

A.1 APPENDIX A

CABINET

20 DECEMBER 2024

REPORT OF THE PORTFOLIO HOLDER FOR FINANCE AND GOVERNANCE

A.5 UPDATED GENERAL FUND FINANCIAL FORECAST / BUDGET 2025/26

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To enable Cabinet to consider the updated financial forecast and budget proposals for 2025/26 for consultation with the Resources and Services Overview and Scrutiny Committee.

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 Resources and Services Overview and Scrutiny Committee.
- As part of maintaining a 'live' forecast, this report 'builds' on the last position that was presented to Cabinet on 15 November 2024.
- Despite the on-going challenging financial and economic environment, confidence in the long term approach to the forecast continues, 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 challenging economic outlook it continues to face.
- A limited number of changes to the forecast have been made since 15 November 2024, with a revised position set out in **Appendix A**.
- The changes required broadly reflect updates to cost pressures and savings but also now reflect the most up to date position in respect of the council tax 'base' for 2025/26.
- In terms of the cost pressures included in the forecast, these broadly reflect unavoidable items, many of which relate to issues already identified during the year, with one-off adjustments made in 2024/25 pending the development of the forecast. Many of the cost pressures proposed to be included therefore reflect the on-going impact from these known issues in 2025/26 and beyond.
- 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 2025.
- In terms of the savings identified to date, two new items have been included since the 15 November 2024 report mentioned above and they have also now been split into

A.1 APPENDIX A

those expected to be included in the 2025/26 budget and those that remain subject to further review over the coming year in readiness for confirming as part of agreeing the budget for 2026/27. The necessary work to reflect the identified items within the 2025/26 budget remains on-going and the position will be finalised for consideration by Cabinet in January 2025.

- Taking the above into account and in comparison with the position reported to Cabinet on 15 November 2024, the net overall position reflects a forecasted annual deficit of **£1.508m** (a decrease from £2.476m). This is broadly due to the expected deliverability of savings earlier in the forecast period i.e. from 2025/26. In line with the long term plan, it is currently proposed to meet this from the Forecast Risk Fund, which based on the current forecast would leave a balance within the fund of **£5.157m** at the end of 2025/26.
- 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 2025/26 had yet to be announced. It is understood that the announcement will be made a day ahead of this meeting, which if the case, a high level update will be provided directly at the meeting. The forecast will then be updated accordingly for consideration by Cabinet at its January 2025 meeting when it considers its final budget proposals for recommending to Full Council in February.
- The forecast now includes a Council Tax increase of 2.99%. This is the maximum permitted amount without having to hold a referendum as confirmed by the Government in its recent Local Government Finance Settlement Policy Statement. This remains an important element of the forecast, that in turn supports the long term financial sustainability of the Council.
- Once the final position for 2025/26 is determined, the remaining years of the forecast will also be revised, which will be reported to members later in the budget setting process.

RECOMMENDATION(S)

It is recommended that Cabinet:

- a) approves the updated Financial Forecast and proposed budget position for 2025/26 as set out in this report and its appendices; and**
- b) requests the Resources and Services Overview and Scrutiny Committee's comments on this latest financial forecast and proposed position for 2025/26.**

REASON(S) FOR THE RECOMMENDATION(S)

To set out the latest financial forecast as part of the process of developing the budget proposals for 2025/26.

A.1 APPENDIX A

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 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.

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 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 prior to the meeting date)	This item has been included within the Forward Plan for a period in excess of 28 days.

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.

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.

A.1 APPENDIX A

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 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 2003 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 2025 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.

The Council is also under a broader Best Value Duty that 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

A.1 APPENDIX A

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.

Earlier in the year the Government published revised Statutory Guidance on the Best Value Duty of 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 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 and reflect what most local authorities already do or are striving to achieve. 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 revised guidance and financial management and sustainability is a reoccurring expectation throughout the themes and indicators. This report, along with how the Council responds to new or developing issues remains an important element of demonstrating these key requirements.

The Council is legally required to calculate a Council Tax requirement each financial year. Within this framework is the requirement to monitor and report accordingly on the financial position of the authority against this requirement.

The position set out in this report and the actions proposed are within the Council's powers and reflect the statutory requirements and responsibilities of the Council, including the preparation of its medium term financial plans and associated budget and setting of the council tax.

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

The process for Developing the Budget is set out within the Budget and Policy Framework Procedure Rules, Part 5.14 to 5.16 of the Constitution, which includes the consultation process of the draft Financial Strategy / Forecast setting out the basis on which the budget proposals are intended to be formulated, with the Overview and Scrutiny Committee. Cabinet will have regard to the response received from the Overview and Scrutiny Committee.

Attention is drawn to the on-going reference to the Council's Best Value Statutory Duty and recently published guidance, as set out within the legal requirements section above, along with highlighting that additional decision making will need to be considered as necessary in respect delivering actions supported by the Council's agreed budget each year.

