

CABINET

19 APRIL 2024

REPORT OF THE PORTFOLIO HOLDER FOR CORPORATE FINANCE AND GOVERNANCE

A.2 FINANCIAL PERFORMANCE REPORT 2023/24 – GENERAL UPDATE AT THE END OF DECEMBER 2023

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To provide a general update and overview of the Council's financial position against the 2023/24 budget and looking ahead to 2024/25 and beyond.

EXECUTIVE SUMMARY

- These regular finance reports present the overall financial position of the Council by bringing together in-year budget monitoring information and timely updates on the development of the long-term forecast.

The report is split over two distinct sections as follows:

- 1) *The Council's in-year financial position against the budget at the end of December 2023***
- 2) *A long term financial forecast update***

- As this report is presented later than in previous years, it has been timely to also focus on the estimated outturn position and not just the position at the end of Q3, as well as looking ahead to a number of early changes to the budget in 2024/25. Section 1 of this report therefore reflects on these issues as well as their inclusion in **Appendix H** accordingly.

SECTION 1 - In respect of the in-year financial position at the end of December 2023:

- The position to the end of December 2023, as set out in more detail within the appendices, shows that overall the General Fund Revenue Account is underspent against the profiled budget by **£3.823m**. This is primarily due to the timing of expenditure and income in addition to the items set out in **Appendix H**.
- As was the case at the end of Q2, there are only a limited number of variances that have developed during the second half of the year, given the various adjustments already 'built' into the 2023/24 base budget along with the changes highlighted at the end of the first two quarters of the year.
- However, the additional issues that have emerged or developed further during the second half of the year are discussed in more detail further on in this report.

- In respect of other areas of the budget such as the Housing Revenue Account, capital programme, collection performance and treasury activity, additional details are set out later on in this report where necessary.
- Any emerging issues will be monitored and updates provided in future reports, which will include their consideration as part of updating the long-term financial forecast where necessary.
- A limited number of in-year budget adjustments are proposed as set out in **Sections 1 and 2 of Appendix H**, with an associated recommendation also included within this report. The same appendix also sets out a number of proposed budget adjustments in 2024/25, which reflect the impact from decisions relating to fees and charges along with identification of a number of additional cost pressures.
- The overall net impact of the proposed budget adjustments set out in **Appendix H** will be adjusted against the Forecast Risk Fund.
- One of the proposed adjustments in **Appendix H** relates to External Audit Fees. As set out later in this report, it is proposed to appoint BDO (the Council's outgoing External Auditors), via a procurement exemption, to undertake the necessary certification of three housing benefit subsidy returns to the Government.
- The Council has been awarded further funding as part of the second round of the Swimming Pool Support fund made available by Sport England. Additional details are set out later in this report (along with the necessary budget adjustment included within **Appendix H**), with an associated recommendation set out below to accept the funding and seek the necessary delegations to undertake the required governance activities.
- As previously requested by Cabinet, it was proposed to provide updates against two carry forwards from 2022/23 relating to the HR and Career Track Services. As set out elsewhere in this report, as work is underway to finalise the outturn position for the year, it is now proposed to provide an update that reflects the final position for the year, which will be reported to Cabinet in June / July. A recommendation is included to reflect this proposed approach.
- Although subject to the approval of the adjustments set out in **Appendix H**, it is proposed to allocate a further **£0.100m** to support the work associated with the options appraisal / tender of the Waste and Street Cleansing Contract. Additional details are set out elsewhere in this report along with an associated delegation included within in the recommendations below.
- A further recommendation is also included below to provide the necessary flexibility regarding the allocation of funding to the Levelling Up Fund project in Clacton and the Capital Regeneration Programme project in Dovercourt. Additional details are set out elsewhere in this report which highlights that no additional funding is being requested at this stage, but simply an associated delegation to enable the most advantageous allocation of funding from within the overall project budgets.

