

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

*Updated February 2024*

### 1. Background

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

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

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

### 2 Introduction

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

### 3 General Fund MTFP

3.1 The October 2023 MTFP revealed a projected General Fund deficit of £3.720 million for 2024/25, reflecting a range of inflationary pressures and the impact of new Waste Management arrangements, compared to 2023/24. Estimated net expenditure was £21.365 million, compared to funding of just £17.645 million.

3.2 The initial draft budget proposals presented to Cabinet on 28th December 2023 addressed the original deficit identified in October 2023, to achieve an early balanced position. However, as is normal for that stage in the budget development process, the *provisional* Local Government Finance Settlement for 2024/25 had not been incorporated (only estimated assumptions) and – on this occasion, and more significantly – a capital receipt received by the Council (immediately before Christmas 2023) as part of a land disposal at North Weald Airfield, had not been incorporated.

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

<b>General Fund MTFP (@ December 2023)</b>		
<b>Financial Year</b>	<b>(Surplus)/Deficit</b>	<b>Comment</b>
	<b>£000's</b>	
2024/25	0	Assumed Government grant of £1.514 million + Contribution to Reserves of £0.263 million. New Waste Management arrangements assumed with effect from November 2024.
2025/26	1,152	
2026/27	784	
2027/28	493	
2028/29	492	

3.4 The Government announced the provisional Local Government Finance Settlement for 2024/25 on 18th December 2023, and further work has been done by Finance officers on a range of issues, including incorporating the impact of the North Weald Airfield capital receipt (discussed in detail in **Appendix A**). This has enabled the initial draft budget to be refined and 're-balanced' for final consideration by Cabinet at this meeting. The updated MTFP (2024/25 through to 2028/29), reflecting the final draft General Fund budget for 2024/25, is illustrated in the table below.

Epping Forest District Council: Medium-Term Financial Plan (MTFP) - February 2024					
Subjective Description	Draft Budget 2024/25	Estimated Budget Requirement 2025/26	Estimated Budget Requirement 2026/27	Estimated Budget Requirement 2027/28	Estimated Budget Requirement 2028/29
	£'s	£'s	£'s	£'s	£'s
Employees	21,680,740	22,101,350	22,523,380	22,953,850	23,392,930
Premises	3,529,640	3,800,230	3,876,240	3,953,760	4,032,840
Transport	232,630	237,280	242,030	246,870	251,810
Supplies & Services	10,056,100	10,124,620	10,327,110	10,533,660	10,744,330
Support Services	700	710	730	740	760
Contracted Services	11,605,610	11,721,670	11,838,880	11,957,270	12,076,840
Transfer Payments (exclusively HB)	21,698,600	21,698,600	20,613,700	19,583,050	18,603,920
Financing Costs	363,160	2,031,880	2,939,900	2,928,880	2,923,480
Service Contingency (Waste)	200,000	-	-	-	-
<b>Gross Expenditure</b>	<b>69,367,180</b>	<b>71,716,340</b>	<b>72,361,970</b>	<b>72,158,080</b>	<b>72,026,910</b>
Fees & Charges	- 17,956,400	- 18,416,610	- 18,658,310	- 18,903,310	- 19,151,680
Government Contributions (90%+ HB Subsidy)	- 23,284,520	- 23,272,870	- 22,176,890	- 21,135,720	- 20,146,600
Miscellaneous Income (including Qualis)	- 3,536,940	- 3,648,590	- 3,399,450	- 3,138,260	- 2,888,260
Other Contributions	- 4,193,750	- 4,193,750	- 4,193,750	- 4,193,750	- 4,193,750
HRA Recharges	- 4,542,140	- 4,632,980	- 4,725,640	- 4,820,150	- 4,916,550
<b>Net Expenditure</b>	<b>15,853,430</b>	<b>17,551,540</b>	<b>19,207,930</b>	<b>19,966,890</b>	<b>20,730,070</b>
<b>Funding:</b>					
Council Tax	- 9,288,410	- 9,404,520	- 9,498,560	- 9,593,550	- 9,689,480
Business Rates	- 6,359,000	- 6,549,770	- 6,680,760	- 6,814,380	- 6,950,670
Collection Fund Adjustments	- 394,980	-	-	-	-
Council Tax Sharing Agreement (CTSA)	- 435,110	- 535,110	- 585,110	- 585,110	- 585,110
<b>Non-Specific Grants:</b>					
Revenue Support Grant (RSG)	- 137,320	- 137,320	- 137,320	- 137,320	- 137,320
New Homes Bonus	- 5,880	-	-	-	-
Other/FGA	- 1,385,400	- 1,385,400	- 1,385,400	- 1,385,400	- 1,385,400
Contribution to/(from) Reserves	2,152,670	460,580	-	-	-
<b>Total Funding</b>	<b>- 15,853,430</b>	<b>- 17,551,540</b>	<b>- 18,287,150</b>	<b>- 18,515,760</b>	<b>- 18,747,980</b>
<b>In-Year (Surplus)/Deficit</b>	<b>0</b>	<b>0</b>	<b>920,780</b>	<b>530,350</b>	<b>530,960</b>
<b>Cumulative (Surplus)/Deficit</b>	<b>0</b>	<b>0</b>	<b>920,780</b>	<b>1,451,130</b>	<b>1,982,090</b>

