CABINET

24 APRIL 2026

REPORT OF THE PORTFOLIO HOLDER FOR CORPORATE FINANCE AND GOVERNANCE

A.2 FINANCIAL PERFORMANCE REPORT 2025/26 – GENERAL UPDATE AT THE END OF DECEMBER 2025

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT
To provide a general update and overview of the Council's financial position against the 2025/26 budget as at the end of December 2025 and looking ahead across the two-year financial plan period (2026/27 and 2027/28)

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 forecast and is split over two distinct sections as set out below. In terms of the in-year position, this report covers the first three quarters of 2025/26.

- As set out in earlier budget reports, a two-year financial plan approach has been adopted, which aligns with the revised key priorities to 2028, that along with the proactive management of cost pressures and business plans forms an holistic approach to a two-year window leading up to 1 April 2028 (Proposed vesting day for the new Unitary authority based on the Government's current timetable for Greater Essex).

- The approach proposed, which includes balancing the Forecast Risk Fund and the Corporate Investment Funds, is aimed at providing the Council with the necessary flexibility to adequately address associated challenges and obligations over the next two years. This report therefore forms part of a series of key activities / decisions over the next two years as part of the wider LGR framework and two-year financial plans.

- By adopting the above approach, it enables the Council to bring together a number of potential risks and opportunities that can be considered collectively that places the Council in a strong position to support the continued protection of front line services, timely investment in priorities, alongside meeting any emerging statutory obligations relating to the incoming new Unitary Council from as early as April 2028.

SECTION 1 - In-year financial position at the end of December 2025:

- It is worth highlighting that a number of adjustments were made to the 2025/26 budget as part of developing the detailed estimates that were agreed by Full Council in February 2026.

- With the above in mind, and along with a number of adjustments included in the earlier Financial Performance Reports, the in-year position at the end of December 2025 continues to broadly perform to the underlying budgetary position, with no new major issues emerging relating to 2025/26.

- However, it still remains timely to address a limited number of cost pressures that have been identified at the end of Q3, which are set out in **Appendix 1H**. Given the two-year approach to the forecast, the items set out cover the period 2026/27 and 2027/28 as necessary, rather than just in-year changes. They are supported by the Corporate Investment Funds / Reserves as necessary which continues the approach set out and adopted as part of the budget setting process for 2026/27 that was agreed by Full Council in February.

- The position to the end of December 2025, as set out in more detail within the appendices, shows that overall the General Fund Revenue Account is underspent against the profiled budget by **£1.128m** (£3.661m at the end of September 2025). However, it is important to highlight that this position continues to primarily reflect the timing of expenditure and income such as the Government's reimbursement of the cost of meeting housing benefit claims.

- In terms of proposed adjustments to the budget, **Appendix 1H** sets out a limited number of largely 'business as usual' type activities where there has been an identified increase in costs or to reflect the on-going outcome from stock condition surveys / reviews. Recommendations are included below, which include associated delegations as necessary along with agreeing the most up to date position against the various CRP Projects set out within **Appendix 1D(i)**. It is expected that further items along with those relating to the investment in priorities etc. will be considered later in the year as necessary.

- In-line with the two-year financial plan framework adopted, the overall net impact of the proposed budget adjustments set out in **Appendix 1H** will be adjusted against the Corporate Investment Funds and/or reserves as necessary.

- In addition to the adjustments set out in **Appendix 1H**, any further issues that have emerged or developed during the second half of the year along with updates to previously reported matters 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.

SECTION 2 - Two-year Financial Plan Update:

- A summary of the most up to date position was considered by Full Council on 17 February 2026 as part of agreeing the detailed budgets for 2026/27.

- Apart from the proposed changes set out in **Appendix 1H**, there have been no changes made to the forecast position mentioned above at this stage, but for completeness key issues are highlighted further on in this report.

- In following-on from the earlier comment relating to LGR, an initial in-principal approach was set out within the report to Full Council in February 2026 with the intention of it forming the basis of the Council's reasonable and balanced financial response to meet its potential obligations to an incoming Unitary Council. The proposed way forward was 'built' on a multiplier approach based on the level of funding remaining within the

Forecast Risk Fund at 31 March 2028 expressed as a percentage of the estimated notional budget 'gap' in 2028/29 (being the first year of the new Unitary Council).

