



**REPORT of
INTERIM CHIEF FINANCIAL OFFICER**

**to
STRATEGY AND RESOURCES COMMITTEE
23 JANUARY 2025**

MEDIUM-TERM FINANCIAL STRATEGY 2025/26 TO 2028/29

1. PURPOSE OF THE REPORT

- 1.1 To present Members with the revised Medium-Term Financial Strategy (MTFS) for 2025/26 to 2028/29.

2. RECOMMENDATIONS

- (i) That the revised Medium-Term Financial Strategy (MTFS) for 2025/26 to 2028/29 (**APPENDIX 1**) is reviewed by the Committee and recommended to the Council for approval.
- (ii) That Members note that further adjustments to the Medium-Term Financial Strategy (MTFS) may be necessary before Council approval, depending on the outcome of the final 2025/26 settlement and business rates return. Any significant changes will be highlighted in the Council papers.

To the Council:

- (iii) That the revised Medium-Term Financial Strategy (MTFS) for 2025/26 to 2028/29 (**APPENDIX 1**), as recommended by the Strategy and Resources Committee (and any subsequent necessary adjustments), is approved.

3. SUMMARY OF KEY ISSUES

- 3.1 The Medium-Term Financial Strategy (MTFS) outlines the Council's approach to managing revenue finances from 2025/26 to 2028/29. As a core strategic document, the MTFS is a financial plan to deliver:
- **Financial Stability:** It helps ensure the Council's financial stability and resilience by providing a framework for managing resources and planning for future financial challenges.
 - **Strategic Planning:** Supports the Council's strategic decision-making by aligning financial resources with organisational goals and priorities.
 - **Risk Management:** Identifies potential financial risks and outlines strategies to mitigate them.
- 3.2 Several factors can impact the delivery of the MTFS for a district council like Maldon and therefore must be considered when producing the MTFS:

3.2.1 Economic Factors:

- Economic Conditions: Changes in the national and local economy, such as inflation rates, interest rates, and economic growth, demographics and demand can affect revenue streams and expenditure.
- Funding Settlements: Variations in government funding, including grants and settlements, can significantly impact financial planning.

3.2.2 Policy and Legislative Changes:

- Government Policies: New policies or changes in existing policies can alter decision making criteria, funding allocations and priorities.
- Legislation: Changes in legislation, such as those related to business rates or council tax, can affect income and expenditure.

3.2.3 Demographic Changes:

- Population Growth: Increases in population can lead to higher demand for services, impacting budget allocations.
- Aging Population: An aging population may require more spending on health and social care and require additional support services.

3.2.4 Local Factors:

- Local Economic Development: Economic development initiatives within the district can influence income from business rates and other local revenues.
- Housing Market: Changes in the housing market can affect council tax revenues and demand for housing services.

3.2.5 Internal Factors:

- Financial Management: Effective treasury management and investments and financial management and control are crucial for the successful delivery of the MTFS.
- Resource Allocation: Efficient allocation and use of resources can help achieve strategic objectives and improve service delivery.

3.2.6 Risk Management:

- Identifying Risks: Recognising potential financial risks and developing strategies to mitigate them is essential for maintaining financial stability.
- Contingency Planning: Having contingency plans in place to address unforeseen circumstances can help ensure the MTFS remains on track.

3.3 These factors highlight the complexity of delivering an MTFS and the need for careful planning and adaptability to changing conditions. Within this context, certain assumptions must be made to establish a financial framework within which strategic plans are developed. Where appropriate, external professional advice is sought to ensure the most accurate assumptions are used.

3.4 However, as levels of uncertainty persists regarding the economic outlook and its impact on the Council's finances, particularly concerning Council Tax and Business Rates income the MTFS will be constantly monitored and reviewed through the council's budget monitoring process throughout the year.

3.5 The MTFS has been developed in collaboration with budget managers and assistant directors. Comprehensive financial assessments have been conducted to identify potential risks and opportunities, ensuring that the financial strategy is well-informed, sustainable, resilient, and aligned with the operational realities and strategic objectives of the Council.

4. MEDIUM TERM FINANCIAL STRATEGY 2025/26 TO 2028/29

4.1 The budget forecast for 2024/25 is £12.931m, which provides the starting point for calculations necessary to determine the 2025/26 budget. Temporary in-year budget adjustments in 2024/25 are reversed out in 2025/26. Where increased costs pressures and growth has been identified this is added for salary increases, inflationary uplifts, strategic priorities, and government-induced pressures.

4.2 Increases in Fees and Charges, along with savings are added to the budget, with the resulting net Cost of Services equal to £13.080m in 2025/26. This is funded from government grants, Council tax and Business Rates, which total £12.344m, and investment interest income of £0.664m. An additional corporate contribution of £0.120m is made to the tri-annual pension payment, resulting in a net budget gap of £0.196m. It is proposed to use the earmarked leisure contract smoothing reserve to fund £0.072m, with the remaining £0.120m to be funded from the General Fund reserve to enable the Council to set a balanced budget.

