

COUNCIL

11 FEBRUARY 2025

REPORT OF CABINET

A.1 EXECUTIVE'S PROPOSALS – GENERAL FUND BUDGET AND COUNCIL TAX – 2025/26

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To present to Council the Executive's General Fund budget proposals for 2025/26.

EXECUTIVE SUMMARY

- The information and recommendations set out in this report reflect the financial forecast considered by Cabinet on 31 January 2025, along with a limited number of subsequent changes.
- As highlighted in the report to Cabinet on 31 January 2025, the following adjustments were outstanding at that time, which have now been reviewed / finalised for inclusion within the final budget proposals as necessary:
 1. Recharges between the GF and HRA.
 2. Income from Business Rates.
 3. 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**.
 4. Any impact from proposed fees and charges.
- In respect of item 3. above, at the time of finalising this report, the Final Local Government Finance Settlement was still awaited. A recommendation is included below to enable the budget to be updated accordingly once confirmation is received.
- The updated forecast for 2025/26, including the changes above, is set out in **Appendix A**. The forecast deficit for 2025/26 of **£0.056m**, that was reported to Cabinet in January, has been revised to an overall net surplus of **£0.839m**. This change is largely due to the final figures associated with income from business rates. This has therefore negated the need to draw money down from the Forecast Risk Fund, and instead a contribution of a corresponding amount to the same fund is proposed.
- **Appendices B and C** set out the Net Savings and Cost Pressures respectively. These remain unchanged from the same appendices considered by Cabinet on 31 January 2025.
- As recommended by Cabinet on 31 January 2025, the Executive's budget proposals set out a Band D Council Tax of **£199.52** in 2025/26, an increase of 2.99% (£5.79), with a Council Tax requirement of **£10.674m**.

- Taking into account the changes to the budget required since Cabinet met on 31 January 2025, the total net General Fund revenue budget for 2025/26 is **£17.660m**, along with a General Fund capital programme totalling **£0.827m**.
- The proposed contribution to the forecast risk fund in 2025/26 as highlighted above provides additional financial flexibility when looking ahead to 2026/27 and beyond.
- Within this context it is acknowledged that the Council needs to maximise the time that the Forecast Risk Fund provides, to identify and deliver the necessary savings to continue to support long term financial sustainability.
- The budget recommended by Cabinet for consideration by Full Council includes only the District and Parish elements of the council tax rather than those from the major precepting authorities. The formal approval of the 'full' Council Tax levy for the year, including the precepts from Essex County Council, Police and Fire, is delegated to the Human Resources and Council Tax Committee which is due to meet later in February 2025.

RECOMMENDATION(S)

That having had regard to the Chief Finance Officer's (S151 Officer) report on the Robustness of Estimates and Adequacy of Reserves in accordance with the requirements under Section 25 of the Local Government Act 2003, and having taken account of any responses to the budget consultation process, the Council approves the 2025/26 budget proposals (based on a 2.99% (£5.79) Band D council tax increase for district services) and agrees:

- i) that the total General Fund net revenue budget for 2025/26 be set at £17.660m (a council tax requirement of £10.674m excluding parish precepts);**
- ii) that the General Fund capital programme be approved totalling £0.827m in 2025/26;**
- iii) the detailed General Fund budget for 2025/26 as set out in Appendix D;**
- iv) the calculation of the Council's Council Tax requirement, Special Expenses and Parish/Town Council precepts, as set out at Appendix F;**
- v) the Council Tax for District and Parish/Town Councils' services as at Appendix I and that these are the amounts to be taken into account for the year in respect of the categories of dwellings listed in different valuation bands; and**
- vi) that subject to the above, if budget adjustments are required such as those necessary to reflect the Final Local Government Finance Settlement and the late notification of other external / grant funding, then in consultation with the Finance and Governance Portfolio Holder, the Council's S151 Officer be authorised to adjust the budgets accordingly with no net impact on the overall budget or capital programme set out above.**

REASON(S) FOR THE RECOMMENDATION(S)

To enable the Council's budget for 2025/26 along with the necessary associated decisions to

be considered for approval. The Council is required to set a balanced budget which is reflected in this report and recommendations.

