CABINET

23 OCTOBER 2026

REPORT OF THE PORTFOLIO HOLDER FOR FINANCE AND GOVERNANCE

A.1 FINANCIAL PERFORMANCE REPORT 2026/27 – GENERAL UPDATE AT THE END OF JULY 2026

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT
To provide a general update and overview of the Council's financial position against the 2026/27 budget as at the end of July 2026 and looking ahead to 2027/28 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 forecast and is split over two distinct sections as set out below. In terms of the in-year position, this report covers the first four months of 2026/27. ***SECTION 1 - In-year financial position at the end of July 2026:*** • It is worth highlighting that a number of adjustments were made to the 2026/27 budget as part of developing the detailed estimates that were agreed by Full Council in February. • With the above approach in mind, the in-year position at the end of July 2026 is broadly performing to the underlying budgetary position with no major adverse issues emerging so far to date. However, it is important to highlight the various comments included within the attached and further on in this report that relate to on-going monitoring / review of a limited number of budgets, with updates planned to be presented as part of future quarterly reports. • However, it still remains timely to address a limited number of items that have been identified, which are set out in **Appendix 1H**. Any longer-term impact will be considered as part of developing the forecast as discussed in more detail in Section 2 of this report. Recommendations are included below, that propose associated delegations as necessary. • The position to the end of July 2026, as set out in more detail within the appendices, shows that overall, the General Fund Revenue Account is underspent against the profiled budget by **£3.669m**. However, it is important to highlight that this position continues to reflect the timing of expenditure across a number of budgets, along with the timing of when the Government reimburse the Council for the cost of meeting housing benefit claims. • It is acknowledged that expenditure or income trends may still emerge / develop over the remainder of the year, which will be included in future financial performance reports as necessary.

- In respect of other areas of the budget such as the Housing Revenue Account, capital programme, collection performance and treasury activity, apart from additional details set out later on in this report, there are no other major issues that have been identified to date.

SECTION 2 Updated long-term financial forecast:

- As set out in earlier budget reports, from 2026/27 a two-year financial plan approach was adopted, which together with key priorities and the proactive management of cost pressures and business plans formed 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 original timetable for Greater Essex).

- The financial plans considered by Full Council in February also set out an in-principle / notional approach to meeting obligations to the incoming Unitary Council. The key principles behind the proposed approach, along with additional details are set out within Section 2 of this report

- Following the Government's announcement on 7 September 2026 to pause and review its current LGR programme, a significant level of uncertainty has been introduced to the forecasting activities of those Councils affected by this decision.

- Although the above is true for this Council, the design of the two-year financial plan approach adopted still provides a positive position against which to consider the forecast from 2027/28 and beyond, regardless of the outcome of the Government's LGR review.

- With the above in mind and with the outcome of the Government's LGR review remaining unknown at the present time, it is proposed to refresh the forecast over an initial period of four years that reflects the possibility that this Council remains in existence beyond April 2028. Although the position could change over this four-year time frame, it provides a prudent position for the Council to work to and in the event that the LGR programme continues, albeit with a potential delay to the original timetable, the forecast can readily be refocused back into the in-principle / notional approach highlighted above and described in more detail later on in this report.

- Given the timing of the Government's announcement mentioned above, the development of the forecast remains on-going with the aim of presenting it to Cabinet in November.

- In terms of HRA budgets and long-term Business Plan, one significant factor that has been repeatedly acknowledged within earlier reports relates to the on-going budgetary impact from the new era of social housing regulation emerging from the Social Housing (Regulation) Act 2023.

- The HRA Business Plan and budget remain under ongoing development for presenting to Cabinet later in the year as part of the budget 'cycle' for 2027/28 and will continue to reflect the impact still emerging from the new era of social housing regulation mentioned above. As in previous years, it will also continue to be 'built' on the basis of balancing optimism and caution across the various lines of the plan. Similarly to the GF, the HRA

budget setting / forecasting process remains broadly unaffected by the Government's recent LGR announcement highlighted above given the long term HRA Business Plan approach, which will continue regardless of the outcome from the Government's current LGR review.

