

Supplementary Committee Agenda



**Epping Forest
District Council**

Cabinet Monday 18th September 2023

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

Time: 7.00 pm

Democratic Services: V Messenger (Democratic Services)
Tel: (01992) 564243

10. ANY OTHER BUSINESS (Pages 2 - 35)

Section 100B(4)(b) of the Local Government Act 1972, together with paragraphs 6 and 24 of the Council Procedure Rules contained in the Constitution requires that the permission of the Chairman be obtained, after prior notice to the Chief Executive, before urgent business not specified in the agenda (including a supplementary agenda of which the statutory period of notice has been given) may be transacted.

In accordance with Operational Standing Order 6 (non-executive bodies), any item raised by a non-member shall require the support of a member of the Committee concerned and the Chairman of that Committee. Two weeks' notice of non-urgent items is required.

Please find attached the following late reports:

(a) Financial Planning Framework 2024/25 to 2028/29

(Cllr J Philip) To note the backdrop to the Financial Planning process and agree the proposed approach to Financial Planning (C-014-2023-24).

(b) Quarter 1 Budget Monitoring Report 2023/24

(Cllr J Philip) To agree the Q1 report recommendations on the General Fund and Housing Revenue Account including the wider position on Financial Performance and Risk at the end of Q1 (C-015-2023-24).

Agenda Item 10

Report to the Cabinet

Report reference: C-014-2023/24
Date of meeting: 18th September 2023



Portfolio: Finance & Economic Development – Cllr. John Philip

Subject: Financial Planning Framework 2024/25 to 2028/29

Responsible Officer: Andrew Small (01992 564278)

Democratic Services: Vivienne Messenger (01992 564243)

Recommendations/Decisions Required:

- 1. To note the backdrop to the Financial Planning process for 2024/25 to 2028/29, including the Balance Sheet trajectory in the light of the 2022/23 budget outturn and the latest 2023/24 spending forecast; and**
- 2. To agree the proposed approach to Financial Planning for 2024/25 to 2028/29, including the reporting and governance timetable summarised in *Appendix A*.**

Executive Summary:

Local Government finances nationally are coming under acute pressure as evidenced by a rising number of high-profile “Section 114 Notices” (effectively the local government equivalent of bankruptcy) being issued by Chief Financial (Section 151) Officers. *Financial Sustainability* is the ‘watchword’, with Epping Forest District Council (“the Council”) operating in that same environment and facing its own financial pressures; driven by a difficult economic backdrop, triggered – to a large extent – by a series of major external events.

In that context, the Council’s General Fund budget continues to be especially challenging. There are major financial pressures especially on Staff Salaries, Contracts and Financing costs, which are compounded by threats to Council income and funding streams. The cumulative effects are manifesting themselves in a substantial projected budget deficit, both in the short and medium-term.

Achieving a balanced General Fund budget for 2024/25 is therefore likely to be even more challenging than 2023/24 (which itself was the most difficult financial challenge that the Council has faced for many years) and the opportunity to use unallocated reserves, or potentially ‘re-purposed’ earmarked reserves is very limited.

The Housing Revenue Account (HRA) has been in better financial health for several years. However, the same cost pressures experienced by the General Fund are beginning to bite and Members will have another difficult choice in determining an appropriate rent increase for Council tenants in 2024/25; a below inflation increase could potentially hamper the delivery of the HRA Business Plan. Alternatively, there could be a case for doing that as local communities, including Council tenants, continue to struggle with the present cost of living crisis.

The Council adopted an ambitious Capital Programme for the General Fund and HRA in February 2023; comprising capital expenditure of £274.58 million over five years, it is focussed on a range of key priorities, including Qualis, Epping Leisure Centre and the Housing Development Programme. However, capital expenditure eventually has to be paid for from revenue resources in the long run and Financing costs continue to increase in line interest rates rises.

Given the usual pattern whereby the Local Government Finance Settlement is announced just before Christmas, definitive figures for 2024/25 may not be available until December 2023.

A tailored Financial Planning approach, which develops the 2024/25 Budget and updated Medium-Term Financial Plan (MTFP) through to 2028/29 is therefore proposed, within a governance framework spanning five months; beginning with this report and culminating in full Council setting a balanced budget in February 2024.

Reason for Decision:

To set a framework within which the Council can develop and set a balanced budget for 2024/25 and update its MTFP through to 2028/29, ensuring that corporate priorities continue to be delivered in a financially sustainable way.

1) INTRODUCTION AND BACKGROUND

- 1.1 Local Government finances nationally are coming under acute pressure as evidenced by a rising number of high-profile “Section 114 Notices” (effectively the local government equivalent of bankruptcy) being issued by Chief Financial (Section 151) Officers. *Financial Sustainability* is the ‘watchword’, with Epping Forest District Council (“the Council”) operating in that same environment and facing its own financial pressures; driven by a difficult economic backdrop, triggered – to a large extent – by a series of major external events.
- 1.2 This report sets out a proposed approach to Financial Planning for the next five years (2024/25 to 2028/29) in the light of both (the financial impact of) external factors and the Council’s own (internal) financial drivers. The primary emphasis at this stage is the need to set a balanced budget for 2024/25; where known, emerging financial challenges are highlighted with a hint of potential scale where possible. This will help prepare Members for the months ahead in what will be an exceptionally challenging period.
- 1.3 The report also considers some other developments in local government financing that either will or could impact on the medium-term financial position.

2) GENERAL FUND FINANCIAL POSITION

- 2.1 The current financial position and future prospects for the Council’s General Fund has evolved in recent years, initially in the context of extreme volatility and uncertainty triggered by the pandemic, followed by a brief period of relative stability and more recently the emergence of spiralling budget demand due high inflation and sharply increasing interest rates. Whilst causes and solutions are the subject of much debate, external worldwide events – well beyond the control of the Council – are undoubtedly a major factor.

