

MALDON DISTRICT COUNCIL
MEDIUM TERM FINANCIAL STRATEGY

2025/26 TO 2028/29

(FEBRUARY 2025)



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1. INTRODUCTION

- 1.1 Medium term financial planning is an important component of the Council's strategic planning framework. Key financial decisions need to be set in the context of a plan that looks beyond the current financial year. Forward planning offers the opportunity to link service and financial planning, as decisions taken on an annual basis are limited in what they can achieve.
- 1.2 The Medium-Term Financial Strategy (MTFS) provides the foundation against which the Council will strive to deliver the best possible value for money in the provision of efficient and cost-effective services across the district. Through the effective development and delivery of the Council's financial and other resource strategies it seeks to build upon past achievements as well as provide clear direction to the attainment of the Council's longer-term goals.
- 1.3 The medium-term financial planning process is an established part of the budget setting and financial review processes. It sets out a forecast of the cost of continuing provision of existing levels of service and the resources that are likely to be available to the Council over the period. It identifies any shortfalls and sets out how this will be managed.
- 1.4 This document is reviewed at least annually; regular review and update is essential to ensure the MTFS takes full account of any changes in the Council's aspirations, strategic and service delivery priorities, changes in government legislation, financial regulation and funding streams and the general socio/economic environment that the Council operates in.
- 1.5 This MTFS reviews how the Council will manage its revenue finances, capital programme and reserve balances up to the 2028/29 financial year. The MTFS supports the delivery of the five priorities as set out in the Council's Corporate Plan 2025-28.
- 1.6 Underpinning the Corporate Plan are the individual service plans and several other key strategies and plans, as set out below. In each case, these describe in detail how the Council will achieve its objectives and the relevant milestones outlined in the Corporate Plan.
 - Information Technology Strategy
 - Cust Service Strategy
 - Workforce Development Strategy
 - Procurement Strategy
 - Risk Management Strategy
 - Treasury Management Strategy
 - Investment Strategy
 - Capital & Investment Strategy
 - Commercial Strategy
- 1.7 The base position for this MTFS is the current 2024 / 25 budget. The development of the 2025 / 26 budget took place within the context of a longer term strategic and resource planning process. It took account of the latest settlement data and the uncertain economic climate.

2. OBJECTIVES

2.1 The objectives of this revised Medium-Term Financial Strategy are:

- To ensure outcomes and priorities identified in the Corporate Plan inform the MTFS including importance, timing, and financial implications.
- To provide updated projections of spending, including spending pressures and income; and set expectations on council tax increases, over the next four years.
- To provide projections for our investment in assets and its impact on general day to day revenue spending
- To test sensitivity of, and apply risk analysis, to projections.
- To provide a framework for consultation with the public and partners about our service priorities and resources allocated to them.

3. LOCAL CONTEXT

3.1 The Maldon District covers some 138 square miles and has a resident population of some 66,200 (2021 UK Census). With one of the lowest population densities in Essex, the District offers a wide range of residential properties, from period country cottages to brand new executive homes.

3.2 Maldon is an attractive and predominantly rural district. It retains an unspoilt nature and its own special character, forged largely by the principal waterways of the Blackwater and Crouch estuaries. Much of the District's 60 miles of coastline of tidal salt marshes and mudflats is recognised as of international and national environmental significance and protected as such.

3.3 There is c.3,500 businesses in Maldon. 90.4% are micro businesses. 8.3% are small businesses. 1.2% are medium businesses. 0.1% are large businesses. The biggest industry employers in Maldon are wholesale and retail trade.

3.4 81.0% of the people in Maldon are in employment. There are more males in employment. The definition of employment is being employed or self-employed and aged 16 to 64. The unemployment rate in Maldon is 2.3%. The definition of unemployment is being economically active but unemployed. The average unemployment rate nationally is 3.8%.

3.5 The average property price in Maldon is £374,311. The national average property price is £294,910. Average property prices by type in Maldon: £634,114 for detached houses. £390,768 for semi-detached houses. £291,665 for terrace houses. £180,698 for flats.

4. CORPORATE PLAN

4.1 The Corporate Plan for Maldon District Council sets out the Council's overall vision for the district:

"To be a sustainable council, promoting the district and all that it has to offer. To support our communities through excellent partnership working and to maintain and improve quality of life."

4.2 The Corporate Plan consists of five key priorities for the Council:

1. Supporting our communities
2. Investing in our district
3. Growing our economy
4. Protecting our environment
5. Delivering good quality services

4.3 Through the Corporate Plan, the Council is committed to running a local authority that puts residents first, is a great place to work, delivering good quality services whilst working in partnership to support communities. To deliver this plan, we will build on good practice and continue to:

- Listen to the needs of our residents
- Make best use of resources
- Adopt modern ways of working
- Use digital tools to be more efficient
- Deliver commercial projects that benefit the district
- Get the most out of working with our local partner organisations and agencies
- As a smaller local authority in the county, we will lobby for infrastructure and investment
- Bid for funding from government and funding bodies
- Promote the district and the good work we do
- We will champion equality, diversity, and inclusion.

