

Select Committee Agenda



Stronger Council Select Committee Thursday, 24th November, 2022

You are invited to attend the next meeting of **Stronger Council Select Committee**, which will be held at:

Council Chamber - Civic Offices
on **Thursday, 24th November, 2022**
at **7.00 pm**

G Blakemore
Chief Executive

**Democratic Services
Officer**

A Hendry, Democratic Services (01992 564246)
Email: democraticservices@eppingforestdc.gov.uk

Members:

Councillors J McIvor (Chairman), S Patel (Vice-Chairman), R Bassett, R Brookes, E Gabbett, I Hadley, S Heather, J Jogia, R Morgan, S Rackham and J M Whitehouse

SUBSTITUTE NOMINATION DEADLINE:

6:00 pm

1. WEBCASTING INTRODUCTION

This meeting is to be webcast. Members are reminded of the need to activate their microphones before speaking. The Chairman will read the following announcement:

“The Chairman would like to remind everyone present that this meeting will be broadcast live to the internet (or filmed) and will be capable of repeated viewing (or another use by such third parties).

If you are seated in the lower public seating area it is likely that the recording cameras will capture your image and this will result in the possibility that your image will become part of the broadcast.

This may infringe your human and data protection rights and if you wish to avoid this you should move to the upper public gallery.”

2. APOLOGIES FOR ABSENCE

To be announced at the meeting.

Please use the Members Portal webpage to report non-attendance at meetings https://eppingforestdc-self.achieveservice.com/service/Member_Contact to ensure your query is properly logged.

Alternatively, you can access the Members portal from the front page of the Council's website, at the bottom under 'Contact Us' <https://www.eppingforestdc.gov.uk/your-council/members-portal/>

3. SUBSTITUTE MEMBERS (COUNCIL MINUTE 39 - 23.7.02)

To report the appointment of any substitute members for the meeting.

4. DECLARATIONS OF INTEREST

To declare interests in any item on the agenda.

5. NOTES OF PREVIOUS MEETING (Pages 5 - 8)

To agree the notes of the meeting of the Select Committee held on 26 September 2022.

6. TERMS OF REFERENCE & WORK PROGRAMME (Pages 9 - 12)

(Chairman/Lead Officer) The Overview and Scrutiny Committee has agreed the terms of reference and work programme for the select committee. Members are invited at each meeting to review both documents.

7. PEOPLE STRATEGY UPDATE (Pages 13 - 26)

Please see attached and to note that a short video will also be played for this item.

8. CABINET REPORT - OUTSOURCING OF THE CONCIERGE SERVICE (Pages 27 - 40)

To note and comment the Cabinet report on the proposal to outsource the Concierge Service.

9. QUARTER 2 BUDGET MONITORING REPORT - 2022/23 (Pages 41 - 58)

To note and comment on the quarter 2 Budget Monitoring Report for 2022/23.

10. UPDATED MEDIUM TERM FINANCIAL PLAN - 2023/24 TO 2027/28 (Pages 59 - 80)

To consider the attached update on the Medium Term Financial Plan.

11. DATES OF FUTURE MEETINGS

To note the next meeting date of this Committee will be held on:

24 January 2023;
21 February 2023; and
18 April 2023.

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EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

Committee: Stronger Council Select Committee **Date:** Monday, 26 September 2022

Place: Council Chamber - Civic Offices **Time:** 7.00 - 7.55 pm

Members Present: Councillors J McIvor (Chairman), S Patel (Vice-Chairman), R Bassett, I Hadley, S Heather, J Jogia, R Morgan, J M Whitehouse and C Nweke

Apologies: R Brookes and S Rackham

Officers Present: A Small (Section 151 Officer), L Kirman (Democratic Services Officer) and R Moreton (Corporate Communications Officer)

Officers Present (Virtually): V Messenger (Democratic Services Officer)

10. WEBCASTING INTRODUCTION

The Chairman reminded everyone present that the meeting would be broadcast live to the Internet, and that the Council had adopted a protocol for the webcasting of its meetings.

11. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Rackham and Brookes.

12. SUBSTITUTE MEMBERS (COUNCIL MINUTE 39 - 23.7.02)

The Committee noted that Councillor C Nweke would substitute for Councillor R Brookes for the duration of this meeting.

13. DECLARATIONS OF INTEREST

Councillor Richard Bassett declared a Non Pecuniary Interest - item 9, Qualis Quarterly Monitoring Report Q3 2021/22 on the agenda by virtue of being a Non-Executive Director of Qualis.

14. NOTES OF PREVIOUS MEETING

That the notes of the meeting held 21 July 2022 were agreed as a correct record.

15. TERMS OF REFERENCE & WORK PROGRAMME

The Select Committee noted their terms of reference and work programme.

16. QUARTER 1 BUDGET MONITORING REPORT 2022/23

The Strategic Director Corporate and Section 151 Officer, A Small, outlined the report which set out the forecast outturn position for the 2022/23 General Fund and Housing Revenue Account, revenue and capital, based on the available information

at 30th June 2022. The report contained the Council's funding position which gave members visibility of the balance sheet impact of the financial projections.

A Small highlighted the current global, national and local economic malaise and the uncertainty this created for the Council. The financial pressures detailed in the report had driven a forecast General Fund revenue expenditure budget overspend of £1.196 million. The current position was dominated by a range of substantial spending pressures, these included:

- The impact of spiralling inflation was driving higher pay demands of at least 5% with a potential overspend of £800,000, this was being offset in the short term by salary savings due to vacant posts,
- The continued delay in finalising the Local Plan had created a negative variance of £711,780 on the forecast income from planning applications, and
- The combined impact of the pace of drawdown from Qualis loans and interest rates for PWLB loans had impacted on the income from the margins generated by the Council with a forecast budget shortfall of £700,526.

There had been a positive variance of £541,000 on recycling income due to an increase in market rate and sale of recyclable materials.

The Committee were advised that the yearend balance would fall to £3.045m, if the forecast spending and funding position was accurate and this was significantly below the Council's formally adopted contingency balance of £4.0 million.

Members were advised that the Housing Revenue Account (HRA) revenue position had a forecast an underspend of £1.513m and faced similar pressures to the General Fund. The HRA Business Plan included the assumed maintenance of a minimum balance of £2.0 million in reserves and this had reduced the ability to make capital contributions by £1.740m, the reconciliation was shown in the report.

Capital spend for the General Fund and HRA had been subdued in Quarter 1, delayed draw down of Qualis loans was the biggest factor in a forecast underspend of £73.072m on the General Fund Capital Programme and delays to the house-building programme being the key factor in the £21.082m underspend for the HRA Capital Programme.

The Committee commended the officers for their excellent work.

The Committee sought confirmation on the financial impact in the delay in Local Plan, Cllr Philip reminded the Committee that timescale for approval of the Local Plan was by the end of this year and suggested that the current economic issues and pressure associated with increased construction costs could impact on development and the number of planning applications received.

The Committee asked if work was being carried out to maximise the revenue generating opportunities? A Small advised that options to maximise income were being considered, this included income generation and efficiencies. Cllr Philip advised that there was a balance to be achieved in raising charges and maintain collection rates. He reminded the Committee that the Council was in a better position this year, the expectation was that the reserves for this year would be approx. £2.5m, but significant improvements were made and the reserves for 2022/23 were £4m.

Resolved

The Select Committee commented and noted the:

- General Fund revenue position at the end of Quarter 1 (30th June 2022) for 2022/23, including proposed actions proposed to improve the position, where significant variances had been identified,
- General Fund capital position at the end of Quarter 1 (30th June 2022) for 2022/23,
- The Housing Revenue Account revenue position at the end of Quarter 1 (30th June 2022) for 2022/23, including actions proposed to ameliorate the position, where significant variances had been identified, and
- The Housing Revenue Account capital position at the end of Quarter 1 (30th June 2022) for 2022/23.

17. FINANCIAL PLANNING FRAMEWORK 2023/24 TO 2027/28

The Strategic Director Corporate and Section 151 Officer, A Small, introduced the report which set out the financial issues the Council needed to consider for Budget setting in 2023/24, and emphasised the General Fund budget had become challenging due to a range of major income, spending and funding pressures, which were mainly beyond the Council's control. He highlighted there would be major financial pressures on staff salaries, energy, contracts and financing costs, and an anticipated significant reduction in the Local Government Settlement as specific grants could be withdrawn by the Government. Further financial risks could exacerbate the problem, including potentially new employer pension contribution rates for the Local Government Pension Scheme (LGPS) as well as the threat to commercial property returns and funding from local taxation receipts as the economic crisis started to affect local communities and businesses. The same financial pressures applied to the Housing Revenue Account (HRA). The Government were consulting on rent caps and this could impact the HRA revenue stream. The capital expenditure programme would be impacted by increased construction costs.

A Small, advised the Committee that achieving a balanced General Fund budget for 2023/24 would be the most difficult financial challenge that the Council had faced in many years, there would need to be a large savings target to balance the budget and work had started on the 2022/23 draft budget. The draft budget options paper would be brought back to the Stronger Council Select Committee for scrutiny in January 2023.

The Committee acknowledged the current changing economic uncertainty, queried when the Local Government Settlement would be announced and asked if there was any joint lobbying of Government by local authorities. The Committee were advised the announcement expected by mid to late December 2022 and it was unlikely there would be a two-year settlement, and Local Government had a strong voice and mechanism were in place to lobby Government and Local Government had a strong voice although current advice indicated there was no additional funding.

The Committee queried what the worst case budget could look like, Cllr Philip suggested there would be clarity over the next couple of months and advised that Cabinet was working with lead officers, initially at a gap of £4m or 25% of budget. He highlighted the pressure in the report and detailed that any decrease in collection rates would have a detrimental impact and difficult decisions would be required.

Resolved:

The Committee

- noted the backdrop to the Financial Planning process for 2023/24 to 2027/28, and
- considered and commented on the proposed approach to Financial Planning for 2023/24 to 2027/28.

18. QUALIS QUARTERLY MONITORING REPORT - Q3 - 2021/22

The Qualis third quarter monitoring report was presented by the Strategic Director Corporate and Section 151 Officer, A Small which covered the period from 1 April 2022 to 30 June 2022. This showed a continuing loss, which was primarily associated with delays in achieving planning consent at Roundhills, and challenges with finding suitable regeneration property to acquire. The Committee were advised that the accrued costs would be removed from the Profit and Loss account thereby reducing the reported accumulated loss, when planning consent was obtained for Roundhills. The Qualis Business Plan had assumed that rental income associated with new acquisitions would have been delivered prior to the end of Quarter 3 however there had been difficulty finding suitable regeneration sites within the District. With these exceptions the position was broadly in line with the target. It was also highlighted that the same financial considerations faced by the Council in relation to the wider economic conditions were faced by Qualis which as a developer had increased construction and borrowing costs. Qualis remained one of the largest contributors to the Council paying over £2m per annum in interest costs which was a key factor in enabling the Council to provide services.

The Committee acknowledged that Qualis faced similar financial challenges to the Council and asked if there were any economies of scale that could be achieved by Qualis working with other third parties? Cllr Philip emphasised that Qualis must remain a separate entity from the Council and detailed that Qualis had driven value from contracts. The Committee also asked if there would be any impact from changes in stamp duty and were advised that this would be difficult to predict due to position in the development sequence however Qualis did ensure that external factors were regularly reviewed and considered.

Resolved:

The Committee considered and commented on the report.

19. DATES OF FUTURE MEETINGS

The Committee notes their future meeting dates.

CHAIRMAN

STRONGER COUNCIL SELECT COMMITTEE

TERMS OF REFERENCE 2019/20

Core Areas of Responsibility

- (1) To provide scrutiny for the following corporate projects:
 - People Strategy;
 - Accommodation Strategy; and
 - Digital Enablement
- (2) To monitor the Corporate Plan Action Plan performance report and provide scrutiny of services that are not performing to standard and develop proposals for their improvement. The Stronger Council Select Committee in its review of Corporate Key Performance Indicators can task other Select Committees to review service performance and develop proposals for improvement.

Scrutiny Role of the Select Committee

- (1) To engage in policy review and development, with a focus on improvement and how this can be best achieved;
- (2) To develop a work programme each year that effectively scrutinises the areas of responsibility outlined above;
- (3) To consider any matter referred by the Overview and Scrutiny Committee, Cabinet or a Portfolio Holder and to make recommendations as appropriate;
- (4) To consider the effect of Government actions or initiatives that affect the Select Committees areas of responsibility and the impact on customers, residents, businesses and visitors to our district, and to respond to consultation activities as appropriate;
- (5) To establish working groups and task and finish panels to undertake any activity within these terms of reference;
- (6) To undertake pre-scrutiny through the review of specific proposals of the Council and its partner organisations or other local service providers to help develop policy;
- (7) To monitor and review relevant projects and associated closure and benefits reports; and
- (8) To engage with the community and encourage community engagement.

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**Stronger Council Select Committee
Work Programme 2022/23
Chairman: Councillor J McIvor**

No.	Item	Deadline	Progress and Comments	Programme of Meetings	Lead Officers
				21 July 2022	
1.	People Strategy	21 July and 24 Nov. 2022 – 24 January & 18 April 2023 Project reporting, issues focussed.		01 Sept. 2022 26 Sept. 22 – extra meeting 25 Oct. 2022 – cancelled	Paula Maginnis Jo Budden
2.	Digital Enablement	Prioritisation of Council Technology strategy.		24 Nov. 2022 24 January 2023 21 Feb. 2023 18 April 2023	Paula Maginnis Nichola Gambrill
3.	Financial Planning	Scrutiny of MTFP 22/23 onwards Sept. 2022 Nov 2022			Andrew Small Christopher Hartgrove
4.	Budget scrutiny	Qtr. 1 Budget Monitoring Rtp. 2022/23 – 26 September 2022; Qtr. 2 Budget Monitoring Rtp. 2022/23 – 24 November 2022; Qtr. 3 Budget Monitoring Rtp. 2022/23 – 18 April 2023 2023/24 budget setting 24 January 2023	Budget Monitoring Reports (Revenue and Capital Outturn for 2022/23)		Andrew Small
5.	Asset Management Strategy	Council asset strategy (new)	Approved by the Cabinet 13/06/19 and referred to Council 30/07/19 for adoption.		Andrew Small

6.	Quarterly Budget Monitoring Report	Q4 2021/22 – 21 July 2022			Andrew Small/ Chris Hartgrove
7.	Quarterly Qualis Monitoring	26 Sept 2022			Andrew Small
8.	Report on new election legislation on Voter ID and any financial implications for the Council. when information was available.	TBC			Gary Woodhall
9	Customer Services (Overall satisfaction)	TBC	To receive a recovery plan on this failing KPI		
10	Housing and Asset Management System	November 2022			Deborah Fenton
11	Review of Officers appearing via Zoom at various meetings – especially Planning meetings	TBC			



Creating Our Tomorrow – Our Ways of Working for the Future 2022 and Beyond

Employee Survey 2022

Client: EFDC

Date: 1st June to 12th July 2022

Sample: 410

Demographic: Employees at EFDC

Client contact: sbowershamilton@eppingforestdc.gov.uk

Summary author: nilam.shukla@onepoll.com

hello@onepoll.com | 020 7138 3053



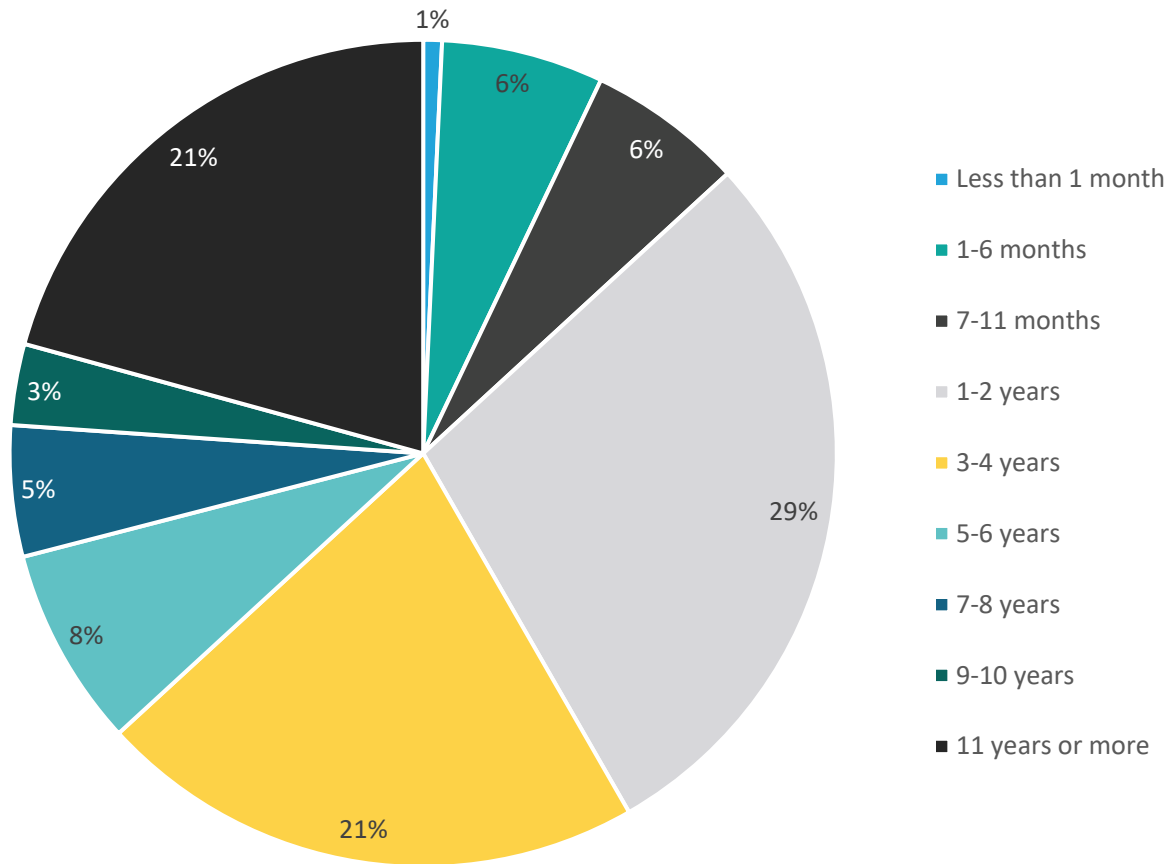
Employees

- At the moment, over half (53%) **work from home or remotely most of the time**
 - Almost two fifths (39%) have been working in a **hybrid** way
 - 4% have been working from the **office/'workplace' all of the time**
 - And 4% have a job where they **must be on site**, so can't work from home
- 65% of employees who answered the survey identify as **female**
 - 32% identify as **male**
- Almost a fifth (19%) are aged between **18-34**
 - 45% are aged between **35-54**
 - 36% are **55 or above**
- Over three quarters (78%) are **individual contributors**
 - 15% are **managers** of **individual contributors**
 - 4% are **managers** of **other managers**
 - And 2% are **Executive Team Members**



Question:

How long have you been in your current role?