3.5 As presented in **Appendix A**, the initially balanced General Fund budget for 2024/25 presented in the December 2023 MTFP has now been 're-balanced'. It is a complex exercise to draw detailed comparisons between the different iterations of the MTFP; there are multiple variables that 'roll up' cumulatively as the years progress. However, on this occasion, there is a clear distinction between the MTFP produced in December 2023, and the updated version presented above with net Capital Financing costs being the recurring theme. The major headlines in Years 2 (2025/26) and 3 (2026/27) are as follows:

- **2025/26 (£0 surplus/deficit)** – the 2025/26 budget has been assumed as balanced at this stage, although this is a tentative projection based on available intelligence at the time of reporting (February 2024). In particular, the Council will need to give detailed consideration as to the future application of the North Weald Airfield capital receipt, carefully balancing its strategic priorities and ambitions with the overriding need to maintain financial sustainability. In the table above in Paragraph 3.4, financial balance in 2025/26 is achieved through reducing the contribution to Reserves from £2.152 million in 2024/25 to £0.461 million (i.e. down £1.691 million), which primarily reflects an expected increase in Capital Financing costs, which are assumed to increase by £1.669 million, partly reflecting an expected reduction in interest rates, but also additional MRP costs (circa £450,000) in respect of ICT investment; and

- **2026/27 (£0.921 deficit)** – the Council’s structural deficit begins to emerge again in 2026/27. It is no longer possible to contribute to Reserves and there is a further expectation of increased Capital Financing costs (up by a further £0.908 million) with further reductions in interest rates expected and additional MRP costs too, notably in respect of the new Epping Leisure Centre (circa £324,000).

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

- **Inflation** – the published CPI rate for December 2023 was 4.0% (marginally up from 3.9% in November 2023, but well below the recent peak of 11.1% in October 2022). As reported to Cabinet in December 2023, the falls in CPI experienced in the Autumn of 2023 were beneficial to the cost of the existing Waste Management contract with Biffa. However, (especially) in the light of the uptick in inflation in December 2023, all other inflationary assumptions remain constant compared to those originally assumed back in October 2023. This includes assumed general inflation of 3.5% in 2024/25, with 2.0% assumed thereafter. Similarly, a pay award of 3.0% has been assumed in 2024/25, with 2.0% assumed thereafter. Average increases in Fees and Charges assumed for 2024/25 remain unaltered at the August 2023 CPI rate of 6.7%, reducing to 2.0% thereafter.
- **Growth** – there were no discretionary budget growth items included in the projections presented in December 2023, although one-off budgets introduced for 2024/25 in respect of “Fit for the Future” (£180,000) and “Place-Based Initiatives” (£150,000) covered in **Appendix A**, have been ‘reversed out’ in 2025/26.
- **Financing Costs** – overall (net) Financing costs have changed significantly since December 2023. But substantial growth is again expected from 2025/26 onwards (e.g. in 2025/26, MRP up £520,000, Interest Payable up £308,720, and Interest Receivable down £840,000), although any future decisions with regard to the North Weald capital receipt would be likely to have a material impact on current assumptions; and
- **HRA Recharges** – recharges to the HRA continue to be assumed as relatively stable from 2025/26 onwards with just inflationary increases only applied. However, further Transformation work on General Fund services (through the “Fit for the Future” Programme) can be expected to yield savings that can be shared with the HRA; this will be reflected in future iterations of this MTFP.

