



**REPORT of
INTERIM CHIEF FINANCE OFFICER**

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

2024 / 25 REVISED AND 2025 / 26 ORIGINAL BUDGET ESTIMATES

1. PURPOSE OF THE REPORT

- 1.1 To note the Provisional Local Government Finance Settlement 2025 / 26 which was announced by the Government on 18 December 2024.
- 1.2 To present the revised 2024 / 25 and original 2025 / 26 General Fund Revenue Budget estimates for approval.
- 1.3 To present the options for proposed level of Council Tax increase for 2025 / 26 for approval.
- 1.4 To present the policy on use of reserves for approval.

2. RECOMMENDATIONS

To the Council:

- (i) that the following be approved:
 - (a) the Revised 2024 / 25 and Original 2025 / 26 General Fund Revenue Budget Estimates (**APPENDICES 1, 2 and 3**),
 - (b) an average Band D council tax of £232.01 (excluding parish precepts) (£6.74 increase) for 2025 / 26 (**APPENDIX 1**),
 - (c) policies on the designated use of financial reserves (**APPENDIX 4**),
 - (d) maintain the current policy of a minimum general fund balance of £2,600,000.
 - (e) that the Council gives due regard to the Interim Chief Finance Officer (Section 151 Officer) statement on the robustness of budgets and adequacy of reserves in **APPENDIX 5**

3. SUMMARY OF KEY ISSUES

- 3.1 The Council no longer receives Revenue Support Grant (RSG) funding from the Government meaning that the majority of the funding for the Council's services is from income raised directly by the authority. The main sources of funding are Council Tax, Fees and Charges and Business Rates.

- 3.2 The requirement to set a balanced budget has required robust processes to identify efficiencies, protect front-line services as far as possible, retain the ability to generate income and to recognise the increasing demand for services.
- 3.3 It should be noted that, at the time of writing this report, the National Non-Domestic Rates Return (NNDR1) for 2025 / 26 figures were not finalised and, therefore, the funding from Business Rates is likely to change, which will affect the contributions to / (from) balances as shown in **APPENDIX 1**.

3.4 Provisional Local Government Finance Settlement 2025 / 26

- 3.4.1 The provisional 2025 / 26 local government finance settlement was announced on 18 December 2024. The Settlement Funding Assessment is the amount of funding consisting of the Council's 50% share of the overall Business Rates Baseline Funding Level, uprated by the increase in the small business rates multiplier that is identified by the Government under the current Business Rates Retention Scheme and adjusted for the tariff that the authority pays.

	2023/24 £m	2024/25 £m
Settlement Funding Assessment – Maldon	1.731	1.759
of which:		
Revenue Support Grant	0	0
Business Rates Baseline Funding under 50% Business Rates Retention (BRR)	1.731	1.759
Annual % Change		1.6%

- 3.4.2 The Government calculates an amount called the 'Core Spending Power' each year which is an estimate of the amount of funding available to each authority to spend on their core services. It is made up of estimated Council Tax and Business Rates income, Revenue Support Grant, New Homes Bonus and a number of government grants.

CORE SPENDING POWER			
<i>Please select authority</i>			
Maldon			
Illustrative Core Spending Power of Local Government:			
	2023-24	2024-25	2025-26
	£ millions	£ millions	£ millions
Settlement Funding Assessment	1.670	1.731	1.760
Compensation for under-indexing the business rates	0.271	0.337	0.355
Council tax requirement excluding parish precepts ¹	5.664	5.947	6.204
Local Authority Better Care Grant ²	0.000	0.000	0.000
New Homes Bonus	0.474	0.495	0.587
New Homes Bonus returned funding	0.000	0.000	0.000
Rural Services Delivery Grant	0.036	0.042	0.000
Transition Grant	0.000	0.000	0.000
Adult Social Care Support Grant	0.000	0.000	0.000
Winter Pressures Grants ³	0.000	0.000	0.000
Social Care Support Grant ⁴	0.000	0.000	0.000
Social Care Grant	0.000	0.000	0.000
Market Sustainability and Fair Cost of Care Fund	0.000	0.000	0.000
Market Sustainability and Improvement Funds ⁵	0.000	0.000	0.000
Lower Tier Services Grant	0.000	0.000	0.000
ASC Discharge Fund ²	0.000	0.000	0.000
Funding Guarantee	0.601	0.774	0.000
Services Grant	0.062	0.011	0.000
Domestic Abuse Safe Accommodation Grants ⁶	0.036	0.037	0.037
Recovery Grant ⁷	0.000	0.000	0.000
Children's Social Care Prevention Grant ⁸	0.000	0.000	0.000
Funding Floor	0.000	0.000	0.443
Grants rolled in ⁹	0.013	0.013	0.000
Core Spending Power	8.828	9.386	9.387
Change since 2023-24 (£ millions)			0.6
Change since 2023-24 (% change)			6.3%

