

Report to the Cabinet

Report reference: C-044-2023/24
Date of meeting: 5th February
2024



Portfolio: Finance & Economic Development – Cllr. John Philip

Subject: Draft Budget 2024/25 (including General Fund & HRA revenue & capital, Fees & Charges, and an updated Medium-Term Financial Plan)

Responsible Officer: Andrew Small (01992 564278)

Democratic Services: Vivienne Messenger (01992 564243)

Recommendations/Decisions Required:

- 1) To consider the final revenue and capital budget proposals for 2024/25 as presented in *Appendices A to E* of this report, together with the comments received from the Overview & Scrutiny Committee; and after making any amendments that Cabinet considers necessary.
- 2) Recommend to Council:
 - a. The budget for 2024/25 and the updated Medium-Term Financial Plan; and
 - b. The level of Council Tax increase for 2024/25.

Executive Summary:

The Cabinet approved an updated Financial Planning Framework (FPF) 2024/25 to 2028/29 at its meeting on 18th September 2023, which is the first step in preparing the 2024/25 budget.

The first major milestone in the FPF was reached on 9th October 2023, with Cabinet receiving and considering an updated Medium-Term Financial Plan (MTFP) for 2024/25 to 2028/29. The MTFP revealed a projected deficit of £3.720 million for 2024/25 on the General Fund; it is a deficit that required eliminating in full for the Council to fulfil its legal obligation to set a balanced budget for the forthcoming financial year.

The MTFP also identified a projected a small surplus of £0.015 million on the Housing Revenue Account (HRA) for 2024/25.

Acting on the strategic direction provided by Cabinet on 9th October 2023, officers were successful in provisionally bridging the General Fund revenue deficit and presented an early draft budget for 2024/25 to Cabinet on 18th December 2023. The budget was balanced, with the proposals also reflecting the comments of a special Overview & Scrutiny Committee, which met to consider the emerging budget, including the savings proposals, on 12th December 2023.

Attachment 1

The provisional Local Government Finance Settlement for 2024/25 was also announced on 18th December 2023, with the outcome for Epping Forest District Council in line with early expectations.

However, as agreed by Cabinet on 13th March 2023, the Council was successful in completing the sale of a portion of land owned a North Weald Airfield, which was earmarked for employment use within the Local Plan. The eventual sale completed immediately prior to Christmas 2023, but negotiations with the buyer had proceeded for many months prior to the sale. Without certainty on completion, the financial implications could not be assumed in preparing the initial draft budget for 2024/25 presented to Cabinet on 18th December 2023.

The size of the capital receipt, and the investment interest that it generates, has material financial implications for the Council. However, although recognising the temptation to substantially scale back the many difficult and challenging savings assumptions embedded in the December 2023 draft budget, it is strongly recommended that the Council continues its approach to creating a sustainable budget across the whole of the MTFP period. There is a substantial underlying structural deficit in the Council's General Fund revenue budget, which cannot be addressed through the application of the North Weald Airfield capital receipt.

However, the capital receipt does provide some short-term opportunities and some flexibility, which is now reflected in the amended draft budget proposals for 2024/25 presented in this report for consideration by Cabinet.

The Revenue elements of the draft budget for 2024/25 can be found at **Appendix A**.

- The General Fund final draft budget proposal for 2024/25 comprises Net Expenditure of £15.853 million, which includes a contribution of £2.152 million to Reserves. The provisional Local Government Finance Settlement 2024/25 was generally as expected, but there has been a substantial decrease of £2.076 million in the overall Net Expenditure budget requirement compared to that assumed in December 2023 driven by a significant fall in net Financing costs (reflecting the impact of the North Weald Airfield capital receipt). This has helped to address some late budget pressures, including an income shortfall on Planning Applications (£0.600 million) and the need for a further ongoing contingency on Waste Management (£0.500 million). Scrutiny feedback has also helped guide the judicious use of the available short-term flexibility in removing a limited number of savings proposals embedded in the December 2023 initial draft budget (£0.588 million). It is proposed that the remaining budget surplus (£2.152 million) is set aside within a newly created Transformation Revenue Reserve. A Council Tax increase of 2.99% is proposed; and
- The HRA final draft budget proposal for 2024/25 anticipates a planned deficit of £0.465 million and assumes an average Housing Rent increase of 7.7% (in line with the legal Rent Standard).

The Capital elements of the draft budget for 2024/25 can be found at **Appendix B**.

- The General Fund Capital Programme comprises total expenditure of £60.488 million over the five-year period 2024/25 to 2028/29, including £32.178 million in 2024/25; and
- The HRA Capital Programme comprises total expenditure of £140.424 million over the five-year period 2024/25 to 2028/29, including £33.087 million in 2024/25.

The proposed Fees & Charges that support the draft budget for 2024/25, can be found at **Appendix C**. This comprises both the General Fund and HRA elements, with an average inflationary increase of around 6.7% (September 2023 CPI) applied.

Attachment 1

Looking further ahead, the updated MTFP is included at **Appendix D** covering both the General Fund and the HRA; the numbers reflect the final draft budget proposals for 2024/25. Whilst the position for the HRA is almost identical to that presented in December 2023, the updated projections for the General Fund are significantly different, most notably with a balanced position projected for 2025/26 (compared to a forecast deficit £1.152 million in December 2023). This is achieved whilst still contributing £0.461 million to Reserves. However, the underlying structural deficit re-emerges from 2026/27 onwards though.

In terms of the **General Fund** medium-term position, the projections are summarised below.

General Fund MTFP (@ February 2024)		
Financial Year	(Surplus)/Deficit	Comment
	£000's	
2024/25	0	Includes contribution of £2.152 million to Transformation Revenue Reserve. New Waste Management arrangements assumed with effect from November 2024.
2025/26	0	Includes contribution of £0.461 million to Transformation Revenue Reserve.
2026/27	921	
2027/28	530	
2028/29	531	

In terms of the **HRA** medium-term position, the projections are summarised below.

Housing Revenue Account MTFP (@ February 2024)		
Financial Year	(Surplus)/Deficit	Comment
	£000's	
2024/25	465	
2025/26	296	
2026/27	105	
2027/28	18	
2028/29	5	

The final stage in the process will see the budget proposals for both the General Fund and Housing Revenue Account presented to the Council on 20th February 2024, alongside the Council Tax Setting report for 2024/25.

Reasons for Proposed Decision:

To enable Cabinet to recommend a final budget for 2024/25 to the Council on 20th February 2024.

Legal and Governance Implications:

The Council has a legal duty under the Local Government Finance Act 1992 to set a balanced budget. This report presents final budget proposals that reflect a balanced position for 2024/25.

Safer, Cleaner and Greener (SCG) Implications:

There are no direct SCG implications contained within the report.

Consultation Undertaken:

The initial draft budget proposals for 2024/25, including an updated Medium-Term Financial Plan, were (following scrutiny from special Overview & Scrutiny Committee 12th December 2023) presented to Cabinet on 18th December 2023 and again to the Overview & Scrutiny Committee on 23rd January 2024. The comments from the Overview & Scrutiny Committee will be considered by Cabinet alongside this report.

Background Papers:

None.

Risk Management:

The consideration of risk formed an integral part of the development of the proposals in this report. In particular, the Budget (and updated MTFP) is based on a series of estimates and assumptions that are informed by a range of intelligence sources (some certain, some uncertain); that process, including any residual risk in the decision-making process, is clearly indicated where appropriate.