

UPDATED FINANCIAL FORECAST 2024/25

Line		Prior Year Budget	Updated Forecast (10 November 2023)	Updated Forecast (15 December 2023)	Updated Forecast (26 January 2024)	Change between December and January Positions
		2023/24	2024/25	2024/25	2024/25	
		£m	£m	£m	£m	£m
Underlying Funding Growth in the Budget						
1	Council Tax Increase 1.99%	(0.181)	(0.191)	(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)	(0.064)	0.000
2a	Council Tax Increase 3% (Revised to 2.99%)	(0.024)	(0.033)	(0.033)	(0.032)	0.001
3	Growth in Business rates - Inflation	0.000	(0.231)	(0.231)	(0.231)	0.000
4	Growth in Council Tax - general property / tax base growth	(0.217)	(0.187)	(0.158)	(0.158)	0.000
5	Growth in Business Rates - general property / tax base growth	(0.531)	(0.041)	(0.041)	(0.041)	0.000
6	Collection Fund Surpluses b/fwd - Ctax	(0.477)	(0.100)	(0.159)	(0.159)	0.000
7	Collection Fund Surpluses b/fwd - BR	(0.307)	0.000	0.000	0.000	0.000
		(1.806)	(0.847)	(0.877)	(0.876)	0.001
Net Cost of Services and Other Adjustments						
8	Change in RSG (including other financial settlement funding)	(0.441)	0.750	0.750	(0.383)	(1.133)
9	Remove one-off items from prior year	(0.352)	(0.375)	(0.375)	(0.375)	0.000
10	Remove one-off items from prior year - Collection Fund Surplus	(3.192)	0.784	0.784	0.784	0.000
11	LCTS Grant To Parish Councils	0.004	0.000	0.000	0.006	0.006
12	Revenue Contrib. to Capital Programme	(0.012)	0.000	0.000	0.000	0.000
13	Specific change in Use of Reserves	3.233	0.073	0.073	0.073	0.000
14	On-going savings Identified / Achieved	(0.742)	0.000	(1.242)	(1.242)	0.000
15	Other Adjustments	(0.458)	0.000	0.000	0.000	0.000
16	Use of New Homes Bonus	0.000	(0.500)	(0.500)	(0.500)	0.000
17	Gain from Essex Business Rates Pool Membership	0.000	(0.400)	(0.400)	(0.400)	0.000
		(1.961)	0.332	(0.910)	(2.037)	(1.127)
Cost Increases						
18	Inflation - Employee / Members Allowance Costs (including annual review adjustments)	2.117	1.000	1.255	1.255	0.000
19	Inflation - Other	1.011	0.701	0.483	0.421	(0.062)
20	Unavoidable Cost Pressures	1.444	0.500	1.487	1.716	0.229
		4.572	2.201	3.225	3.392	0.167
21	Add back Use of Forecast Risk Fund / Reserves in Prior Year	0.431	1.236	1.236	1.236	0.000
22	ANNUAL Structural Budget Deficit / (Surplus) BEFORE Required 'Savings'	1.236	2.922	2.674	1.715	(0.959)
23	On-going Savings Required	0.000	(0.500)	0.000	0.000	0.000
24	ANNUAL Structural Budget Deficit / (Surplus) AFTER Required 'Savings'	1.236	2.422	2.674	1.715	(0.959)
25	Use of Forecast Risk Fund / Other Reserves to support the Net Budget Position*	(1.236)	(2.422)	(2.674)	(1.715)	0.959

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

Use of Forecast Risk Fund

Outturn b/fwd from prior years	(3.316)	(6.142)	(6.142)	(6.142)	
Applied in year as set out in the forecast above	0.000	2.422	2.674	1.715	(0.959)
Additional contributions generated / required in year	(0.250)	(0.250)	(0.250)	(0.250)	0.000
Additional contributions via the Financial Strategy Process	(2.576)	0.000	0.000	0.000	0.000
Balance to Carry Forward	(6.142)	(3.970)	(3.718)	(4.677)	(0.959)

	Year	Updated Forecast (10 November 2023)	Updated Forecast (15 December 2023)	Updated Forecast (26 January 2024)	Change between December and January Positions
Forecast Risk Fund Summary					
		£m	£m	£m	
Used to Meet Annual Deficit	2025/26	2.146	2.443	1.926	(0.517)
	2026/27	1.291	2.021	2.192	0.171
		£m	£m	£m	
Estimated (Surplus) / Deficit Balance at the end of the year	2025/26	(2.074)	(1.525)	(3.001)	(1.476)
	2026/27	(1.032)	0.247	(1.058)	(1.305)