SECTION 2 - In respect of the long term financial forecast update:

- A summary of the most up to date position for 2024/25 and beyond was considered by Full Council on 13 February 2024 as part of agreeing the detailed budget.
- There have been no changes made to the forecast position mentioned above, but for completeness, a summary is set out further on in this report.
- As set out in the report to Full Council on 13 February 2024, future year's estimated annual deficits remain significant against the context of the Council's overall net budget. However, along with the forecast risk fund, the forecast / budget considered by Full Council on 13 February 2024 does provide flexibility in terms of developing the required framework in which to identify the necessary savings to support an on-going financially sustainable position over the next few years and in turn the time to make better-informed decisions.
- It is important to highlight that based on the latest forecast, the Forecast Risk Fund still remains in a surplus position to support the Council's financial position over the period from 2024/25 to 2026/27.
- The level of time and resources required to not only develop the above framework but to deliver the required savings, should not be underestimated, especially when set against other existing commitments such as delivering the Levelling Up projects and Freeports. There therefore needs to be a clear focus on the timely development of the plan whilst managing competing resources over the coming months.
- As mentioned in previous reports, consideration will be given to extending the current forecast period beyond 2026/27 during the year, as the long-term forecast approach still provides an effective method of managing financial risks, and remains underwritten by the Forecast Risk Fund.
- The primary risks to the forecast remain as in earlier forecast reports and these relate to the successful delivery of the necessary savings alongside the management of emerging cost pressures.
- The challenges faced by the Housing Revenue Account also remain significant and include increased expectations and requirements that are emerging from the Social Housing Regulation Act and associated enhanced powers of the Housing Regulator. The HRA 30 Year Business plan will continue to be developed over the coming weeks / months with the aim of responding to such challenges set against the wider context of continuing to provide a financially sustainable position in the long term.

RECOMMENDATION(S)

It is recommended that Cabinet:-

- (a) notes the Council's in-year financial position at the end of December 2023 along with the latest financial update / forecast;**
- (b) approves the proposed adjustments to the 2023/24 budget, as set out in Section 1 and 2 of Appendix H;**

- (c) approves the proposed adjustments to the 2024/25 budget, as set out in Section 3 of Appendix H;**
- (d) subject to b) and c) above, requests Officers to review any potential longer term / on-going impact of the items set out in Appendix H, as part of developing the forecast for further consideration by Cabinet later in the year;**
- (e) requests an update on the two carry forward items set out in this report, that were previously requested by Cabinet at its 10 November 2023 meeting, for inclusion in the Outturn Report for 2023/24;**
- (f) subject to (b) above, agrees an exemption from the Council's Procurement Rules to enable BDO to be engaged to undertake the necessary audit work relating to the Housing Benefit Subsidy Certification process for 2021/22, 2022/23 and 2023/24 and approves their appointment;**
- (g) notes the funding made available via the second round of Sport England's Swimming Pool Support Fund and:-**
- (i) accepts the funding of £0.136m awarded to the Council along with noting the terms of the associated grant agreement that requests the Council to operate the facility for a period of three years from the date of the agreement unless otherwise agreed by Sport England;**
- (ii) agrees that the approval of the necessary governance arrangements be delegated to the Corporate Director (Place and Economy), in consultation with the Leader of the Council and the Council's Monitoring Officer and Section 151 Officer, and that such arrangements aim to protect the Council as far as reasonably possible within the context of the responsibilities the Council may have in administering the grant funding along with any transfers of money to the independently operated Brightlingsea Lido;**
- (h) subject to (c) above, agrees a delegation to the Corporate Director (Operations and Delivery), in consultation with the Portfolio Holder for the Environment to utilise the additional proposed budget of £0.100m to support the work associated with the options appraisal / tender activities for the Waste and Street Cleansing Contract;**
- (i) agrees a delegation to the Corporate Director (Place and Economy), in consultation with the Council's Section 151 Officer to determine the mix of funding (from the Council's own approved contribution and the money made available by the Government) to support both the LUF Scheme in Clacton and the CRP Scheme in Dovercourt, within financial parameters previously agreed and until the next significant project milestones are reported to Cabinet; and**
- (j) invites the views of the Resources and Service Overview and Scrutiny Committee on the information set out in this report along with the Council's wider financial position as part of its work programme for the year.**

REASON(S) FOR THE RECOMMENDATION(S)

To set out the financial position for the Council and to respond to emerging issues in 2023/24 along with developing the budget and long term forecast from 2024/25.