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Insight

- 13% have been in their role **11 months or less**
 - Half (50%) have been there **1-4 years**
 - 16% have been there **5-10 years**
 - And 21% have been there **11 years or more**





Arrangement

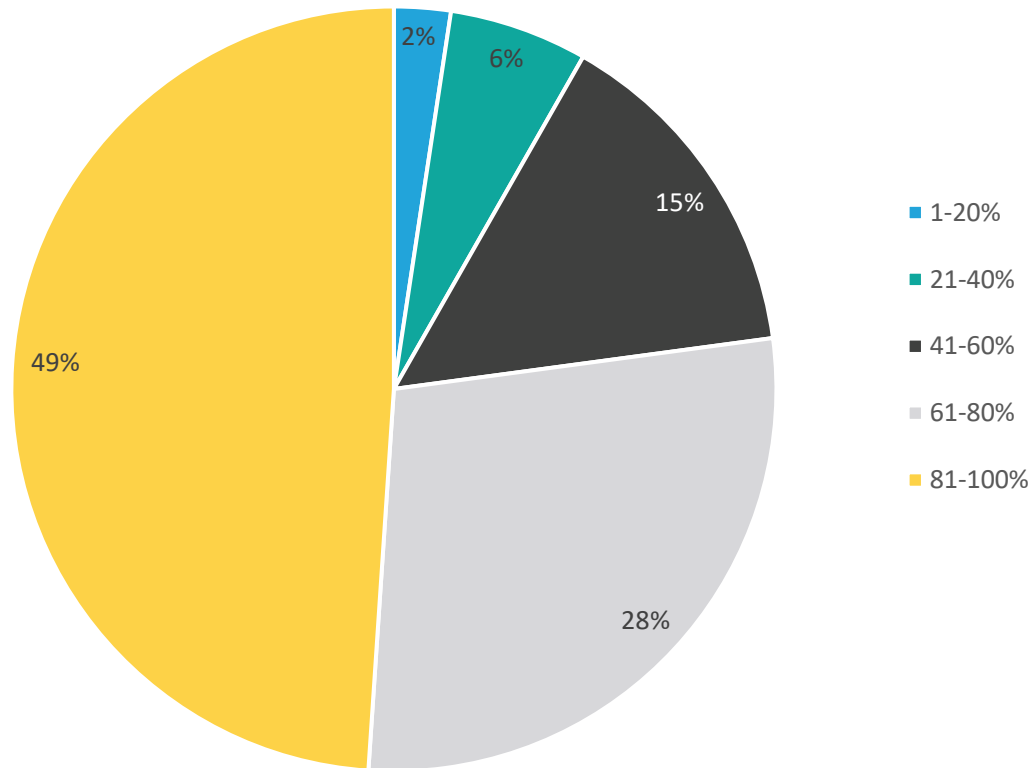
- On average, employees surveyed work **35.2 hours** per week
 - 23% work **up to 35 hours**
 - 64% work between **36-40 hours**
 - And 13% work **41 hours or more**
- On average, employees surveyed work **4.7 days** per week
 - Over three quarters (77%) work **5 days**
- Two thirds (67%) are **currently living** with a **partner/spouse**
 - 11% live on **their own**
 - 7% live with **parents**
 - 6% have **another living arrangement**

Of those that can work from home/remotely (n=394):

- 46% have a **dedicated room** in the house to work
 - 26% have a **dedicated space**
 - 5% have **separate building**
- 18% **do not have** a dedicated space

Question:

Approximately, how much of the time do you spend working from home/remotely per week, currently?

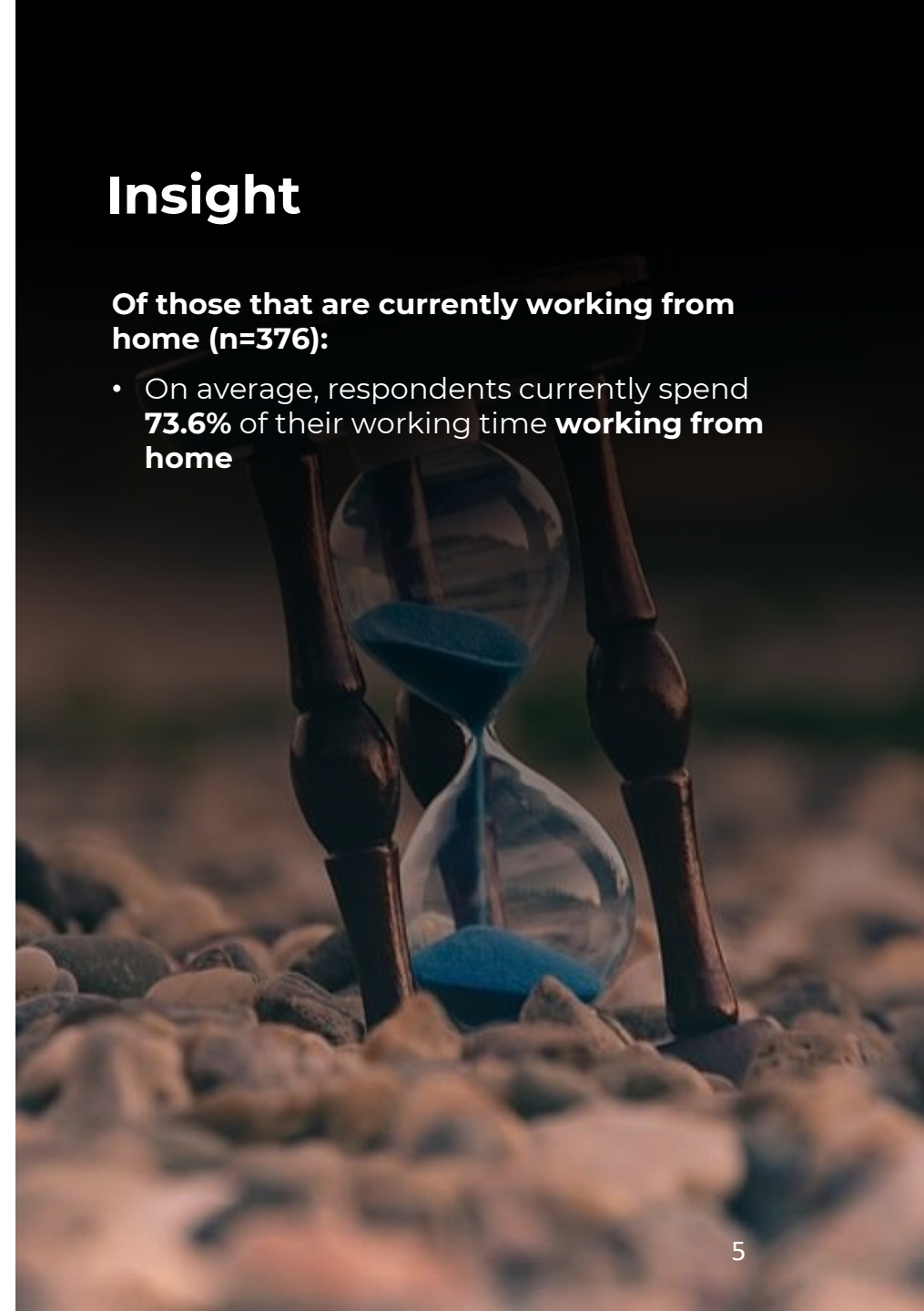


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Insight

Of those that are currently working from home (n=376):

- On average, respondents currently spend **73.6%** of their working time **working from home**





Flexibility

- Over four fifths (81%) of employees surveyed said that within their **current contracted hours**, they feel as though they can be **flexible in their role**
- 86% **agree** that having a **flexible working pattern** is **beneficial** to them
 - 66% **strongly agree**
- Just 4% **disagree** that this is beneficial
- 79% **agree** that they feel their **manager** has **supported them** in understanding **how** they can **adopt flexibility** into their **working day**
 - 57% **strongly agree**
- Just 6% **disagree** that their manager has supported them

Of those that can work from home/remotely (n=394):

- Over three fifths (61%) said their **preferred work pattern** is to work in a **hybrid way**
 - 35% would want to **work from home** or remotely full time
 - Just 4% would want to work from the **office/'workplace'** full time

Hybrid

Of those that can work from home/remotely (n=394):

- Employees would **like to (continue to) work from home/remotely 70.6%** of their working time on average
 - 11% want to do **under 40%**
 - 44% want to do **41-80%**
 - 44% want to do **81-100%**
- Over four fifths (82%) feel **connected** to their **colleagues/team** when working in a hybrid way
 - 29% feel **very connected**
 - 15% **do not** feel very connected
 - And 3% do not feel connected at all
- Over two thirds (68%) said their manager has **had a conversation** with them about how **hybrid** working could work for them, their role and the team
 - 32% said their manager hasn't yet done this

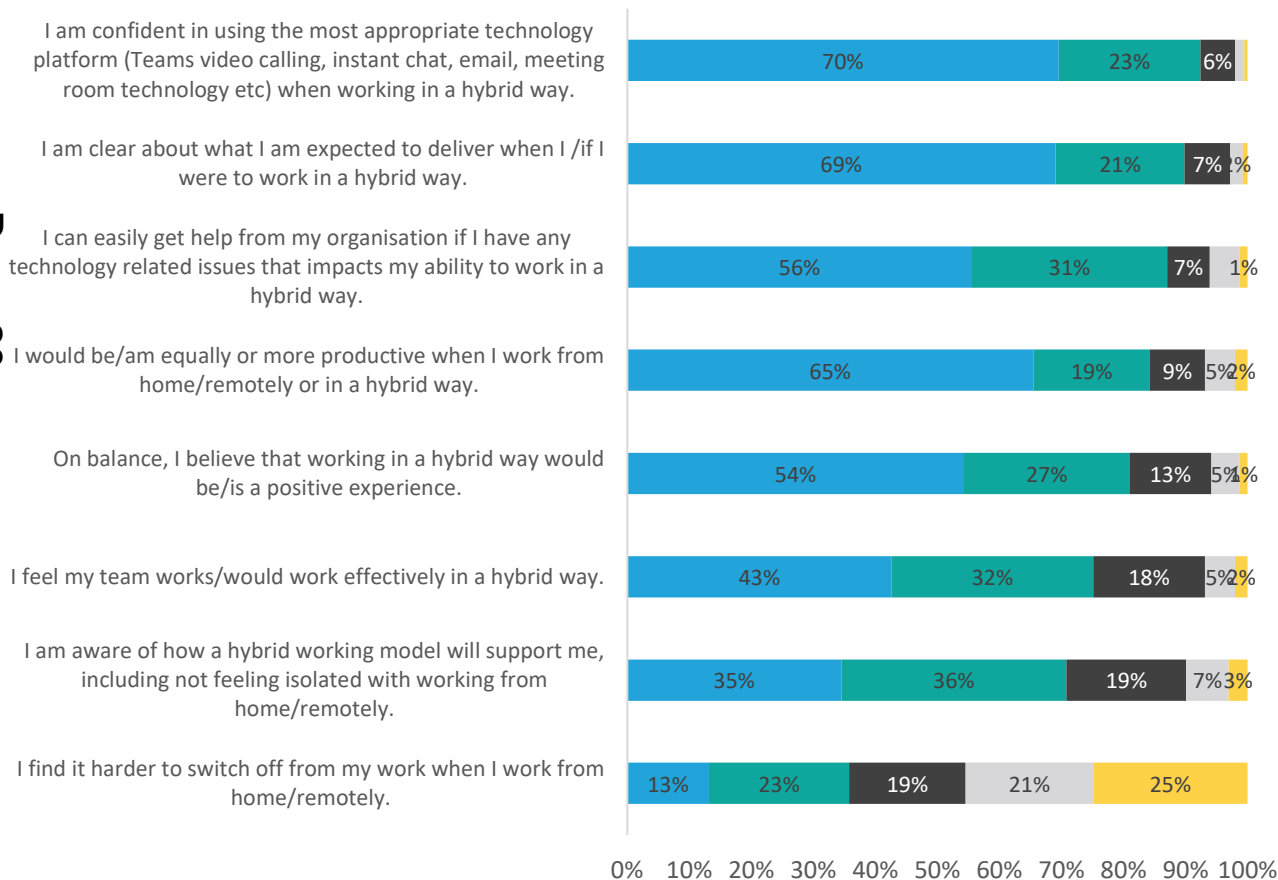
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Question:

To what extent do you agree or disagree with the following statement? ‘ _____ ’

■ Strongly agree ■ Somewhat agree ■ Neither agree nor disagree ■ Somewhat disagree ■ Strongly disagree



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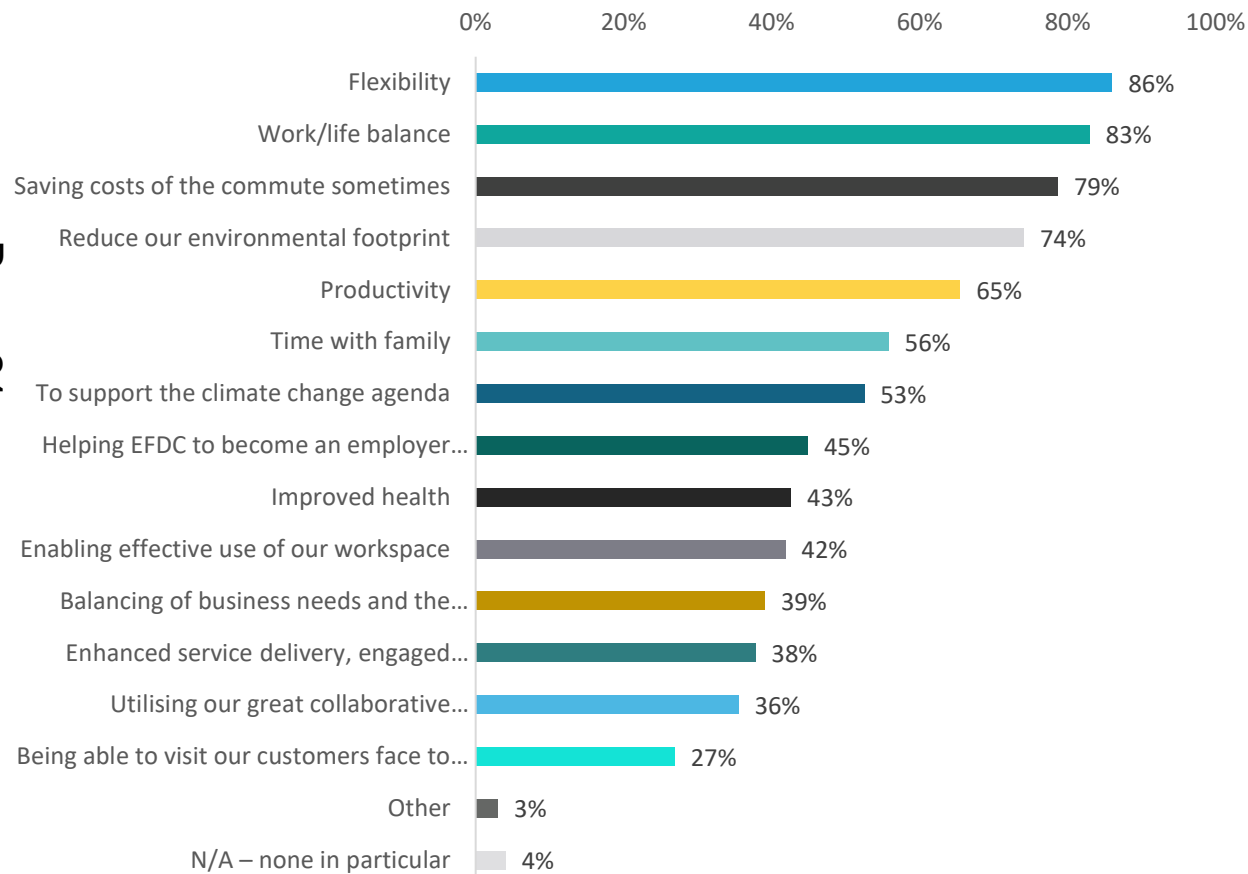
Insight

Of those that can work from home/remotely (n=394):

- 92% **agree** that they are **confident** in using the most appropriate technology platform when working in a hybrid way
- 90% **agree** that they are **clear** about what they are **expected to deliver** when//if they were to work in a hybrid way
- 87% **agree** that they can easily **get help** from the organisation if they have any technology related issues that impacts their ability to work in a hybrid way

Question:

What do you think are the benefits of working in a hybrid approach moving forward? Tick all that apply



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Insight

Of those that can work from home/remotely (n=394):

- Top 3 **benefits** of **working in a hybrid approach** are:
 - Flexibility (86%)
 - Work/life balance (83%)
 - Saving costs of the commute sometimes (79%)



Approach

Of those that can work from home/remotely (n=394):

- 83% feel as though they are **currently working** in a **hybrid** way
 - 55% say they are **very much** doing so
- 15% **do not feel** they are currently working in a hybrid way
 - With 4% feeling they are not working in a hybrid way at all currently
- Top perceived **barriers/issues** to working in a hybrid approach moving forward are:
 1. Isolation (35%)
 2. Equipment (25%)
 3. Training (17%)
- 95% feel **well equipped** to work in line with the hybrid approach and make it possible
 - Over half (51%) feel **very well equipped**
- Just 5% **do not** feel very well equipped

Support

Of those that can work from home/remotely (n=394):

- 8% feel they need **extra training/development** in order for the hybrid working approach to be successful
 - 72% **do not** need anything extra
- Over 9 in 10 (92%) feel **supported** by **their manager** in a remote working environment
 - 65% feel **very supported**
 - 5% **do not** feel very supported
 - And 3% do not feel supported at all
- Over 9 in 10 (93%) feel **supported** by **their team** in a remote working environment
 - 61% feel **very supported**
 - 5% **do not** feel very supported
 - And 2% do not feel supported at all
- From a wellbeing perspective, 8% feel they need **additional support** if they were to continue to work from home / remotely longer term
 - 67% **do not** need any additional support





