

Medium-Term Financial Plan (MTFP) 2024/25 to 2028/29

Updated December 2023

1. Background

1.1 The preparation of a Medium-Term Financial Plan (MTFP) provides the cornerstone on which the Council can build and deliver services in accordance with the aims and objectives outlined in the Corporate Plan 2023-2027 (“Your Epping Forest”), which are grouped under the three corporate ambitions:

- Stronger Communities
- Stronger Place; and
- Stronger Council.

1.2 Through ‘horizon scanning’ and anticipating necessary change at the earliest opportunity, resilience, and the ability to react to and withstand ‘major shocks’, is achieved.

2. Introduction

2.1 This is the second iteration of the MTFP within the 2024/25 budget cycle and covers both the General Fund and the ring-fenced Housing Revenue Account (HRA). It is a forward-looking document which provides a tentative look at the Council’s General Fund financial picture over the next five years (2024/25 through to 2028/29) and re-evaluates the position in the light of the development and completion of the initial draft 2024/25 budget.

3. General Fund MTFP

3.1 The October 2023 MTFP revealed a projected General Fund deficit of £3.720 million for 2024/25, reflecting a range of inflationary pressures and the impact of new Waste Management arrangements, compared to 2023/24. Estimated net expenditure was £21.365 million, compared to funding of just £17.644 million.

3.2 The General Fund budget preparation process for 2024/25 has now reached its first major milestone, with initial draft budget proposals prepared that address the original deficit identified in October 2023, taking account of subsequent developments. However, the Local Government Finance Settlement for 2024/25 has yet to be announced, which means prudent – best available – funding estimates, are still a feature of the 2024/25 draft budget and this updated MTFP; these estimates will be further refined in the light of the actual Settlement (anticipated announcement December 2023).

3.3 The October 2023 **General Fund** MTFP projections can be summarised as follows:

General Fund MTFP (@ October 2023)		
Financial Year	(Surplus)/Deficit	Comment
	£000's	
2024/25	3,720	Increased Financing costs driven by Capital Commitments and higher Interest Rates. New Waste Management arrangements from November 2024.
2025/26	376	
2026/27	484	
2027/28	553	
2028/29	557	

Appendix E

3.4 The updated MTFP (2024/25 through to 2028/29), reflecting an initial draft General Fund balanced budget for 2024/25, is illustrated in the table below.

General MTFP illustration (@ December 2023)						
Description	2024/25 (OCT 2023 MTFP)	2024/25 (INITIAL DRAFT BUDGET)	2025/26	2026/27	2027/28	2028/29
	£000's	£000's	£000's	£000's	£000's	£000's
NET EXPENDITURE						
Employees	23,357	21,268	21,681	22,095	22,516	22,947
Premises	3,741	3,530	3,800	3,876	3,954	4,033
Transport	249	233	237	242	247	252
Supplies & Services	9,659	8,974	9,154	9,337	9,524	9,714
Support Services	1	1	1	1	1	1
Contracted Services	10,012	11,606	12,025	12,145	12,266	12,389
Transfer Payments (H Bens)	22,460	21,698	21,699	20,588	19,533	18,531
Financing Costs	6,593	4,446	4,975	5,323	5,312	5,305
Specific Contingency	162	200	0	0	0	0
Gross Expenditure	76,234	71,956	73,571	73,607	73,353	73,172
Fees and Charges	(18,076)	(18,556)	(19,024)	(19,273)	(19,525)	(19,781)
Government Contributions	(24,010)	(23,285)	(23,273)	(22,151)	(21,086)	(20,074)
Misc. Income (inc. Qualis)	(3,891)	(3,459)	(3,448)	(3,198)	(2,937)	(2,687)
Other Contributions	(4,041)	(4,194)	(4,194)	(4,194)	(4,194)	(4,194)
HRA Recharges	(4,851)	(4,533)	(4,623)	(4,716)	(4,810)	(4,906)
Net Expenditure	21,365	17,929	19,010	20,075	20,801	21,530
Council Tax	(9,235)	(9,288)	(9,405)	(9,499)	(9,594)	(9,690)
Business Rates	(6,595)	(6,595)	(6,793)	(6,929)	(7,067)	(7,209)
Collection Fund Adjustments	(225)	(405)	0	0	0	0
Council Tax Sharing Agreement (CTSA)	(339)	(390)	(490)	(540)	(540)	(540)
Revenue Support Grant (RSG)	(133)	(133)	(133)	(133)	(133)	(133)
New Homes Bonus	(81)	(81)	0	0	0	0
Other Grants/Funding Guarantee Allocation (FGA)	(1,300)	(1,300)	(1,300)	(1,300)	(1,300)	(1,300)
Contribution to/(from) Reserves	263	263	263	263	263	263
Total Funding	(17,645)	(17,929)	(17,858)	(18,138)	(18,371)	(18,608)
In-Year (Surplus)/Deficit	3,720	0	1,152	784	493	492
Cumulative (Surplus)/Deficit	3,720	0	1,152	1,937	2,430	2,922