4.4 The Council's greatest asset is its employees, and we must have committed, skilled and empowered employees to provide the best possible service standards to the residents of the district. The Council continues to keep its structure under review to ensure it is fit for purpose and able to deliver its priorities.

5. ECONOMIC OUTLOOK

5.1 The British Chambers of Commerce (BCC) Quarterly Economic Forecast (QEF) for Q4 2024 shows improved growth figures compared to the previous MTFS (Q4 2023). Table 1 below shows the comparison.

5.2 GDP growth is projected at 0.8% for 2024, which is a reduction from the Q3 forecast of 1.1%. However, growth expectations for the following two years have been revised upwards, with 1.3% anticipated in 2025 and 1.5% in 2026, surpassing the previous Q3 forecast of 1.0% and 1.1%.

5.3 Increased government spending is likely to boost GDP, as detailed above. However, business investment and trade are likely to suffer in 2025 – through the impact of the national insurance rise and major global uncertainties.

5.4 **Table 1 – Economic Growth:**

Year	Economic Growth (GDP)	
	British Chamber of Commerce (December 2023)	British Chamber of Commerce (December 2024)
2024	0.6%	0.8%
2025	0.4%	1.3%
2026	0.6%	1.5%

5.5 The Consumer Price Index (CPI) is forecasted to stay above the Bank of England's target until the end of 2026, reaching 2.2% in Q4 2025 and 2% in Q4 2026. This is due to rising business costs and geopolitical risks. Despite this, the Bank of England is expected to maintain interest rates at 4.0% by the end of 2025 and 3.50% in 2026, consistent with previous forecasts.

5.6 **Table 2 – CPI Inflation**

Year	CPI (% change)	
	British Chamber of Commerce (December 2023)	British Chamber of Commerce (December 2024)
2024	4.6%	2.6%
2025	3.1%	2.2%
2026	1.9%	2.0%

5.7 The BCC forecasts mild economic growth for the UK over the next two years, with inflation expected to drop to 2% by the end of 2026. The Council's major contracts are tied to CPI and RPI, so contractual inflation is likely to increase the Council's costs in the medium-term based on these forecasts.

5.8 The BCC is forecasting the Bank of England will continue with a cautionary approach to further interest rate cuts, as some inflationary pressures persist. The forecast expects the base rate to be 4% by the end of 2025 falling to 3.50% by the end of 2026.

6. GENERAL FUND REVENUE BUDGET

Financial Context

6.1 The development of the previous Medium-Term Financial Strategy (MTFS) occurred during a very challenging period for Local Government. This was due to the ongoing cost-of-living crisis and high inflation caused by global events like COVID-19 and the War in Ukraine. Many Councils issued Section 114 notices, indicating they no longer had sufficient resources to fund their statutory services.

6.2 This MTFS for the period 2025/26 to 2028/29 remains challenging, as Government funding levels do not match the increasing cost of services. Although the Council's reserves are forecasted to cover the funding gap over this period, this financial situation is not sustainable in the long term.

Risks and Opportunities

6.3 This section highlights the risks and opportunities facing the Council in the medium-term.

- Demographic
- External Income
- Inflation
- Service Demand

Demographic

6.4 Demographic factors influence the Council's planning in several ways:

- Household Changes: Variations in the number of households impact the Council Tax base and the total revenue generated.
- Population and Household Characteristics: help to determine the specific needs and types of services the Council should provide.
- Service Demand: All these factors collectively influence the demand for and usage of Council services.

External Income

6.5 The Council's income from external sources, such as waste, planning, leisure, and car parking, is subject to fluctuations due to macro-economic and seasonal conditions beyond the Council's control.

6.6 Investment income from cash balances has historically been a significant revenue stream for the Council. High interest rates have increased this income over the past year, generating £1.2m in 2024/25. However, due to capital investment in the leisure estate and purchase of new waste vehicles, average invested balances have reduced. With an additional forecast decrease in interest rates, income is set to reduce further to £0.664m. A 0.5% change in the actual interest rate received equates to approximately £80k loss in income, though actual earnings depend on the level of free cash flow throughout the year.

6.7 The Council aims to maximise income from existing and new fees and charges, which are generally linked to inflation rates.

Inflation

6.8 The Council's financial planning for the period 2025/26 to 2028/29 reflects various inflationary pressures and adjustments across different expenditure categories.

6.9 Salaries: The budget for salaries includes a steady 2.50% annual increase from 2025/26 onwards. This adjustment accounts for anticipated pay inflation and cost-of-living increases. A 1.0% change in the pay award would represent a £0.120m impact on the General Fund budget.

6.10 Waste: The waste management budget saw a 7.40% increase in 2024/25. From 2025/26 onwards, a consistent 4.90% annual increase is projected, reflecting contractual obligations and service demands.

