

# CABINET

30 JANUARY 2025

## REPORT OF THE PORTFOLIO HOLDER FOR FINANCE AND GOVERNANCE

### A.3 UPDATED GENERAL FUND FINANCIAL FORECAST / BUDGET 2025/26

#### PART 1 – KEY INFORMATION

##### PURPOSE OF THE REPORT

To seek Cabinet's approval of:

- The latest financial forecast / budget proposals and council tax amount for 2025/26 for recommending to Full Council;
- a delegation to the Portfolio Holder for Finance and Governance to agree the detailed budget proposals and formal draft resolutions / 'technical' appendices required for Full Council on 11 February 2025; and
- a delegation to the Portfolio Holder for Finance and Governance, to agree / adopt a Retail, Hospitality and Leisure mandatory business rate relief scheme for 2025/26 along with any other changes to reliefs that may be announced by the Government.

##### EXECUTIVE SUMMARY

- At its meeting on the 20 December 2024, Cabinet considered the updated financial forecast / budget 2025/26.
- The updated financial forecast was subject to consultation with the Resources and Services Overview and Scrutiny Committee, which met on the 13 January 2025, and their comments are considered elsewhere on the agenda.
- Since the Cabinet's meeting on 20 December 2024, additional changes have been required, primarily as a result of new or revised information becoming available, which includes the impact of the Government's Provisional Local Government Financial Settlement announcements.
- The changes required result in a reduced deficit for 2025/26 of **£0.056m** (0.3% of the Council's current net budget), a change of **£1.452m** compared to the **£1.508m** deficit presented to Cabinet in December. **Appendix A**, along with comments set out later on in this report, provide further details across the various lines of the forecast, with the most significant change being the favourable and potentially one-off income from Business Rates via the estimated Collection Fund position at the end of this financial year.
- The most up to date savings schedule and cost pressure summary are set out in **Appendices B and C** respectively.
- To enable the detailed estimates along with the various resolutions / 'technical' appendices required for Full Council in February to be finalised, a delegation to the

Portfolio Holder for Finance and Governance is included below. A further delegation is also included to enable a business rate relief policy, associated with the continuation of a mandatory Government relief scheme in 2025/26, to be finalised in advance of bills being printed and sent out before the start of the financial year, along with reflecting any further changes that could be announced by the Government.

- The budget position set out in this report will change as further adjustments are required as part of finalising the budget for presenting to Full Council on 11 February 2025, with a further delegation included in the recommendations to reflect this.
- Based on the final proposed budget for 2025/26, the Council's own council tax requirement is **£10.674m**, which is based on a 2.99% (**£5.79**) increase for this Council's services, with an annual Band D council tax of **£199.52**. These figures are expected to remain unchanged and therefore will be reflected in the various budget resolutions / 'technical' appendices proposed to be delegated to the Portfolio Holder for Finance and Governance.
- The Council's annual budget and the District and Parish elements of the council tax will be considered by Full Council on 11 February 2025 with approval of the 'full' council tax levy for the year being considered by the Human Resources and Council Tax Committee later in February 2025.
- As set out in earlier reports, despite the challenging financial and economic environment, confidence in the long-term approach to the forecast remains, which is supported by the Forecast Risk Fund. The Council continues to maintain a prudent and sustainable approach to its long-term plan, which provides the 'platform' against which it can consider its on-going financial position in response to the challenging economic outlook it faces.

