

CABINET

17 MARCH 2025

REPORT OF THE PORTFOLIO HOLDER FOR CORPORATE FINANCE AND GOVERNANCE

A.5 FINANCIAL PERFORMANCE REPORT 2024/25 – GENERAL UPDATE AT THE END OF DECEMBER 2024

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To provide a general update and overview of the Council's financial position against the 2024/25 budget as at the end of December 2024 and looking ahead to 2025/26 and beyond.

EXECUTIVE SUMMARY

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

The report is split over two distinct sections as follows:

- 1) *The Council's in-year financial position against the budget at the end of December 2024***
- 2) *A long term financial forecast update***

- It is worth highlighting that a number of adjustments were made to the 2024/25 budget as part of developing the detailed estimates that were agreed by Full Council in February 2024. This was complemented by further 2024/25 budget amendments when the Q3 position was reported to Cabinet in April, and again when the Outturn Position for 2023/24 was reported to Cabinet in July.
- With the above in mind, and along with a number of adjustments included in the Financial Performance Reports considered by Cabinet in October and November, the in-year position at the end of December 2024 continues to primarily reflect issues already acknowledged, rather than significant new issues emerging. However, it remains timely to address a limited number of one-off cost pressures that have been identified at the end of Q3, which are set out in **Appendix H**. Any longer-term impact will be considered as part of developing the long-term forecast over the coming months.

SECTION 1 - In respect of the in-year financial position at the end of December 2024:

- The position to the end of December 2024, as set out in more detail within the appendices, shows that overall the General Fund Revenue Account is overspent against the profiled budget by **£0.294m** (£0.724m at the end of September 2024). However, it is important to highlight that this position continues to primarily reflect the timing of when the Government reimburse the Council for the cost of meeting housing benefit claims and the parliamentary election expenses incurred earlier in the year.

- In terms of proposed in-year adjustments to the budget, **Appendix H** sets out a limited number of largely unavoidable cost pressures, along with reflecting some favourable issues emerging in the second half of the year to date. Recommendations are included below, which include associated delegations as necessary.
- It is proposed that the overall net impact of the proposed budget adjustments set out in **Appendix H** will be adjusted against the Corporate Investment Fund. In terms of the proposal to set aside money to support the delivery of the Council's savings and efficiency plans and wider corporate priorities as set out within **Appendix H**, a recommendation is included below to provide for a delegation to the Chief Executive in consultation with the Portfolio Holder for Finance and Governance to utilise this funding.
- In addition to the adjustments set out in **Appendix H**, any further issues that have emerged or developed during the second half of the year are discussed in more detail further on in this report.
- In respect of other areas of the budget such as the Housing Revenue Account, capital programme, collection performance and treasury activity, additional details are set out later on in this report.
- Any emerging issues will be monitored and updates provided in future financial reports, which will include their consideration as part of updating the long-term financial forecast where necessary.
- A recommendation is also included below to provide for a delegation to the Corporate Director Place and Economy in consultation with the relevant Portfolio Holders to adjust the 2025/26 budgets for sport and leisure facilities to respond to the favourable income position currently being experienced across the various centres. Further details are set out later on in this report and within **Appendix B**.

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

- A summary of the most up to date position was considered by Full Council on 11 February 2025 as part of agreeing the detailed budgets for 2025/26.
- There have been no changes made to the forecast position mentioned above, but for completeness, a summary is set out further on in this report.
- As highlighted in the report to Full Council on 11 February 2025, future year's estimated annual deficits remain significant against the context of the Council's overall net budget.
- In terms of the later years of the forecast, it was highlighted that there are significant challenges arising from inflationary increases, which are expected to exceed our ability to raise income from council tax and business rates over the long term plan. 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.
- Set against this position, it is also acknowledged that there will be further impacts from the Government's proposals relating to changes to the Local Government Finance Settlement and 'reset' of the business rates retention model. In addition, Devolution and Local Government Reorganisation will also make financial planning even more

challenging over the forecast period. Such issues will need to remain highlighted within the forecast risk assessment that accompanies the wider forecast and further updates will be provided during 2025/26 as necessary.