6.11 Other Costs: Other costs rose by 7.40% in 2024/25 but are expected to stabilise at a 2.20% annual increase from 2025/26 onwards, reflecting general inflationary trends.

6.12 Overall, the Council's budget planning incorporates significant initial increases in key areas such as utilities and fuel in 2025/26, followed by more moderate and stable

growth rates in subsequent years. This approach aims to address immediate economic challenges while ensuring long-term financial sustainability.

Service Demand

- 6.13 In the current economic climate, the pressure on the Council to deliver services within a constrained financial base remains high compared to historic levels. Central Government mandates require local authorities to play a significant role in revitalising the local economy, while also bearing a substantial portion of the government's austerity measures through reduced funding.
- 6.14 Increases in service demand, coupled with the loss of external income, will restrict the Council's ability to make overall cost reductions.
- 6.15 For a district council like Maldon, rising service demand can significantly impact financial planning and resource allocation. An aging population may increase the need for health and social care services, while overall population growth can strain existing infrastructure and services.
- 6.16 Additionally, higher expectations from residents for quality services can further pressure the Council's resources. These factors collectively contribute to the rising demand for services, making it increasingly difficult for the Council to manage costs effectively and maintain service quality.

2025/26 Local Government Finance Settlement (LGFS)

- 6.17 The provisional Local Government Financial Settlement (LGFS) for 2025/26 was announced by the government on December 18, 2024. The current Medium-Term Financial Strategy (MTFS) is based on these provisional funding amounts.
- 6.18 The final LGFS will be announced in February 2025, and the MTFS will be updated to reflect the final funding figures. It is anticipated any additional funding will be moved into reserves and any funding decrease will be a call on Council reserves.
- 6.19 As shown in **Table 3**, Maldon District Council has not received an increase in Core Spending Power (CSP). The final settlement in 2024/25 was £9.386m and the provisional settlement in 2025/26 is £9.387m.
- 6.20 Although some elements of the settlement received an inflationary increase, some grants were removed. The 'funding guarantee' was replaced by a 'funding floor'. With these balancing measures, the CSP has remained unchanged.
- 6.21 However, additional funding of £0.636m is guaranteed through the Extended Producer Responsibility (EPR) grant, which is separate to the LGFS. The funding from EPR is the primary funding increase the Council is expected to receive.
- 6.22 The net income forecast from Business Rates includes an inflationary increase. However, this figure is only an estimate until the National Non-Domestic Rates return (NDR1) is submitted in early February 2025.
- 6.23 The table below shows Maldon's provisional settlement for 2025/26.

6.24 Table 3 – Provisional LGFS 2025/26

Local Government Financial Settlement 2021/22 to 2025/26	2021-22	2022-23	2023-24	2024-25	2025-26
	FINAL	FINAL	FINAL	FINAL	PROV
	£m	£m	£m	£m	£m
Settlement Funding Assessment	1.532	1.533	1.670	1.731	1.760
of which:					
Revenue Support Grant	0.000	0.000	0.081	0.086	0.101
Baseline Funding Level	1.532	1.532	1.590	1.645	1.659
Year on Year Change		0.000	0.138	0.060	0.029
Year on Year Change (%)		0.02%	8.98%	3.60%	1.70%
<i>Tariff/Top-Up</i>	<i>-3.867</i>	<i>-3.867</i>	<i>-4.758</i>	<i>-4.699</i>	<i>-4.740</i>
Compensation for under-indexing the BR multiplier	0.080	0.157	0.271	0.337	0.355
Council tax requirement excluding parish precepts	5.177	5.421	5.664	5.947	6.204
New Homes Bonus	0.930	0.961	0.474	0.495	0.587
Rural Services Delivery Grant	0.032	0.032	0.036	0.042	0.000
Lower Tier Services Grant	0.065	0.070	0.000	0.000	0.000
Funding Guarantee	0.000	0.000	0.601	0.774	0.000
Services Grant	0.000	0.106	0.062	0.011	0.000
Domestic Abuse Safe Accommodation Grant	0.034	0.034	0.036	0.037	0.037
Funding Floor	0.000	0.000	0.000	0.000	0.443
Grants rolled in	0.091	0.094	0.013	0.013	0.000
Core Spending Power	7.942	8.408	8.828	9.386	9.387
Year on Year Change		0.466	0.420	0.558	0.000
Year on Year Change (%)		5.55%	4.76%	5.95%	0.01%
Change since 2015-16 (£ millions)					2.085
Change since 2015-16 (% change)					28.56%

New Homes Bonus Scheme

- 6.25 The New Homes Bonus Scheme (NHBS) was introduced in 2011/12 to encourage local authorities to facilitate housing growth. For every additional property built or brought back into use, the government match funds the additional council tax, with an additional amount for affordable homes, for the following six years. The grant is not ring-fenced and is split 80% to the lower tier and 20% to the upper tier.
- 6.26 Previous changes to the NHBS were the introduction of a baseline housing growth of 0.4% before NHBS would be payable and a reduction in duration of legacy payments from the six years to five years and to four years.
- 6.27 The government completed a consultation on the future of the NHB in 2021/22. The Council received its last legacy payments for previous years of £0.198m in 2022 / 23 and now only receives one off annual NHB payments. In the 2025/26 provisional LGFS, the government has announced a one-off NHB payment of £0.587m, which is an increase from the final award of £0.495m in 2024/25.
- 6.28 In 2021 / 22 the Council decided to support its 2021 / 22 to 2023 / 24 Local Development Scheme expenditure from the NHB. Therefore, there is no longer any NHBS reserve.