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

**It is recommended that Cabinet:**

- a) Approves the updated financial forecast set out in Appendix A, along with the savings and cost pressures set out in Appendix B and C respectively that form the firm proposals for the 2025/26 budget and *recommends to Full Council:***

  - (i) A Band D Council Tax for district services of £199.52 for 2025/26 (a 2.99% increase), along with the associated council tax requirement of £10.674m.**

- b) approves a delegation to the Portfolio Holder for Finance and Governance, to agree the 'technical' appendices and resolutions for the budget proposals for recommending to Full Council on 11 February 2025;**
- c) approves, subject to b) above and in consultation with the Finance and Governance Portfolio Holder, the Chief Executive reports directly to Council in respect of the formal resolutions necessary to implement the Executive's budget proposals including any further amendments emerging from additional information becoming available and/or notifications received from the Government; and**
- d) approves a delegation to the Portfolio Holder for Finance and Governance, to agree / adopt a Retail, Hospitality and Leisure mandatory business rate relief scheme for**

**2025/26 along with any other changes to reliefs that may be announced by the Government.**

#### **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 for recommending to Full Council in February 2025.

#### **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.

At its meeting on 20 December 2024, Cabinet agreed a number of initial highlight priorities for consultation, which included:

- **Deliver Savings Plan for 2025/26** - To take the necessary steps to implement outstanding items included within the adopted Savings Plan for 2025/26. To review the Saving Plan set against the long term financial forecast and the impact of the Local Government Finance settlement (as it relates to the District), including the Government's longer term funding review, to develop a 'pipeline' of options for consideration.
- **Develop Savings Plan for 2026/27** - Complete the implementation of the items in the 2025/26 Savings Plan and develop the requirement for Savings in 2026/27 and beyond.
- **Develop a High-Level Transformation Strategy and a Targeted Plan for 2025** - Develop a Transformation Strategy/Plan to include the active management of the Council's costs and liabilities and addressing both supply side and demand side challenges faced by the Council.

The above form important elements of supporting the Council deliver financial sustainability over the life of the forecast. 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, managing liabilities and cost pressures whilst limiting reductions in services provided to residents, business and visitors where possible. 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.

The Resources and Services Overview and Scrutiny were consulted on the budget proposals with their response, that was agreed at their meeting on 13 January 2025, set out elsewhere on the agenda.

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

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

A local authority must budget so as to give a reasonable degree of certainty as to the maintenance of its services. In particular local authorities are required by section 31A(2)(b) and (c) of the Local Government Finance Act 1992 to calculate as part of their overall budget what amounts are appropriate for contingencies and reserves.

Essentially the budget decision meeting of Full Council for the approval of the budget and its council tax requirement, is setting the council tax, following a recommendation from Cabinet. Individual amounts are set for expenditure, these are added up and that's how much money the Council requires. Then the Council works out how much money it is likely to get from other sources (charges, grants, investment, the gap after the calculation = council tax).

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.

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.

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

Subject to Government guidance, Business Rate Reliefs may be provided using powers under Section 47 of the Local Government Finance Act 1988, which require a local scheme to be developed and approved. Where reimbursed by the Government, this is done via Section 31 of the Local Government Act 2003.

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 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 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.

In 2024, the former 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 its 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.

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

<b>Yes</b>	<b>The Monitoring Officer confirms they have been made aware of the above and any additional comments from them are below:</b>
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The 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 of delivering actions supported by the Council's agreed budget each year.

Within the Best Value Guidance, characteristics of a well-functioning authority are set out under each theme, as part of 'Leadership', an expected standard is that "*The authority's financial strategy and delivery arrangements are aligned with priorities in the corporate plan, and respond appropriately to local need, including the plans of partners and stakeholders.*" This linkage is demonstrated through the reference to the Council's Corporate Plan and draft Highlight Priorities, as set out in the Delivering Priorities section of this report.

The Council's budget makes provision on the basis of Council services which are under consideration will be delivered. The budget does not itself authorise any changes to services and does not assume that changes will be made. Any changes to services will need to be the subject of appropriate consideration by the Cabinet Member or the Cabinet following, where

appropriate, consultation and a full report setting out options for change, the impact of the proposed changes on service users, including in particular the impact on different equality groups. Where a decision is made not to implement any changes then budgetary adjustments may need to be made, however no savings to Council services are currently identified.