- The above is based on an initial notional approach and will be subject to further development over the next two years and balanced against the use of the Forecast Risk Fund and Corporate Investment Funds. It does however establish a key principle on how the Council is aiming to meet its obligations to the new Unitary Council that in turn supports their own financial position and stability, leaving them the opportunity to determine their own decisions against the financial foundations left by this Council.

- The two-year forecast will therefore be subject to further development against the key principles / 'framework' highlighted above during the first half of 2026/27.

- In terms of the HRA Business Plan, a summary of the most up to date position was also considered by Full Council on 17 February 2026 as part of agreeing the detailed budgets for 2026/27. 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.

- Similarly to the General Fund and as highlighted within the earlier budget reports, the development of the HRA Business Plan will enable the continuation of a relatively strong financial position and provide flexibility to respond to statutory obligations that are expected to emerge in respect of the new Unitary Council from as early as April 2028.

- Earlier reports also highlight the importance for the Council to maximise the benefits from the increased flexibilities relating to the Right to Buy regime that were announced by the Government last year. An important first step was to capture all capital receipts and relevant S106 money within the HRA Capital Programme, rather than the alternative of it remaining within the balance sheet and only transferred as separate associated decisions are made during the year.

- The Council remains alert to any changes that may be required in managing its housing stock with the HRA Business Plan subject to updates during 2026/27.

- Additional recommendations are also included below to meet other obligations / emerging issues as previously highlighted or agreed, with further details set out later on within this report.

RECOMMENDATION(S)

It is recommended that Cabinet:

(a) notes the Council's in-year financial position at the end of December 2025 along with the latest financial forecast update;

(b) approves the proposed adjustments to the budget as set out in Appendix 1H;

(c) agrees the most up to date CRP budgets as set out within Appendix 1D(i);

(d) 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; **(e) in respect of the cost pressure of £0.427m in 2026/27 relating to the Investment in Assets (General R&R Priority Items), as set out within Appendix 1H, approves a delegation to the Chief Executive, in consultation with the Portfolio Holder for Corporate Finance and Governance, to allocate this funding across the various associated schemes;** **(f) subject to an associated agreement with Essex Police, authorises the transfer to them of the previously agreed annual contributions for the Harwich PCSO for the period covering 2025/26 to 2027/28; and** **(g) accepts Pride In Place external grant funding of £0.360m (capital) and £0.232m (revenue), along with associated additional capacity funding of £0.150m to support the delivery of the programme, ahead of a future separate report that will include further details / associated governance arrangements as necessary.**

REASON(S) FOR THE RECOMMENDATION(S)
To set out the financial position for the Council and to respond to emerging issues in 2025/26 and across the two-year financial plan period.

ALTERNATIVE OPTIONS CONSIDERED
This is broadly covered in the main body of this report.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES
At its meeting on 14 November 2025, Cabinet approved a re-alignment of the highlight priorities for the Council for the period until new Unitary Authorities take on local government services in Greater Essex. Although work will remain on-going alongside the development of the two-year work programme / plan, this report sets out a timely update as part of effective financial and budget management. The development of the two-year financial plan acknowledges the potential obligations to a successor Unitary Council.
OUTCOME OF CONSULTATION AND ENGAGEMENT
Internal consultation is carried out via the Council's approach to monitoring / developing the budget / forecast 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	**Yes**	**If Yes, indicate which by which criteria it is a Key Decision**	◻ **Significant effect on two or more wards**

(see the criteria stated here)			X **Involves £100,000 expenditure/income** ☐ **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 Best Value Duty relates to the statutory requirement for local authorities and other public bodies defined as best value authorities in Part 1 of the Local Government Act 1999 ("the 1999 Act") to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness". In practice, this covers issues such as how authorities exercise their functions to deliver a balanced budget (Part 1 of the Local Government Finance Act 1992), provide statutory services and secure value for money in all spending decisions.

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.

The Government have 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. These reports along with how the Council responds to new or developing issues remains an important element of demonstrating these key requirements.

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

The position set out in this report and the actions proposed are within the Council's powers and reflect the statutory requirements and responsibilities of the Council.

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

There are no significant comments over and above those set out elsewhere within this report or within the earlier reports highlighted in the previous decisions section below.

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 proposed approach to the forecast forms part of on-going review / discussions with the Council's External Auditor, as part of their overall value for money review of the Council. No major concerns have been raised to date, but they will continue to undertake their own independent and detailed annual review as part of their commentary on the Council's use of resources, which will be presented to the Council as part of the outcome of their wider external audit activities.