3.5 As presented in **Appendix A**, the originally forecast £3.720 million General Fund deficit for 2024/25 identified in the October 2023 MTFP has now been eliminated. It is a highly complex exercise to draw detailed comparisons between the two iterations of the MTFP; there are multiple variables that 'roll up' cumulatively as the years progress. However, it is possible to highlight the key influences in Years 2 (2025/26) and 3 (2026/27) as follows:

- **2025/26 (£1.152 million deficit)** – this represents a slightly more challenging position compared to a projected deficit of £0.376 million in the October 2023 MTFP. There are a number of factors underlying the projection though, but the cumulative impact of additional Waste Management costs built into 2024/25 is a factor, as is the reversal of the Collection Fund adjustment in 2025/26 (which was £405,000 compared to £225,000 in October 2023). Reduced HRA Recharges are also contributing; these are now expected to be £325,000 lower in 2025/26, compared to the expectation included in October, following the removal of the savings in balancing the 2024/25 budget (covered in **Appendix A**). It should be noted that this iteration of the MTFP continues to assume a contribution of £0.263 million to the General Fund Reserve; and
- **2026/27 (£0.784 million deficit)** – again this represents a slight deterioration compared to the projected deficit of £0.484 million in October 2023, predominantly due to the same factors as 2025/26 described above (which are embedded in the base budget).

3.6 Despite the differences noted in Paragraph 3.5 above, the longer-term profile of this iteration of the MTFP remains relatively unaltered, with declining deficits broadly levelling off in 2027/28 and 2028/29.

3.7 Embedded in the overall forecasts are a range of net spending and funding issues and assumptions. Key **net spending** highlights and assumptions include the following:

- **Inflation** – the published CPI rate for October 2023 was 4.6% (down from 6.7% in September 2023), this was beneficial to the cost of the existing Waste Management contract with Biffa. However, all other inflationary assumptions remain unchanged compared to those assumed in October 2023. This includes assumed general inflation of 3.5% in 2024/25, with 2.0% assumed thereafter. Similarly, a pay award of 3.0% has been assumed in 2024/25, with 2.0% assumed thereafter. Average increases in Fees and Charges assumed for 2024/25 remain unaltered at the August 2023 CPI rate of 6.7%, reducing to 2.0% thereafter.
- **Growth** – no discretionary budget growth items were assumed in the projections presented in October 2023. That assumption remains unchanged.
- **Financing Costs** – *underlying* overall (net) Financing costs have remained similar to the position presented in October 2023. But, as explained in **Appendix A**, Capital Financing Costs of £1.602 million (in 2024/25) in respect of the new Waste Management arrangements anticipated in November 2024, have been moved into Contracted Services ahead of the formation of the new Waste Company; and
- **HRA Recharges** – at this stage, recharges to the HRA are assumed to be relatively stable from 2025/26 onwards with just inflationary increases only applied. However, Transformation work on General Fund services can be expected to yield savings that can be shared with the HRA; this will be reflected in future iterations of this MTFP.

3.8 Key **funding** highlights and assumptions include the following:

- **Council Tax** – as reported in **Appendix A**, there is a provisional assumption that the Council will increase the Council Tax by 3.0% (in line with the 2023/24 Referendum Limit) in 2024/25; Council Tax freezes are assumed from 2025/26 onwards.
- **Business Rates** – in light of the outcome of the April 2023 Business Rates Revaluation, a stepped increase of £0.829 million is assumed in 2024/25, followed by inflationary increases thereafter.
- **Collection Fund Adjustments** – assumed Collection Fund adjustments are extremely difficult to forecast beyond the immediately forthcoming financial year. On that basis a prudent ‘neutral’ assumption is included in this iteration of the MTFP from 2025/26 onwards. However, as with Business Rates, this is an area that officers will be examining in detail during January 2024.
- **Council Tax Sharing Agreement (CTSA)** – gradually improving collection rates are expected to drive some steady improvement in funding receivable from the Essex CTSA in 2025/26 and 2026/27 and flattening out at £540,000 thereafter.
- **Grants** – as explained in **Appendix A**, the overall Settlement for 2024/25 is assumed to represent “Core Spending Power + 3.0%”. Future Settlements (from 2025/26 onwards) are assumed frozen at this stage, with the exception of NHB, which is assumed to cease with effect from 2025/26.
- **Use of Reserves** – the Council’s current annual commitment of a £262,620 contribution to the General Fund Reserve (adopted in February 2023) remains unaltered at this stage. This will need to be kept under review as the 2024/25 budget is further developed.

4. Housing Revenue Account (HRA) MTFP

4.1 The October 2023 MTFP revealed a small Surplus in 2024/25, followed by two planned deficits in 2025/26 (£732,000) and 2026/27 (£532,000), before coming back into balance for 2027/28 and 2028/29. It was noted that the HRA balance could comfortably withstand the planned deficits (e.g., as reported to Cabinet on 18th September 2023, the projected balance on the HRA for March 2024 was £4.438 million, which is more than double the adopted minimum of £2.0 million).