RECOMMENDATION(S)

It is recommended that Cabinet:

(a) Notes the Council's in-year financial position at the end of July 2026;

(b) approves the proposed adjustments to the 2026/27 budget as set out in Appendix 1H and:

(i) requests Officers to review the potential on-going impact from 2027/28 and beyond where necessary as part of developing the forecast and detailed estimates for further consideration by Cabinet later in the year;

(ii) that in respect of the budget adjustment of £0.540m in 2026/27 relating to Housing Capacity / Restructure, acknowledges and supports the underlying principle / approach set out within this report and requests Officers to provide the necessary updates within future financial performance and budget reports;

(iii) agrees to accept the £0.270m of grant funding awarded to this Council from the Government's Playground Fund along with its initial allocation set out within this report and agrees a delegation to the Corporate Director Operations and Delivery, in consultation with the Portfolio Holder for Leisure and Public Realm, to confirm or amend the proposed allocations via the application of the requirements set out in the associated MOU and/or in consultation with MHCLG as may be necessary.

(iv) that in respect of the budget adjustment of £0.100m in 2026/27 relating to the Investment in Public Conveniences as set out within Appendix 1H, approves a delegation to the Corporate Director Operations and Delivery in consultation with the Portfolio Holder for Assets and Community Safety to allocate / prioritise the total funding available within the scheme across the various sites;

(v) that in respect of the budget adjustment of £0.400m in 2026/27 relating to project delivery capacity as set out within Appendix 1H, approves a delegation to the Chief Executive in consultation with the Portfolio Holder for Finance and Governance, to allocate this funding as necessary;

(vi) that in respect of the reallocation of funding within the existing CRP2 schemes, approves a delegation to the Deputy Chief Executive in consultation with the Portfolio Holder for Economic Growth, Regeneration and Tourism to undertake any necessary governance activities within the Council's existing CRP 2 framework and processes.

(c) notes the updated context to the financial forecast from 2027/28 as set out in this report and requests Officers, in consultation with Portfolio Holders to develop the financial forecast alongside the delivery of the Council's priorities;

(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.

REASON(S) FOR THE RECOMMENDATION(S)
To set out the latest financial position for the Council and to respond to emerging issues in 2026/27 and to develop the budget and forecast from 2027/28.

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 original period until new Unitary Authorities take on local government services in Greater Essex. Work will remain on-going alongside the development of the forecast as described elsewhere within this report, that takes into account the Government's recently announced pause in their LGR programme. It is also worth noting that the Council's existing Corporate Plan, adopted by Full Council in November 2023, takes the Council through to 2028, but following District Council elections in May 2027, the development of a new Corporate Plan will commence.
OUTCOME OF CONSULTATION AND ENGAGEMENT
Internal consultation is carried out via the Council's approach to developing the budget as set out within the Constitution. External consultation also forms part of developing the budget and is carried out early in the year as part of finalising the position for reporting to Full Council in February.
LEGAL REQUIREMENTS (including legislation & constitutional powers)

Is the recommendation a Key Decision (see the criteria stated here)	**Yes**	**If Yes, indicate which by which criteria it is a Key Decision**	☐ **Significant effect on two or more wards** 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	This item has been included within the Forward Plan for a period in excess of 28 days.

		days at the latest prior to the meeting date)	

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.

Statutory Guidance on the Best Value Duty of Local Authorities in England under section 26 of the 1999 Act remains in place, 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. In July 2026, the government (MHCLG) consulted on a revised (draft) Best Value Duty statutory guidance, which although it follows a similar format to the guidance published in May 2024 does have some differences. The outcome of the consultation is not yet known but within the draft there is a greater emphasis on prevention and sustainability, with a robust MTFS, which embeds prevention into how resources are allocated. Further updates on the guidance will be provided as it develops.

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:**

At its meeting on 13th October 2026, Full Council resolved to:

- note the Leader's agreement that Cabinet receives information from the Leader, in his capacity as the Corporate Finance and Governance Portfolio Holder, within his next financial budget performance report, supported by the Chief Executive and the Section 151 Officer, that establishes the financial and resource implications to TDC in responding to the Government's Local Government Reorganisation programme to date.

- note all financial budget performance reports are available to the Resources and Services Overview and Scrutiny Committee to perform its role in relation to scrutinising the effective use of the Council's resources, on behalf of the Council;
- note that the above-mentioned report to Cabinet will cover the following points, before the Leader of the Council will determine the content of any written communication to the Secretary of State and our local Members of Parliament-
  - that local taxpayers should not be expected to pay for the changes made to the LGR programme and timetable by the Government.
  - the Government reimburse this Council for all costs incurred as a direct result of the Local Government Reorganisation process depending upon the outcome of its 'rapid review';
  - the Government to provide clear answers about the future of Local Government Reorganisation before councils are expected to spend any more taxpayers' money and/or resources on the process; and
  - this Council's view that the Local Government Boundary Commission for England must be involved in reviewing any local government boundary, ward and council size proposals submitted to the Secretary of State, as part of any LGR related process, by councils in due course."