Location

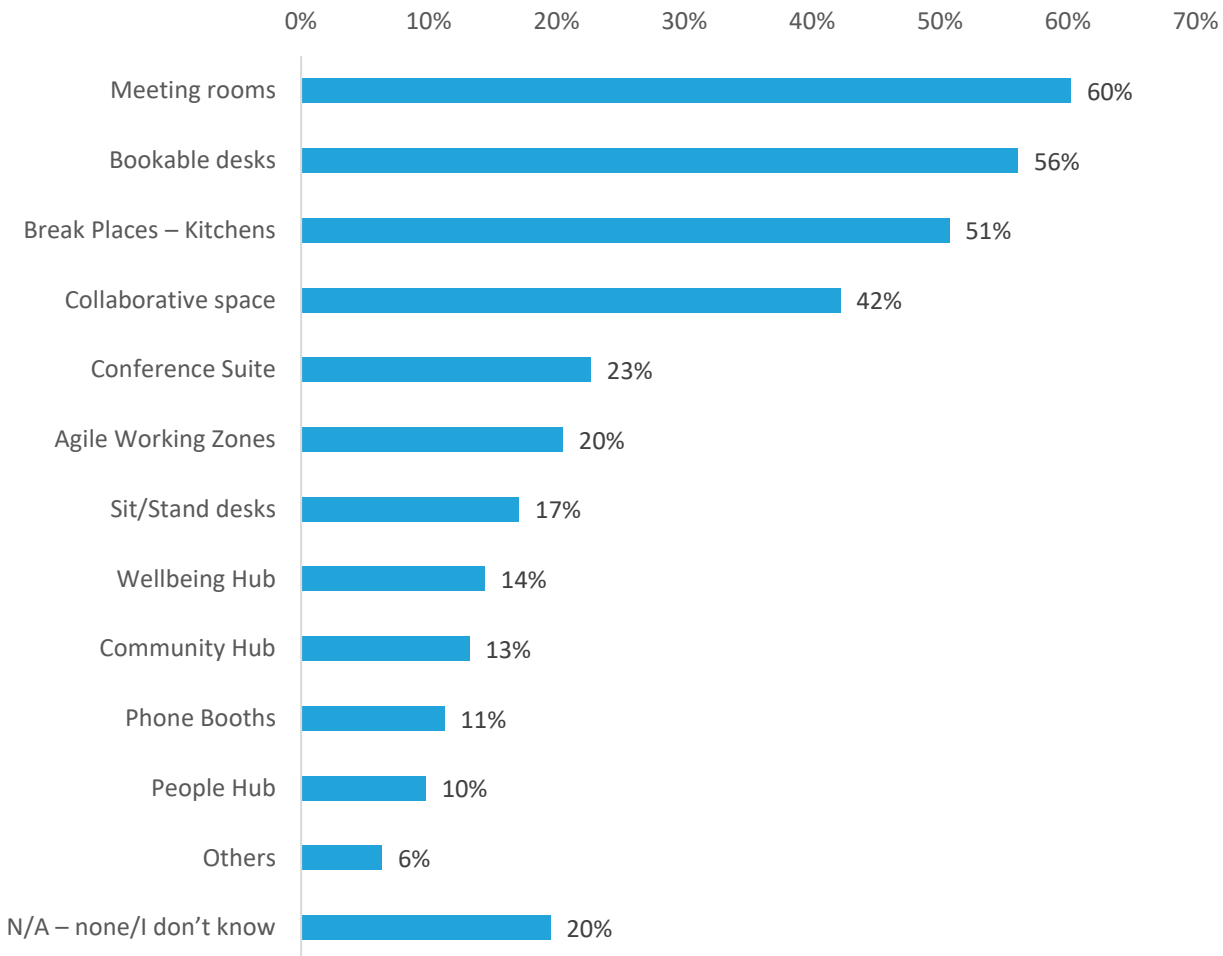
- 5% **always** go into the civic/other office locations
 - 9% go there **most of the time**
 - 54% **sometimes** go
 - 26% go **rarely**
 - 6% **never** go to the civic/other office locations

Of those that ever go to the civic/other office locations (n=387):

- 57% use **bookable desks**
- **Employees also use:**
 - Meeting rooms (53%)
 - Break Places – Kitchens (43%)
 - Collaborative space (35%)
 - Conference Suite (21%)
- 38% of employees are '**detractors**' and would not recommend their workplace to a friend or family member
 - 23% are '**promoters**' and would recommend it to a friend or family member
 - 39% are '**passives**'

Question:

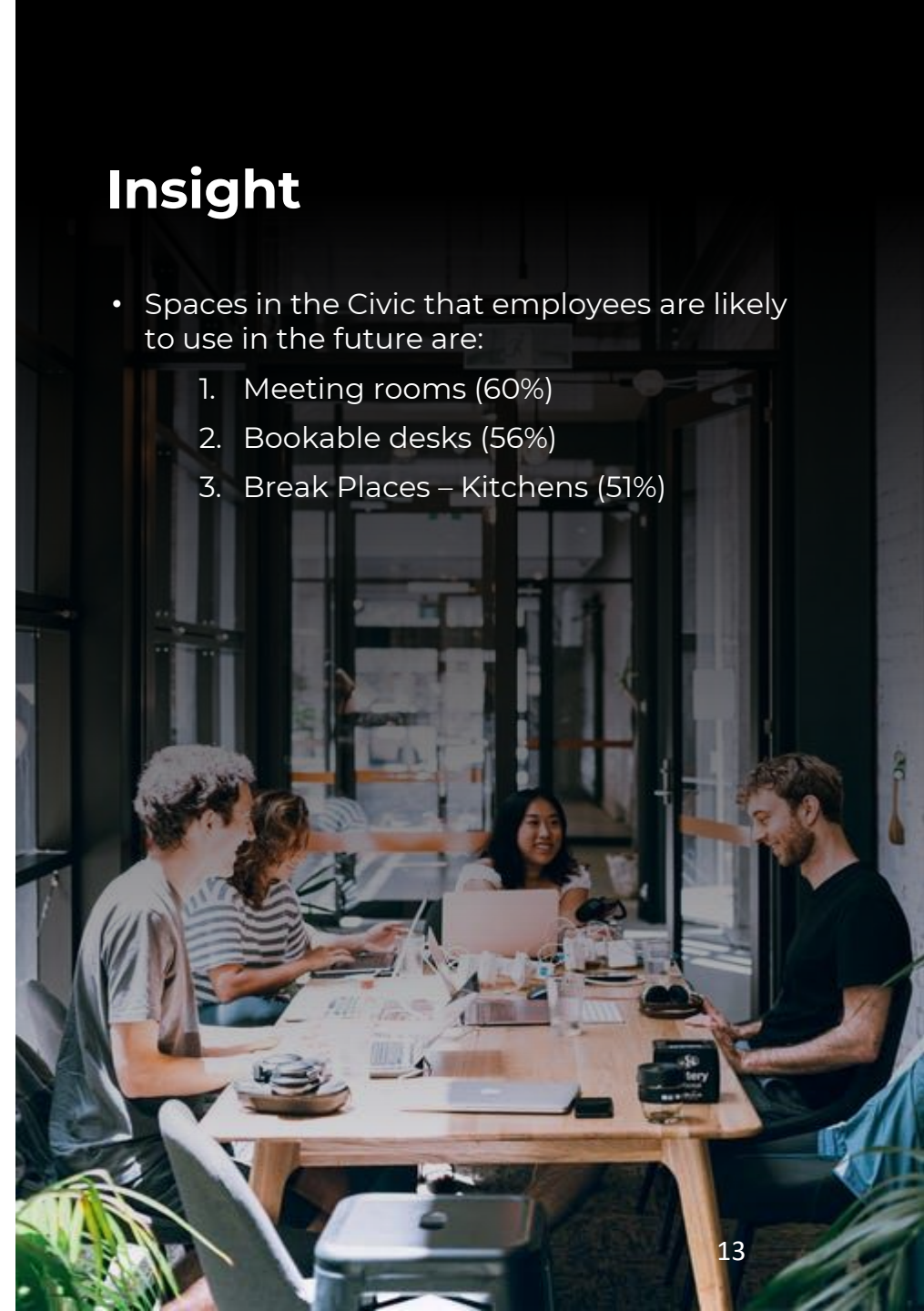
What spaces in the Civic are you likely to use in the future? Tick all that apply



Insight

- Spaces in the Civic that employees are likely to use in the future are:

1. Meeting rooms (60%)
2. Bookable desks (56%)
3. Break Places – Kitchens (51%)



onepoll.

Any questions?

jbudden@eppingforestdc.gov.uk
sbowershamilton@eppingforestdc.gov.uk

hello@onepoll.com | 020 7138 3053



ESOMAR^{'21}
corporate

Report to the Cabinet



**Epping Forest
District Council**

Report reference: C-nnn-2022/23

**Date of meeting: 12 December
2022**

Portfolio: Corporate Services

Subject: Outsourcing of the Concierge Service

Responsible Officer: Christine Ferrigi (01992 564179).

Democratic Services: Adrian Hendry (01992 564246).

Recommendations/Decisions Required:

- (1) That the Concierge Service at the Civic Offices is outsourced.
- (2) That the contract is awarded to PCS Group for a period of three years.

Executive Summary:

There is a Concierge service provided at the Civic Offices that has numerous responsibilities including the opening and closing of the building, managing and maintaining our bookable spaces, monitoring the employee car park, issuing security cards, monitoring CCTV and much more. The existing service is structured to be made up of the equivalent of four full time posts (FTE) covering 6:30-22:00 Monday to Friday, with out of hours, on site security being provided by a contractor between 22:00-6:30 on weekdays and across the whole weekend.

Due to various operational and resource challenges, the Senior Leadership Team (SLT) agreed to explore the outsourcing of the Concierge Service at the Civic Offices, by formally going out to tender, to then review bids and make a decision as to whether the Council proceeds to the formal stages of outsourcing.

Out of four contractors that showed an interest, only one of them, PCS Group, put forward a bid. The bid was a strong, tailored and detailed response, scoring 96.5/100 during the evaluation process.

Based on a three year contract, the costs for year 1 and 2 are lower than our current operating costs and year 3 is higher. The savings made in the first 2 years offset the increase in the third year. If the service remains in house, costs will increase year on year due to salary increases and the cost of the existing contracts for out of hours and day time cover. Appendix A gives a more detailed break down.

Reasons for Proposed Decision:

The decision to outsource the Concierge Service is a solution to some operational challenges that the Council has been facing for the past year, particularly around resourcing the service.

The benefits to outsourcing the service are

- Increased resilience as we will be working with a company that can be scalable to our needs and ensure we always have appropriately trained staff available to cover the shift requirements.

- The Council has an opportunity to work with a service provider and shape what we want the service to look like, which will improve customer service. This will be measured against feedback that we regularly, informally receive.
- The Council will have SIA Security trained Concierge on site at all times to support the Welcome Desk Team and the Incident Manager should the need arise.
- This option provides consistent, stable costs during uncertain times and removes the risk of unforeseen, avoidable, additional costs to the Council.
- Other miscellaneous costs of running a service in house are removed, such as recruitment costs.

Other Options for Action:

An alternative option would be to work with the People Team and Trade Unions to change the terms of employment for the current team, to include evening and weekend working as mandatory. The Council could upskill the existing team to secure their SIA Security Licences. We could attempt to recruit to the open role(s) by working with the People Team on a new recruitment campaign. This option has been discounted due to the challenges already faced recruiting to those roles. Additionally, whilst the role(s) remain vacant the Council would continue to pay a premium to a contractor for covering those shifts and we could end up back in the same position of being unable to fill those roles.

Another option is to go back out to tender ourselves, instead of using Everything FM, in the hope to reach alternative contractors. This option has also been discounted as Everything FM are specialists in this field, so it is doubtful that the Council would achieve a different result in terms of bids received and we would have only elongated the appointment process, costing ourselves more for a contractor to cover this interim period.

Report:

1. There is a Concierge service provided at the Civic Offices that has numerous responsibilities including the opening and closing of the building, managing and maintaining our bookable spaces, monitoring the employee car park, issuing security cards, monitoring CCTV and much more. The existing service is structured to be made up of the equivalent of four full time posts (FTE) covering 6:30-22:00 Monday to Friday, with out of hours, on site security being provided by a contractor between 22:00-6:30 on weekdays and across the whole weekend.
2. In May 2022 the Senior Leadership Team (SLT) were updated on the position of the service and some of the operational and resource challenges that the team were facing. A decision was taken by SLT to explore the outsourcing of the Concierge Service at the Civic Offices, by formally going out to tender, to then review bids and make a decision as to whether the Council proceeds to the formal stages of outsourcing.
3. There are numerous difficulties within the service, such as the team having an open vacancy for 12 months, which we have failed to recruit to on various occasions. There are also some employee relations issues that are likely to result in further vacancies.
4. The lack of flexibility within the work force makes resourcing the unpredictable requirements of the service difficult and this is particularly concerning as we are partnering with Regus to market and advertise our bookable spaces. To assist with this, an internal 'Casual Concierge' recruitment campaign was run and only one application was received.
5. Colleagues are unable to cover the full Concierge role in an emergency as anyone working in that role must be trained on various things such as the fire panel, first aid, manual handling and configuring the Conference Suite doors. Total Security Services

(TSS) who we often use to cover absences have proved unreliable and frequently send people unfamiliar with the building, which results in H&S issues.

6. There is little resilience within the structure and much reliance is placed on a few colleagues which exposes the Council to single points of failure and causes issues during planned and unplanned absences.
7. Following SLT approval, Business Support worked with stakeholders to capture business requirements and worked with Everything FM, an organisation that supports Public Sector organisations to procure facilities management services, to carry out a formal tender process.
8. Four contractors showed an interest and attended a tour of the Civic Offices, where Business Support colleagues gave a brief on our requirements. Out of those four, one contractor made a formal bid for the contract, which reaffirms our current position of finding it a challenge to fill those roles.
9. PCS Group, who also hold our current cleaning contract across our office sites provided a strong, tailored and detailed response, scoring 96.5/100 during the evaluation process. They provide various other services, such as Facilities Management, and some of their clients include the Natural History Museum, Gucci, McDonalds Head Office and Harlow College.
10. As only one contractor made a bid it was not possible to assess value for money during the evaluation process, so we have compared their hourly rate with two of our existing providers who chose not to bid, and PCS Group were the most competitive.
11. Whilst capturing business requirements we included security for sites such as North Weald Airfield and the Museum to see if it would bring economies of scale. We reviewed the bid with the service areas responsible for those sites and chose not to pursue those areas as existing contracts are at a lower cost or alternative security quotes have been obtained, again at a lower cost.
12. PCS Group have reviewed all of the requirements for the Civic Offices and have proposed three 8 hour shifts over 24 hours, with one Concierge on shift at a time, 7 days a week. The Concierge on the out of hours shift would satisfy our insurance provider by having a presence in the building and monitoring our CCTV periodically whilst the building is closed. That same Concierge could pick up any admin tasks that were not completed during the day, such as responding to booking or email queries and managing security passes. This Concierge would also be able to set up and configure meeting rooms for the following day whilst the building is quiet, meaning the day time Concierge can focus on our customers.
13. Based on a three year contract, the costs for year 1 and 2 are lower than our current operating costs and year 3 is higher. The savings made in the first 2 years offset the increase in the third year. If the service remains in house, costs will increase year on year due to salary increases and the cost of the existing contracts for out of hours and day time cover. Appendix A gives a more detailed break down.
14. If PCS Group were to restructure the service post TUPE and any redundancies were to happen, EFDC would be responsible for covering those costs.
15. PCS Group have included a clause allowing them to renegotiate with us should their pension liability exceed the figure they have budgeted for.

Scrutiny Comments

Resource Implications:

Employees would TUPE across to PCS Group.

Legal and Governance Implications:

None. Employees T&Cs remain the same as per TUPE.

Safer, Cleaner and Greener Implications:

None.

Consultation Undertaken:

A formal consultation is not required at this stage. Employees have been kept informed throughout the process and will be consulted at the appropriate stage.

Background Papers:

Appendix A for costs.

Risk Management:

The Council's Insurance Specialist does not have any comments at this stage and will be engaged by the Legal team at the appropriate time.

Equality Impact Assessment

1. Under s.149 of the Equality Act 2010, when making decisions, Epping District Council must have regard to the Public Sector Equality Duty, ie have due regard to:
 - eliminating unlawful discrimination, harassment and victimisation, and other conduct prohibited by the Act,
 - advancing equality of opportunity between people who share a protected characteristic and those who do not,
 - fostering good relations between people who share a protected characteristic and those who do not, including tackling prejudice and promoting understanding.
2. The characteristics protected by the Equality Act are:
 - age
 - disability
 - gender
 - gender reassignment
 - marriage/civil partnership
 - pregnancy/maternity
 - race
 - religion/belief
 - sexual orientation.
3. In addition to the above protected characteristics you should consider the cross-cutting elements of the proposed policy, namely the social, economic and environmental impact (including rurality) as part of this assessment. These cross-cutting elements are not a characteristic protected by law but are regarded as good practice to include.
4. The Equality Impact Assessment (EqIA) document should be used as a tool to test and analyse the nature and impact of either what we do or are planning to do in the future. It can be used flexibly for reviewing existing arrangements but in particular should enable identification where further consultation, engagement and data is required.
5. Use the questions in this document to record your findings. This should include the nature and extent of the impact on those likely to be affected by the proposed policy or change.
6. Where this EqIA relates to a continuing project, it must be reviewed and updated at each stage of the decision.
7. **All Cabinet, Council, and Portfolio Holder reports must be accompanied by an EqIA.** An EqIA should also be completed/reviewed at key stages of projects.
8. To assist you in completing this report, please ensure you read the guidance notes in the Equality Analysis Toolkit and refer to the following Factsheets:
 - Factsheet 1: Equality Profile of the Epping Forest District
 - Factsheet 2: Sources of information about equality protected characteristics
 - Factsheet 3: Glossary of equality related terms
 - Factsheet 4: Common misunderstandings about the Equality Duty
 - Factsheet 5: Frequently asked questions
 - Factsheet 6: Reporting equality analysis to a committee or other decision making body

Section 1: Identifying details
Your function, service area and team: Corporate Services, Business Support, the Concierge Service
If you are submitting this EqIA on behalf of another function, service area or team, specify the originating function, service area or team:
Title of policy or decision: Outsourcing of the Concierge Service at the Civic Offices
Officer completing the EqIA: Tel: 01992 56 4179 Email: cferrigi@eppingforestdc.gov.uk
Date of completing the assessment: 25/10/2022

Section 2: Policy to be analysed	
2.1	Is this a new policy (or decision) or a change to an existing policy, practice or project? New decision
2.2	Describe the main aims, objectives and purpose of the policy (or decision): To provide a resilient, customer focused service. What outcome(s) are you hoping to achieve (ie decommissioning or commissioning a service)? <ul style="list-style-type: none"> Increased resilience as we will be working with a company that can be scalable to our needs and ensure we always have appropriately trained staff available to cover the shift requirements. We have an opportunity to work with a service provider and shape what we want the service to look like, which will improve customer service. This will be measured against feedback that we regularly, informally receive. We will have SIA Security trained Concierge on site to support the Welcome Desk Team and the Incident Manager should the need arise. This option provides consistent, stable costs during uncertain times and removes the risk of unforeseen, avoidable, additional costs to the Council. Other miscellaneous costs of running a service in house are removed, such as recruitment costs.
2.3	Does or will the policy or decision affect: <ul style="list-style-type: none"> service users employees the wider community or groups of people, particularly where there are areas of known inequalities? Service users and employees. Will the policy or decision influence how organisations operate? No.
2.4	Will the policy or decision involve substantial changes in resources?

	There will be a reduction in roles, however, as there is an open vacancy in the team, all existing employees will TUPE across to the contractor that is appointed.
2.5	Is this policy or decision associated with any of the Council's other policies and how, if applicable, does the proposed policy support corporate outcomes? No.