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.

A.1 APPENDIX A

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 S151 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:

<p>A) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;</p>	<p>This is addressed in the body of the report.</p>
<p>B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and</p>	<p>In terms of an independent view, the Council's previous External Auditor has recently submitted their Annual Report that includes their commentary on the Council's use of resources. The report was considered by the Council's Audit Committee on 9 December with the Auditor's headline statement as follows:</p>
<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><i>"Our VFM work for 2020/21 to 2022/23 has not identified any significant weaknesses in the Authority's arrangements".</i></p> <p><i>[One recommendation was set out, which has subsequently been addressed]</i></p>

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 2025.

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 potential 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

A.1 APPENDIX A

development of the forecast and at the present time its remit remains subject to review by the Government.

As set out in **Appendix A**, based on the latest position forecast, the Forecast Risk Fund is estimated to be depleted by 2027/28, which adds further financial risks and challenges which will require further 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 as necessary.

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 2050

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

UPDATED FINANCIAL FORECAST 2025/26

A.1 APPENDIX A

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 2024) being reported to Cabinet at its 15 November 2024 meeting. An additional line of the forecast has been added to better reflect the adjustments required across the forecast period where savings included are not necessarily consistent across future years, for example, treasury income included in 2024/25 was originally expected to reduce over later years of the forecast. This change should help the presentation of these amendments rather than potentially being netted off savings achieved in subsequent years if this presentational adjustment was not made. (Please see new Line 14 'Changes to Savings Identified in Prior Years').

Appendix A sets out an updated forecast for 2025/26 that reflects changes since Cabinet considered the earlier position at its 15 November 2024 meeting. The changes required reflect an improved position – a reduced estimated annual deficit of **£1.508m** (a reduction of £0.968m compared with the figure of £2.476m reported to Cabinet in November).

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** (excludes items where there has been no significant change to the relevant line of the forecast considered by Cabinet on 15 November 2024):

Item in the Forecast	Change since forecast was considered on 15 November 2024	Comments
<i>Underlying Funding Growth in the Budget</i>		
<i>Lines 2a, 4 and 6</i> – Council Tax Increase – 2.99% Growth in Council Tax – general property / tax base growth, and Collection Fund Surpluses b/fwd - Ctax	Net increased income of £0.289m	These changes reflect the final council tax base calculations for 2025/26 where the estimated property growth is higher than originally anticipated, in addition to an increased collection fund surplus position. There is also a small increase in income due to the proposed 2.99% increase in the council tax that is allowable under the referendum principles that were recently confirmed by the Government within their local government finance policy paper mentioned earlier.
<i>Net Cost of Services and Other Adjustments</i>		

A.1 APPENDIX A

<p>Line 21 – Unavoidable Cost Pressures</p>	<p>Increase of £0.657m in estimated costs.</p>	<p>Appendix C 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 2025.</p>
<p>Line 24 – On-Going Savings Required</p>	<p>Total savings identified of £2.655m for 2025/26 (£1.336m more than the £1.319m included in earlier forecasts)</p>	<p>Appendix B sets out a number of items identified to date. This change broadly reflects the timing of the impact / deliverability as the items which have now been ‘split’ across 2025/26 and 2026/27. Further work will need to be undertaken during 2025/26 to deliver the remaining items alongside the identification of further savings to support the later years of the forecast.</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 2025 meeting.

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. *(Columns 2 to 5 of Appendix C highlight the changes made to the 2024/25 budget, either within the base budget or during the year as part of financial performance reports.)*

Appendix C also includes a number of items where it is proposed to meet the additional costs from increased income that is forecast to be achieved based on the position currently being experienced in 2024/25. There are also a number of items that have been considered but no adjustment is proposed at this stage. This includes planning income (and associated activities) and crematorium income which are both lower than expected to date in 2024/25. Such income streams have historically recovered over time and it is therefore not proposed to adjust the 2025/26 budget at the present time with the position monitored during next year as part of the quarterly financial performance reports. It is also important to mention the potential changes that are likely to emerge from the Government’s National Planning Policy Framework that is currently being developed, which is likely to have an impact on the level of planning fees chargeable by Council’s.

The cost of homelessness continues to be a significant challenge for most Councils across the country. The Government have recognised this position and have committed to providing additional funding to Council’s to support them in meeting this challenge, with the detailed allocations to individual Council’s hopefully announced as part of the Local Government Finance Settlement. At the present time, an additional **£0.500m** is included as a further on-going cost pressure within **Appendix C**, which can be reviewed in light of the any Government support that becomes available. As further mitigation against this risk, a report is planned to be

A.1 APPENDIX A

presented to Cabinet as early as possible in the new year that will explore options to support the Council in responding to this on-going challenge in 2025/26 and beyond.