2022/23 Outturn

- 2.2 After the General Fund budget surplus of almost £1.0 million recorded in 2021/22, the 2022/23 financial year provided a sharp contrast; an overspend of £1.286 million was eventually recorded. Inflation was a particular problem in the year, especially on Staffing costs, with an average pay award in the region 5% eventually settled on compared to the 2.0% assumed in the budget (illustrating just how quickly inflation took hold in the economy in 2022). Although savings from Staff vacancies provided some respite, the situation was exacerbated by substantial income shortfalls from Planning Applications (due to the delayed adoption of the Local Plan) and Qualis loan margins (caused by slippage on the drawdown of loans and higher PWLB interest rates, leading to reduced margins for the Council on loans granted to Qualis).

2023/24 Quarter 1 Forecast

2.3 The 2023/24 financial year has not started well. At the Quarter 1 (Q1) stage, there is a forecast year-end budget deficit of £1.523 million on the General Fund. The most significant factor reflected in the Q1 forecast is increasing Interest Rates, as the Bank of England has continued its strategy of raising the Bank Rate – beyond that foreseen when the Budget was set in February 2023 – in response to stubborn inflation in the economy. The Council is a Net Borrower and higher interest rates are having a direct detrimental impact in a number of areas, especially on the revenue costs of the Council’s capital commitments, but also indirectly in other areas such as HRA Recharges. At the time of preparing this report, margins on Qualis loans have now reduced to below 1.0%. There are also substantial threats from additional Staffing costs (latest forecasts assume a pay ward in the region of 5.0%, but this has been rejected by Unions; the budget assumes 4.0%) and a further shortfall on income from Planning Applications, with forecast receipts in the period April to June 2023 sluggish compared to budget expectations (following the adoption of the Local Plan in March 2023).

2024/25 Budget (and beyond)

2.4 Members will recall the most recent Medium-Term Financial Plan (MTFP) (2023/24 to 2027/28) adopted by the Council on 28th February 2023. The MTFP highlighted a significant cumulative budget deficit of £3.883 million by 2027/28, with a pressure of £2.389 million in 2024/25 reflecting the immediacy of the problem. The increased revenue costs of the Capital Programme and the assumed additional cost of new Waste Management contract are the major headlines.

2.5 The foregoing discussion clearly illustrates that the Council has a structural deficit that has to be addressed in order to set a balanced budget for 2024/25. Known major issues on the General Fund at this stage include the following:

- Staff Costs – the Council removed £2.632 million (before HRA recharges) in Staff costs from the base in developing the 2023/24 budget. This was successful in helping to achieve a balanced budget and helped to (permanently) finance an average pay award in the region of 5% for 2022/23. However, it will be more difficult to realise future savings from Staff costs with many of the easier opportunities now having been taken. As noted above, pay demands are already in excess of budget provision for 2023/24, and could go higher. Transformation, including Shared Services, has a significant role to play moving forwards.
- Contract Costs – the current Waste Management contract with Biffa is a major expense for the Council and is due to expire in November 2024. In July 2023, the Cabinet took the decision to pursue the future delivery of the Waste Management service through a wholly owned Council subsidiary (as opposed to another external contract). Although further details are to be determined at the time of reporting, it is anticipated that – regardless of the chosen future delivery option (including an externally procured service) – the cost of the service is likely to significantly increase in the future. The current MTFP (due to a mid-year contract date) assumes cost increases of £630,000 in 2024/25, followed by a further increase of £930,000 in 2025/26 (i.e., a total increase in base budget demand of £1.560 million over two years). Although the cost pressure is expected to be offset to an extent by procurement savings on Waste Vehicles, and the figures require substantial refinement, this is certainly a major cost pressure for the Council and a key strategic decision.

- Financing Costs – rising interest rates are a major problem. The borrowing rates that the Council is able to secure from the Public Works Loans Board (PWLB) are far less favourable than it has enjoyed for many years, which is especially detrimental to the loan margins that the Council can expect to receive from its loans to Qualis. For example, the Council is contractually committed to an on-lending rate of 6.0% on Development Loans; a higher rate would potentially threaten the viability of regeneration schemes. Initially this meant that the Council made significant margins on each advance (e.g., the initial advance – made in March 2021 – resulted in a margin of 4.02%), but these have dwindled in the light of sharply rising interest rates (e.g., the most recent advance – made in August 2023 – resulted in a margin of just 0.56%). The revenue costs of the wider Capital Programme are also a significant challenge now, including the Epping Leisure Centre, with an overall capital investment commitment of £33.1 million.
- Future General Fund Commitments – the most pressing concern facing Members at the moment is – wherever possible – helping and protecting their local communities from the threat posed by the economic crisis, but the medium and longer-term ambitions and priorities of the Council remain.

The new Corporate Plan, launched on 1st April 2023 and covering the four-year period up until 31st March 2027, sets out ambitious development and regeneration plans for the long-term benefit of the community and whilst some of these plans may need to be re-scheduled or altered in the current circumstances, a diverse range others will need to be financed including for example, (as well as the future sustainable delivery of the Waste Collection service noted above) the investment needs of Transformation and the Climate Change Action Plan.

- Local Government Finance Settlement – as is normal for this stage in the process, the details of the Local Government Finance Settlement for 2024/25 are very uncertain, with the draft Settlement announcement usually made in December ahead of the following financial year. However, there is some early intelligence emerging that –as part of its commitment to Levelling Up – the Government are perhaps edging towards ensuring that councils will receive a minimum 3% increase in Core Spending Power through a one-off Funding Guarantee Allocation (FGA) *before* any decisions on Council Tax increases). This perhaps provides some early degree of assurance, although a 3% increase needs to be set in the context of a CPI inflation rate of 6.8% (July 2023). The current MTFP projection assumes that the 2024/25 FGA will be maintained at the 2023/24 levels, with all other core grants ceasing with the exception of the Revenue Support Grant (RSG) at £135,230.

The Epping Forest District Council element of the Council Tax was increased in 2023/24 by 2.98% (by £4.69 on a Band D property) and still remains the lowest in Essex. Members will – yet again – have a difficult decision in setting the Council Tax for 2024/25 and will have to balance the conflicting demands of protecting local residents from further financial pressure during a ‘cost of living crisis’ and protecting local services.