Pension

- 6.29 Maldon District Council employees are eligible to be members of the Local Government Pension Scheme (LGPS), for which the Government sets the terms and conditions nationally. This is a statutory condition of employment available to all local government employees. Essex County Council is the administering authority of the LGPS in Essex. In accordance with statutory requirements the Essex Pension Fund, of which this Council is a member, was actuarially valued as at 31 March 2022 as part of the triennial valuation cycle.
- 6.30 The 2022 Valuation showed a decrease in the Council's deficit position by 82% from £5.32m to £0.94m. This means that the funding level of the Council's element of the Fund increased from 90.2% in 2019 to 98.4% in 2022. Funding levels are taken as the ratio of assets to liabilities. In general, for the 2022 valuation, funding levels have increased due to:
- Salary increases being lower than expected
 - Investment returns have been better than expected
 - Deficit contributions paid by the Council to the Fund
- 6.31 The recovery period for the deficit was reduced from 12 years, set at the 2019 Valuation, to 9 years or less in the 2022 Valuation, depending on the individual circumstances of the Council.
- 6.32 The 2022 Valuation brought about an increase in the employer's ongoing contribution from 19.9% of pensionable pay to 20.9% of pensionable pay (up £78k). Whilst the recovery of deficits covers up to a date, an ongoing contribution rate is also needed to obtain the level of contributions required to meet the cost of new pension benefits and this is usually based on the same assumptions as are used for the deficit.
- 6.33 Automatic Enrolment has been established by the Government as a requirement for employers to provide a pension scheme for employees. The LGPS is a qualifying scheme for the purposes of Automatic Enrolment within the terms set out by the Pension Regulator.
- 6.34 The Pensions Act 2008 includes a duty on employers to automatically enrol their eligible jobholders into a workplace pension scheme that meets certain requirements and provide a minimum employer contribution. From early 2014, the Council must have:
- Enrolled any new employees into the qualifying approved scheme;
 - Enrolled any employees who are not a member of the scheme but reach the age of 22; and
 - Enrolled any employee who is passing the rate of salary to £10,000 per annum for the first time
- 6.35 It should be noted the employee can still choose to opt out of the scheme, but the Council must not mention any option of how to opt out of the scheme during enrolment as it could be seen as an inducement not to join the scheme and could expose the council to a fine from the Pensions Regulator.

Universal Credit

- 6.36 Universal Credit (UC) was rolled out through the Welfare Reform Bill and was the biggest shake up of the system for 60 years. UC is an integrated working-age credit that will provide a basic allowance with additional elements for children, disability, housing and caring. It will support people both in and out of work, replacing Working Tax Credit, Child Tax Credit, Housing Benefit, Income Support, income-based Jobseeker's Allowance and income-related Employment and Support Allowance. For local authorities, this means the link between Housing Benefit and Council Tax Support will be broken for working age customers and that UC will be administered by the Department of Work and Pensions.
- The digital roll out of Universal Credits for Maldon, using the newer software started in December 2018 for new claims only and migration to UC has been ongoing since.
 - The Council retains responsibility for Local Council Tax Support, as well as pensioner claims, and some working age claims, even after a full transfer of claims to UC. As such, the Council will retain 70-80% of pre-UC workload even after all qualifying claimants have been migrated to UC.
- 6.37 The transition to UC has had significant implications for local Council and its systems. There will continue to be a reduction in the Housing Benefit Administration Grant going forward, but this may not be proportional to the reduction in the workload or staffing. The financial impact of Universal Credits continues to be monitored on an ongoing basis.

Land Charges (transfer of responsibility to Land Registry)

- 6.38 The Infrastructure Act 2015 provided for the transfer of some of the Land Charges responsibilities from local authorities to the Land Registry. The implications for the Council are:
- Loss of local land charges income
 - Incurring on-going costs for the supply of standardised accurate information related to local land charges to Land Registry to keep the register updated.
 - Legal liability will rest with Local Authorities for any inaccurate information provided
 - Transfer requires digital and business transformation
 - Local authorities will continue to provide Con 29 searches
- 6.39 This project got underway during 2022 / 23 after Maldon District Council (MDC) made preparations by putting in a growth bid of £50,000 for 2021 / 22 to fund this. The local land charges income has now begun to fall, so this has reduced the overall increase in Fees and Charges forecast for the MTF5 period.
- 6.40 The financial implication on the land charges transfer continues to be monitored on an ongoing basis to ensure that budgets reflect latest income expected.