The obligation to make a lawful budget each year is shared equally by each individual Member, at Full Council following recommendations from the Cabinet. In discharging that obligation, Members owe a fiduciary duty to the Council Taxpayer. The budget must not include expenditure on items which would fall outside the Council's powers. Expenditure on lawful items must be prudent, and any forecasts or assumptions such as rates of interest or inflation must themselves be rational. Power to spend money must be exercised bona fide for the purpose for which they were conferred and any ulterior motives risk a finding of illegality. In determining the Council's overall budget requirement, Members are bound to have regard to the level of Council Tax necessary to sustain it. Essentially the interests of the Council Taxpayer must be balanced against those of the various service recipients.

### **FINANCE AND OTHER RESOURCE IMPLICATIONS**

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

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

The long term approach to the forecast set out in this report has been discussed with the Council's new External Auditor, albeit informally. There were no major concerns raised but they will undertake their own independent and detailed review as part of their commentary on the Council's use of resources, which is expected to be reported to the Council early in 2025.

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

### **USE OF RESOURCES AND VALUE FOR MONEY**

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

<p>A) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;</p> <p>B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and</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>This is addressed in the body of the report.</p> <p>In terms of an independent view, the Council's previous External Auditor 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><i>"Our VFM work for 2020/21 to 2022/23 has not identified any significant weaknesses in the Authority's arrangements".</i></p>
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## MILESTONES AND DELIVERY

This report forms part of the Council's wider budget setting processes, with budget proposals being set out in this report for recommending to Full Council on 11 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 has been set out in earlier reports and reflected within this report as necessary and will continue to be addressed as part of the future financial update reports.

It is likely that further cost pressures may have to be included as part of further iterations of the forecast. As set out in earlier reports, 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.

In previous reports, it was highlighted that there were likely to be emerging risks associated with the establishment of the Office for Local Government (OFLOG). The Government have confirmed that they are no longer implementing this office / body and therefore subject to any further announcements, this risk has now been removed.

As set out in **Appendix A**, the Forecast Risk Fund remains a key element of the long-term plan approach. 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.

As highlighted within a table further on in this report, the Forecast Risk Fund is estimated to be depleted during 2029/30, which adds further financial risks and challenges and will require further savings to be identified to deliver a sustainable financial position, which has been acknowledged within the highlight priorities mentioned earlier. It is also worth highlighting that opportunities may arise where additional money could be added to the Forecast Risk Fund over the forecast period, which may provide further flexibility and context to the requirement to identify savings going forward.

The forecast will remain 'live' and be responsive to changing circumstances and it will be revised on an on-going basis. If unfavourable issues arise, that cannot be mitigated via other changes within the forecast then the forecast will be adjusted and mitigating actions taken, which could include increasing the current savings 'targets' within the forecast. Actions to respond will therefore need to be considered but can be taken over a period of more than one year. In respect of this latter point, it is important to also highlight that like many other Councils, this Council has had to rely on the use of reserves to balance its budget, albeit in a planned way via the Forecast Risk Fund. It is essential that the Council continues to work towards delivering in-year balanced budgets as soon as possible rather than continue to rely on reserves, which is not sustainable in the longer term.

The outcome from risk management reviews are planned to be reported as part of the quarterly financial performance reports throughout the year (the latest one being reported to Cabinet on 20 December 2024). It is important to highlight that there are no new / significant adverse issues that have arisen in terms of the annual Forecast Risk Fund surpluses since the last position



was reported. The associated risk management appendix has therefore not been repeated as part of this report. However, it will continue to form part of the regular reporting of the financial forecast going forward as necessary.

**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.

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.

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

**PART 3 – SUPPORTING INFORMATION**

**BACKGROUND**

On 20 December 2024 Cabinet considered the Updated Financial Forecast / Budget 2025/26 for consultation with the Resources and Services Overview and Scrutiny Committee. The report set out an estimated deficit of **£1.508m** in 2025/26, which was being met from the Forecast Risk Fund.