The Government’s intended approach to Business Rates in 2024/25 appears stable for now following the implementation of the 2023 Revaluation, with a small ‘timing adjustment’ expected to the “Tariff” (currently £12.744 million in 2023/24).

- 2.6 In addition to known budget pressures (highlighted in Paragraph 2.5 above), there are some other significant risks that could materialise. This will exacerbate an already difficult situation, especially with regard to Other Income Streams. In particular, Commercial Property income has proved very resilient in recent years, but the threat of Economic Recession remains at the time of reporting, so future income streams are far from certain. Similarly Local Tax receipts are also threatened during times of economic difficulty. The 2023/24 budget assumed a rise of 10% in Local Council Tax Support (LCTS) cases and a Council Tax collection rate reduction from 98.0% to 97.5%; it is too early in the financial year to judge the accuracy or otherwise of that assumption.

- 2.7 Despite the major financial issues and risks highlighted above in Paragraph 2.6 above, there is some limited good news for the General Fund, with the prospects for Pension Contributions being more positive than they have been for several years. Higher interest rates have been driving higher discount factors, thus reducing the Net Present Value of Liabilities, and eliminating the previous Pension Deficit on 31st March 2023 Balance Sheet. The prospects for future Pension Contributions in the medium-term therefore appear promising.
- 2.8 Overall, it now appears certain that the updated MTFP 2024/25 to 2028/29 (due before Cabinet on 9th October 2022) will reveal a substantial – ‘seven figure’ – General Fund budget gap that will need to be eliminated in order to set a balanced budget for 2024/25; that gap will also drive a substantially weaker medium-term position compared to the one reported to Council in February 2023.

3) HOUSING REVENUE ACCOUNT FINANCIAL POSITION

- 3.1 The Housing Revenue Account (HRA) balance stood at £4.552 million on 31st March 2023 (compared to £4.164 million on 31st March 2022). The 30-Year Business Plan (which will extend to 40 years upon completion of the Stock Condition Survey) assumes the maintenance of a minimum balance of £2.0 million; as at the 2023/24 Quarter 1 stage, this was on course to be achieved.
- 3.2 Rising inflation – as with the General Fund – presents a major challenge to the HRA, and potentially Council tenants too. In common with most housing authorities, Epping Forest District Council set the maximum allowable rent increase of 7.0% for 2023/24 in accordance with the Government Rent Cap (the established Rent Standard – that would have resulted in a higher increase – was suspended for 2023/24 due to the exceptionally high levels of inflation experienced during 2022). The legal Rent Standard (April 2020) applies a formula of ‘September CPI+1.0%’; based on July 2023 CPI rate of 6.8% (latest available at time of preparing this report), which would result in a Rent Increase of 7.8%. This would be the increase required to keep the HRA Business Plan on track.
- 3.4 Members of course have the option of choosing a lower increase, and – mindful of the potential impact on Council tenants – this is an option that will no doubt be given serious consideration. But will have to be weighed against rising staff costs and the increasing cost of Repairs and Maintenance, as well as the level of investment required to maintain the current Housing Development Programme.
- 3.5 The prospect of higher rents also has wider implications. Locally, over 60% of tenants are likely to be protected to some extent (either through the receipt of Housing Benefit or Universal Credit), but conversely approaching 40% will not, of course. This potentially displaces some of the cost burden to central Government. At the time of preparing this report, it is unclear whether the Government intends to cap rent increases again for 2024/25 (the Government cap for 2023/24 was announced as a one-off measure, but inflation has proved more stubborn than perhaps envisaged at that point in time).

4) CAPITAL PROGRAMME (GENERAL FUND & HRA)

- 4.1 The Capital Programme plays a vital part in delivering the Corporate Plan, since long-term investment plays an essential role in realising the Council’s ambitions for the district. The cost of the Capital Programme is spread over the lifetime of investments, so does not have such an immediate impact on the revenue budget position. However, there are revenue consequences to the Capital Programme.
- 4.2 In February 2023, the Council approved an overall Capital Programme of £274.58 million (including £165.93 million re HRA) for the five-year period 2023/24 through to 2027/28. This compares to an overall Programme of £303.31 million set in February 2022 and continues to reflect the Council’s ambitions for increased Housing Development and Regeneration especially (primarily through Qualis).

- 4.3 The Council borrowed to fund the General Fund element of the Capital Programme for the first time in 2019/20. Borrowing has further increased in subsequent years, with further plans to borrow in 2023/24 and beyond (meeting the capital commitments in respect of Qualis is the biggest factor, although this drives additional revenue streams to the Council).
- 4.4 However, given the acute financial pressures faced by the Council outlined in Section 2 above, Members may wish to review the current priorities in the Capital Programme, given the revenue cost implications; possible solutions might include re-scheduling or even removing some schemes altogether.

5) BALANCE SHEET/RESERVES

- 5.1 The Council maintains reserves as a safety net to allow for unforeseen circumstances and reserve levels are a key measure of financial sustainability over the medium-term. There is no statutory definition of the minimum level of reserves; the amount required is a matter of judgement and informed by the Section 151 Officer. The Council has a formally established strategy to carry a minimum General Fund balance (contingency) of £4.0 million.
- 5.2 The General Fund balance stood at £3.219 million on 31st March 2023 (compared to £4.070 million on 31st March 2022). The reduced balance predominantly reflects the Budget overspend in 2022/23 (noted above in Paragraph 2.2); This is of course below the Council's adopted minimum contingency balance. As noted above (and reported elsewhere on this agenda), an overspend of £1.523 million on the General Fund budget for 2023/24 is forecast at Quarter 1 stage. If that forecast materialises at year end, the General Fund balance will fall significantly below the agreed minimum balance (to around £1.6 million, rather than £4.0 million).
- 5.3 In developing the MTFP, Members will also wish to consider an appropriate future level of reserves, especially in the light of the continued volatility in local government budgets. Unless there is justification for revising the Council's target minimum level of working balances downwards, the financial planning process will require a strategy to return the General Fund balance to £4.0 million. This might include achieving this over a phased timeframe if financial predictions allow.
- 5.4 The Council has relatively limited Earmarked Reserves on its Balance Sheet, with major balances such as those previously held on the "District Development Fund" (DDF) declining in recent years as funds have been spent and contributions reined back (the remaining balance as at 31st March 2023 was £224,000). Earmarked Reserves as the description implies, are not usually available for anything other than their designated purpose. However, all potential avenues will have to be explored in tackling the financial challenge. Therefore some 're-designations' might prove an enabler in reaching sustainable solutions, although it must be emphasised that reserves can only be spent once and should not be used to support ongoing revenue expenditure.

