND OBJECTIVES OF THE REPORT**

The Council on 11 July 2023 approved an enquiry through this Committee into the matters set out here. The Committee approved that this enquiry would be undertaken through a Task and Finish Group and following a published decision the Task and Finish Group was formed and the enquiry is underway.

*“Council Enforcement arrangements, including:*

- (a) Planning Enforcement (and other areas) where decisions are taken ‘in the public interest’ whether to take particular enforcement action. To look at written statements to support the basis of such judgements and the matters demonstrably weighed up in reaching such decisions,*
- (b) The existing and possible opportunities for information to be provided by Ward Councillors in respect of matters which may attract enforcement action and decisions to not take enforcement (given the unique role of Councillors in representing their Ward).*
- (c) The extent to which enforcement powers are looked at in a silo or corporate way to ensure that (within the purposes of particular enforcement powers) the Council considers the ability to address non-compliances robustly.*
- (d) The experience of fly tipping on public land and the actions to deter such fly tipping*
- (e) The use of mobile CCTV cameras openly and covertly to identify offences and, potentially, offenders.”*

The enquiry has addressed, to this point, elements (a), (b) and (c) above in relation to Planning Enforcement. The interim report references the enquiry to this point. Further phases of the enquiry will concentrate on points (d) and (e) from the above scope. It may well return to points (b) and (c) as it considers other enforcement matters with the scope of the enquiry.

## INVITEES

The Task and Finish Group Chairman (Cllr Paul Honeywood) will speak to the interim report set out as the Appendix to this report. Other members of the Task and Finish Group may also wish to refer to the work of the Group to this point. To facilitate this, Councillors Morrison and Sudra (who are not members of this Committee) have been invited to attend this meeting.

The lead officers for the whole enquiry, Damian Williams (Corporate Director for Operations and Delivery) and Anastasia Simpson (Assistant Director for Partnerships) have been invited to attend the meeting. As the element of the enquiry covered by the Interim Report has focussed on Planning Enforcement, Gary Guiver (Director of Planning) has been invited to attend this meeting.

## BACKGROUND

The background to the enquiry (to this point) is set out in the interim report attached as the Appendix to this report.

## RELEVANT CORPORATE PLAN THEME/ANNUAL CABINET PRIORITY

The enquiry was established in the summer 2023 and the relevant Corporate Plan was that for the period 2020-24. The relevant Corporate Plan theme identified at that time was:

*“Delivering High Quality Services - Effective regulation and enforcement”*

In the Corporate Plan for 2024-28, the following high level themes are relevant to the enquiry as it moves into 2024:

*“Pride in our area and services to residents”*  
*“Championing our local environment”*

## DESIRED OUTCOME OF THE CONSIDERATION OF THIS ITEM

The Committee is invited to receive the interim report from the Task and Finish Group and consider its recommendations. If satisfied, the Committee is invited to submit those recommendations to Cabinet as appropriate.

## DETAILED INFORMATION

The detailed information concerning this enquiry (to this point) is set out in the interim report attached as the Appendix to this report.

## RECOMMENDATION

**That the Committee receive the interim report from the Council Enforcement Arrangements Task and Finish Group set out in the Appendix to this report and, if satisfied, submit recommendations to Cabinet as appropriate on the matters set out in the Appendix.**

<b>PREVIOUS RELEVANT DECISIONS</b>	
Council on 1 July 2023 – Minute 37 refers (this was to approve the enquiry to which the interim report relates)	
<b>BACKGROUND PAPERS AND PUBLISHED REFERENCE MATERIAL</b>	
None.	
<b>APPENDICES</b>	
Appendix – The interim report of the Council Enforcement Arrangements Task and Finish Group (in respect of the element of the enquiry concerning Planning Enforcement).	
<b>REPORT CONTACT OFFICER(S)</b>	
<b>Name</b>	Keith Simmons
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# **INTERIM REPORT OF THE**

# **COUNCIL ENFORCEMENT ARRANGEMENTS**

# **TASK & FINISH GROUP**

**FOLLOWING THE ELEMENT OF ITS  
ENQUIRY CONCERNING PLANNING  
ENFORCEMENT**

**DATE: 31 OCTOBER 2023**

## TERMS OF REFERENCE OF THE TASK & FINISH WORKING GROUP

At the meeting of Council on 11 July 2023, the work programmes for the two Overview and Scrutiny Committees were approved. This included, within the scope of the Resources & Services Overview and Scrutiny Committee, an enquiry into the Council's Enforcement Arrangements. Specifically, an element of the enquiry was to include the following:

*“(a) Planning Enforcement (and other areas) where decisions are taken ‘in the public interest’ whether to take particular enforcement action. To look at written statements to support the basis of such judgements and the matters demonstrably weighed up in reaching such decisions,*

*(b) The existing and possible opportunities for information to be provided by Ward Councillors in respect of matters which may attract enforcement action and decisions to not take enforcement (given the unique role of Councillors in representing their Ward).*

*(c) The extent to which enforcement powers are looked at in a silo or corporate way to ensure that (within the purposes of particular enforcement powers) the Council considers the ability to address non-compliances robustly.”*

This interim report seeks to set out the process of the enquiry into the above (to this point) and its interim conclusions and recommendations concerning Planning Enforcement.

## THE AIMS AND OBJECTIVES OF THE ENQUIRY

The enquiry scope was considered to be directed towards the following Corporate Plan 2020-24 Theme: ***“Delivering High Quality Services - Effective regulation and enforcement”***

In approving the scope for this enquiry, Council recorded that the anticipated value of it was:

***“To identify the extent to which there are further steps that can be taken to further achieve a fair and equitable use of enforcement powers, taking account of relevant information and that the resources made available for enforcement are used to best effect.”***

## MEMBERSHIP OF THE TASK & FINISH WORKING GROUP

On 17 August 2023, a decision in the name of the Chief Executive was published constituting the Task and Finish Group. Authority for the decision derived from Minute 5 of the Resources and Services Overview and Scrutiny Committee on 27 June 2023. That provided for Officers to be authorised, in consultation with the Committee Chairman, to make appointments to a Task and Finish Group as approved by Council (Minute 37 of 11 July 2023).

**The Membership of the Task and Finish Group was - Cllr Paul Honeywood (Chairman), Cllr M Cossens, Cllr Sue Honeywood, Cllr Morrison, Cllr Smith and Cllr Sudra.**

## OFFICER SUPPORT FOR THE TASK & FINISH GROUP

Management Team identified as joint lead officers for this whole enquiry as:

**Damian Williams, Corporate Director Operations and Delivery**  
**Anastasia Simpson, Assistant Director Partnerships**

However, as this element of the enquiry was focussed on Planning Enforcement, it was heavily supported by the **Director for Planning (Gary Guiver)**, together with the Head of Planning and Building Control (John Pateman-Gee) and the Planning Enforcement Manager (Matthew Deal).

Otherwise the Task and Finish Group was supported by the Head of Democratic Services & Elections (Keith Simmons).

## INVITEES AND PARTICIPANTS (TO THIS POINT)

In addition to the officers identified in the section headed “Officers support for the Task & Finish Group”, this element of the enquiry was assisted by the Portfolio Holder for Planning and Housing (Cllr Andy Baker).

#### **EXPECTED OUTCOME(S) OF THE ENQUIRY (TO THIS POINT)**

The section above sets out the broad “Aims And Objectives Of The Enquiry” which were the expected outcomes of this element of the enquiry also.

By:

- (1) reviewing the progress with the adopted recommendations following the Planning Enforcement enquiry in 2022 (through a Task and Finish Group under the Resources and Services Committee and then adopted by Cabinet following the 4 May 2023 elections);
- (2) using real examples to explore the processes around planning enforcement decisions;
- (3) exploring the numbers of planning enforcement cases, the means of keeping Councillors informed of enforcement cases (and thereby allow them to submit relevant evidence) and update residents;
- (4) learning about the interaction between different elements of the Council with enforcement powers to avoid silo working; and
- (5) considering what underpinned decisions stated as being ‘not in the public interest’ to pursue through planning enforcement mechanisms.

It was intended that there would be an informed position to make recommendations to support the intentions set out in the “Aims And Objectives Of The Enquiry” section above.

#### **ACTUAL OUTCOME(S) OF THE ENQUIRY (TO THIS POINT)**

Through the three meetings of the Task and Finish Group, and the receipt of information outside of those meetings from those invited to attend, the Task and Finish Group Members consider that they are in a position to make the recommendations set out below which themselves are designed to meet the intentions set out in the “Aims And Objectives Of The Enquiry” section above.

#### **INTERIM RECOMMENDATION(S)**

That the Resources and Services Overview and Scrutiny Committee be recommended to approve the following on the basis that the relevant recipient of the approved recommendation will have the recommendation concerned referenced to them:

- (1) That the pilot monthly update list on planning enforcement cases (showing Ward, location, alleged planning breach and reference number) be rolled out to all Councillors from the start of January 2024 and that, in the list, those cases relating to the same premises be cross referenced or be shown sequentially and allegations of breaches around the creation of Houses in Multiple Occupation be clearly identified.
- (2) That moves be made to utilise the functionality built into the Planning computer software system, Uniform/Public Access, in order to provide up to date details on planning enforcement cases through the website. This use should be timed to commence from 1 April 2024 for new cases, that existing live cases be added as updates are made to those cases during 2024/25 and that in March 2025 a report

be provided to Councillors of those cases not available at that point on the website through the stated software packages.

- (3) That the following be instigated in relation to arrangements across the Council to support joined up and effective enforcement:
- a. The pilot arrangements for action logs being created for meetings of the Operational Enforcement Group (that are associated with matters discussed at meetings of that Group (and are then monitored away from meetings of the Operational Enforcement Group)) be implemented fully going forward. These action logs would also include relevant responses concerning information held by other service areas of the Council about premises that are referenced to the Group by any one of the service areas who are represented on the Group (including 'NIL' responses if appropriate).
  - b. A mechanism of alerting service areas who are represented on the Operational Enforcement Group of live enforcement cases in each of the other service areas on that Group, an ongoing basis, be developed and implemented so as to improve the knowledge flow in the Council of allegations and provide for appropriate enforcement and timely interventions to be made to secure the best interests of the Council, its residents and businesses with a view to raising public confidence in the Council's competence to secure those best interests and deliver 'smarter' working across service areas.
  - c. A protocol be developed setting out the corporate expectations on individual service areas to identify the types of information that service areas hold, and examples of where that information could reasonably be expected to be utilised to support enforcement action or service delivery in that service area or another service area. By way of example, Council Tax Collection could usefully benefit from information around properties being empty for a year as the Council Tax payer may then be subjected to an empty property premium being applied to the Council Tax bill for the property. Another example would be around information that the Licensing Team were to revoke a Licence held by a Business and the potential need for swift action to recover unpaid Business Rates.
- (4) That a mechanism for reviewing activity in respect of planning enforcement cases which have been live for over a year be developed and maintained with a view to avoiding the status quo continuing and resulting in an ever reducing harm assessment in respect of those cases to the point that the infringement/non-compliance becomes permitted by default/legal action is not an option as it is then out of time. The intention of the review is to ensure that issues are not missed and appropriate action is taken by the Council.
- (5) That, as part of good and reasoned decision making, a policy statement be developed or reviewed on the use of 'public interest' within Planning Enforcement as the reason for either taking or not taking particular enforcement action. The policy statement is to set out the considerations officers must take account of. In each case where 'public interest' is to be utilised to support a planning enforcement decision, an assessment of the competing elements of the public interest in taking or not taking that particular enforcement action are to be set out in writing with an indication as to why taking or not taking action outweighs the other public interest and that assessment is to be endorsed by a more senior officer.

## **CHRONOLOGY**

The enquiry was (and its terms of reference were) approved by full Council on 11 July 2023 (Minute 37 refers)

The Membership of the Task and Finish Group was approved on 17 August 2023 (published decision entitled “To constitute the Council Enforcement Arrangements Task and Finish Group” refers)

The first meeting of the Task and Finish Group took place on 14 September 2023

The second meeting of the Task and Finish Group took place on 10 October 2023

The third meeting of the Task and Finish Group took place on 31 October 2023

The Members of the Task and Finish Group approved this report by email exchange between 30 November-4 December 2023.

## **DETAILED FINDINGS OF THE ENQUIRY**

In the early months of 2022, the Planning Enforcement team had over 700 active cases, a sluggish turnover of tasks, and a reliance on three agency officers who lived a considerable distance from the office. This situation necessitated the support of two permanent officers, one of whom worked part-time, shouldering much of the administrative burden and conducting site visits on behalf of the agency officers. Regrettably, this arrangement proved highly ineffective, resulting in a decline in service output, diminished customer service, and a noticeable dip in work quality. Furthermore, Planning Enforcement faced challenges due to the scarcity of reporting tools, primarily stemming from the team's previous heavy reliance on paper-based systems and an absence of systematic reviews, which hindered a comprehensive understanding of the issues at hand. Enhancing the reporting capabilities remains a top priority as the IT support for enforcement work is taken forward.

As of the start of 2023, Planning underwent significant structural changes. We phased out agency staff from the Enforcement team and have reduced their presence in the planning department. This transition coincided with the appointment of a new team leader and the formation of a fresh, motivated team. These changes afforded our existing staff the opportunity to advance in their careers and enabled us to significantly reduce the backlog to a manageable level, effectively more than doubling our output. Ongoing training initiatives for our officers and our commitment to fostering talent from within, in alignment with Tendring's expectations and values, remain integral to our approach. This includes a strong emphasis on exploring informal routes, even though such efforts may not always be quantifiable or readily visible to the public.

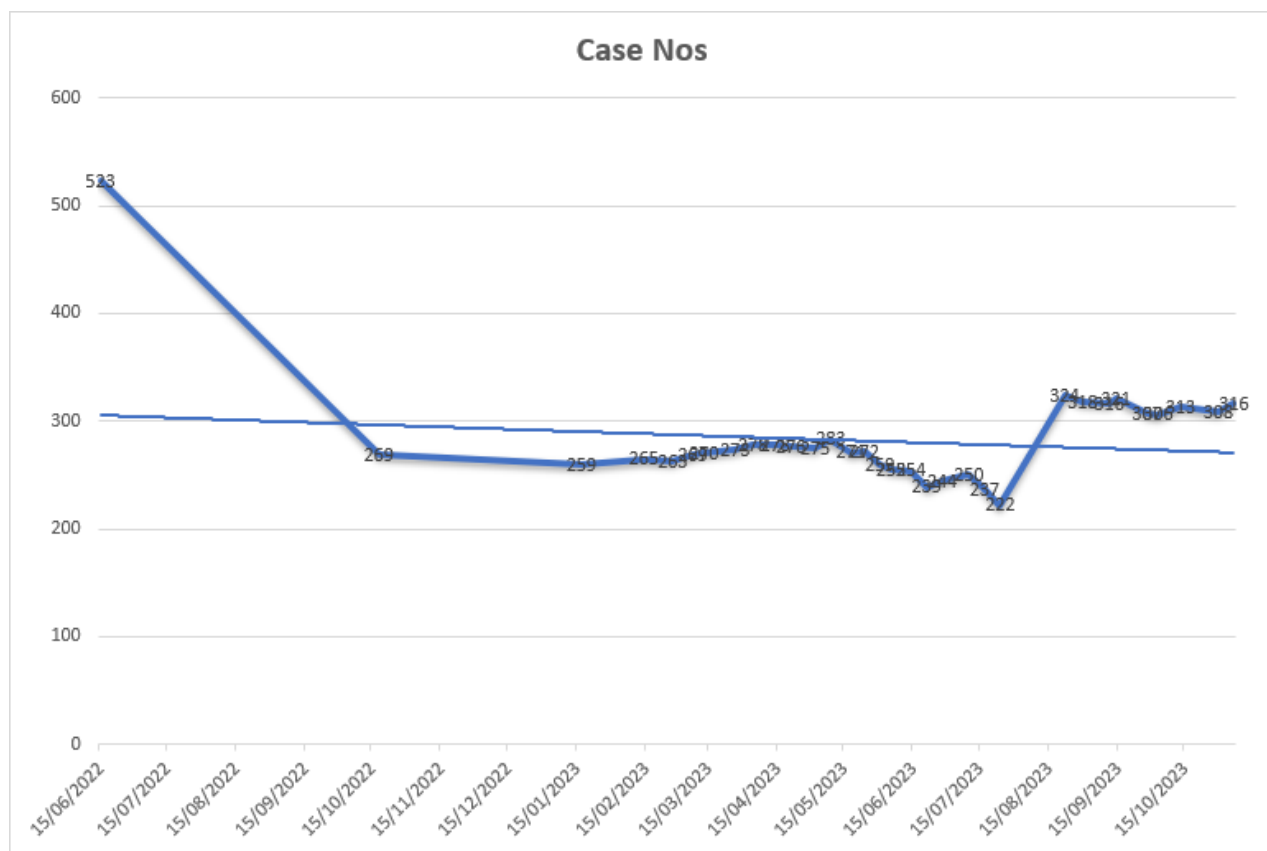
The Council has introduced an Enforcement Policy that incorporates a harm assessment, now actively used to enhance the quality of decisions in our Enforcement processes. This policy, combined with investments in knowledge development and training, has equipped the team to navigate the complex landscape of legal planning requirements and minimise risks for the Council. It underscores the discretionary aspects of the work and the imperative to consider all public interests in a consistent and equitable manner. All updates have been implemented professionally, prioritising requirements, and reporting standards outlined in the enforcement policy. In discussions with the Task and Finish Group, Planning Officers referenced possible developments through using the existing functionality of the Public Access software system to provide live information to access anytime and providing Councillors with periodic lists for enforcement cases.