- Notwithstanding the above, the Council's long term plan and Forecast Risk Fund provides 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 and changes highlighted above.
- The challenges faced by the Housing Revenue Account also remain significant and include increased expectations and requirements that continue to emerge from the Social Housing Regulation Act and associated enhanced powers of the Housing Regulator. The HRA 30 Year Business plan will be developed over the coming months alongside a review of the announcements included within the Government's recent Autumn Budget Statement that are set out later on in this report, with the aim of responding to such challenges set against the wider context of continuing to provide a financially sustainable position in the long term.

RECOMMENDATION(S)

It is recommended that Cabinet:

- (a) notes the Council's in-year financial position at the end of December 2024 along with the latest financial forecast update;**
- (b) approves the proposed adjustments to the 2024/25 budget as set out in Appendix H;**
- (c) subject to b) above, requests Officers to review any potential longer term / on-going impact of the items set out in Appendix H, as part of developing the forecast for further consideration by Cabinet later in the year;**
- (d) subject to b) above, in respect of the additional sum of £0.250m made available to support the delivery of savings / efficiency plans and wider corporate priorities that is set out in Appendix H, agrees a delegation to the Chief Executive, in consultation with the Portfolio Holder for Finance and Governance to utilise this funding to support any associated work and activities;**
- (e) notes the financial forecast update set out in this report and requests Officers, in consultation with Portfolio Holders to further develop the forecast and associated savings and efficiency plans for presenting to Cabinet later in 2025/26;**
- (f) in respect of the budget for 2025/26, agrees a delegation to the Corporate Director Place and Economy in consultation with the Portfolio Holders for Leisure and Public Realm and Finance and Governance to adjust the sports and leisure facilities budgets as necessary to better reflect the current experienced income and expenditure positions, but with no net overall impact on the Council's wider budgeted position.**
- (g) invites the views of the Resources and Service Overview and Scrutiny Committee on the information set out in this report along with the Council's wider financial position as part of its work programme for the year.**

REASON(S) FOR THE RECOMMENDATION(S)

To set out the financial position for the Council and to respond to emerging issues in 2024/25 along with developing the budget and long-term forecast from 2025/26.

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.

As included elsewhere on the agenda, final proposals for highlight priorities for 2025/26 are set out and include the delivery and development of savings and efficiency plans, along with developing proposals to secure the long term sustainability of the Housing Revenue Account.

The above form important elements of supporting the Council deliver financial sustainability across the General Fund and HRA. 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 monitoring / developing the budget as set out within the Constitution. External consultation also forms part of developing the budget and is carried out early in the year as part of finalising the position for reporting to Full Council in February.

LEGAL REQUIREMENTS (including legislation & constitutional powers)

Is the recommendation a Key Decision (see the criteria stated here)	Yes	If Yes, indicate which by which criteria it is a Key Decision	<input type="checkbox"/> Significant effect on two or more wards <input checked="" type="checkbox"/> Involves £100,000 expenditure/income <input type="checkbox"/> Is otherwise significant for the service budget
		And when was the proposed decision published in the Notice of forthcoming decisions for the Council (must be 28	This item has been included within the Forward Plan for a period in excess of 28 days via the inclusion of the regular Financial Performance Update Report item.

		days at the latest prior to the meeting date)	
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The Council operates under a broad 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.

Yes	The Monitoring Officer confirms they have been made aware of the above and any additional comments from them are below:
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Attention is drawn to the on-going reference to the Council’s Best Value Statutory Duty and published statutory guidance, as set out within the legal requirements section above, along with highlighting that where delegations are authorised, separate recorded decision making is required to demonstrate the implications of such decisions.

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 the Highlight Priorities, being presented to Cabinet on the same agenda as this report.

FINANCE AND OTHER RESOURCE IMPLICATIONS
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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 highlighted in this report has been reviewed by both the Council's former and current External Auditor as part of their value for money work, which was reported to the Audit Committee earlier in the year. There were no major concerns raised in respect of the Council's approach to financial management and planning, although a limited number of issues were raised, including project management, which were addressed via an associated management response, that in turn will be subject to on-going review by the Audit Committee as necessary.