6) PREPARING THE MEDIUM-TERM FINANCIAL PLAN

- 6.1 The next stage in the Financial Planning Framework (FPF) process for 2024/25 to 2028/29 is the preparation of an updated Medium-Term Financial Plan (MTFP) to Cabinet on 9th October 2023. This will provide more specific and numeric detail as to the financial position. It will provide a broad outline forecast through to 31st March 2029 and identify the budget deficit that the Council has to address in achieving long-term financial sustainability. Moreover, the MTFP will reveal the estimated scale of the budget gap that needs to be addressed in order to set a balanced budget for 2024/25, allowing Cabinet to consider available options, and instruct officers, in preparing an initial draft balanced budget for Cabinet on 4th December 2023.

7) SUPPORTING STRATEGIES

7.1 There are two other mandatory strategies that require updating as part of the 2024/25 Financial Planning cycle as follows:

- Capital Strategy – this is a mandatory requirement originally introduced by CIPFA's Prudential Code in 2017. It is a rolling three-year strategy that gives a high-level overview of how Capital Expenditure, Capital Financing and Treasury Management activity contribute to the provision of local public services, along with an overview of how associated risk is managed and the implications for future financial sustainability. The Council adopted its inaugural Capital Strategy in 2019/20. Updated strategies were then prepared and adopted for 2021/22 and 2022/23 (covering an expanded Capital Programme and the Qualis initiative). A new Capital Strategy was adopted for 2023/24, which reflected CIPFA's updated Prudential Code released in late 2021; refinements included some adjustments to the Prudential Indicators within the 2017 Code. The 2024/25 requirements are expected to remain unchanged at this stage (compared to 2023/24); and
- Treasury Management Strategy (TMS) – the Council now has substantial levels of borrowing and is therefore exposed to financial risks such as changing interest rates (especially relevant following recent rate rises, with potentially further increases anticipated). The successful identification, monitoring and control of financial risk is therefore central to prudent financial management; the TMS is a key document, which helps to achieve that. The current – 2023/24 – TMS was prepared in accordance with CIPFA's updated Treasury Management Code (2021 Edition). The 2024/25 requirements are expected to remain unchanged at this stage (compared to 2023/24).

Options:

The report sets out the Council's updated financial context and represents the beginning of the 2024/25 budget preparation process. The information disclosed – including financial statistics – is for illustrative purposes only and solely for noting.

Members have the option to accept the recommended approach to Financial Planning, including the reporting and governance timetable, or suggest amendments.

Resource Implications:

The resource implications in this report are substantial, although not quantified in detail at this stage. The Council has a major budget gap in its General Fund revenue account, both in the short and medium term. Further details – including detailed estimates – will be presented to the Cabinet meeting on 9th October 2023. Net expenditure must be brought into line with available funding both in the short-term (to set a balanced budget for 2024/25) and the medium-term (to achieve financial sustainability).

Legal and Governance Implications:

The proposals contained within the report will ensure compliance with the statutory Budget Setting process. This includes the required Governance elements (summarised below in **Appendix A**).

Safer, Cleaner, 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 at this stage. 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:

Draft Statement of Accounts 2022/23 (published 2nd June 2023)

Quarter 1 Budget Monitoring Report 2023/24

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.

Proposed Financial Planning Framework 2024/25 to 2028/29

The timetable below proposes a tailored approach to Financial Planning in challenging circumstances, including the required legal and governance arrangements, spanning a five-month period, beginning in mid-September 2023 with this report and culminating in late February 2024 with full Council adopting a balanced budget for 2024/25.

Date	Committee	Report	Purpose
18th September 2023	Cabinet	Financial Planning Framework 2024/25 to 2028/29 (including updated financial context).	Allowing Members to consider proposals for an updated Financial Planning Framework. Also sets out updated financial context.
9th October 2023	Cabinet	Updated MTFP 2024/25 to 2028/29 (General Fund & HRA) (including Budget Strategy 2024/25).	Members to consider first iteration of updated MTFP for 2024/25 to 2028/29.
		Capital Programme Update (General Fund & HRA) update 2023/24 to 2027/28.	Members to consider currently adopted five-year Capital Programme and provide guidance on developing a revised Programme for 2024/25 to 2028/29.
24th October 2023	Overview & Scrutiny Committee	Updated MTFP 2024/25 to 2028/29 (including Budget Strategy 2024/25).	Members to scrutinise updated MTFP (including Budget Strategy) and Capital Programme.
		Capital Programme Update (General Fund & HRA) update 2023/24 to 2027/28.	
4th December 2023	Cabinet	Draft Budget 2024/25, and updated MTFP (2024/25 to 2028/29).	Members to consider detailed draft budget proposals for 2024/25, including Fees and Charges included therein.
		Draft Capital Programme (GF & HRA) 2024/25 to 2028/29.	
		Draft Fees and Charges 2024/25.	