Throughout 2023, the Planning Enforcement Team has taken proactive steps to engage with broader networks. They have become active members of the Essex Enforcement Forum, consistently participating in the Council's own Operational Enforcement Group,

and willingly accepting additional responsibilities from other teams, such as Environment Health. Moreover, the Team has dedicated efforts to specific projects, including the current Jaywick review, which led to a notable upswing in cases from July 2023, as indicated in the graph below. Next on the prioritisation is a review of the use of the existing Uniform software system to help reporting, a detailed review of processes and addressing the last of the historic cases to conclusion.

The Council’s Operational Enforcement Group is an officer body that brings together representatives of service areas across the Council to raise operational matters concerning enforcement.

Planning Enforcement is not entirely masters of their own destiny, with much of its work reliant on a number of factors. These include, good decision making by the local planning authority, unambiguous and well directed conditions that comply with the imposed government tests and work on those matters have also taken place. The benefit of that work will be a few years in the future as development is commenced.



Further to the above, it was noted that, at the time of the Task and Finish Group’s meetings on this matter, there was no systematic process in place for alerting Councillors to live planning enforcement cases. Likewise, the software functionality to enable the public/interested parties to directly be able to find out about planning enforcement investigations/and the broad stage those matters were at was not being utilised.

In response to questioning around the cross service working on premises subject to planning violation allegations, the Task and Finish Group was reminded about the limitation on Planning Enforcement to utilise information that was relevant to the planning regime. However, there was a concern that the Council could be separately dealing with the same premises and individuals and not being as aware in each of those service areas of action, investigations, concerns or relevant information from another service area. For

instance, knowledge of a winding up order against a company identified by one service could have implications for permissions, authorisations and enforcement in another. There was not strong evidence that this information exchange inside of the Council was taking place.

Although not directly related to the above point, the Task and Finish Group was advised of a proposal to move to action logs from each meeting of the Operational Enforcement Group to facilitate monitoring of those actions arising out of matters brought to the Group's meetings. This introduction of action logs was supported by the Task and Finish Group.

Looking at the terms of reference for the enquiry, it was the case that the Task and Finish Group did not receive a written policy statement provided in respect of the matters to consider when weighing the public interest in pursuing enforcement action and the public interest in not pursuing that action. For completeness, the terms of reference for the enquiry identified the following as to be provided:

*“Written statements on the judgement to be applied when determining whether it is or is not in the public interest and example records where that weighed judgement has been set out (suitably redacted).”*

In considering the Planning Enforcement case numbers graph set out earlier, it was reported to the Task and Finish Group that a quantity of these had been live for some time. The Task and Finish Group was made aware that there were timescales after which no enforcement action could be taken. In relation to these older cases there was no existing system to initiate reviews of them; to ensure that appropriate action was taken and that individuals/developers did not simply achieve de-facto permission through inaction over several years.

The Task and Finish Group as part of its work received examples of acknowledgement letters to those raising planning enforcement allegations with the Council and of initial letters sent to those alleged to be in breach of planning obligations. The Task and Finish Group also received prototype periodic lists for enforcement cases for Councillors produced for them to review prepared for them to review by Planning Officers.

At its meetings, the Task and Finish Group looked critically at the implications for this Council, and public funds more generally, where necessary conditions were not applied to planning permissions (such as to re-instate the highway/apply for footway crossings) where development abutted the highway (with a footway) and developer traffic would go over that footway and/or the development would have parking spaces immediately adjacent to the footway. The work underway to review of planning conditions was relayed to the Task and Finish Group who were also advised of the consultation on the verification framework for planning applications. Together, these matters should help address the issues discussed at the Task and Finish Group.

The Director of Planning informed the Task and Finish Group that the five most common planning mistakes, based on records of enforcement complaints closed in the last five years:

- Extensions: At the top Extensions to buildings are the most commonly reported construction without planning permission.
- Outbuildings: The construction of outbuildings, such as sheds or workshops, without planning permission is also quite common.
- Fences: Instances of fences being constructed without the necessary planning permission follow in frequency.
- Change of Roof: Changes to roofs, including raising the height or adding new roof

structures, are reported somewhat less frequently at fourth place.

- Buildings or Structures for Specific Use: Construction of specific-purpose buildings or structures like summerhouses, caravans, and commercial buildings.

The Task and Finish Group considered whether there would be advantage in identifying such errors in public material to seek to reduce such mistakes going forward. Although this was considered, a workable approach to such communication was not agreed to. In part this was because such mistakes probably broadly reflected the number of such applications for planning approval and leaflets included in with the Council Tax bill had a very limited retention/reference period.

The Task and Finish Group also heard of issues with uploading footage from a private drone to support an allegation of a breach of planning requirements. The Group was advised that there was not an issue with submitting footage to the Council. However, it was important for Planning Officers to verify a planning breach before taking direct enforcement action. The format of different video footage being played by the Council may require specialist software if the footage did not play through the standard software provided with Council IT equipment.

Members of the Task and Finish Group expressed general high regard for the work of Planning Enforcement Team recently and that there was an improved position over the last year or so than it was prior to that.

#### **BACKGROUND PAPERS AND PUBLISHED REFERENCE MATERIAL**

None

#### **APPENDICES**

None

#### **REPORT CONTACT OFFICER(S)**

<b>Name</b>	<b>Keith Simmons</b>
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## RESOURCES AND SERVICES OVERVIEW & SCRUTINY COMMITTEE

10 JANUARY 2024

### REFERENCE FROM CABINET

#### **A.2 DELIVERING AGAINST THE COUNCIL'S CORPORATE PLAN 2022-28 – INITIAL PROPOSALS FOR HIGHLIGHT PRIORITIES FOR 2024/25**

(Report prepared by Ian Ford)

#### **PART 1 – KEY INFORMATION**

##### **PURPOSE OF THE REPORT**

The Committee is asked to consider and comment upon, as appropriate, the initial proposals for the highlight priorities for 2024/25 submitted to it by the Cabinet.

##### **EXECUTIVE SUMMARY**

At its meeting held on 15 December 2023 (Minute 62 refers), the Cabinet had considered a report of the Leader of the Council & Portfolio Holder for Corporate Finance and Governance (A.2), which had reminded Members that the Council's strategic direction was set out in its Corporate Plan which was a fundamental element of the Council's Policy Framework. The Corporate Plan ('Our Vision') had been adopted unanimously by Council on 28 November 2023 (Minute 76 referred) and covered the period 2024-28. Key elements of delivering against the adopted Corporate Plan would be through annual highlight priority actions approved by the Cabinet. The 2024/25 initial proposals for highlight priorities had been set out at Appendix B to the Portfolio Holder's report. Through that report, Cabinet had been invited to adopt those for consultation purposes before finalising its highlight priorities for 2024/25; which would involve consideration of the outcome of the consultation undertaken.

Recognising that the rationale for the Portfolio Holder's recommendations was to set out openly for all concerned the initial proposals for highlight priorities for 2024/25 and that this supported the openness agenda of the Council and provided an opportunity for engagement with the public, businesses and partners on those initial proposals. Through consultation it was hoped that the views received could help shape the priorities that would finally be adopted (within the reality of the Council's budgetary position). Cabinet had -

***“RESOLVED*** that Cabinet resolves that -

- (a) the initial highlight priorities for 2024/25, as set out at Appendix B to report A.2, be approved for consultation;*
- (b) all Councillors, other partners and the public be invited to consider the initial priorities referred to in (a) above; and*
- (c) the outcome of the consultation referred to in (b) above be reported to Cabinet on 15 March 2024 in order that Cabinet can formally adopt its finalised highlight priority actions for 2024/25.”*

A copy of the published Leader of the Council's report (and its appendices) to the Cabinet meeting held on 15 December 2023 is attached to this report.

## **RECOMMENDATIONS**

That the Committee considers the Cabinet's initial proposals for the highlight priorities for 2024/25 and decides what comments and/or recommendations (if any) it wishes to submit Cabinet for their consideration.

## **BACKGROUND PAPERS FOR THE DECISION**

Published Minutes of the meeting of the Cabinet held on 15 December 2023.

## **APPENDICES**

### **APPENDIX 1 =**

Published A.2 Report (and its appendices – see below) of the Leader of the Council for the meeting of the Cabinet held on 15 December 2023

A.2 Appendix A Corporate Plan 2024-2028

A.2 Appendix B Initial Highlight Priorities for 2024/25

**CABINET****15 DECEMBER 2023****REPORT OF THE LEADER OF THE COUNCIL****A.2 DELIVERING AGAINST THE COUNCIL'S CORPORATE PLAN 2024-28 – INITIAL PROPOSALS FOR HIGHLIGHT PRIORITIES FOR 2024/25****PART 1 – KEY INFORMATION****PURPOSE OF THE REPORT**

The Council's strategic direction is set out in its Corporate Plan which is a fundamental element of the Council's Policy Framework. The Corporate Plan ('Our Vision') was adopted unanimously by Council on 28 November 2023 (Minute 76 refers) and covers the period 2024-28 (and is reproduced at Appendix A to this report). Key elements of delivering against the adopted Corporate Plan is through annual highlight priority actions approved by the Cabinet. The 2024/25 initial proposals for highlight priorities are set out at Appendix B to this report. Through this report, Cabinet is invited to adopt these for consultation purposes before finalising its highlight priorities for 2024/25; which will involve consideration of the outcome of the consultation undertaken.

**EXECUTIVE SUMMARY**

The Council's Corporate Plan 2024-28 ('Our Vision') sets out its strategic direction. That strategic direction itself seeks to reflect the issues that matter most to local people, the national requirements from Government and the challenges that face the District over the time period of the Plan.

The themes of the 2024-28 Corporate Plan ('Our Vision') are:

- Pride in our Area and Services to Residents
- Raising Aspirations and Creating Opportunities
- Championing our Local Environment
- Working with Partners to Improve Quality of Life
- Promoting our heritage offer, attracting visitors and encouraging them to stay longer
- Financial Sustainability and Openness

The Corporate Plan ('Our Vision') itself is set out at Appendix A to this report.

Cabinet establishes each year its priority actions to deliver against the Corporate Plan and thereby ensure that the ambition of that Plan is central to its work. The priority actions do not cover every separate element of the ambition of the four year Corporate Plan; nor are they intended to indicate that other projects, schemes or activities are not being pursued. They are though intended to reflect imperatives across the Council and for the District and actions that it is right to focus on in 2024/25.

At Appendix B are the initial thoughts for highlight priorities for 2024/25 and through this report it is hoped that they can be adopted to support an engagement with residents and partners on those priorities. The outcome of that consultation will be reported to a future meeting of Cabinet when finalised proposals will be considered having regard for the outcome of the consultation.

**RECOMMENDATION(S)**

It is recommended that:

- (a) Cabinet approves the initial highlight priorities for 2024/25, as set out at Appendix B to this report, for consultation;
- (b) all Councillors, other partners and the public be invited to consider the initial priorities referred to in (a) above; and
- (c) the outcome of the consultation referred to in (b) above be reported to Cabinet on 15 March 2024 in order that Cabinet can formally adopt its finalised highlight priority actions for 2024/25.

**REASON(S) FOR THE RECOMMENDATION(S)**

The rationale for the recommendations above is to set out openly for all concerned the initial proposals for highlight priorities for 2024/25. This supports the openness agenda of the Council and provides an opportunity for engagement with the public, businesses and partners on those initial proposals. Through consultation it is hoped that the views received can help shape the priorities that will finally be adopted (within the reality of the Council's budgetary position).

**ALTERNATIVE OPTIONS CONSIDERED**

As these are initial proposed highlight priorities the Cabinet has not discounted any alternatives replacing those identified in Appendix B. The option of not publishing initial proposed highlight priorities was assessed and discounted as it did not support the Council's openness agenda and good decision making (through taking account of the views of residents, businesses and partners).

**PART 2 – IMPLICATIONS OF THE DECISION****DELIVERING PRIORITIES**

The initial highlight priorities set out at Appendix B seeks to deliver in the year 2024/25 on the ambitions of the four year Corporate Plan 2024-28. Other actions in 2024/25 will also be undertaken as the Council applies the strategic direction of the Corporate Plan to its work overall.

**OUTCOME OF CONSULTATION AND ENGAGEMENT** (including with the relevant Overview and Scrutiny Committee and other stakeholders where the item concerns proposals relating to the Budget and Policy Framework)

The consultation undertaken this year as part of the development of the Corporate Plan 2024-28 has helped shape the initial highlight priorities of the Cabinet now submitted in this report. The link to the report from the social research agency who supported that consultation exercise for the Council is in the public domain using this link:

[Corporate Plan \(Our Vision\) 2024-28 Consultation Findings Report](#)

A paper copy of that Findings Report is available upon request.