Section 3: Evidence/data about the user population and consultation¹

As a minimum you must consider what is known about the population likely to be affected which will support your understanding of the impact of the policy, eg service uptake/usage, customer satisfaction surveys, staffing data, performance data, research information (national, regional and local data sources).

3.1	What does the information tell you about those groups identified?
3.2	<p>Have you consulted or involved those groups that are likely to be affected by the policy or decision you want to implement? If so, what were their views and how have their views influenced your decision?</p> <p>A formal consultation is not required at this stage. Employees have been kept informed throughout the process and have not provided any views or feedback, although they have been given the opportunity to.</p>
3.3	<p>If you have not consulted or engaged with communities that are likely to be affected by the policy or decision, give details about when you intend to carry out consultation or provide reasons for why you feel this is not necessary:</p> <p>All appropriate HR processes will be followed at the appropriate times.</p>

Section 4: Impact of policy or decision

Use this section to assess any potential impact on equality groups based on what you now know.

Description of impact	Nature of impact Positive, neutral, adverse (explain why)	Extent of impact Low, medium, high (use L, M or H)
Age	Neutral, as TUPE will apply	L
Disability	Neutral, as TUPE will apply	L
Gender	Neutral, as TUPE will apply	L
Gender reassignment	Neutral, as TUPE will apply	L
Marriage/civil partnership	Neutral, as TUPE will apply	L
Pregnancy/maternity	Neutral, as TUPE will apply	L
Race	Neutral, as TUPE will apply	L
Religion/belief	Neutral, as TUPE will apply	L
Sexual orientation	Neutral, as TUPE will apply	L

Section 5: Conclusion

		Tick Yes/No as appropriate	
5.1	Does the EqIA in Section 4 indicate that the policy or decision would have a medium or high adverse impact on one or more equality groups?	No <input checked="" type="checkbox"/>	
		Yes <input type="checkbox"/>	If 'YES', use the action plan at Section 6 to describe the adverse impacts and what mitigating actions you could put in place.

Section 6: Action plan to address and monitor adverse impacts

What are the potential adverse impacts?	What are the mitigating actions?	Date they will be achieved.

Section 7: Sign off

**I confirm that this initial analysis has been completed appropriately.
(A typed signature is sufficient.)**

Signature of Head of Service: C.Ferrigi

Date: 25/10/2022

Signature of person completing the EqIA: C.Ferrigi

Date: 25/10/2022

Advice

Keep your director informed of all equality & diversity issues. We recommend that you forward a copy of every EqIA you undertake to the director responsible for the service area. Retain a copy of this EqIA for your records. If this EqIA relates to a continuing project, ensure this document is kept under review and updated, eg after a consultation has been undertaken.

Existing	Annual net cost	PCS Group	Annual net cost yr 1	Yr 2	Yr 3
Officers - 4 FTE inc. on costs Two Concierge on shift at a time from 6:30-22:00 Mon - Fri	129,789	24-7 cover, one Concierge on shift at a time, with three 8 hour shifts.	£208,011.34	£212,279.70	£222,080.95
Out of hours security contract	67,360	Out of hours security covered in the above.			
Officer cover via current contract - Adhoc based on assumption of covering 22 weeks A/L & 6 weeks sick leave a year across the 4 posts. (not currently budgeted for)	17,360	Cover for annual leave and sickness will be included in the above, as the contract is not for specific 'people' it's for a Concierge to be on shift.			
Ex jobs additional security £20.00 an hour based on assumption of 10 x 8-hour shifts a year for potentially difficult meetings.	1,600	Due to one Concierge being on shift at a time, we may require additional resources for meetings that could be a challenge from a security perspective.	1,600	1,600	1,600
Total	216,109		£209,661.34	£213,879.70	£223,680.95

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Report to Stronger Council Select Committee

Date of meeting: 24th November 2022

Subject: Quarter 2 Budget Monitoring Report 2022/23

Portfolio Holder: Finance – Cllr. John Philip

Officer contact for further information: Chris Hartgrove 01992 564000 (Ext. 2532)

Democratic Services Officer: Adrian Hendry 01992 564246

Recommendations/Decisions Required:

- 1. The General Fund revenue position at the end of Quarter 2 (30th September 2022) for 2022/23, including actions being undertaken or proposed to improve the position, where significant variances have been identified, be noted (*including Appendix A*).**
- 2. The General Fund capital position at the end of Quarter 2 (30th September 2022) for 2022/23 be noted (*including Appendix B*).**
- 3. The Housing Revenue Account revenue position at the end of Quarter 2 (30th September 2022) for 2022/23, including actions proposed to ameliorate the position, where significant variances have been identified, be noted; and**
- 4. The Housing Revenue Account capital position at the end of Quarter 2 (30th September 2022) for 2022/23 be noted (*including Appendix C*).**

Executive Summary:

This report sets out the 2022/23 General Fund and Housing Revenue Account positions, for both revenue and capital, as at 30th September 2022 (“Quarter 2”).

In terms of General Fund revenue expenditure – at the Quarter 2 stage – a budget overspend of £1.259 million, with projected net expenditure of £16.890 million against an overall budget provision of £15.631 million, is forecast.

As with Quarter 1, the Quarter 2 position is dominated by a range of substantial spending pressures, most notably:

- **Inflation/Staff Budgets** – a sharp increase in UK inflation since the budget was set is driving higher pay demands across both the public and private sectors. The Pay Settlement for 2022/23 was finalised in November 2022 with staff receiving an uplift of £1,925 at all pay grades, which equates to an average pay award in the region of 5.0% rather than the 2.0% award assumed in the budget. However, this is still being offset – to a large extent – by salary savings due to vacant posts. Senior officers are trying to contain net spending on staff salaries within budgeted cash limits for 2022/23, although it is a pressure that will have to be addressed in setting the budget for 2023/24; and
- **Local Plan** – the continued delay in finalising the Local Plan is causing a major shortfall in income received from Planning Applications. It is also a major factor in the delayed drawdown of Qualis loans due to planning delays on key development sites in the district; this is leading to a shortfall in income that the Council assumed from loan margins in the budget.

The current economic difficulties are also creating a range of other problems with inflation impacting on energy and contract costs, with rising interest rates also working against the Council.

The Funding position on the General Fund at the Quarter 2 stage is relatively stable, with latest forecasts generally on, or very close to budget assumptions, although Council Tax collection rates achieved so far are suggesting that the Council could suffer a shortfall (compared to budget) of £127,000 (£165,000 in Quarter 1) in payments that it receives from preceptors as part of the Essex Council Tax Sharing Agreement (CTSA).

Members attention is drawn to the Council's draft Balance Sheet position as at 31st March 2022, which is showing an unallocated General Fund Reserve (contingency balance) of £4.070 million. If the year-end forecast spending and funding position in this report is accurate – notwithstanding any other reserve adjustments – the balance will fall to £3.0 million, which is significantly below the Council's formally adopted contingency balance of £4.0 million.

Despite facing the same challenges as the General Fund in many respects (especially the impact of inflation on staffing and energy costs), the Housing Revenue Account (HRA) is projected to record a budget underspend of £4.043 million, primarily driven by slippage in the Housing Development Programme; this is leading to significantly reduced borrowing costs and revenue contributions to capital.

If the overall forecast materialises, the HRA Balance will end the year at £4.530 million (the adopted minimum contingency balance in the HRA Business Plan is £2.0 million).

Turning to capital spending:

- *General Fund Capital Programme* – spending in the first 6 months was £1.247 million, with a forecast outturn of £26.562 million, which – if this materialises – would lead to an underspend of £91.594 million. The drawdown on Qualis loans is lower than the budget and is the most significant variance (£77.997 million); and
- *Housing Revenue Account Capital Programme* – spending in the first 6 months was £5.601 million, with a forecast outturn of £21.997 million, which – if this materialises – would lead to an underspend of £30.502 million. Slippage on the Housing Development Programme is the most notable factor.

1) Background and Introduction

1.1 The Council's budget for 2022/23 (both General Fund and Housing Revenue Account) was approved by full Council on 24th February 2022. This report updates the Stronger Council Select Committee on how the Council's services have performed against their budgets in the first three months of the financial year, and projects forward to the anticipated outturn for the end of the financial year.

1.2 This is the second update for 2022/22 and includes the General Fund and Housing Revenue Account positions, for both revenue and capital, as at 30th September 2022 ("Quarter 2").

2) General Fund Revenue Budget

Net Expenditure

2.1 The General Fund *net expenditure* position for 2022/23, at the Quarter 2 stage – summarised by service area – is presented in **Appendix A**. The headline is a forecast budget overspend of £1.259 million, with projected net expenditure of £16.890 million against an overall budget provision of £15.631 million. The table below summarises the position by service.

GF Net Expenditure Budget 2022/23 (Quarter 2)			
Description	Budget 2022/23	Forecast Spending (31/03/23)	Variance
	£000's	£000's	£000's
Chief Executive	658	655	(3)
Commercial & Technical	139	673	534
Community & Wellbeing	1,783	1,617	(166)
Corporate Services	9,763	9,355	(408)
Customer Services	2,255	2,356	101
Finance & Audit	2,411	2,494	83
Housing & Property	1,849	1,882	33
Place	375	287	(88)
Planning & Development	1,480	2,029	549
Strategy, Delivery & Performance	850	778	(72)
Qualis	(2,909)	(1,965)	944
HRA Recharges	(5,225)	(5,352)	(127)
Financing	2,202	2,081	(121)
Totals (Net Expenditure)	15,631	16,890	1,259

2.2 There are a range of notable (over £100,000) **negative** variances – at a service directorate level – to the budget in the table above as follows:

- **Qualis Income (£944,703 forecast Overspend)** – the continued delay in finalising the Local Plan is having a detrimental impact on anticipated income from the margins that the Council generates from Qualis loans, with the pace of drawdowns being dampened by planning delays on key development sites. Rising interest rates have also been driving up the cost of PWLB borrowing for the Council, which is expected to put a further squeeze on loan margins. The combined impact is driving a forecast budget shortfall of £944,703
- **Planning & Development (£548,939 forecast Overspend)** – the delayed Local Plan is also causing substantial pressure on the Planning & Development budget, with many developers delaying the submission of planning proposals pending formal adoption of the Plan. The 2022/23 budget was prepared based on available intelligence at the time; this included the assumption that the finalised Local Plan would be in place for substantially all of the financial year and generate £1,711,780 in income from Planning Applications. The Local Plan is now not expected to be finalised before early 2023. Forecast income from Planning Applications in 2022/23 is now £1,100,000, thus driving a negative variance of £548,939; and

- **Commercial & Technical (£533,911 forecast Overspend)** – a combination of factors is leading to a projected overspend of £533,911 on this directorate, which contrasts with a small surplus of £32,094 projected at the Quarter 1 stage. This is despite a significant underspend projected on Waste Management driven by additional Recycling Income (see Paragraph 2.4 below for explanation). In terms of cost pressures, the Land and Property service group is forecast to overspend by £332,478, with a projected shortfall in Rental Income from Commercial Property of £243,390 being the largest factor (this includes a shortfall at Epping Forest Shopping Park of £136,390 due to the accounting treatment of rent-free incentives). In addition, the “Contracts & Technical Support Services” and “Cost Centres – Contracts & Technical” services groups are projecting overspends of £310,829 and £219,317 respectively. These are both linked to Fleet Operations Recharges with a combined charge of £181,130 offset by a credit for the same amount in the Car Parking service group (the impact is cost neutral on the General Fund). The largest other budget pressures are Agency Staff due to recruitment difficulties for permanent posts (£60,000 cost in Contracts & Technical Support Services; partially offset – by £31,235 – by savings on the corresponding permanent staff budget) and additional Consultancy Costs triggered by the new Waste Management contract procurement exercise (£65,000 in Costs Centres – Contracts & Technical). Despite the Fleet Charges credits as mentioned above, the Car Parking service group is still projecting an overspend of £134,663, with the most significant item being a forecast shortfall of £99,893 in Long-Stay Car Parking income.
- **Customer Services (£101,372 forecast Overspend)** – a combination of relatively small items is responsible for the forecast overspend in the Customer Services service group. Overspending of £43,270 on the Customer Support Services cost centre, driven by underlying additional Staff costs of £49,236, due to the additional pay award (see Paragraph 2.4 below), is the most significant factor.

2.3 There are also a range of notable (over £100,000) **positive** variances – at a service directorate level – to the budget in the table above as follows:

- **Corporate Services (£407,593 forecast Underspend)** – the forecast surplus on Corporate Services is dominated by two substantial underspends. Firstly, the ICT cost centre is projected to underspend by £227,851. A detailed review of all ICT budget lines has been undertaken in the light of the corporate position; this has led to the modification of operational plans in some instances (triggering a combined saving of £51,890 on Professional and Consultants Fees for example). A wide range of other small budget savings have also been identified for different reasons. Most notable in terms of size, is a forecast underspend of £44,880 on the budget for the “Rendezvous” (booking) system, following the identification and implementation of “Symity” as a replacement solution at significantly lower cost. And secondly, as reported in Quarter 1, there is a significant saving anticipated on Insurance Premiums following the commencement of the new Insurance contract (Quarter 2 net underspend estimated at £182,343, including leaseholder recharges).
- **Community & Wellbeing (£165,663 forecast Underspend)** – savings on staff costs is the underlying theme in the forecast underspend in this directorate; the Museums service is currently carrying three staff vacancies (impact £84,667) and the recent promotion of the Service Director to Strategic Director (paid from the Chief Executive’s budget) is projected to result in a further underspend of £53,530.
- **HRA Recharges (£127,230 forecast Underspend)** – rising costs (exceeding budgets) – especially on staffing – are expected to feed through to higher Recharges from the General Fund to the Housing Revenue Account at the year end.

- **Financing Costs (£121,881 forecast Underspend)** – rising interest rates are having a significant impact on Financing Costs this year, which is resulting in higher borrowing costs. However, substantial slippage in the General Fund Capital Programme (reported below in Paragraph 5.1) is slowing down the need to borrow in this financial year, thus dampening the impact. Conversely, the higher interest rates now paid by Money Market Funds are increasing the returns that the Council makes from investing its short-term cash balances, with income from this source now forecast at £179,879 for the year, compared to a budget of £50,000 (generating a surplus of £129,879).

2.4 Members attention is also drawn to the following:

- **Staffing Budgets** – the budget for 2022/23 was set based on the assumption that staff would receive an annual pay award of 2.0% (plus a small contingency of 0.25%). Unfortunately – since the budget was developed and adopted – UK inflation (in common with the rest of the world) – has risen sharply; the UK Consumer Prices Index (CPI) for October 2022 was 11.1%, which is the highest rate for 41 years. The exceptionally high inflation rate is driving increased pay demands across both the public and private sector. Local government pay negotiations for 2022/23 have now concluded, with the employers' final offer of £1,925 to all employees (irrespective of base salary) accepted by the unions and awarded to employees. This (broadly and typically) equates to a 5.0% pay award for the average Epping Forest District Council employee and is driving an overall cost pressure of up to £800,000 on the Council's base budget, which is embedded in the forecast. The figures also include a range of staff savings, primarily due to temporary vacancies (dampened by agency backfilling costs in some cases). The net impact varies significantly from one service area to another. Senior officers are now working together to contain overall staffing costs within budget for 2022/23, whilst simultaneously developing and delivering savings proposals – including staff savings – as part of addressing the 2023/24 budget deficit. It should be noted that, even if all of the staff budget pressure for 2022/23 can be offset by savings, the 2023/24 budget will still require additional growth to the base budget to reflect the higher pay award.
- **Energy Costs** – at the time of preparing this report, there is an intense media spotlight on the spiralling worldwide cost of energy including the UK. Most of the Council's exposure to increased energy costs falls within the HRA (a £237,000 pressure embedded in Supervision and Management costs in table below at Paragraph 4.1). Gas and Electric budgets in the General Fund for 2022/23 total £279,720. The Council has had some protection from price rises in the form of forward contracts so far in 2022/23 and, at this stage, a limited overspend of £59,410 (including the use of £50,000 of a £62,500 contingency) has been assumed. A more detailed review of projected energy costs is being undertaken by Property Services officers at the time of preparing this report; an updated projection will be presented in the Quarter 3 report; and

- **Recycling Income** – although the Commercial & Technical Services directorate is forecast to record a deficit £533,911 at this stage, there is an underspend of £618,313 on the Waste Management service underlying the net position (as summarised in **Appendix A**). The dominant factor is an anticipated net underspend of £613,262 on the Recycling contract, primarily due to an income surplus, which is the result of a substantial increase in market rates for recyclable materials (embedded in the contract for 2022/23); total receipts from this source are now expected to exceed original expectations by £541,000. Some further (smaller) cost savings are also anticipated on Recycling, as some budgeted Covid-related costs will no longer be incurred. At the time of preparing this report, market rates for recyclable materials remain strong and the prospects for the 2023/24 budget are therefore positive. However, attention is drawn to the most recent Medium-Term Financial Plan (MTFP) 2023/24 to 2027/28 approved by Cabinet on 10th October 2022, which identifies a major cost pressure – estimated at £1.3 million per annum – expected to impact from December 2024, with the letting of the new Waste Collection contract; a stronger market for recyclable materials would help dampen this cost pressure. It should also be noted that an 11% uplift on the Waste Collection contract has been absorbed in the overall Waste Management forecast (effective from 1st November 2022), representing a forecast cost pressure of £189,000 for 2022/23 (circa £450,000 per annum). Again, it should be noted that the 2023/24 budget will require additional growth to the base budget to reflect the underlying effects of the higher inflation rate on the Waste Collection contract.

Funding

2.5 The General Fund **funding** position for 2022/23, at the Quarter 2 stage is summarised in the table below.

GF Funding Position 2022/23 (Quarter 2)			
Source Description	Budget Assumption 2022/23	Forecast (31/03/23)	Variance
	£000's	£000's	£000's
Council Tax	(8,639)	(8,639)	0
Business Rates	(5,011)	(5,042)	(31)
Collection Fund Adjustments	(165)	(165)	0
Council Tax Sharing Agreement (CTSA)	(948)	(821)	127
New Homes Bonus	(776)	(776)	0
Lower-Tier Services Grant	(149)	(149)	0
2022/23 Services Grant	(229)	(229)	0
Other Grants (General)	0	0	0
Credit Loss Adjustment	(51)	0	51
Contribution to/(from) Reserves	337	(1,069)	(1,406)
Total Funding	(15,631)	(16,890)	(1,259)

2.6 The funding position continues to be mixed for the General Fund in Quarter 2. The Business Rates position has been relatively stable, with the projected Pooling benefit retained from Q1 at this stage (Essex Pool Q2 position not released at the time of preparing this report) of £562,000 compared to the budget assumption of £531,000 (up £31,000). Council Tax collection has not been performing quite as well as expected, with slightly lower CTSA payments of £783,000 now anticipated (although up £38,000 compared to Q1). The Council received a larger than anticipated Credit Loss Adjustment (CLA) in its 2021/22 Accounts following an updated Fair Value review of the original Qualis Working Capital Loan. However, following the recent further advance of £1.3 million to Qualis (as part of the 'revolving credit facility'), it is now assumed that a CLA will not be available to support the budget for 2022/23. But it should be noted that a range of variable factors underlying the calculation mean that this is an estimate that can fluctuate significantly (a CLA charge to the General Fund Reserve could potentially materialise).