Date	Committee	Report	Purpose
23rd January 2024	Overview & Scrutiny Committee	Draft Budget 2024/25, and updated MTFP (2024/25 to 2028/29).	Members to scrutinise draft proposals, providing feedback for Cabinet.
		Draft Capital Programme (GF & HRA) 2024/25 to 2028/29.	
		Draft Fees and Charges 2024/25.	
5th February 2024	Cabinet	Final Draft Budget 2024/25, and updated MTFP (2024/25 to 2028/29).	Members to review latest Budget & MTFP proposals, making recommendation to full Council.
		Final Draft Capital Programme (GF & HRA) 2024/25 to 2028/29.	Members to approve Fees and Charges proposals for year ahead.
		Final Fees and Charges 2024/25.	Decisions to take account of scrutiny feedback and public consultation.
15th February 2024	Audit & Governance Committee	Draft Capital Strategy 2024/25 to 2026/27.	Members to consider strategies, making comments and recommendations to full Council.
		Draft Treasury Management Strategy 2024/25.	
20th February 2024	Full Council	Budget Report 2024/25, including updated MTFP 2024/25 to 2028/29.	Full Council to consider and decide upon the Budget for 2024/25, and relevant linked and supporting strategies. Includes setting the Council Tax on behalf of all preceptors.
		Capital Programme (GF and HRA) 2024/25 to 2028/29.	
		Capital Strategy 2024/25 to 2026/27.	
		Treasury Management Strategy 2024/25.	

Report to the Cabinet



Report reference: C-015-2023/24
Date of meeting: 18th September 2023

**Epping Forest
District Council**

Portfolio: Finance & Economic Development – Cllr. John Philip

Subject: Quarter 1 Budget Monitoring Report 2023/24

Responsible Officer: Andrew Small (01992 564278)

Democratic Services: Vivienne Messenger (01992 564243)

Recommendations/Decisions Required:

1. The General Fund revenue position at the end of Quarter 1 (30th June 2023) for 2023/24, including actions being undertaken or proposed to ameliorate the position, where significant variances have been identified, be noted (*including Appendix A*).
2. The General Fund capital position at the end of Quarter 1 (30th June 2023) for 2023/24 be noted (*including Appendix B*).
3. The Housing Revenue Account revenue position at the end of Quarter 1 (30th June 2023) for 2023/24, including actions proposed to ameliorate the position, where significant variances have been identified, be noted.
4. The Housing Revenue Account capital position at the end of Quarter 1 (30th June 2023) for 2023/24 be noted (*including Appendix C*); and
5. The wider position on Financial Performance and Risk at the end of Quarter 1 (30th June 2023) be noted.

Executive Summary:

This report sets out the 2023/24 General Fund and Housing Revenue Account budget positions, for both revenue and capital, as at 30th June 2023 (“Quarter 1”). It also considers a range of other Financial Performance and Risk indicators alongside the budget position.

In terms of General Fund revenue expenditure – at the Quarter 1 stage – a budget overspend of £1.523 million, with projected net expenditure of £19.164 million against an overall budget provision of £17.641 million, is forecast.

The most significant factor reflected in the Q1 forecast is increasing Interest Rates as the Bank of England has continued its strategy of raising the Bank Rate – beyond that foreseen when the Budget was set in February 2023 – in response to stubborn inflation in the economy. The Council is a Net Borrower and higher interest rates are having a detrimental impact in a number of areas. Most notably Net Interest Payable is forecast to be £626,269 over Budget as the windfall from additional Interest Receivable (£240,900) is outweighed by the cost of additional Interest Payable (£867,169). HRA Recharges are also suppressed as the General Fund is obligated to pass on additional Interest Receipts on HRA bank deposits. In addition, although the drawdown of Qualis loans has gathered pace in 2023, margins on on-lending are considerably lower than originally envisaged, and – at the time of reporting – are now below 1.0%.

Service pressures are relatively limited at this stage, although there are some emerging risks, most notably on Employee costs and income from Planning Applications. Firstly, the Budget assumes a Pay Award of 4.0%, but – nationally – Local Government Employers have offered a fixed sum of £1,925 to all pay grades (equating to around 5.0% on average at this Council). The forecast assumes a 5% increase in Employee costs, but Members should note that Unions have rejected the Pay Offer and are currently balloting members on strike action. And secondly, the volume of Planning Applications received in Quarter 1 is lower than expected, following the adoption of the Local Plan in March 2023. Some larger applications are anticipated in the coming months and there is some optimism that income levels will increase, but significant uncertainty remains, especially in the light of the (currently difficult) economic position.

The Funding position on the General Fund at the Quarter 1 stage is mixed, with surplus income of £646,000 expected from Business Rates, partly due to an anticipated back-dated Tariff adjustment. But a shortfall of £286,000 is also anticipated on the payments that the Council 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 2023, which is showing an unallocated General Fund Reserve (contingency balance) of £3.219 million. This is significantly below the Council's formally adopted contingency balance of £4.0 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 £1.606 million.

The Housing Revenue Account is also projected to record a budget overspend of £0.159 million. This is partly due to the same challenges facing the General Fund (especially the impact of inflation on staffing), but also – and to a larger extent – the increasing costs of major void repairs.

If the overall forecast materialises, the HRA Balance will end the year at £4.438 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 3 months was £5.350 million, with a forecast outturn of £66.203 million, which – if this materialises – would lead to an underspend of £10.646 million. The drawdown on Qualis loans is lower than the budget and is the most significant variance (£5.538 million); and
- Housing Revenue Account Capital Programme – spending in the first 3 months was £1.116 million, with a forecast outturn of £52.202 million, which – if this materialises – would lead to an underspend of £18.529 million. Slippage on the Housing Development Programme is the most notable factor.

And finally, this edition of the Budget Monitoring Report – in line with recommended good practice and the updated reporting requirements within the updated Prudential Code (2021) – introduces a summary analysis of the Council's wider Financial Performance and Risk. This includes a range of considerations from how effectively the Council collects its income and pays its bills, through to compliance with the "Prudential Indicators" adopted by the Council within its Capital Strategy. It also considers some local HRA Indicators, which underpin the delivery of the HRA Business Plan. The Quarter 1 position is generally positive with performance and compliance in most areas not raising any concerns, although there are some challenges that should be noted, including the collection of Sundry Debts and rising Financing costs.