4.3 Forecast assumptions are included to develop a 4-year forecast, within which service plans and organisational priorities must be delivered. However, it is important to note that the budget deficit is projected to increase each year, putting additional pressure on the council's reserves.

4.4 However, the recent approval of the leisure contract is forecast to provide sufficient revenue income to supplement the budget in future years and provide surplus funds to replenish the General Fund reserve. However, this is anticipated to take place in 2029/30, which is beyond the scope of the MTFS. Furthermore, the UK Government has announced a multi-year settlement from 2026/27, providing much-needed certainty regarding government funding in future years.

4.5 Also, with Local Government Reform being a serious consideration within the next 4-years the council will have to consider how that may affect future budgets. The Council will continue to maintain a responsible and prudent approach to planning expenditure to ensure that when Local Government reform is fully determined, the Council continues to be in a financially stable and resilient position.

Table 1 – MTFS Summary:

	2025/26	2026/27	2027/28	2028/29
	£000s	£000s	£000s	£000s
Revised Budget from Prior Year	12,931.44	13,080.25	13,683.43	14,194.77
Virement Reversals	-742.28	0.00	0.00	0.00
Increase in Salaries	518.60	352.50	379.86	389.36
Contractual Inflationary increases (incl. Waste)	229.00	242.26	253.44	265.16
Fees & Charges	-129.00	-119.57	-121.97	-124.40
Prior Year Delivered Savings	-190.52	0.00	0.00	0.00
New Savings	-503.94	0.00	0.00	0.00

	2025/26	2026/27	2027/28	2028/29
	£000s	£000s	£000s	£000s
New Growth	442.27	0.00	0.00	0.00
New Pressures and increased demand	835.80	0.00	0.00	0.00
Reserve Funded Growth	206.31	-206.31	0.00	0.00
Earmarked Reserve Funding	-439.31	334.31	0.00	0.00
Other (various adjustments)	-78.12	0.00	0.00	0.00
Net Cost of Services	13,080.25	13,683.43	14,194.77	14,724.88
Investment Income	-663.53	-586.76	-547.06	-472.06
Contribution to Pension Payment	120.00	120.00	120.00	120.00
Total Funding	-12,344.38	-12,558.24	-12,294.15	-12,626.49
Budget (Surplus) / Deficit	192.34	658.43	1,473.56	1,746.33

5. RISKS TO THE MTFS

- 5.1 Risks to the Council's financial position could potentially arise from several factors, including unplanned budget overspends, lower than expected income from fees and charges and investment income, contractual or legislative failure, a shortfall in forecast business rates growth or challenges, and emergency events. Historically, the Council's outturn has been within budget; however, robust budget management, monitoring, and reporting will be key disciplines for all budget managers. Ensuring that savings and income included within the budget are achieved will remain an essential focus.
- 5.2 The level of risk posed by contractual or legislative failure and emergency events is difficult to predict, but General Balances are held to mitigate against this possibility. Financial bonds and Parent Company Guarantees are built into large contracts where appropriate.
- 5.3 It is important to recognise that under the Business Rates Retention scheme, there is considerable uncertainty in the forecast for business rates growth, as much of it depends on external factors, including the impact of successful appeals. The Council's own economic development policies can influence business rates growth, making it essential for planning services, economic development services, and the business rates service to have a coordinated approach to inward investment policies.
- 5.4 The current cost of living crisis could affect households' and businesses' ability to pay Council Tax and business rates, respectively. This places a risk on local taxation collection rates. Although business rates and Council Tax collection rates are currently holding steady, the closure of a local taxi firm has resulted in a £10k annual loss. The Council should remain vigilant regarding the ongoing cost of living crisis and elevated inflation levels.
- 5.5 Major contracts, such as Waste and Leisure, are also impacted by the wider economic climate. The new Extended Producer Responsibility (EPR) regulations have increased costs for the waste service, but this is offset by special EPR grant funding. The financial impact of these regulations will need to be closely monitored over the MTFS period. The new Waste contract, which began in February 2024, will need to bed in, with income driven by recycling tonnage and prices, which are volatile. Therefore, income assumed in the MTFS for this contract is based on best-known estimates.

- 5.6 The recent approval of the new leisure contract is forecast to provide a management fee over the next 20 years, offering an additional source of commercial revenue. However, the Council is funding the investment into the leisure estate, which will be repaid as part of the annual management fee. The finances of this agreement and the ongoing performance of the leisure contract will be closely monitored to ensure it meets the performance metrics set out in the investment bid. Measures will be built into the contract to ensure performance is monitored and the Council has control over under-performance.
- 5.7 Government core funding has not increased, and with local government reform planned within the next four years, the future remains uncertain for Maldon District Council. However, the Council's finances, including reserve levels remain sustainable and resilient. The Council maintains an excess of the minimum of £2.6m in reserves to manage any financial shocks and emergency events.
- 5.8 The increase in employer National Insurance contributions is an additional pressure, although the UK Government has stated it will support councils with this cost. However, the mechanism for funding remains unclear at present.

