REPORT of
DIRECTOR OF FINANCE

to
STRATEGY AND RESOURCES COMMITTEE
26 NOVEMBER 2026

MEDIUM TERM FINANCIAL STRATEGY UPDATE

1. PURPOSE OF THE REPORT

1.1 This report presents the revised Medium Term Financial Strategy (MTFS) as the framework within which the budget for 2027/28 will be prepared. This November 2026 update takes account of budgetary performance so far in the year 2026/27 together with discussion on strategic financial priorities with the Finance Member Working Group.

2. RECOMMENDATIONS

That Members:

(i) continue to endorse the timetable for budget preparation for 2027/28;

(ii) consider the risks the Council faces and how the MTFS helps to address those;

(iii) discuss the initial proposed savings and growth bids brought forward by Officers;

(iv) consider the actions required of Officers to ensure services for residents are planned for in a financially sustainable manner;

(v) approve the creation of an Earmarked Reserve for receipts arising from business rates retained arising from renewable energy projects to be link to capital projects.

3. SUMMARY OF KEY ISSUES

3.1 Overview

3.1.1 This report demonstrates good progress in the preparation of budgets in all areas for the coming year. The route to a balanced position is now clear and allows care discussion and review of any required policy decisions and financial schedules to ensure the robustness of the estimates being prepared.

3.2 Timetable

3.2.1 The proposed timetable for preparing the budget for 2027/28 is set out below. This timetable proposes initial work over the summer period to identify options for budgets which can be revised and revised through the autumn. The settlement has already

been published as a draft (indicative) position as part of the multi-year settlement set out by government in December 2025.

Month	Activity	Progress
July	Member priorities identified for 2027/28 budgets.	Done (through Finance Member Working Group)
August-September	The Senior Leadership Team (SLT) work on developing plans in line with Member priorities	Substantially completed through reviews of budget performance in the current year and assessment of risks and opportunities affecting next year.
October	First draft of options	Discussed by Officers and the Finance Member Working Group.
November	Second draft of options	This meeting.
December	Final draft of options (pre settlement)	Not Applicable (NA)
January	Budget proposals (post settlement)	NA
February Council	Budget council meeting – budget and council tax for 2027/28	NA

Figure 1 – budget preparation timetable

3.3 Risks and opportunities

3.3.1 The key risks faced by the Council include

- the need to prepare for Local Government Reorganisation (LGR), or possible variations on that;
- a real-terms reduction in government funding between 2025/26 and 2026/27;
- ongoing inflationary pressures on Council spending.

3.3.2 Summary chart of total Core Spending Power, 2024-29 (below). This shows how, after two years of inflation-related growth (the change between 2024/25 and 2025/26 and then to 2026/27), the coming two years see a 'flat cash' position, with the overall funding remaining around £11.5m per year (no uplift for inflation).