The development of the forecast / budget has continued since the above Cabinet meeting with changes required to reflect the latest information, such as the outcome of the Provisional Local Government Finance Settlement. The most up to date position is set out in **Appendix A**, which highlights a reduced deficit position for 2025/26 of **£0.056m**, which will continue to be met from the Forecast Risk Fund.

The most up to date forecast, savings schedule and cost pressure summary are set out in this report. However, at the time of finalising this report, a number of budget adjustments had yet to be finalised. A further delegation is therefore included in the recommendations above to enable these budget adjustments to be included in the final budget proposals that will be presented to Full Council in February and for completeness includes:

- Recharges between the GF and HRA
- Income from Business Rates
- Any changes emerging from the Final Local Government Finance Settlement and / or other grants / funding, which will include the final position in respect of the proposed reimbursement of the increased national insurance costs that is set out within **Appendix B**.
- Any impact from proposed fees and charges

Any net changes emerging from the above will be adjusted against the Forecast Risk Fund.

Once the final budget adjustments are reflected in the forecast, the detailed / technical information that is required to be reported to Full Council in February will be finalised and an associated delegation to the Portfolio Holder for Finance and Governance is included in the recommendations to reflect this. For completeness these 'technical' appendices include the following:

- *Detailed General Fund revenue estimates, capital programme and reserves 2025/26*
- *Special Expenses 2025/26*
- *Requisite Budget Calculations 2025/26*
- *District Council Taxes for All Areas 2025/26*
- *Precepts on the Collection Fund – District Amounts 2025/26*
- *District Council Tax Amounts 2025/26 (excluding County, Fire and Police services)*
- *Calculation of Estimated Surplus on the Collection Funds for 2025/26*
- *Prudential Indicators 2025/26*

The formal approval of the 'full' council tax levy for the year including the District amount approved by Full Council in February along with the Essex County Council and Police / Fire precepts will be considered by the Human Resources and Council Tax Committee later in February 2025.

#### **LATEST FINANCIAL FORECAST AND BUDGET PROPOSALS 2025/26**

As highlighted earlier in this report, the forecast considered by Cabinet at its 20 December 2024 meeting set out a deficit of **£1.508m**. This deficit has subsequently been revised downwards to **£0.056m**, a change of **£1.452m** highlighted in **Appendix A**, which as set out below, is largely due to the favourable and potentially one-off income from Business Rates via the estimated

Collection Fund position at the end of this financial year.

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 20 December 2024):

Item in the Forecast	Change since forecast was considered on 20 December 2024	Comments
<b>Underlying Funding Growth in the Budget</b>		
<b>Line 7 –</b> Collection Fund Surpluses b/fwd - BR	Forecast Income Increased by <b>£1.135m</b>	This reflects the estimated position at the end of 2024/25 that is carried forward to support the budget position in 2025/26. This broadly reflects a number of positive elements that impact on the recovery of income post the COVID 19 period.  Collection Fund surpluses are broadly seen as one-off in nature so this level of income cannot be relied upon on an on-going basis, which will be reflected in the longer term forecast as necessary.
<b>Net Cost of Services and Other Adjustments</b>		
<b>Line 20 –</b> Inflation – Other	Estimated increased costs of <b>£0.098m.</b>	Inflationary assumptions remain relatively volatile, with current forecasts anticipating a slower trajectory of downward adjustments in the months ahead. The forecast has been updated to reflect this revised position.
<b>Line 24 –</b> On-going Savings Required	Estimated increase in savings of <b>£0.415m.</b>	<b>Appendix B</b> sets out a revised position compared with the December report to Cabinet, with one item amended (Provisional Local Government Finance Settlement) along with one new item added (Council Tax Sharing Agreement with the Major Preceptors).