6. GENERAL FUND RESERVE

- 6.1 The General Fund reserve is a non-specific revenue reserve, which holds accumulated balances from the annual performance of the budget. It can be used to supplement the budget, or specific earmarked reserves can be created for specific purposes. The General Fund reserve can also be used to contribute to the Council's capital programme.
- 6.2 As shown in Table 2 below, the General Fund reserve is being used to fund the investment in the leisure contract (£4.0m in 2025/26 and £1.0m in 2026/27), which will be repaid by the contractor through the management fee. The General Fund reserve also supports the annual £120k contribution to the pension reserve.
- 6.3 Earmarked reserves are specific reserves, created for a strategic purpose, or for a contingency to manage unexpected expenditure and economic shocks. A detailed breakdown is available in **APPENDIX 1**.

Table 2 – Projected MTFs General Fund Balance

	2025/26	2026/27	2027/28	2028/29
	£000s	£000s	£000s	£000s
Opening General Fund Reserve Balance	-7,540.00	-3,420.00	-2,011.57	-788.00
Planned Reserve Movements	4,000.00	1,000.00	0.00	0.00
Projected Contribution to General Fund	120.00	408.43	1,223.56	1,496.33
Closing General Fund Reserve Balance	-3,420.00	-2,011.57	-788.00	708.33
Total Earmarked Reserves	-9,517.54	-9,257.87	-8,925.68	-9,353.81
Total Useable Reserves	-12,937.54	-11,269.44	-9,713.68	-8,645.48

- 6.4 The projections in **Table 2** highlight that the General Fund reserve will be used in full by the start of 2028/29, if no other actions are implemented. However, it is important

to note that overall reserve balances are maintained at sufficient levels. A minimum of £2.6m in the General Fund is required, therefore £8.65m in 2028/29 is sufficient.

- 6.5 For clarity, income from the leisure contract management fee is currently planned to accumulate in an earmarked leisure reserve, not the General Fund reserve. The Council has full discretion to move any reserve balances and it is very likely that before the General fund reserve is used in full, a transfer of reserves will be recommended to Council to ensure General Fund reserve balances are held at the minimum level. This is anticipated to take place in 2028/29.
- 6.6 A full strategic review of reserve balances is planned before the end of 2024/25 and an update will be provided to Members.
- 6.7 It must be emphasised that if the council does nothing to manage the MTFs then the current MTFs projections will be unsustainable. This is based on the assumptions used to determine the MTFs, which can and often do change. Government funding is often adapted to changing economic conditions. Additionally, the government will provide all councils with a multi-year settlement in 2026/27, providing councils with much needed certainty around funding.
- 6.8 With that context, the figures in **Table 1** are based on a 'do nothing' scenario. Therefore, it is prudent to state that actions will be required to address the increasing budget gaps in the future and develop a sustainability plan. Actions continue to include:
- (i) Closer working with partners - to address resilience and improve efficiency,
 - (ii) Commercial activity - projects are underway but more certainly on income levels is required to include more in the budget,
 - (iii) Service standards review - to ensure value for money.

7. CONCLUSION

- 7.1 Medium-Term Financial Planning is a key component of the Council's strategic planning framework. The current economic climate remains uncertain due to the cost-of-living crisis, elevated inflation levels, and global events. Despite these challenges, the Council's finances, including reserve levels, are robust enough to buffer any financial shocks.
- 7.2 Key financial decisions need to be set in the context of a Corporate Plan that strategically links service and financial planning. The recent approval of the new leisure contract and the anticipated revenue from it, along with the multi-year government funding settlement starting from 2026/27 should help to provide a degree of financial stability and opportunity for the Council.
- 7.3 The Council will continue to adopt a prudent approach to financial forecasting and budget management, ensuring that assumptions are regularly reviewed and updated. Collaboration with budget managers and assistant directors will remain crucial in developing a comprehensive and resilient financial strategy.
- 7.4 With local government reform on the horizon, the Council will maintain a responsible and adaptable approach to planning expenditure. This will ensure that when reforms are fully determined, the Council will continue to be in a financially stable and resilient position while continuing to meet its strategic priorities efficiently.

8. IMPACT ON PRIORITIES AS SET OUT IN THE CORPORATE PLAN 2025 - 2028

8.1 Growing Our Economy

8.1.1 As detailed in this report.

9. IMPLICATIONS

- (i) **Impact on Customers** – None arising directly from this report.
- (ii) **Impact on Equalities** – None arising directly from this report.
- (iii) **Impact on Risk (including Fraud implications)** – The risks to the Council in respect of the available forecast resource envelope over the medium term are discussed at **APPENDIX 1**.
- (iv) **Impact on Resources (financial)** – The financial implications are set out in this report.
- (v) **Impact on Resources (human)** – Provision has been made for expected future increases in pay awards.

Background Papers:

Budgetary Control report to the Strategy and Resources Committee, 21 November 2024,
Discretionary Fees and Charges report to the Strategy and Resources Committee, 21
November 2024.

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