<b>LEGAL REQUIREMENTS (including legislation &amp; constitutional powers)</b>			
Is the recommendation a Key Decision (see the criteria stated here)	YES/NO	If Yes, indicate which by which criteria it is a Key Decision	<input type="checkbox"/> Significant effect on two or more wards <input type="checkbox"/> Involves £100,000 expenditure/income <input type="checkbox"/> Is otherwise significant for the service budget
		And when was the proposed decision published in the Notice of forthcoming decisions for the Council (must be 28 days at the latest prior to the meeting date)	<i>Although not a Key Decision, notice of the intention for Cabinet at this meeting to consider 'Draft Highlight Actions to support the Corporate Plan' was given on 26 October 2023.</i>
<p>Through highlight priorities that will be adopted, following the intended consultation, will support to deliver against the Council's adopted Corporate Plan 2024-28. That Corporate Plan decision was a key decision for the Council. While this report (and its recommendations) are not of themselves a Key Decision, particular schemes and actions referenced in the highlight priorities will be such decisions and require the relevant prior notification. The legal implications of individual actions will be assessed when they are brought forward for formal decisions to be made.</p>			
<input checked="" type="checkbox"/>	<b>The Deputy Monitoring Officers confirm they have been made aware of the above and any additional comments from them are below:</b>		
No further comments are submitted.			
<b>FINANCE AND OTHER RESOURCE IMPLICATIONS</b>			
<p>The initial highlight priorities set out at Appendix B includes the delivery of the financial savings target within the Medium Term Financial Strategy. In considering all matters, it is vital that the balance of resources can be accommodated by this Council and that it does not put further strain on the Council being able to balance its budget each year.</p>			
<input checked="" type="checkbox"/>	<b>The Section 151 Officer confirms they have been made aware of the above and any additional comments from them are below:</b>		
No further comments are submitted.			
<b>USE OF RESOURCES AND VALUE FOR MONEY</b>			
<p>The following are submitted in respect of the indicated use of resources and value for money indicators:</p>			
A) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;		The Corporate Plan 2024-28 includes the critical theme of "Financial Sustainability and Openness" and Cabinet intends to pursue this theme in order to secure services and functions for the residents the Council serves. To this	

	end, the initial highlight priorities outline actions that at this stage appear appropriate to support good resource management.
B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and	The development of highlight priorities each year seeks to keep the organisation focussed on measures aimed at securing the intentions of the Council's Corporate Plan. These highlight priorities sit between the Council's Corporate Plan and the individual decisions that will relate to the actions and activities necessary to achieve the intentions for the highlight priorities at Appendix B. As such, this process seeks to add to the governance reassurance of the Council around good decision making and awareness of cross cutting risks.
C) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.	Performance against the annual highlight priorities is measured during the year concerned (and beyond) and the experience obtained from that monitoring assists the Council on its continuous improvement journey.
<b>MILESTONES AND DELIVERY</b>	
<p>The Council has worked at pace to reach this point with initial highlight priorities for 2024/25 being considered by Cabinet at this meeting. This follows the adoption unanimously by Council of the Corporate Plan 2024-28 on 28 November 2023. The proposed highlight priorities for 2024/25 will again be made available for comment and suggestions for changes by residents, businesses and partners across the remainder of this month and January 2024. The outcome of this consultation will then be submitted to Cabinet for consideration of the finalised highlight priorities. This is scheduled for the Cabinet meeting on 15 March 2024.</p> <p>It is an important part of this process that, for each highlight priority action/activity, specific, measurable, achievable, realistic, and timely milestones are identified, approved and resources allocated to achieve those milestones. These milestones will be reported to the 15 March 2024 meeting of Cabinet as part of its consideration of the highlight priorities to be adopted for 2024/25.</p>	
<b>ASSOCIATED RISKS AND MITIGATION</b>	
<p>The most significant risk associated with this process is that overall package of highlight priorities for 2024/25 do not match the issues that matter most to local people, the national requirements from Government, the challenges that face the District and the capacity of the organisation to deliver those activities and actions in 2024/25. Through the process of consultation and evaluation of the resource needs associated with each activity and action, prior to the adoption of the finalised highlight priorities, the Council seeks to address that risk and ensure that the finally adopted priorities do match the various tests referenced.</p>	
<b>EQUALITY IMPLICATIONS</b>	
<p>In developing the initial highlight priorities for 2024/25, consideration has been given to the general equality duty set out in S149 of the Equality Act 2010. This requires that the Council (as a public authority), in the exercise of its functions, have due regard to the need to:</p>	

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

Further consideration of equalities implications will be given in respect of each and every decision that will, in due course, be taken in respect of the actions and activities that will form the finalised highlight priority actions. The views of residents, businesses and partners will help to frame that consideration in so far as that related to those with protected characteristics and implications of taking particular decisions on those actions/activities.

### **SOCIAL VALUE CONSIDERATIONS**

The actions and activities that will, finally, be adopted by the Cabinet as its highlight priorities will seek (collectively) to secure social, economic and environmental benefits for the District and its residents. More generally, the Council will continue to encourage the creation of job opportunities for local people, support young people into apprenticeships and provide opportunities for local suppliers (and in particular SME businesses) to be represented in the Council's supply chain.

### **IMPLICATIONS FOR THE COUNCIL'S AIM TO BE NET ZERO BY 2030**

The consideration of measures to support the Council's net zero by 2030 aim will be a feature of consideration of each of the required decisions involving Cabinet that will be associated with the activities and actions that will form the highlight priorities for 2024/25. The initial proposed priorities itself references the Council's next Climate Change Action Plan.

### **OTHER RELEVANT CONSIDERATIONS OR IMPLICATIONS**

**Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.**

<b>Crime and Disorder</b>	Individual highlight priorities set out in Appendix B seek to specifically support anti-crime and disorder measures and, more widely, each action/activities that will form part of the finalised highlight priorities for 2024/25 will, in due course, be considered against the duty under S17 of the Crime and Disorder Act 1998 to (within the limits set out in that section) do all that it reasonably can to prevent crime and disorder, misuse of drugs etc., re-offending and serious violence.
<b>Health Inequalities</b>	Individual highlight priorities set out in Appendix B seek to specifically support measures to address and respond to health inequalities.
<b>Subsidy Control (the requirements of the Subsidy Control Act 2022 and the related Statutory Guidance)</b>	While this is not a matter for this report, subsidy control considerations will be undertaken in respect of any relevant actions/activities finally adopted as Highlight priorities for 2024/25 (and

	more generally where relevant)
<b>Area or Ward affected</b>	All

### PART 3 – SUPPORTING INFORMATION

#### BACKGROUND

The development of the Cabinet's annual highlight priorities in support of the Corporate Plan ambition, and the reporting on them, follows the rhythm set out below:

1. Initial draft proposals for the Highlight Priorities for the following financial year will be considered at the meeting of Cabinet that also considers the Initial budget for the Council for the same year (in December).
2. The initial proposals will be subject to consultation; including Overview and Scrutiny Committees.
3. The outcome of consultation and finalised proposals for the Annual Highlight Priorities for the following financial year will be considered early in the New Year.
4. Following the adoption of the Annual Key Priority Actions, the performance triggers will be built into the performance monitoring system of the Council based on the milestones approved as part of those Priority Actions.
5. Officers will report to the relevant Portfolio Holder on delivery of the Priority Actions and Portfolio Holders will determine, by exception, if issues need to be reported to Cabinet throughout the year.
6. Each quarter, a summary report on delivery against all of the Cabinet's Annual Highlight Priority Areas for the year will be reported to Portfolio Holders and then published as part of the Council's transparency data. Overview and Scrutiny Committee members may then identify specific key actions where there is performance against relevant milestones that should be subject to further enquiry and these may then be referred to the next relevant meeting of the Committee.
7. A half-yearly report on performance against the Annual Key Priority Actions will be submitted to the relevant Cabinet Meeting (in October). This not only enables the Cabinet to consider the delivery of key actions in that year but also to encourage the start of the process to set key actions for the following financial year.
8. The half-yearly report will be available for Overview and Scrutiny Committees to include in their work programmes so as they can consider the likely achievement of the envisaged outcomes envisaged.

The Outturn position on performance against the Cabinet's Annual Highlight priority actions for the previous financial year will be timed to be reported to the Cabinet Meeting at which budget Outturn for that year will be reported.

In considering the annual highlight priorities for 2024/25, Cabinet has been made aware of the following deliverables across the lifetime of the Corporate Plan 2024-28. These



deliverables are in addition to the multi-million pound investment schemes the Council is responsible for that are referenced in Appendix B that will span several of those years:

2024/25:

- Council to implement significant savings.
- Review the Council's arrangements against the Government's Best Value Duty Guidance.
- Apply learning from major projects.
- Use data on cost and performance to support improvements/efficiency.
- To receive and assess the external pay review for the Council.
- Address the implementation of the Beach Hut Strategy.
- Develop and implement a Social Value Policy for the Council.
- Undertake a Community Governance Review.

2025/26:

- New Waste, Recycling and Street Cleaning arrangements
- Updated Local Plan (pre-examination).
- Council to implement significant savings.
- Develop a District-wide Coastal Strategy.
- Develop a new Open Space Strategy.
- Look at opportunities for a Beach Festival.

2026/27:

- Council to implement significant savings.
- Tendring-Colchester Borders Garden Community – Spades in the ground to commence.

#### PREVIOUS RELEVANT DECISIONS

Council on 28 November 2023 (Minute 76) – Adoption of the Corporate Plan

#### BACKGROUND PAPERS AND PUBLISHED REFERENCE MATERIAL

None

#### APPENDICES

A – Corporate Plan 2024-28  
B – Initial Highlight Priorities for 2024/25

#### REPORT CONTACT OFFICER(S)

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CHAMPIONING OUR  
LOCAL ENVIRONMENT

PRIDE IN OUR AREA  
AND SERVICES TO  
RESIDENTS

WORKING WITH  
PARTNERS TO  
IMPROVE QUALITY  
OF LIFE

Page 22

RAISING ASPIRATIONS  
AND CREATING  
OPPORTUNITIES

PROMOTING OUR  
HERITAGE OFFER,  
ATTRACTING VISITORS  
AND ENCOURAGING  
THEM TO STAY LONGER

FINANCIAL  
SUSTAINABILITY  
AND OPENNESS



## A.2 Appendix B

# Delivering 'Our Vision' 2024/25

## Community Leadership runs through all the priorities

2024-28 Theme (and its supporting text) – Theme A

### Pride in our area and services to residents

*We want to put residents first, by promoting clean and tidy communities, providing decent housing that everyone deserves, and tackling the things that make a big difference to you. This means getting the basics right on our services. The Council will look to harness the power of digital delivery of services while ensuring that no resident is left behind. We also want to promote pride in our communities by encouraging everyone to take responsibility for keeping their area a pleasant place in which to live and work.*

#### Highlight 2024/25 Year Priorities (and tangible actions to be undertaken in that year)

Getting the basics right.	<i>Extend a 'You said, we did' approach to all major services to the public across the Council.</i>	A1
Supporting decent housing for residents	<i>(1) In the Council's own housing stock – driving improvement with expanded estate management and well informed enhancements around kitchens and bathrooms etc. Enhanced tenancy engagement.</i>	A2
	<i>(2) More widely, develop a revised Housing Strategy to address the needs of the District and its residents. Progress the review of the Local Plan to support sustainable development of quality housing for a range of tenures.</i>	A3
Promoting clean and tidy communities... encouraging everyone to take responsibility for keeping their area a pleasant place.	<i>Options appraisal for waste &amp; street cleaning strategy. Community leadership promoting pride of place.</i>	A4

2024-28 Theme (and its supporting text) – Theme B

### Raising aspirations and creating opportunities

*Tending is ambitious and our residents will be supported to reach their potential and realise their opportunities. To do this, working with businesses and partners, we want to improve access to skills learning and training so that residents can find employment and enable businesses to thrive; particularly taking the opportunities afforded by Freeport East and the Garden Community. We want to maximise the opportunities for young people and see them enthused with purpose. To inspire those dreams we will celebrate business success, encourage cultural, tourism and economic growth.*

#### Highlight 2024/25 Year Priorities (and tangible actions to be undertaken in that year)

We will celebrate business success, encourage cultural, tourism and economic growth.	<i>(1) Develop a long term plan for Clacton-on-Sea working with partners in a Town Board</i>	B1
	<i>(2) Implement Levelling Up Fund, Capital Regeneration Partnership Projects and</i>	B2

	High Street Accelerator Schemes, taking these through design and planning.	
	(3) Manage the UK Shared Prosperity Fund projects that build pride in place, support training, economic growth, and improve life chances.	B3
Tendring is ambitious and our residents will be supported to reach their potential and realise their opportunities.... particularly taking the opportunities afforded by Freeport East and the Garden Community	(1) Take the opportunities afforded by Freeport East and the development of Bathside Bay.	B4
	(2) Progress the Tendring Colchester Borders Garden Community DPD through the planning process to enable the opportunities for new jobs, housing and infrastructure to be delivered on the ground from 2025/26.	B5
	(3) Work with partners in the North Essex Economic Board to enhance economic advance across North Essex.	B6

## 2024-28 Theme (and its supporting text) – Theme C

**Championing our Local Environment**

*We believe our environment is special, it is the space where we live and work, and therefore deserves protection. We will be tough on those who do not respect our environment. We want to create and maintain spaces for leisure, wellbeing and healthy lifestyles, and deliver access to open spaces and community resources.*

## Highlight 2024/25 Year Priorities (and tangible actions to be undertaken in that year)

We believe our environment is special to our residents.	Delivering quality Council open space and street scene.	C1
Our environment deserves protection.	Implement measures from the new Climate Change Action Plan.	C2
We will be tough on those who do not respect our environment.	Enhancing capacity to be tough on those that litter and fly-tip on land for which the Council is responsible.	C3
We want to create and maintain opportunities for leisure, wellbeing and healthy lifestyles.	Implement the Sports and Activity Strategy for the District.	C4

## 2024-28 Theme (and its supporting text) – Theme D

**Working with partners to improve quality of life**

*We want to promote safer, healthier, well connected and inclusive communities by working with our partners across government, public, private and third sectors. We will strive to build on the firm foundations, developed over time, with those partners to meet the identified needs of our communities. We recognise the vital role volunteers play in caring for others and our environment, and we will support, encourage and facilitate those opportunities.*

## Highlight 2024/25 Year Priorities (and tangible actions to be undertaken in that year)

We want to promote safer, healthier, well connected and inclusive communities by working with our partners across government, public, private and third sectors.	(1) To support projects to reduce Health inequalities e.g. around Fuel Poverty and access to the jobs market.	D1
	(2) To expand the Pupil Encounters' Project, to provide all school children with	D2

	additional encounters with businesses and employers throughout their Education.	
	(3) To deliver a STEAM event for Primary Schools whereby pupils are introduced to a range of Employers including Galloper, EDF, Dance East, Essex Police and Colchester Zoo.	D3
	(4) To look at measures to address nuisance driving/noisy vehicles and consult with residents on these measures. The appropriate measures would then be introduced.	D4
	(5) To complete enhanced CCTV coverage in public areas.	D5
	(6) Establishing the feasibility for a new wellbeing hub in the District	D6

#### 2024-28 Theme (and its supporting text) – Theme E

### Promoting our heritage offer, attracting visitors and encouraging them to stay longer

*We want to boost our tourism by attracting more visitors to the 36 miles of sunshine coast and to our rural towns and villages. We will support our unique heritage, work with our partners, run events and promote the district for the benefit of our residents and to encourage visitors to come and to stay for longer.*

#### Highlight 2024/25 Year Priorities (and tangible actions to be undertaken in that year)

We will support our unique heritage, work with our partners, run events and promote the district for the benefit of our residents and to encourage visitors to come and to stay for longer.	(1) Fundraise to support heritage in Tendring, for example the Witches' Trail around Manningtree and the Leading Lights in Harwich	E1
	(2) Re-introduce the Tour de Tendring cycling event	E2
	(3) Working with the Arts Council and others to deliver vibrant cultural and arts activities in the District	E3
We want to boost our tourism by attracting more visitors to the 36 miles of sunshine coast	(1) Developing a programme of events in the District and promoting those events.	E4
	(2) Host the Clacton Air Show and draw in additional sponsorship funding	E5

#### 2024-28 Theme (and its supporting text) – Theme F

### Financial Sustainability and openness

*To continue to deliver effective services and get things done we must look after the public purse; that means carefully planning what we do, managing capacity, and prioritising what we focus our time, money and assets on. Tough decisions will not be shied away from, but will be taken transparently, be well-informed, and based upon engagement with our residents. We will give clarity on where the Council spends the money it is provided with.*

#### Highlight 2024/25 Year Priorities (and tangible actions to be undertaken in that year)

Prioritising what we focus our time, money and assets on.	Maximise the value of our assets and take advantage of procurement opportunities with partners.	F1
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Tough decisions will not be shied away from, but will be taken transparently, be well-informed, and informed from engagement with our residents.	Carefully plan the Council's budget and taking appropriate action to respond to liabilities / costs pressures.	F2
We will give clarity on where the Council spends its money.	(1) Reviewing and reinforce the Council's engagement strategy	F3
	(2) Review its communication strategy.	F4

## **Listening to and delivering for our residents and businesses**

Note: While the Highlight Priorities above have been assigned to one of the Corporate Plan Theme it is recognised that many of the proposed Priorities will also significantly contribute to another or several other of the Themes.

## RESOURCES AND SERVICES OVERVIEW AND SCRUTINY COMMITTEE

10 JANUARY 2024

### REPORT OF THE ASSISTANT DIRECTOR FINANCE & IT

#### **A.3 GENERAL FUND AND HRA BUDGET PROPOSALS 2024/25**

(Report prepared by Richard Barrett)

##### **PURPOSE OF THE REPORT**

To set out the budget proposals for 2024/25 in respect of both the General Fund (GF) and Housing Revenue Account (HRA) for consideration by the Committee.

##### **BACKGROUND / CURRENT POSITION**

Reports relating to the General Fund and HRA Budget proposals for 2024/25 were considered by Cabinet on 15 December 2023, with the comments of the Committee now requested as part of developing the Council's budget proposals for presenting to Full Council in February 2024.