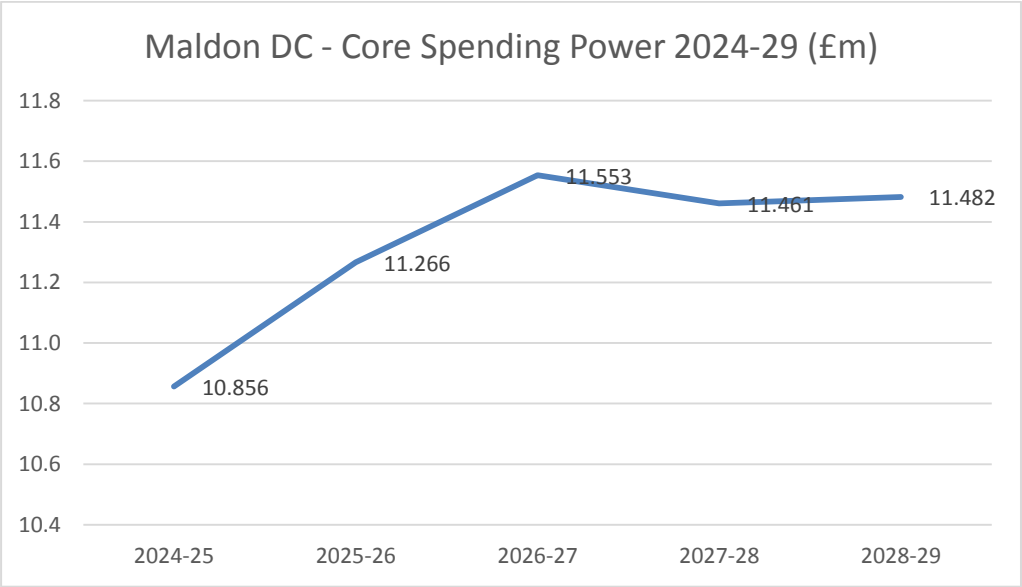


Figure 2 – Maldon District Council Core Spending Power, 2024-29 (chart)

3.3.3 Detail of indicative Core Spending Power from 2026/27 Financial Settlement. This highlights how the increase in council tax across all years is offset in the coming two years (2028/29 and 2029/30) by reductions in government funding.

Maldon					
Illustrative Core Spending Power of Local Government					
	2024-25 £ millions	2025-26 £ millions	2026-27 £ millions	2027-28 £ millions	2028-29 £ millions
Fair Funding Allocation	-	-	4.431	3.945	3.435
Baseline Funding Level	-	-	1.570	1.606	1.638
Revenue Support Grant	-	-	2.861	2.339	1.796
Legacy Funding Assessment	4.603	4.670	-	-	-
Legacy Business Rates	3.182	3.446	-	-	-
Legacy Grant Funding	1.421	1.224	-	-	-
Council tax requirement	5.947	6.230	6.536	6.856	7.192
Homelessness, Rough Sleeping and Domestic Abuse	0.156	0.183	0.341	0.378	0.399
Total Transitional Protections	-	-	0.117	0.283	0.457
95% income protection	-	-	-	-	-
100% income protection	-	-	0.117	0.283	0.457
Grants rolled in to Revenue Support Grant[12]	0.151	0.183	-	-	-
Adjustment Support Grant	-	-	0.129	-	-
Core Spending Power	**10.856**	**11.266**	**11.553**	**11.461**	**11.482**

Figure 3 – Maldon DC Core Spending Power, 2024-29 (values)

3.4 Impact of LGR

3.4.1 Previously, LGR had been expected to lead to the end of the council as a statutory public body in April 2028. This would cap financial risks for this Council and opens alternative ways to handle those risks in future years. However, the recently announced review of the decision means that there remains some uncertainty over the timing of LGR. This council must therefore proceed on the assumption that LGR takes place (as indicated in the 'rewiring the state' policy statement made by the Prime Minister) while also preparing a position that would be sustainable in the event that LGR is deferred or delayed. For planning purposes, it is now assumed that the effective date will be moved to April 2029.

3.4.2 For the next update of the MTFS, it is intended that a further year be added such that the planning period covers the coming year and the three years thereafter.

3.5 Options for strategic planning

3.5.1 The table below presents some high-level options for the financial strategy of the Council as set out in the previous report. These are set out below. Based on Member consideration at the Finance Member Working Group, option 3 is recommended.

Option	Considerations	Recommendation
1 – Use of Reserves **(Budget shortfall is funded from reserves.)**	This would leave a significant gap to be dealt with by the successor authority (under LGR) or by the council (if LGR is delayed or deferred). Eventually, savings or spending reductions would be required.	Reject. This option defers addressing the problem in a way that increases the problem.
2 – Savings/cuts **(Budget shortfall is met through savings or cuts.)**	Residents and partner organisations would not be well served if cuts were applied to balance base budgets despite reserves being available. The services passed to a successor under LGR, or retained if LGR was delayed or deferred, would be struggling and possibly unfit for purpose.	Reject. This option would retain funds available yet see services reduced.
3 – Blend of reserves (1) and savings (2) **(Budget shortfall is reduced through review of budget structures, with any remaining gap being funded from reserves.)**	This solution would see steps taken to reduce the budget shortfall with the balance remaining being funded from reserves. This keeps a balance between good service delivery and prudent use of reserves. It either passes 'fit for purpose' council services to a successor or enables the council to continue in a sustainable manner if needed.	Accept. This balances cost control with appropriate use of reserves. It plans to secure good service delivery now and in the future for residents in a sustainable manner.