ALTERNATIVE OPTIONS CONSIDERED

This is broadly covered in the main body of this report along with earlier associated reports.

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, businesses 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 this meeting of Full Council.

In-line with the above, the Resources and Services Overview and Scrutiny Committee were

consulted on the budget proposals at their meeting on 13 January 2025, with their comments considered by Cabinet on 31 January 2025.

At the time of finalising this report, the required consultation with Business Ratepayers remained on-going and any comments will either be provided ahead of the meeting or directly at this meeting of Full Council.

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 checked="" 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.

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 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 Business 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.

The provisions for business rates retention were brought in under Schedule 1 of the Local Government Finance Act 2012.

Subject to Government guidance, Business Rate Reliefs may be provided using powers under S47 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 S31 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. (See **Appendix K**)

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 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.

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 have had 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 later in February.

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:

A) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;	This is addressed in the body of the report.
B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and	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.
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.	The report was considered by the Council's Audit Committee on 9 December with the Auditor's headline statement as follows: <i>"Our VFM work for 2020/21 to 2022/23 has not identified any significant weaknesses in the Authority's arrangements".</i>

MILESTONES AND DELIVERY

This report forms the final element of the Council's annual budget setting process, with the final budget proposals set out in this report being considered by Full Council in advance of the year that they relate to.

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.

The cost pressures included within the proposed budget 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 **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**. In addition, and as set out in earlier reports, money has also 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 further '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 2030/31, 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 an increase to the level of savings required. 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 / proposed budget.

IMPLICATIONS FOR THE COUNCIL'S AIM TO BE NET ZERO BY 2050

There are no direct implications that significantly impact on the financial forecast / proposed budget.

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

BACKGROUND AND BUDGET PROPOSALS 2025/26

On 31 January 2025 Cabinet considered the following report:-

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

It was resolved that Cabinet:

- a) *approves the updated financial forecast, as set out in Appendix A to the Report of the Corporate Finance & Governance Portfolio Holder (A.3), along with the savings and cost pressures set out in Appendices B and C respectively that form the firm proposals for the 2025/26 budget and recommends to Full Council:-*

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) *authorises the Portfolio Holder for Corporate Finance and Governance, to agree the 'technical' appendices and resolutions for the budget proposals for recommending to Full Council on 11 February 2025;*
- c) *authorises the Chief Executive, in consultation with the Corporate Finance and Governance Portfolio Holder, to report 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) *authorises the Portfolio Holder for Corporate 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.*

In respect of item (b) above, this report's recommendations and appendices form the 'technical' and formal budget resolutions required to be considered by Full Council to determine the level of council tax and Budget for 2025/26. As agreed, in (a) above, the Band D council tax for district services of **£199.52** for 2025/26 (a £5.79 increase), along with the associated council tax requirement of **£10.674m**, remain unchanged to the position considered and agreed by Cabinet on 31 January 2025.

CHANGES SUBSEQUENT TO THE CABINET'S PROPOSALS OF 31 JANUARY 2025

As set out in the report to Cabinet on 31 January 2025, the following budget adjustments remained outstanding at that time:

- Recharges between the GF and HRA
- Income from Business Rates
- 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

These have now been reviewed / finalised with any necessary changes required to the forecast being set out in **Appendix A**, along with further details as follows:

- **Income from Business Rates – additional net income of £0.719m has been included in the forecast. (Line 5 – Appendix A)**

The figure highlighted above is over and above the **£0.700m** already included within **Appendix B** and reflects the outcome from the detailed and complex business rate calculations.

Full details were set out in an associated and 'technical' NNDR1 return that was recently agreed by the Portfolio Holder for Finance and Governance and submitted to the Government as required. The latest forecast and budget proposals therefore reflect the information set out in the NNDR1 return for 2025/26 and include a number of assumptions

such as the reimbursement from the Government to meet the loss of income from 'freezing' the small business rate multiplier and the on-going provision of various business rate reliefs etc. The figures also reflect the on-going impact from the Freeport Tax site, which remains subject to review as part of the associated agreement with the Council's external partners.

