

# Supplementary Committee Agenda



**Epping Forest  
District Council**

## **Cabinet Monday, 10th October, 2022**

**Place:** Council Chamber, Civic Offices, High Street, Epping

**Time:** 7.00 pm

**Democratic Services:** A. Hendry (Democratic Services)  
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### **8. UPDATED MEDIUM-TERM FINANCIAL PLAN 2023/24 TO 2027/28 (Pages 3 - 24)**

(Finance – Cllr. J Philip) To review the Updated Medium-Term Financial Plan 2023/24 to 2027/28 (C-019-2022/23) – report now attached.

#### **8.a Capital Programme Update 2023/24 to 2027/28 (Pages 25 - 34)**

(Finance – Cllr J Philip) – to note the report including both the updated General Fund and Housing Revenue Account Capital Programmes (2023/24 to 2027/28) – (C-025-2022-23).

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## **Report to the Cabinet**

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



**Epping Forest  
District Council**

**Portfolio:** Finance – Cllr J Philip  
**Subject:** Updated Medium-Term Financial Plan 2023/24 to 2027/28  
**Responsible Officer:** Andrew Small (01992 564278)  
**Democratic Services:** Adrian Hendry (01992 564246)

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### **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.

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## 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.

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 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:

<b>Description</b>	<b>2022/23 Budget</b>
	<b>£'s</b>
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
<b>Gross Expenditure</b>	<b>69,644,923</b>
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)
<b>Net Expenditure</b>	<b>15,631,364</b>

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
<b>Total Funding</b>	<b>(15,631,364)</b>

### 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.

<b>Medium-Term Increased/(Reduced) Budget Demand (@ October 2022)</b>					
<b>Description</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	<b>£'s</b>	<b>£'s</b>	<b>£'s</b>	<b>£'s</b>	<b>£'s</b>
<b>Employees</b>					
Health & Social Care Levy	(154,224)	0	0	0	0
Added Years/Unfunded Pensions	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)
<b>Premises</b>					
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
<b>Supplies &amp; Services</b>					
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
<b>Contracted Services</b>					
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
<b>Transfer Payments</b>					
Reduced HB Payments	0	0	(1,110,510)	(1,054,985)	(1,002,235)
<b>Fees &amp; Charges</b>					
HMRC (rental loss)	684,000	0	0	0	0
Leisure Management Contract	(277,703)	(155,804)	(14,639)	294,233	(78,789)
<b>Government Contributions</b>					
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
<b>HRA Recharges</b>					
Reduced Insurance Recharges	83,452	0	0	0	0
<b>Net Increased/(Reduced) Budget Demand</b>	<b>306,754</b>	<b>261,595</b>	<b>835,867</b>	<b>281,352</b>	<b>(91,884)</b>

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.

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

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.

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

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
<b>NET EXPENDITURE</b>						
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
<b>Gross Expenditure</b>	<b>69,645</b>	<b>73,862</b>	<b>76,498</b>	<b>77,468</b>	<b>77,519</b>	<b>77,619</b>
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)
<b>Net Expenditure</b>	<b>15,631</b>	<b>19,402</b>	<b>21,229</b>	<b>22,943</b>	<b>24,215</b>	<b>25,140</b>
<b>FUNDING</b>						
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
<b>Total Funding</b>	<b>(15,631)</b>	<b>(15,276)</b>	<b>(15,704)</b>	<b>(15,979)</b>	<b>(16,255)</b>	<b>(16,525)</b>
<b>In-Year (Surplus)/Deficit</b>	<b>0</b>	<b>4,126</b>	<b>1,399</b>	<b>1,439</b>	<b>996</b>	<b>654</b>
<b>Cumulative (Surplus)/Deficit</b>	<b>0</b>	<b>4,126</b>	<b>5,525</b>	<b>6,964</b>	<b>7,960</b>	<b>8,615</b>

- 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.

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## 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.