It is also timely to mention that employee cost estimates have yet to be finalised. The current forecast includes the estimated impact from the recently announced increase in Employers National Insurance contributions. The Government have committed to reimburse this cost which is reflected within **Appendix B**. Final employee cost estimates will be included within the forecast that will be presented to Cabinet in January 2025.

It is also worth highlighting the expectation that the recent national insurance increases will likely feed through to the Council from its suppliers and contractors as they pass on some or all of this additional cost. It is difficult to measure the impact at this stage and it will therefore be an issue that will be kept under review during 2025/26.

As set out in **Appendix A**, taking the above adjustments into account, the updated forecast deficit for 2025/26 totals **£1.508m**, compared with the forecasted deficit of **£2.476m** considered by Cabinet at its 15 November 2024 meeting.

As highlighted in earlier financial performance reports, given the inherent risks to the forecast, a risk assessment of each line of the forecast is maintained. The most up to date assessment is set out within **Appendix D**. The most significant risks to the forecast is uncertainty around the Government's proposed reforms to local government funding, the business rates reset, the level of achievable savings and cost pressures emerging in future.

In terms of supporting the underlying context to the development of the budget for 2025/26, it is worth highlighted the following comments that were set out in earlier financial performance reports: *In terms of the later years of the forecast, it is important to highlight the significant challenges arising from inflationary increases, which are expected to exceed our ability to raise income from council tax and business rates. Therefore, at some reasonable point in the future, the Council must be able to put itself in the position of balancing its annual budget, otherwise the position is not sustainable. Based on the current forecast position, the expected annual imbalance between expenditure and income [from 2027/28 onwards] is approximately £0.700m. This would therefore require corresponding annual on-going savings to be realised over the full forecast period to enable a balanced budget to be set each year.*

Notwithstanding the above, the Council's long term plan and Forecast Risk Fund provide flexibility and support against which the development of the Council's forecast can be considered and it continues to provide the time and opportunity to respond to the structural annual budget deficit that is still estimated to remain at the end of 2026/27.

Local Government Finance Settlement and Government's Spending Review

In the report presented to Cabinet on 15 November 2024, it was highlighted that although the Government had made positive commitments to support local authorities as part of their Autumn Budget Statement, it was not yet clear how this would be distributed and whether it will mean District Council spending power will rise in real terms.

In the interim period, the Government have published a Local Government Finance Policy Paper that broadly confirmed a number of previous statements, with summarised highlights as follows:

A.1 APPENDIX A

- Revenue Support Grant will rise in line with CPI.
- A Council Tax referendum principle of up to 3% or £5, whichever is the higher as mentioned earlier.
- Compensation payable to local authorities for the freeze in the small business rates multiplier via an increase to the calculation of under-indexation compensation.
- Support to the continuation of Business Rates Pooling.
- The introduction of a recovery grant worth £600m nationally which will be distributed using a simple formula based on deprivation, taxbase and population to lay the foundations for reform.
- A funding 'floor' that ensures that no council will see a reduction in Core Spending Power in cash terms, after factoring in forecast council tax increases.
- Bringing forward one further round of New Homes Bonus payments, using the same methodology as in previous years.
- Reconfirming the commitment to supporting Local Authorities in respect of the additional national insurance costs.
- All councils will receive additional income from Extended Producer Responsibility for Packaging (EPR) payments (over and above increases to Core Spending Power). EPR payments will be guaranteed and will not be ringfenced – the Council has recently been informed that the money receivable in 2025/26 is £0.892m.
- Confirmation of the previously announced £233m of new funding nationally for homelessness prevention.
- It is understood that there will be a fundamental reform to the local government funding model after 2025/26. The Government are planning on launching a consultation on a new approach to allocating funding (Fair Funding) and will also launch a technical consultation on resetting business rates in the new year.

Although there is positive news within the above elements of the Local Government Finance Settlement, it is always difficult to translate such high level commentary into what it means for the Council. The Provisional Local Government Finance Settlement is planned to be announced on 19 December 2024, which will provide clarity around the overall impact on the Council. Although an update will be provided directly at the meeting if possible, the required changes to the forecast will be included when the next iteration is presented to Cabinet in January 2025.

It is also worth highlighting the last bullet point above, where the Government intends to move to a new basis of funding for Local Government from 2026/27, including a reset of the business rates system. Although the outcome cannot be forecasted at the present time, this is one of the highest risks to the longer term forecast based on the uncertainty around what this could mean for the Council.

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.