Source: Provisional Local Government Finance Settlement 2025 to 2026 published by DLUHC 18/12/2024

- 3.4.3 It can be seen from the above table that, in the Government's view, the total Core Spending Power for 2025 / 26 includes the potential additional Council Tax from the maximum 2.99% or £5 referendum principle for all Districts. The Council increased its Council Tax by £5 in 2017 / 18, the first year that the Government introduced the £5 into the referendum principle and continued to do so until 2022 / 23 in acceptance and recognition of the financial pressures that district councils have been experiencing. For 2024 / 25 and 2025 / 26 the Government has increased the maximum percentage increase to 2.99%, which the Council utilised in 2024 / 25.
- 3.4.4 For 2025 / 26, government funding consists of Revenue Support Grant (nil for the Council), Business Rates Baseline funding, New Homes Bonus, and a Funding Floor.
- 3.4.5 The New Homes Bonus (NHB) Scheme was introduced in 2011 / 12 to encourage local authorities to facilitate housing growth. For every additional property built or empty property brought back into use, the government match funds the additional council tax, with an additional amount for affordable homes. The one-off allocation for 2025 / 26 will be £587,073 up from £494,908 in 2024 / 25.

- 3.4.6 There have been changes to the scheme over the years such as:
- the payments have reduced from six years to four years,
 - the introduction of an annual baseline housing growth of 0.4% below which no NHB would be payable,
 - from 2020 / 21 the government no longer pays NHB legacy payments relating to 2020 / 21.

3.4.7 For 2025 / 26 the government has removed the Rural Services Delivery Grant, the Funding Guarantee and Service grants.

3.4.8 The Council's provisional allocation of Homelessness Prevention Grant for 2025 / 26 has been set at £296,716. Further allocations may be announced for the Flexible Housing Support Grant, and the Homelessness Reduction Grant in the future.

3.5 Revised General Fund Revenue Budget Estimates 2024 / 25

3.5.1 There have been some necessary changes to the 2024 / 25 budget since its approval in February 2024. £0.816m of revenue commitments unspent in 2023 / 24 were carried forward from 2023 / 24 as agreed by the Council in July 2024. £0.254m has been withdrawn from Earmarked Reserves to support one-off expenditure following approval from members during the year, and a further £0.168m of the Local Development Plan (LDP) Reserve is forecast to be utilised on staff this financial year.

3.5.2 The Quarter 2 Budgetary Control report considered by the Strategy & Resources Committee on 21 November showed an estimated net services budget underspend of £0.232m for 2024/25, along with improved interest earnings of £0.088m. Added to the General Fund balance, along with a proposed drawdown on capital funding during 2024/25 results in a closing balance of £7.540m.

Impact on General Fund Reserve Balance:

	£000
Opening General Fund Balance	-7,879
2024 / 25 Medium-Term Financial Strategy (MTFS) Funding Surplus	-0.054
Net Cost of Services and Investments variance	-0.320
Proposed loan to leisure provider for capital investment	0.713
Estimated Closing General Fund Balance	-7,540

3.5.3 The Council continues to receive additional income from growth above the baseline in local business rates and pooling arrangements within the Essex Region Business Rates Pool. The final benefits from being in the pool will not be known until the year end.

3.6 Original General Fund Revenue Budget Estimates 2025 / 26

3.6.1 The proposed 2025 / 26 net operating expenditure budget after adjusting for statutory adjustments, but before any non-service specific funding and use of reserves totals £13.080m and is therefore £0.645m (5%) higher than 2024 / 25 (£12.435m).