*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 Full Council at its February 2025 meeting in-line with the proposed recommendations highlighted earlier in this report.*

There have been no changes to the cost pressure line of the forecast, with **Appendix C** currently remaining unchanged compared to the position reported to Cabinet in December. Although there have been no changes since December, it is worth highlighting the potential indirect impact of the Government’s recent employer’s national insurance increases as they will undoubtedly feed through the supply chain, with the potential to increase the Council’s costs

further. Although it will be difficult to identify / isolate the impact of any potential increases, the matter will be kept under review during the year.

As highlighted at Cabinet's meeting on 20 December 2024, the Provisional Local Government Finance Settlement was announced on 18 December 2024, which has now been reflected in the forecast (additional income has been included within Line 24 of the forecast as mentioned within the table above). The provisional position announced by the Government set out a number of issues and proposals such as:

- The introduction of a 'recovery grant' with the aim of increasing the efficiency of Government funding by targeting money towards areas with greater need and demand for services (using deprivation indices), and less ability to raise income locally. (This grant totals £0.591m for TDC in 2025/26).
- Maintaining a 'funding floor grant' to provide the protections required for all authorities, including district councils, to sustain their services between years and guaranteeing that no local authority will see a reduction in their core spending power in 2025/26 (This grant totals £0.200m for TDC in 2025/26 but with no increase in spending power as per the Government's methodology).
- Confirming each Local Authority's Revenue Support Grant (This grant totals £0.815m for TDC in 2025/26)
- Highlighting the arrangements relating to the Extended Producer Responsibilities (EPR) grant, which is deemed to be 'outside' of the Provisional Settlement amounts. This grant reflects a significant new income stream from fees paid by packaging producers. In theory the income aims to cover the existing costs local authorities incur for managing household packaging waste, provide additional funding for new legal duties, and support much needed investment in the waste and recycling industry. Figures have been shared directly with Councils by the Department for Environment, Food and Rural Affairs. The Government have confirmed that more details on this scheme will follow in due course and they will assess the impact of additional EPR income on the relative needs and resources of individual local authorities, and how it is factored into their measurement of local authority spending power, ahead of the 2026/27 Settlement. (This grant totalled £0.892m for TDC in 2025/26).
- Confirming the Government's commitment to reimburse Local Authorities for the direct cost of the recent increases in NI contributions. Based on indicative figures, it is possible that the money payable to Local Authorities will only partially offset the increased costs, but the position for each individual local authority will not be known until the final settlement figures are announced.

Based on the above, the overall level of grant funding receivable within the overall settlement is **£1.606m** (excluding NHB). This is **£0.632m** less than the amount receivable in 2024/25. Although this has been more than offset by the EPR grant of **£0.892m** highlighted above, it does raise the risk that without this latter grant, which is only guaranteed for 2025/26, it could indicate that the Council may 'lose' out under any future changes to the Government's funding arrangements from 2026/27 as highlighted below.

In addition to the issues above, associated announcements relating to potential future changes were also highlighted and included the following:

- The Government's intention to 'reset' the business rates retention system, as was originally intended when the previous government established the system. The Government stated that this is long overdue given that there has been no reset of the system since its introduction in 2013/14 and a reset will further allow them to match funding to where it is needed most. The reset will apply nationally, but business rates growth generated within designated areas such as Freeports, Enterprise Zones and Investment Zones will be exempt in line with current policy. A period of consultation will be undertaken to inform the above work.
- From 2026/27, the Government want to fundamentally improve the way they fund Councils and direct funding to where it is most needed, based on an up-to-date assessment of need and local resources. These reforms will build on the proposals set out in the previous Government's review of Relative Needs and Resources (also referred to as the 'Fair Funding Review'), using the best available evidence to inform local authority funding allocations. The Government have stated their intention to move gradually towards an updated system and will invite views on possible transitional arrangements to determine how local authorities reach their new funding allocations. It is expected that a period of consultation will be undertaken to inform the above work.
- The Government stated that 2025/26 will be the last year of the New Homes Bonus in its current form. They plan on consulting on proposals for reforming the NHB beyond 2025/26 in due course.