Reason for Decision:

The report enables the Cabinet to monitor and control the Council's financial position for 2023/24 and take whatever action it chooses, based on the information presented.

1) Background and Introduction

1.1 The Council's budget for 2023/24 (both General Fund and Housing Revenue Account) was approved by full Council on 28th February 2023. This report updates the Cabinet 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 first update for 2023/24 and includes the General Fund and Housing Revenue Account positions, for both revenue and capital, as at 30th June 2023 ("Quarter 1").

2) General Fund Revenue Budget

Net Expenditure

2.1 The General Fund **net expenditure** position for 2023/24, at the Quarter 1 stage – summarised by service area – is presented in **Appendix A**. The headline is a forecast budget overspend of £1.523 million, with projected net expenditure of £19.164 million against an overall budget provision of £17.641 million. The table below summarises the position by service.

GF Net Expenditure Budget 2023/24 (Quarter 1)			
Description	Budget 2023/24	Q1 Forecast Spending (31/03/24)	Variance
	£000's	£000's	£000's
Chief Executive	655	644	(11)
Commercial & Technical	2,060	2,181	121
Community & Wellbeing	1,478	1,444	(34)
Corporate Services	9,048	8,992	(56)
Customer Services	2,158	2,527	369
Finance & Audit	2,069	2,070	1
Housing & Property	1,846	1,824	(22)
Place	280	274	(6)
Planning & Development	760	1,327	567
Strategy, Delivery & Performance	821	752	(69)
Qualis	(2,852)	(2,583)	269
HRA Recharges	(4,984)	(4,674)	310
Financing	4,302	4,386	84
Totals (Net Expenditure)	17,641	19,164	1,523

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:

- **Planning & Development (£566,611 forecast Overspend)** – the most significant factor in the overall forecast overspend relates to a budget pressure of £318,533 on Regulatory Services, driven exclusively by a shortfall in Building Control Fees. Overall Building Control applications (including both Council and private sector) were down by 52% in the period April to June 2023 compared to the same period in 2022/23, with Council applications down by 42%. Tough economic conditions are thought to be responsible for reduced activity across the sector. Overall Planning & Development cost centres are forecast to overspend by £138,086, which is predominantly driven by a forecast shortfall of £276,550 (16.3%) on income from Planning Applications. Planning Services cost centres are also facing an overall budget pressure of £108,520 driven by a range of factors, including a pressure of £125,114 on Agency Staff costs, triggered by maternity cover requirements.
- **Customer Services (£368,955 forecast Overspend)** – Members may recall a late accounting adjustment that was required to the 2022/23 Management Accounts (reported to Cabinet 30th May 2023) due to an upturn in detected Housing Benefit Overpayments (HBOs), partly as a consequence of the rollout of the DWP Housing Benefit Accuracy Award (“HBAA”); the HBAA required the Council to conduct additional testing on Housing Benefit assessments (leading to an increase in detected errors). The potential impact for 2023/24 (the budget was set before the outturn for 2022/23 was known) is still being examined by Finance officers, but the current (Quarter 1) forecast includes an assumed year end (negative) adjustment of £250,000 in respect of this item for 2023/24
- **HRA Recharges (£310,000 forecast Overspend)** – the annual net recharge from the General Fund to the HRA is forecast to be £310,000 lower than anticipated in the Budget, predominantly due to higher-than-expected Interest Rates
- **Qualis Income (£268,922 forecast Overspend)** – the drawdown of Qualis loans has gathered pace in 2023, albeit slightly less so than assumed in the budget. However, on-lending margins are considerably lower than originally envisaged within the Loan Agreements; at the time of reporting, margins are now significantly below 1.0%; and
- **Commercial & Technical (£120,375 forecast Overspend)** – a combination of – relatively small – factors are leading to a projected overspend of £120,375 on this directorate. This includes a surplus of £104,003 on North Weald Airfield driven by additional income from Market Rents; receipts are expected to exceed budget by £112,500. A further surplus of £80,386 is also expected on Waste Management, mainly due to a Service Contingency of £400,000 included in the budget for the purposes of commissioning additional support in developing Future Service Delivery (£238,000 is expected to be spent, leading to a forecast surplus of £162,000). However, the good news is expected to be marginally outweighed by the bad news, with negative variances of £93,235 forecast on Land & Property (mainly due to an income shortfall on Commercial Property Rents e.g. a forecast combined shortfall of £70,000 at Cartersfield and Brooker Roads), £79,093 on Car Parking (due to fleet costs of maintaining GM vehicles post transfer to Qualis), £72,223 on “Cost Centres – Contracts & Technical” (most notable cost pressure £49,645 on salaries) and £66,230 on Contracts & Technical Support Services (including £73,925 on staffing costs in Quarter 1 in the Grounds Maintenance South cost centre, incurred prior to service transfer) all expected.

2.3 Overall, there are no notable (over £100,000) **positive** variances – at a service directorate level – to the budget in the table above. However, whilst Net Financing costs are broadly on track to meet budget expectations, there are two substantial underlying variances worthy of mention. Firstly, Members may recall the inclusion of a Corporate Contingency of £712,880 in the budget to cover any emerging shortfall in income from Qualis Loan Margins; at the Quarter 1 stage, it is assumed that a total of £268,922 will be required from the Contingency, with the remaining £443,958 reflected as a surplus within projected General Net Expenditure. And secondly, rapidly rising Interest Rates are driving much higher returns on Council investments, with Interest Receivable forecast to exceed budget by £240,900.