Due to the closeness of this decision to publication of the Cabinet agenda for this meeting, the above will be reported in November 2026.

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 finalising their commentary on the Council's use of resources, which will be presented to the Audit Committee as part of the outcome of their wider external audit activities in January 2027.

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 Interim

B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and	Report that was presented to the Council's Audit Committee on 8 October 2026 confirmed that to date they had not identified any significant risks associated with the Council's value for money arrangements across the three key areas of their review.
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. Additional update reports will therefore be presented to Cabinet in November, December and January that underpin the development of the forecast and detailed estimates that will be presented to Full Council in February 2027.

ASSOCIATED RISKS AND MITIGATION

In respect of the original two-year financial plan approach adopted from 2026/27, there are a limited number of budget adjustments set out within **Appendix 1H.** The approach proposed continues to be based on supporting the Council in managing any emerging issues and risks within existing resources, supported by the Corporate Investment Funds and Forecast Risk Fund. Although subject to the outcome of the Government's current LGR review, the approach set out in this report still acknowledges the potential requirement to meet obligations to a New Unitary Council if the LGR programme continues, albeit on a potentially later timescale.

Alongside earmarked reserves, the Council holds **£4.000m** in uncommitted reserves, which reflects a best practice / risk based approach to support its core financial position.

Reserves are subject to an annual review as part of developing the forecast, with updates planned to be presented to Cabinet later in the year.

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.

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 RELATED TO DEVOLUTION AND / OR LOCAL GOVERNMENT REORGANISATION

As already set out elsewhere within this report, on 7 September 2026, the Secretary of State for Housing, Communities and Local Government announced in Parliament that a review of the Local Government Reorganisation programme was commencing and that the decision made in

March 2026 for Greater Essex (and other areas) had been withdrawn in light of new legal advice. Following this announcement, local authorities received correspondence from the Minister of Housing, Communities and Local Government requesting that until this review has concluded, Councils cease work on implementing the decisions that have previously been announced. The timetable for completion of the review is unknown at this time.

This report is not impacted by MHCLG's request and it forms part of the Council's standard approach to financial reporting. Where the decision to pause the LGR programme does have an impact, the report references this accordingly. With this in mind, the commentary set out within this report seeks to provide an effective and pragmatic response to the uncertainty that the Government's pause in their LGR timetable has brought about. In addition, attention is drawn to the Monitoring Officer's comments above.

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 JULY 2026

The Council's financial position against the approved budget has been prepared for the period ending 31 July 2026.

It is worth highlighting that a number of adjustments were made to the 2026/27 budget as part of developing the detailed estimates that were agreed by Full Council in February. This was complemented by further 2026/27 budget amendments as part of the Outturn Position for 2025/26 that were reported to Cabinet in July.

The in-year position at the end of July 2026 is broadly performing to the underlying budgetary position with no new major issues emerging relating to 2026/27, which reflects to a large extent the managed response via the budget setting process and 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 the timely opportunity to consider a limited number of budget adjustments, which are set out within **Appendix 1H**.

The Council's wider and detailed financial position at the end of July 2026 is set out across the various 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 July 2026, as set out in more detail in the Executive Summary attached, shows that there is an overall net underspend of **£3.669m.**

Apart from any associated impact of the proposed adjustments set out within **Appendix 1H**, the most significant variances continue to be primarily due to the timing of expenditure and income, as set out within the appendices. As also highlighted within the appendices, any emerging issues will continue to be reviewed over the remaining months of the year and alongside the development of the forecast as set out within Section 2 of this report.

Some key highlights across the various budgets are as follows:

- A pay award of 3.3% has been agreed for 2026/27 – an expected pay award of 3% was already reflected within the budgets and so the relatively limited impact from the final agreed position can be managed within the wider existing employee budgets (total estimated additional annual cost of £0.080m)

- Early indications are that utility costs can be met within existing budgets / contingency budget.

- Petrol / Diesel costs – this remains an on-going / live issue, which is currently being reviewed with the aim of presenting any related and necessary response within the Q2 report that will be presented to Cabinet in November.