The above introduces a number of challenges, not least the uncertainty in the short term that makes forecasting beyond 2025/26 difficult. It is also worth highlighting the potential impact of Local Government devolution / LGR which could make financial planning even more challenging over the forecast period. Such issues will need to be remain highlighted within the forecast risk table that accompanies the wider forecast (the most recent update was presented to Cabinet at its 20 December 2024 meeting) and further updates will be provided during 2025/26 as necessary.

Notwithstanding the reference to the New Homes Bonus Grant above, within the Provisional Local Government Finance Settlement, the Government confirmed the provisional New Homes Bonus Grant due to the Council in 2025/26 - a total of **£0.925m** will be receivable in 2025/26, which is **£0.425m** more than the 'base' amount of **£0.500m** that currently supports the Council's underlying budget. Similarly to the approach taken in 2024/25, it is not proposed to increase this 'base' amount of **£0.500m** but instead set aside the additional funding of **£0.425m** within a one-off budget for further consideration later in the year.

As highlighted earlier, work still remains on-going across a range of budget items such as business rates, recharges between the GF and HRA. These will be finalised and included in the final budget proposals to be considered by Full Council on 11 February 2025.

### **Sensitivity Testing**

Work remains in progress to update associated sensitivity testing of the forecast, with the outcome planned to be presented as part of the on-going development of the budget for consideration by Full Council in February 2025.

## **Reserves**

As part of the budget setting process, a timely review of the appropriateness of the level of reserves was undertaken, with the outcome reported to Cabinet at its December meeting.

As highlighted in the December report to Cabinet, there remains 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.

No changes over and above those set out elsewhere in this report are currently proposed. 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 remains adequate and will remain under review as part of updating the 'live' forecast and in light of any emerging risks or changes to the risk environment.

## **Potential Further Cost Pressures**

The cost pressures included within the budget to date broadly reflect unavoidable items and it is therefore recognised that potential additional financial demands may emerge going forwards. This has been mitigated to date with timely interventions during the year to address a range of emerging risks with any on-going impact included in the **Appendix C** where necessary. The Council needs to remain alert to additional items that may emerge, including opportunities for investment to support the development of the forecast and Council priorities, which will remain subject to on-going review as part of the various financial reports presented to Cabinet during the year along with the potential and associated use of the Corporate Investment Fund which currently totals **£3.614m**.

## **ADDITIONAL INFORMATION**

### **Council Tax Levy 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%** over the 2024/25 figure of **51,866**.

In terms of the proposed increase above, the Government have confirmed their commitment to allow District Councils to increase their share of the council tax by 2.99%, although future potential increases still remain subject to further Government announcements.

As set out in previous reports, the Council will continue to opt-in to the Council Tax Sharing Agreement with ECC if it remains financially advantageous to do so. This scheme has continued to provide a financial benefit to the Council over recent years and will continue to do so heading into 2025/26 (which is the second year of the current two year agreement), with the associated figures included in the proposed budget as highlighted earlier.

### **Locally Retained Business Rates**

A change to the forecast has been included as highlighted within the earlier table above, which relates to the estimated Collection Fund surplus for the year.

No further changes over and above this amount have been reflected in the updated forecast at this stage.

The Council continues to remain a member of the Essex Business Rates Pool, with its continuing membership proposed for 2025/26. Unless a Local Authority withdraws from the

Essex business rates pool, the pool will continue in 2025/26. As introduced within the 2024/25 budget, the benefit from remaining a member of the Essex Business Rates Pool continues to be recognised within the forecast and base budget, with income of **£0.400m** therefore included in 2025/26.