2.2 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:

<b>HRA Revenue Budget 2022/23</b>	
<b>Description</b>	<b>2022/23 Budget</b>
	<b>£'s</b>
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
<b>Total Expenditure</b>	<b>30,673,000</b>
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)
<b>Total Income</b>	<b>(38,107,000)</b>
<b>Net Cost of Services</b>	<b>(7,434,000)</b>
Interest Receivable	(6,000)
Financing Costs	5,613,000
<b>Net Operating Income</b>	<b>(1,827,000)</b>
HRA Contribution to Capital	5,364,000
<b>In-Year (Surplus)/Deficit*</b>	<b>3,537,000</b>

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

#### 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
<b>Total Expenditure</b>	<b>30,673</b>	<b>34,666</b>	<b>35,904</b>	<b>35,944</b>	<b>36,379</b>	<b>37,109</b>
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)
<b>Total Income</b>	<b>(38,107)</b>	<b>(41,066)</b>	<b>(44,115)</b>	<b>(44,867)</b>	<b>(46,105)</b>	<b>(47,461)</b>
<b>Net Cost of Services</b>	<b>(7,434)</b>	<b>(6,400)</b>	<b>(8,211)</b>	<b>(8,923)</b>	<b>(9,726)</b>	<b>(10,352)</b>
Interest Receivable	(6)	(8)	(7)	(5)	(4)	(3)
Financing Costs	5,613	5,686	7,477	8,735	9,319	9,768
<b>Net Operating Income</b>	<b>(1,827)</b>	<b>(722)</b>	<b>(741)</b>	<b>(193)</b>	<b>(411)</b>	<b>(587)</b>
HRA Contribution to Capital	5,364	40	957	489	540	713
<b>In-Year (Surplus)/Deficit</b>	<b>3,537</b>	<b>(682)</b>	<b>216</b>	<b>296</b>	<b>129</b>	<b>126</b>

- 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.

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## ***Report to the Cabinet***

**Report reference:** C-025-2022/23  
**Date of meeting:** 10th October  
2022



**Epping Forest  
District Council**

**Portfolio:** Finance – Cllr J Philip  
**Subject:** Capital Programme Update 2023/24 to 2027/28  
**Responsible Officer:** Andrew Small (01992 564278)  
**Democratic Services:** Adrian Hendry (01992 564246)

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### **Recommendations/Decisions Required:**

- 1) To note the contents of the report, including both the updated General Fund and Housing Revenue Account Capital Programmes (2023/24 to 2027/28) at *Appendix A*; and
- 2) Discuss and agree actions required (in the context of the updated Medium-Term Financial Plan) for the further refinement of the Capital Programme as part of developing integrated draft budget proposals for further consideration by Cabinet in December 2022.

### **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 an updated Capital Programme for 2023/24 to 2027/28. This provides essential context and is a key part of early budget preparations for 2023/24.

The updated (indicative) Capital Programme is in two parts and comprises total investment of £226.564 million (General Fund £46.466 million, Housing Revenue Account £180.098 million) over the five-year period 2023/24 to 2027/28.

The purpose of this report is to present and provide context for consideration by Members – alongside the Medium-Term Financial Plans (for both the General Fund and Housing Revenue Account) – an indicative draft Capital Programme for 2023/24 to 2027/28.

#### **General Fund Capital: Updated Summary (Indicative only)**

The updated Capital Programme totals £46.466 million over the five-year period and is summarised – by service – in the table below.

<b>Draft General Fund Capital Programme 2023/24 to 2027/28: Service Analysis</b>						
<b>Service</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>Total</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Commercial & Technical	8,924	7,326	1,096	1,061	1,073	<b>19,480</b>
Corporate Services	1,179	1,064	1,219	1,024	0	<b>4,486</b>
Housing (Property Services)	300	300	300	300	300	<b>1,500</b>
Qualis	21,000	0	0	0	0	<b>21,000</b>
<b>Totals</b>	<b>31,403</b>	<b>8,690</b>	<b>2,615</b>	<b>2,385</b>	<b>1,373</b>	<b>46,466</b>

Given the Council's challenging financial position, growth proposals at this stage are limited to 2027/28 routine "rolling items" of £1.373 million (of which £973,000 is funded by Government grant).

Members should note that growth items are indicative only at this stage (rather than firm budget proposals), and the views of Cabinet are sought to help enable the development of firmer proposals for inclusion in the initial draft budget in December 2021.

*Housing Revenue Account: Updated Summary (Indicative only)*

The updated Programme totals £180.098 million and is summarised in the table below.

<b>Draft HRA Capital Programme 2023/24 to 2027/28</b>						
<b>Description</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>Total</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Housing Development Programme	20,734	17,286	12,329	7,576	5,927	<b>63,852</b>
Capital Works	24,713	25,748	11,925	14,948	17,567	<b>94,901</b>
Regeneration Schemes	4,501	3,333	7,333	0	0	<b>15,167</b>
Other Housing Schemes	1,658	1,023	1,043	1,065	1,389	<b>6,178</b>
<b>Totals</b>	<b>51,606</b>	<b>47,390</b>	<b>32,630</b>	<b>23,589</b>	<b>24,883</b>	<b>180,098</b>

The Programme is dominated by Housing Development (£63.852 million over 5 years) and routine Capital Works (£94.901 million over 5 years).