- Parking, Beach Hut, Planning, and Leisure Centre Income budgets present a favourable position so far to date.

- Homelessness net costs are currently being managed within existing budgets, which will remain under review over the remainder of the year.

- Crematorium Income remains behind the expected / profiled budget by £0.077m to date. A review is underway to investigate this issue further, which will include exploring opportunities to address any identified matters going forwards as necessary.

- Treasury income remains favourable, which will be revisited as part of preparing the Q2 report that will be presented to Cabinet in November.

COLLECTION PERFORMANCE

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

Income from Council Tax is broadly comparable to the same period last year. However, a number of activities and actions remain in progress with the aim of improving on the outturn position last year by the end of March 2027.

In terms of Business Rates, system reporting issues have resulted in the comparable figures for 2026/27 being unavailable at the end of Q1. However, an updated position is planned to be

presented to Cabinet within the Q2 position that will be reported in November.

Similarly to council tax, the performance to date for housing rents is also broadly comparable to that shown at the same time last year.

In terms of General debt, a planned corporate 'audit' is underway, which is aimed at reviewing historic debt, practices and processes with the aim of updating and strengthening the Council's recovery activities. An update will therefore be presented as part of future financial performance reports.

HRA REVENUE

An overall position is set out in the Executive Summary with further details included in **Appendix 1C**. At the end of July 2026, the HRA is showing a net underspend of **£0.398m**, which continues to reflect a number of variances across various HRA budgets.

One of the other most significant revenue budgets within the HRA relates to repairs and maintenance of the housing stock, which to date is being effectively managed within the overall budget for the year that covers both revenue and capital spend.

Further commentary relating to the proposed budget adjustment set out within **Appendix 1H** is set out under the 'Other Matters Section' below, which will have an impact on the HRA revenue budget across the life of the 30 Year Business Plan.

CAPITAL PROGRAMME – GENERAL FUND

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

As at the end of July 2026, the programme is broadly on target against the profiled position, with no major issues to raise.

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.

Following its establishment earlier in the year, a 'dashboard' style approach to the reporting of performance against the LUF / CRP1 and CRP2 projects continues to be included within these regular financial performance reports. There are no major issues to date, with the projects being subject to ongoing review via an associated PFH working group and Project Board. The underlying risks associated with LUF / CRP1 projects relate to the deadline for the Government funding to be spent by. This is reflected within **Appendix 1D(i)** via the inclusion of a 'RAG' rating, which will remain a key issue to monitor on an on-going basis throughout the procurement and delivery phases of the associated projects.

Notwithstanding the above, a proposed adjustment is set out within **Appendix 1H** with further details set out within the 'Other Matters Section' below.

CAPITAL PROGRAMME – HOUSING REVENUE ACCOUNT

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

As at the end of July 2026, the programme is behind profile by **£1.199m.** 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.

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 is currently under review ahead of the next regular financial performance report.

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

- ***CRP2 - Reallocation of Funding from the Repurposing of Martello Tower E Scheme to the Seafronts Micro Venue Scheme***

Scheme	Budget before reallocation	Budget after reallocation	Impact of reallocation
Ten_11 Martello Tower E	£3.250m	£3.000m	Reduction in funding for the scheme, which provides a pragmatic approach set against the context of an earlier decision, which is highlighted below this table.
Ten_10 Seafront Micro Venue	£0.900m	£1.150m	Increase of funding to expand scope of project to incorporate building condition works that also supports Beach Patrol operations and the delivery of a high quality scheme whilst retaining 10% contingency.

Within earlier reports, it was noted that any reallocation of funding across the CRP2 schemes aims to balance a number of factors such as managing contingencies, risk and value for money, which in turn aims to support the successful delivery of the projects within what remains tight timescales. Such factors will need to be reviewed on an on-going basis and managed via the Delivery Board.

It is also worth highlighting the earlier acknowledgement there are inherent complexities associated with the Martello Tower Project, which in turn presents the highest deliverability risk in terms of the funding timelines / milestones set out by MHCLG. This project therefore needs to be subject to regular / ongoing review via the existing project management arrangements with the aim providing the Council with as much flexibility as possible to enable the consideration of potential alternative approaches via on-going consultation / dialogue with MHCLG as necessary.