The following sets out each report in turn:

#### **1) Appendix A, Updated General Fund Financial Forecast / Budget 2024/25**

At its meeting on 15 December 2023, it was resolved that Cabinet:

- a) *approves the updated Financial Forecast and proposed budget position for 2024/25 as set out in report the Cabinet report and its appendices (Appendix A); and*
- b) *requests the Overview and Scrutiny Committees' comments on this latest financial forecast and proposed budget position for 2024/25.*

#### **2) Appendix B, Updated Housing Revenue Account Business Plan and Budget Proposals 2024/25**

At its meeting on 15 December 2023, it was resolved that Cabinet:

- a) *approves the updated Housing Revenue Account (HRA) 30 year Business Plan, which includes the proposed revised position for 2023/24 along with budget proposals for 2024/25; and*
- b) *requests the Resources and Services Overview and Scrutiny Committee's comments on this latest HRA financial forecast.*

##### **RECOMMENDATION**

**That the Committee considers the two reports attached and determines whether it has any comments or recommendations it wishes to make or put forward to the relevant Portfolio Holder or Cabinet.**

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**APPENDIX A**

**RESOURCES AND SERVICES OVERVIEW AND SCRUTINY COMMITTEE**  
**10 JANUARY 2024**

**BUDGET SCRUTINY MEETING**

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**CABINET**

**15 DECEMBER 2023**

**REPORT OF THE PORTFOLIO HOLDER FOR CORPORATE FINANCE AND GOVERNANCE**

**A.4 UPDATED GENERAL FUND FINANCIAL FORECAST / BUDGET 2024/25**

**PART 1 – KEY INFORMATION**

**PURPOSE OF THE REPORT**

To enable Cabinet to consider the updated financial forecast and budget proposals for 2024/25 for consultation with the Overview and Scrutiny Committees.

**EXECUTIVE SUMMARY**

- A 'live' forecast is maintained and reported to Members throughout the year. The most up to date position in December each year is translated into the detailed budget for the following year for consultation with the Overview and Scrutiny Committees.
- As part of maintaining a 'live' forecast, this report 'builds' on the last position that was presented to Cabinet on 10 November 2023.
- Despite the challenging financial and economic environment, confidence in the long term approach to the forecast remains, which is supported by the forecast risk fund.
- The Council has maintained a prudent and sustainable approach to its long term plan, which provides the 'platform' against which it can consider its financial position in response to the very challenging economic outlook it continues to face.
- Further changes to the forecast have been made since 10 November 2023, with a revised position set out in **Appendix A (i)**.
- The changes required broadly reflect updates to cost pressures and savings.
- Cost pressures included to date reflect unavoidable items. Work remains on-going in consultation with Services and it is likely that additional cost pressures will need to be included in later iterations of the forecast before final budget proposals are recommended for presenting to Council in February 2024.
- In terms of the savings identified to date, these can be considered as 'secured' and not projections, given the nature of the budgets they relate to. Although the income from treasury activities will be subject to various changes during 2024/25 the estimated

## APPENDIX A

saving included is based on a prudent approach and assumptions on likely cash balances and projected interest rates.

- Taking the above into account and in comparison with the position reported to Cabinet on 10 November 2023, the net overall position reflects a forecasted annual deficit of **£2.674m** (an increase from £2.422m).
- An annual review of reserves has also been undertaken, which highlights the need to continue to maintain a number of reserves to support key actions / activities as part of the Council's overall prudent and sustainable approach to managing its finances.
- At the time of finalising this report, the Local Government Finance Settlement for 2024/25 had yet to be announced. It is understood that the announcement will not be made until after the date of this meeting. Therefore, any changes emerging from the settlement will be reflected in the forecast that will be reported to Cabinet in January when it considers its final budget proposals for recommending to Full Council in February.
- The budget includes a Council Tax levy increase of 3%, with this level of increase expected to be confirmed as part of the Government's wider finance settlement announcements.
- Once the final position for 2024/25 is determined, the remaining years of the forecast will also be revised along with the consideration of extending the forecast period, which will be reported to members later in the budget setting process.
- Both **Appendix B and C** include related in-year adjustments for 2023/24. These will be subject to further review before being finalised for inclusion in the Quarter 3 Financial Performance Report that will be presented to Cabinet later in the financial year.

### RECOMMENDATION(S)

*It is recommended that Cabinet:*

- a) **approves the updated Financial Forecast and proposed budget position for 2024/25 as set out in this report and its appendices; and**
- b) **requests the Overview and Scrutiny Committees' comments on this latest financial forecast and proposed budget position for 2024/25.**

### REASON(S) FOR THE RECOMMENDATION(S)

To set out the latest financial forecast as part of the process of developing the budget proposals for 2024/25.

### ALTERNATIVE OPTIONS CONSIDERED

This is broadly covered in the main body of this report.

**PART 2 – IMPLICATIONS OF THE DECISION**

<b>DELIVERING PRIORITIES</b>			
<p>A revised Corporate Plan and Vision was approved by Full Council at its meeting on 28 November 2023. One of the 6 included themes is Financial Sustainability and Openness, with a commitment to continue to deliver effective services and get things done whilst looking after the public purse; that means carefully planning what we do, managing capacity, and prioritising what we focus our time, money and assets on. Tough decisions will not be shied away from, but will be taken transparently, be well-informed, and based upon engagement with our residents.</p> <p>The forecasting and budget setting process will have direct implications for the Council's ability to deliver on its objectives and priorities. The current 10-year approach to the forecast seeks to establish a sound and sustainable budget year on year through maximising income whilst limiting reductions in services provided to residents, business and visitors. The approach set out in this report continues to be set against this wider context.</p>			
<b>OUTCOME OF CONSULTATION AND ENGAGEMENT</b>			
<p>Internal consultation is carried out via the Council's approach to developing the budget as set out within the Constitution. External consultation also forms part of developing the budget, and is carried out early in the year as part of finalising the position for reporting to Full Council in February.</p>			
<b>LEGAL REQUIREMENTS (including legislation &amp; constitutional powers)</b>			
<p><b>Is the recommendation a Key Decision (see the criteria stated here)</b></p>	<p><b>Yes</b></p>	<p><b>If Yes, indicate which by which criteria it is a Key Decision</b></p>	<p><input type="checkbox"/> <b>Significant effect on two or more wards</b>  <input checked="" type="checkbox"/> <b>Involves £100,000 expenditure/income</b>  <input type="checkbox"/> <b>Is otherwise significant for the service budget</b></p>
		<p><b>And when was the proposed decision published in the Notice of forthcoming decisions for the Council (must be 28 days at the latest prior to the meeting date)</b></p>	<p>This item has been included within the Forward Plan for a period in excess of 28 days.</p>
<p>The arrangements for setting and agreeing a budget and for the setting and collection of council tax are defined in the Local Government Finance Act 1992. The previous legislation defining the arrangements for charging, collecting and pooling of Business Rates was contained within the Local Government Finance Act 1988. These have both been amended as appropriate to reflect the introduction of the Local Government Finance Act 2012.</p> <p>The Local Government Finance Act 2012 provided the legislative framework for the introduction of the Rates Retention Scheme and the Localisation of Council Tax Support.</p> <p>The Calculation of Council Tax Base Regulations 2012 set out arrangements for calculation of the council tax base following implementation of the Local Council Tax Support Scheme. These</p>			

arrangements mean that there are lower tax bases for the district council, major preceptors and town and parish councils.

The Localism Act 2012 introduced legislation providing the right of veto for residents on excessive council tax increases.

Under Section 25 of the Local Government Act 2003, the Chief Finance Officer (S151 Officer) must report to Council, as part of the budget process, on the robustness of estimates and adequacy of reserves. The proposed approach can deliver this requirement if actively managed and will be an issue that remains ‘live’ over the course of the forecast period and will be revisited in future reports to members as the budget develops.

In addition to the above, further amending legislation has been introduced since the Local Government Finance Act 1992 that relates to the setting of council tax premiums and discounts, with the latest being the Levelling Up and Regeneration Act 2023.

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 set out the requirements of a Minimum Revenue Provision (MRP) Policy Statement which must be approved by Council each year. In calculating a prudent MRP provision, local authorities are required to have regard to guidance issued by the Secretary of State. The latest guidance, issued under section 21(1A) of the Local Government Act 2003, is applicable from 1 April 2019 which the proposed MRP policy reflects.

In respect of special expenses that form part of the budget setting process, expenditure is classed as a Special Expense if it satisfies the requirements of the Local Government Finance Act 1992, Section 35. The only category relevant to this Council is contained within Section 35(2)(d) relating to concurrent functions with Parish and Town Councils. Under the Local Government Finance Act 1992, the Council must identify as its Special Expense, proposed expenditure on those functions which the Council performs in part of the district but which Parish or Town Councils perform elsewhere in the District. If, in the Council’s view, a special expense should properly be charged over the whole of the district’s area, the Council may pass an express resolution to this effect (known as a **contrary resolution**).

In order for expenditure to be a Special Expense, there are two conditions that must be fulfilled:

1. Expenditure is estimated to be incurred by the District Council in the whole or part of its area on the provision of a function;
2. Expenditure on the provision of the same function is to be incurred by at least one parish/town council elsewhere in the district.

The proposals set out in this report are in accordance with the Council’s budget and policy framework.

<b>Yes</b>	<b>The Monitoring Officer confirms they have been made aware of the above and any additional comments from them are below:</b>
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The Best Value Duty relates to the statutory requirement for local authorities and other public bodies defined as best value authorities in Part 1 of the Local Government Act 1999 (“the 1999 Act”) to “make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness”. In

practice, this covers issues such as how authorities exercise their functions to deliver a balanced budget (Part 1 of the Local Government Finance Act 1992), provide statutory services and secure value for money in all spending decisions.

Best value authorities must demonstrate good governance, including a positive organisational culture, across all their functions and effective risk management. They are also required, pursuant to section 3 of the 1999 Act, to consult on the purpose of deciding how to fulfil the Best Value Duty.

Government have recently consulted on revised Statutory Guidance on the Best Value Duty issued to local authorities in England under section 26 of the 1999 Act, which best value authorities are required to have regard to. To provide greater clarity to the sector on how to fulfil the Best Value Duty, the draft statutory guidance sets out seven overlapping themes of good practice for running an authority that meets and delivers best value. These seven best value themes build on the lessons learned from past interventions, including those which the Government published in June 2020, and reflect what most local authorities already do or are striving to achieve. While these themes are all interdependent, strong governance, culture, and leadership underpin effective partnerships and community engagement, service delivery, and the use of resources, continuous improvement is the outcome of all the themes working well together. A detailed description of these themes, including characteristics of a well-functioning local authority and indicators used to identify challenges that could indicate failure, is set out within the draft guidance and financial management and sustainability is a reoccurring expectation throughout the themes and indicators.

**FINANCE AND OTHER RESOURCE IMPLICATIONS**

The financial implications are set out in the body of the report.

Although the availability of financial resources is a key component in the delivery of services there will also need to be appropriate input of other resources such as staffing, assets and IT.

The long term approach to the forecast set out in this report has been discussed with the Council’s new External Auditor, albeit informally. There were no major concerns raised but they will undertake their own independent and detailed review as part of their commentary on the Council’s use of resources.

**Yes** **The Section 151 Officer confirms they have been made aware of the above and any additional comments from them are below:**

The Section 151 Officer is the author of this report.

**USE OF RESOURCES AND VALUE FOR MONEY**

The following are submitted in respect of the indicated use of resources and value for money indicators:

A) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;	This is addressed in the body of the report.  In terms of an independent view, the Council’s previous External Auditor has unfortunately yet to complete their work on the Council’s Statement of Accounts for 2020/21 and
B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and	

<p>C) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.</p>	<p>2021/22, or started the necessary work on the 2022/23 statements. At the present time it is not known when they will be able to provide their own commentary on the Council's use of resources.</p>
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**MILESTONES AND DELIVERY**

This report forms part of the Council's wider budget setting processes. Additional update reports will therefore be presented to Cabinet in January as part of developing the detailed estimates that will be presented to Full Council in February 2024.

**ASSOCIATED RISKS AND MITIGATION**

There are significant risks associated with forecasting such as cost pressures, inflation and changes to other assumptions that form part of the financial planning process. The Council's response is set out in the body of this report and will continue to be addressed as part of the future financial update reports highlighted earlier.

As highlighted earlier, it is likely that further cost pressures will need to be included as part of further iterations of the forecast. As highlighted later in this report, money has been set aside in an associated reserve to help mitigate cost pressures associated with the repair and maintenance of Council assets. When they arise, they are usually significant and the approach taken aims to 'protect' the underlying revenue budget from such items as far as possible.

It is also worth highlighting emerging risks associated with the establishment of the Office for Local Government (OFLOG), which will undoubtedly have a significant financial impact on Local Authorities, either directly or where increased capacity may be required to respond to any emerging requirements. This will be considered further as part of the on-going development of the forecast.

As set out in **Appendix A (i)**, based on the latest position forecast, the Forecast Risk Fund is estimated to be depleted over the remaining years of the forecast period, which adds further financial risks and challenges which may require increased savings to be identified to deliver a sustainable financial position.

However, it is important to note that the Council still prudently maintains reserves to respond to significant / specific risks in the forecast such as **£1.758m** (NDR Resilience Reserve) and **£1.000m** (Benefits Reserve), which can be taken into account during the period of the forecast if necessary. The Council also holds **£4.000m** in uncommitted reserves, which reflects a best practice / risk based approach to support its core financial position.

**EQUALITY IMPLICATIONS**

There are no direct implications that significantly impact on the financial forecast at this stage. However, the ability of the Council to appropriately address such issues will be strongly linked to its ability to fund relevant schemes and projects and determination of the breadth and standard of service delivery to enable a balanced budget to be agreed.

An impact assessment will be undertaken as part of any separate budget decisions such as those that will be required to deliver savings.

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Special expenses are based on the principle of ensuring there is equality across the district in levying council tax to residents based on services and facilities provided by Town and Parish Councils in specific areas that are also provided by the District Council.

### SOCIAL VALUE CONSIDERATIONS

There are no direct implications that significantly impact on the financial forecast at this stage.

However, such issue will be considered as part of separate elements of developing the budget as necessary.

### IMPLICATIONS FOR THE COUNCIL'S AIM TO BE NET ZERO BY 2030

There are no direct implications that significantly impact on the financial forecast at this stage.

However, such issue will be considered as part of separate elements of developing the budget as necessary.

### OTHER RELEVANT CONSIDERATIONS OR IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

<b>Crime and Disorder</b>	Please see comments above
<b>Health Inequalities</b>	
<b>Area or Ward affected</b>	

## PART 3 – SUPPORTING INFORMATION

### UPDATED FINANCIAL FORECAST 2024/25

The long term forecast is updated on an on-going basis, which is reported to Members quarterly, with the most recent position (at the end of September 2023) being reported to Cabinet at its 10 November 2023 meeting. The format of the forecast has been subject to an important albeit relatively minor change to show the annual deficit position before the annual savings 'targets' rather than it being an inclusive figure. This better demonstrates the Council's underlying forecasted deficit position, which is important for a range of potential audiences not least the Government and other representative bodies.

**Appendix A (i)** sets out an updated forecast for 2024/25 that reflects changes since Cabinet considered the earlier position at its 10 November 2023 meeting. The changes required reflect a slightly worse position – an increased annual deficit of **£0.252m** (from **£2.422m** to **£2.674m**) after taking account of savings.

Work remains on-going as part of the continuing development of the budget, which will need to react to a number of issues such as any announcements from the Government as part of the annual local government financial settlement process. Any changes will be reported to Members as they arise throughout the remainder of the budget setting process and will be included in the final budget proposals to be considered by Cabinet in January before recommendations are made to Full Council in February.