2.4 Members attention is also drawn to the following:

- **Staffing Budgets** – the budget assumes a Pay Award of 4.0% for 2023/24, but – nationally – Local Government Employers have offered a fixed sum of £1,925 to all pay grades (equating to around 5.0% on average at this Council). The overall forecast assumes a 5% increase in Employee costs, but Members should note that Unions have rejected the Pay Offer and are currently balloting members on strike action. The budget includes embedded provision for total Employee Costs of £22.550 million and is by far the largest category of expenditure; each 1.0% in the Pay Award adds around £220,000 to the Council's base budget; and
- **Planning Applications** – the volume of Planning Applications received in Quarter 1 is lower than expected, following the adoption of the Local Plan in March 2023. Some larger applications are anticipated in the coming months and there is some optimism that income levels will increase, but significant uncertainty remains, especially in the light of the (currently difficult) economic position. As noted above, in Paragraph 2.2, a shortfall of 16.3% is assumed at this stage; the budget assumes income of £1.7 million from Planning Applications, with a 1.0% shortfall representing £17,000.

Funding

2.5 The General Fund **funding** position for 2023/24, at the Quarter 1 stage is summarised in the table below.

GF Funding Position 2023/24 (Quarter 1)			
Source Description	Budget Assumption 2023/24	Q1 Forecast (31/03/24)	Variance
	£000's	£000's	£000's
Council Tax	(8,899)	(8,899)	0
Business Rates	(5,766)	(6,412)	(646)
Collection Fund Adjustments	(645)	(645)	0
Council Tax Sharing Agreement (CTSA)	(615)	(329)	286
Revenue Support Grant	(129)	(129)	0
New Homes Bonus	(78)	(78)	0
2023/24 Services Grant	(129)	(135)	(6)
Other Grants (Non-Specific)	(929)	(924)	5
Contribution to/(from) Reserves	(451)	(1,613)	(1,162)
Total Funding	(17,641)	(19,164)	(1,523)

2.6 The funding position for the General Fund in Quarter 1 is mixed. The Business Rates forecast is very positive, with a projected year-end surplus of £646,000. The Council's Business Rates base was revalued as at 1st April 2023, which resulted in a 14.0% uplift in value compared to the previous revaluation (1st April 2017). This is double the national average of 6.9%. The resulting increase in Business Rates revenue is however subject to a range of complex adjustments as part of the Business Rates Retention (BRR) system. A relatively cautious funding assumption was therefore assumed in developing the 2023/24 budget. Updated intelligence now allows more accurate projections to be made; the forecast outturn of £6.412 million presented above includes an anticipated back-dated Tariff adjustment (estimated at £247,000) in respect of the revaluation.

2.7 In contrast, a shortfall of £286,000 is anticipated on CTSA payments from the preceptors, which reflects the late decline in Council Tax collection performance in 2022/23 reported to Cabinet on 30th May 2023. There has been a relative improvement in the Council Tax collection rate in Quarter 1 of 2023/24 (see paragraphs 7.2.8 and 7.2.9 below), but the budget was prepared on the basis of previous performance expectations. See Paragraph 3.1 below for a discussion on the forecast Contribution of £1.613 million *from* Reserves.

3) General Fund Reserves

General Fund Reserve (contingency balance)

- 3.1 The negative outlook of £1.523 million on net expenditure summarised and explained in paragraphs 2.1 to 2.4, and the funding position presented in paragraphs 2.5 to 2.7 above means that – if the forecasts materialise as presented – it will not be possible to contribute £0.263 million to the General Fund (unallocated) Reserve, which was an embedded assumption in setting the budget. Instead, there will be a contribution requirement of £1.613 million from the Reserve to support the budget (as presented in the table in Paragraph 2.5 above). This reflects both the projected overspend and the utilisation of the Collection Fund Deficit Reserve in closing the 2022/23 Accounts, which removed a previously assumed source of additional contingency funding (impact £268,922 in Quarter 1). The forecast impact on the General Fund Reserve is presented in the table below.

Movement on General Fund Reserve: Quarter 1 2023/24	
Description	£000's
General Fund Balance 31st March 2023 (pre-audit)	(3,219)
Contribution from Reserves 2023/24 (Q1 forecast)	1,613
General Fund Balance 31st March 2024 (Q1 forecast)	(1,606)

- 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 2023.

Earmarked Reserves

- 3.3 In addition to the General Fund Net Expenditure budget (£17,641,020 for 2023/24), 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 1 stage (30th June 2023) – the Council has received £0.518 million and spent £0.303 million, leaving a balance of £3.301 million. The Movement on General Fund Earmarked Reserves is summarised in the table below.

Movement in General Fund Earmarked Reserves (April to June 2023)					
Description	Opening Balance 01/04/23	Income	Expenditure	Transfers (in)/out	Q1 Balance 30/06/23
	£000's	£000's	£000's	£000's	£000's
District Development Fund (DDF)	(224)	0	4	0	(220)
Community Projects	(435)	(192)	105	0	(522)
<i>Other Reserves:</i>					
All Weather Pitch	(137)	0	0	0	(137)
Garden Town	(410)	0	40	0	(370)
Dig. Innovation Zone (DIZ)	(127)	(90)	21	0	(196)
Homelessness	(256)	0	21	0	(235)
Insurance	(150)	0	0	0	(150)
Invest to Save	(114)	0	0	0	(114)
Museum	(110)	0	0	0	(110)
New Burdens	(112)	0	17	0	(95)
North Weald Inland Port	(617)	(100)	22	0	(695)
Prosperity Fund	(33)	0	0	0	(33)
Staff Benefits Fund	(31)	(13)	1	0	(43)
Other Ongoing Projects	(330)	(123)	72	0	(381)
Totals	(3,086)	(518)	303	0	(3,301)

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

3.4 The Community Projects Reserve comprises 20 different project categories and is easily the Council's most 'active' reserve. "Essex & Herts Digital Innovation Zone" (DIZ) funding has now been stripped out of the DDF Reserve for added transparency (with partner contributions of £90,000 now clearly visible). The remaining balance on the DDF Reserve is now fully allocated following the funding of one-off (staff) Severance costs of £260,025 at the end of 2022/23 (approved by Cabinet 30th May 2023).

4) Housing Revenue Account (revenue)

4.1 The Housing Revenue Account (HRA) revenue position for 2023/24, at the Quarter 1 stage, is summarised in the table below. As at 30th June 2023, a £0.159 million overspend is forecast for the year end, with projected net expenditure of £0.113 million compared to an overall budget provision of £3.460 million.