A.1 APPENDIX A

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:

Reserve	Purpose of the Reserve	Estimated Balance	Status
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	To keep under 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 potential future changes to the welfare regime. The future remains uncertain given the on-going roll-out of universal credit.	£1.000m	Continue to retain this reserve (but keep under review as part of the development of the long term forecast)

A.1 APPENDIX A

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 potential for changes to the business rate reforms and associated 'reset'.	£1.758m	Continue to retain this reserve (use of this reserve will continue to be considered as part of the development of the long term plan and the potential impact from the Government's proposed Business Rates 'reset')
Commuted Sums Reserve	Established from commuted sums paid to the Council to cover such items as maintenance costs of open spaces, in line with the associated agreements.	£0.467m	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.	£0.045m	Continue to retain this reserve to meet the associated cost when due.
Crematorium Reserve	To finance future ongoing maintenance costs to the crematorium plant and equipment at Weeley.	£0.208m	Continue to retain this reserve to meet maintenance costs due under the terms of an associated agreement

A.1 APPENDIX A

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	To review against associated risk as this reserve is likely to be able to be removed. (Consider as part of the Q3 Financial Performance Report later in the year)
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 delivery of the Sports and Activity Strategy.	£0.057m	Continue to retain this reserve
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.	£3.294m	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.	£5.157m (after proposed adjustments in 2025/26)	Continue to retain this reserve (use of this reserve will continue to be considered as part of the development of the long term plan)

A.1 APPENDIX A

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 (Subject to regular review to ensure it is proportionate / prudent in light of the financial risks faced by the Council)
---------------------	--	---------	---

The above total £17.080m - 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 is considered to remain adequate, although this position will be subject to on-going review given the risks to the financial forecast highlighted earlier in this report.

ADDITIONAL INFORMATION

Council Tax 2025/26

As highlighted earlier, the Government have confirmed their commitment to allow District Councils to increase their share of the council tax by up to 2.99% in 2025/26.

Based on a proposed 2.99% increase, the Council Tax for a band D property will be **£199.52** in 2025/26. The updated property base is **53,496.8**, an increase of just over 3% compared to the 2024/25 figure of **51,866**.

As set out in the previous reports, the Council continues to opt-in to the Council Tax Sharing Agreement with ECC whilst 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 in 2025/26.

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 2023, but also the changes announced in the Government's recent Autumn Budget Statement and associated Local Government Finance Policy Statement.

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

A.1 APPENDIX A

and reported as part of finalising the detailed budget for 2025/26 that will be presented to Cabinet in January 2025.

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 2025/26 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 and as part of finalising the budget proposals for 2025/26. 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 2025.

GENERAL FUND CAPITAL PROGRAMME 2025/26

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 2025/26 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 any cost pressures proposed as part of developing the budget accordingly.

SPECIAL EXPENSES 2025/26

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

A.1 APPENDIX A

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.

Similarly to previous years, 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 2024/25 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** are 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 2024/25 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:

- 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?*
- To what extent, if any, are restrictions placed on any part of the district as to the accessibility of the function?*
- 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.

A.1 APPENDIX A

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.

ANNUAL MINIMUM REVENUE PROVISION POLICY STATEMENT

Where relevant, figures included in the 2025/26 budget are based on the following policy statement that was agreed by Full Council on 26 November 2024.

In accordance with the Local Authorities (Capital Finance and Accounting)(England)(Amendment) Regulations 2003 and having due regard to guidance issued under Section 21 (1A) of the Local Government Act 2003, the Council's policy for the calculation of MRP for 2025/26 shall be the Capital Financing Requirement Method for supported borrowing and the Asset Life (equal instalment) Method for prudential borrowing.

PREVIOUS RELEVANT DECISIONS

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

Financial Performance Report 2024/25 – General Update at the end of July 2024 - Item A.2 Cabinet 21 October 2024.

Financial Performance Report 2024/25 – General Update at the end of September 2024 - Item A.8 Cabinet 15 November 2024.

BACKGROUND PAPERS AND PUBLISHED REFERENCE MATERIAL

None

APPENDICES

Appendix A	Updated Financial Forecast 2025/26
Appendix B	Savings Plan
Appendix C	Cost Pressure Summary
Appendix D	Forecast Risk Review

A.1 APPENDIX A

REPORT CONTACT OFFICER(S)	
Name	Richard Barrett
Job Title	Director (Finance and IT)
Email/Telephone	rbarrett@tendingdc.gov.uk 686521