The Housing Development Programme includes both New Build Properties and Qualis Acquisitions.

The next stage in the process will see the assumptions and projections in both the General Fund and HRA Capital Programmes further refined in accordance with the direction provided by Cabinet and emerging intelligence. This will include making the necessary adjustments to the 'capital consequences' assumed in revenue budgets.

**Reasons for Proposed Decision:**

To provide an updated (initial) draft Capital Programme for the Cabinet's consideration, to allow discussion and direction in the further development of the Programme in order to balance the need to deliver on the Council's corporate priorities, whilst maintaining a balanced budget and achieving long-term financial sustainability.

**Legal and Governance Implications:**

The Council has a legal duty under the Local Government Finance Act 1992 to set a balanced budget. The revenue-related financial implications of the capital expenditure plans presented, are embedded in the draft Medium-Term Term Financial Plans (2023/24 to 2027/28).

**Safer, Cleaner and Greener Implications:**

The overall Capital Programme forms a key part of the Council's commitment to a 'Safer, Cleaner and Greener' (SCG) district, whereas the Housing Revenue Account Capital Programme in particular includes many SCG features including a range of environmentally friendly features within the planned Housebuilding Programme.

**Consultation Undertaken:**

The potential capital investment opportunities available to the Council are a key consideration in developing policy and strategy, that is informed by the public consultation process. Both the General Fund and Housing Revenue Account capital programmes are purposely focussed around the delivery of the Council's Corporate Plan 2018-2023 and its three core ambitions of Stronger Communities, Stronger Place and Stronger Council.

**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 Capital Programme 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.

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## Draft Capital Programme 2023/24 to 2027/28

**GENERAL FUND & HRA***October 2022***1. Background and Introduction**

- 1.1 The Capital Programme plays a vital part in the delivery of the Council's Corporate Plan, since long-term investment is required to deliver many of the objectives in the Plan. The draft Capital Programme presented is a rolling five-year programme. It updates the five-year Programme adopted by the Council in February 2022 and takes account of spending and other developments up to 30th September 2022 (i.e. the "Quarter 2" position for 2022/23).
- 1.2 The updated Capital Programme is in two parts and comprises total investment of £226.564 million (General Fund £46.466 million, Housing Revenue Account £180.098 million) over the five-year period 2023/24 to 2027/28.
- 1.3 The purpose of this report is to present and provide context for consideration by Members – alongside the Medium-Term Financial Plans (for both the General Fund and Housing Revenue Account) – an initial draft Capital Programme for 2023/24 to 2027/28.

**2. General Fund Capital Programme 2023/24 to 2027/28 (Annex 1)***General Fund Capital: Budget Growth (Indicative)*

- 2.1 Given the Council's challenging financial position, indicative growth proposals at this stage are limited to 2027/28 routine "rolling items" of £1.373 million (of which £973,000 is funded by Government grant). The indicative proposals at this stage are summarised in the table below.

<b>General Capital Programme 2023/24 to 2027/28: Budget Growth (Indicative)</b>					
<b>Description</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b><i>Commercial &amp; Technical</i></b>					
CCTV Replacement Programme	0	0	0	0	42
Disabled Facilities Grants (DFG)	0	0	0	0	971*
Home Assist Grants	0	0	0	0	30
Grounds Maintenance	0	0	0	0	30
<b><i>Housing (Property Services)</i></b>					
Planned Works on Investment Properties	0	0	0	0	250
Planned Works on Operational Properties	0	0	0	0	50
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,373</b>

\*Funded by Government Grant

2.2 The views of Cabinet are sought at this stage to help enable the development of firmer proposals for inclusion in the initial draft budget in December 2022. Of particular note:

- The growth items presented in the table have been rolled forward at current spending levels. Underlying costs (wages and materials especially) are increasing. This means that if the current level of investment is to be maintained, additional expenditure will be required; and
- Annual expenditure on ICT General Schemes (£93,000) and ICT Strategy (£931,000) has not been automatically rolled forward and assumed in 2027/28 as in previous years. Again, this is an area for detailed consideration by Members.

General Fund Capital: Updated Summary

2.3 Taking account of the indicative growth proposals presented above in Paragraph 2.1, the updated Capital Programme totals £46.466 million over the five-year period and is summarised – by service – in the table below.