The following table provides a commentary on the changes to the initial forecast set out in **Appendix A (i)** (excludes items where there has been no significant change to the relevant line of the forecast considered by Cabinet on 10 November 2023):

Item in the Forecast	Change since forecast was considered on 10 November 2023	Comments
<b><i>Underlying Funding Growth in the Budget</i></b>		
<p><b>Lines 4 and 6 –</b> Growth in Council Tax – general property / tax base growth, and  Collection Fund Surpluses b/fwd - Ctax</p>	<p>Net increased income of <b>£0.030m</b></p>	<p>These two changes reflect the final council tax base calculations for 2024/25 where the estimated property growth was slightly lower than originally estimated but offset by an increased collection fund surplus position.</p>
<b><i>Net Cost of Services and Other Adjustments</i></b>		
<p><b>Lines 14 and 23 –</b> On-going savings identified / achieved, and  On-going savings required</p>	<p>Total savings identified of £1.242m <b>(£0.742m more than the £0.500m 'target' included in earlier forecasts.</b></p>	<p>Savings have been 'moved up' to Line 14 of the forecast from Line 23 to reflect that they have now been identified / secured rather than remaining a 'target'. As the total amount achieved is greater than the target of <b>£0.500m</b>, Line 23 has been reduced to nil.</p> <p><b>Appendix B</b> sets out in more detail the savings identified / achieved, with some further commentary included immediately below this table.</p>
<p><b>Line 18 –</b> Inflation – Employee Costs</p>	<p>Additional costs of <b>£0.255m.</b></p>	<p>As highlighted at Cabinet on 10 November 2023, the cost of the staff pay award pay for 2023/24 has had the knock-on impact of increasing the on-going base employee costs over and above the original estimated position.</p>



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<p><b>Line 19</b> – Inflation – Other</p>	<p>Reduction of <b>£0.218m</b> in estimated costs.</p>	<p>This broadly reflects on-going inflationary forecast updates.</p>
<p><b>Line 20</b> – Unavoidable Cost Pressures</p>	<p>Increase of <b>£0.987m</b> in estimated costs.</p>	<p><b>Appendix C</b> sets out a number of items identified to date. As highlighted earlier in the report, work remains on-going in consultation with Services and it is likely that additional cost pressures will need to be included in later iterations of the forecast before final budget proposals are recommended for presenting to Council in February 2024.</p>

*The above position excludes changes to indirect costs such as internal recharges within the General Fund and technical accounting adjustments that do not have an overall net impact on the budget. However, the full detailed budget, reflecting the above changes, will be presented to Cabinet at its January 2024 meeting.*

In terms of the savings set out in **Appendix A (i)**, it is very important to highlight that a number of items are one-off or are expected to reduce over time and therefore cannot be seen as on-going in terms of the later years of the forecast. When taking into account the one-off or time limited nature of some items (e.g. treasury income is expected to reduce over the next 24 months in line with the expected reduction in the Bank of England base rate) the on-going savings achieved total **£0.400m**. This therefore places an increased focus on savings required in the later years of the forecast to ensure the necessary on-going savings are achieved over the corresponding time period.

It was expected to be able to include a further on-going saving in excess of **£0.250m** relating to the recent leisure centre VAT court judgement that found in favour of Local Authorities rather than HMRC. However, some conflicting guidance has recently been published by HMRC that introduces enough doubt about the treatment of VAT within leisure centres that it was felt prudent to not include it at this stage. Further work remains on-going and an update will be provided to the next meeting of Cabinet in January.

As set out in earlier reports, developing ‘a savings framework’ against the context of the Corporate Plan remains a key activity over the coming months. Senior Managers will continue to work alongside Portfolio Holders to bring this information together so that it can be considered against the context of the recently agreed Corporate Plan. The level of time and resources required to not only develop the above framework but to also deliver the required savings should not be underestimated. Set against the ongoing delivery of existing projects such as the Levelling Up Scheme and Freeports, there needs to be a clear focus on the timely development of the plan whilst managing competing resources over the coming months.

In terms of cost pressures included within the forecast, their mitigation continues to form an important element of the long-term financial plan. The cost pressures identified for inclusion in the budget largely reflect unavoidable items at this stage, including the on-going impact of items identified as part of earlier financial performance reports. Similarly to savings, a number of items are expected to be one-off or time limited along with being subject to further decision making / review e.g. Careline.

As experienced by Local Authorities across the country, homelessness costs continue to be a significant challenge, with some Councils citing this as likely being one of the primary reasons for potentially having to issue S114 notices if it continues at current levels. Along with energy

costs, this presents a significant on-going risk to the Council. In respect of energy costs, it is likely that the overall impact on the budget will reduce over time but the scale and speed is impossible to accurately forecast. With this in mind, the current cost pressure included is on an on-going basis at this stage but it is acknowledged that opportunities to reduce this figure are expected to arise in the future.

In the Autumn Statement, the Government committed to increasing Local Housing Allowances along with the providing additional grant funding. Although this is welcomed, increased demand for homelessness accommodation is likely to remain in the immediate term, which has been reflected in the scale of the cost pressure currently included.

As set out in **Appendix A (i)**, taking the above adjustments into account, there is now a forecast deficit for 2024/25 of **£2.674m**, compared with the forecasted deficit of **£2.422m** considered by Cabinet at its 10 November 2023 meeting. Even after identifying savings in excess of the original 'target' of **£0.500m** for 2024/25, such a favourable position has been more than offset by a worsening cost pressure position and estimated inflationary pressures.

The outcome from risk management reviews are reported as part of the quarterly financial performance reports throughout the year (the latest one being reported to Cabinet on 10 November 2023). It is important to highlight that there are no new / significant adverse issues that have arisen in terms of the annual forecast risk fund surpluses since the last position was reported. The associated risk management appendix has therefore not been repeated as part of this report. However, it will continue to form part of the regular reporting of the financial forecast going forward.

As set out in earlier reports, the Council's long-term plan and Forecast Risk Fund provide flexibility and support against which the above can be considered. Extending the current financial forecast period will also be considered as part of developing the forecast over the remainder of the financial year that may provide further financial flexibility and support along with further opportunities to respond to the structural annual budget deficit that is still estimated to remain at the end of 2026/27.

As previously discussed, it is recognised that the use of reserves and one-off amounts to balance the budget is not sustainable in the long term. However, by balancing the use of existing reserves and potentially one-off funding in the short to medium term, it provides additional flexibility to develop the framework in which to identify the required savings from 2024/25.

As indicated in recent S114 notices issued by some Local Authorities, a major issue faced by Councils is not having the necessary practical and pragmatic plans in place to identify the savings required to balance their budgets. Such issues need to be factored into the development of the framework against which savings are delivered as highlighted above.

The current approach to the forecast does enable the flexibility and time to consider the longer-term plan and the further savings that will be required in an informed way and in light of the recently agreed updated Corporate Plan.

### **Sensitivity Testing**

Work remains in progress to update associated sensitivity testing of the forecast, with the outcome planned to be presented in reports later in the year as part of the on-going development of the budget for consideration by Full Council in February 2024.

**Reserves**

As part of the budget setting process, it is also timely to review the appropriateness of the level of reserves at this stage in the budget cycle.

Following the associated review this year, a summary of the reserves held (excluding revenue and capital commitments reserves) and their purpose is set out in the following table:

<b>Reserve</b>	<b>Purpose of the Reserve</b>	<b>Estimated Balance</b>	<b>Status</b>
Asset Refurbishment/Replacement Reserve	To meet the cost of the maintenance of the Council's assets, including those associated with the Council's commitment to carbon neutrality. This reserve 'protects' the underlying revenue budget from significant one-off expenditure items with expenditure against this reserve being considered as part of the wider management / response to emerging cost pressures.	£1.019m	Review as part of the on-going development of the forecast / cost pressures.
Benefit Reserve	To meet any potential costs arising from the obligation to pay benefits and to support future changes to the Welfare Regime. The future remains uncertain given the on-going extension to the roll-out of universal credit.	£1.000m	Continue to retain this reserve  (but will remain under review as part of future welfare reforms and the development of the forecast)
Business Rates Resilience Reserve	To support the Council in reacting to potential future changes in Business Rate appeals and income, especially in light of the	£1.758m	Continue to retain this reserve

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	potential for changes to the business rate reforms and associated 'resets'.		(use of this reserve will continue to be considered as part of the development of the long term plan)
Commuted Sums Reserve	Established from commuted sums paid to the Council to cover such items as maintenance costs of Open Spaces and CCTV, in line with the associated agreements.	£0.453m	Continue to retain this reserve to support the commitments established as part of the associated agreements
Election Reserve	To finance future costs associated with holding District Elections on a four yearly cycle.	£0.000m (the reserve was fully spent in 2023/24 to meet the cost of the May 2023 elections)	Continue to retain this reserve to meet the associated cost when due. (supported by a proposed cost pressure from 2024/25 – see Appendix C)
Haven Gateway Partnership Reserve	To support the costs associated with the Haven Gateway Partnership e.g. costs that may be incurred on termination / withdrawal from the current arrangements.	£0.075m	Subject to review against associated risk as this reserve may be able to be removed.
Leisure Capital Projects Reserve	This reserve has been established to fund ongoing investment in Leisure Facilities and will form an important element of supporting the	£0.080m	Continue to retain this reserve

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	delivery of the upcoming Sports and Activity Strategy.		
Planning Inquiries and Enforcement Reserve	To meet associated costs relating to planning services.	£0.019m	This reserve is expected to be depleted in 2024/25 with any associated activities having to be met from within existing budgets going forward.
Section 106 Agreements Reserve	This reserve holds income received from developers under Section 106 of the Town and Country Planning Act 1990 to be spent on specific projects over a number of years in accordance with the terms of the agreements.	£2.968m	Continue to retain this reserve (this is released as part of separate decisions made during the year)
Forecast Risk Fund	As set out in earlier reports and elsewhere within this report, this reserve continues to be held to support planned annual budget deficits as part of the Long Term Financial Sustainability Plan.	£6.142m (before adjustments from 2024/25 onwards)	Continue to retain this reserve  (use of this reserve will continue to be considered as part of the development of the long term plan)
Uncommitted Reserve	General Reserve held to respond to key financial risks such as inflation, income loss, additional burdens etc. which is subject to a risk based assessment on a regular basis.	£4.000m	Continue to retain this reserve

*The revenue and capital commitments reserves have not been included above as they broadly reflect the cash flow impact relating to the timing / programming of the delivery of associated projects and initiatives etc.*

Although a more detailed statement will be made by the S151 Officer that will be included in the report to Full Council in February, the current level of reserves based on the review above remains adequate, although this position will be subject to on-going review given the risks to the financial forecast highlighted earlier in this report.

### **Local Government Finance Settlement and Government's Spending Review**

As set out in earlier financial performance reports, until it is confirmed or otherwise in the Local Government Finance Settlement no Revenue Support Grant income is usually included in the forecast. However, given the current economic climate and the significant financial challenges faced by Councils, especially in light of the potential increase in Local Authorities issuing S114 notices, it is likely that the Government will provide on-going support, at least in the short to medium term. A level of financial support therefore continues to be included within the forecast. Based on this revised approach, a total of approximately **£0.700m** in general revenue support grant funding has been included from 2024/25.

In a departure from previous years where the Council has historically refrained from using one-off money to support the underlying budget, estimated income from the New Homes Bonus Grant (and from the Council's continued membership of the Essex Business Rates Pool) are now included. This change was introduced within the Financial Performance report for Q1 2023/24 that was considered by Cabinet on 6 October 2023. Although there are no long term guarantees around such sources of funding, it is expected that they will continue in the short term, which reduces the risk over the remaining years of the forecast. This revised approach will continue to be reviewed on an on-going basis and if any information comes to light that indicates an increased risk to this approach, then the forecast will be updated and reported to Members as soon as practicable. Based on this revised approach, income of **£0.500m** and **£0.400m** relating to the New Homes Bonus and Essex Business Rates Pool respectively has been included in the forecast, which will be confirmed or otherwise when the final budget proposals are presented to Cabinet in January 2024.

Both of the Revenue Support Grant and New Homes Bonus will be confirmed within the Local Government Financial Settlement that is currently expected to be announced by the Government shortly. In terms of business rates, further details are set out later on in this report.

Although it is always difficult to translate the more detailed financial impact from the Government's Autumn Statements, it is worth highlighting two key policy announcements included in the most recent statement. The first relates to homelessness which was discussed in more detail earlier in this report. The second was in connection with business rates with the following commitments being made by the Government:

- For 2024/25, the small business multiplier in England will be frozen for a fourth consecutive year at 49.9p, while the standard multiplier will be updated by September CPI to 54.6p
- The current 75% relief for eligible Retail, Hospitality and Leisure (RHL) properties is being extended for 2024/25. Around 230,000 RHL properties in England will be eligible to receive support up to a cash cap of £110,000 per business.

- Local Authorities will be fully compensated for the loss of income as a result of these business rates measures and will receive new burdens funding for administrative and IT costs.

As discussed in earlier financial performance reports, although the forecast does not reflect the Government's intended comprehensive spending review, they have stated that *'their ambitions for Levelling Up the country require us to assess our commitments to update local government funding. The government had previously committed to carry out a Review of Relative Needs and Resources and a reset of accumulated business rates growth. Whilst we can confirm that these will not be implemented in this Spending Review period, the government remains committed to improving the local government finance landscape in the next Parliament.'*

The Government have also confirmed that the core settlement will continue in a similar manner for 2024/25, with the major grants continuing as set out for 2023/24. Although the actual position for 2024/25 remains subject to the Annual Local Government Financial Settlement that the Government will announce shortly, their commitment is viewed positively, which may result in additional funding being receivable in 2024/25. However, based on the Government's statement above, the longer term position is much more unclear and will be subject to a future Government in the next parliamentary period. Therefore any additional funding that may be receivable in 2024/25 should be seen as potentially being on a one-off basis at the present time, with the forecast subject to revision based on future Government announcements.

#### ADDITIONAL INFORMATION

##### **Council Tax Levy 2024/25**

Based on a proposed 3% increase, the Council Tax for a band D property will be **£193.75** in 2024/25. The updated property base is **51,866**, an increase of just over **1.5%** over the 2023/24 figure of **51,050**.

The Government have already confirmed their commitment to allow District Councils to increase their share of the council tax by 3%, although future potential increases still remain subject to further Government announcements.

As set out in the Financial Report to Cabinet on 6 October 2022, the Council will continue to opt-in to the Council Tax Sharing Agreement with ECC if it remains financially advantageous to do so. This scheme has continued to provide a financial benefit to the Council over recent years and is expected to continue to do so heading into 2024/25.

##### **Locally Retained Business Rates**

The detailed business rates calculations remain on-going alongside the Government's associated deadlines for finalising and reporting the necessary figures, including estimated collection fund balances.

This remains a very complex area of local government financing and includes not only the continued transitional arrangements associated with the cyclical national property revaluation exercise from last year but also the changes announced in the recent Autumn Statement highlighted earlier along with potential changes emerging from the introduction of Freeports.

The impact of the above on the Council's own financial position along with the estimated benefit of the Council's continued membership of the Essex Business Rates Pool will be determined and reported as part of finalising the detailed budget for 2024/25 that will be presented to Cabinet in January 2024.

### Fees and Charges

Fees and charges are subject to separate Officer decisions made in consultation with the relevant Portfolio Holder(s) and are reviewed within the framework of the financial forecast and therefore they will be considered against the relevant 'charging power' and where relevant the following key principles:

- general inflationary increases where possible or lower where appropriate / justified
- amounts rounded for ease of application, which may result in a slightly above inflation increase.
- on a cost recovery basis as necessary
- reflect statutory requirements.
- increases where market conditions allow
- to meet specific priorities or service delivery aims / objectives

As set out in this report, the Council continues to face a number of significant financial challenges in 2024/25 and beyond. It is therefore important that fees and charges are considered against this context and to maximise income opportunities where possible, albeit whilst balancing the various issues highlighted above.

Any changes to income will be considered alongside the financial forecast. No changes to the budget are proposed at the present time.

Although agreed separately, a full schedule of fees and charges will be provided to members ahead of the Full Council budget meeting in February 2024.

### GENERAL FUND CAPITAL PROGRAMME 2024/25

As has been the case in prior years, only a very limited number of schemes are included 'automatically' in the base budget on a recurring basis and these relate to the on-going cost of replacing the Council's core IT infrastructure along with disabled facilities grants. Estimates of **£0.070m** and **£0.757m** will therefore be included within the 2024/25 Capital Programme respectively, although the latter item is likely to change once confirmation of the actual level of external grant support is received next year.

The investment in IT core infrastructure is funded by a direct revenue contribution, with disabled facilities grants funded by the Government via ECC.

The full multi-year Capital Programme incorporating the above will be included within the final budget proposals that will be considered by Cabinet in January before being presented to Full Council in February and will include cost pressures proposed as part of developing the budget accordingly.