3) General Fund Reserves

General Fund Reserve (contingency balance)

3.1 The negative outlook of £1.259 million on net expenditure summarised and explained in paragraphs 2.1 to 2.4, and the funding position presented in paragraphs 2.5 to 2.6 above means that – if the forecasts materialise as presented – it will not be possible to contribute £0.337 million to the General Fund (unallocated) Reserve as assumed in setting the budget. Instead, there will be a contribution requirement of £1.069 million from the Reserve to support the budget (as presented in the table in Paragraph 2.5 above). The forecast impact on the General Fund Reserve is presented in the table below.

Movement on General Fund Reserve: Quarter 2 2022/23	
Description	£000's
General Fund Balance 31st March 2022 (pre-audit)	4,070
Contribution from Reserves 2022/23 (Q2 forecast)	(1,069)
General Fund Balance 31st March 2023 (Q2 forecast)	3,001

3.2 Members are reminded that the Council's unallocated General Fund Reserve is a contingency balance and, following the Section 151 Officer's recommendation in accordance with Section 25 of the Local Government Act 2003, the Council approved the maintenance of a minimum balance of £4.0 million in February 2022.

Earmarked Reserves

3.3 In addition to the General Fund Net Expenditure budget (£15,631,000 for 2022/23), the Council also incurs further expenditure on a range of other projects and facilities funded from Earmarked Reserves (which are topped up from third party sources – including grants – and internal appropriations). Activity has been relatively subdued so far this year and – at the Quarter 2 stage (30th September 2022) – the Council has received £0.323 million and spent £0.347 million, leaving a balance of £2.664 million. The Movement on General Fund Earmarked Reserves is summarised in the table below.

Movement in General Fund Earmarked Reserves (April to September 2022)				
Description	Opening Balance 01/04/22	Income	Expenditure	Closing Balance 30/09/22
	£000's	£000's	£000's	£000's
District Development Fund (DDF)	(612)	(80)	93	(599)
Community Projects	(597)	(243)	149	(691)
<i>Other Reserves:</i>				
All Weather Pitch	(119)	0	0	(119)
Garden Town	(82)	0	2	(80)
Insurance	(150)	0	0	(150)
Invest to Save	(203)	0	0	(203)
Museum	(110)	0	0	(110)
North Weald Inland Port	(660)	0	98	(562)
Staff Benefits Fund	(39)	0	5	(34)
Other Ongoing Projects	(116)	0	0	(116)
Totals	(2,688)	(323)	347	(2,664)

**Excludes statutory ring-fenced and other reserves used for accounting purposes*

3.4 The Community Projects Reserve comprises twenty different project categories and is easily the Council's most 'active' reserve. It now includes two new initiatives (the "PCN" and "Buxton" projects), which commenced in 2022/23. It should be noted that the contribution into the DDF represents partner contributions towards the "Essex & Herts Digital Innovation Zone (DIZ). The closing balance on the DDF includes £136,935 in unallocated funds.

4) Housing Revenue Account (revenue)

4.1 The Housing Revenue Account (HRA) revenue position for 2022/23, at the Quarter 2 stage, is summarised in the table below. As at 30th September 2022, a £4.043 million underspend is forecast for the year end, with projected net surplus of £0.366 million compared to an overall budget provision (planned deficit) of £3.677 million.

HRA Budget 2022/23 (Quarter 2)			
Description	Budget 2022/23 (Updated)	Forecast Spending (31/03/23)	Variance
	£000's	£000's	£000's
EXPENDITURE			
Supervision & Management (General)	6,976	7,170	194
Supervision & Management (Special)	4,111	4,305	194
Rents, Rates, Taxes & Insurances	504	484	(20)
Repairs & Maintenance	9,418	10,080	662
Management & Maintenance	21,009	22,039	1,030
Capital Charges	8,958	8,958	0
Treasury Management Expenses	58	38	(20)
Provision for Bad/Doubtful Debts	93	93	0
Total Expenditure	30,118	31,128	1,010
INCOME			
Dwelling Rents	(34,973)	(35,349)	(376)
Non-Dwellings Rents	(843)	(769)	74
Charges for Services & Facilities	(1,228)	(1,334)	(106)
Contributions from General Fund	(368)	(368)	0
Total Income	(37,412)	(37,820)	(408)
Net Cost of Services	(7,294)	(6,692)	602
Interest on Receipts and Balances	(6)	(6)	0
Interest Payable on Loans	5,613	5,362	(251)
Net Operating Income	(1,687)	(1,336)	351
<i>Appropriations:</i>			
Direct Revenue Contributions to Capital	5,364	970	(4,394)
(Surplus)/Deficit for Year	3,677	(366)	(4,043)

4.2 The HRA outturn for 2021/22 included an underspend of £140,000 on the ring-fenced revenue project "More than Bricks and Mortar" (a scheme primarily aimed at achieving infrastructure improvements on housing estates). Consequently, the unspent budget has been rolled forward and added to the 2022/23 budget agreed by Council in February 2022. The table below reconciles the updated and original budgets.

HRA Budget Reconciliation 2022/23: Quarter 2	
Description	Value (£000's)
(Surplus)/Deficit for Year (approved by full Council 24/02/22)	3,537
<i>Brought forward project budget from 2021/22:</i>	
"More than Bricks and Mortar" Estate Improvement Scheme	140
Total Budget Additions (@ Quarter 2)	140
(Surplus) / Deficit for Year (updated Budget 2022/23 @ Quarter 2)	3,677

4.3 There are four significant factors behind the forecast as follows:

- **Direct Revenue Contributions (£4.694 million forecast Underspend)** – the dominant factor in the overall underspend, is an anticipated significant reduction in Contributions to Capital due to slippage in the HRA Capital Programme
- **Repairs and Maintenance (£0.662 million forecast Overspend)** – there are numerous items contributing to the variance, the largest of which relates to higher than anticipated repair costs on Blocks and Communal Areas (variance £258,000)
- **Dwelling Rent (£0.376 million forecast Underspend)** – improvements in void turnaround times is leading to rental income levels exceeding budget; and
- **Interest Payable on Loans (£0.251 million forecast Underspend)** – the HRA capital spend in 2021/22 was lower than expected, thereby negating the need for additional borrowing, and reducing the associated interest payable in this – the 2022/23 – financial year.

4.4 Members should note that the current HRA Business Plan includes the assumed maintenance of a minimum balance of £2.0 million in the HRA reserve; as at 31st March 2022, the balance was £4.164 million, which reflected an overspend on HRA Net Operating Income of £1.375 million in 2021/22 (reported to Cabinet and Stronger Council Select Committee in July 2022).

Movement on HRA Balance: Quarter 2 2022/23	
Description	£000's
HRA Balance 31st March 2022 (pre-audit)	4,164
2021/22 Roll Forward (Para 4.2)	(140)
2022/23 Budget (Deficit) – full Council 24th February 2022 (Para 4.2)	(3,537)
2022/23 Net Operating Income Forecast Variance Q2 (Para 4.1)	(351)
2022/23 Reduction in Capital Contributions Q2 (Para 4.1)	(4,394)
HRA Balance 31st March 2023 (Q2 forecast)	4,530

5) General Fund Capital Programme

5.1 The General Fund Capital Programme for 2022/23 as at 30th September 2022 is summarised – at a service level – in the table below. A more detailed analysis – at a scheme level – is included in **Appendix B**. The updated Programme budget totals £118.156 million. Spending in the first 6 months was £2.247 million, with a forecast outturn of £26.562 million, which – if this materialises – would lead to an underspend of £91.594 million.

General Fund Capital Programme 2022/23 (Quarter 2)					
Description	Budget 2022/23 (Updated)	Spending (@ 30 September 2022)	Remaining Budget (@ 30 September 2022)	Forecast Spending (31/03/23)	Variance (Under) / Over
	£000's	£000's	£000's	£000's	£000's
Community & Wellbeing	770	0	770	0	(770)
Commercial & Technical	16,277	975	15,302	4,131	(12,146)
Corporate Services	3,525	239	3,286	3,062	(463)
Customer Services	160	0	160	80	(80)
Housing (General Fund)	500	33	467	362	(138)
Place	677	0	677	677	0
Qualis Loans	96,247	1,000	95,247	18,250	(77,997)
Total Expenditure	118,156	2,247	115,909	26,562	(91,594)
<i>Capital Financing:</i>					
Borrowing	113,692	1,000	112,692	24,282	(89,410)
Capital Grants	971	440	531	880	(91)
Capital Receipts	3,493	807	2,686	1,400	(2,093)
Total Financing	118,156	2,247	115,909	26,562	(91,594)

5.2 A General Fund Capital Programme budget of £72.308 million was approved by Council in February 2022. A net total of £45.848 million in unspent budgets have been rolled forward from 2021/22, resulting in an updated Programme budget of £118.156 million.

5.3 There are two dominant areas of underspending/slippage on the General Fund Capital Programme at the Quarter 2 stage:

- **Qualis (£77.997 million forecast Underspend)** – as described in Paragraph 2.2, the drawdown of Qualis loans has been slower than envisaged at the time of preparing the Capital Programme, primarily due to planning delays on development sites; and
- **Commercial and Technical (£12.146 million forecast Underspend)** – there are two big projects driving the underspend, and one other matter to note as follows:
 - Epping Forest Leisure Centre – the Leisure Centre is a long-term project with an overall budget of £25.0 million (with spending of £10.937 million profiled for 2022/23). However, projected spending for 2022/23 is now a much reduced £0.250 million, resulting in a forecast underspend of £10.687 million. Qualis are in the process of developing a Multi-Storey Car Park on land adjacent to the Leisure Centre site; until this is complete, the development of the Leisure Centre cannot commence; and

- Cartersfield Road – this project has a budget of £1.436 million for 2022/23. However, anticipated spend of just £0.359 million is now anticipated, resulting in an underspend of £1.077 million. There has been some progress on the project. However, project delays have been experienced as the Council continues to seek vacant possession from some long-term tenants; comprehensive vacant possession is required for the site before capital works can commence.

5.4 Members should also note the acquisition of the lease on the former Prince of Wales public house in Loughton at a cost of £687,500 (Delegated Decision Ref. HAC-003-2022/23) during Quarter 2. The asset is currently included within the General Fund (see Appendix B) pending transfer to the HRA for the purposes of Housing Development.

6) Housing Revenue Account (HRA) Capital Programme

6.1 The Housing Revenue Account (HRA) Capital Programme for 2022/23 as at 30th September 2022 is summarised in the table below. A more detailed analysis – at a scheme level – is included in **Appendix C**. The updated Programme budget totals £52.499 million. Spending in the first 6 months was £5.601 million, with a forecast outturn of £21.997 million, which – if this materialises – would lead to an underspend of £30.502 million.

HRA Capital Programme 2022/23 (Quarter 2)					
Description	Budget 2022/23 (Updated)	Spending (@ 30 September 2022)	Remaining Budget (@ 30 September 2022)	Forecast Spending (31/03/23)	Variance (Under) / Over
	£000's	£000's	£000's	£000's	£000's
Housing Development	28,809	1,918	26,891	5,669	(23,140)
Capital Works	16,314	3,391	12,923	13,265	(3,049)
Other Housing Schemes	7,376	292	7,084	3,063	(4,313)
Total Expenditure	52,499	5,601	46,898	21,997	(30,502)
<i>Capital Financing:</i>					
Direct Revenue Contributions	5,364	0	5,364	970	(4,394)
Major Repairs Reserve	14,613	4,368	10,245	18,293	3,680
Capital Receipts	5,970	767	5,203	2,268	(3,702)
Other Contributions	466	466	0	466	0
Borrowing	26,086	0	26,086	0	(26,086)
Total Financing	52,499	5,601	46,898	21,997	(30,502)

6.2 An HRA Capital Programme budget of £47.790 million was approved by Council in February 2022. A net total of £4.709 million in unspent budgets have been rolled forward from 2021/22, resulting in an updated Programme budget of £52.499 million for the year.

6.3 There are three significant areas of underspending/slippage on the HRA Capital Programme at the Quarter 2 stage. Thus:

- **Housing Development (£23.140 million forecast Underspend)** – there are two elements to note:
 - Housebuilding – the programme for Housebuilding has a total budget of £15.598 million for 2022/23. The forecast outturn is £5.870 million, which – if this materialises – would lead to an underspend of £9.728 million at year end. Several schemes have encountered planning issues and delays, including two schemes (“Pentlow” and “Woollard”), which were originally expected to be completed in Spring and Summer 2022, but are now anticipated in early 2023. A further two large schemes at Chequers B and Ladyfields, with combined anticipated spend of over £8.0 million, are currently subject to planning consent and are not expected to commence until late 2023/24; and
 - Qualis Acquisitions – the budget allocation for this scheme in 2022/23 was £10.461 million. No spend is now expected this year resulting in an underspend of the full budget £10.461 million. Qualis have experienced delays in planning consents which initially halted works; although permissions have now been granted and works are due to commence soon. Negotiations have taken place regarding the purchase of some units once completed, although this may be less than originally planned and not until 2023/24.
- **Capital Works (£3.049 million forecast Underspend)** – there have been delays in the delivery of Capital Works following the restructure of the Property Assets Team and the introduction of new working practices. One significant underspend (Electrical Works of £1.078 million) includes an allocated budget of £1.0 million to match fund a bid to the Social Housing De-Carbonisation Fund in partnership with E-On; the results will be announced in February 2023, and if successful, the works are likely to commence in 2023/24.
- **Other Housing Schemes (£4.313 million forecast Underspend)** – there are two regeneration projects primarily driving this variance:
 - Limes/Copperfield Regeneration – this project has a profiled budget of £2.772 million for 2022/23. The projected outturn on the scheme in 2022/23 is £2.042 million, which – if this materialises – would lead to an underspend of £0.730 million. There have been some initial setbacks related to the tender report however, at the time of reporting, signed contracts are imminent with works expected to follow quickly afterwards. The project straggles the financial year end, therefore the £0.730 underspend will be re-profiled to be spent in 2023/24; and
 - Broadway Regeneration – this project has a total budget of £2.750 million in 2022/23, of which only a very small proportion is expected to be spent (on fees) this financial year resulting in a forecast underspend of £2.676 million. The project is now expected to be delivered in 2023/24.

6.4 The HRA Capital Programme is financed from several sources; external sources such as Grants and Capital Receipts are prioritised and applied first, followed by internal resources such as the Major Repairs Reserve and HRA Revenue contributions. The approach minimises the need to borrow and helps protect the HRA from higher interest payments. The forecast underspend on the Programme has an impact on all sources of financing with the most significant being a £26.086 million reduction in the need to borrow in 2022/23.

Reason for Decision:

This report facilitates the scrutiny of the Council's financial position for 2022/23.

The comments made at this Committee, where relevant, will be reported to Cabinet for consideration at their meeting on 12th December 2022.

Options:

There are no matters for decision in this report. The Committee is asked to note the contents but may choose to take further action depending on the matters reported.

Resource Implications:

The resource implications in this report are overwhelmingly financial in nature, in the form of budgetary control. Robust budget monitoring processes maximise the opportunity for services to react quickly to potential problems as they emerge, thus reducing the risk of financial problems, impeding the delivery of strategic priorities.

Legal and Governance Implications:

The Council has a statutory obligation to maintain a balanced budget and the monitoring process enables the Committee to remain aware of issues and the process to be taken to maintain a balanced budget.

Safer, Cleaner, Greener Implications:

There are no SGS implications.

Consultation Undertaken:

The development of the detailed 2022/23 budget was informed by the democratic scrutiny processes.

Background Papers:

Management Accounts 2022/23 (Month 6)

Risk Management

The report is primarily presented for information only and has no direct risk management implications, although regular monitoring and reporting of the type included in this report ensures early warning of significant issues that may place the Council at financial risk. This gives the Cabinet the best opportunity to take actions to mitigate such risks.