Budget Scrutiny Process

- 6.41 As part of the financial planning process, Members review information from officers about existing resources. Budget options are evaluated based on current service

performance and priorities. All growth, savings, and capital bids undergo a challenge process, including review by the Finance Working Group and recommendation by the Strategy & Resources Committee.

7. RISK MANAGEMENT

- 7.1 Risk management is integral to the Council's financial planning process.
- 7.2 The Council prioritises effective risk management, considering the assessment and minimisation of all risks as essential. It has an adopted Risk Management Strategy, and financial risks are evaluated within the Council's overall risk management framework.
- 7.3 To mitigate risks, the Council regularly monitors its budgets. The performance management system helps identify, monitor, and report on risks. Corporate risks, along with financial and non-financial performance, are reported at least quarterly to the Corporate Leadership Team and the Performance, Governance, and Audit Committee, as scheduled in the annual timetable.
- 7.4 In **Table 4** below outlines the financial implications if assumptions in the MTFS change, highlighting the types of risks to consider when determining future reserve levels.
- 7.5 **Table 4 – Sensitivity Analysis**

Sensitivity Scenario	2025/26	2026/27	2027/28	2028/29
	£m	£m	£m	£m
Inflation - Pay award 1% higher than assumed	0.114	0.124	0.131	0.141
Other Inflation - 1% higher than assumed	0.073	0.074	0.075	0.076
Average investment interest rate - 0.5% lower than assumed (av. £16m invested)	-0.079	-0.076	-0.075	-0.075
Council Tax Collection - 1% lower than assumed	-0.061	-0.063	-0.065	-0.067
NNDR Collection - 1% lower than assumed	-0.046	-0.046	-0.047	-0.049
Net Operating Expenditure - 1% overspent	0.130	0.138	0.144	0.151

8. COUNCIL TAX

Council Tax

- 8.1 Legislation limits Council Tax increases to 3% each year, which limits the Council's capacity to generate income. Anything higher than 3% requires a local referendum and approval by UK Government.
- 8.2 In 2025/26, the Basic Amount of Council Tax was increased by £6.74 to £232.01 for an average Band D property. The MTFS forecasts include a 3% uplift each year.

Tax base for Council tax setting

8.3 The tax base for council tax setting assumed in the MTFS is shown below:

8.4 **Table 5 – Forecast Council Tax Base**

Year	2024/25	2025/26	2026/27	2027/28
	Calculated	Calculated	Projected	Projected
Band D Equivalents	26,400	26,854	27,123	27,394

8.5 Using past trends together with information on already approved and likely future planning applications, projected housing growth has been used to forecast the council tax-base for the period of the MTFS. The tax-base forecast has been arrived at by considering the completion dates of the strategic housing developments in the district and equates to a 1% increase each year.

9. VALUE FOR MONEY AND EFFICIENCY

9.1 Value for Money (VFM) is an assessment of whether we obtain the maximum benefit from the goods and services we both acquire and provide, within the resources available to achieve it. This assessment includes considerations about suitability, quality, whole life costs and the relationship between economy, efficiency and effectiveness.

9.2 Value for money remains an integral part of the external audit opinion. The general feedback was that the council had consolidated previous improvements and demonstrates good value for money across services.

9.3 A key part of the Council's ethos is its focus on achieving efficiencies. This is a main driver during the budget and planning process; ensuring resources are directed in the appropriate areas and is embedded across the whole authority. Services are monitored and reviewed for efficiencies with a view to identify where savings and or productivity gains can be made. The Council is committed to delivering efficiencies to drive costs down and maintain or improve services.

9.4 The Annual Audit Report also provides an opinion on the Council's performance with regards to value for Money. The latest report from 2024 confirms there are no concerns and the Council is able to deliver on it's objectives, whilst achieving value for Money.

10. INCOME GENERATION

Forecasting Income

10.1 This section covers the income from fees and charges.

Policy on Fees and Charges

10.2 The Council aims to maximise revenue from fees and charges, which constitute a significant portion of its income. It is essential to balance statutory responsibilities with the subsidy for discretionary services. The Council prefers to raise charges to recover part or all of the service costs rather than eliminating the service entirely. Charges are set based on local circumstances and the user's ability to pay. Typically,

the Council's fees and charges increase in line with inflation or statutory requirements. Variations in income due to volume changes or charge proposals above or below inflation are addressed through the budget-setting process.