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;	Although this is addressed in the body of the report where necessary, in terms of the most recent Value for Money review undertaken by the Council's External Auditor, their Final Report was presented to the Council's Audit Committee on 19 February 2026 within which they confirmed that there were no significant risks associated with the Council's value for money arrangements across the 3 key areas of their review.
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 report forms part of the Council's wider budget setting and monitoring processes. In respect of 2025/26, a financial outturn report is planned to be presented to Cabinet in June / July. In terms of the development of the two-year financial plan, further updates will be presented to Members during 2026/27.

ASSOCIATED RISKS AND MITIGATION

In respect of the two-year financial plan, although there are a limited number of budget adjustments set out within **Appendix 1H,** the approach proposed is designed to support the Council in managing any emerging issues and risks within existing resources, supported by the Corporate Investment Funds and Forecast Risk Fund. This includes meeting obligations to a New Unitary Council emerging from the current LGR process.

The overall approach highlighted will remain under on-going review during 2026/27 and 2027/28, where further adjustments will be made such as those associated with potential cost pressures and investment opportunities, with updates planned to be presented to Cabinet as part of the various financial performance / budget reports during the year.

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 two-year financial plan as necessary.
IMPLICATIONS RELATED TO DEVOLUTION AND / OR LOCAL GOVERNMENT REORGANISATION
As set out earlier in the year and highlighted elsewhere within this report, the Council's financial position needs to be considered within an interim period before new / successor Unitary Councils are established from the current expected date of 1 April 2028. The implications and impacts will continue to be reviewed on an on-going basis over the forecast period. Statutory Officers continue to review guidance published by the Government for those Councils on the Devolution / LGR Priority Programme. Where this specifically relates to governance matters impacting decision making, Government's expectations and the Council's responsibilities will be highlighted as part of future advice and reports.
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 two-year financial plan 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 2025
The Council's financial position against the approved budget has been prepared for the period ending 31 December 2025. It is worth highlighting that a number of adjustments were made to the 2025/26 budget as part of developing the detailed estimates that were agreed by Full Council in February, which were in addition to other timely budget adjustments that were set out in earlier financial performance reports and/or separate reports during the year as necessary.

The in-year position at the end of December 2025 is broadly performing to the underlying budgetary position with no new major issues emerging, which reflects to a large extent the managed response via the budgeting setting process and previous outturn / financial performance reports where budgets have been reviewed and revised as necessary.

However, the on-going review of budgets and cost pressures has identified a small number of budget adjustments that are required at the present time, which are set out within **Appendix 1H** and cover the two-year financial plan period. In-line with the two-year financial plan framework agreed earlier in the year, the GF costs are to be met from adjustments to the Corporate Investment Funds, and in the case of the HRA, from associated balances. The items included to date largely reflect ‘business as usual’ type activities where there has been an identified increase in costs along with the on-going outcomes from stock condition surveys / reviews. It is expected that additional items, such as those related to the investment in priorities etc. will be considered later in the year as necessary.

The Council’s wider and detailed financial position at the end of December 2025 is set out across the various appendices, with some additional comments included below against the six key areas of the budget where necessary. It is also worth highlighting that variances have been excluded where there is an expectation that budgets will be carried forward at the end of the year. This will be revisited / confirmed as part of the outturn process for 2025/26 that is now underway.

GENERAL FUND REVENUE

The position to the end of December 2025, as summarised within Executive Summary attached, shows that there is an overall net underspend of **£1.128m** (£3.661m at the end of September 2025)

Apart from any associated impact of the proposed adjustments set out within **Appendix 1H**, the most significant variances continue to be primarily related 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.

Notwithstanding the above and the additional details and commentary set out within **Appendix 1B**, 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 1H** that reflects the most up to date position.

Parking and Beach Hut income – income continues to remain ahead of the budget by **£0.192m** and **£0.194m** respectively, which is expected to be maintained at the end of the year once the outturn position for 2025/26 has been finalised. It is not proposed to adjust the budgets at this time but to finalise the position as part of the outturn activities over the coming weeks, which will also potentially need to reflect the reinvestment of any surpluses back into the service in-line with the underlying cost recovery basis associated with the fees and charges setting arrangements and /or previous decisions.