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 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.

The forecasting and budget setting process will have direct implications for the Council's ability to deliver on its objectives and priorities. The current approach to the forecast seeks to establish a sound and sustainable budget year on year through maximising income, managing liabilities and cost pressures whilst limiting reductions in services provided to residents, business and visitors where possible.

Effective budgetary control is an important element underpinning the above to ensure the financial stability of the authority by drawing attention to issues of concern at an early stage so that appropriate action can be taken.

OUTCOME OF CONSULTATION AND ENGAGEMENT

Internal consultation is carried out via the Council's approach to monitoring / 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.

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	This item has been included within the Forward Plan for a period in excess of 28 days via the inclusion of the regular Financial Performance Update Report item.

		prior to the meeting date)	
Yes	The Monitoring Officer confirms they have been made aware of the above and any additional comments from them are below:		
<p>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.</p> <p>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.</p> <p>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.</p>			
FINANCE AND OTHER RESOURCE IMPLICATIONS			
<p>The financial implications are set out in the body of the report.</p> <p>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.</p> <p>The long term approach to the forecast highlighted 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.</p> <p>In terms of the Council’s previous External Auditor, their work remains focused on the outstanding Statement of Accounts for 2020/21 to 2022/23. It is hoped that they will be in a position to provide their own updated commentary on the Council’s use of resources during 2024/25.</p>			

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

It is worth highlighting that it has been identified via the work associated with preparing this report that there are a number of areas of the budget where Services have committed / incurred expenditure ahead of associated actions, such as decisions to vary contracts / budgets etc. A review is therefore underway, in consultation with the Council's Monitoring Officer, alongside the work associated with finalising the outturn position for the year and further information will be presented to Members as necessary.

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.
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.	

MILESTONES AND DELIVERY

This reports forms part of the Council's wider budget setting and monitoring processes. In respect of 2023/24, a financial outturn report is planned to be presented to Cabinet in June / July. In terms of the long term forecast, further updates will be presented to Members during 2024/25.

ASSOCIATED RISKS AND MITIGATION

In respect of 2023/24, although there are a number of budget adjustments set out within **Appendix H** along with further potential adjustments highlighted later on in this report, it is expected that any adverse issues can be accommodated within the overall existing net budget position for the year rather than having to 'call' on reserves or other one-off budgets.

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 updates reports highlighted earlier.

It is also worth highlighting emerging risks associated with the establishment of the Office for Local Government (OFLOG) and the enhanced role of the Housing Regulator via the Social Housing Regulation Act. These will undoubtedly have significant financial consequences for 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 developing the forecast over the coming months.

As highlighted later on in this report, the Forecast Risk Fund remains available to support the longer-term approach, with the additional contributions made to the reserve in 2023/24

providing further flexibility in terms of developing the required framework in which to identify the necessary savings to support an on-going financially sustainable position over the next few years.

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 / budgetary position 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.

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.

Crime and Disorder	Please see comments above
Health Inequalities	
Area or Ward affected	

PART 3 – SUPPORTING INFORMATION

SECTION 1 – IN YEAR FINANCIAL PERFORMANCE AGAINST THE BUDGET AT THE END OF DECEMBER 2023

The Council's financial position against the approved budget has been prepared for the period ending 31 December 2023, with updates provided against the major elements as follows:

GENERAL FUND REVENUE

As set out in the report to Full Council on 13 February 2024, a number of budget adjustments were highlighted for 2024/25, where there was an associated impact in 2023/24. At the time it was stated that these would be kept under review and formally reported to Cabinet as part of

the Q3 Financial Performance Report 2023/24. In-line with this request, these adjustments have been reviewed and included in **Section 1a of Appendix H**, with any further adjustments emerging set out in **Section 1b** of the same appendices.