- 10.3 The full list of fees and charges is detailed in the Discretionary Fees and Charges 2025/26 report presented to the Strategy and Resources Committee on 21 November 2024.
- 10.4 The Council's long-term policy is based on three fundamental principles:
- Services should generate income wherever there is a power or duty to do so
 - The income generated should cover the full costs of providing the service, including all overheads
 - Any departures from this policy must be transparently justified with reference to the Council's priorities and policies
- 10.5 When the Council does not generate income in areas where it has the power to do so, it misses the opportunity to fund service improvements, leaving less money available for high-priority services.
- 10.6 Choosing to forego income or subsidise a service is a significant policy decision, comparable to decisions made during the budget-setting process. As the Council moves towards greater self-sufficiency, the cost of maintaining services will ultimately fall on the council taxpayer. The Fees and Charges Policy is reported separately to the Strategy & Resources Committee and the Council, apart from the MTFs.

Income and Debt Management

- 10.7 The Council has a good history of debt collection. The Council continues to build on this to maximise income received and minimise income written off. Monitoring information has been enhanced to provide information on evaluating the effectiveness of debt recovery actions, associated costs, and the cost of not recovering debt promptly. Debt levels are reported monthly through Corporate reporting processes.

11. USE OF RESERVES

- 11.1 The minimum General Fund reserve balance is set at £2.6m. The justification for this is outlined in the S151 Officer Assurance Statement. This minimum level ensures sufficient resources to respond to emergency events and economic shocks, such as the cost-of-living crisis, inflationary pressures, and extreme weather events. We aim to maintain this minimum reserve as far as possible.
- 11.2 Risks to the Council's financial position may arise from budget overspend due to higher-than-budgeted expenditure, lower-than-budgeted income, or a combination of both. Other risks include loss of investment income, contractual or legislative failures, and challenging or emergency events.
- 11.3 Historically, the Council has maintained a strong record of staying within budget and accurately predicting investment income, thus avoiding significant additional provisions. However, high inflation and the current economic environment continue to test the Council's reserves.

11.4 Equally, it is crucial that the use of reserves does not increase year on year, creating an unsustainable future problem. The Council's goal is typically to address any budget gap by making savings.

11.5 A summary of the proposed use of useable reserves is shown in **Table 6** below. This summary is based on a budget projection that includes budget pressures, such as inflation, further salary increases, pension fund contributions, and identified savings.

11.6 **Table 6 – General Fund Reserve**

	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

12. CAPITAL

12.1 The Council's Capital & Investment Strategy is approved on an annual basis and serves the following purposes:

- It sets out how capital projects contribute to the achievement of the Council's corporate objectives.
- It establishes the criteria for the allocation of capital resources.
- It provides a framework for the administration of capital projects and monitoring of outcomes.

12.2 **Table 7** summarises the planned capital programme over the MTFS period:

Updated Capital Programme - Summary	2025/26	2026/27	2027/28	2028/29
Project Category	£'000	£'000	£'000	£'000
Vehicle & Plant Replacement	163	0	0	0
Car Parking	0	0	0	0
Information & Communication Technology	47	47	47	47
Parks	118	0	0	0
Brickhouse Farm	0	0	0	0
Rivers	0	0	0	0
Leisure & Sports	4,000	1,125	0	0
Cemeteries	0	0	0	0
Play Equipment	345	125	0	0
Housing	539	539	539	539
Community	0	0	0	0
Total Capital Programme - Summary	5,212	1,836	586	586

- 12.3 Although the Capital & Investment Strategy report is a separate report to Council, a summary of the capital programme and funding is provided for at **Appendix B**.
- 12.4 The key driver for the Council's approach to capital expenditure is revenue affordability.
- 12.5 Most Capital Projects have financial implications on the annual Revenue Budget. The revenue implications can take a variety of forms and they include:
- Capital financing costs
 - Loss of investment income
 - Annual non-capital financing costs, e.g.
 - Salaries
 - Rent
 - Rates
 - Energy costs
 - On-going maintenance costs
 - Income generated from the scheme or project
- 12.6 Revenue implications, such as Minimum revenue Provision (MRP), loss of investment interest and increased costs as a result of the proposed Capital Programme have been built into the revenue forecasts in the MTFs.

13. TREASURY MANAGEMENT

- 13.1 The Council will continue to invest in accordance with the approved Treasury Management Strategy and will plan any consideration of borrowing closely through the MTFs and five-year Capital Budget.
- 13.2 Investment income supports the authority's budgets, and changes in interest rates can significantly impact this income. Since December 2021, the Bank of England has increased its base rate from 0.1% to the current level of 4.75% to address high inflation.
- 13.3 The Council remains debt-free, so interest rates do not affect its expenditure levels. However, from March 2025, the Council will utilise approximately £4 million of its Treasury Investments to internally borrow for waste vehicles. This will cost the Council the interest that would have been earned if those funds were invested externally. Currently, the Council's interest returns on Treasury investments are higher than in recent years due to elevated interest rates.

14. EQUALITY IMPACT ASSESSMENTS (EIA)

- 14.1 The Council is committed to ensuring that equality and diversity issues are properly considered. Equality Impact Assessments (EIAs) are a crucial part of our decision-making process, helping us evaluate the impact of decisions on our residents, stakeholders, and customers. When a decision has a high impact, we develop mitigation plans to reduce that impact. These assessments are completed in accordance with national guidance and best practices. The need for an EIA is considered for every Committee report..