Figure 4 – high-level options to address estimated budget deficits

3.6 LGR options

3.6.1 In essence there are three options for LGR implementation – rapid, slow, or not at all. Either a rapid or a slower implementation will largely continue previous planning, even if the configuration to be implemented is changed.

3.6.2 In the event of a longer delay, deferral, or outright cessation of LGR, the finance outlook for the council changes substantially: The Council will need to plan for financial sustainability in the longer term, despite the current national funding policy which indicates 'flat' cash with no inflation funding in the coming years. Options for addressing these three scenarios are set out below.

3.6.3 This report has been drafted while the latest announcement has been made by the government. While scenario (b) is now most likely, the other scenarios are included for background. All three scenarios remain relevant in terms of how Maldon District Council (MDC) finances can be managed through the medium term, including work on benchmarking, sharing and aligning services, and ensuring the Council and its assets are maintained to a fit-for-purpose level.

LGR Scenario	Issues	Suggested strategy
a. Quick LGR (April 2029?)	No major issues	1. Re-start officer engagement per previous planning; 2. Continue work on ensuring budget accuracy and benchmarking council costs. 3. Continue to invest in assets to ensure that all assets are transferred 'in good order'; develop asset management plan. 4. Monitor likely application of reserves to effectively forecast contribution to successor authority
b. Slow LGR (April 2030?)	Need to ensure ongoing staff engagement with programme of closing MDC and transitioning to a new unitary authority through longer run-in period.	1. Review objectives and milestones arising from scenario (a) above; 2. Consider how much pre-work could be completed. 3. Model reserves position in more detail.
c. No LGR (cancelled, no clear delivery date etc)	Future funding has no inflationary increase, so the gap between spending requirements and funding will widen progressively. Reserves can smooth the way to a solution, but long-term solutions are likely to hinge on service redesign (make/buy/share) and will need extensive planning including convergence.	1. Balance recurrent spending and funding (without damaging services) 2. Use LGR insights to support benchmarking in all areas, including fees and charges 3. Seek opportunities to collaborate; develop convergence plans to mitigate inflation pressures in the medium/long term. Begin this early so that the financial requirement coincides with operational delivery.

Figure 5 – high-level options to address uncertainty relating to LGR options

3.7 Proposed strategy

3.7.1 Based on discussion with the Finance Member Working Group, it is intended that:

- a viable overall financial strategy is developed which combines elements of budget review, savings, and cost control, with prudent use of reserves.
- the significance of the LGR decision within the MDC financial outlook is recognised, and that plans are developed aligned to scenario (c) – no LGR – as this will aid progress if LGR does continue but will also enable early planning if the council needs to reduce net costs within the MTFS planning horizon.

4. IMPACT OF THE STRATEGIC PRIORITIES ON THE FINANCIAL PLAN

4.1 The last update of the MTFS set out options to support reducing the gap as including:

(i) removing planned spending where this is not fully aligned to corporate objectives including LGR-readiness

(ii) moving some budget provision out of ongoing base budgets and into earmarked reserves where these budgets are to be used for unpredictable, periodic costs (such as appealed planning decisions).

(iii) fees and charges can also be reviewed to identify options to increase incomes, for example where a freeze in a tariff leads to increased take-up and so increased overall income

(iv) review of how government grants are being applied to spending to maximise use of grant funding.

4.2 It is intended to target spending reductions (or income increases) in order that the net ongoing cost of services is moved towards the current level of core spending power plus Extended Producer Responsibility (EPR) funding (around £12.2m per year), with one-off additional spending being funded from reserves. Reserves will continue to be used appropriately to ensure that assets are maintained such that services within the district are not interrupted and for them to be replenished where possible.

4.3 Retained business rates from planning permissions granted by the Council in respect of renewable energy sources (e.g. solar farms) have previously been a further source of income for the Council. The introduction of the revised three-year settlement based on the Fair Funding Review 2.0 was not explicit in the treatment of this funding, despite considerable detail being provided over the treatment of business rates more generally.

4.4 A number of Councils were hesitant around the inclusion of this income in 2026/27 budgets, although some are now including it in plans for this year and/or next year. There remains some uncertainty over the treatment of this funding through the medium term, as it may be repurposed through the imminent local government funding policy statement, further detail arising from the Budget 2026 investments in mayoral authorities, or the forthcoming ‘Rewiring the State’ white paper.

