



**REPORT of
CHIEF FINANCE OFFICER**

**to
STRATEGY AND RESOURCES COMMITTEE
24 JULY 2025**

**BUDGET MONITORING REPORT – PERIOD 2 AND MEDIUM-TERM FINANCIAL
STRATEGY UPDATE**

1. PURPOSE OF THE REPORT

- 1.1 To provide Members of the Committee with the Budget Monitoring position for the revenue and capital budgets for the period ended 31 May 2025 (Period 2). It must be noted that Period 2 is still very early in the year and so is subject to substantial changes in the coming months.
- 1.2 To inform Members of movements in relation to the Council's General Fund and Earmarked Reserves and request virements along with any budget requests for both revenue and capital budgets.
- 1.3 This matter is brought forward for consideration with the agreement of the Chairman as the Council needs certainty on the available budgets for 2025 / 26 to be able to carry out its operations in a timely manner.

2. RECOMMENDATIONS

- (i) That
 - a. for the revenue budget monitoring forecast position for Period 2 (31 May 2025) an overspend of £226k against the net service budget of £12,620k be noted. This is offset against a funding surplus of £422k – thus an overall surplus of £196k is forecast for the full year. Further information can be found at **APPENDIX 1** along with reasons for significant variances;
 - b. for the capital budget monitoring positions for Period 2 (31 May 2025) a total capital delivery profile set at £6,502k against revised budget of £6,472k be noted (an addition £29k worth of capital budget). Further information can be found at **APPENDIX 2** along with reasons for significant variances;
 - c. the Chief Executive be granted delegated authority in consultation with the Chairperson of this Committee to apply funds from the Contingency Budget post virements (**APPENDIX 3**), with any impact on the net expenditure position then being openly communicated to the Strategy and Resources Committee (S&R) through routine reporting at the earliest opportunity.
- (ii) That the virements (cost neutral to the budget) and budget requests totalling £174k detailed in **APPENDIX 3** be approved to be processed and updated on the ledger;

- (iii) That the movements in both the General Fund Balance and Earmarked Reserves in **APPENDIX 4** be noted. Should the forecast remain unchanged, the impact will be an additional £196k increase to the General Fund balance, totalling £8,777k; and
- (iv) That the revenue budget reconciliation in **APPENDIX 5** be noted.
- (v) That the Committee requests that Officers begin planning for future savings as outlined in the revised MTFS position in **APPENDIX 6** and confirms that use of reserves in future years before LGR is a reasonable approach in the current circumstances.

3. SUMMARY OF KEY ISSUES

3.1 The Period 2 Budget Monitoring report provides financial forecast for the Council for the full year ending 31 March 2026. It shows performance against the original budget agreed by the Council in February 2025 including subsequent approved amendments and is used for management purposes.

3.2 Revenue Budget Monitoring – P2

3.2.1 The forecast for the revenue budget projects an overspend of £226k against the original 2025/26 budget of £12,620k. The main variances can be found in the **APPENDIX 1** table.

3.2.2 A contingency budget of £328k will be set up and be funded via the business rates compensation (section 31) grant surplus¹. A virement for this is included at **APPENDIX 3**. This will be utilised to fund Local Government Reorganisation related activities.

3.3 Capital budget Monitoring – P2

3.3.1 The forecast for the capital budget projects an overspend of £29k against the revised 2025/26 Capital programme. The main project details can be found at **APPENDIX 2** but in summary relate to additional costs in car park resurfacing projects in Butt Lane and White Horse lane of £21k and a further cost at the skate park Burnham of £7k.

3.3.2 Update on Capital Programme 2025/26– New Play site Equipment

3.3.2.1 The £125,000 approved within the capital programme for new play site equipment will be allocated to deliver a new accessible play site at West Maldon Community Centre to honour the memory of the late Councillor Shaughnessy. The Council will continue to engage with Councillor Shaughnessy's family on the design and delivery of the project.

3.3.2.2 A separate report will be brought forward to the Strategy and Resources Committee following our annual Independent Play Site inspection which is currently being undertaken. This report will provide an update on all of our play sites across the District, identifying the sites that will require either updating or replacing within the next 2 – 3 years, so that Members can consider the funding for that programme of work as part of the 2026/27 budget process.

¹ Some policies regarding the net collectible debit for business rates are determined nationally by government. Where this has an adverse impact on local council's target levels of collection, an offsetting 'compensation grant' is paid by government under the s31 powers of the minister.

4. VIREMENTS AND BUDGET REQUESTS

4.1 Virements

- 4.1.1 A set of virements is proposed at **APPENDIX 3**. One of them is to move a total £328k worth of surplus to the net service budget to fund the Contingency Budget.
- 4.1.2 The other virements will help reprofile the overall budget by allocating some budget to the relevant directorates. The overall impact to the net service budget from virements will be neutral.