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

- **Council Tax** – as reported in **Appendix A**, there is now a clear assumption that the Council will increase the Council Tax by 2.99% (within the 2024/25 Referendum Principles) in 2024/25; Council Tax freezes are assumed from 2025/26 onwards.
- **Business Rates** – in light of the outcome of the April 2023 Business Rates Revaluation, a stepped increase of £0.593 million is assumed in 2024/25, followed by inflationary increases thereafter. It should be noted that gains from the Essex Business Rates Pool are no longer assumed (as in previous years), which removes the Council’s vulnerability to fluctuations in the Business Rates Retention (BRR) system whereby any additional funding received by Epping Forest District Council is partly dependent in Business Rates growth in other Essex districts.

- **Collection Fund Adjustments** – assumed Collection Fund adjustments are extremely difficult to forecast beyond the immediately forthcoming financial year. On that basis a prudent ‘neutral’ assumption is included in this iteration of the MTFP from 2025/26 onwards. However, as with Business Rates, this is an area that officers keep under constant review.
- **Council Tax Sharing Agreement (CTSA)** – gradually improving collection rates are expected to drive some steady improvement in funding receivable from the Essex CTSA in 2025/26 and 2026/27 and flattening out at £585,000 thereafter.
- **Grants** – as explained in **Appendix A**, the overall Settlement for 2024/25 is now assumed to represent “Core Spending Power + 4.0%”. Future Settlements (from 2025/26 onwards) are assumed frozen at this stage, with the exception of NHB, which is assumed to cease with effect from 2025/26.
- **Use of Reserves** – it is assumed at this stage that all Contributions to Reserves will be made to the new Transformation Revenue Reserve, which has a target balance of £3.0 million, although this will be the subject to an annual review at each Balance Sheet date by the Section 151 Officer, who will make detailed recommendations to Cabinet as to the prudent and effective Use of Reserves.

#### 4 Housing Revenue Account (HRA) MTFP

4.1 The December 2023 MTFP reflected a *planned* HRA deficit of £0.465 million for 2024/25, followed by declining deficits from 2025/26 thorough to 2028/29. The table below summarises the forecast.

Housing Revenue Account MTFP (@ December 2023)		
Financial Year	(Surplus)/Deficit	Comment
	£000's	
2024/25	465	
2025/26	296	
2026/27	104	
2027/28	18	
2028/29	6	

4.2 Members should note that the planned deficits reflected in the table above represent a deliberate strategy to utilise *surplus* reserves only. The opening HRA reserve balance for 2023/24 was £4.515 million and, as at Quarter 3, the forecast closing balance for 31st March 2024 is £4.255 million (i.e., potentially £2.3 million above the minimum balance; the December 2023 MTFP planned to utilise £0.889 million).

4.3 The updated HRA MTFP (2024/25 through to 2028/29), reflecting the final draft HRA budget for 2024/25, is illustrated in the table below (being almost identical to the December 2023 projections).