### SPECIAL EXPENSES 2024/25

Special expenses amounts cannot be finalised until the budget for the year has been completed and the associated technical adjustments reflected in the budget. Therefore, at this stage of the budget process it is more practical to review the principles against which the special expenses will be calculated rather than the specific amounts themselves, which are subject to change as the budget develops.



It is not proposed to make any changes to the principles behind the calculation of special expenses with the key principles remaining the same as in 2023/24 as set out below:

- A de minimus amount of **£0.025m** is applied to determine which expenses are excluded from the special expenses calculations;
- Any allocation to specific areas less than **£0.001m** is excluded for the purposes of determining special expenses.

Although subject to the final budget calculations, expenses to be allocated as special expenses are likely to remain as in 2023/24 and apply to open space and recreation area costs.

For completeness, the underlying technical background to the calculation of special expenses is set out below:

*Certain expenditure referred to as 'Special Expenses' is regarded as being chargeable to only certain parts of the district. The rest of the Council's expenditure is regarded as being chargeable over the whole district and is referred to as 'General Expenses'. Local authorities have the power to pass a resolution in respect of any particular Special Expense to the effect that the amount of that expense should be charged across the whole district. This is referred to as the contrary resolution.*

*In exercising this power, the Council also has to consider how the burden of Special Expenses will be charged to the taxpayers of the district.*

### **Information from parish/town councils**

*Each year parish councils complete a return to identify changes to the services they undertake*

### **Consideration of Determining the Contrary Resolution**

*In judging whether the contrary resolution should be passed in respect of any special expenses, the following matters are relevant:*

- i) Whether in respect of this Council's expenditure the function is to be provided generally for the whole district or is to be restricted to a part or parts of the district?*
- ii) To what extent, if any, are restrictions placed on any part of the district as to the accessibility of the function?*
- iii) The use of the facility/activity to which the Special Expense relates.*

*These matters must each be considered and a view taken as to whether it would be appropriate to pass the contrary resolution in respect of some of the budgeted expenditure on Special Expenses.*

*In determining how the burden of special items should be charged to the taxpayer of the district, the following matters need to be considered.*

- i) Where is the facility situated?*
- ii) Who uses it?*

*iii) How much expenditure is to be spent in the various parts of the district?*

*Wherever possible the Council aims to charge the cost incurred in performing a function in a part of the district, to the taxpayers of that part. In assessing the area of benefit to which a function identified as a special expense relates, parish boundaries have been treated as the appropriate areas.*

*The tax base for apportioning Special Expenses to each parish and the unparished area is that used to determine the Council's overall Council Tax base.*

**OTHER CONSIDERATIONS**

Although this report has focused on the updated financial position for 2024/25, **Appendices B and C** also set out the impact of the various items discussed above on the in-year budget position for 2023/24.

These will be kept under review and formally reported to Cabinet as part of the Q3 Financial Performance Report 2023/24 in February / March 2024.

As highlighted within the Q2 Financial Report 2023/24 presented to Cabinet on 10 November 2023, although there are a number of adverse issues emerging, it is still expected that such issues will be more than offset by favourable variances and so they will be able to be accommodated within the overall net in-year financial position of the Council, especially as the income from treasury activity is expected to remain very positive over the remainder of the year.

**ANNUAL MINIMUM REVENUE PROVISION POLICY STATEMENT**

Where relevant, figures included in the 2024/25 budget are based on the following policy statement that was agreed by Full Council on 28 November 2023.

**In accordance with the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, the Council's policy for the calculation of MRP for 2024/25 shall be the Capital Financing Requirement Method for supported borrowing and the Asset Life (equal instalment) Method for prudential borrowing.**

**PREVIOUS RELEVANT DECISIONS**

Financial Performance Report 2023/24 – General Update at the end of July 2023 – Item A.5 Cabinet 6 October 2023

Financial Performance Report 2023/24 – General Update at the end of September 2023 – Item A.3 Cabinet 10 November 2023

**BACKGROUND PAPERS AND PUBLISHED REFERENCE MATERIAL**

None

**APPENDICES**

**Appendix A (i)** Updated Financial Forecast 2024/25  
**Appendix B** Net Savings Summary  
**Appendix C** Cost Pressure Summary

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## UPDATED FINANCIAL FORECAST 2024/25

Line		Prior Year Budget	Updated Forecast (10 November 2023)	Updated Forecast (15 December 2023)	Change between November and December Positions
		2023/24	2024/25	2024/25	
		£m	£m	£m	£m
	<b>Underlying Funding Growth in the Budget</b>				
1	Council Tax Increase 1.99%	(0.181)	(0.191)	(0.191)	0.000
2	Ctax increase by £5 (amounts set out are over and above 1.99% above)	(0.068)	(0.064)	(0.064)	0.000
2a	Council Tax Increase 3%	(0.024)	(0.033)	(0.033)	0.000
3	Growth in Business rates - Inflation	0.000	(0.231)	(0.231)	0.000
4	Growth in Council Tax - general property / tax base growth	(0.217)	(0.187)	(0.158)	0.029
5	Growth in Business Rates - general property / tax base growth	(0.531)	(0.041)	(0.041)	0.000
6	Collection Fund Surpluses b/fwd - Ctax	(0.477)	(0.100)	(0.159)	(0.059)
7	Collection Fund Surpluses b/fwd - BR	(0.307)	0.000	0.000	0.000
		<b>(1.806)</b>	<b>(0.847)</b>	<b>(0.877)</b>	<b>(0.030)</b>
	<b>Net Cost of Services and Other Adjustments</b>				
8	Change in RSG (including other financial settlement funding)	(0.441)	0.750	0.750	0.000
9	Remove one-off items from prior year	(0.352)	(0.375)	(0.375)	0.000
10	Remove one-off items from prior year - Collection Fund Surplus	(3.192)	0.784	0.784	0.000
11	LCTS Grant To Parish Council's	0.004	0.000	0.000	0.000
12	Revenue Contrib. to Capital Programme	(0.012)	0.000	0.000	0.000
13	Specific change in Use of Reserves	3.233	0.073	0.073	0.000
14	On-going savings Identified / Achieved	(0.742)	0.000	(1.242)	(1.242)
15	Other Adjustments	(0.458)	0.000	0.000	0.000
16	Use of New Homes Bonus	0.000	(0.500)	(0.500)	0.000
17	Gain from Essex Business Rates Pool Membership	0.000	(0.400)	(0.400)	0.000
		<b>(1.961)</b>	<b>0.332</b>	<b>(0.910)</b>	<b>(1.242)</b>
	<b>Cost Increases</b>				
18	Inflation - Employee / Members Allowance Costs (including annual review adjustments)	2.117	1.000	1.255	0.255
19	Inflation - Other	1.011	0.701	0.483	(0.218)
20	Unavoidable Cost Pressures	1.444	0.500	1.487	0.987
		<b>4.572</b>	<b>2.201</b>	<b>3.225</b>	<b>1.024</b>
21	Add back Use of Forecast Risk Fund / Reserves in Prior Year	<b>0.431</b>	<b>1.236</b>	<b>1.236</b>	<b>0.000</b>
22	<b>ANNUAL Structural Budget Deficit / (Surplus) BEFORE Required 'Savings'</b>	<b>1.236</b>	<b>2.922</b>	<b>2.674</b>	<b>(0.248)</b>
23	On-going Savings Required	0.000	(0.500)	0.000	0.500
24	<b>ANNUAL Structural Budget Deficit / (Surplus) AFTER Required 'Savings'</b>	<b>1.236</b>	<b>2.422</b>	<b>2.674</b>	<b>0.252</b>
25	Use of Forecast Risk Fund / Other Reserves to support the Net Budget Position*	(1.236)	(2.422)	(2.674)	(0.252)

\* For 2023/24, this figure was met from other reserves and not directly by the Forecast Risk Fund

## Use of Forecast Risk Fund

<b>Outturn b/fwd from prior years</b>	<b>(3.316)</b>	<b>(6.142)</b>	<b>(6.142)</b>	
Applied in year as set out in the forecast above	0.000	2.422	2.674	0.252
Additional contributions generated / required in year	(0.250)	(0.250)	(0.250)	0.000
Additional contributions via the Financial Strategy Process	(2.576)	0.000	0.000	0.000
<b>Balance to Carry Forward</b>	<b>(6.142)</b>	<b>(3.970)</b>	<b>(3.718)</b>	<b>0.252</b>

	Year	Updated Forecast (10 November 2023)	Updated Forecast (15 December 2023)	Change between November and December Positions
<b>Forecast Risk Fund Summary</b>				
		£m	£m	
<b>Used to Meet Annual Deficit</b>	2025/26	2.146	2.443	0.297
	2026/27	1.291	2.021	0.730
		£m	£m	
<b>Estimated (Surplus) / Deficit Balance at the end of the year</b>	2025/26	(2.074)	(1.525)	(0.549)
	2026/27	(1.032)	0.247	(1.279)

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## NET ON-GOING SAVINGS ITEMS 2024/25

Item	2023/24 £	2024/25 £	2025/26 £	2026/27 £	Comments
(1)	(2)	(3)	(4)	(5)	(6)
Insurance - Non Premium Budgets	(41,320)	(41,320)	(41,320)	(41,320)	ON-GOING - It is proposed to remove a number of 'contingency' budgets that have historically been unspent in previous years. These relate to issues such as consultancy on risk management and other related matters. If expenditure is required in the future it will be managed within other existing budgets within the directorate.
Commercial Investment Property Rent	0	(4,450)	(8,990)	0	ON-GOING - This reflects an inflationary uplift on the rental payments due over the remaining life of the agreement current in place with the tenant of the current investment property held by the Council.
Treasury Income	(1,200,000)	(975,000)	(575,000)	(138,000)	ON-GOING - This reflects the continuing period of higher interest rates balanced against the Council's forecasted cash balances. There is an estimated reduction across the forecast period that reflects the expected change in the Bank of England base rate over time.
Employee Costs - Pension Contributions	(5,720)	(10,000)	(10,000)	(10,000)	ON-GOING - An historic contribution to the pension scheme has come to an end in 2023/24.
Corporate Financial Strategy Allowance	(86,160)	(86,160)	(86,160)	(86,160)	ON-GOING - This reflects a contingency sum that was previously set aside to help manage risks when finalising significant corporate budgets such as employee costs. Such issues will continue to be considered going forward within the relevant line of the forecast but it is proposed 'release' the existing budgeted amount as part of the current budget cycle.
Revenues & Benefits - Project / Agency Staff Costs	(125,000)	(125,000)	(125,000)	(125,000)	ON-GOING - This budget was historically set aside to support initiatives associated with the Council Tax Sharing Agreement with the Major Preceptors. The associated work is now undertaken within existing capacity, such as Officers within the Fraud and Compliance Team and the Revenues and Benefits Service, which enables this budget to be 'released'. Any future initiatives that may incur an additional cost over and above existing resources will be considered within the wider directorate budgets accordingly.
Back to Business	(138,410)				ONE-OFF - A number of projects that were previously agreed as part of this initiative have either been superseded or can be responded to in an alternative way.
Unapplied Accelerated Delivery Budget	(143,910)				ONE-OFF - This reflects money that was previously set aside to support the delivery of projects as it has been partly superseded by corporate restructures and additional capacity can be considered on a project by project basis going forwards.
Reserves Adjustment - Carnarvon House	(11,090)				ONE-OFF - A relatively small residual sum remains held in reserves that relates to an historic agreement with our Health Partners, who were the outgoing tenant before the property was demolished. An agreement was reached with them which saw them pay outstanding annual rental payments to the Council, with this adjustment therefore representing the final 'unapplied' balance.
<b>Total</b>	<b>(1,751,610)</b>	<b>(1,241,930)</b>	<b>(846,470)</b>	<b>(400,480)</b>	

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## COST PRESSURE SUMMARY

	2023/24 £	2024/25 £	2025/26 £	2026/27 £	Comments
(1)	(2)	(3)	(4)	(5)	(6)
<b>Unavoidable Items - On-going</b>					
External Audit Fees	77,000	77,000	77,000	77,000	This broadly reflects a 'correction' to the previous national procurement process where External Auditors found themselves unable to meet the various requirements as part of the PSAA arrangements. It also responds to the additional work that Auditors are required to undertake in accordance with the audit code / standards. This adjustment brings the total fee payable per year to just over £160k, which to a large extent replicates the fee payable under the previous Audit Commission regime.
Insurance Premiums Costs	0	26,000	26,000	26,000	This item reflects the increase in insurance costs following the recent renewal process. Costs may increase further during 2024/25 but this will not be known until the next annual renewal process is undertaken during the summer / autumn of 2024. This will therefore be kept under on-going review as part of the Financial Performance reports during next year.
District Elections Costs	0	15,000	15,000	15,000	The budget currently allows for a contribution of £30k per year to be set aside in an associated reserve to meet the cost of the district elections every 4 years. To reflect inflationary cost increases, a one-off amount of £60k was agreed to support the cost of the elections held in May this year. The amounts set out therefore reflect the on-going impact of these inflationary impacts, with the annual contribution increasing from £30k per year to £45k per year.

	2023/24 £	2024/25 £	2025/26 £	2026/27 £	Comments
<b>Commercial Investment Property Potential Rental Income Reduction</b>	0	0	0	125,000	The current lease agreement for the investment property in Clacton comes to an end in 2025/26. The adjustment proposed allows for a potential reduction in the rent payable (from approx. £225k per annum to £100k per annum) from 2026/27. This will be subject to further review / revision over the life of the remaining years of the existing lease agreement, with the adjustment proposed reflecting a pragmatic / prudent view for the purposes of the forecast.
<b>Waste Collection Contract - Costs of disposing of collected waste to an alternative ECC site.</b>	0	90,000	90,000	90,000	Within the Q1 Financial Performance Report considered by Cabinet on 6 October 2023, an adjustment was made in 2023/24 that reflected the fact that collected waste now had to be disposed of at an alternative site provided by ECC. This adjustment therefore reflects the on-going impact from 2024/25 onwards.
<b>Taxi Testing - Reduced Income</b>	25,000	25,000	25,000	25,000	The existing base budget currently reflects income derived from the in-house team undertaking vehicle testing for local taxi operators. This stopped during the period of the COVID 19 pandemic and over time operators have made alternative arrangements with other providers. The proposed budget adjustment therefore reflects the on-going impact.
<b>The Council's Corporate Income Management System</b>	0	10,000	10,000	10,000	Within the Q1 Financial Performance Report considered by Cabinet on 6 October 2023, an adjustment was made in 2023/24 that reflected the additional costs associated with an 'upgrade' to the Council's income management IT system. The adjustment included from 2024/25 reflects the on-going impact as also highlighted in the Q1 Financial Performance Report.
<b>Modern.gov IT costs</b>	10,000	3,270	3,270	3,270	This reflects additional costs associated with the on-going development of the system.

	2023/24 £	2024/25 £	2025/26 £	2026/27 £	Comments
BT phone line discount no longer available	17,000	34,000	34,000	34,000	BT have recently advised the Council that from 01 October 23 they are ceasing all 'multi-line accumulator discounts' applicable to the various fixed phone lines across the Council. Work is now underway to identify options that could include terminating a number of phones lines where it may be operationally possible to do so. The figures currently included reflect the worst case scenario of not being able to significantly reduce the number of phone lines required, however this will be kept under review and updated accordingly over the remainder of this budget cycle.
IDOX Contract	41,630	10,450	10,450	10,450	IDOX is a corporate IT system that provides the Council with a document / property / case management solution e.g. the system used by the Planning Service. As part of the existing 3 year contract, there is a requirement to migrate to the software providers own cloud based system. The costs included represent the one-off migration costs in 2023/24 and then additional on-going annual licencing costs. It is important to highlight that the Council is working in partnership with other LA's with the aim of developing viable alternatives in response to potential further increases in future costs.
Homelessness Costs	250,000	500,000	500,000	500,000	Although the Government have recently announced a number of changes that are expected to have a favourable knock on impact on the level of homelessness and the increasing costs faced by Local Authorities nationally, there is still likely to be a cost pressure over and above the existing base budget. Although in respect of 2023/24, an additional amount of £250k has already been included in the budget as part of earlier financial performance reports, further costs are still expected. The figures for 2024/25 reflect the estimated on-going impact whilst also recognising the positive impact that Spendalls House will have from 2024 onwards. The Service remains committed to exploring options to reduce the on-going financial impact on the Council and further changes may be necessary later in the financial year.