General Fund Revenue Budget 2022/23

Quarter 2 Forecast

Epping Forest DC: General Fund Revenue Budget 2022/23							
@ 30 September 2022 (Month 6)							
General Fund							
Service Area	Activity	Full Year Budget £'s	Net Expenditure			Forecast £'s	Variance £'s
			Budget (M6) £'s	Actual £'s	Variance £'s		
Chief Executive	Chief Executive Support Services	532,530	266,265	259,607	(6,658)	560,638	28,108
	Corporate Activities	75,820	37,910	49,575	11,665	69,007	(6,813)
	Chief Executive Other Activities	50,000	25,000	-	(25,000)	25,000	(25,000)
	Sub-Total	658,350	329,175	309,182	(19,993)	654,645	(3,705)
Commercial & Technical Services	Car Parking	(894,030)	(447,015)	(501,635)	(54,620)	(759,367)	134,663
	C&T Community & Partnership	232,330	116,165	83,381	(32,784)	234,710	2,380
	Contracts & Technical Support Services	1,810,440	905,220	1,020,340	115,120	2,121,269	310,829
	Cost Centres - Contracts & Technical	3,325,580	1,662,790	1,481,724	(181,066)	3,544,897	219,317
	C&T Emergency Planning & Other	2,500	1,250	2,400	1,150	5,600	3,100
	Environmental Health	232,250	116,125	71,163	(44,962)	232,512	262
	Land Drainage/Sewerage	129,830	64,915	36,385	(28,530)	128,790	(1,040)
	Land & Property	(7,688,610)	(3,844,305)	(3,586,294)	258,011	(7,356,132)	332,478
	Leisure Facilities	(1,215,530)	(607,765)	(466,001)	(141,764)	(1,084,319)	131,211
	North Weald Centre	(1,152,230)	(576,115)	(578,377)	(2,262)	(1,265,017)	(112,787)
	Parks & Grounds	471,920	235,960	38,100	(197,860)	519,410	47,490
	Private Sector Housing	(96,790)	(48,395)	2,858	51,253	(24,549)	72,241
	C&T Regulatory Services	(255,480)	(127,740)	(101,364)	26,376	(243,400)	12,080
	Waste Management	5,236,990	2,618,495	1,579,624	(1,038,871)	4,618,677	(618,313)
	Sub-Total	139,170	69,585	(916,696)	(986,281)	673,081	533,911
Community & Wellbeing	Community, Health & Wellbeing	120,340	60,170	(55,470)	(115,640)	92,147	(28,193)
	Cost Centres - Community & Wellbeing	457,670	228,835	225,274	(3,561)	465,941	8,271
	Economic Projects Support Serv	198,290	99,145	99,538	393	144,760	(53,530)
	Homelessness	73,000	36,500	(661,413)	(697,913)	65,456	(7,544)
	Museum, Heritage & Culture	682,640	341,320	300,817	(40,503)	597,973	(84,667)
	Voluntary Sector Support	250,740	125,370	117,801	(7,569)	250,740	-
	Sub-Total	1,782,680	891,340	26,546	(864,794)	1,617,017	(165,663)
Corporate Services	Business Support	1,925,860	962,930	840,020	(122,910)	1,986,528	60,668
	Cost Centres - Corporate Support	335,600	167,800	166,558	(1,242)	335,807	207
	Elections	222,460	111,230	136,306	25,076	200,141	(22,319)
	Emergency Planning & Other	115,840	57,920	39,056	(18,864)	85,427	(30,413)
	ICT	3,810,130	1,905,065	2,500,666	595,601	3,582,279	(227,851)
	Insurance Premiums	810,060	405,030	799,622	394,592	623,288	(186,772)
	Corp Serv - Member Activities	381,760	190,880	178,375	(12,505)	376,610	(5,150)
	Other Support Services	1,866,960	933,480	821,173	(112,307)	1,853,294	(13,666)
	Strategy Support Services	294,150	147,075	152,145	5,070	311,852	17,702
	Sub-Total	9,762,820	4,881,410	5,633,922	752,512	9,355,227	(407,593)
Customer Services	Cost Centres - Customer Services	2,472,370	1,236,185	1,163,187	(72,998)	2,506,434	34,064
	Customer Support Services	1,621,990	810,995	767,710	(43,285)	1,665,260	43,270
	Housing Benefits	(1,172,620)	(586,310)	(1,132,085)	(545,775)	(1,164,142)	8,478
	Local Taxation	(693,360)	(346,680)	(48,253)	298,427	(677,800)	15,560
	Customer Services - Members Activities	26,470	13,235	81,928	68,693	26,470	(1)
	Sub-Total	2,254,850	1,127,425	832,486	(294,939)	2,356,222	101,372
Finance & Audit	Audit Support Services	384,470	192,235	185,597	(6,638)	381,793	(2,677)
	Finance Support Services	1,063,390	531,695	361,052	(170,643)	1,248,850	185,460
	Finance & Other Activities	963,630	481,815	-	(481,815)	863,630	(100,000)
	Sub-Total	2,411,490	1,205,745	546,649	(659,097)	2,494,273	82,783
Housing & Property	Accommodation	457,940	228,970	590,764	361,794	449,248	(8,692)
	Cost Centres - Housing & Property	510,440	255,220	278,795	23,575	568,732	58,292
	Facilities & Depot Management	528,200	264,100	175,103	(88,997)	489,983	(38,217)
	Housing & Property Support Services	352,110	176,055	161,452	(14,603)	373,522	21,412
	Sub-Total	1,848,690	924,345	1,206,114	281,769	1,881,484	32,794
Place	Place - Community & Partnership	40,920	20,460	(27,307)	(47,767)	39,225	(1,695)
	Cost Centres - Place	334,020	167,010	131,118	(35,892)	247,975	(86,045)
	Sub-Total	374,940	187,470	103,811	(83,659)	287,200	(87,740)
Planning & Development	Cost Centres - Planning Services	2,324,800	1,162,400	1,084,371	(78,029)	2,352,047	27,247
	Local Plan Implementation	1,048,700	524,350	(433,973)	(958,323)	918,485	(130,215)
	Planning & Development	(1,655,730)	(827,865)	(484,891)	342,974	(932,736)	722,994
	Planning Support Services	291,970	145,985	111,513	(34,472)	233,424	(58,546)
	Regulatory Services	(529,840)	(264,920)	(382,483)	(117,563)	(542,380)	(12,540)
	Sub-Total	1,479,900	739,950	(105,462)	(845,412)	2,028,839	548,939
Strategy, Delivery & Performance	Strategy - Other Activities	161,600	80,800	56,734	(24,066)	217,658	56,058
	Strategy, Delivery & Performance Support Services	688,040	344,020	233,381	(110,639)	560,029	(128,011)
	Sub-Total	849,640	424,820	290,114	(134,706)	777,688	(71,952)
General Fund Total		21,562,530	10,781,265	7,926,666	(2,854,599)	22,125,674	563,144
	Qualis Income	(2,909,440)	-	-	-	(1,964,737)	944,703
	HRA Recharges	(5,224,670)	-	-	-	(5,351,900)	(127,230)
	Financing						
	Interest (exc. Qualis):						
	Interest Receivable	(50,000)	-	-	-	(179,879)	(129,879)
	Interest Payable	863,440	-	-	-	1,085,938	222,498
	Minimum Revenue Provision	1,327,000	-	-	-	1,125,000	(202,000)
	Specific Contingency (GF Energy)	62,500	-	-	-	50,000	(12,500)
General Fund (Net Expenditure)		15,631,360	10,781,265	7,926,666	(2,854,599)	16,890,096	1,258,736

General Fund Capital Programme 2022/23

Quarter 2 Forecast

General Fund Capital Programme 2022/23: Quarter 2 Forecast												
Scheme	2021/22 Budget Outturn (xtract)			2022/23 Budget				2022/23 Budget Progress (@ 30th September 2022 - Q2)				
	2021/22 Unspent / (Overspent) Balances	(Savings) / Overspends not c/fwd	Balances Rolled Forward into 2022/23	2022/23 Budget Allocation	Q1 Changes	2022/23 Budget @ Q1	Q2 Changes	2022/23 Budget @ Q2 (Updated)	Actuals to Q2	Remaining Budget	Forecast Outturn 2022/23	Forecast (Uspend)/ Opend 2022/23
	£'s	£'s	£'s	£'s	£'s	£'s	£'s	£'s	£'s	£'s	£'s	£'s
Community & Wellbeing												
Joint Museum and Library Facility	688,018	- 688,018	-	770,000	-	770,000	-	770,000	-	770,000	-	770,000
Sub-Totals	688,018	- 688,018	-	770,000	-	770,000	-	770,000	-	770,000	-	770,000
Commercial & Technical												
Cartersfield Road	1,436,464	-	1,436,464	-	-	1,436,464	-	1,436,464	-	1,436,464	359,116	- 1,077,348
Investment Property Acquisition Fund	1,117,867	-	1,117,867	-	-	1,117,867	-	1,117,867	65,000	1,052,867	498,000	- 619,867
Princess of Wales PH - lease acquisition**	-	-	-	-	-	-	-	-	-	-	695,500	695,500
202-220 Loughton HR - roof replacement	-	-	-	-	-	-	64,500	64,500	-	64,500	64,468	- 32
CCTV Replacement Programme	85,437	- 44,992	40,445	102,000	-	142,445	-	142,445	27,460	114,985	100,110	- 42,335
CarPark CCTV Systems	10,259	- 10,259	-	20,000	-	20,000	-	20,000	6,920	13,080	6,920	- 13,080
Superfast Broadband (REFCuS)	350,000	-	350,000	-	-	350,000	-	350,000	-	350,000	350,000	-
Disabled Facilities Grants (REFCuS)	218,152	- 218,152	-	971,210	-	971,210	-	971,210	439,689	531,521	880,000	- 91,210
Home Assist Grants (REFCuS)	-	-	-	30,000	-	30,000	-	30,000	-	30,000	30,000	-
Car Park Schemes	18,785	- 18,785	-	-	-	-	-	-	-	-	-	-
Civic Offices Accommodation Project	108,169	- 108,169	-	-	-	-	-	-	-	-	-	-
Civic Offices Café External Access	75,979	-	75,979	100,000	-	175,979	-	175,979	-	175,979	-	- 175,979
Highway Ranger Vehicle & Equipment	519	- 519	-	40,000	-	40,000	-	40,000	-	40,000	40,000	-
Grounds Maintenance	40,945	-	40,945	30,000	-	70,945	-	70,945	-	70,945	62,650	- 8,295
Highways (REFCuS)	97,564	-	97,564	-	-	97,564	-	97,564	-	97,564	97,564	-
H2 Taxiway (ex NWA Prep Phase 1)	200,000	-	200,000	-	-	200,000	-	200,000	3,009	196,991	200,000	-
NWA Employment Land Develop	-	-	-	-	-	-	-	-	28,842	- 28,842	28,842	28,842
NWA Vehicles & Equipment	-	-	-	-	-	-	-	-	16,085	- 16,085	16,085	16,085
Vehicle Fleet Replacement & OHD Equipment	622,740	-	622,740	-	-	622,740	-	622,740	332,661	290,079	452,038	- 170,702
Ongar Leisure Centre	4,953	- 4,953	-	-	-	-	-	-	-	-	-	-
Epping Leisure Centre (Bakers Lane)	1,562,560	-	1,562,560	12,500,000	-	10,937,440	-	10,937,440	55,441	10,881,999	250,000	- 10,687,440
Sub-Totals	2,540,941	- 121,497	2,419,444	13,793,210	- 294,910	16,212,654	64,500	16,277,154	975,107	15,302,047	4,131,293	- 12,145,861
Corporate Services												
ICT General Schemes	142,379	- 54,608	87,771	103,000	-	190,771	-	190,771	- 2,482	193,253	152,771	- 38,000
ICT Strategy	1,715,452	- 145,487	1,569,965	1,960,910	- 294,910	3,235,965	89,310	3,325,275	235,004	3,090,271	2,900,340	- 424,935
Civic Offices Accommodation Project (ICT)	63,830	- 55,288	8,542	-	-	8,542	-	8,542	6,556	1,986	8,542	-
Sub-Totals	1,921,661	- 255,383	1,666,278	2,063,910	- 294,910	3,435,278	89,310	3,524,588	239,078	3,285,510	3,061,653	- 462,935
Customer Services												
Council Chamber Upgrade	-	-	-	160,000	-	160,000	-	160,000	-	160,000	80,000	- 80,000
Sub-Totals	-	-	-	160,000	-	160,000	-	160,000	-	160,000	80,000	- 80,000
Housing (Property Services)												
Oakwood Hill Depot Extension	6,572	-	6,572	-	-	6,572	-	6,572	26,923	- 20,351	26,923	20,351
Investment Properties (Planned Works)	80,316	- 80,316	-	19,220	294,910	314,130	- 134,263	179,867	-	179,867	179,867	-
Operational Properties (Planned Works)	93,230	- 12,250	80,980	252,000	-	332,980	- 19,547	313,433	5,843	307,590	155,000	- 158,433
Sub-Totals	19,486	68,066	87,552	271,220	294,910	653,682	- 153,810	499,872	32,766	467,106	361,790	- 138,082
Place												
Climate & Environmental Projects	426,984	-	426,984	250,000	-	676,984	-	676,984	-	676,984	676,984	-
Sub-Totals	426,984	-	426,984	250,000	-	676,984	-	676,984	-	676,984	676,984	-
Qualis												
Asset Purchase Loan	1,247,500	-	1,247,500	-	-	1,247,500	-	1,247,500	-	1,247,500	-	1,247,500
Regeneration Finance Loans	40,000,000	-	40,000,000	55,000,000	-	95,000,000	-	95,000,000	1,000,000	94,000,000	18,250,000	- 76,750,000
Sub-Totals	41,247,500	-	41,247,500	55,000,000	-	96,247,500	-	96,247,500	1,000,000	95,247,500	18,250,000	- 77,997,500
Total Expenditure	46,844,590	- 996,832	45,847,758	72,308,340	-	118,156,098	-	118,156,098	2,246,951	115,909,147	26,561,720	- 91,594,378
** to be transferred to the HRA for development												
Capital Financing:												
Borrowing	46,626,438	- 778,680	45,847,758	67,844,380	-	113,692,138	-	113,692,138	1,000,000	112,692,138	24,281,720	- 89,410,418
Capital Grants	218,152	- 218,152	-	971,210	-	971,210	-	971,210	439,689	531,521	880,000	- 91,210
Capital Receipts	-	-	-	3,492,750	-	3,492,750	-	3,492,750	807,262	2,685,488	1,400,000	- 2,092,750
Total Financing	46,844,590	- 996,832	45,847,758	72,308,340	-	118,156,098	-	118,156,098	2,246,951	115,909,147	26,561,720	- 91,594,378

Housing Revenue Account Capital Programme 2022/23

Quarter 2 Forecast

HRA Capital Programme 2022/23: Quarter 2 Forecast										
	2021/22 Budget Outturn (xtract)			2022/23 Budget			2022/23 Budget Progress (@ 30 September 2022 - Q2)			
	2021/22 Unspent/ (Overspent) Balances	Savings / Overspends not c/fwd	Balances Rolled Forward into 2022/23	2022/23 Budget Allocation	Q1 Changes	2022/23 Budget (Updated)	Actuals to Q2	Remaining Budget	Forecast Outturn 2022/23	Forecast (Uspend) / Ospend 2022/23
Schemes	£	£	£	£	£	£	£	£	£	£
Housing Development Programme:										
Housebuilding	8,335,830	8,335,830	-	15,597,810	-	15,597,810	1,918,050	13,679,760	5,669,010	- 9,928,800
Acquisition of Land for Building	-	-	-	2,750,000	-	2,750,000	-	2,750,000	-	- 2,750,000
Acquisition of Street Properties	2,968,310	2,968,310	-	-	-	-	-	-	-	-
Qualis Acquisitions	7,492,000	7,492,000	-	10,461,190	-	10,461,190	-	10,461,190	-	- 10,461,190
Sub-Totals	12,859,520	12,859,520	-	28,809,000	-	28,809,000	1,918,050	26,890,950	5,669,010	- 23,139,990
Capital Works:										
Heating	691,840	-	691,840	1,556,000	-	2,247,840	298,100	1,949,740	2,038,380	- 209,450
Windows, Door and Roofing	848,550	-	848,550	2,886,000	- 300,000	3,434,550	1,299,610	2,134,940	2,829,940	- 604,610
Compliance Planned Maintenance	439,160	-	439,160	250,000	-	689,160	229,210	459,950	585,640	- 103,520
Kitchens & Bathrooms	566,420	-	566,420	2,300,000	-	2,866,420	349,330	2,517,090	2,414,800	- 451,610
Electrical	201,390	18,380	219,770	2,211,000	900,000	3,330,770	671,110	2,659,660	2,252,510	- 1,078,260
Sprinklers	275,000	275,000	-	-	-	-	-	-	-	-
Environmental	306,280	150,940	155,340	275,000	-	430,340	34,840	395,500	428,940	- 1,400
Structural works	1,636,520	-	1,636,520	949,000	- 600,000	1,985,520	214,510	1,771,010	1,616,990	- 368,530
Disabled adaptations	114,620	-	114,620	1,145,000	-	1,030,380	267,640	762,740	939,200	- 91,180
Asbestos Removal	219,190	100,000	119,190	130,000	-	249,190	22,650	226,540	133,000	- 116,190
Estate Improvements	56,110	56,110	-	50,000	-	50,000	4,130	45,870	25,000	- 25,000
Sub-Totals	5,125,840	563,670	4,562,170	11,752,000	-	16,314,170	3,391,130	12,923,040	13,264,400	- 3,049,750
Other Housing Schemes:										
Service Enhancements										
HAM Project	251,730	-	251,730	400,000	-	651,730	174,830	476,900	524,170	- 127,560
HFHH Act Project	24,210	-	24,210	154,000	-	178,210	-	178,210	178,000	- 210
Limes/Copperfield Regeneration Project	228,510	-	228,510	3,000,000	-	2,771,490	-	2,771,490	2,042,000	- 729,490
The Broadway Regeneration Project	-	-	-	2,750,000	-	2,750,000	116,670	2,633,330	74,000	- 2,675,990
Frank Bretton Refurbishment	115,720	115,720	-	-	-	-	-	-	-	-
Emergency Alarm System Upgrade	-	-	-	360,000	-	360,000	-	360,000	20,000	- 340,000
Sheltered Blocks Refurbishment	-	-	-	330,000	-	330,000	-	330,000	175,000	- 155,000
Door Replacemnt Programme	99,000	-	99,000	235,000	-	334,000	-	334,000	50,000	- 284,000
Sub-Totals	30,710	115,720	146,430	7,229,000	-	7,375,430	291,500	7,083,930	3,063,170	- 4,312,250
Vehicle Replacements	80,070	80,070	-	-	-	-	-	-	-	-
Total Expenditure	17,936,000	13,227,410	4,708,590	47,790,000	-	52,498,590	5,600,680	46,897,910	21,996,580	- 30,502,010
Capital Financing:										
Direct Revenue Contributions	-	-	-	5,364,000	-	5,364,000	-	5,364,000	969,980	- 4,394,020
Major Repairs Reserve	4,708,590	-	4,708,590	9,904,000	-	14,612,590	4,367,460	10,245,130	18,293,000	3,680,410
Capital Receipts	-	-	-	5,970,000	-	5,970,000	767,220	5,202,780	2,267,600	- 3,702,400
Other Contributions	-	-	-	466,000	-	466,000	466,000	-	466,000	-
Borrowing	13,227,410	13,227,410	-	26,086,000	-	26,086,000	-	26,086,000	-	- 26,086,000
	17,936,000	13,227,410	4,708,590	47,790,000	-	52,498,590	5,600,680	46,897,910	21,996,580	- 30,502,010

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Report to Stronger Council Select Committee

Date of meeting: 24th November 2022



Subject: Updated Medium-Term Financial Plan 2023/24 to 2027/28

Portfolio: Finance, Qualis Client & Economic Development - Cllr. John Philip

Officer contact for further information: Chris Hartgrove 01992 564000 (Ext. 2532)

Democratic Services Officer: Adrian Hendry 01992 564246

Recommendations/Decisions Required:

- 1. To consider the Updated Medium-Term Financial Plan 2023/24 to 2027/28 as presented to Cabinet on 10th October 2022 (Attachment 1), and to make such comments and/or recommendations as the Committee feels appropriate so that Cabinet can consider these on 12th December 2022, when they meet to consider draft budget options for 2023/24.**

Executive Summary:

Cabinet received the Updated Medium-Term Financial Plan for 2022/23 to 2026/27 on 10th October 2022. At that meeting the contents of the report were considered and discussed, including the implications for both the General Fund and Housing Revenue Account.

Cabinet also agreed that the report should go forward for scrutiny by the Stronger Council Select Committee in accordance with the Financial Planning Framework (2023/24 to 2027/28) adopted on 30th September 2022.

This is the first iteration of the MTFP within the 2023/24 budget cycle. It is a forward-looking document which provides a tentative look at the Council's financial picture over the next five years (2023/24 through to 2027/28) and sets the scene by providing a framework for developing both the General Fund and Housing Revenue Account (HRA) budgets for 2023/24.

The General Fund forecast within the MTFP reveals a projected deficit of £4.126 million for 2023/24. This reflects major spending pressures – driven by inflation – (for example) on Employees and Supplies & Services, which is exacerbated by an anticipated drop in Government grants of £1.154 million. Estimated net expenditure in 2023/24 is £19.402 million, compared to available funding of £15.276 million.

Looking further ahead – assuming a balanced budget is achieved for 2023/24, without recourse to the use of reserves – a budget gap is expected to open-up again on the General Fund from 2024/25, with annual budget pressures in the region of £1.4 million anticipated for two consecutive financial years.