Career Track - At its meeting on 27 June 2025, Cabinet considered a report setting out an update on the activities of Career Track and they requested that financial updates be included as part of these quarterly financial reports, as deemed necessary. In terms of the financial position at the end of Q3, the Service is broadly performing to the profiled budget, with no significant issues to raise, with the final position for the year subject to the associated outturn process for 2025/26.

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 2025/26. This position represents a favourable outcome whereby the cost of the 2025/26 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 £0.046m)*

Energy Costs – although these costs had become less volatile compared to previous years, recent world events are having a significant impact on prices. Although the prices paid for gas and electric are expected to be relatively 'protected' in the short term given the procurement approach adopted via a Government Framework, the increase in oil, petrol and diesel prices need to be monitored closely given the potential significant impact, not only on the Council's direct costs but potentially within its supply chains. However, it is important to highlight that the Council maintains a contingency budget of **£0.690m** that therefore remains available to support any volatility in the immediate term, with the risk of any longer-term impact being considered as part of the two-year financial plan as necessary.

It is also timely to mention the budget for the Airshow, where it is expected that there will be some additional costs relating to the 2025 show. The final position remains under review as part of the outturn process for 2025/26. Based on this potential underlying position along with current global events, there may be similar additional costs or newly emerging costs associated with future shows, which is currently under review.

Appendix 1H includes an adjustment that reflects additional Homelessness Prevention Grant funding made available by the Government, with a corresponding increase in associated expenditure budgets.

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 2025/26 that is planned to be reported to the Portfolio Holder for Finance and Governance and 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 Reports.

<u>GENERAL FUND – CAPITAL PROGRAMME</u>

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

As at the end of December 2025, the programme is broadly on target against the profiled position, with no major issues to raise.

Section 1b of Appendix 1H, reflects a general 'housekeeping' approach whereby a number budgets have been reduced / removed with the money remaining available via the Corporate Investment Fund for future consideration over the two-year financial plan period.

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 1C**. At the end of December 2025, the HRA is showing a net underspend of **£0.685m,** (£0.154m at the end of September 2025), which primary reflects a number of variances across various HRA budgets, including income from rents and housing maintenance costs.

A limited number of proposed budget adjustments to meet emerging costs are set out within **Appendix 1H.**

The HRA budgets for 2025/26 were subject to review as part of 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 1D.**

As at the end of December 2025, the programme is behind profile by **£2.044m.** These budgets primarily relate to the major repairs and improvements to the Council's own dwellings along with the timing associated with various works and activities that remain on-going.

COLLECTION PERFORMANCE

A detailed analysis of the current position is shown in **Appendix 1E**.

In-year collection performance remains broadly in-line with the position last year. It is however worth highlighting the collection performance relating to historic council tax debt that was recently the subject of an internal audit, with outcomes reported to the Audit Committee in March. The report considered by the Audit Committee highlighted that although the day-to-day management of short-term recovery activities is undertaken effectively, the level of debt at the enforcement stage remains high. Although it is recognised that post-COVID, in-year collection rates have improved, the Council maintains a reasonable position compared with other Essex local authorities. It was recognised that the outstanding debt is primarily made up of historic debts accruing over the covid pandemic period and the approach taken to date has formed part of a phased / managed response to move outstanding debt to the position where, for example, payment arrangements have been made with individual households or a liability order has been obtained that then enables additional recovery activities to be considered. The above has been balanced against limited / competing resources within the Service. A two year plan is being developed that includes a number of key activities with the aim of reducing the overall level of debt that will in turn support key activities expected to emerge as part of the LGR process. including meeting financial obligations.

Although the timing of the receipt of income has had an impact on the position against general debt at the end of the period, a review is also underway to support recovery performance that is highlighted within the appendix, with the aim of maximising the collection of outstanding / collectable amounts as necessary.

TREASURY ACTIVITY

A detailed analysis of the current position is shown in **Appendix 1F.** As highlighted earlier, additional income is being achieved to date which has been reflected within **Appendix 1H**.

As reported earlier in the year, to support the information set out within **Appendix 1F** and to help Members continue to have timely oversight of the Council's treasury management activities along with complementing information already included within the Annual Capital and Treasury Strategy, a supplementary **Appendix 1F(i)** continues to be included, which incorporates a forward looking approach to a number of prudential indicators that reflects best practice.