Yes **The Section 151 Officer confirms they have been made aware of the above and any additional comments from them are below:**

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:

A) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;	Although this is addressed in the body of the report where necessary, please see comments above relating to the outcome of the External Auditor's value for money activities.
B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and	
C) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.	

MILESTONES AND DELIVERY

This reports forms part of the Council's wider budget setting and monitoring processes. In respect of 2024/25, a financial outturn report is planned to be presented to Cabinet in June / July. In terms of the long term forecast, further updates will be presented to Members during 2025/26.

ASSOCIATED RISKS AND MITIGATION

In respect of 2024/25, although there are a limited number of budget adjustments set out within **Appendix H** along with further potential adjustments highlighted later on in this report, it is expected that any adverse issues can be accommodated within the overall existing net budget position for the year rather than having to 'call' on reserves or other one-off budgets.

There are significant risks associated with forecasting such as cost pressures, inflation and changes to other assumptions that form part of the financial planning process. The Council's response is set out in the body of this report and will continue to be addressed as part of future financial updates report.

The cost pressures included within **Appendix H** and the 'base' budget for 2025/26 broadly reflect unavoidable items and it is therefore recognised that potential additional financial demands may emerge going forwards, such as the outcome from the Waste, Recycling and Street Cleaning tender, the potential increased supply chain costs due to the increase in

employer's national insurance contributions from April 2025 and any on-going impact from current issues identified as presenting significant financial risks e.g. homelessness. The Council therefore 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 2025/26 along with the potential and associated use of the Corporate Investment Fund, which currently totals **£3.614m** (before the proposed adjustment set out within **Appendix H**). 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.

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 and efficiencies 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 outcomes 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).

EQUALITY IMPLICATIONS

There are no direct implications that significantly impact on the financial forecast / budgetary position at this stage. However, the ability of the Council to appropriately address such issues will be strongly linked to its ability to fund relevant schemes and projects and determination of the breadth and standard of service delivery to enable a balanced budget to be agreed.

An impact assessment will be undertaken as part of any separate budget decisions such as those that will be required to deliver savings.

SOCIAL VALUE CONSIDERATIONS

There are no direct implications that significantly impact on the financial forecast at this stage.

However, such issue will be considered as part of separate elements of developing the budget as necessary.

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

There are no direct implications that significantly impact on the financial forecast at this stage.

However, such issue will be considered as part of separate elements of developing the budget as necessary.

OTHER RELEVANT CONSIDERATIONS OR IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

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

PART 3 – SUPPORTING INFORMATION

SECTION 1 – IN YEAR FINANCIAL PERFORMANCE AGAINST THE BUDGET AT THE END OF DECEMBER 2024

The Council's financial position against the approved budget has been prepared for the period ending 31 December 2024.

The on-going review of cost pressures has continued on a 'live' basis with a limited number of items included within **Appendix H**. These broadly reflect unavoidable items or where it is felt prudent to respond to matters as timely as possible.

Although proposed budget adjustments are highlighted within **Appendix H** in response to issues identified to date, the Council's wider and more detailed position at the end of December 2024 is set out within the other Appendices, with some additional comments included below against the six key areas of the budget where necessary:

GENERAL FUND REVENUE

The position to the end of December 2024, as summarised within Executive Summary attached, shows that there is an overall net overspend of **£0.294m** (£0.724m at the of September 2024).

Apart from any associated impact of the proposed adjustments set out within **Appendix H**, the most significant variances continue to be primarily due to the timing of expenditure and income, with examples being the timing of when housing benefit payments are made and when the money is reimbursed by the Government via the associated subsidy system and the full reimbursement of costs associated with the parliamentary elections earlier in the year.

Notwithstanding the above and the additional details set out within **Appendix B**, it is important to highlight the following:

Treasury Investment Income – given that interest rates remain relatively high, investment income continues to be significantly ahead of the budget. In continuing the approach adopted earlier in the year, the ‘surplus’ income is proposed to be ‘banked’ at the end of each period, with this adjustment therefore set out within **Appendix H** that reflects the most up to date position. It is also important to highlight that the level of investment income being achieved to date is also due to favourable cash balances, supported by the **£19.890m** received from the Government in November in advance of expenditure being incurred against the various Capital Regeneration Partnership schemes that are set out in more detail elsewhere on the agenda.