The proposals set out in this report therefore 'build' on this earlier acknowledged approach. In terms of the funding deadlines set by MHCLG, they are seeking confirmation from TDC that CRP2 funding will be expended by March 2028. Due to the timescales of works to Ten_11

Martello Tower E, reallocating the funding to Ten_10 Seafront Micro Venue ensures the funding can be fully expended whilst enhancing a project that is progressing to construction.

Without this reallocation of funding, it is likely that there will be a need to omit works within the Ten_10 Seafront Micro Venue scheme such as a Shelter or Hut. The reallocation will also enable much-needed building repairs, refurbishment and redecoration works. These improvements will help safeguard the buildings for years to come, reducing the need for the Council to continually board up and cordon off areas to prevent anti-social behaviour. The works will also provide additional supporting space for the main Seafront Micro Venue, enhancing its flexibility and helping to improve the venue's long-term sustainability by creating an extra space for tenants and community use.

In terms of Beach Patrol Activities, the funding will not only safeguard the associated building but will also have a positive impact on how Beach Patrol operate through a more effectively designed space and improved security measures.

Notwithstanding the above, activities will still remain on-going in terms of the Martello Tower Scheme, which could include pursuing other potential sources of external grant funding that could support the delivery of the project beyond MHCLG's current challenging timescales given the associated complexity of the project.

A recommendation is also included above that supports any required governance activities that may be necessary within the Council's existing CRP2 framework and processes.

- ***Acceptance and Allocation of MHCLG's Playground Fund Grant***

Via a separate earlier decision, the Council submitted an expression of interest to the Government's Playgrounds Fund. The Council is one of 66 Local Authorities who have subsequently been awarded funding, with the amount relevant to TDC being **£0.270m.**

Although subject to the recommendations above, the proposed budget adjustments set out within **Appendix 1H** reflect the need to formally accept the grant funding and its proposed allocation across the following three schemes:

1) Langham Drive (Clacton) - £0.070m
2) Coppins Hall (Clacton) - £0.170m
3) Nayland Drive (Clacton) - £0.030m

In addition to the above, the associated Memorandum of Understanding received from the Government requires £0.030m to be allocated to revenue expenditure along with setting out how the money will be paid to the Council over 2026/27 and 2027/28, which are therefore also reflected within **Appendix 1H.**

As set out within the associated earlier decision, the criteria applied by the Government were relatively strict in terms of locations and works that the funding could be used for, with the outcome being the identification of the schemes set out above.

A summary of the Government's scheme and associated criteria is as follows:

- The Government has established an £18 million Playground Fund to support selected local authorities in England to create, refurbish or enhance playgrounds in areas of greatest need.

- The fund provides up to £270,000 per recipient local authority across two financial years, supporting three playground projects per authority.

- The fund is designed to improve access to safe, inclusive and high-quality local play spaces, particularly in places with higher levels of Income Deprivation Affecting Children Index scores and weaker existing playground provision. The methodology ranks built-up areas using child deprivation and three playground provision measures: number of children per playground, playground size and children's distance to travel to playgrounds.

- The Government's approach ranks built-up areas and selects places with the highest combined need, subject to exclusions and distribution rules. Built-up areas outside the population range of 15,000 to 200,000 and London Boroughs are excluded and a cap of one built-up area per local authority is applied to broaden geographic distribution.

- Recipient local authorities are expected to use local evidence, professional judgement and community engagement to determine the most appropriate playground projects.

- Sites must be free to access and may be located on local authority-owned land or on other land where appropriate permissions, access rights, maintenance responsibilities and long-term public access can be secured.

- The funding is non-competitive and is expected to support three playground projects per recipient local authority.

- The Council will be required to identify suitable sites, undertake proportionate engagement with children, families and local communities, and ensure proposals reflect inclusive and accessible design, long-term maintenance and sustainability.

Acceptance of the funding will enable the Council to bring forward targeted investment in local play provision without requiring a local capital contribution, although officer capacity, procurement, engagement, future inspection, repair and maintenance responsibilities will need to be managed.

If the Council has not committed all grant funding by 31 March 2028, any uncommitted funding as of 31 March 2028 must be repaid to the Secretary of State. If funding reported as committed as of 31 March 2028 is not spent in full by 30 September 2028 the Council must notify the Government and repay any unspent amounts.