3.6.2 There are additional growth pressures in salaries and inflation of £0.747m, due to:

- an estimated 2.5% increase on gross salaries, plus net incremental salary grade pressures
- Government policy changes to Employer National Insurance contributions

- an increase in the national minimum wage (age 21 and over) from £11.44 per hour to £12.21 (7%), also pushing up contract costs
- a 2.2% increase for Consumer Price Index (CPI) adjusted expenditure, measured in August 2024. This mainly applies to operational contracts related to waste services, street cleansing and parks, and corporate contracts such as transaction charges and IT licences, which are collectively increasing by £229k.

3.6.3 It is estimated that in 2025 / 26 there will be a net contribution from General Fund reserve balances of £0.120m.

3.6.4 The Council Tax increase is considered in Section 3.13. Proposals for the usage of earmarked reserves are discussed in more detail in Section 3.14.

3.6.5 2025 / 26 Budgets have initially been built up as follows:

- Salaries based on revised Council structure.
- Inflation assumptions– 2.5% average pay award in 2025 / 26, contractual inflation on goods and services based on projected CPI or RPI dependent of terms within contracts.
- Expected income from fees and charges and grant income.
- Implications of statutory and contractual changes, non-inflation cost pressures.
- Growth and Savings, as discussed later in this report.

3.7 **Budget Growth, Savings and Income Generation in 2025 / 26**

3.7.1 Savings of £0.503m have been proposed and recommended by the Finance Working group and have been adjusted in the 2025 / 26 budget.

3.7.2 New recurring Growth bids of £442k have been proposed alongside unavoidable budget pressures of £835k and temporary one-off growth bids £206k totalling £1.484k, although £206k of these are to be funded from earmarked reserves.

3.7.3 Fees and Charges were taken to the November 2024 Strategy and Resources Committee and an increase in charges of 2.2% for 2025 / 26 was agreed. However, Income generation from fees and charges is forecast to decrease in 2025 / 26 due to the reduction in income from planning fees (£200k) and splash park income now forming part of the Leisure contract (£110k).

3.7.4 There are additional income streams that have been proposed and have been recommended by the Finance Working Group, these being a £4k income from listed building property advice, £3k increase in income from parks contracts, £12k increase in contribution to verge maintenance £2k additional income from cemeteries, £45k to be generated by an increase in car parking fees of 5%. The additional proposals total £63,500.

3.8 **New Homes Bonus (NHB)**

3.8.1 NHB is not ring-fenced and can be used by the Council for whatever purpose it wishes. The provisional 2025 / 26 allocation is £587,073 up from £494,808 in 2024 / 25 and is assumed to support the Council's general expenditure budget.

3.9 Pension Fund Deficit Recovery

3.9.1 The Pension Fund Triennial Valuation 2022 results showed that the deficit on the Council's element of the overall Fund in respect of assets and liabilities had reduced from £5.32m to £0.94m with the funding level improving from 90.2% to 98.4%. The deficit recovery period has reduced from 12 years to 9 years.

3.9.2 The Council is choosing to pay the triennial deficits up front, so a payment of £0.351m was paid in the 2023 / 24 financial year, using the General Fund Reserve. In readiness for the next triennial payment in April 2026, £0.120m is moved from the General Fund reserve each year to the Pension earmarked reserve.

3.10 Essex Region Business Rates Pool

3.10.1 As agreed by the Council in October 2015, the Council joined the Essex Region Business Rates Pool (the Pool) in April 2016. The Pool is expected to continue to operate in 2025 / 26 and the Council is expected to continue to benefit by being in the Pool.

3.11 Interest on Investments

3.11.1 Interest from investment income is an integral part of the budget considerations. Bank of England base rate decreased in March 2020 to 0.1% and it remained at that rate until December 2021 when the Bank of England began to regularly increase the base rate, which stood at 3.50% in December 2022. The 2025 / 26 budget estimate for investment interest income is £0.664m at an average investment balance of £16m during the year at a rate of 4.15%, allowing for the base rate to be reduced during 2025 / 26 from a 15-year base rate high of 5.25%.