Careline Net Costs – a detailed report was considered by Cabinet at its 21 February 2025 meeting that set out a number of issues and actions along with updated financial information and confirmation that the proposals for the future of the Service would be supported by the one-off sum of **£0.746m** previously set aside.

The separate report referred to above brings together a number of discussion points relating to the underlying position against the budget, which are therefore not repeated here. It is however worth highlighting that there remains a net underspend against the budget due to a period of increased income from the YourStride contract (prior to its termination) alongside reduced employee costs, which reflect on-going recruitment and retention issues. Further updates will be provided in future financial reports and/or separate reports associated with implementing Cabinet’s decision on 21 February 2025.

Homelessness net costs – the significant demand for temporary accommodation continues and it remains one of the most significant financial challenges faced by Councils across the Country. Additional funding has been allocated to the associated budgets as part of earlier decisions, which have been supported by additional grant funding made available by the Government. In respect of this latter point, further funding has recently been announced, with the associated adjustment set out within **Appendix H**, which will hopefully support the delivery of the various activities within current budgets rather than requiring the need to identify further funding. However, this remains subject to the various activities undertaken as part of finalising the outturn position for the year, where a further update will be provided.

As highlighted in earlier reports, in terms of 2025/26 additional funding has also been made available as part of the ‘base’ budget for the year and the service remains committed to exploring options to respond to the on-going demand in the most advantageous way. A separate report will be presented to a future meeting of Cabinet that will aim to set out further details relating to current and future challenges.

Parking income – parking income continues to remain ahead of the budget by **£0.321m**, which will be a position that is expected to remain at the end of the year. It is not however proposed to adjust the budget at this time but to finalise the position as part of the outturn activities over the coming weeks which will also need to reflect the potential reinvestment of any surpluses back into the service in-line with the underlying cost recovery basis associated with the fees and charges setting arrangements.

As discussed in previous reports, it remains helpful to highlight the financial risks of being a member of the North Essex Parking Partnership, with a sum of **£0.100m** set aside to enable the Council to respond to such risks if they arise. Work remains on-going with the partners to gain the level of assurance required to limit such financial risk exposure as far as reasonably

practical. Recent estimates indicate an improving position, which will be revisited as part of the various processes associated with finalising the outturn position for the year.

Other Significant Income Streams – Crematorium and Planning - Income remains behind profile by **£0.127m** and **£0.191m** respectively. In terms of crematorium income, to date this continues to be partially offset by a reduction in expenditure which is unlikely to be the position that can be maintained over the whole year.

It is expected that this level of underachievement of income will remain at the end of the year. Similarly to parking income above, it is not proposed to adjust the budget at this time but to finalise the position as part of the outturn activities over the coming weeks.

Vacancy savings - when viewed corporately, employee costs remain behind the budgeted position. This is after taking account of the outcome of the national pay negotiations for 2024/25, which unlike the position at the end of Q2, are now included within the figures. As planned, this position represents a favourable outcome whereby the cost of the 2024/25 pay award along with other capacity costs / staff costs can be accommodated within existing budgets rather than requiring the identification of additional funding. *(The additional cost of the pay award over and above the 'base' budget was just under £0.250m)*

Energy Costs – as reported in previous quarters, these costs remain relatively volatile, although are supported by a contingency budget that was previously set aside. Based on current estimates, it is expected that the Council wide position can be managed within the existing budgetary position.

Although already highlighted above where necessary, the various issues along with potential other emerging issues during the remainder of the year will be reviewed as part of finalising the overall financial outturn position for 2024/25 that is planned to be reported to Cabinet in June/ July.

In terms of the Forecast Risk Fund, the full year 'target' amount of **£0.250m** has already been contributed to the fund, which was a decision made as part of the earlier Financial Performance Report presented to Cabinet in October 2024.

In terms of the net impact of the adjustments set out within **Appendix H**, it is proposed to make a transfer to the Corporate Investment Fund of **£0.843m**, which offsets the use of the fund agreed as part of earlier Financial Performance Reports. Along with other adjustments earlier in the year, this fund totals **£4.457m** to support the Council's budget and further decisions during 2025/26 and beyond as necessary.