15. CONCLUSION

15.1 The MTFS should be considered in the context of the following issues:

- The impact of the cost-of-living crisis on inflationary costs and local taxation collection, noting that most government and local measures are temporary.
- The reductions in local government funding over the past decade and a half, and the uncertainty surrounding further reductions in the future.
- The Council's future budget gaps, despite its historical financial strength, as evidenced by the General Fund reserves, robust financial management, and an excellent track record in achieving efficiency savings.
- The need for challenging decisions to safeguard frontline services and achieve sustainable balanced budgets, along with maintaining an adequate level of General Fund reserves.
- The possibility that the Usable Capital Receipts Reserve could be fully utilized over the MTFS period if the programme needs to expand in future years.

15.2 The financial position over the medium term is shown in **Appendix A**.

LIST OF APPENDICES

Appendix A sets out the MTFS projections for the General Fund (below)

Appendix B sets out the medium-term projections for Capital (below)

Appendix C shows the Policy on reserves and balances (below)

Appendix A - Medium Term Financial Strategy 2025/26 – 2027/28

	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
Contract Inflation (incl. Waste)	229.00	242.26	253.44	265.16
Fees & Charges	-129.00	-119.57	-121.97	-124.40
Prior Year Approved Savings	-190.52	0.00	0.00	0.00
New Savings	-503.94	0.00	0.00	0.00
New Growth	442.27	0.00	0.00	0.00
New Pressures	835.80	0.00	0.00	0.00
Temporary Growth	206.31	-206.31	0.00	0.00
Temporary Reserve Funding	-439.31	334.31	0.00	0.00
Other	-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
Earmarked Reserve Contribution	-72.34	-250.00	-250.00	-250.00
(Surplus) / Deficit - Funded from GF Reserve	120.00	408.43	1,223.56	1,496.33

Funding Source	2025-26	2026-27	2027-28	2028-29
New Homes Bonus	-587.07	-587.07	0.00	0.00
EPR Funding	-636.00	-667.80	-701.19	-736.25
Renewable Energy	-973.27	-992.73	-1,012.59	-1,032.84
Business Rates Baseline Funding	-1,275.17	-1,300.67	-1,326.68	-1,353.22
Business Rates Growth incl S31	-2,041.00	-2,081.82	-2,123.46	-2,165.93
Business Rates levy/benefit	334.49	341.18	348.01	354.97
NNDR Under-Indexing	-355.18	-362.28	-369.52	-376.92
Other Grants	-37.35	-38.09	-38.85	-39.63
Funding Floor	-443.31	-452.17	-461.22	-470.44
Estimated Yield from Council Tax	-6,230.49	-6,416.78	-6,608.64	-6,806.24
Estimated Collection Fund (surplus)/deficit	-100.05	0.00	0.00	0.00
Contribution from Leisure Smoothing Reserves	-72.34	-250.00	-250.00	-250.00
Investment Interest	-663.53	-586.76	-547.06	-472.06
Total Funding	-13,080.25	-13,395.00	-13,091.21	-13,348.55

Appendix B – Capital Programme & Capital Receipts Reserve 2025/26

		2025/26	2026/27	2027/28	2028/29
Project Title	Funding Source	£'000	£'000	£'000	£'000
<u>Vehicle & Plant Replacement</u>					
Trimas Pegasus - Grass cutting machine	Capital Receipts				
John Deere Gator Vehicle replacement	Capital Receipts				
Community Engagement Team Vehicle	Capital Receipts	18			
Maintenance Team Vehicle	Capital Receipts	35			
Tractor Side-Arm Flail	Capital Receipts	40			
Ride on Mower	Capital Receipts	35			
Parks Vehicle Transit	Capital Receipts	35			
Suez Waste Vehicles	Borrowing				
<u>Car Parking</u>					
White Horse Lane resurfacing	SEPP Grant				
Butt Lane subsidence repairs	SEPP Grant				
<u>Information & Communication Technology</u>					
PC and Printer Replacement Programme	Capital Receipts	47	47	47	47
<u>Parks</u>					
Promenade Park Amphitheatre Strengthening	Capital Receipts				
Goldhanger – Decommission garages	Capital Receipts				
Seawall and Coach Park toilets – lighting	Capital Receipts				
Matting Play surfacing for 4 sites	Capital Receipts				
Longfields pathways tarmacing	Capital Receipts				
Remembrance Avenue – Road resurface.	Capital Receipts				
New accessible playsite	Capital Receipts				
Fencing and Bollards - Parks	Capital Receipts	20			
MDC Roads Resurfacing	Capital Receipts	98			
Splashpark element (Year 3)	Capital Receipts				
<u>Brickhouse Farm</u>					
Scout Hut – New flooring	Capital Receipts				
St Georges Play Site – Equipment refresh	Capital Receipts				
<u>Rivers</u>					
New Navigation buoys	Capital Receipts				
Burnham-On-Crouch houseboats berth	Capital Receipts				
Burnham-On-Crouch Pontoon (UKSPF)	UKSPF				
<u>Leisure & Sports</u>					
Plume school - Replacement Carpet Astro pitch	Capital Receipts		125		