As highlighted above and within earlier reports, although there are a number of adverse issues emerging as highlighted in **Appendix H** and below, 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.

The position to the end of December 2023, as set out in more detail in the Executive Summary attached, shows that there is an overall net underspend of **£3.823m**. Apart from the impact associated with the proposed adjustments set out within **Sections 1a and 1b of Appendix H**, a number of the variances emerging / developing to date are due to the timing of expenditure and income, one example being the timing of when housing benefit payments are made and when the money is reimbursed by the Government via the associated subsidy system.

Notwithstanding the above, it is important to highlight the following:

Homelessness net costs– demand for temporary homeless accommodation remains high. Although the service remains committed to exploring options to respond to this demand in the most advantageous way, the net budget is proposed to be increased by a further **£0.250m** as set out in **Section 1a of Appendix H**. This is being reviewed as part of the work associated with finalising the outturn position for 2023/24, which may result in a worsening of the position for the year.

Careline Net Costs - as previously requested, a detailed report is planned to be presented to Cabinet in May, which although later than originally planned, it has enabled the necessary comprehensive review of the Service to be undertaken. Although subject to this separate report, budget adjustments have been prudently made in both 2023/24 and 2024/25 to meet potential additional net costs associated with the provision of the existing service.

Crematorium Income – as discussed earlier in the year, income has not recovered over the second half of the year, with the adjustment set out in **Appendix H** therefore reflecting the estimated outturn position for 2023/24.

Energy Costs – At the end of Q2, it was reported that there was a worrying position emerging against utility budgets. However since then, and as reflected in the 2024/25 budget, prices are reducing which should enable the outturn position to be accommodated within existing budgets (supported by the associated contingency sum). Energy costs have also been further supported by the money received from the Government as part of the Swimming Pool Fund grant scheme.

Engineering Services - The In-house Engineering Team undertake a number of activities on behalf of a range of Services across the Council, including the provision of a housing repairs services for the properties held within the HRA. At the present time, work remains on-going to finalise the outturn position for the year and although subject to the recharge to the HRA for the housing repair work undertaken, there may be an adverse 'balance' that remains against this Service's budget for the year that will have to be met from within the wider Directorate position.

New Burdens Funding – The Council has received a number of new burdens grants from the Government during the year, some of which is required to meet associated expenditure. However, it is expected that a number of grants can be treated as general income where work

has been undertaken within existing resources. This remains subject to finalising the outturn position for the year, but at the present time it is expected that money will be available to support the overall budget position for 2023/24.

External Audit Work – Certification of Housing Benefit Subsidy Returns to the Government – As set out in **Appendix H**, an additional budget of **£0.123m** is proposed to meet the cost of the audit work associated with finalising the three outstanding claims for 2021/22, 2022/23 and 2023/24. The work involved is based on full testing being undertaken by the External Auditors rather than potentially a ‘retesting’ approach, as this ‘frees up’ existing Officers to work on new / amended claims for benefits that are submitted by claimants on a more timely basis.

There are currently 8 Audit Firms that DWP have listed on their register that the Council can use to undertake the necessary testing and certification work, two of which are the Council’s outgoing Auditors (BDO) along with the Council’s new Auditors (KPMG). Although Councils can appoint any of the 8 listed firms, historically many local authorities engage the Auditors who are already independently appointed to undertake the necessary Statement of Account and Value for Money work, with this latter approach taken by this Council in recent years.

With this in mind, two quotes have been obtained from the both BDO and KPMG and based on the prices received, it is proposed to appoint BDO to undertake the necessary work. The alternative price received was in excess of **£0.150m** more than quoted by BDO. When appointing BDO previously they were able to satisfactorily demonstrate that they offered value for money when compared to the previous appointed audit firm and the wider market. Therefore taking, the above into account, they are still able to offer value for money.