4.5 A value of £750k is included in the forecast budget position for 2027/28, which represents 75% of previously estimated income. The current update of the MTFP anticipates that some of this sum will be recouped to reserves. It is proposed that an earmarked reserve should be established to provide visibility of the amounts retained and how they are applied.

4.6 An updated summary MTFP arising from these considerations combined with the latest information based on the mid-year budget review is set out below (with detail in **APPENDICES 1a, 1b** and **2**). This shows a gap position for 2027/28 which is substantially closed (subject to further discussion and review) and an improved position in the following years. The basis of the planning assumptions are included as **APPENDIX 1b**.

	2026/27 £000s year 0	2027/28 £000s year 1	2028/29 £000s year 2 LGR scenario (a)	2029/30 £000s year 3 LGR scenario (b)
September 2026 MTFS				
estimated net spending	12,272.0	13,585.4	14,804.4	16,073.4
estimated funding	(12,272.0)	(12,160.7)	(12,181.7)	(10,592.0)
gap arising	0.0	1,424.7	2,622.7	5,481.4
November 2026 MTFS				
estimated net spending	12,272.0	12,973.5	14,213.0	15,759.5
estimated funding	(12,272.0)	(12,973.3)	(12,307.0)	(12,220.1)
gap arising	0.0	0.2	1,905.9	3,539.4
change in the estimated gap	*0.0*	*(1,424.5)*	*(716.7)*	*(1,942.0)*

Figure 6 – movement in values between the September 2026 and the November 2026 MTFS updates

4.7 The overall change in 2027/28 is an improvement of £0.666m. This is due to the following factors:

Area	Sept to Nov. MTFS change	Comment
Savings / income increases proposed	£2,127k increase	No savings had been identified in the September update. Proposals are set out below. This includes increases in income in some areas.
Growth pressures	£901k increase	Estimated growth pressures have been reduced, notably based on estimated staffing being compared to likely staff costs in the coming year. This includes contributions to reserves.
Inflation pressures	£198k decrease	Reduction on anticipated inflationary pressures based on revised information
Total	**£1,424k improvement**	

Figure 7 – analysis of the £1.424m improvement in 27/28 estimates set out in figure 6

4.8 **Proposed savings**

4.8.1 Proposed savings have been identified as follows. The values attached are considered to be reasonable estimates at the current time but will be refined in the coming weeks. The options put forward are in alignment with the areas of activity set out in paragraph 4.1 (above).

Savings proposed	Estimated benefit £000s	Red, Amber, Green (RAG) rating and rationale
Application of 100% of EPR grant to waste services especially those where financial pressures are currently being experienced. Release of base budget as a result. (Ongoing)	£370	Fully controllable; deliverable from 1 April if adopted

Savings proposed	Estimated benefit £000s	Red, Amber, Green (RAG) rating and rationale
Additional investment income; this assumes that cash balances will remain high through the coming year, supported by externalisation of borrowing.	£250	Controllable in terms of planning adequate cash balances; but market movements will be unpredictable
Removal of base budget provision for planning appeals, to be replaced by use of earmarked reserves. (Ongoing)	£180	Fully controllable; proposed implementation in the current year
Estimated 10% overall benefit from increases to discretionary planning fees based on benchmarking undertaken as part of the LGR preparation process. (Ongoing)	£80	Substantially controllable; potential to implement revised charges in the current year. Value is based on £800k average income per year.
Deletion of 2 funded posts in the finance team, with some of the funding released being applied to enhanced external support on technical accounting. (Ongoing)	£70	Fully controllable; proposed implementation in the current year
Additional income included from car parking fees based on analysis of performance in the current year and previous years. (Ongoing)	£50	Fully controllable; income is highly stable from year to year and the average yield is not fully reflected in the income budget.
Additional benefit arising from review of staffing structures implemented at April 2026 and other government grants receivable which may fund activity currently funded through base budgets. (Ongoing)	£30	Largely controllable - a number of potential opportunities have already been identified.
Legal fee income	£15	Uncertain; Estimate based on previous activity.
Housing - Stephen's House rental income	£20	Fully controllable; budget correction.
Total savings proposed	**£1,065**	

Figure 8 – ongoing savings proposals for 2027/28

4.8.2 Initial budget growth has been identified from a combination of service-led requests and identified budget pressures. The current summary is as follows and shows initial bids amounting to around £2.23m per year across the MTFS period.