As highlighted in earlier reports and forecasts, there was the expectation of the Government 'clawing back' gains from the last national business rate revaluation exercise in 2023. This risk has reduced following the activities highlighted above, which accounts for the primary reason for the estimated increase in income since Cabinet's meeting in January. This is complemented by underlying business rate growth across the District.

- **Recharges and Other Adjustments – additional net income of £0.176m has been included in the forecast. (Line 16 - Appendix A)**

This primarily reflects the associated impact from the annual review of the recharges between the General Fund and HRA.

Final Local Government Financial Settlement 2025/26

At the time of finalising this report, the Government had not yet announced the final settlement figures. Once received, the budget will be updated in accordance with the delegation set out in the recommendation above, with any adjustment proposed to be set against the Forecast Risk fund as necessary. This approach also applies to any other additional grants from the Government or other funding bodies, which will be adjusted against the Forecast Risk Fund or other line of the budget as required.

The Government has however recently announced the Homelessness Prevention Grant amount for 2025/26. This totals **£1.457m**, which will continue to support the Council's associated costs.

The report considered by Cabinet on 31 January 2025 highlighted a number of changes to the Local Government Settlement for 2025/26, along with some important changes from 2026/27 that are highlighted later on in this report.

Impact from Fees and Charges

At the time of finalising this report, a number of fees and charges remain subject to approval. Work will remain in progress to ensure that the various fees and charge schedules are agreed ahead of the start of the 2025/26 financial year. Therefore, no budget adjustments are included in the forecast at the present time.

Once finalised, any impact on the budget will be subject to separate reports, such as the regular financial performance reports that are presented to Cabinet during the year.

Appendices B and C set out the net savings and cost pressures included in the budget respectively. The figures remain unchanged from those reported to Cabinet on 31 January 2025. In terms of cost pressures, their possible 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, including the on-going impact of items identified as part of earlier financial performance reports.

After taking account of the above, the revised forecast set out in **Appendix A** highlights an overall surplus position for 2025/26 of **£0.839m**. This is net change of **£0.895m** compared to the earlier forecast deficit of **£0.056m** reported to Cabinet on 31 January 2025. This has

resulted in a contribution being made to the Forecast Risk Fund rather than calling money down from the same fund that was expected within earlier forecasts. This therefore provides the Council with additional financial flexibility in terms of managing cost pressures and savings in 2026/27 and beyond.

Appendices D to J set out the 'technical' budget / financial information required to be presented to Full Council to enable it to consider and agree the level of council tax and Budget for 2025/26.

As highlighted in earlier reports, the Council will continue to be a member of the Council Tax Sharing Agreement and Essex Business Rates Pool along with ECC and other participating Essex Local Authorities in 2025/26, with the proposed budget including the associated financial benefits.

Sensitivity testing has been undertaken with the outcomes set out in Table 1 within **Appendix A**. It is worth highlighting that the forecast remains sensitive to relatively minor changes to assumptions. For example, only relatively minor changes to existing assumptions can have a significant impact on the annual position along with the balances held in the Forecast Risk Fund. However it is important to highlight that the current Forecast Risk Fund can support the longer term plan with surplus balances estimated to remain in the Fund until 2030/31.

SPECIAL EXPENSES 2025/26

Special expenses have now been finalised and as set out within earlier reports, the principles against which the special expenses have been determined have remained the same as previous years as summarised 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.

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

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

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

Information from Parish/Town councils

Each year Parish Councils complete a return to identify changes to the services they undertake

Consideration of Determining the Contrary Resolution

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

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

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

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

- i) Where is the facility situated?*
- ii) Who uses it?*
- iii) How much expenditure is to be spent in the various parts of the district?*

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

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

The outcome of the above in terms of the calculation of special expenses for 2025/26 are set out within **Appendix E**.

GENERAL FUND BUDGET SUMMARIES

The 2025/26 revenue budget and capital programme are summarised below. In respect of the revenue budget, this reflects the proposed Band D council tax increase of 2.99% (£5.79) for this Council's services in 2025/26.