- ***Additional HRA Capacity (Restructure)***

As discussed in various earlier reports, the social housing landscape has changed significantly over recent years which requires a clearer and strengthened framework to continue to deliver for the benefit of the Council's tenants. The Council must continue to balance a number of key activities, for example, deliver effective landlord, repairs, compliance and housing solutions services. Alongside these important activities expected by tenants, it is also important to

acknowledge that the Council must also now be able to evidence compliance, maintain reliable data, demonstrate learning from complaints, manage risk and remain regulator-ready at all times. All of the above require significant additional governance, policy, data, assurance and reporting workload. This therefore underpins and is complementary to increasing tenant expectations, service demand and scrutiny.

With the above in mind and its resource and capacity demands, a proposed restructure within Housing Services has been proposed by the Department, subject to the necessary funding being identified. The structure proposed has therefore been designed to support the above expectations and requirements, with the associated cost to the HRA totalling **£0.540m** per annum. There is no General Fund pressure arising from the proposals.

Strengthening capacity at this stage is also expected to help the Council move from a reactive model to a more planned and tenant-focused approach, where issues are identified earlier, repairs and complaints are managed more effectively, damp, mould and disrepair concerns are resolved sooner, and investment decisions are informed by better information about homes and tenant experience.

Ordinarily, restructure reports would set out a clear funding approach with detailed budgets being identified for refocusing / transferring to meet the proposed additional costs. However, the situation set out above presents a more challenging response, as the necessity and timing of the workload / capacity requirements are still emerging, not least those associated with maintaining the housing estate to ensure it meets new regulatory requirements etc. and the expected improvement actions required following the upcoming first inspection from the Regulator.

With the above in mind, there is the need for a pragmatic approach and to 'break the circle' of uncertainty by establishing a flexible financial response to meet the costs set out above. Additional capacity will not necessarily be 'linear' and will undoubtedly require upfront resources across a range of disciplines and skills over future months and years. As set out within **Appendix 1H**, it is proposed to fund the annual cost highlighted above via a mix of refocusing existing budgets along with the use of HRA reserves to ensure that they can be sustainably integrated into the long term HRA Business Plan.

What the above means in practice is to manage the 2026/27 position within the overall existing HRA budgetary provision for the year via exploring associated opportunities from now until 31 March 2027, with the final position being subject to the outturn position that will be reported in June / July 2027. If there is a need to offset some of the cost via reserves, then this can also be set out as part of the associated decision-making processes as necessary during the remainder of the year. This will therefore remain subject to ongoing review as part of the quarterly financial performance reports where interim updates will be presented as necessary, with this report therefore in effect seeking to establish and gain approval to this underlying principle / approach.

To provide financial assurance and confidence behind the proposed approach, it is important to highlight the longer-term position that was presented to Full Council in February within the 30 Year HRA Business Plan. This set out surpluses accruing from 2028 through to 2042 with a total estimated overall surplus over this time period of **£29.689m**. Based on this forecast, the proposals can therefore be integrated within the 30 year plan.

Notwithstanding the above, it is important that there will undoubtedly be additional financial pressures emerging from future housing 'standards' where the cost of the required investment in tenants' homes will need to be met in a financially sustainable way.

The 30 Year HRA Business Plan will therefore need to remain alert to the various challenges it faces, with an immediate one being additional and timely capacity as highlighted above.

To add further assurance to the position described above, capacity always remains under constant review to ensure that the Service remains fit for purpose, along with changes across competing demands over the medium to long term. Therefore, by taking the above flexible approach to funding the proposed restructure, it is important to highlight that changes to resources and capacity will be required over the coming years, which is not just a housing related issue, but an inherent challenge for all organisations, especially local authorities where the financial landscape will always be subject to various influences over time.

Given the continuing evolution of regulatory requirements and financial pressures, the Council will need to keep both service demand and organisational capacity under review throughout the on-going development of the HRA Business Plan. Future opportunities to improve efficiency, rebalance resources, adopt new technologies and refine service delivery models will be actively considered to ensure that the Housing Revenue Account remains sustainable while continuing to meet the expectations of residents, Members, the Housing Ombudsman and the Regulator of Social Housing.

SECTION 2 – FINANCIAL FORECAST

In response to the Government's original Local Government Reorganisation timetable, which would have seen successor Unitary Councils established from 1 April 2028, the Council effectively moved its financial forecast onto a two-year 'work programme' approach that covered the period 2026/27 to 2027/28.