	2023/24 £	2024/25 £	2025/26 £	2026/27 £	Comments
Energy Costs	0	300,000	300,000	300,000	Although the market is subject to volatility, there is some relative stability at the moment and the amounts included are based on the most up to date prices for gas and electric, which have seen a reduction compared to those last year. It is still expected that any increase in 2023/24 can be met from the contingency budget that was set aside rather than having to include additional funding in the budget via this report.
<b>Total of On-Going Items</b>	<b>420,630</b>	<b>1,090,720</b>	<b>1,090,720</b>	<b>1,215,720</b>	

	2023/24 £	2024/25 £	2025/26 £	2026/27 £	Comments
<b>Unavoidable Items - One-Off</b>					
Careline Net Costs	120,000	296,000	0	0	As reported during the year, the department is actively exploring options to reduce the net cost of the service, the outcome of which will be reported to Cabinet as early as possible in 2024. The figures currently proposed reflect the estimated worse-case scenario in 2023/24 and 2024/25 pending the outcome of this review. This will therefore remain under on-going consideration, including the potential impacts in 2025/26 and beyond before the budget proposals for 2024/25 are finalised for reporting to Council in February 2024.
Garden Waste - Potential Unrecoverable Debt	70,000	0	0	0	Following earlier discussion during the year, it is proposed to set aside this level of funding to meet the cost of income that may prove to be unrecoverable for reasons set out in earlier reports. The service continues to implement a number of actions in response to the associated issues, which may in turn enable this figure to be reduced accordingly.
Key Financial Management IT System Upgrade	0	100,000	0	0	Similarly to the position experienced elsewhere in the Council this year, the Council's main financial management IT system becomes unsupported from December 2024. It is therefore proposed to set aside the potential upgrade costs as part of the 2024/25 budget, although a final decision will be made during next year, which will include the exploration of options available to the Council along with associated risks.
Waste & Street Cleansing Contract Inflation	123,500	0	0	0	The figure highlighted for 2023/24 reflects a higher inflationary uplift than included within the original budgets. The knock on impact for 2024/25 and beyond is included within a separate line of the forecast (Line 19 Appendix A)
<b>Total of One-Off Items</b>	<b>313,500</b>	<b>396,000</b>	<b>0</b>	<b>0</b>	
<b>Total of Unavoidable Items Included in the Forecast</b>	<b>734,130</b>	<b>1,486,720</b>	<b>1,090,720</b>	<b>1,215,720</b>	

	2023/24 £	2024/25 £	2025/26 £	2026/27 £	Comments
Change across years for Inclusion within the forecast		-	(396,000)	125,000	



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**RESOURCES AND SERVICES OVERVIEW AND SCRUTINY COMMITTEE  
10 JANUARY 2024**

**BUDGET SCRUTINY MEETING**

**CABINET**

**15 DECEMBER 2023**

**JOINT REPORT OF THE HOUSING AND PLANNING PORTFOLIO HOLDER AND  
THE CORPORATE FINANCE AND GOVERNANCE PORTFOLIO HOLDER**

**A.6 UPDATED HOUSING REVENUE ACCOUNT BUSINESS PLAN AND BUDGET  
PROPOSALS 2024/25**

**PART 1 – KEY INFORMATION**

**PURPOSE OF THE REPORT**

To set out and seek approval of an updated Housing Revenue Account (HRA) Business Plan, which includes proposed changes in 2023/24 along with budget proposals for 2024/25.

**EXECUTIVE SUMMARY**

- Similarly, to the General Fund’s long-term forecast, a ‘live’ HRA Business Plan is maintained on an on-going basis, with the most up to date position in December each year being ‘translated’ into the detailed budget for the following year for consultation with the Resources and Services Overview and Scrutiny Committee.
- A number of changes have been made to the business plan for 2024/25 onwards that largely reflect increased inflationary pressures. Some of these pressures are also being experienced in 2023/24, with corresponding adjustments set out accordingly.
- Unlike last year where the Government intervened and set a rent increase ‘cap’, unless the Council hears to the contrary, it is proposed to increase rents in-line with the formula set out by the Regulator for Social Housing which allows rents to increase by up to CPI+1% each year.
- Although Councils can set lower increases, this would be a very difficult approach to adopt in terms of the future sustainability of the HRA business plan, given the ‘telescopic’ impact this would have and imbalance it would create as expenditure would be increasing ahead of income increases. Such an impact was experienced when the Government required Councils to reduce rents by 1% over the 4 year period from 2016/17 to 2019/20 that continues to have an impact over the long-term life of the business plan.
- Based on the above, the average weekly rent proposed for 2024/25 is **£100.89** (£93.68 in 2023/24)
- After taking into account the various adjustments set out in **Appendix A (ii)** and discussed in more detail later on in this report, there is an estimated budget deficit of

## APPENDIX B

**£0.764m in 2023/24** and an estimated surplus of **£0.180m** in 2024/25. In respect of 2023/24, this is **£0.484m** more than the budgeted deficit.

- It is proposed to fund the estimated deficit for 2023/24 by calling money from HRA balances as an alternative to reducing expenditure, which is partly offset by the proposal to transfer the estimated surplus in 2024/25 to the same reserve.
- HRA General Balances are currently estimated to total **£3.572m** at the end of 2024/25 (after taking account of the use of balances highlighted above) that remains available to support the 30 year Business Plan and associated risks to the forecast.
- There will undoubtedly be further changes required to the forecast before the detailed estimates are finalised for reporting to Cabinet in January 2024, which will provide the opportunity to revisit the above proposals accordingly.
- The proposed HRA Capital Programme for 2024/25 reflects the commitment to maintain the necessary investment in the existing tenant's homes.
- HRA debt continues to reduce year on year as principal is repaid with a total debt position at the end of 2024/25 forecast to be **£32.535m**, which also takes into account the refinancing of an historic loan via an internal borrowing approach.
- In addition to requesting comments from the Resources and Services Overview and Scrutiny Committee, it is also proposed to consult with the Tenant's panel during January, with the outcome reported to Cabinet later that month, where the final HRA budget proposals will be considered for recommending onto to Full Council in February 2024.

### RECOMMENDATION(S)

**That Cabinet:**

- a) approves the updated Housing Revenue Account (HRA) 30 year Business Plan, which includes the proposed revised position for 2023/24 along with budget proposals for 2024/25; and**
- b) requests the Resources and Services Overview and Scrutiny Committee's comments on this latest HRA financial forecast.**

### REASON(S) FOR THE RECOMMENDATION(S)

To enable Cabinet to consider the most up to date HRA Business Plan which sets out a revised position for 2023/24 along with the proposed HRA budget for 2024/25 for consultation with the Resources and Services Overview and Scrutiny Committee.

### ALTERNATIVE OPTIONS CONSIDERED

This is broadly covered in the main body of this report.

## PART 2 – IMPLICATIONS OF THE DECISION

**DELIVERING PRIORITIES**

A revised Corporate Plan and Vision was approved by Full Council at its meeting on 28 November 2023. One of the 6 included themes is Pride in our Area and Services to Residents, with a commitment to providing decent housing that everyone deserves.

The HRA budget and Business Plan plays a significant role in the delivery of affordable and decent housing in the district and the Council’s responsibilities as a landlord has direct implications for the Council's ability to deliver on its objectives and priorities.

**OUTCOME OF CONSULTATION AND ENGAGEMENT**

Internal consultation is carried out via the Council’s approach to developing the budget as set out within the Constitution. External consultation also forms part of developing the business plan / budget, and is carried out early in the year with the budget proposals presented to the Tenant’s Panel for discussion / feedback.

**LEGAL REQUIREMENTS (including legislation & constitutional powers)**

Is the recommendation a Key Decision (see the criteria stated here)	Yes	If Yes, indicate which by which criteria it is a Key Decision	<input type="checkbox"/> Significant effect on two or more wards <input checked="" type="checkbox"/> Involves £100,000 expenditure/income <input type="checkbox"/> Is otherwise significant for the service budget
		And when was the proposed decision published in the Notice of forthcoming decisions for the Council (must be 28 days at the latest prior to the meeting date)	This item has been included within the Forward Plan for a period in excess of 28 days.

It is a statutory requirement on a local authority to determine its Housing Revenue Account budget before the upcoming financial year and to ensure that its implementation will not result in an overall debit balance on the Account.

The self-financing regime for the Housing Revenue Account that came into effect from April 2012 was enabled by the Localism Act 2011.

The Regulator of Social Housing and its predecessor bodies have, at the Direction of Government, issued requirements and guidance to registered providers of social housing (which includes Local Authorities) in respect of rents. This has included the maximum levels of rent they can charge and annual increases in rents.

In 2016, Parliament passed the Welfare Reform and Work Act, which, together with Regulations made under it, created a legislation-based regime of rent reduction across the sector by 1% per year until 2020. Therefore, over this 4-year period, providers were required to reduce rents by 1% per year across its housing stock.

In October 2017, the Government announced that at the end of the 4 year rent reduction period it intended to return to annual rent increases of up to CPI + 1%, implemented through the regulator’s Rent Standard rather than through legislation.

The Secretary of State for Housing, Communities and Local Government published on 26 February 2019 a 'Direction to the Regulator' to set a Rent Standard that will apply from 1 April 2020. That Direction was published alongside the Government's Policy Statement on Rents (the Policy Statement) and the regulator is required to have regard to this when setting its Rent Standard.

The regulator may under section 194(2A) of the Housing and Regeneration Act 2008 set standards for registered providers requiring them to comply with specified rules about their levels of rent (and the rules may, in particular, include provision for minimum or maximum levels of rent or levels of increase or decrease of rent).

The Regulator of Social Housing has confirmed rents can be increased by up to CPI+1% per year for a period of 5 years starting from 1 April 2020. However the Government intervened last year, as based on this formula, rents would have increased by amounts in excess of 10% for 2023/24 given the high level of CPI at the time. Therefore to 'protect' existing tenants, whilst balancing the financial impact on Local Authorities, the Government set a rent increase 'cap' of 7% for 2023/24. The Government made it clear that this rent 'cap' would be set for only 2023/24 rather than for any longer period.

To date there has been no further direction provided by the Government so it is assumed that the 'standard' CPI+1% increase remains applicable in 2024/25. As set out elsewhere in this report, the proposed rent increase for 2024/25, is 7.7% based on the level of CPI at September 2023 of 6.7%.

The rent standard does not apply to properties let to high-income social tenants, so rather than this being a mandatory requirement that the Government had previously looked to implement, it is now a voluntary decision taken at a local level. In continuing with the approach agreed last year, given the very challenging administrative issues associated with charging higher rents to high-income tenants, it is not proposed to introduce this in 2025. However, it is acknowledged that this flexibility may be subject to review in future years, for example, as part of developing future policy decisions within the HRA.

The Housing and Planning Act 2016 introduced a number of changes that had an impact on social housing, which via associated regulations, are reflected in the HRA estimates as necessary.

The Social Housing (Regulation) Act 2023 received royal assent earlier in the year which will see new era of regulation for the social housing sector, with a some of key elements as follows:

**Enhanced powers for the Regulator of Social Housing** - The Act will facilitate the introduction of proactive consumer regulation by strengthening the RSH, allowing intervention in cases where landlords are performing poorly on consumer issues. This will enable the Regulator to take action to address any shortcomings and protect tenants.

**Stronger enforcement powers** - The Act establishes stronger enforcement powers for the Regulator to take action including provisions for regular inspections of social housing properties to ensure landlords are providing high-quality services and accommodation. These inspections will help maintain and improve the standard of housing for tenants across the country. The Regulator has the powers to issue unlimited fines as well Personal Improvement plans to those Authorities that fail to meet the new standards.

**Tenant empowerment** - The Act will establish strict time limits for social landlords to address hazards and empowers social housing tenants to request information from their landlords, promoting transparency and accountability. This will ensure tenants have the right to access crucial information about their homes and can access swift redress where things go wrong.

**Standards for Registered Providers** - The Act introduces a set of standards for registered housing providers, requiring social housing managers to possess specific qualifications or be actively working towards gaining them. These standards will help ensure residents receive the best possible service from their housing associations.

Now that the Act has received Royal Assent, the Regulator of Social Housing will consult on revisions to the consumer standards, and the Department of Levelling Up, Housing and Communities (DLUHC) will consult on the measures to take forward the government's social housing reform programme such as Awaab's Law, changes to the Decent Homes Standards and professionalisation of the sector.

These consultations will play a crucial role in shaping the implementation of the Act and in turn the impact on the HRA over the 30 Year Business Plan. The Council is taking a timely, positive and proactive approach to this new era for social housing, which will include working with partners and stakeholders to deliver meaningful actions and deliver expected outcomes.

The original HRA 30 Year Business Plan was agreed as part of the self-financing reforms and associated borrowing agreed by Full Council in February 2012 and the budget proposed for 2024/25 reflects the latest / updated forecast position set out in **Appendix A (ii)**.

<b>YES</b>	<b>The Monitoring Officer confirms they have been made aware of the above and any additional comments from them are below:</b>
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Although there are no additional comments above those set out in this report, it is important to highlight that further decisions may be necessary to take actions forward that are reflected in the business plan.

It is also necessary to highlight the key elements of the Best Value Duty that is set out within the General Fund Budget report presented earlier in the agenda. These equally apply to the HRA with financial management and sustainability a reoccurring expectation of a well-functioning local authority.

**FINANCE AND OTHER RESOURCE IMPLICATIONS**

The financial implications are set out in this report and its appendices.

Although the availability of financial resources is a key component in the delivery of HRA services, there will also be a need for appropriate input of other resources such as staffing, assets, IT etc.

<b>YES</b>	<b>The Section 151 Officer confirms they have been made aware of the above and any additional comments from them are below:</b>
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The Section 151 Officer is the author of this report.

**USE OF RESOURCES AND VALUE FOR MONEY**

The following are submitted in respect of the indicated use of resources and value for money indicators:	
A) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;	This is addressed in the body of the report.  In terms of an independent view, the Council's previous External Auditor has unfortunately yet to complete their work on the Council's Statement of Accounts for 2020/21 and 2021/22, or started the necessary work on the 2022/23 statements. At the present time it is not known when they will be able to provide their own commentary on the Council's use of resources.
B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and	
C) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.	
<b>MILESTONES AND DELIVERY</b>	
<p>This reports forms part of the Council's wider budget setting processes and sets out the most up to date HRA Business Plan and proposed budget for 2024/25 for consultation with the Resources and Services Overview and Scrutiny Committee (RSOSC) in January.</p> <p>Final budget proposals, taking into account the comments of the RSOSC, will be considered by Cabinet at the end of January 2024, which will include their associated recommendations to Full Council.</p> <p>In February 2024, Full Council will be asked to consider the detailed HRA Budget proposals for 2024/25 as recommended by Cabinet.</p>	
<b>ASSOCIATED RISKS AND MITIGATION</b>	
<p>There are significant risks associated with forecasting such as cost pressures, inflation and changes to other assumptions that form part of the financial planning process. These have been brought into even sharper relief given the current challenging economic environment and new era of social housing regulation mentioned earlier. The Council's initial / short-term response is set out in the body of this report and will continue to be addressed as part of the future financial update reports.</p> <p>The inherent risks associated with the 30 year business plan forecast include:</p> <ul style="list-style-type: none"> <li>Changes in income achieved and future rent setting policy</li> <li>Emergence of additional areas of spend</li> <li>Emergence of new or revised guidance</li> <li>New legislation / burdens / regulation</li> <li>Changing stock condition requirements</li> <li>Adverse changes in interest rates</li> <li>National welfare reforms</li> </ul> <p>In view of the above, it is important that a sufficient level of balances / reserves is available to support the HRA. HRA General Balances are currently forecast to be <b>£3.572m</b> at the end of 2024/25. This is after drawing down money in both 2022/23 and 2023/24 from balances to support the Council through the difficult financial position faced by the Council in the immediate term. The remaining balance continues to be available to support the delivery of the HRA business plan in the medium to longer term.</p> <p>A 30 year HRA Business Plan is maintained on an on-going basis that continues to</p>	

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demonstrate the sustainability and resilience of the HRA within a self-financing environment and the ability to provide opportunities for housing investment and associated housing services in the future, although it is acknowledged that the longer-term view always remains subject to the Government's housing policies and changes to the regulatory regime.