HRA MTFP Illustration (@February 2024)					
Description	2024/25 Draft Budget (February 2024)	2025/26	2026/27	2027/28	2028/29
	£'s	£'s	£'s	£'s	£'s
Employees	5,295,800	5,402,260	5,510,310	5,620,520	5,732,930
Premises	6,690,830	6,823,160	7,033,750	7,173,700	7,314,870
Transport	80,790	82,410	84,060	85,740	87,450
Supplies & Services	1,281,290	1,298,810	1,120,790	1,143,210	1,370,070
Contracted Services	8,296,155	7,903,385	8,061,455	8,222,685	8,384,135
Support Services (GF Recharges)	4,542,135	4,632,975	4,725,635	4,820,145	4,916,545
Debt Management Expenses	68,000	69,000	70,000	72,000	73,000
Bad Debt Provision	109,000	110,000	113,000	117,000	121,000
Depreciation	10,700,000	10,914,000	11,132,000	11,355,000	11,582,000
<b>Total Expenditure</b>	<b>37,064,000</b>	<b>37,236,000</b>	<b>37,851,000</b>	<b>38,610,000</b>	<b>39,582,000</b>
Rental Income - Dwellings	(41,143,000)	(41,661,000)	(42,980,000)	(44,097,000)	(45,191,000)
Rental Income - Non-Dwellings	(999,000)	(1,019,000)	(1,039,000)	(1,060,000)	(1,081,000)
Fees and Charges (Charges for Services)	(3,051,000)	(3,124,000)	(3,197,000)	(3,334,000)	(3,388,000)
Other Contributions (Shared Amenities)	(394,000)	(402,000)	(410,000)	(418,000)	(427,000)
<b>Total Income</b>	<b>(45,587,000)</b>	<b>(46,206,000)</b>	<b>(47,626,000)</b>	<b>(48,909,000)</b>	<b>(50,087,000)</b>
<b>Net Cost of Service</b>	<b>(8,523,000)</b>	<b>(8,970,000)</b>	<b>(9,775,000)</b>	<b>(10,299,000)</b>	<b>(10,505,000)</b>
Interest Received	(150,000)	(214,000)	(109,000)	(91,000)	(85,000)
Financing Costs	6,562,000	6,719,000	6,704,000	6,844,000	7,211,000
<b>Net Operating Income</b>	<b>(2,111,000)</b>	<b>(2,465,000)</b>	<b>(3,180,000)</b>	<b>(3,546,000)</b>	<b>(3,379,000)</b>
<b>Appropriations:</b>					
HRA Contribution to Capital	2,576,000	2,761,000	3,285,000	3,564,000	3,384,000
<b>Total Appropriations</b>	<b>2,576,000</b>	<b>2,761,000</b>	<b>3,285,000</b>	<b>3,564,000</b>	<b>3,384,000</b>
<b>In-Year (Surplus)/Deficit</b>	<b>465,000</b>	<b>296,000</b>	<b>105,000</b>	<b>18,000</b>	<b>5,000</b>

- 4.4 Further work on the detailed budget assumptions in the initial draft budget has resulted in some very minor refinements to the 2024/25 figures (covered in **Appendix A**), although this has not altered the *planned* deficit of £0.465 million reported in December 2023.
- 4.5 It should be noted that officers have refined the 30-Year HRA Business Plan using the “Fortress” model, following the completion of the Stock Condition Survey (SCS). This has led to the reprioritisation of a range of previously planned works, whilst at the same time adding £15.0 million (£1.5 million annually for 10 years from 2024/25) for Net Zero Carbon building works.
- 4.6 The changes to the Business Plan triggered by the SCS have been introduced with financial sustainability being an absolute priority, including minimising the need to borrow and maintaining a minimum HRA balance of £2.0 million. The planned deficits reflected in the table above in Paragraph 4.3 represent a deliberate strategy to utilise *surplus* reserves only. As noted above in Paragraph 4.2, the opening HRA reserve balance for 2023/24 was £4.515 million and, as at Quarter 3, the forecast closing balance for 31st March 2024 is £4.255 million (i.e., potentially £2.3 million above the minimum balance; the December 2023 MTFP plan to utilise £0.889 million remains unchanged).