OTHER MATTERS

In responding to an earlier commitment, a separate 'dashboard' style appendix is now included that covers the various Community Regeneration Partnership schemes and projects **(Appendix 1D(i)**. This was first presented to Cabinet on 20 March 2026. Given the relatively short time period since it was presented to Cabinet, there have been no significant changes required at this stage, with the current budget column within the appendix reflecting the most up to date position that includes the changes agreed by Cabinet in March. However, it will be updated as necessary and will continue to be included within these financial performance reports over the life of the associated schemes and projects. An associated recommendation is included above that reflects the most up to budgetary position.

The Cabinet report considered by Cabinet in March provided MHCLG with assurance that the defrayment of expenditure in line with the Memorandum of Understanding for funding had been achieved before the 31 March 2026 deadline, as agreed. Officers received positive feedback in a meeting with MHCLG on 16 March, after they had the opportunity to review the published report. The Council is seeking written confirmation from MHCLG.

In line with earlier decisions as part of developing the forecast / budget, a recommendation is included above to enable the previously agreed annual contributions of **£0.025m** to Essex Police as part of the Council's on-going support of the PCSO in Harwich. Payments remain subject to agreement between the Council and Essex Police.

In terms of the Pride in Place project, the Clacton Town Board submitted its ten-year Pride in Place vision and four-year investment plan to government. MHCLG has endorsed the vision and awarded funding to Tendring District Council (as the accountable body) - on behalf of the Clacton Town Board - for the first phase of the Pride in Place programme.

The Pride in Place vision lays out the areas where funding will be allocated and is focused on three key priorities aiming to make Clacton Safe and Lively, Prosperous and Healthy. These three pillars were highlighted in consultations held last summer which gathered valuable feedback from more than 600 residents, visitors and businesses in Clacton. With funding spread over ten years, the vision sets out a mixture of short and longer-term projects; all of which will supplement other funded regeneration initiatives and private sector investments.

Following the endorsement of the vision, the Council is scheduled to receive grant funding of **£0.360m** (capital) and **£0.232m** (revenue) to support the delivery in year 1 of the programme. It is planned to present a memorandum of understanding between the Council and the Clacton Town Board to the next Cabinet meeting to set out the basis of that relationship between the Board as responsible for delivery of the Vision and the Council as Accountable Body. This is in addition to a further **£0.150m** of additional capacity funding recently committed to the project by MHCLG, which is in addition to the previously awarded **£0.450m** capacity funding for the programme and is subject to the same conditions and can be carried forward across the years of the programme as necessary.

SECTION 2 – TWO-YEAR FINANCIAL PLAN UPDATE

General Fund

The detailed budget for 2026/27 along with the two-year financial plan was considered and agreed by Full Council on 17 February 2026.

As highlighted earlier, the two-year financial plan approach adopted aligns with the revised key priorities to 2028 and it enables the Council to bring together a number of potential risks and opportunities that can be considered collectively, that places the Council in a strong position to support the continued protection of front line services, timely investment in priorities, alongside meeting any emerging statutory obligations relating to the incoming new Unitary Council from as early as April 2028.

The approach includes balancing the Forecast Risk Fund and the Corporate Investment Funds and provides the Council with the necessary flexibility to adequately address associated challenges and obligations over the next two years. This report therefore forms part of a series of key activities / decisions over the next two years as part of the wider LGR framework and two-year financial plan process.

In terms of potential obligations to a new Unitary Council from 2028/29, an initial in-principle and notional response was set out in earlier reports, which included extending the forecast out to 2028/29 in-line with the earlier forecasts, which would potentially be the first year of a new Unitary Council. For completeness, the most up to date notional financial position that was set out within the report to Full Council on 17 February 2026 is repeated with the table below:

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
2027/28	£1.021m 'Gap'	£6.347m (surplus)
2028/29	£2.321m 'Gap'	£4.275m (surplus)
Notional Position for the First Year of the Unitary Council		**£m**
Estimated Balance on Forecast Risk Fund as at 31 March 2028		(6.347)
Estimated Notional Budget 'Gap' 2028/29 Based on Assumption of continuation of current forecast approach		2.321

The figures in this table are over and above the money already set aside to support the new waste, recycling and street cleaning contract through to the end of 2028/29 (£2.184m is estimated to be available in reserves as at the 31 March 2028 to support this commitment).

The figures within the table above indicate that the available funding at the end of 31 March 2028 would equate to a multiplier of 2.7 when considering the potential annual budget ‘gap’ relating to the Tendring element of the expected aggregated budgets in the first year of the Unitary Council’s existence. Similarly to the approach taken to the funding of the waste, recycling and street cleansing contract, this further demonstrates the Council’s recognition of its obligations to a new Unitary Council and provides them with the time, opportunity and flexibility to consider their financial plans in their first years of existence.