### EQUALITY IMPLICATIONS

See comments below within the 'Other Relevant Considerations or Implications' section.

### SOCIAL VALUE CONSIDERATIONS

See comments below within the 'Other Relevant Considerations or Implications' section.

### IMPLICATIONS FOR THE COUNCIL'S AIM TO BE NET ZERO BY 2030

See comments below within the 'Other Relevant Considerations or Implications' section.

### OTHER RELEVANT CONSIDERATIONS OR IMPLICATIONS

**Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.**

In carrying out its functions as a social landlord, the Council has regard to the need to reduce the potential for criminal activity by improving the security of dwellings as part of maintenance and repair programmes and for combating anti-social behaviour through effective management procedures.

Although there are no direct equality and diversity issues, the overall HRA and associated financial planning and decision making processes will recognise and include such issues where appropriate and relevant.

Work undertaken within the HRA and associated capital programme will take into account any opportunities to contribute to this key priority where possible. The on-going stock condition survey work will also support this approach.

<b>Crime and Disorder</b>	Please see comments above
<b>Health Inequalities</b>	
<b>Area or Ward affected</b>	

## PART 3 – SUPPORTING INFORMATION

### BACKGROUND

The HRA is the Council's landlord account and it is 'ring fenced' for this purpose. Comprehensive rules and requirements surround the HRA such as specific accounting treatment and what items can or cannot be charged to the account. Authorities are required to set a balanced HRA budget each year and agree the level of rents it wishes to charge.

From April 2012, the Housing Revenue Account has operated under the self-financing approach introduced as part of the Localism Act 2011, which required the Council to 'buy' itself out of the previous subsidy arrangements via a debt settlement process.

From 2016/17, the Government imposed annual rent reductions of 1% each year for a period of 4 years. As mentioned earlier, the Regulator of Social Housing has confirmed rents can be increased by up to CPI+1% per year for a period of 5 years starting from 1 April 2020. The

rate of CPI used is the figure for September of the preceding year that the increase will apply to. For 2024/25, the figure for September 2023 was 6.7%.

As highlighted within budget reports from previous years and discussed earlier in this report, one area that is important to note as it may have a bearing on the overall financial position of the HRA in future years is the emerging regulatory regime for social housing. This is in addition to the national trend of increases in housing disrepair claims made against local authorities. As highlighted in the delivering priorities section above, the Council has always been committed to providing good quality housing in terms of both its current stock of housing and in its ambition of building / acquiring new homes for local people. Given the financial issues set out in this report, the balance between the two remains increasingly more challenging in the short term.

The Council remains alert to any changes that may be required in managing its housing stock, which are reflected in the 30 year business plan as necessary, with further commentary set out below.

**HOUSING REVENUE ACCOUNT UPDATED BUSINESS PLAN, PROPOSED IN-YEAR BUDGET CHANGES FOR 2023/24 ALONG WITH THE PROPOSED BUDGET FOR 2024/25**

The latest iteration of the 30 year HRA Business Plan is set out within **Appendix A (ii)**.

Similarly to the General Fund position reported elsewhere on the agenda, a number of issues that will have an impact in 2023/24 will also have an impact in 2024/25 and future years. Columns (3) and (6) of **Appendix A (ii)** highlight the changes against the previously reported figures for 2023/24 and 2024/25 respectively. **Appendix A (ii)** also includes a RAG risk rating against each line of the forecast.

The table below sets out the changes proposed in 2023/24 and 2024/25 along with additional commentary:

The relevant line of the 30 year Business Plan	Change / Impact in 2023/24	Change / Impact in 2024/25	Comments
<i>Line 1</i> - Maintenance	Increase of £2,000	Reduction of £234,800	<p>The figure for 2023/24 reflects minor forecasting changes / separate decisions during the year.</p> <p>In respect of 2024/25 there has been an underlying inflationary increase of 10%. However this has been more than offset by a change to recharges that was highlighted in the report to Full Council in February 2023 –</p>



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			please see associated comments further on in this table. It is important to emphasise that this latter change has not reduced the overall 'spending power' but simply reflects the movement of costs across lines of the budget / business plan.
<b>Lines 2 &amp; 3</b> - Depreciation and the Revenue Contribution to the Major Repairs Allowance	Increase of £400,000	0	As reported during the year, additional expenditure is being incurred across a number of capital programme elements. Although these are actively being managed within the wider capital programme, it is likely that additional expenditure will be incurred for items such as boiler replacements etc. It is therefore proposed to increase the contribution /use of the Major Repairs Reserve in the short term with the aim of making a corresponding adjustment elsewhere in the capital programme in 2024/25 by way of a reduced use of the same Major Repairs Reserve in that year.
<b>Line 4</b> - Management Costs	Increase of £254,870	Increase of £335,780	These primarily reflect the increase in employee costs resulting from the recent Officer pay award along with the addition of a number of items (and their on-going impact) that were subject to an earlier separate decision made by the Leader in

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			response to the emerging Social Housing Regulator requirements.
<b>Line 5 - Utilities</b>	Increase of £150,000	Increase of £157,500	The increase to this budget reflects the continuing / relatively volatile environment within the energy markets.
<b>Line 10 – HRA Interest Repayments</b>	0	Reduction of £38,040	These changes largely reflect the reduced costs from not refinancing an existing loan of £1.200m via external finance. Further comments are set out later on in this report.
<b>Line 12 - Recharges</b>	Increase of £164,870	Increase of £612,990	The figures include underlying estimated increases in recharges from the General Fund that reflect increased costs such as employee, utility and other expenditure included within the updated forecast. In terms of 2024/25, this also reflects the 'technical' change in recharges that was set out in the report to Full Council in February 2023 that also relates to the maintenance line of the forecast highlighted above.
<b>Total Change / Impact on Expenditure</b>	<b>Increase of £971,740</b>	<b>Increase of £833,431</b>	
<b>Line 13 - Dwelling Rents</b>	0	Increase of £735,880	This reflects a proposed 7.7% increase – further commentary is set out later on in this report.
<b>Line 14 - Service Charges</b>	0	Increase of £11,830	

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<b>Line 15 - Garage Rents</b>	0	Increase of £8,330	
<b>Line 16 – Non Dwelling Rents</b>	Increase of £44,890	Increase of £103,800	This primarily reflects the income for the Sunspot units in Jaywick Sands that are accounted for within the HRA.
<b>Line 17 - Misc. Income</b>	Increase of £4,290	Increase of £4,290	This minor change reflects the annual rent review across various non- dwelling properties 'held' within the HRA.
<b>Line 18 - Investment Income</b>	Increase of £232,590	Increase of £237,540	Similarly to the General Fund, income from treasury activities is higher than earlier forecasts due to current high interest rates.
<b>Total Change / Impact on Income</b>	<b>Increase of £281,770</b>	<b>Increase of £1,101,670</b>	
<b>Line 20 – Planned Use of Reserves</b>	<b>£205,760</b>	<b>£152,460</b>	These adjustments relate to the separate decisions made by the Leader earlier in the year where the costs are to be met from the HRA General Reserve in the short term with the on-going impact now also reflected in later years of the business plan.
<b>Net Change Impact</b>	<b>Increase of £484,210</b>	<b>Reduction of £420,699</b>	

\* Although the table above reflects the changes for 2023/24 and 2024/25, the 30 year Business Plan set out in **Appendix A (ii)** reflects the knock-on impact of the above where appropriate along with inflationary uplifts where necessary from 2025/26 onwards along with known changes such as those relating to the repayment of debt and interest charges as they represent fixed costs over the life of the respective loans. The above changes also reflect further accounting entries associated with the operation of the Sunspot in Jaywick sands which are accounted for within the HRA.

Some additional commentary against the major items highlighted (including those with a red RAG rating) within **Appendix A (ii)** are set out below.

### **Line 1 - Maintenance**

Similarly to this year, an inflationary uplift of just over 10% has been reflected in the forecast for 2024/25. However there is a risk that additional inflationary / spending pressures may emerge in the short term. This will remain under review over the next stages of the budget cycle and in-year as part of the regular financial performance reports.

### **Lines 2 and 3 - Depreciation and the Revenue Contribution to the Major Repairs Allowance**

This line of the plan represents the capital investment in existing stock that is over and above the more routine maintenance highlighted above. This therefore includes major items such as replacement kitchens, bathrooms, windows and doors etc.

The risk to this line of the plan is not only inflationary pressures, but also from the new era of social housing regulation highlighted earlier within this report, which will include updated decent homes standards.

Given the current net estimated position for 2024/25, it would not be possible to increase this line of the forecast without putting the budget into a deficit position. This issue will therefore be kept under review as this is unlikely to be a sustainable position in the longer term given the regulatory reforms discussed earlier and on-going inflationary pressures. It may also be necessary to review current maintenance / replacement cycles and frequencies in later years of the forecast to ensure a financial sustainable position can be delivered. Stock condition survey work will continue within the HRA to inform these future investment requirements and the knock-on impact on the business plan.

It is also recognised that there is a continuing need to balance the focus of maintaining the existing stock with the affordability, scale and speed of other activities such as investing in housebuilding / acquisitions.

### **Line 5 - Utilities**

Although at a smaller scale to the issues facing the General Fund, the volatility in energy prices will also impact on HRA budgets. Additional estimated amounts have been included in both 2023/24 and 2024/25, which will be kept under review going forward to enable further action to be taken as necessary during 2024.

### **Line 13 - Dwelling Rents**

Unlike in 2023/24 where the Government intervened and 'capped' the annual rent increases, the forecast currently includes a 'standard' CPI+1% rent increase of 7.7% in 2024/25.

Councils have the ability to set rents at below this level but lower increases in rents will add risk to the future sustainability of the HRA given the 'telescopic' impact over the remaining years of the business plan along with the fact that many HRA expenditure lines of the budget are likely to see increases in-line with CPI or even above. As highlighted last year, this approach also helps the continuation of recovering from the unsustainable 1% reduction in rents over the period 2016/17 to 2019/20 that was imposed by the Government.

Based on the 7.7% increase, this results in an average rent of **£100.89** (an increase from £93.68 in 2023/24). After taking account of other adjustments such as estimated void periods and the level of right to buy sales, this will raise additional income of **£0.736m** compared to the figure originally included in year 13 of the business plan (or **£1.100m** over and above the budget for 2023/24).

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In line with the increases above, the figures set out within **Appendix A (ii)** also reflect 7.7% increases in service charges and garage rents. This approach reflects the underlying cost of providing the associated services and current inflationary increases to expenditure.

In conclusion, the business plan from 2024/25 onwards continues to react to changes in costs / prices, demands on the service, loan refinancing and other timely changes to the forecast.

The following table sets out a summary of the overall HRA position for 2023/24 and 2024/25 after taking into account the adjustments set out above:

	<b>2023/24</b> <b>£</b>	<b>2024/25</b> <b>£</b>
<b>Estimated Expenditure</b>	16,517,530	16,692,630
<b>Estimated Income</b>	(15,547,430)	(16,720,040)
<b>Planned Use of Reserves</b>	<b>(205,760)</b>	<b>(152,460)</b>
<b>Net (Surplus) / Deficit Position</b>	<b>764,340</b>	<b>(179,870)</b>

In terms of 2023/24, it is proposed to meet the above deficit from HRA balances rather than reduce other lines of the budget which could be an alternative approach. Many of the other lines of the forecast are effectively 'fixed' or largely unavoidable, for example the financing of loan repayments, with the only viable option therefore relating to potentially reducing officer capacity or expenditure on tenants homes etc. These options would be a significant risk given the new era of social housing regulation explained earlier. As was the case last year, the use of balances strikes a necessary balance of 'protecting' the investment in tenant's homes whilst recognising the need to use reserves to respond to the on-going financial challenges that the Council continues to face. It is however recognised that this is not a sustainable long-term solution, but it enables the Council to meet its key priorities in the immediate term, which can be revisited as part of the HRA Business Plan in future years.

In terms of 2024/25, it is proposed to contribute the net surplus to HRA balances which partly offsets the proposed use of this reserve in 2023/24.

The forecast will undoubtedly change as part of finalising the budget that will be presented to Cabinet in January 2024, so there may be opportunities to revisit this approach as part of that process.

Based on current projections, the 30 Year Business Plan is still expected to deliver annual surpluses in the medium to longer term to support the on-going financial viability of the HRA in the years ahead.

### **HRA Capital Programme**

Although a more detailed schedule will be included in the report to Cabinet in January as part of finalising the budget for presenting to Full Council in February, it is not proposed to reduce the existing overall level of investment in 2024/25, although it is recognised there may be changes to the timing of when cyclical / planned maintenance is carried out that reflects

inherent financial and capacity challenges.

### **HRA BALANCES / RESERVES**

The forecast position for HRA balances at 31 March 2024 and 31 March 2025 will vary over time depending on the outturn positions for 2023/24 and 2024/25 as well as the emergence of other unexpected or unplanned matters that could occur in or across these years.

Based on the updated Business Plan attached, the total HRA reserves are forecast to total **£8.014m** by the end of 2024/25, with the general balances element within this amount being **£3.572m**.

The above figures reflect the proposed transfers to and from reserves in 2023/24 and 2024/25 that were set out earlier in this report.

### **HRA DEBT**

The total HRA debt at the end of 2023/24 is estimated to be **£33.949m**.

With forecast repayments of principal along with the proposed refinancing of an historic loan highlighted below, the level of HRA debt at the end of 2024/25 is forecast to be **£32.535m**

With the Government's removal of the HRA debt cap, any future borrowing will need to be considered against the 30 Year Business Plan and underlying prudential code principles.

It is possible to use the Major Repairs Reserve that currently supports the capital programme to pay down historic debt where it is financially advantageous to do so. The total of this reserve is estimated to be **£4.442m** at the end of 2024/25, but a balance needs to be struck between investing in capital projects and tenant's homes and reducing / managing debt repayment costs. Although no adjustments are included within the proposed budget for 2024/25, this option can be revisited in future years of the business plan.

### **HRA Interest Payments on Debt and Principal Repayments on Debt**

Loans taken out to support the self-financing reforms back in 2012 continue to be repaid each year, with individual loans being completely paid off on a five year cycle that reflects the loan structure agreed at the time. This approach results in lower debt and interest payments on an on-going basis over the 30 years of the business plan.

As part of previous business plan reviews it was agreed that more historic debt would be considered in future years, especially as it became repayable. Historic debt was traditionally based on 'interest only' type loans, which were 'replaced' as they matured. With this in mind, an historic loan of **£1.200m** matures in 2024/25. However rather than simply refinance the loan with a further external loan, it is instead proposed to be refinanced via internal borrowing that takes advantage of the current positive cash flow position of the Council, whilst avoiding the current high interest rates at the present time. This therefore reduces net interest costs, which has been reflected in the attached business plan. It is important to highlight that even though the money has been 'borrowed' internally, it is still included within the total outstanding HRA debt, which will need to be repaid at some time in the future either directly via revenue contributions / major repairs allowance or via 'replacement' external loans.

Although no provision has been made to repay the loan off at the present time, the position will be considered in future years along with the other historic HRA loans that were in place

before the self-financing reforms to provide a prudent / sustainable approach to managing this debt in the longer term.

The above extends the same approach that was adopted back in 2022/23 where a previous external loan of **£0.800m** was 'refinanced' via internal borrowing rather than via external loan finance.

**OTHER HRA RELATED MATTERS**

Although there are no underlying / significant issues to raise at this stage of the budget setting process, it is always acknowledged that the Government may revisit / consider further housing policy changes that could have an impact on the 30 Year HRA Business Plan. Such issues will be considered as they arise and will be reported to members at the earliest opportunity along with the impact of the business plan where necessary.

**PREVIOUS RELEVANT DECISIONS**

The last iteration of the HRA 30 Year Business Plan was report to Cabinet on 16 December 2022 with further general updates included in subsequent budget reports and regular financial performance reports as follows:

Financial Performance Report 2023/24 – General Update at the end of July 2023 – Item A.5 Cabinet 6 October 2023

Financial Performance Report 2023/24 – General Update at the end of September 2023 – Item A.3 Cabinet 10 November 2023

**BACKGROUND PAPERS AND PUBLISHED REFERENCE MATERIAL**

None

**APPENDICES**

**Appendix A (ii)** – Updated HRA 30 Year Business Plan

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