<b>Draft General Fund Capital Programme 2023/24 to 2027/28: Service Analysis</b>						
<b>Service</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>Total</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Commercial & Technical	8,924	7,326	1,096	1,061	1,073	<b>19,480</b>
Corporate Services	1,179	1,064	1,219	1,024	0	<b>4,486</b>
Housing (Property Services)	300	300	300	300	300	<b>1,500</b>
Qualis	21,000	0	0	0	0	<b>21,000</b>
<b>Totals</b>	<b>31,403</b>	<b>8,690</b>	<b>2,615</b>	<b>2,385</b>	<b>1,373</b>	<b>46,466</b>

2.4 It should be noted that the table above excludes total budgeted expenditure of £21.909 million (excluding Qualis loans) in 2022/23. Subject to Member approval, unspent budgets in 2022/23 will automatically roll forward into 2023/24 and be available for the completion of pre-approved capital schemes.

2.5 The individual schemes in the table above include the following:

- **Commercial and Technical (£19.480 million)** – the Commercial and Technical service is leading on seven separate schemes, which are dominated by four in particular:
  - Cartersfield Road (£1.477 million) – the scheme – approved by Cabinet in February 2021 – entails the redevelopment of a group of Council-owned industrial warehouse units, situated in Cartersfield Road, Waltham Abbey. The estimated cost of the overall project is £2.8 million and is partly funded by an insurance receipt received in relation to a previous fire at the site

- Epping Leisure Facility (£12.5 million) – the new Epping Leisure Facility is the single largest scheme included in the Programme (estimated overall cost of £25.0 million, including budgeted spending of £10.937 million in 2022/23). The scheme will see the development of a replacement leisure facility for the existing (and aging) leisure facility as well as the construction of a multi-story car park. Cabinet approved the addition of this scheme to the Capital Programme at its meeting on 21st January 2021
- Disabled Facilities Grants (£4.856 million) – the Epping Forest District Council allocation for Disabled Facilities Grants is assumed to be maintained at current levels (£0.971 million annually), although this is an assumption that will be further reviewed in preparing more refined proposals for December 2022
- **Corporate Services (£4.486 million)** – planned spending covers the Council's ICT capital investment needs (predominantly the new ICT Strategy)
- **Housing (Property Services) (£1.500 million)** – the overall provision in the Capital Programme of £1.5 million is assumed unchanged from recent iterations of the Capital Programme. However, the future capital needs of the Commercial and Operational Property portfolios are currently the subject of a detailed review as the Council develops a new Asset Management Plan (AMP). This will enable more refined estimates for consideration by Members in December 2022; and
- **Qualis (£21.0 million)** – this is the assumed balance (as at 1st April 2023) on the previously agreed £98.0 million Regeneration Finance Loans (including the extended loan facility of £35.0 million approved by Cabinet in July 2021) and remains unamended at this stage. The loans remain a key enabler in the delivery of the Council's regeneration priorities in the district through Qualis; the Council receives a revenue margin on the loans, which is available to support general spending and minimise Council Tax increases. However, current assumptions are under detailed review at the time of preparing this report in the light of the changing cashflow needs of Qualis, driven by changing development timetables and plans, as influenced by planning considerations as well as major external factors such as the rising cost of development schemes and changing interest rates.

### 3. Housing Revenue Account Capital Programme 2023/24 to 2027/28 (Annex 2)

3.1 The Housing Revenue Account Capital Programme has been updated as at 30th September 2022. The updated Programme totals £180.098 million and is summarised in the table below.

Draft HRA Capital Programme 2023/24 to 2027/28						
Description	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Housing Development Programme	20,734	17,286	12,329	7,576	5,927	<b>63,852</b>
Capital Works	24,713	25,748	11,925	14,948	17,567	<b>94,901</b>
Regeneration Schemes	4,501	3,333	7,333	0	0	<b>15,167</b>
Other Housing Schemes	1,658	1,023	1,043	1,065	1,389	<b>6,178</b>
<b>Totals</b>	<b>51,606</b>	<b>47,390</b>	<b>32,630</b>	<b>23,589</b>	<b>24,883</b>	<b>180,098</b>

3.2 The Programme is dominated by the Housing Development Programme and routine Capital Works:

- **Housing Development Programme (£63.852 million)** – the Housing Development Programme includes a combination of (direct) Housebuilding and Acquisitions from Qualis. Thus:
  - Housebuilding (£49.922 million) – this is expected to deliver a mixture of affordable rent and shared ownership properties, including New Build Properties (151 affordable rent units) and Qualis Acquisitions (18 shared ownership, and 45 affordable rent units); and
  - Qualis Acquisitions (£13.930 million) – the Development Programme also includes the planned acquisition of 63 affordable rent and shared ownership properties across two sites: St. Johns (59) and Pyrles Lane (4).
- **Capital Works (£94.901 million)** – planned Capital Works (which includes works on Windows, Doors, Roofing, Kitchens, Bathrooms etc.) over the five-year period average out at £18.980 million annually.