The HRA forecast reveals a broadly balanced position over the five-year period 2023/24 to 2027/28, with an initial surplus of £0.682 million anticipated in 2023/24, followed by a series of smaller deficits (totalling £0.767 million). However, this is achieved through substantially reining back HRA Contributions to Capital in order to maintain a minimum HRA balance of £2.0 million as determined in the HRA Business Plan.

The next stage in the process (currently in progress) will see the assumptions and projections further refined and draft budget options for 2023/24 for closing the budget deficit, for consideration by Cabinet on 12th December 2022, alongside feedback from this Committee.

Reason for Decision:

This report facilitates the scrutiny of the Council's financial position for 2023/24 to 2027/28 as it prepares draft budget options for 2023/24.

The Council faces a significant challenge in achieving a balanced budget for 2023/24 due to a projected General Fund budget gap of £4.126 million.

The comments made at this Committee, where relevant, will be reported to Cabinet for their consideration at their meeting on 12th December 2022.

Legal and Governance Implications:

The Council has a legal duty under the Local Government Finance Act 1992 to set a balanced budget. This report highlights a potential budget deficit on the General Fund that needs to be eliminated prior to setting the 2023/24 budget in February 2023.

Safer, Cleaner, Greener Implications:

There are no SGS implications.

Consultation Undertaken:

The development of the 2023/24 budget is informed by the democratic scrutiny processes.

Background Papers:

None.

Risk Management

The consideration of risk forms an integral part of the development of budget options. In particular, the MTFP is based on a series of estimates and assumptions that are informed by varying forms of intelligence (some certain, some uncertain); that process, including any residual risk in the decision-making process will be clearly indicated.

ATTACHMENT 1

Report to the Cabinet

Report reference: C-019-2022/23
Date of meeting: 10th October
2022



**Epping Forest
District Council**

Portfolio: Finance, Qualis Client & Economic Development
Subject: Updated Medium-Term Financial Plan 2023/24 to 2027/28
Responsible Officer: Andrew Small (01992 564278)
Democratic Services: Adrian Hendry (01992 564246)

Recommendations/Decisions Required:

1) To note the contents of the report, including:

- The General Fund element of the updated Medium-Term Financial Plan (2023/24 to 2027/28) (*Appendix A*); and
- The Housing Revenue Account element of the updated Medium-Term Financial Plan (2023/24 to 2027/28) (*Appendix B*).

2) Discuss and agree any actions required, including the assumptions contained in the MTFP and the potential options for addressing the underlying budget deficit in order to set a balanced budget for 2022/23.

Executive Summary:

The Cabinet approved an updated Financial Planning Framework (2023/24 to 2027/28) at its meeting on 30th September 2022 and committed to receiving and considering and updated Medium-Term Financial Plan (MTFP) for 2023/24 to 2027/28.

The preparation of an MTFP provides the cornerstone on which the Council can build and deliver services in accordance with its aims and objectives. It also provides an early warning sign of potential budget pressures that lie ahead.

This is the first iteration of the MTFP within the 2023/24 budget cycle. It is a forward-looking document which provides a tentative look at the Council's financial picture over the next five years (2023/24 through to 2027/28) and sets the scene by providing a framework for developing both the General Fund and Housing Revenue Account (HRA) budgets for 2023/24.

The General Fund element of the MTFP can be found at **Appendix A**. It reveals a projected deficit of £4.126 million in 2023/24. This reflects major spending pressures – driven by inflation

– (for example) on Employees and Supplies & Services, which is exacerbated by an anticipated drop in Government grants of £1.154 million. Estimated net expenditure in 2023/24 is £19.402 million, compared to available funding of £15.276 million. The Council is required to eliminate this deficit and set a balanced budget for 2023/24 in February 2023.

The projections are summarised in the table below.

General Fund MTFP (@ October 2022)		
Financial Year	(Surplus)/Deficit	Comment
	£000's	
2023/24	4,126	Assumed drop in Government grants of £1.154 million
2024/25	1,399	New Waste Management contract assumed with effect from 1st December 2024
2025/26	1,439	
2026/27	996	
2027/28	654	

The HRA element of the MTFP can be found at **Appendix B**. It reveals a broadly balanced position over the five-year period 2023/24 to 2027/28, with an initial surplus of £0.682 million anticipated in 2023/24, followed by a series of smaller deficits (totalling £0.767 million). However, this is achieved through substantially reining back HRA Contributions to Capital in order to maintain a minimum HRA balance of £2.0 million as determined in the HRA Business Plan. This drives up the need for external borrowing to fund the Housing Development Programme and is reflected in a stepped increase in Financing Costs from 2024/25 onwards.

The table below provides a summary.

Housing Revenue Account MTFP (@ October 2022)		
Financial Year	(Surplus)/Deficit	Comment
	£000's	
2023/24	(682)	
2024/25	216	
2025/26	296	53 Week Rent Year Assumed £900,000 saving from Qualis re Housing Repairs
2026/27	129	
2027/28	126	

However, the HRA assumptions presented above have been fed into the “Fortress” (HRA Business Plan) model to determine the long-term impacts on financial sustainability of such a strategy. Critically, the initial results show that by Year 11 (2033/34) the HRA Business Plan

begins to become increasingly unviable with the increasing servicing costs of rising borrowing leading to some breaches of pre-set parameters, including the minimum HRA balance of £2.0 million and a target interest cover level of 1.25%.

The primary cause of the problem is the current imbalance between a capped Rent Increase of 5.0% assumed for 2023/24 and 2024/25, sharply rising Interest Rates and high General Inflation (assumed to be as high as 12.0% initially).

The next stage in the process will see the assumptions and projections in both the General Fund and Housing Revenue Account further refined in accordance with the direction provided by Cabinet and emerging intelligence. Officers will begin to develop draft budget options for 2023/24, for consideration by Cabinet. This will include options for:

- Closing the General Fund budget gap; and
- Amending the HRA Business Plan strategy to restore long-term financial sustainability.

Reasons for Proposed Decision:

To provide an updated financial position for the Council based on latest available information, allowing Cabinet to consider the implications and potential options available, and provide strategic direction to senior officers in preparing a (balanced) draft budget for 2023/24.

Legal and Governance Implications:

The Council has a legal duty under the Local Government Finance Act 1992 to set a balanced budget. This report highlights a potential budget deficit on the General Fund that needs to be eliminated prior to setting the 2023/24 budget in February 2023.

Safer, Cleaner and Greener Implications:

There are no direct SCG implications contained within the report, although the implications will be considered in the detailed development of budget proposals.

Consultation Undertaken:

None. The proposals in the report require further development. Consultation at a later stage is an in-built feature of the proposed Financial Planning approach and timetable.

Background Papers:

None.

Risk Management:

The consideration of risk will form an integral part of the development of the proposals in the report. In particular, the MTFP is based on a series of estimates and assumptions that are informed by varying forms of intelligence (some certain, some uncertain); that process, including any residual risk in the decision-making process will be clearly indicated.

Updated Medium-Term Financial Plan 2023/24 to 2027/28

GENERAL FUND

October 2022

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 2018-2023, which are grouped under the three corporate ambitions:

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

.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 first iteration of the MTFP in the 2023/24 budget cycle. It is a forward-looking document which provides a tentative look at the Council's General Fund financial picture over the next five years (2023/24 to 2027/28) and re-evaluates the position in the light of developments since the last MTFP (2022/23 to 2026/27) was adopted by the Council in February 2022.

2.2 This part of the MTFP focuses on the Council's General Fund. An emerging HRA Business Plan is being developed and this underpins an updated MTFP for the HRA, which is presented in Appendix B.

2.3 The February 2022 MTFP revealed a projected deficit of £0.791 million in 2023/24; this assumed no contributions either to or from the Council's general contingency reserves (following on from a one-off contribution to reserves of £337,000 in 2022/23). The full projections can be summarised as follows:

Financial Year	(Surplus)/Deficit	Comment
	£000's	
2022/23	0	Assumed contribution of £337,000 to Reserves
2023/24	791	Assumed no contribution to Reserves
2024/25	1,612	New Waste Management contract assumed with effect from 1st December 2024
2025/26	1,345	
2026/27	480	

2.4 The MTFP is deliberately concise, focussing on the most significant financial issues faced by Epping Forest District Council over the medium-term. As reported in the Financial Planning Framework 2023/24 to 2027/28 (Cabinet 30th September 2022) there are a range of major factors that are causing concern at the moment. This includes specific financial pressures on Staff Salaries, Energy, Contracts and Financing, as well general Supplies & Services which are impacting at a time when a significant reduction in the Local Government Settlement is already anticipated as a number of specific grants are withdrawn by the Government.

2.5 There are also further financial risks (not included in this MTFP) that may exacerbate the problem, including potentially new Employer Pension Contribution rates for the Local Government Pension Scheme (LGPS) as well as the threat to Commercial Property returns and funding from Local Taxation receipts as the economic crisis begins to affect local communities and businesses.

3. Financial Projections

3.1 Current Spending Levels

3.1.1 The starting point for developing the MTFP is the current level of spending. The 2022/23 General Fund base budget was adopted approved by the Council on 24th February 2022 and can be summarised as follows:

Description	2022/23 Budget
	£'s
Employees	25,227,465
Premises	2,894,190
Transport	320,648
Supplies & Services	9,503,217
Support Services	19,108
Contracted Services	7,267,159
Transfer Payments (Housing Benefits)	22,210,196
Financing Costs	2,202,940
Gross Expenditure	69,644,923
Fees & Charges	(17,243,654)
Government Contributions (including Housing Benefit Subsidy)	(24,268,814)
Miscellaneous Income (including Qualis)	(4,186,686)
Other Contributions	(3,089,740)
HRA Recharges	(5,224,665)
Net Expenditure	15,631,364

3.1.2 Net expenditure is funded as follows:

Description	2022/23 Budget
	£'s
Council Tax	(8,639,090)
Business Rates	(5,010,617)
Collection Fund Adjustments	(165,000)
Council Tax Sharing Agreement (CTSA)	(948,000)
<i>Non-Specific Grants:</i>	
New Homes Bonus	(775,510)
2022/23 Services Grant	(229,580)
Lower-Tier Services Grant	(149,386)
Credit Loss Adjustments	(50,970)
Contributions to/ (use of) Reserves	336,789
Total Funding	(15,631,364)

3.2 Increased/(Reduced) Budget Demand

3.2.1 Based on an initial high-level review of the current base budget, and anticipated budget demand in 2023/24 and beyond, several areas of changed budgetary demand have been identified and are presented in the table below.

Medium-Term Increased/(Reduced) Budget Demand (@ October 2022)					
Description	2023/24	2024/25	2025/26	2026/27	2027/28
	£'s	£'s	£'s	£'s	£'s
Employees					
Health & Social Care Levy	(154,224)	0	0	0	0
Added Years/Unfunded Pensions	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)
Premises					
Electricity	342,436	0	0	0	0
Gas	1,430	0	0	0	0
Energy Contingency (removal)	(62,500)	0	0	0	0
IT Refuse Removal	2,500	0	0	0	0
Supplies & Services					
Audit Fees (new PSAA contracts)	85,000	0	0	0	0
Insurance Cost Savings	(160,000)	0	0	0	0
Garden Town Contribution	68,000	0	0	0	0
Watchguard Authpoint	(13,900)	0	0	0	0
Mimecast (support and license)	14,000	0	0	0	0
Sava – Stock Assessor	(3,030)	0	0	0	0
Azure (hosting costs)	73,105	0	0	0	0
Switch Maintenance	7,000	(3,500)	(3,500)	0	0
Academy (“Cloud” costs)	38,067	0	0	0	0
“Xpress” (elections software)	3,240	0	0	0	0
GFI Events Manager (software)	50,500	0	0	0	0
Contracted Services					
Waste Contract (market price of recyclables)	(462,419)	0	0	0	0
New Waste Contract (Resources)	0	366,667	733,333	0	0
New Waste Contract (Recycling)	0	66,667	133,333	0	0
Transfer Payments					
Reduced HB Payments	0	0	(1,110,510)	(1,054,985)	(1,002,235)
Fees & Charges					
HMRC (rental loss)	684,000	0	0	0	0
Leisure Management Contract	(277,703)	(155,804)	(14,639)	294,233	(78,789)
Government Contributions					
Reduced HB Claim	0	0	1,110,510	1,054,985	1,002,235
Reduced HB Admin Subsidy	7,800	7,566	7,339	7,119	6,905
HRA Recharges					
Reduced Insurance Recharges	83,452	0	0	0	0
Net Increased/(Reduced) Budget Demand	306,754	261,595	835,867	281,352	(91,884)

3.2.2 The table above shows a net increase in budget demand of £306,754 in 2023/24, with further increases anticipated in 2024/25 (£261,595), 2025/26 (£835,867) and 2026/27 (£281,352). The major factors to note include:

- Health & Social Care Levy (2023/24 - £154,224 positive) – the Government announcement to reverse the recently introduced 1.25% National Insurance levy applies to both employees and employers. However, Members should note that the “2022/23 Services Grant” included funding for this purpose
- Electricity (2023/24 - £342,436 negative) – Property Services officers have undertaken a detailed review of Gas and Electricity costs. This has factored in the expiry of the Forward Energy Contracts that the Council has benefited from in 2022/23, and the latest protections afforded by the Energy Bill Relief Scheme (EBRS) recently announced by the Government and effective for six months with effect from 1st October 2022. The outcome for the General Fund is a significant cost pressure on Electric (rather than Gas)
- Insurance Cost Savings (2023/24 - £160,000 positive) – the recently completed Insurance re-tendering exercise has resulted in a significant reduction in Insurance Premiums (shared between the General Fund and the HRA)
- Waste Contract (recyclables) (2023/24 - £462,419 positive) – as reported in the Quarter 1 Budget Monitoring Report 2022/23, there is a structural surplus embedded within the base budget due to significant increases in market rates for the sale of recyclable material. Assuming market rates remain stable (or further increase) in the coming weeks, it appears safe at this stage to release this saving and reduce the base budget accordingly
- HMRC (rental loss) (2023/24 - £684,000 negative) – at the time of preparing this report, HMRC have given notice of their intent to discontinue the lease for the premises that they currently occupy at North Weald Airfield
- Leisure Management Contract (2023/24 - £277,703 positive) – the indexation provisions in the Leisure Management Contract result in a significant uplift in the anticipated Management Fee for 2023/24 (and 2024/25); and
- Waste Management Contract (2024/25 & 2025/26) – initial estimates as to the additional cost of the new Waste Management contract in 2024/25 suggest additional cost pressures of £1.3 million may result.

3.3 Inflation

3.3.1 Inflationary pressures have been reviewed based on latest available intelligence and are presented in the table below.

Medium-Term Inflation Assumptions (@ October 2022)					
Description	2023/24	2024/25	2025/26	2026/27	2027/28
	£'s	£'s	£'s	£'s	£'s
Employees	1,753,727	804,209	551,823	562,460	573,309
Premises	78,310	162,818	68,384	69,751	71,146
Transport	38,478	17,956	7,542	7,693	7,846
Supplies & Services	1,159,823	541,076	227,252	232,187	236,851
Support Services	2,293	1,070	449	458	468
Contracted Services	374,261	190,308	86,693	88,810	89,698
Financing Costs	536,560	0	0	0	0
Fees & Charges	(1,212,289)	(546,163)	(225,195)	(224,367)	(228,004)
HRA Recharges	(337,982)	(164,380)	(125,300)	(125,300)	(117,880)
Net Increased/(Reduced) Budget Demand	2,393,180	1,006,894	591,648	611,693	633,434

3.3.2 It should be emphasised that – at the time of preparing this report – there are still substantial uncertainties as to the future direction of inflation (although most commentators are suggesting that the peak has yet to be reached). Initial assumptions will be refined in the coming weeks as further intelligence emerges. The most recently available (August 2022) published CPI was 9.9% (down from 10.1% in July 2022) which – by way of context – compares to just 3.2% in August 2021.

3.3.3 An early planning assumption of 12.0% in general inflation has been applied for 2023/24, falling to 5.0% in 2024/25, before settling at 2.0% (the Bank of England's long-term inflation target) from 2025/26 onwards. This has been applied to Supplies & Services and a range of other non-staff budgets. Exceptions to note include:

- Employee Costs – a 4.0% pay increase has been assumed for 2023/24, which follows on from (at the time of preparing this report) an anticipated pay settlement of approximately 5.0% for 2022/23. However, the current base budget for 2022/23 was prepared based on an assumed pay award of just 2.0% (a 3.0% shortfall). As a consequence, the base budget increase of £1.754 million for 2023/24 highlighted in the table above in Paragraph 3.3.1, represents an uplift of 7.0% (3.0% + 4.0%). Thereafter a pay award of 3.0% has been assumed for 2024/25, following by 2.0% from 2025/26 onwards
- Premises Costs – a tailored approach has been applied to Premises costs. Specific increases have been calculated for Energy costs, with Business Rates liabilities assumed frozen. All other costs are assumed to follow the general rate of inflation; and

- Contracted Services – the Waste Contract is subject to an annual uplift based on October CPI (payable from November each year). An increase of 11.0% has been assumed at this stage for 2023/24 (just before the peak inflation assumption of 12.0%), followed by 5.0% in 2024/25 and 2.0% from 2025/26 onwards.

3.3.4 Given the current financial challenge that the Council faces, it has been assumed that (non-statutory) Fees and Charges will rise by an inflationary *average* of 12.0% (significant variations around the average can be expected). Car parking charges are non-statutory and potentially in scope. The level of Fees and Charges generally is something that Members will need to consider carefully, with the balance between generating additional revenue and maintaining service demand being a key consideration alongside the potential impact on local residents of rising prices.

3.4 Budget Growth

3.4.1 No discretionary Budget Growth items have been assumed in these projections. Given the Council's current financial position, it is assumed that any potential growth items – which are in line with Council priorities – will be prioritised and funded from budget reallocations/savings. The potential re-prioritisation of financial resources is matter for Members to consider.

3.5 Revenue Consequences of the Capital Programme

3.5.1 The assumptions on Qualis loans have been updated and re-evaluated in the light of latest intelligence. Prudence has been applied, especially with regard to assumptions from 2024/25 onwards, which means that the assumed drawdowns on the Development and Regeneration Loans have been temporarily extended (for prudent forecasting purposes) with £29.0 million included (facility £63.0 million) and £20.0 million included (facility £35.0 million) within the timeframe of this MTFP, respectively. Estimated loan margins have also reduced compared to the previous iteration of the MTFP as PWLB borrowing rates have increased significantly in recent weeks. The overall impact sees a reduced income assumption of £607,019 in 2023/24.

3.5.2 Financing costs have also risen in line with increasing “Minimum Revenue Provision” (MRP) charges and interest costs (based on Arlingclose forecasts).

3.5.3 All capital assumptions will be reviewed in detail, and revised as necessary, in preparing the draft budget and updated MTFP.

3.6 Savings

3.6.1 There are currently no Savings assumed within the projections. The views of Members are sought on the prioritisation of potential cashable savings in the context of the Budget Deficit and Council priorities, whether from spending reductions or increased income.