UPDATED FINANCIAL FORECAST 2025/26

Line		Prior Year Budget	Last Updated Forecast (15 November 2024)	Updated Forecast (20 December 2024)	Change between November and December Positions
		2024/25	2025/26	2025/26	
		£m	£m	£m	£m
	Underlying Funding Growth in the Budget				
1	Council Tax Increase 1.99%	(0.191)	(0.200)	(0.200)	0.000
2	Ctax increase by £5 (amounts set out are over and above 1.99% above)	(0.064)	(0.059)	(0.059)	0.000
2a	Council Tax Increase 2.99%	(0.032)	0.000	(0.041)	(0.041)
3	Growth in Business rates - Inflation	0.000	(0.158)	(0.158)	0.000
4	Growth in Council Tax - general property / tax base growth	(0.158)	(0.190)	(0.325)	(0.135)
5	Growth in Business Rates - general property / tax base growth	(0.636)	0.540	0.540	0.000
6	Collection Fund Surpluses b/fwd - Ctax	(0.159)	(0.100)	(0.213)	(0.113)
7	Collection Fund Surpluses b/fwd - BR	(0.792)	0.000	0.000	0.000
		(2.032)	(0.167)	(0.456)	(0.289)
	Net Cost of Services and Other Adjustments				
8	Change in RSG (including other financial settlement funding)	(0.571)	0.619	0.619	0.000
9	Remove one-off items from prior year	(0.375)	(0.396)	(0.396)	0.000
10	Remove one-off items from prior year - Collection Fund Surplus	0.784	0.951	0.951	0.000
11	LCTS Grant To Parish Council's	0.006	0.000	0.000	0.000
12	Revenue Contrib. to Capital Programme	0.000	0.000	0.000	0.000
13	Specific change in Use of Reserves	(0.216)	(0.056)	(0.056)	0.000
14	Changes to Savings Identified in Prior Years	0.000	0.395	0.395	0.000
15	On-going savings Identified / Achieved	(1.242)	0.000	0.000	0.000
16	Other Adjustments	(0.072)	0.000	0.000	0.000
17	Use of New Homes Bonus	(0.500)	0.000	0.000	0.000
18	Gain from Essex Business Rates Pool Membership	(0.400)	0.000	0.000	0.000
		(2.586)	1.513	1.513	0.000
	Cost Increases				
19	Inflation - Employee / Members Allowance Costs (including annual review adjustments)	1.537	1.540	1.540	0.000
20	Inflation - Other	0.390	0.148	0.148	0.000
21	Unavoidable Cost Pressures	1.716	0.500	1.157	0.657
		3.643	2.188	2.845	0.657
22	Add back Use of Forecast Risk Fund / Reserves in Prior Year	1.236	0.261	0.261	0.000
23	ANNUAL Structural Budget Deficit / (Surplus) BEFORE Required 'Savings'	0.261	3.795	4.163	0.368
24	On-going Savings Required	0.000	(1.319)	(2.655)	(1.336)
25	ANNUAL Structural Budget Deficit / (Surplus) AFTER Required 'Savings'	0.261	2.476	1.508	(0.968)
26	Use of Forecast Risk Fund / Other Reserves to support the Net Budget Position	(0.261)	(2.476)	(1.508)	0.968

Use of Forecast Risk Fund

Outturn b/fwd from prior years	(6.426)	(6.415)	(6.415)	
Applied in year as set out in the forecast above	0.261	2.476	1.508	(0.968)
Additional contributions generated / required in year	(0.250)	(0.250)	(0.250)	0.000
Balance to Carry Forward	(6.415)	(4.189)	(5.157)	(0.968)

Savings Plan - Forecast 2025/26 and Beyond

Description	Totals	On-going / One-off	Planned Delivery / Impact 2025/26	Planned Delivery / Impact 2026/27	Comments
Income Budgets					
Business Rate Income	700,000	On-going	700,000	0	Additional anticipated income from business rates - this is the estimated impact from a mix of regeneration / economic growth, transitional arrangements following revaluation and less pessimistic forecasting
Revenue Support Grant / Financial Settlement	1,039,000	On-going	619,000	420,000	Following the Government's recent Autumn Budget Statement and associated policy statement, which set out a strong commitment to 'protect' the local government sector, no reduction in funding compared to 2024/25 is now expected. This therefore represents additional Government funding over and above original forecasts.
Rent Reviews	30,000	On-going	30,000	0	Additional income will be generated from the usual rent reviews undertaken as part of the underlying existing lease agreements
VAT on Leisure Fees	265,000	On-going	265,000	0	Following further review, the originally anticipated favourable VAT status has been confirmed.
Treasury Investment Income	215,000	On-going	215,000	0	Although a reduction in income was included within original forecasts, based on the current trajectory of future interest rate reductions, it is likely that additional income will be generated in the short to medium term years of the forecast.
NEW - Government's Commitment to Fund Cost of National Insurance Increases	474,300	Potentially On-going (subject to future LG funding settlements)	474,300	0	In addition to the item above relating to the Revenue Support Grant, the Government have committed to reimburse Local Councils for the additional cost of the recently announced changes to employers national insurance rates. Although it is expected that this will be included within the wider Local Government Financial Settlement figures using notional amounts, the figure currently included represent the Council's actual estimated cost. This will therefore be subject to amendment later in the budget setting process once figures are finalised.
NEW - Inter Authority Agreement with ECC relating to Food Waste	21,480	On-going	21,480	0	Additional income is due to the Council as part of the underlying agreement with ECC.
Expenditure Budgets					
Asset review	220,000	On-going	120,000	100,000	This represents estimated savings from reviewing the Council's operational assets and further possible rationalisation opportunities.
IT Savings	200,000	On-going	50,000	150,000	A number of activities are underway to support the delivery of savings and/or the mitigation of increased costs.
Energy Costs - Leisure Centres	50,000	On-going	50,000	0	As previously reported, following the implementation of a number of energy saving initiatives, energy budgets are likely to be reduced - this is subject to the wider / underlying price volatility relating to utility costs.
Wireless Access Point Licences	10,000	On-going	10,000	0	As previously reported, there will be savings from the annual licence fee for the Council's Wireless Access Points across its estate.
Initial PFH Savings 'Allowance'	250,000	On-going	0	250,000	This represents the potential aggregate of savings from reviews undertaken by Portfolio Holders in consultation with Services.
Beach Hut Leases Review	100,000	On-going	100,000	0	Although the necessary re-investment will be undertaken in terms of seafront assets and amenities, there is now greater flexibility in the use of income generated from beach huts across the Council's wider budget.
Total	3,574,780		2,654,780	920,000	