Although there is the risk that BDO will be unable to complete the necessary work in a timely manner given the problems the Council has faced with obtaining the necessary sign off of the Statement of Accounts for 2020/21 through to 2022/23, they have given their assurance that the work can be undertaken by the end of November 2024, which is the date put forward to the DWP as the completion date for all outstanding claims. If the work is not completed on time, then DWP can start to withhold the reimbursement of housing benefit payments made to claimants, which could present a cash flow challenge.

Although subject to the proposed budget adjustment being approved, to enable BDO to be appointed, an associated recommendation is included above, which also seeks an exemption from procurement rules as an alternative to a full tender exercise being undertaken given the points highlighted above.

If the above is agreed, the necessary assurances will be sought from BDO via the associated engagement process.

Carry Forwards from 2022/23

At its meeting on 10 November 2023, Cabinet approved a number of carry forwards along with requesting that Officers provide an update on 2 of the items approved as part of the Q2 financial performance report. As the items are now subject to the outturn process for 2023/24, it is proposed to provide an update as part of the outturn process for the year that will be presented to Cabinet in June / July. The two carry forward items were as follows:

- HR Capacity - £0.111m
- Investment in the Career Track Service - £0.046m

GENERAL FUND – CAPITAL PROGRAMME

The overall position is set out in **Appendix 1D**.

As at the end of December 2023, the programme remained broadly on target against the profiled position.

As highlighted in the previous Financial Performance Report, the Starlings Capital Scheme remains subject to a formal review, with the outcome planned to be reported within a separate report later in the year. Based on the latest anticipated position, it remains likely that additional costs may emerge as part of its completion, although this remains subject to highways related activities that involve ECC. The overall scheme budget has been supported by a further by **£0.022m** that is available from S106 contributions with the associated adjustment set out in **Section 1c of Appendix H**.

The Council has also been successful in its bid to the second round of Sport England's Swimming Pool Support Fund grant scheme. The associated projects that were included within the bid are set out in **Section 1c of Appendix H**. Similar to the first round of the scheme, the terms of the grant funding requires the Council to operate the associated facilities for a period of 3 years from the date of the agreement. It should be noted that if any of the facilities do not remain open for the specified three year period, then the Council will need to contact Sport England for their approval, or the money could be 'clawed back'.

The specific conditions in the funding agreement are as follows:

4.4 The Applicant must obtain Sport England's prior written approval before closing (or permitting the closure of) a Facility, or limiting (or permitting the limitation of) the availability of a Facility below the levels required in the Approved Application, before the end of the relevant Facility Term. [three years]

4.5 The Applicant will not sell, transfer, assign, grant or dispose of any freehold or leasehold interest in all or any part of a Facility (or permit any of those things) (a "Disposal") before the end of the relevant Facility Term, unless Sport England has given its prior approval in writing.

4.6 Sport England will consider a request for approval under clause 4.4 or clause 4.5 acting reasonably and taking into account the Applicant's plan for the provision of public access to swimming facilities in its local area. The Applicant will provide Sport England with any information that Sport England may request in order to enable it to assess the request. 4.7

4.7 The Applicant must ensure that neither the Facility Owner nor the Operator closes a Facility, limits the availability of a Facility or undertakes a Disposal before the end of the relevant Facility Term, unless Sport England has given its approval in accordance with clause 4.6.

A number of associated governance activities are underway in-line with the grant guidance, including formalising as necessary the arrangements with the operators of the Brightlingsea Lido to protect the Council as far as possible given its responsibilities under the terms of the grant. A recommendation is therefore included above to enable these arrangements to be finalised along with acknowledging the commitment to operate the associated facility for 3 years.

HRA - REVENUE

The HRA budgets for 2023/24 were subject to a number of adjustments that were set out in earlier updates to the Business Plan / Forecast that were considered by Cabinet and Full Council earlier in the year.