3.7 Funding

3.7.1 The Council's core funding streams have been reviewed based on the latest available intelligence. The relevant budget movements are summarised in the table below.

Medium-Term Funding Assumptions (@ October 2022)					
Description	2023/24	2024/25	2025/26	2026/27	2027/28
	£'s	£'s	£'s	£'s	£'s
Council Tax	(257,750)	(171,632)	(159,664)	(157,460)	(150,000)
Business Rates	(501,062)	(275,584)	(115,745)	(118,060)	(120,421)
Collection Fund Adjustments	165,000	0	0	0	0
Council Tax Sharing Agreement	100,000	0	0	0	0
New Homes Bonus	775,510	0	0	0	0
2022/23 Services Grant	229,580	0	0	0	0
Lower-Tier Services Grant	149,386	0	0	0	0
Credit Loss Adjustments	31,000	19,970	0	0	0
Reserve Contributions	(336,790)	0	0	0	0
Net Increased/(Reduced) Budget Demand	354,874	(427,246)	(275,409)	(275,520)	(270,421)

3.7.2 The key budget assumptions captured in the table above are as follows:

- Council Tax – there is a provisional assumption that the Council will not increase the Council Tax above the current £157.46 charge for a Band D property for the duration of the MTFP. The additional Council Tax yield of £257,750 (in 2023/24) presented above reflects the anticipated growth in the tax base only. Members of course have the option to vary this assumption
- Business Rates – there is current uncertainty as to how the Business Rates Multiplier for 2023/24 will be treated; this usually increases by September CPI, but the default position is something that can be (and regularly has been) disregarded in the past, although the Government does have a track record of compensating councils through Section 31 grant in the event of freezes (or caps). On that basis, it is currently assumed that overall receipts from the Business Rates Retention (BRR) scheme will increase by 10.0% in 2023/24, followed by 5.0% in 2024/25, before eventually tailing off to 2.0% in 2025/26

- Collection Fund Adjustments – the lingering complexities created by the pandemic make an accurate estimate of the Collection Fund adjustment very difficult at this stage. However, as at 31st March 2022, the Council held an Earmarked Reserve of £3.450 million funded by surplus Section 31 money paid by Government as compensation for extended Business Rates Reliefs granted in response to the pandemic, which is used for the purposes of smoothing the impact of losses on the Collection Fund. Consequently, a ‘zero adjustment’ is assumed in 2023/24 (and beyond) for Business Rates at this stage. A neutral assumption is also assumed for Council Tax. Both assumptions will be reviewed in detail before the initial draft Budget for 2023/24 is presented to Cabinet in December 2022.
- Council Tax Sharing Agreement (CTSA) – the prospects for CTSA have stabilised recently with a new Essex agreement in place for 2023/24. However, current projections are suggesting that it would be prudent to reduce the current (2022/23) assumption by £100,000 from £948,000 to £848,000 for the duration of this MTFP.
- Grants – the Secretary of State originally indicated that, following a series of single year settlements in recent years, there will be a two-year settlement for 2023/24 and 2024/25. A two-year settlement would help with financial planning but – as yet – there are no clear indications of what the forthcoming settlement might contain (in the context of the economic crisis) or indeed whether the Government might revert to another one-year settlement.

In the absence of intelligence to the contrary, the assumptions reported to full Council in February 2022 still stand at this stage. Those assumptions were built into the forecast deficit of £0.791 million for 2023/24 in the MTFP as mentioned above in Paragraph 2.3. This included the cessation of the New Homes Bonus with effect from 2023/24, which has been a substantial source of Council funding for many years (the Council received £775,510 from this source in 2022/23). The Government made clear (at the time) that the other two remaining grants received in 2022/23 are one off in nature (the “Lower-Tier Services Grant” at £149,386 and the “2022/23 Services Grant” at £229,580). No specific grant funding is currently assumed in 2023/24; and

- Contribution to (from) Reserves – the 2022/23 budget included a one-off budgeted contribution of £336,790 to the General Fund Reserve based on the Council receiving a slightly higher than anticipated Government settlement. There are currently no assumed further contributions to or from the Reserve for the duration of this MTFP.

It should be noted that, as reported in the Quarter 1 2022/23 Budget Monitoring Report (Stronger Council Select Committee 26th September 2022 and Cabinet 30th September 2022), there is a projected overspend on the 2022/23 General Fund revenue budget, which – if this substantially materialises – would probably result in the General Fund Reserve falling below its adopted minimum contingency level of £4.0 million; in this situation, there is a potential requirement to replenish the Reserve, which would add to the deficits reported in this MTFP.

3.8 Summary Position

3.8.1 After taking account of the projections made in Sections 3.2 to 3.7 above, the projected medium-term revenue position for the General Fund (2023/24 to 2027/28), is summarised in the table below.

Description	2022/23 BUDGET/ BASELINE	2023/24 BUDGET STRATEGY	2024/25	2025/26	2026/27	2027/28
	£000's	£000's	£000's	£000's	£000's	£000's
NET EXPENDITURE						
Employees	25,228	26,807	27,591	28,123	28,655	29,219
Premises	2,894	3,256	3,419	3,488	3,557	3,628
Transport	321	359	377	385	392	400
Supplies & Services	9,503	10,825	11,363	11,609	11,843	12,080
Support Services	19	21	22	23	23	24
Contracted Services	7,267	7,179	7,803	8,881	8,970	9,060
Transfer Payments	22,210	22,210	22,210	21,100	20,045	19,042
Financing Costs	2,203	3,204	3,713	3,860	4,024	4,166
Gross Expenditure	69,645	73,862	76,498	77,468	77,519	77,619
Fees & Charges	(17,243)	(18,050)	(18,752)	(18,991)	(18,922)	(19,228)
Government Contributions	(24,269)	(24,261)	(24,253)	(23,136)	(22,073)	(21,064)
Miscellaneous Income (including Qualis)	(4,187)	(3,579)	(3,531)	(3,539)	(3,325)	(3,085)
Other Contributions	(3,090)	(3,090)	(3,090)	(3,090)	(3,090)	(3,090)
HRA Recharges	(5,225)	(5,479)	(5,644)	(5,769)	(5,894)	(6,012)
Net Expenditure	15,631	19,402	21,229	22,943	24,215	25,140
FUNDING						
Council Tax	(8,639)	(8,897)	(9,068)	(9,228)	(9,386)	(9,536)
Business Rates	(5,011)	(5,512)	(5,787)	(5,903)	(6,021)	(6,141)
Collection Fund Adjustments	(165)	0	0	0	0	0
Council Tax Sharing Agreement (CTSA)	(948)	(848)	(848)	(848)	(848)	(848)
New Homes Bonus	(776)	0	0	0	0	0
2022/23 Services Grant	(229)	0	0	0	0	0
L-T Services Grant	(149)	0	0	0	0	0
Credit Loss Adjustment	(51)	(20)	0	0	0	0
Contribution to/(from) Reserves	337	0	0	0	0	0
Total Funding	(15,631)	(15,276)	(15,704)	(15,979)	(16,255)	(16,525)
In-Year (Surplus)/Deficit	0	4,126	1,399	1,439	996	654
Cumulative (Surplus)/Deficit	0	4,126	5,525	6,964	7,960	8,615

- 3.8.2 The table above shows a deficit of £4.126 million for 2023/24. This reflects major spending pressures – driven by inflation – (for example) on Employees (£1.579 million) and Supplies & Services (£1.322 million), which is exacerbated by an anticipated drop in Government grants of £1.154 million. Estimated net expenditure in 2023/24 is £19.402 million, compared to available funding of £15.276 million. The Council is required to eliminate this deficit and set a balanced budget for 2023/24 in February 2023.
- 3.8.3 Further budget gaps are expected beyond 2023/24, with notable deficits projected in 2024/25 (£1.399 million) and 2025/26 (£1.439 million) in particular, following the letting of the new Waste Management contract. The projected cumulative budget deficit by 31st March 2028 is £8.615 million.
- 3.8.4 It should be re-emphasised that these figures represent the first iteration of the MTFP in the 2023/24 budget cycle. Finance officers will now work on further refining these estimates in preparing the initial draft Budget proposals. The numbers presented can be expected to both increase and decrease in the coming months, and other factors could also potentially emerge that are not currently reflected in the figures and will have to be factored in.

Updated Medium-Term Financial Plan 2023/24 to 2027/28

HOUSING REVENUE ACCOUNT

October 2022

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 2018-2023, which are grouped under the three corporate ambitions:

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

1.2 The Housing Revenue Account (HRA) embraces both the Communities and Place ambitions to an extent, although the Council has a clear vision as to where the HRA fits as an integral part of a Stronger Place, which is underpinned by specific aims and objectives, including:

- Aim – *delivering effective core services that people want*; and
- Objective – *improving the district housing offer*.

1.3 Through ‘horizon scanning’ and anticipating necessary change at the earliest opportunity, resilience, and the ability to react to and withstand ‘major shocks’ is achieved. Above all, a robust MTFP for the HRA is also critical to achieving compliance with the Council’s legal duty under the Local Government Housing Act 1989 to “maintain a balanced account” and ultimately long-term financial sustainability.

2. Introduction

2.1 This is the first iteration of the MTFP for the HRA in the 2023/24 budget cycle. It is a forward-looking document which provides a tentative look at the HRA picture over the next five years (2023/24 to 2027/28) and re-evaluates the position in the light of developments since the 2022/23 Budget was adopted by the Council in February 2022.

2.6 The February 2022 (HRA) MTFP revealed a sustainable position over the medium-term, with an eventual surplus of £1.275 million emerging in 2026/27. The projections can be summarised as follows:

Financial Year	(Surplus)/Deficit	Comment
	£000's	
2022/23	3,537	Planned deficit (offset by planned surplus in 2021/22).
2023/24	4	
2024/25	1	
2025/26	2	Assumed £900,000 saving from Qualis re Housing Repairs.
2026/27	(1,275)	

2.3 The MTFP is deliberately concise, focussing on the most significant HRA-related financial issues faced by Epping Forest District Council over the medium-term.

3. Financial Projections

3.1 Current Spending Levels

3.1.1 The starting point for developing the MTFP is the current level of spending. The 2022/23 HRA base budget was adopted approved by the Council on 24th February 2022 and can be summarised as follows:

HRA Revenue Budget 2022/23	
Description	2022/23 Budget
	£'s
Employees	4,385,465
Premises	3,593,523
Transport	69,689
Supplies & Services	1,607,559
Contracted Services	6,683,090
Support Services (General Fund Recharges)	5,224,665
Debt Management Expenses	58,000
Bad Debt Provision	93,000
Depreciation	8,958,000
Total Expenditure	30,673,000
Rental Income – Dwellings	(35,124,000)
Rental Income – Non-Dwellings	(836,000)
Fees & Charges (Charges for Services)	(1,779,000)
Other Contributions (Shred Amenities)	(368,000)
Total Income	(38,107,000)
Net Cost of Services	(7,434,000)
Interest Receivable	(6,000)
Financing Costs	5,613,000
Net Operating Income	(1,827,000)
HRA Contribution to Capital	5,364,000
In-Year (Surplus)/Deficit*	3,537,000

*Base budget excludes approved rollover of £140,000 from 2021/22 re "More than Bricks and Mortar"

3.2 Updated Projections

3.2.1 The February 2022 MTFP (HRA element) has now been reviewed and updated, incorporating the experience of the 2022/23 financial year to date (up to 30/09/22) and other emerging intelligence; the updated MTFP also rolls forward into 2023/24, spanning a further five years up to, and including, 2027/28. Specific factors considered include:

- Rent Increases
- Inflation
- Interest Rates
- Budget Growth; and
- HRA Recharges.

Rent Increases

3.2.2 An increase in Rent of 5.0% has been assumed at this stage. This is well below the established Rent Standard (September CPI + 1.0%), and reflects the Government's recent consultation published on 31st August 2022, which proposes the introduction of temporary capping on rent increases (at either 3.0%, 5.0% or 7.0%). Members of course have to option to choose a different Rent Increase, provided it does not breach the eventual rent cap, once adopted. A further Rent increase of 5.0% is assumed for 2024/25, followed by 3.0% from 2025/26 onwards. In addition, a '53-Week Rent Year' is anticipated in 2025/26, thus providing additional income in that year only.

Inflation

3.2.3 A range of inflationary pressures are now affecting the HRA and are expected to continue during 2023/24, eventually receding during 2024/25 before settling back down much closer to the Bank of England's long-term inflation target of 2.0% in 2025/26:

- Pay – estimated pay inflation of 4.0% has been assumed in 2023/24, reducing to 3.0% in 2024/25, and 2.0% in 2025/26 and beyond (as inflation pressure eventually recedes). However, an initial stepped increase in Employee costs is expected in 2023/24 due to the need to address an expected shortfall of around 3.0% in the 2022/23 base budget, before inflation of 4.0% for 2023/24 can be added. Pay inflation is expected to reduce to 3.0% in 2024/25, and 2.0% thereafter (2025/26 onwards)
- Energy – a detailed review of Gas and Electricity costs has been undertaken by Property Services officers. This has factored in the expiry of the Forward Energy Contracts that the Council has benefited from in 2022/23, and the latest protections afforded by the Energy Bill Relief Scheme (EBRS) recently announced by the Government and effective for six months with effect from 1st October 2022. Energy inflation is then expected to reduce to 5.0% in 2024/25 and 2.0% thereafter (2025/26 onwards). Premises costs are expected to rise by £0.855 million in 2023/24 as a consequence; and

- **General** – A generic assumption of 12.0% inflation has been assumed for Premises (excluding Energy costs), Transport, Supplies & Services and Fees & Charges for 2023/24. General inflation is then expected to reduce to 5.0% in 2024/25 and 2.0% thereafter (2025/26 onwards). The base contract for Housing Repairs is assumed frozen, although general inflation provisions of 5.0% (2023/24), 5.0% (2024/25) and 2.0% (2025/26 onwards) have been assumed for items falling outside the contract. An 11.0% increase in the HRA element of the Biffa Waste Contract is assumed from November 2022 (followed by 5.0% in 2024/25, and 2.0% in 2025/26).

Interest Rates

- 3.2.4 The latest available Bank Rate projections supplied by our Treasury Management Advisors, Arlingclose (@ 26th September 2022) have been used to estimate future Financing costs within the MTFP. A borrowing rate of 5.0% has been assumed for 2023/24 and 2024/25, reducing to 3.5% in 2025/26, followed by 3.0% thereafter (2026/27 onwards).

Budget Growth

- 3.2.5 As with the General Fund, the financial position dictates that only *unavoidable* Growth items are included at this stage. The most notable item is the inclusion of an additional £1.0 million in respect of Gas and Minor Remedial Works. Recent regulatory changes require the frequency of Gas Testing to increase from 10-yearly to 5-yearly intervals. Moving forwards, such expenditure will also be charged to revenue in accordance with proper accounting practice. Combined with Energy costs, this is a major contributor to an increase of £2.63 million (73%) in Premises costs in 2023/24.

Recharges

- 3.2.6 Staff-related costs are the most prevalent General Fund Recharge; an increase of 4% has therefore been assumed for 2023/24 (thus mirroring the most recently established average pay award in the General Fund). Increases for 2024/25 onwards mirror the Pay Inflation assumptions noted above (in Paragraph 3.2.3).

Other

- 3.2.7 As previously reported, an assumed saving of £900,000 is in the base budget for Housing Repairs with effect from 2025/26 (one of the deliverables included in the Qualis initiative) and remains unchanged.

3.3 Updated MTFP Summary (October 2022)

- 3.3.1 The updated HRA MTFP is summarised in the table below.

Updated HRA Medium-Term Financial Plan (@ October 2022)						
Description	2022/23 BUDGET/ BASELINE	2023/24 BUDGET STRATEGY	2024/25	2025/26	2026/27	2027/28
	£000's	£000's	£000's	£000's	£000's	£000's
Employees	4,385	4,878	4,991	5,076	5,177	5,281
Premises	3,594	6,224	6,665	6,819	6,989	7,128
Transport	70	78	82	84	85	87
Supplies & Services	1,608	1,347	1,199	1,427	1,129	1,152
Contracted Services	6,683	7,360	7,829	7,088	7,229	7,374
Support Services	5,225	5,479	5,644	5,769	5,894	6,012
Debt Management Expenses	58	65	69	70	71	73
Bad Debt Provision	93	97	105	106	108	112
Depreciation	8,958	9,137	9,320	9,506	9,696	9,890
Total Expenditure	30,673	34,666	35,904	35,944	36,379	37,109
Rental Income – Dwellings	(35,124)	(36,764)	(39,606)	(40,268)	(41,384)	(42,662)
Rental Income – Non-Dwellings	(836)	(936)	(983)	(1,002)	(1,022)	(1,043)
Fees & Charges (Charges for Services)	(1,779)	(2,983)	(3,133)	(3,196)	(3,290)	(3,339)
Other Contributions (Shared Amenities)	(368)	(383)	(393)	(401)	(409)	(417)
Total Income	(38,107)	(41,066)	(44,115)	(44,867)	(46,105)	(47,461)
Net Cost of Services	(7,434)	(6,400)	(8,211)	(8,923)	(9,726)	(10,352)
Interest Receivable	(6)	(8)	(7)	(5)	(4)	(3)
Financing Costs	5,613	5,686	7,477	8,735	9,319	9,768
Net Operating Income	(1,827)	(722)	(741)	(193)	(411)	(587)
HRA Contribution to Capital	5,364	40	957	489	540	713
In-Year (Surplus)/Deficit	3,537	(682)	216	296	129	126

3.3.2 The table above shows a broadly balanced position over the five-year period 2023/24 to 2027/28, with an initial surplus of £0.682 million anticipated in 2023/24, followed by a series of smaller deficits (totalling £0.767 million). However, this is achieved through substantially reining back HRA Contributions to Capital in order to maintain a minimum HRA balance of £2.0 million as determined in the HRA Business Plan. This drives up the need for external borrowing to fund the Housing Development Programme and is reflected in a stepped increase in Financing Costs from 2024/25 onwards.

- 3.3.3 The assumptions presented above have been fed into the “Fortress” (HRA Business Plan) model to determine the long-term impacts on financial sustainability of such a strategy. Critically, the initial results show that by Year 11 (2033/34) the HRA Business Plan begins to become increasingly unviable with the increasing servicing costs of rising borrowing leading to some breaches of pre-set parameters, including the minimum HRA balance of £2.0 million and a target interest cover level of 1.25%.
- 3.3.4 The primary cause of the problem is the current imbalance between a capped Rent Increase of 5.0% assumed for 2023/24 and 2024/25, sharply rising Interest Rates and high General Inflation (assumed to be as high as 12.0% initially).
- 3.3.5 Officers will now undertake detailed analyses of all relevant factors assumed in the Fortress model, including reviewing the current HRA Capital Programme, to see how the strategy can be amended to restore long-term financial sustainability. This will identify the options available to Members in considering the draft Budget for 2023/24 in December 2022, including a revised MTFP.