COST PRESSURE SUMMARY

					Proposed Budget Adjustments										
	Adjustments made to the budget to date in 2024/25	On-Going Base Budget Adjustment Included in 2024/25 £	2024/25 One-Off Additional Amount Agreed Earlier in the Year £	Total Adjustments 2024/25 £	2025/26 £	2026/27 £	2027/28 £	2028/29 £	2029/30 £	2030/31 £	2031/32 £	2032/33 £	2033/34 £	Comments	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	
On-going Items															
Insurance Premiums Costs	Base Budget 24/25 - £26k Q1 Financial Performance Report 2024/25 - Further £25k	26,000	25,230	51,230	31,730	31,730	31,730	31,730	31,730	31,730	31,730	31,730	31,730	This item reflects the most up to date position following the recent renewal process. Costs may increase further during 2025/26 but this will not be known until the next renewal process is undertaken during the summer / autumn of 2025. This will therefore be kept under on-going review as part of the Financial Performance reports during next year.	
Commercial Investment Property Potential Rental Income Reduction	Base Budget 24/25	0	0	0	0	125,000	125,000	125,000	125,000	125,000	125,000	125,000	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.	
Homelessness Costs	Base Budget 24/25 - £500k Outturn Report 2023/24 - Further £500k Q2 Financial Performance Report 2024/25 - Further £1.2m	500,000	1,700,000	2,200,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	This area of the budget remains a significant financial challenge, although the Government have committed to providing extra funding to support Local Authorities. Although Spendells House will have a significant positive impact, it is likely that additional costs will be incurred over and above the £500k included in the base budget from 2024/25 onwards. With this in mind, a further sum of £500k has been included from 2025/26, which will be reviewed in light of any additional financial support emerging from the Local Government Finance Settlement.	
Vehicle Hire Costs	Base Budget 24/25	34,100	0	34,100	8,500	62,400	62,400	62,400	62,400	62,400	62,400	62,400	62,400	This reflects the cost associated with the rolling replacement of various existing fleet vehicles used within Services.	
Career Track Net Revenue Position	Q3 Financial Performance Report 2023/24 - £25k Outturn Report 2023/24 - Further £50k	0	75,000	75,000	50,000	40,000	30,000	20,000	10,000	0	0	0	0	As previously reported the Service continues to work towards reducing the overall subsidy where possible. This amount reflects a revised approach where a phased reduction in the required subsidy is proposed from 2025/26 onwards.	
Reduction in recreation grounds income - general hire and bookings	Q1 Financial Performance Report 2024/25	0	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	This adjustment recognises the on-going reduced income being experienced across the Council's various recreation grounds.	