An overall position is set out in the Executive Summary with further details included in **Appendix C**. At the end of December 2023 the HRA is showing a net underspend of **£0.337m**, which reflects a number of variances across various HRA budgets, including income from rents, which is currently running ahead of the profiled budget.

HRA - CAPITAL PROGRAMME

The overall position is set out in **Appendix D**.

As at the end of December 2023, the programme is ahead of profile by **£0.192m**.

This budget relates primarily to the on-going major repairs and improvements to the Council's own dwellings.

As part of the adjustments referred to under the HRA Revenue section above, these also included a response to issues raised in Q1 and Q2 earlier in the year where additional capital costs were expected to be incurred. Although earlier issues have therefore now been addressed, a new issue has been identified relating to the Jaywick Sands flexible workspace scheme. Due to the extended delivery period for the project and increased network / cyber security costs, the overall project budget needs to be increased by an estimated **£0.208m**. This estimate includes a retention sum which will remain subject to the overall outturn position for the project. The necessary adjustment has therefore been included in **Section 2b of Appendix H** and it is proposed to meet the additional costs from historic new homes bonus grant amounts. A separate report is planned to be presented to Cabinet once the final costs for the project have been finalised.

In addition to the above, the Spendells House project is also facing a number of challenges, which are currently being reviewed as part of the various processes associated with finalising the outturn position for the year. An update will therefore be included within the Outturn Report that will be presented to members later in the year.

COLLECTION PERFORMANCE

A detailed analysis of the current position is shown in **Appendix E**.

As mentioned in earlier reports, there undoubtedly remains an on-going impact from COVID 19 on council tax and business rate collection performance along with the cost of living challenges currently faced by local residents. However, recovery action will continue to be taken as necessary, with the aim of maximising the level of collection performance wherever possible.

In respect of general debt, the performance this year is running slightly behind the position at the same time last year. Similarly to the position reported in earlier quarters, this is primarily due to a limited number of larger items which have now either been paid or are subject to review e.g. money owed by customers of the Council's green waste service that relates to the on-going issue highlighted earlier in the year.

TREASURY ACTIVITY

A detailed analysis of the current position is shown in **Appendix F**.

Due to a continuing advantageous cash flow position and the current elevated interest rate environment, additional investment income has been achieved over and above the earlier anticipated position set out in **Section 1a of Appendix H (£1.200m)**. A further **£0.300m** of investment income is therefore expected to be achieved, which is set out in **Section 1b of Appendix H**.

In earlier reports during the year, various details relating to the money lent to Birmingham City Council were highlighted, with the latest update included within the report associated with the Annual Capital and Treasury Strategy 2024/25 that was considered by Cabinet in March. A total of **£6.000m** had been lent to the City Council, with **£4.000m** repaid in February 2024 and the remaining **£2.000m** due for repayment in June 2024.

Proposed Budget Adjustment and Other Issue – 2024/25

As highlighted within the budget report presented to Full Council in February 2024, it was noted that there remained a number of unfunded potential cost pressures and it was proposed to review these items, but outside of the annual 'base' budget setting cycle, with any associated decisions subject to separate reports or included within other key financial reports during the year.

An initial review has been undertaken with a number of largely unavoidable items proposed to be funded as set out in **Section 3a of Appendix H**. Further reviews of cost pressures will be undertaken alongside future financial performance / forecast reports and/or will be subject to separate decisions during the year as necessary.

In terms of the items included within **Section 3a of Appendix H**, there is an item relating to the work associated with the review of options / tender of the Waste and Street Cleansing contract. It is proposed to set aside a further sum of **£0.100m** (this is over and above an initial sum of **£0.100m** that was set aside earlier in the year), along with a delegation to the Corporate Director Operations and Delivery to enable the money to be spent on associated activities to support the Council in securing value for money during the next contract term.