Table 1 – General Fund Revenue Budget

	2024/25 Original £m	2025/26 Original £m
Net Cost of Services	20.884	18.183
Revenue support for capital investment	0.070	0.070
Financing items	(5.070)	(1.398)
Net Expenditure	15.884	16.855
Net Use of Earmarked Reserves	(0.761)	0.805

Total Net Budget*	15.123	17.660
Business Rates (<i>excl. S31 Govt. Grant funding</i>)	(3.357)	(4.822)
Revenue Support Grant	(0.767)	(0.815)
Collection Fund (Surplus) / Deficit*	(0.951)	(1.349)
Council Tax Requirement (for Tendring District Council)	10.048	10.674
Parish Precepts	2.541	2.750
Council Tax Requirement (as per Requisite Calculations)	12.589	13.424

Table 2 – General Fund Capital Programme

	2025/26 £m
EXPENDITURE	0.827
FINANCING	
Government Grants	0.757
Direct Revenue Contributions	0.070
Total Financing	0.827

ROBUSTNESS OF THE ESTIMATES AND ADEQUACY OF RESERVES

Appendix K sets out the Chief Finance Officer's (S151 Officer) report on the Robustness of the Estimates and the Adequacy of the Reserves as required by section 25 of the Local Government Act 2003.

Taking into account all the relevant issues, the estimates can be considered as robust and are supported by adequate reserves.

In respect of 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.

Although a more detailed statement by the S151 is set out within **Appendix K** as mentioned above, the current level of reserves remains adequate and will remain under on-going review as part of updating the 'live' forecast and in light of any emerging risks or changes to the risk environment.

In terms of the formulation of the budget for 2025/26, it is set against the context of the longer-term forecast. Taking the most up to date position set out in this report, the expected annual position for each remaining year of the forecast is as follows:

Year	Net Budget Position (including adjusting for prior year use of reserves etc. to balance the budget)*	Forecast Risk Fund - Estimated Balance at the end of the year
2026/27	£0.785m deficit	£6.969m surplus
2027/28	£1.512m deficit	£5.707m surplus
2028/29	£2.228m deficit	£3.729m surplus
2029/30	£2.955m deficit	£1.024m surplus
2030/31	£3.687m deficit	£2.412m deficit
2031/32	£4.426m deficit	£6.588m deficit
2032/33	£5.170m deficit	£11.508m deficit
2033/34	£5.921m deficit	£17.179m deficit

As set out in earlier reports, in terms 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.

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.

It is also worth highlighting the Government's proposed changes to future year's Local Government Financial settlements, which include the following:

- The 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 that a reset will 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 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.

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.

Reference from the Cabinet - A.2 - Local Council Tax Support Scheme 2025/2026; Discretionary Council Tax Exemptions, Discounts and Premiums for 2025/2026; and Annual Minimum Revenue Provision Policy Statement for 2025/2026 – Full Council 26 November 2024.

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

Updated General Fund Financial Forecast / Budget 2025/26 – Item A.3 Cabinet 31 January 2025.

BACKGROUND PAPERS AND PUBLISHED REFERENCE MATERIAL

None

APPENDICES

Appendix A - Updated Financial Forecast 2025/26

Appendix B - Savings Plan

Appendix C - Cost Pressures

Appendix D - Detailed General Fund Revenue Estimates, Capital Programme and Reserves 2025/26

Appendix E - Special Expenses 2025/26

Appendix F - Requisite Budget Calculations 2025/26

Appendix G - Calculation of District and Parish / Town Council Taxes for All Areas 2025/26

Appendix H - Precepts on the Collection Fund 2025/26

Appendix I - District and Parish/Town Council Tax Amounts 2025/26. *(excludes Council Tax amounts for County, Fire and Police services 2025/26 which will form part of the final Council Tax setting process via the Human Resources and Council Tax Committee)*

Appendix J - Calculation of Estimated Surplus on the Collection Funds for 2025/26

Appendix K - Chief Finance Officer's (S151 Officer) report on the Robustness of the Estimates and the Adequacy of the Reserves

REPORT CONTACT OFFICER(S)

Name

Richard Barrett

Job Title

Director (Finance and IT)

Email/Telephone

rbarrett@tendringdc.gov.uk
686521