3.3 Members should note that the data in the Fortress model is still being refined. In particular, as previously reported, it has been several years since the Council's Housing Stock was the subjected on an independent (and comprehensive) Stock Condition Survey (SCS). For that reason, an independent has been commissioned and is still in progress. Once complete, the outputs from that exercise will allow a more accurate and focussed assessment of the Council's need for capital investment in its stock.

## General Fund Capital Programme 2023/24 to 2027/28

## INDICATIVE DRAFT

General Fund Capital Programme MTFP 2023/24 to 2027/28						
Scheme	DRAFT MTFP 2023/24 to 2027/28 (@ October 2022)					
	2023/24	2024/25	2025/26	2026/27	2027/28 (Indicative Proposals)	Total MTFP 2023/24 to 2027/28
	£'s	£'s	£'s	£'s	£'s	£'s
<b>Commercial &amp; Technical</b>						
Cartersfield Road	1,477,400	-	-	-	-	1,477,400
CCTV Replacement Programme	55,000	20,000	25,000	30,000	42,000	172,000
CarPark CCTV Systems	10,000	25,000	40,000	-	-	75,000
Disabled Facilities Grants (REFCuS)	971,210	971,210	971,210	971,210	971,210	4,856,050
Home Assist Grants (REFCuS)	30,000	30,000	30,000	30,000	30,000	150,000
Highways - Pavement Widening Scheme	100,000	-	-	-	-	100,000
Grounds Maintenance	30,000	30,000	30,000	30,000	30,000	150,000
Epping Leisure Centre (Bakers Lane)	12,500,000	-	-	-	-	12,500,000
<b>Sub-Totals</b>	<b>15,173,610</b>	<b>1,076,210</b>	<b>1,096,210</b>	<b>1,061,210</b>	<b>1,073,210</b>	<b>19,480,450</b>
<b>Corporate Services</b>						
ICT General Schemes	93,000	93,000	93,000	93,000	-	372,000
ICT Strategy	1,086,000	971,000	1,126,000	931,000	-	4,114,000
<b>Sub-Totals</b>	<b>1,179,000</b>	<b>1,064,000</b>	<b>1,219,000</b>	<b>1,024,000</b>	<b>-</b>	<b>4,486,000</b>
<b>Housing (Property Services)</b>						
Investment Properties (Planned Works)	250,000	250,000	250,000	250,000	250,000	1,250,000
Operational Properties (Planned Works)	50,000	50,000	50,000	50,000	50,000	250,000
<b>Sub-Totals</b>	<b>300,000</b>	<b>300,000</b>	<b>300,000</b>	<b>300,000</b>	<b>300,000</b>	<b>1,500,000</b>
<b>Qualis</b>						
Regeneration Finance Loans	21,000,000	-	-	-	-	21,000,000
<b>Sub-Totals</b>	<b>21,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,000,000</b>
<b>Total Expenditure</b>	<b>37,652,610</b>	<b>2,440,210</b>	<b>2,615,210</b>	<b>2,385,210</b>	<b>1,373,210</b>	<b>46,466,450</b>
<b>Capital Financing:</b>						
Borrowing	36,121,980	909,580	1,084,580	854,580	157,420	38,813,300
Capital Grants	971,210	971,210	971,210	971,210	971,210	4,856,050
Capital Receipts	559,420	559,420	559,420	559,420	559,420	2,797,100
<b>Total Financing</b>	<b>37,652,610</b>	<b>2,440,210</b>	<b>2,615,210</b>	<b>2,385,210</b>	<b>1,373,210</b>	<b>46,466,450</b>