Given the overall advantageous in-year budget position in 2023/24, that is largely supported by increased treasury income as highlighted earlier, it is currently possible to fund the 2024/25 cost pressures identified as part of this initial review within the overall in-year budget position. However, it is important to highlight that this remains subject to the outturn position for the year.

In earlier reports, it was highlighted that there may be additional budget adjustments required in 2024/25 once the various fees and charges reports have been agreed and published. **Section 3a of Appendix H** therefore reflects the necessary changes emerging from these associated reports / decisions as well.

LUF/ CRP Capital Projects

This report also provides the timely opportunity to review the Levelling Up project in Clacton as well as the Capital Regeneration Programme project in Dovercourt. A detailed update report was presented to Cabinet in October 2023 that was based on developing the projects to planning permission stage, along with recognising the need to allocate resources from the total project funding available to the two schemes. The total project budget for the two schemes was highlighted as **£37,532,319** within the report, of which **£2,295,060** related to the Council's own contribution.

The report also allocated up to **£1,898,421** of funding from the Council's own revenue contribution to the schemes in-line with the original bid submission, to enable the procurement of the necessary resources, which included both professional services and a project team. Since that date a number of separate decisions have also been made in-line with this delegation along with the completion of a number of separate governance issues associated with the delivery of both projects.

In addition to the funding already made available by the Government, they have also provided the Council with a modest amount of capacity funding to support the Council in progressing the projects.

To provide the necessary flexibility in terms of allocating funding from not only the Council's resources as highlighted above but also the total LUF/ CRP and capacity funding provided by the Government, a delegation is included within the recommendations above. It is important to highlight that it is not the intention seek approval to incur expenditure over and above the original sum of **£1,898,421** that has already been approved, but simply to provide Officers with the flexibility and option to also charge costs against the money provided by the Government where it is permissible under the terms of the grant funding and where it is advantageous to do so. This is in-line with the recognition highlighted earlier where there is now a need to allocate resources from the total project funding and not just against the Council's own contribution, which is reflected in the regular monitoring reports provided to the Government.

In accordance with the proposals set out in the October report referred to above, a further report will be brought back for consideration, which will include additional project information for approval to develop technical designs to the level of detail required to go out to the market for procurement of main build-contracts.

Any potential on-going impact emerging from the various sections of the report above will need to be considered alongside the on-going development of the financial forecast during 2024/25.

As mentioned within earlier reports, the Chief Executive continues to chair the regular Budget, Performance and Delivery meeting of Senior Managers where any emerging issues such as those highlighted above are discussed / identified / explored. This is also supported by the departmental planning process, which in turn supports the delivery of the on-going corporate investment / cost pressure plan approach.

SECTION 2 – LONG TERM FORECAST UPDATE

General Fund

The detailed budget for 2024/25 was considered and agreed by Full Council on 13 February 2024. The report considered by Full Council also included a summary of the forecast up until 2026/27. For completeness, a summary of the position presented to Full Council on 13 February 2024 is set out in the following table:

Year	Net Budget Position (including adjusting for prior year use of reserves etc. to balance the budget)*	Forecast Risk Fund - Estimated Surplus Balance at the end of the year

2025/26	£2.027m deficit	£4.166m
2026/27	£2.297m deficit	£2.118m

**includes removal of the prior year use of reserves to balance the budget and savings 'targets'.*

The development of the forecast will continue in 2024/25, set against a number of risks which were set out in earlier reports. These risks include the delivery of the required on-going savings and responding to further cost pressures, which are in addition to underlying risks such as inflation. In respect of this last item, it is useful to note that inflation is continuing to fall and it is hoped that it will start to stabilise around the Bank of England's 2% target during the year.

In terms of cost pressures, as highlighted in the report to Full Council in February, their mitigation will continue to form an important element of the long-term financial plan. The cost pressures included within the budget to date broadly reflect unavoidable items. There are therefore many potential additional financial demands that have not yet been funded, for example:

- Those relating to 'business as usual' e.g. repairs and maintenance of property and other assets;
- 'spend to save' initiatives to support the delivery of savings and efficiencies to meet the savings 'targets' set out in the forecast; and
- items to support the delivery of the corporate priorities and objectives such as the Highlight Priorities for 2024/25 and beyond.