	Adjustments made to the budget to date in 2024/25	On-Going Base Budget Adjustment Included in 2024/25 £	2024/25 One-Off Additional Amount Agreed Earlier in the Year £	Total Adjustments 2024/25 £	2025/26 £	2026/27 £	2027/28 £	2028/29 £	2029/30 £	2030/31 £	2031/32 £	2032/33 £	2033/34 £	Comments
Software Licences	Q1 Financial Performance Report 2024/25	0	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	This reflects the on-going impact from a decision in 2024/25. As part of previous discussions, it was highlighted that the Council is working with other LA partners with the aim of developing viable alternatives to the associated property case management system (IDOX) which is becoming increasingly important due to the increased costs associated with our existing software provider.
Merchant Acquirer Fees	Q1 Financial Performance Report 2024/25	0	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	With an increase in people paying by credit / debit card, the associated cost to the Council of accepting cards also increases. This however remains a cost effective mechanism to accept payments.
Tendring E-Newsletter	Q2 Financial Performance Report 2024/25	0	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000	This cost pressures relates to the purchase of software to support the publication of a regular e-newsletter. This is a priority action as part of the Council's Communication Strategy / Highlight Priority actions.
Car Parks - Additional merchant acquirer costs to facilitate payment by credit / debit cards	Q2 Financial Performance Report 2024/25	0	19,000	19,000	19,000	On-going cost to be funded from Parking Income from 2025/26 onwards								
External Audit Fees	New / Additional Sum	112,000	0	112,000	74,000	74,000	74,000	74,000	74,000	74,000	74,000	74,000	74,000	This cost pressure reflects the continuing increase in costs associated with the work of the External Auditor, from both a statutory perspective and where they are commissioned to undertake the certification of grant claims work required by the Government.
Members Code of Conduct - Responsibilities under Localism Act 2011 e.g. Review of Complaints / Investigations	New	0	0	0	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	This reflects the increased costs expected to continue on an on-going basis from 2025/26.
Independent Remuneration Panel Allowances	New	0	0	0	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	This reflects the decision made by Full Council on 26 November 2024, where allowances for members of the panel were highlighted / agreed.
Electoral Registration	New	0	0	0	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	This reflects increased postage costs being incurred. The Service are exploring opportunities to reduce this cost where possible.
Clacton Leisure Centre - 'Regular' Repairs & Maintenance Costs	New	0	0	0	17,000	On-going cost to be funded from Leisure Income from 2025/26 onwards								

	Adjustments made to the budget in 2024/25	On-Going Base Budget Adjustment Included in 2024/25 £	2024/25 One-Off Additional Amount Agreed Earlier in the Year £	Total Adjustments 2024/25 £	2025/26 £	2026/27 £	2027/28 £	2028/29 £	2029/30 £	2030/31 £	2031/32 £	2032/33 £	2033/34 £	Comments
Clacton Leisure Centre - 3G Pitch - Future Replacement Fund to ensure money is available when necessary in line with the associated external funding agreement.	New	0	0	0	7,000	On-going cost to be funded from Pitch / Leisure Income from 2025/26 onwards								
Total of On-Going Items		672,100	1,881,230	2,553,330	827,830	953,730	943,730	933,730	923,730	913,730	913,730	913,730	913,730	
One-Off Items														
Weeley Council Offices Costs	Q3 2023/24	0	65,000	65,000	65,000									This reflects the continuing cost of ownership, which includes items such as business rates and utility standing charges. Once ownership is transferred in accordance with the associated agreement then these costs will no longer be payable. Work remains in progress to limit the time that the Council retains this liability, with therefore only a potential additional cost in 2025/26 with no further costs expected in future years.
Implement Beach Patrol Recommendations	Q3 2023/24 - £60k Q1 2024/25 - Further £38k	0	98,000	98,000	98,000									This reflects the costs associated with implementing recommendations from a recent review in partnership with the Royal Life Saving Society UK (RLSS). £98k was included in the budget to meet the associated costs for the 2024 season. It is proposed to include the same sum in the 2025/26 budget for the 2025 season with a review to be undertaken as to the longer term position / impact.
Continuation of contribution for the Harwich PCSO	Q3 Financial Performance Report 2023/24	0	24,650	24,650	25,000									It is proposed to set aside the required funding for this post for a further year subject to a separate report during 2025/26.
Fixed Term Family Support Officer	Q3 Financial Performance Report 2023/24	0	48,750	48,750	49,000									It is proposed to set aside the required funding for this post for a further year subject to a separate report during 2025/26.
Fixed Term Housing Early Intervention Officer	Q3 Financial Performance Report 2023/24	0	43,610	43,610	44,000									It is proposed to set aside the required funding for this post for a further year subject to a separate report during 2025/26.
Community Governance Review - Clacton-on-sea, Holland-on-sea and Jaywick Sands	New	0	0	0	48,400									As agreed by Full Council on 26 November 2024
Total of One-Off Items		0	280,010	280,010	329,400	0	0	0	0	0	0	0	0	
Total of Unavoidable Items Included in the Forecast		672,100	2,161,240	2,833,340	1,157,230	953,730	943,730	933,730	923,730	913,730	913,730	913,730	913,730	
Change across years for Inclusion within the forecast			-	-	-	(203,500)	(10,000)	(10,000)	(10,000)	(10,000)	0	0	0	