Although it is worth repeating that the above is based on an initial notional approach and will be subject to further development over the next two years and balanced against the use of the forecast risk fund, corporate investment funds and emerging responsibilities to the incoming Unitary Council alongside those for outgoing Councils, it does establish a key principle on how the Council is aiming to meet its LGR obligations. This in turn supports the incoming Unitary’s own financial position and stability, leaving them the opportunity to determine their own decisions against the financial foundations left by this Council.

The changes set out within **Appendix 1H** will have an impact on the forecast along with the outturn for 2025/26 and other emerging cost pressures. Therefore, although no changes to the forecast have been made at this stage but it will be revisited in the first half of 2026/27 to provide timely updates ahead of the more detailed budget setting process for 2027/28.

Housing Revenue Account

Updated HRA Business plan forecasts were presented to Full Council on 17 February 2026.

The formulation of the HRA budget for 2026/27 was set against the context of the longer-term business plan. As highlighted within earlier reports, one area that is important to continue to note, as it will have major on-going impact on the overall financial position of the HRA in future years, is the new era of social housing regulation emerging from the Social Housing (Regulation) Act 2023. This is in addition to the continuing national trend of increasing housing disrepair claims made against local authorities.

The business plan and budget continue to be ‘built’ on the basis of balancing optimism and caution across the various lines of the forecast. This includes acknowledging the increases in rent each year within the limits set out by the Government, with increasing certainty now provided by the 10-year rent setting policy / guidance. Rental income continues to be supported by strong management intervention over the last few years to bring the level of void loss down to more favourable historic levels.

As discussed in earlier reports, the structure of the loans taken out to support the self-financing reforms will also provide financial ‘headroom’ in later years of the forecast to support future investment decisions along with the flexibility to support the obligations that are expected to emerge from the on-going LGR process.

Although there are no proposed changes to the HRA Business Plan at this stage, the Council remains alert to any changes that may be required in managing its housing stock and the business plan will continue to be subject to updates during 2026/27, with the on-going aim of delivering the long term financial sustainability of the HRA and meeting obligations emerging from LGR.

PREVIOUS RELEVANT DECISIONS

Relating to the GF:

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

Financial Performance Report 2025/26 – General Update at the end of September 2025 - Item A.2 Cabinet 14 November 2025.

Reference from the Cabinet - A.1 – The Local Council Tax Support Scheme, Discretionary Council Tax Exemptions / Discounts / Premiums for 2026/2027 and Annual Minimum Revenue Provision Policy Statement for 2026/2027 – Full Council 25 November 2025.

Updated General Fund Financial Forecast / Budget 2026/27 – Item A.3 Cabinet 19 December 2025.

Updated General Fund Financial Forecast / Budget 2026/27 – Item A.2 Cabinet 30 January 2026.

Executive’s Proposals – General Fund Budget and Council Tax 2026/27 – Item A.1 Full Council 17 February 2026.

Relating to the HRA:

The last iteration of the HRA 30 Year Business Plan was reported to Cabinet on 20 December 2024 with further general updates included in subsequent budget reports and regular financial performance reports as follows:

Financial Performance Report 2025/26 – General Update at the end of September 2025 - Item A.2 Cabinet 14 November 2025.

Updated Housing Revenue Account Business Plan and Budget Proposals 2026/27 – Item A.5 Cabinet 19 December 2025.

Updated Housing Revenue Account Business Plan and Budget Proposals 2026/27 – Item A.3 Cabinet 30 January 2026.

Executive’s Proposals – Housing Revenue Account Budget 2026/27 – Item A.2 Full Council 17 February 2026.

BACKGROUND PAPERS AND PUBLISHED REFERENCE MATERIAL

None

APPENDICES
RELATING TO SECTION 1 OF THE REPORT Appendix 1 - Front Cover and Executive Summary Appendix 1A – Summary by Portfolio / Committee Appendix 1B – General Fund Budget Position by Department Appendix 1C – Housing Revenue Account Budget Position Appendix 1D – Capital Programme Appendix 1E – Collection Performance – Council Tax, Business Rates, Housing Rent and General Debts Appendix 1F – Treasury Activity Appendix 1G – Income from S106 Agreements Appendix 1H – Proposed Adjustments to the Budget 2025/26

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