## Housing Revenue Account Capital Programme 2023/24 to 2027/28

## INDICATIVE DRAFT

HRA Capital Programme MTFP 2023/24 to 2027/28 (@ October 2022)						
Schemes	Financial Year					Total MTFP 2023/24 to 2027/28
	2023/24 Updated	2024/25 Updated	2025/26 Updated	2026/27 Updated	2027/28 New (Indicative)	
	£'s	£'s	£'s	£'s	£'s	£'s
<b>Housing Development Programme:</b>						
Housebuilding	11,760,500	12,329,380	12,329,000	7,576,000	5,927,000	49,921,880
Acquisition of Street Properties	-	-	-	-	-	-
Qualis Acquisitions	8,973,500	4,956,620	-	-	-	13,930,120
Development Land Purchases	-	-	-	-	-	-
<b>Sub-Totals</b>	<b>20,734,000</b>	<b>17,286,000</b>	<b>12,329,000</b>	<b>7,576,000</b>	<b>5,927,000</b>	<b>63,852,000</b>
<b>Capital Works:</b>						
Heating	1,824,000	4,649,520	2,251,210	3,049,730	1,824,000	13,598,460
Windows, Door and Roofing	6,386,110	5,379,110	2,291,320	3,154,290	4,236,110	21,446,940
Compliance Planned Maintenance	1,725,000	2,098,170	1,027,780	1,150,160	1,725,000	7,726,110
Kitchens & Bathrooms (inc void allocation)	4,786,000	5,065,400	2,061,190	2,345,780	4,482,330	18,740,700
Electrical	1,400,000	3,824,750	1,921,000	2,302,480	2,350,000	11,798,230
Other Works	5,642,220	1,809,160	-	-	-	7,451,380
Environmental	1,118,530	1,059,000	489,600	892,000	892,000	4,451,130
Structural works	850,000	850,000	866,000	883,000	883,000	4,332,000
Disabled Adaptations	650,000	650,000	650,000	800,000	800,000	3,550,000
Asbestos Removal	280,800	294,560	294,560	294,560	294,560	1,459,040
Estate Improvements	50,000	68,000	72,000	76,000	80,000	346,000
<b>Sub-Totals</b>	<b>24,712,660</b>	<b>25,747,670</b>	<b>11,924,660</b>	<b>14,948,000</b>	<b>17,567,000</b>	<b>94,899,990</b>
<b>Regeneration Projects:</b>						
Limes Avenue and Copperfield	2,083,210	-	-	-	-	2,083,210
Broadway	1,217,990	1,333,330	1,333,340	-	-	3,884,660
Pylres Lane	1,200,000	-	-	-	-	1,200,000
Harvey Fields	-	2,000,000	-	-	-	2,000,000
Oakwood Hill Estate	-	-	6,000,000	-	-	6,000,000
<b>Sub-Totals</b>	<b>4,501,200</b>	<b>3,333,330</b>	<b>7,333,340</b>	<b>-</b>	<b>-</b>	<b>15,167,870</b>
<b>Other Housing Schemes:</b>						
Service Enhancements (General)	233,540	506,000	519,000	573,000	573,000	2,404,540
Housing Asset Management Project	215,060	-	-	-	-	215,060
Service Enhancements (HFFHH)	154,000	154,000	154,000	114,000	-	576,000
Door Replacement Programme (Leasehold)	233,540	-	-	-	-	233,540
Sheltered Block Refurbishments	354,000	363,000	370,000	378,000	386,000	1,851,000
Other Works	468,000	-	-	-	430,000	898,000
<b>Sub-Totals</b>	<b>1,658,140</b>	<b>1,023,000</b>	<b>1,043,000</b>	<b>1,065,000</b>	<b>1,389,000</b>	<b>6,178,140</b>
<b>Total Expenditure</b>	<b>51,606,000</b>	<b>47,390,000</b>	<b>32,630,000</b>	<b>23,589,000</b>	<b>24,883,000</b>	<b>180,098,000</b>
<b>Financing</b>						
Direct Revenue Contributions	40,000	957,000	489,000	540,000	713,000	2,739,000
Major Repairs Reserve	9,137,000	9,320,000	9,506,000	9,696,000	9,890,000	47,549,000
RTB Receipts	4,471,000	5,007,000	5,010,000	3,110,000	2,454,000	20,052,000
Grants	-	-	-	-	-	-
Other Contributions	1,267,000	5,754,000	199,000	212,000	212,000	7,644,000
Borrowing	36,691,000	26,352,000	17,426,000	10,031,000	11,614,000	102,114,000
Leaseholder Contributions	-	-	-	-	-	-
<b>Total Financing</b>	<b>51,606,000</b>	<b>47,390,000</b>	<b>32,630,000</b>	<b>23,589,000</b>	<b>24,883,000</b>	<b>180,098,000</b>