Risk Assessment of Each Line of the Forecast

APPENDIX D

	Relevant line of the Forecast	RAG Assessment of Risk	Comments
	<i>Underlying Funding Growth in the Budget</i>		
1	Council Tax Increase 1.99%		Although this always remains subject to future Government policy, it is expected that an allowable inflationary uplift will continue to be a feature in the Local Government finance settlement and associated council tax referendum principles.
2	Council Tax increase by £5 (amounts set out are over and above the 1.99% above)		Although similar to the above, there is less certainty around the level of increase that the Government may allow over and above a 'base' inflationary uplift. However it is expected that such increases will be allowable in the short to medium term without invoking the need to hold a referendum. This will remain subject to on-going review.
2a	Council Tax increase by 2.99% (amount set out are over above the 1.99% / £5 increase above)		
3	Growth in business rates - Inflation		Similar to Council Tax above, based on the historic trend of inflationary uplifts in the poundage applied to rateable values, modest inflationary increases are relatively certain over the life of the forecast. However there remains the risk that the Government may 'cap' or 'freeze' future annual increases that may limit additional income available to Local Authorities - although this risk is currently being mitigated via the Government's on-going commitment to 'reimburse' Councils for any 'lost' income.
4 & 5	Growth in business rates / council tax - general property growth		Underlying growth in business rates and council tax are expected to remain relatively stable and robust in the long term, although the longer term impact from the more general economic challenges faced globally / nationally remains unclear at the present time. This is in addition to the potential impact from future Government policy relating to the business rates retention framework and their proposed business rates 'reset'.
6 & 7	Collection Fund Surpluses b/fwd		Although only relatively modest amounts have been included in the forecast, similarly to the above, the longer term impact of the issues identified remain unclear at the present time.

Risk Assessment of Each Line of the Forecast

APPENDIX D

	Relevant line of the Forecast	RAG Assessment of Risk	Comments
	<i>Net Cost of Services and Other Adjustments</i>		
8	Reduction in RSG		Based on recent Government announcements, they have committed to supporting the public sector including Local Authorities. However the uncertainty introduced by the Government's upcoming spending review and the review of Local Government funding from 2026/27 means that this line of the forecast remains one of the primary risks to the Council's long term plan. Updates will be provided during 2025/26 as more information emerges from the Government and the forecast will be updated accordingly.
9	Remove one-off items from prior year		These are known adjustments
10	Remove one-off items from prior year - Collection Fund Surplus		These are known adjustments based on the assumptions set out above concerning the year on year change in the collection fund position
11	LCTS Grant To Parish Councils		Although this in principle remains subject to confirmation of the level of RSG receivable from the Government, to date the Council has remained committed to providing the associated funding to Town and Parish Councils.
12	Revenue contributions to the capital programme		This is based on reoccurring 'base' amounts that support the replacement of IT hardware along with the provision of disabled facilities grants. Any changes to this line of the forecast would be via the management of cost pressures below rather than being a risk in isolation.
13	Specific change in Use of Reserves		Changes in the use of reserves primarily reflect other changes elsewhere in the budget/ forecast so are not a significant risk in isolation.
14	Changes to Savings Identified in Prior Years - E.g. On-going Impact		These are known adjustments based on the preceding year's budget.
15	On-going savings required		This line of the budget fundamentally acts as the 'safety valve' for other changes elsewhere in the forecast and would need to be increased if adverse issues were experienced or estimates were not in line with predictions. Although the long term forecast provides flexibility in the timing of the delivery of such savings, the scale of the estimated savings required remains significant. The Council will continue to undertake the necessary activities to identify opportunities / options within the established Savings Plan framework. This will need to be undertaken alongside the development of corporate objectives / priorities and include wherever possible exploring ways to reduce the Council's costs / liabilities.
16	Other Adjustments		Changes to this line of the forecast primarily reflect other changes elsewhere in the budget/ forecast so are not a significant risk in isolation.

Risk Assessment of Each Line of the Forecast

APPENDIX D

	Relevant line of the Forecast	RAG Assessment of Risk	Comments
17	Use of New Homes Bonus		Unlike earlier years of the long term plan, new homes bonus grant funding along with the benefit of being a member of the Essex Business Rates Pool are included in the forecast on an on-going basis. The risk of building this funding into the base budget is acknowledged, which would undoubtedly require additional savings to be identified in the medium to longer term if they were no longer receivable in future years.
18	Gain from Essex Business Rates Pool Membership		
	Cost Increases		
19, 20 & 21	Inflation and Unavoidable Cost Pressures		<p>Alongside the savings target above, it is recognised that this element of the forecast remains as a significant risk, especially given the amount of unavoidable cost pressures that continue to emerge. Identifying opportunities to reduce such liabilities will need to be a key activity going forward. Although on-going revenue items remain the most difficult items to respond to, one-off items, such as those associated with repairing / refurbishing assets could also have a significant impact on the forecast. One-off funding has been made available elsewhere in the budget to support these one-off costs, which therefore contributes to the mitigation of this risk.</p> <p>Another significant risk to the forecast is external income, especially from elsewhere in the public sector where similar financial pressures are being experienced. Such items include the funding from the major preceptors in respect of the Council Tax Sharing Agreement - This will continue to be reflected in the forecast based on ECC's current commitment, but it may need to be reviewed in future years.</p>