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.
Total	(1,751,610)	(1,241,930)	(846,470)	(400,480)	

COST PRESSURE SUMMARY

	2023/24 £	2024/25 £	2025/26 £	2026/27 £	Comments
(1)	(2)	(3)	(4)	(5)	(6)
Unavoidable Items - On-going					
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
Commercial Investment Property Potential Rental Income Reduction	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.
Waste Collection Contract - Costs of disposing of collected waste to an alternative ECC site.	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.
Taxi Testing - Reduced Income	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.
The Council's Corporate Income Management System	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.
Modern.gov IT costs	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.
NEW - External Audit Certification Work	35,000	35,000	35,000	35,000	Additional fees are expected to be payable for non-statutory work such as those associated with the certification of claims and returns that are required by the Government. Such increases broadly reflect similar increases for statutory work that is set out above.
NEW - Additional Capacity Elections / Leadership Support	0	30,000	30,000	30,000	To provide the required capacity to support a number of issues such as new burdens arising from the Elections Act 2022, the transfer of the responsibility of administering the Harwich and North Essex Parliamentary Constituency Elections and to respond to the increasing performance management needs emerging from the new OFLOG regulatory regime.
NEW - Lone Worker Devices	20,000	20,000	20,000	20,000	As highlighted last year, no budget was included in the forecast for 2023/24 onwards as it was proposed to undertake a review to identify if there were any credible alternatives to the current lone worker devices that are provided to relevant Officers as part of the Council's overall health and safety arrangements. Although the exploration of options will remain on-going, it is proposed to continue with the current arrangements given the lack of a satisfactory alternative at the present time.

	2023/24 £	2024/25 £	2025/26 £	2026/27 £	Comments
NEW - Vehicle Hire Costs	0	34,100	42,600	105,000	This reflects the cost associated with the rolling replacement of various existing fleet vehicles used with Services.
NEW - Air Show	0	60,000	60,000	60,000	This reflects earlier commitments to continue with the Clacton Airshow, which is reflected in the emerging highlight priorities and the subject of a separate report earlier on the agenda. In effect, this adjustment builds the funding for the Airshow into the base budget on an on-going basis until such time as any contrary decisions are made.
NEW - Office Security	10,000	10,000	10,000	10,000	A security presence was introduced during the COVID pandemic which is proposed to be maintained for the foreseeable which provides essential support the Officers as part of the Council's wider health and safety responsibilities.
NEW - Port Health Responsibility Costs	40,000	40,000	40,000	40,000	This reflects the increased charge arising from the joint arrangement with the Suffolk Coastal Port Health Authority who undertake the associated work on behalf of the Council relating to food import responsibilities at Harwich.
Total of On-Going Items	525,630	1,319,820	1,328,320	1,515,720	

	2023/24 £	2024/25 £	2025/26 £	2026/27 £	Comments
Unavoidable Items - One-Off					
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.
REVISED - Waste & Street Cleansing Contract Inflation	108,000	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)

	2023/24 £	2024/25 £	2025/26 £	2026/27 £	Comments
NEW - Reduced Planning Income	200,000				These two items reflect the current reductions in income being experienced by the Service. Income will undoubtedly recover over the next few years in line with the wider economic climate. This is supported by fee increases from 1 April 2024 which is expected to offset the position being experienced in 2023/24, with no further adjustments made from 2024/25 onwards.
NEW - Reduced Building Control Income	50,000				
NEW - Member Investigation Costs	12,000				
NEW - North Essex Parking Partnership (NEPP) - Potential Budget Deficit	100,000				The Council is working with its partners, including Colchester City Council who are the accountable body, to finalise associated key financial forecasts and business planning activities. Although this work remains on-going, at the present time it is felt prudent to set aside this proposed funding to meet this Council's partnership share of potential deficits that could emerge. The Council's commitment to the partnership will need to be reviewed in light of any changes to the financial future of the partnership once the relevant financial information has been finalised and provided to the Council.
Total of One-Off Items	660,000	396,000	0	0	
Total of Unavoidable Items Included in the Forecast	1,185,630	1,715,820	1,328,320	1,515,720	
Change across years for Inclusion within the forecast		-	(387,500)	187,400	