GENERAL FUND – CAPITAL PROGRAMME

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

As at the end of December 2024, the programme remained broadly on target against the profiled position.

Appendix H includes an adjustment that reflects additional Disabled Facilities Grant funding made available by the Government, with a corresponding increase in the associated expenditure budget.

To support the timely reporting of overall performance against the various schemes, relevant information continues to be provided by Services that provides financial and non-financial updates as necessary.

HRA - REVENUE

An overall position is set out in the Executive Summary with further details included in **Appendix C**. At the end of December 2024, the HRA is showing a net underspend of **£0.324m**, (£0.436m at the end of September 2024), which primarily reflects a number of variances across various HRA budgets, including income from rents and housing maintenance costs.

A relatively small budget adjustment is set out within **Appendix H**, to enable a short extension to the onsite security 'pilot' at Spendells House to inform the longer term decision in 2025/26.

The HRA budgets for 2024/25 were subject to a number of adjustments that were set out in earlier updates to the Business Plan / Forecast that were considered by Cabinet and Full Council earlier in the year, which will form part of finalising the outturn position for the year over the coming weeks.

HRA - CAPITAL PROGRAMME

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

As at the end of December 2024, the programme is behind profile by **£0.259m**. (£0.417m at the end of September 2024).

This budget relates primarily to the on-going major repairs and improvements to the Council's own dwellings along with the timing associated with various works and activities.

Work remains on-going to finalise the position against the capital budget relating to the flexible workspaces in Jaywick, with the outcome planned to be reported to Cabinet early in 2025/26.

COLLECTION PERFORMANCE

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

Income from Council Tax continues to show improvement against the same period last year, with business rates being broadly at the same level of performance. This is underpinned by the continuation of 'building back' from the impact of COVID 19 on collection performance, although the on-going cost of living and economic challenges faced by residents and businesses is acknowledged. Any necessary recovery action will continue over the remainder of the year, with the aim of maximising the level of collection performance wherever possible.

In terms of housing rents and general debt, the performance to date has moved slightly ahead of the position compared with the same period last year, so expectations are that this can be maintained over the remainder of the year.

TREASURY ACTIVITY

A detailed analysis of the current position is shown in **Appendix F**. As highlighted earlier, additional income is being achieved to date which has been reflected within **Appendix H**.

OTHER MATTERS

Leisure Facilities Budget - as set out within **Appendix B**, income at the various sport and leisure facilities is running ahead of the budget. Although this favourable position is being partially offset by increased expenditure, some of which would be directly related to the increased demand that has driven the increases in income, it is expected that an overall 'surplus' position will remain at the end of the year. Although no adjustments are currently proposed to the budget in 2024/25, with the position planned to be finalised as part of outturn for the year, it is proposed to adjust the budgets in 2025/26. This approach will better align the budgets with the actual position being experienced, which is expected to continue in 2025/26. This will aid budget management / monitoring and inform potential expenditure decisions associated with the various facilities. A recommendation is therefore included above that provides a delegation to the Corporate Director Place and Economy to adjustment the budgets as necessary in 2025/26 in consultation with the Portfolio Holders for Leisure and Public Realm and Finance and Governance.

SECTION 2 – LONG TERM FORECAST UPDATE

General Fund

The detailed budget for 2025/26 was considered and agreed by Full Council on 11 February 2025. The report considered by Full Council also included a summary of the forecast up until 2033/34. For completeness, a summary of the position presented to Full Council on 11 February 2025 is set out in the following table:

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

The development of the forecast will continue in 2025/26, set against a number of risks which were set out in earlier reports.

Earlier reports also highlighted the underlying context to the development of the forecast and it is worth highlighting that 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 the Council's 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.

In terms of the identification of savings, their on-going delivery has been reflected within the key highlight priorities for 2025/26, which includes securing a number of items already identified within the plan along with exploring opportunities for further items and efficiencies etc.