Growth and pressures	27/28 bids	28/29 bids	29/30 bids	3 year total
On-going	**£824,200**	**£667,367**	**£517,033**	**£2,008,600**
Strategy & Improvement	**£523,000**	**£447,667**	**£372,333**	**£1,343,000**
software	£226,000	£150,667	£75,333	£452,000
pay	£177,000	£177,000	£177,000	£531,000
partnership funding	£110,000	£110,000	£110,000	£330,000
to replace prev grant funding	£7,000	£7,000	£7,000	£21,000
engagement	£3,000	£3,000	£3,000	£9,000
Place, Planning and Growth	**£201,500**	**£126,500**	**£51,500**	**£379,500**
interim	£195,000	£120,000	£45,000	£360,000
advertising	£4,000	£4,000	£4,000	£12,000
LA contract	£2,500	£2,500	£2,500	£7,500
Legal & Governance	**£95,200**	**£88,700**	**£88,700**	**£272,600**
pay	£62,700	£62,700	£62,700	£188,100
training	£20,000	£20,000	£20,000	£60,000
corporate and democratic	£6,500			£6,500
data management	£6,000	£6,000	£6,000	£18,000
Neighbourhood and Communities	**£4,500**	**£4,500**	**£4,500**	**£13,500**
supplies	£4,500	£4,500	£4,500	£13,500
time limited	**£135,000**	**£60,000**	**£0**	**£195,000**
Strategy & Improvement	**£80,000**	**£60,000**	**£0**	**£140,000**
partnership funding	£60,000	£60,000	£0	£120,000
training	£20,000			£20,000
Legal & Governance	**£35,000**			**£35,000**
data management	£35,000			£35,000
Neighbourhood and Communities	**£20,000**			**£20,000**
consultancy	£20,000			£20,000
Growth & Pressures Total	**£959,200**	**£727,367**	**£517,033**	**£2,203,600**

Figure 9 – initial growth bids and pressures proposals for 2027/28

4.9 Capital

4.9.1 Bids have been received based on assessments of likely investment requirements, considering previous policy intention of ensuring that assets were fit for purpose and fit for the future. Some work has been undertaken to profile these bids. Overall capital bids on a three-year basis amount to £8m, with a further £0.5m in proposed repairs and renewals.

Summary Capital Bids	2027/28	2028/29	2029/30	Totals
Site	**£'000**	**£'000**	**£'000**	**£'000**
Prom Park	895	390	445	1,730
Playsites	758	700	750	2,208
Drapers Farm	375	240	-	615
Town centre car parks	250	210	-	460
Council Offices	395	200	330	925
Community Centres	143	-	275	418
Blackwater Leisure Centre	290	-	-	290
Burnham Riverside Park	155	135	-	290
Cemeteries	197	80	90	367

Summary Capital Bids	2027/28	2028/29	2029/30	Totals
Site	**£'000**	**£'000**	**£'000**	**£'000**
IT	161	61	61	283
Vehicles	157	80	130	367
Parks Depot	40	-	-	40
Miscellaneous Properties	40	-	-	40
Other	10	-	-	10
Total	3,866	2,096	2,081	8,043
Proposed Repairs and Renewals	538	-	-	538
Total all bids	**4,404**	**2,096**	**2,081**	**8,581**

Figure 10 – initial capital and repairs & renewals proposals for 2027/28

4.10 **Impact on reserves**

4.10.1 The detailed impact on reserves has been calculated but is not yet included due to significant areas of uncertainty. These include the government decision on LGR; the value of growth & pressures, the value of savings, and the value of capital investment to be applied. Key calls upon reserves are set out in the table below.