APPENDIX 1

		2025/26	2026/27	2027/28	2028/29
Project Title	Funding Source	£'000	£'000	£'000	£'000
New Leisure Centre Facilities	Borrowing	4,000	1,000		
Changing Places	Changing Places Grant				
<u>Cemeteries</u>	-				
Renovation of garden of remembrance	Capital Receipts				
<u>Play Equipment</u>	-				
Prom Park - The Valley - Play Galleon	S106 Reserve				
District accessibility - BOC accessible play (UKSPF)	UKSPF				
Play equipment Prom Park sensory (UKSPF)	UKSPF				
Riverside Park - Skate park equipment and surface	S106 Reserve				
YFP - Lighting for youth facilities	PFC Grant				
YFP - Maldon Skate Park/BMX Track Resurfacing	S106 Reserve				
YFP - Riverside Skate Park Equipment and Surface	S106 Reserve				
YFP - West Maldon skate park / BMX track	S106 Reserve				
New Playsite Equipment	Capital Receipts	125	125		
Playsite Surfacing - Oaktree Meadow	Capital Receipts	60			
Play Site Fencing	Capital Receipts	60			
New accessible play site (Sensory)	S106 Reserve	100			
<u>Housing</u>	-				
Mandatory Disabled Facilities Grants	Disabled Facilities	539	539	539	539
Stephens House	S106 Reserve				
<u>Community</u>	-				
UKSPF Core Capital	UKSPF Grant				
REPF Capital	REPF Grant				
Total Capital Programme		5,212	1,836	586	586
		2025/26	2026/27	2027/28	2028/29
<u>Funding</u>	-	£'000	£'000	£'000	£'000
Capital Receipts Applied		(573)	(172)	(47)	(47)
S.106 Contributions		(100)	(125)	0	0
Internal Borrowing		(4,000)	(1,000)	0	0
Direct Revenue Financing		0	0	0	0
Government Grants		(539)	(539)	(539)	(539)
Total Capital Programme Funding		(5,212)	(1,836)	(586)	(586)

APPENDIX 1

Capital Receipts Reserve 2025/26 – 2028/29	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000
Opening Balance	(704)	(131)	(209)	(412)
Capital Expenditure	573	172	47	47
Asset Disposals/Contributions	0	(250)	(250)	(250)
Closing Balance	(131)	(209)	(412)	(615)

Appendix C – Policy on Reserves and Balances 2025/26

Purpose

This policy ensures good financial management by outlining the principles for reserves and balances, which should be reviewed annually.

Application

This policy applies to the General Fund for Maldon District Council, covering reserves only, not provisions.

The Existing Legislative/Regulatory Framework

Financial reserves are required by law, as per Sections 32 and 43 of the Local Government Finance Act 1992. The Local Government Finance Act 1992 and Local Government Act 2003 provide safeguards against financial over-commitment, including:

- Balanced budget requirement
- Chief Finance Officer's duty to report on estimates and reserves
- Proper administration of financial affairs (Section 151 duties)
- Prudential code requirements
- Auditor's review of financial soundness

The Role of the Section 151 Officer

The Section 151 Officer advises the Council on reserve levels and ensures clear protocols for their use. The Council must consider this advice, taking into account local circumstances and risks.

Types of Reserves

Reserves serve three main purposes:

- Working balance for cash flow management
- Contingency for unexpected events
- Earmarked reserves for specific liabilities

Other reserves include:

- Pensions Reserve (IAS19)
- Revaluation Reserve
- Capital Adjustment Account
- Collection Fund Adjustment Account

Each earmarked reserve must have a clear protocol detailing its purpose, usage, management, and review process.

Assessing the Adequacy of Reserves

The Chief Finance Officer assesses reserve adequacy based on strategic, operational, and financial risks. This is part of the four-year Service and Resource Planning Process, considering factors like inflation, capital receipts, demand pressures, efficiency savings, financial risks, and economic conditions.

Reserve Levels

The Council holds:

- General non-earmarked reserves (General Fund Balances)
- Earmarked reserves for specific purposes

The General Fund reserves should be at least £2.6m, reviewed annually during budget setting.

Reporting Framework

The Chief Finance Officer ensures proper stewardship of public funds. The Council determines reserve levels during budget approval and final accounts meetings, based on the Chief Finance Officer's advice.

The reporting policy includes:

- Medium-Term Financial Strategy report on reserve usage
- Budget report on reserve adequacy
- Annual statement of accounts detailing reserves
- In-year Budget Monitoring reports on reserve transactions

Good Governance

Councillors must ensure reserve adequacy when setting the budget, based on the Chief Finance Officer's advice and the review and reporting arrangements.