As part of providing financial support to businesses, the Government have announced the continuation of the Retail, Hospitality and Leisure Business Rate Relief Scheme that was introduced last year, retaining the existing eligibility criteria but reducing the level of relief to 40% compared to the previous 75%. Although also limited by a 'cash cap' of £110,000, the scheme continues to provide support to those businesses who operate within the retail, hospitality and leisure sectors. As has been the case for the last two years, the Council is required to agree / adopt a local scheme to enable relief to be granted to qualifying businesses. As the scheme is in affect a mandatory scheme prescribed by the Government with no local discretions proposed, the adoption of a scheme is therefore primarily a governance issue. With this in mind, a delegation is included within the recommendations above to enable an associated scheme to be agreed / adopted before the bills for 2025/26 are sent to businesses during February / March along with any further changes that may be announced by the Government.

The Government will fully reimburse the cost of providing the reliefs mentioned above via associated grant funding.

In terms of the rating multipliers, the Government have confirmed that for 2024/25, the small business multiplier in England will be frozen for a fifth consecutive year at 49.9p, while the standard multiplier will be uprated by September 2024 CPI to 55.5p. The Government will reimburse the Council for the loss of income that results from this announcement.

Work remains on-going to finalise the various budgets relating to business rate income, which will be completed via a separate decision of the Portfolio Holder for Finance and Governance for inclusion in the final budget proposals that will be presented to Full Council on 11 February 2025.

### **Capital Programme**

No changes to the forecast have been required at this stage. The full multi-year Capital Programme, including any cost pressures proposed, will be included within the final budget proposals that will be presented to Full Council in February.

### **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 are considered alongside the financial forecast process. No changes to the budget are proposed at the present time, but any changes required to reflect the separate decisions made will be included within the final budget proposals presented to Full Council in February.

Although agreed separately, it is planned to provide a full schedule of fees and charges to Members ahead of the Full Council budget meeting in February 2025.

### **Special Expenses**

No changes are currently proposed over and above those described in the report to Cabinet on 20 December 2024, with the underlying principles remaining the same as 2024/25. If changes are required as the budget develops, these will be reflected within the report to Full Council on 11 February 2025.

### **Annual Minimum Revenue Provision Policy Statement**

As set out in the report to Cabinet on 20 December 2024, 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.**

## **UPDATES TO THE FORECAST FOR THE PERIOD 2025/26 AND BEYOND**

Taking the most up to date position set out in this report in terms of the position for 2025/26, initial adjustments to later years of the forecast have been made along with their impact on the Forecast Risk Fund. For the first 4 years of the longer term forecast, a summarised position is as follows, which remains subject to further iterations as necessary:

<b>Year</b>	<b>Net Budget Position (including adjusting for prior year use of reserves etc. to balance the budget)</b>	<b>Forecast Risk Fund - Estimated Balance at the end of the year</b>
2026/27	£2.085m deficit	£4.773m (surplus)
2027/28	£1.812m deficit	£3.212m (surplus)
2028/29	£2.527m deficit	£0.935m (surplus)
2029/30	£3.254m deficit	£2.070m (deficit)

As set out in earlier reports, in terms of supporting the underlying context to the development of the budget for 2025/26, it is worth highlighting the following comment: *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 deficits that are still estimated to remain in the short term.

It is also worth repeating the point highlighted earlier in this report relating to the Council's initial highlight priorities, where the on-going delivery of a savings plan has been reflected as a key activity during 2025/26.

#### **OTHER CONSIDERATIONS**

Although this report has focused on the updated financial forecast and proposed budget for 2025/26, any potential impact over and above what is currently reflected in the in-year budget will be considered as necessary and kept under review and formally reported to Cabinet as part of the Q3 Financial Performance Report 2024/25 in February / March 2025.

#### **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.

Updated General Fund Financial Forecast / Budget 2025/26 – Item A.5 Cabinet 20 December 2024.

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

None

#### **APPENDICES**

**Appendix A** Updated Financial Forecast 2025/26  
**Appendix B** Savings Plan – Forecast 2025/26 and Beyond  
**Appendix C** Cost Pressure Summary

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