Item	value
Capital programme to March 2026	£3.6m
Possible calls on reserves in 2027/28	
- Growth (£3m overall)	£1.1m
- Capital and repairs (£8.5m overall)	£4.4m
- Local plan (£2m overall)	£0.8m
- Minimum balance	£2.3m
Possible calls on reserves	**£12.2m**

Figure 10 – possible calls on reserves

4.10.2 All controllable elements of the MTFP are under review including savings opportunities or increased income; growth bids; and asset maintenance and development plans. These will be revised and finalised for the January 2027 meeting.

4.11 **Risks and opportunities**

4.11.1 The report highlights that LGR continues to be the most consequential factor in the medium term. Government have now confirmed April 2029 for the vesting of a new authority, but the decision over the configuration to be implemented is not expected ahead of the new calendar year.

4.11.2 Pending that decision, this financial strategy update continues to focus on ensuring consistent delivery of good quality services to local residents, in line with the Corporate Plan priorities. A key aspect of that is to ensure that assets used by

residents, including leisure centres, sports facilities, parks, cemeteries, toilets, and other facilities are maintained in good order. A further aspect of that is to ensure that staff and residents benefit from effective digital tools. Ensuring that the Corporate Plan is supported by clear plans for the management of physical and digital assets, with all three aligned to the MTFS will be a key priority as the budget proposals are finalised.

4.12 **Sensitivity analysis**

4.12.1 The decision on LGR is a key aspect of the sensitivity analysis for the MTFP. How and when this transpires has a key impact on the operational planning. Other key factors identified in this report include inflation pressures through staff pay and the supply chain, government funding, and the availability of reserves. The MTFP highlights how inflation can impact financial plans.

4.12.2 Pay - The estimated £540k pressure on pay budgets of £13.5m represents around 4% on pay budgets, arising from a combination of increases to national living wage and pay agreements. A 1% change represents around £135k.

4.12.3 Inflation - Small changes up or down in the estimated inflationary pressure in the coming years will not materially impact the current forecast. Government funding, and the short-term loss of inflationary funding, is a similar pressure. A 1% change in funding would amount to a change of £115k. However, the current pattern of assumed council tax increases offset by reducing government funding makes any change unlikely.

4.12.4 Reserves - Reserves are being applied principally to fund investment in assets (capital programme). There is no funding source for this other that internal resources (reserves) or external (borrowing). The current and proposed capital programme amounts to around £7m per year. A 1% change would amount to £70k.

4.12.5 The majority of Council costs are stable, as Council activity remains determined within statute and political expectation. Key decisions therefore relate to costs outside core activity – one-off costs such as for investment projects. The Council budgets are therefore significantly sensitive to changes in political priorities as these often impact on the rates of maintenance and investment in local assets.

4.13 **Next steps**

4.13.1 Officers will continue to review base budgets to ensure that the ongoing costs of the council are appropriately identified and only relevant costs and necessary growth is proposed. Revised proposals will be presented to the Committee in January 2027.

5. CONCLUSION

5.1 The MTFS is an opportunity to review the financial outlook for the council and to plan in advance for any issues identified. The report identifies issues and sets out options to tackle them.

5.2 The MTFS is also a means to provide assurance that public funds are being applied to clear operational and political priorities, stretching available resources as far as possible. That is why the MTFS will often identify a funding gap, to be tackled through further prioritisation of resources. This report also identifies calls on resources and that further prioritisation is required, in the usual manner.

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

6.1 **Delivering good quality services**

6.1.1 The report presents options for delivering good quality services while also enhancing overall cost control.

7. IMPLICATIONS

(i) **Impact on Customers** – There should be no noticeable impact on customers, other than the available funding be more effectively deployed and services being always available to residents as planned.

(ii) **Impact on Equalities** – None directly.

(iii) **Impact on Risk (including Fraud implications)** – The report highlights key risks and how these may be mitigated.

(iv) **Impact on Resources (financial)** – The subject of the report.

(v) **Impact on Resources (human)** – None directly – proposed activity will be undertaken through a refocusing of current resources not through a new workstream being developed.

(vi) **Impact on Devolution / Local Government Reorganisation (LGR)** – The proposals in this report will support sufficient preparation for LGR while ensuring that the Council remains sustainable in the even that LGR is delayed or deferred.

Background papers:
Previous MTFS reports including:

- February 2026 (Council) and
- September 2026 (Strategy and Resources Committee).

Enquiries to: Ben Jay, Director of Finance.