In terms of cost pressures and liabilities, their active management and mitigation will also need to continue to be an important element of the long-term financial plan. As has been the case throughout 2024/25, the Council will continue to review potential cost pressures using a risk based approach, with any associated decisions subject to separate reports or included within other key financial reports during the year. Two such key risks include the outcome of the waste, recycling and street cleaning tender and the potential impact within the supply chain from the employer's national insurance increases from April 2025. Any potential on-going items emerging from such reviews will need to be considered alongside the on-going development of the financial forecast 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.
- The Government stated that 2025/26 will be the last year of the New Homes Bonus in its current form and via a consultation process, reforms are expected to be confirmed 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 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 assessment 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.

Sensitivity testing will also continue to be a key element of developing the forecast, with updates planned to be presented to Cabinet during 2025/26.

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 any emerging cost pressures and adverse changes to the forecast along with the structural annual budget deficits that are still estimated to remain.

Based on the current forecast, the Forecast Risk Fund is estimated to total **£6.415m** at the end of 2024/25, which is therefore available to support the development of the forecast during 2025/26.

Housing Revenue Account

An updated HRA Business plan was presented to Full Council on 11 February 2025.

As previously stated, the Council remains committed to providing good quality housing and the current business plan reflects the necessary investment in existing tenants' homes.

However, there are a number of risks associated with the 30 year business plan forecast, which include changes in income achieved and future rent setting policy, emergence of new or revised guidance, new legislation / burdens / regulation and changing stock condition requirements. Many of the challenges relating to the General Fund will have an equally challenging impact on the HRA, e.g. inflation. One other area that is important to highlight is the new era of social housing regulation emerging from the Social Housing (Regulation) Act 2023 and the impact that will have on stock owning local authorities in the coming years.

The Council will therefore need to remain alert to any changes that may be required in managing its housing stock and adjust the 30 year business plan as necessary. The business plan will continue to be subject to updates during 2025/26 with the on-going aim of delivering the long term financial sustainability of the HRA, a commitment also reflected within Cabinet's proposed highlight priorities for the year.

It is worth repeating a number of issues presented within the Financial Performance Report that was considered by Cabinet on 21 October 2024, where a number of changes relating to the Right to Buy regime were set out, which included the following increased flexibilities:

- The maximum permitted contribution from RTB receipts to replacement affordable housing has increased from 50% to 100%.
- RTB receipts will be permitted to be used alongside section 106 contributions which was previously prohibited.
- The cap on the percentage of replacements delivered as acquisitions each year (currently 50%) has been lifted.

As part of its Autumn Budget Statement, the Government made further announcements on a number of key HRA issues, which included the following:

- The Government will make 100% retention of Right to Buy (RTB) receipts permanent from 1 November 2024.
- RTB discounts will return to their pre-2012 levels from 21 November 2024.

- The Government will consult on a five-year rent settlement of CPI+1% for social landlords, with potential for this to be extended to 10 years.
- Preferential Public Works Loan Board borrowing rates for local authorities to build social housing will be extended to March 2026.

The impact and flexibilities that all of the above may bring to Local Authorities will be reviewed and considered as part of the on-going development of the HRA Business Plan and Capital Programme.

PREVIOUS RELEVANT DECISIONS

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

Executive's Proposals – Housing Revenue Account Budget 2024/25 – Item A.2 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.

Updated Housing Revenue Account Business Plan and Budget Proposals 2025/26 – Item A.11 Cabinet 20 December 2024.

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

Updated Housing Revenue Account Business Plan and Budget Proposals 2025/26 – Item A.6 Cabinet 31 January 2025.

Executive's Proposals – General Fund Budget and Council Tax – 2025/26 – Item A.1 Full Council 11 February 2025.

Executive's Proposals – Housing Revenue Account Budget 2025/26 – Item A.2 Full Council 11 February 2025.

BACKGROUND PAPERS AND PUBLISHED REFERENCE MATERIAL

None

APPENDICES

RELATING TO SECTION 1 OF THE REPORT

Front Cover and Executive Summary
Appendix A – Summary by Portfolio / Committee

Appendix B – General Fund Budget Position by Department
 Appendix C – Housing Revenue Account Budget Position
 Appendix D – Capital Programme
 Appendix E – Collection Performance – Council Tax, Business Rates, Housing Rent and
 General Debts
 Appendix F – Treasury Activity
 Appendix G – Income from S106 Agreements
 Appendix H – Proposed Adjustments to the In-Year Budget 2024/25

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