4.2 The October 2023 MTFP projections for the HRA can be summarised as follows:

Housing Revenue Account MTFP (@ October 2023)		
Financial Year	(Surplus)/Deficit	Comment
	£000's	
2024/25	(15)	
2025/26	732	53 Week Rent Year. Assumed £900,000 saving from Qualis re Housing Repairs.
2026/27	532	
2027/28	2	
2028/29	2	

Appendix E

4.3 The updated MTFP (2024/25 through to 2028/29), reflecting an initial draft HRA budget for 2024/25, is illustrated in the table below.

Housing Revenue Account MTFP (@ December 2023)						
Description	2024/25 (@ October 23 MTFP)	Draft Budget 2024/25 (@ December 23)	Estimated Budget Requirement 2025/26	Estimated Budget Requirement 2026/27	Estimated Budget Requirement 2027/28	Estimated Budget Requirement 2028/29
	£'s	£'s	£'s	£'s	£'s	£'s
Employees	5,208,210	5,282,310	5,387,960	5,495,720	5,605,630	5,717,740
Premises	6,690,830	6,690,830	6,823,160	7,034,230	7,174,680	7,314,350
Transport	80,790	80,790	82,410	84,060	85,740	87,450
Supplies & Services	1,183,140	1,281,290	1,298,810	1,120,790	1,143,210	1,370,070
Contracted Services	7,856,410	8,296,155	7,903,385	8,061,455	8,222,685	8,384,135
Support Services (GF Recharges)	4,850,620	4,532,625	4,623,275	4,715,745	4,810,055	4,906,255
Debt Management Expenses	68,000	68,000	69,000	70,000	72,000	73,000
Bad Debt Provision	108,000	109,000	110,000	113,000	117,000	121,000
Depreciation	10,700,000	10,700,000	10,914,000	11,132,000	11,355,000	11,582,000
Total Expenditure	36,746,000	37,041,000	37,212,000	37,827,000	38,586,000	39,556,000
Rental Income - Dwellings	- 40,849,000	- 41,143,000	- 41,661,000	- 42,980,000	- 44,097,000	- 45,191,000
Rental Income - Non-Dwellings	- 992,000	- 999,000	- 1,019,000	- 1,039,000	- 1,060,000	- 1,081,000
Fees and Charges (Charges for Services)	- 3,032,000	- 3,051,000	- 3,124,000	- 3,197,000	- 3,334,000	- 3,388,000
Other Contributions (Shared Amenities)	- 394,000	- 394,000	- 402,000	- 410,000	- 418,000	- 427,000
Total Income	- 45,267,000	- 45,587,000	- 46,206,000	- 47,626,000	- 48,909,000	- 50,087,000
Net Cost of Service	- 8,521,000	- 8,546,000	- 8,994,000	- 9,799,000	- 10,323,000	- 10,531,000
Interest Received	- 226,000	- 150,000	- 214,000	- 109,000	- 91,000	- 85,000
Financing Costs	6,476,000	6,562,000	6,718,000	6,702,000	6,841,000	7,208,000
Net Operating Income	- 2,271,000	- 2,134,000	- 2,490,000	- 3,206,000	- 3,573,000	- 3,408,000
Appropriations:						
HRA Contribution to Capital	2,256,000	2,599,000	2,786,000	3,310,000	3,591,000	3,414,000
Contribution to/(from) Reserves		-	-	-	-	-
Total Appropriations	2,256,000	2,599,000	2,786,000	3,310,000	3,591,000	3,414,000
In-Year (Surplus)/Deficit	- 15,000	465,000	296,000	104,000	18,000	6,000

- 4.4 As presented in **Appendix B**, the originally forecast £15,000 HRA surplus for 2024/25 identified in the October 2023 MTFP has now been reduced to a £465,000 deficit following the completion of the – more detailed – initial draft Budget preparation exercise.
- 4.5 It should be noted that officers have refined the 30-Year HRA Business Plan using the “Fortress” model, following the completion of the Stock Condition Survey (SCS). This has led to the reprioritisation of a range of previously planned works, whilst at the same time adding £15.0 million (£1.5 million annually for 10 years from 2024/25) for Net Zero Carbon building works.
- 4.6 The changes to the Business Plan triggered by the SCS have been introduced with financial sustainability being an absolute priority, including minimising the need to borrow and maintaining a minimum HRA balance of £2.0 million. The planned deficits reflected in the table above in Paragraph 4.3 represent a deliberate strategy to utilise *surplus* reserves only. The opening HRA reserve balance for 2023/24 was £4.515 million and, as at Quarter 2, the forecast closing balance is £4.584million (i.e., potentially £2.6 million above the minimum balance; this MTFP plans to utilise £0.889 million).