3.12 Council Tax

3.12.1 The Council Tax referendum threshold set by the Secretary of State for 2025 / 26 was announced as part of the Provisional Settlement; and for Maldon, the threshold has been set at 2.99% increase over 2025 / 26 or £5, whichever is the greater. Any Council proposing increases more than the threshold faces the substantial cost of conducting a local referendum and, if it results in a 'No' vote, the rebilling cost also.

3.12.2 The Government, in calculating the core spending power for each council, assumes they will have taken the benefit of the 2.99% increase (see table in paragraph 3.4.2) it is important that the Council considers the option of the 2.99% increase for 2025 / 26.

Options for Increase in Council Tax from 2024 / 25 to 2025 / 26	Increase on 2024 / 25 Band D Council Tax of £225.27		Additional Income Band D
Tax Base = 26,854.4	0.00%	2.99%	
Band D Council Tax 2025 / 26	£225.27	£232.01	£6.74
Maldon District Council: Council Tax	£6,049,491	£6,230,487	£180,996

3.12.3 Increasing the Council Tax by £6.74 to £232.01 instead of a Council Tax freeze would raise an additional income of £180,996 in 2025 / 26, thus reducing the requirement from General Fund Balances by that amount to support the General Fund net expenditure.

- 3.12.4 A £6.74 increase represents a 2.99% increase on 2024 / 25 Council Tax as every 1% increase in Council Tax will bring in an additional £60,534.
- 3.12.5 The Council's net expenditure budget (excluding parish precepts but after service specific funding and contribution from reserves) for 2025 / 26 is £6,230,487. This is matched by the estimated total resources with the Band D council tax at £232.01 i.e. £6.74 increase on 2024 / 25 (**APPENDIX 1**).
- 3.12.6 The tax base to be used for setting the 2025 / 26 Council Tax. It has been calculated at 26,854.4 "Band D equivalent" properties, after allowing for a non-collection rate of 2.2%. This tax base is being applied for the purposes of setting the 2025 / 26 Council Tax.
- 3.12.7 In terms of the estimated (surplus) / deficit on the Collection Fund as at 31 March 2025, Maldon District Council's share of the net surplus, which has increased our Council Tax, was £100k comprised of a surplus distribution on Council Tax of £45k and a surplus distribution on Business Rates of £55k. The Council is awaiting the 2025 / 26 Business Rates pooling results which will be finalised at the end of the financial year.
- 3.12.8 In accordance with the legislation under the Local Government Finance Act 1992, all parish precepts must be charged to the Council's General Fund. At the time of writing this report not all parish precepts had been received. It is envisaged that all the parish precepts will be reported at the Council meeting on 13 February 2025 for Council Tax setting purposes.

3.13 **Council Tax £6.74 increase on 2024 / 25 Band D Basic amount of £225.27**

- 3.13.1 The Budget estimates have been constructed on the basis that the Council is proposing to increase council tax by £6.74 which is within the referendum threshold for 2025 / 26. This represents a prudent approach having regard to the balance of the risks and opportunities facing the Council in future years. The budget for 2025 / 26 is expected to be balanced, after the consideration of additional savings proposals.
- 3.13.2 However, there are some uncertainties still facing local government finance. Inflation has remained significant over the past year (2.5% as of January 2025), which is still above the Bank of England target. The move from the 50% Business Rates Retention to 75% Business Rates Retention system is on hold and it is not known when or whether it will be implemented. Any change to the Business Rates retention system will, most likely result in a reset of the Business Rates Baseline, which it is expected will remove the growth that has been achieved since the system was introduced. This could take away resources from this Council. However, it is not possible to predict what the exact impact would be without knowing the details of the new system. Possible impacts are covered in more detail in paragraph 3.16.3.
- 3.13.3 Council Tax increases become part of the overall financial base of the Council. The proposed £6.74 increase in Council Tax will generate an additional £180k of income in 2025 / 26. If this increase is not approved for 2025 / 26 then the gap in 2025 / 26 and future years widens.

3.14 **General Fund Balance and Revenue Reserves**

- 3.14.1 Detailed policy information for each earmarked revenue reserve and anticipated balances is set out in **APPENDIX 4**.