This approach was supported by the following key 'reserves':

- **Corporate Risk Fund (Revenue)** – To support the ongoing delivery of services, operational / 'business as usual' activities as well as priorities and cost pressures over the two-year period of the forecast.

- **Corporate Risk Fund (Capital)** - To support the investment in assets and priorities over the two-year period of the forecast.

- **Forecast Risk Fund –** This effectively 'underwrites' risks to the forecast as well as originally supporting the Council in meeting its obligations to a new Unitary Council.

The above approach was therefore designed to support the funding of the emerging cost pressures along with delivering priorities and other key investment activities over 2026/27 and 2027/28. As indicated within earlier reports (and within the context of the Government's original LGR timetable), there is not enough 'headroom' within the annual revenue budgets to adequately address emerging items, and by prudently deploying existing one-off funding, it enabled the Council to maintain strong financial stewardship / sustainability / stability ahead of the establishment of new Unitary Councils across Essex.

In meeting its potential obligations to a new Unitary Council, the forecast also sought to recognise the balance between the above one-off funds (alongside other existing budgets) and money remaining available to the incoming Council from April 2028.

As presented to Full Council in February 2026, the following table sets out an initial in-principle / notional position using the initial forecast for 2028/29 as the 'financial foundation' against which the above balance / obligations could be considered.

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. This approach therefore demonstrated the Council's recognition of its obligations to a new Unitary Council and provided them with the time, opportunity and flexibility to consider their financial plans in their first years of existence.

However, following the Government's announcement on 7 September 2026 to pause and review its current LGR programme, a significant level of uncertainty has been introduced to the forecasting activities of those Councils affected by this decision.

Although the above is true for this Council, the design of the approach described above does still provide a positive position against which to consider the forecast from 2027/28 and beyond regardless of the outcome of the Government's LGR review. For example, the approach proposed was designed to provide a new Unitary Council the time, opportunity and flexibility to consider their financial plans in their first years of existence - in effect this would now equally apply to this Council if there was a delay to the introduction of the LGR reforms. As was the principle behind the Council's previous longer term plans, there would be time to consider the forecast over a longer period rather than having to take a 'knee-jerk' reaction in the short term.

Although the outcome of the Government's LGR review remains unknown at the present time, it is proposed to refresh the forecast over an initial period of four years that reflects the possibility that this Council remains in existence beyond April 2028, which was the original vesting day for a new Unitary Council. Although the position could change over this four-year time frame, it

provides a robust position for the Council to work to and in the event that the LGR programme continues, albeit with a potential delay to the original timetable, the forecast can easily be translated back into the in-principle / notional approach described earlier.

Given the timing of the Government's announcement mentioned above, the development of the forecast remains on-going with the aim of presenting an update to Cabinet in November. This also enables time to reflect on any further information that may be made available by the Government, which could be the case throughout the Council's budget setting timetable over November through to the meeting of Full Council in February 2027.

In terms of HRA budgets and Business Plan, one significant factor that has been repeatedly acknowledged within earlier reports relates to the on-going budgetary impact from the new era of social housing regulation emerging from the Social Housing (Regulation) Act 2023.

The Business Plan and budget remain under ongoing development for presenting to Cabinet later in the year as part of the budget 'cycle' for 2027/28. As in previous years, it will continue to be 'built' on the basis of balancing optimism and caution across the various lines of the forecast, with key considerations across areas such as:

- The Regulator of Social Housing's rent setting policy and other requirements
- The investment in capacity / resources to enable the on-going and effective management of the housing stock
- Investment in tenants' homes
- The development / acquisition of additional units of housing stock
- Strong management of voids and effective use of the housing stock

Similarly to the GF, the above HRA budget setting / forecasting process remains broadly unaffected by the Government's recent LGR announcement highlighted above given the long term HRA Business Plan approach, which will continue regardless of the outcome from the Government's current LGR review.

In terms of the second bullet point above, an initial proposed budget adjustment is set out elsewhere within this report.

PREVIOUS RELEVANT DECISIONS

Executive's Proposals – General Fund Budget and Council Tax 2026/27 – Item A.1 Full Council 17 February 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/ D(i)	Capital Programme
Appendix 1E	Collection Performance – Council Tax, Business Rates, Housing Rent and General Debts
Appendix 1F / F(i)	Treasury Activity
Appendix 1G	Income from S106 Agreements
Appendix 1H	Proposed Adjustments to the Budget 2026/27

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