It is therefore proposed to continue to review potential cost pressures using a risk based approach, with any associated decisions subject to separate reports or included within other key financial reports during the year. With this on-going review approach in mind, it is positive that a number of additional cost pressures emerging for 2024/25 have been included in **Appendix H**. These are proposed to be funded from the 2023/24 overall net budget position, which in turn reduces the pressure in future years.

Any potential on-going items emerging from such reviews will need to be considered alongside the on-going development of the financial forecast during 2024/25.

In terms of the wider financial forecast, the following commentary was included within the report to Full Council on 13 February 2024, which is worth repeating again:

As set out 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.

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 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.

Against the general background highlighted above, work will remain ongoing to develop the forecast, including exploring the option to extend the period it covers, which 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.

Delivering a favourable Outturn Position

The Forecast Risk Fund relies on in-year outturn contributions of **£0.250m** per annum to support the overall balance on the reserve, which in turn underwrites the various risks to the forecast.

A total of **£0.840m** has already been contributed to the Forecast Risk Fund as part of the Q1 and Q2 financial performance reports presented to Cabinet earlier in the year. Including the proposed **£0.304m** use of the fund set out in **Appendix H**, the contributions to the Forecast Risk Fund still total **£0.536m** in 2023/24. This therefore still remains ahead of budgeted contribution of **£0.250m** highlighted above and will remain subject to the outturn position for the year.

Housing Revenue Account

An updated HRA Business plan was presented to Full Council in February 2024.

There are a number of risks associated with the 30 year business plan forecast and include changes in income achieved and future rent setting policy, emergence of new or revised guidance, new legislation / burdens / regulation and changing stock condition requirements.

In view of these risks, it is important that a sufficient level of balances / reserves is available to support the HRA. HRA General Balances are currently forecast to be **£3.843m** at the end of 2024/25, which is available to support the delivery of the HRA business plan in the medium to longer term.

A 30 year HRA Business Plan is maintained on an on-going basis that continues to demonstrate the sustainability and resilience of the HRA within a self-financing environment and the ability to potentially 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.

In light of the above, work remains in progress on revising the HRA 30 year Business Plan, which will inform the draft HRA budget proposals for future years, with updates planned to be presented to Cabinet during 2024/25.

PREVIOUS RELEVANT DECISIONS

Relating to Both General Fund and HRA

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.

Relating to General Fund Only

Updated General Fund Financial Forecast / Budget 2024/25 – Item A.4 Cabinet 15 December 2023.

Updated General Fund Financial Forecast / Budget 2024/25 – Item A.4 Cabinet 26 January 2024.

Executive’s Proposals – General Fund Budget and Council Tax 2024/25 – Item A.1 Full Council 13 February 2024.

Relating to HRA Only

Updated Housing Revenue Account Business Plan and Budget Proposals 2024/25 – Item A.6 Cabinet 15 December 2023.

Updated Housing Revenue Account Business Plan and Budget Proposals 2024/25 – Item A.7 Cabinet 26 January 2024.

Executive’s Proposals – Housing Revenue Account Budget 2024/25 - Item A.2 Full Council 13 February 2024.

BACKGROUND PAPERS AND PUBLISHED REFERENCE MATERIAL

None

APPENDICES

RELATING TO SECTION 1 OF THE REPORT

Front Cover and Executive Summary

Appendix A – Summary by Portfolio / Committee

Appendix B – General Fund Budget Position by Department

Appendix C – Housing Revenue Account Budget Position

Appendix D – Capital Programme

Appendix E – Collection Performance – Council Tax, Business Rates, Housing Rent and General Debts

Appendix F – Treasury Activity

Appendix G – Income from S106 Agreements

Appendix H – Proposed Adjustments to the Budget 2023/24 and 2024/25

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