- 3.14.2 Based on the latest risk assessment it is considered that the Council maintains the approved minimum working balance level at £2.6m as set out in **APPENDIX 5**. However, this will be regularly reviewed in the light of changing circumstances.
- 3.14.3 The £587k New Homes Bonus allocation for 2025 / 26 will be utilised to support general fund expenditure.
- 3.14.4 In setting budgets and projections for individual years, it is important that the Council is not reliant on the use of reserves to support revenue expenditure thus creating an unsustainable future. Therefore, the use of these reserves is for one-off expenditure, not to fund ongoing revenue costs and should be replenished where required over time.

3.15 **Medium Term Financial Strategy (MTFS)**

- 3.15.1 The MTFS is reported to the Strategy and Resources Committee and will be presented to the Council on 13 February 2025 for consideration at the same time as the suite of financial reports for 2025 / 26.

3.16 **View on Risks**

- 3.16.1 Risks to the Council's financial position could potentially derive from budget overspends, loss of investment income, contractual / legislative failure, shortfall in forecast business rates growth or challenge and emergency events. Historically, the Council's outturn has been within budget and investment income has been above budget; therefore, this is not seen as a high risk to the Council, and it is not necessary to make additional significant provision. However, robust budget management, monitoring and reporting will be a key discipline for all budget managers and ensuring that savings and income levels included in the budget are achieved, will be a key focus.
- 3.16.2 The level of risk posed by contractual or legislative failure and emergency events is difficult to predict, but it would be a low probability with a potentially high impact. However, it is not appropriate to set aside large amounts of reserve against the possibility of this happening and that appropriate bond / Parent Company Guarantee have been built into large contracts.
- 3.16.3 It is important to recognise that with the introduction of the Business Rates Retention, there is a considerable degree of 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 have an impact on business rates growth and therefore it is important that the planning services, economic development services and the business rates service have a co-ordinated approach to inward investment policies. It is important to ensure a high level of growth in the district, as any empty properties create a risk on the level of Business Rates income the Council will receive.
- 3.16.4 The current cost of living crisis driven by high inflation and increasing interest rates put a high degree of pressure on family and business budgets and this could affect households' and businesses' ability to pay Council Tax and NNDR respectively. This places a risk on local taxation collection rates.
- 3.16.5 Section 25 of the 2003 Local Government Act requires the Section 151 Officer to make a formal report to the Council on the robustness of the budget and adequacy of reserves (**APPENDIX 5**).

4. CONCLUSION

- 4.1 After including all items within the financial projections, general fund and earmarked reserves at the start of 2025 / 26 are expected to be £16.7m with all known movements considered and finish the financial year at £12.3m. The government has set the referendum threshold for the increase in the average band D Council Tax in 2025 / 26 for district councils at 2.99% or £5, whichever is the greater. Due to the unknown impact of future changes to Local Government finance, it is proposed that the Council should take the opportunity to increase its financial base by increasing the average band D Council Tax by 2.99% (£6.74), the maximum allowed for by the government before a referendum is required.

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

- 5.1 This budget is assembled with all corporate priorities considered for the 2025 / 26 financial year.

6. IMPLICATIONS

- (i) **Impact on Customers** – The budget process ensures that changes in service delivery resulting in budget changes are reviewed by Officers and Members so that any impact can be considered. In 2025 / 26, only essential budget growth has been considered.
- (ii) **Impact on Equalities** – The budget affects all residents in the district, it is not considered that the provisions impact negatively on an individual user group.
- (iii) **Impact on Risk (including Fraud implications)** – The distribution of resources reflected in the revenue and capital budgets is designed to support the Authority's approach to risk management (i.e. to reduce all major corporate risks to a level within approved tolerances through the implementation of approved mitigation plans).
- (iv) **Impact on Resources (financial)** – This report details the impact on financial resources.
- (v) **Impact on Resources (human)** – The budget includes an assumed pay increase.

Background Papers:

Budgetary Control Report to the Strategy and Resources Committee, 21 November 2024.
Savings Report to the Strategy and Resources Committee, 23 January 2025.
Discretionary Fees and Charges Report to the Strategy and Resources Committee, 21 November 2024.

Enquiries to: Ben Cookson, Interim Section 151 Officer.