4.2 Budget Requests

- 4.2.1 A total of £145k worth of budget request is proposed at **APPENDIX 3**. This will increase the overall budget by the equivalent amount, all while taking into account the impact of the virements. Also, the budget requests will impact the General Fund Balance by £149k, and the Earmarked Reserves by £25k. **APPENDIX 5** will help reconcile the revised budget back to the original budget, thus providing a clear audit trail to the original budget approved by the Council in February 2025.
- 4.2.2 It is proposed to delay implementation of approved budget requests until the result of the Q1 budget review has been concluded. Where necessary, short term interim arrangements can be made. The confirmed position will be set out for the next Committee meeting.

5. RESERVES

- 5.1 The Council holds a number of earmarked reserves for specific purposes. Movements on these reserves for the year 2025 / 26 are detailed at **APPENDIX 4**.

6. MEDIUM TERM FINANCIAL STRATEGY (MTFS) – BRIEF UPDATE

- 6.1 Recently the Government has set out some proposed changes to the overall Local Government (LG) Funding. This will be consulted as part of the 'Fair Funding Review' with the wider LG sector.
- 6.2 There will be implications for the Council. As a headline, it is anticipated that overall funding for district councils will be reduced by 5% - 7% in the coming year, with a 'flat cash' position in the following 2 years (this would suggest a risk of £700k-£1m for Maldon District Council (MDC)). It is difficult to identify the route through which this will arise ahead of the detailed exemplifications in the Local Government Funding policy statement expected in November, and the provisions Local Government Financial Settlement in December.
- 6.3 Key areas of change within the Fair Funding 2.0 consultation include
 - New Homes Bonus
 - Adjustment to the overall 'tariff' applied to MDC through the Settlement Funding Assessment, arising through the introduction of the 'resources adjustment' and the reset of the 'area cost adjustment'
 - the reset of business rates

6.4 The MTFS approved by Full Council in February 2025 is set out below for reference.

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
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

6.5 In order to enable officers to progress work identifying service budget requirements for the coming years, an early review of the MTFS based on the funding review headlines is set out below.

6.6 This revised MTFS sets out a balanced position in the current year (dependent on delivery of planned savings, or equivalent spending reductions). A deficit position develops through the coming years, however, driven substantially by assumed pay increases and contract prices coupled with reduced government funding.

6.7 The revised MTFS proposes mitigations to these deficits through two routes; application of reserves and delivery of further savings. Use of reserves in this context is considered to be prudent and affordable, as the post-LGR funding position cannot yet be known with any clarity. Use of reserves is an alternative to service cuts which would otherwise be required as a result of the changed profile in funding for MDC.

Table 2 - revised summary MTFS

	2025/26	2026/27	2027/28	2028/29
Spending estimates	£000s	£000s	£000s	£000s
Base Budget b/f	12,931	13,081	13,683	14,195
Estimated Net Cost of Services (base budget c/f)	13,081	13,683	14,195	14,725
	2025/26	2026/27	2027/28	2028/29
Funding estimates (revised)	£000s	£000s	£000s	£000s
government funding	- 6,014	- 5,408	- 5,424	- 5,438
local funding	-7,244	-6,998	-7,183	-7,422
Total Estimated Funding	- 13,258	- 12,406	- 12,607	- 12,861
Estimated (Surplus) / Deficit	-177	1,277	1,588	1,864
	2025/26	2026/27	2027/28	2028/29
Proposed mitigations	£000s	£000s	£000s	£000s
to/(from) reserves	177	- 1,000	- 1,000	- 1,000
savings (pay)		- 200	- 300	- 300
savings (contracts)			- 200	- 300
estimated (surplus)/deficit after mitigations proposed	-	77	88	264

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

7.1 Delivering good quality services.

- 7.1.1 Regular reporting and monitoring of the Council's financial position is a key control in ensuring the Council makes the best use of its resources and is able to make informed decisions to support our residents.

8. IMPLICATIONS

- (i) **Impact on Customers** – None directly.
- (ii) **Impact on Equalities** – None directly.
- (iii) **Impact on Risk (including Fraud implications)** – There is a risk that the year end forecast may change impacting on the Reserves balances.
- (iv) **Impact on Resources (financial)** – This is covered in the above report.
- (v) **Impact on Resources (human)** – None directly.
- (vi) **Impact on Devolution / Local Government Reorganisation (LGR)** – The impact of current year results is nil; however, the MTFS position is part of the considerations surrounding LGR.

Background Papers: None.

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