HRA Budget 2023/24 (Quarter 1)			
Description	Budget 2023/24	Forecast Spending (31/03/24)	Variance
	£000's	£000's	£000's
EXPENDITURE			
Supervision & Management (General)	7,140	7,168	28
Supervision & Management (Special)	5,007	4,874	(133)
Rents, Rates, Taxes & Insurances	507	519	12
Repairs & Maintenance	11,232	12,147	915
Management & Maintenance	23,886	24,708	822
Capital Charges	9,137	9,137	0
Treasury Management Expenses	65	30	(35)
Provision for Bad/Doubtful Debts	99	120	21
Total Expenditure	33,187	33,995	808
INCOME			
Dwelling Rents	(37,419)	(37,641)	(222)
Non-Dwellings Rents	(930)	(799)	131
Charges for Services & Facilities	(1,473)	(1,455)	18
Contributions from General Fund	(383)	(383)	0
Total Income	(40,205)	(40,278)	(73)
Net Cost of Services	(7,018)	(6,283)	735
Interest on Receipts and Balances	(8)	(361)	(353)
Interest Payable on Loans	5,616	5,393	(223)
Net Operating Income	(1,410)	(1,251)	159
<i>Appropriations:</i>			
Direct Revenue Contributions to Capital	1,364	1,364	0
(Surplus)/Deficit for Year	(46)	113	159

4.2 The HRA revenue outturn for 2022/23 included underspends on the Stock Condition Survey (£254,000) and the “More than Bricks and Mortar” (a scheme primarily aimed at achieving infrastructure improvements on housing estates) (£64,000) projects. Consequently, the unspent budgets have been rolled forward and added to the 2023/24 budget agreed by the Council in February 2023. The table below reconciles the updated and original budgets.

HRA Budget Reconciliation 2023/24: Quarter 1	
Description	Value (£000's)
(Surplus)/Deficit for Year (approved by full Council 28/02/23)	(364)
<i>Brought forward project budgets from 2022/23:</i>	
Stock Condition Survey	254
“More than Bricks and Mortar” Estate Improvement Scheme	64
Total Budget Additions (@ Quarter 1)	318
(Surplus) / Deficit for Year (updated Budget 2023/24 @ Quarter 1)	(46)

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

- **Repairs and Maintenance (£0.915 million forecast Overspend)** – there are numerous items contributing to this variance, the most significant of which relates to higher than anticipated Void costs in Quarter 1 on several properties with further major works anticipated during the remainder of the year (£765,000).
- **Interest on Receipts and Balances (£0.353 million forecast Underspend)** – the HRA is credited (from the General Fund) with interest based on its average revenue balances held throughout the year. A recent sharp increase in SONIA (“Sterling Overnight Index Average” interest rate), plus future expectations of sustained higher interest rates is leading to significantly higher than expected interest receipts.
- **Interest Payable on Loans (£0.223 million forecast Underspend)** – HRA capital spending was lower than expected in 2022/23, thereby reducing the need for additional borrowing; this has reduced the associated interest payable in this – the 2023/24 – financial year; and
- **Dwelling Rent (£0.222 million forecast Underspend)** – improvements in void turnaround times is leading to rental income levels exceeding budget.

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 2023, the balance was £4.551 million, which reflected an underspend on HRA Net Operating Income of £0.388 million in 2022/23 (reported to Cabinet on 30th May 2023).

Movement on HRA Balance: Quarter 1 2023/24	
Description	£000's
HRA Balance 31st March 2023 (pre-audit)	(4,551)
2022/23 Roll Forward (Para 4.2)	318
2023/24 Budget (Surplus) – full Council 28th February 2022	(364)
2023/24 Net Operating Income Forecast Variance Q1 (Para 3.1)	159
HRA Balance 31st March 2024 (Q1 Forecast)	(4,438)

5. General Fund Capital Programme

5.1 The General Fund Capital Programme for 2023/24 as at 30th June 2023 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 £76.849 million. Spending in the first 3 months was £5.350 million, with a forecast outturn of £66.203 million, which – if this materialises – would lead to an underspend of £10.646 million.

General Fund Capital Programme 2023/24 (Quarter 1)					
Description	Budget 2023/24 (Updated)	Spending (@ 30 June 2023)	Remaining Budget (@ 30 June 2023)	Forecast Spending (31/03/24)	Variance (Under) / Over
	£000's	£000's	£000's	£000's	£000's
Commercial & Technical	31,008	436	30,572	27,853	(3,155)
Corporate Services	4,191	123	4,068	2,386	(1,805)
Customer Services	148	0	148	0	(148)
Housing (General Fund)	653	41	612	653	0
Place	839	0	839	839	0
Qualis Loans	40,010	4,750	35,260	34,472	(5,538)
Total Expenditure	76,849	5,350	71,499	66,203	(10,646)
<i>Capital Financing:</i>					
Borrowing	74,709	5,078	69,631	64,296	(10,413)
Capital Grants	1,133	145	988	1,092	(41)
Capital Receipts	1,007	127	880	815	(192)
Total Financing	76,849	5,350	71,499	66,203	(10,646)

5.2 A General Fund Capital Programme budget of £57.562 million was approved by Council in February 2023. Subsequent updates, including unspent rolled forward balances from 2022/23, have resulted in an updated budget of £76.849 million at the Quarter 1 stage. The table below reconciles the movement.

General Fund Capital Budget Reconciliation 2023/24: Quarter 1	
Description	Value (£000's)
General Fund Capital Budget 2023/24 (full Council 28/02/23)	57,562
Unspent Budgets from 2022/23 Rolled Forward	17,625
UK Shared Prosperity Fund (added projects) Cabinet (18th July 2022, Ref. C-008-2022/23)	53
Rural Prosperity Fund (added projects) Cabinet (6th February 2023, Ref. C-033-2022/23)	109
Investment Property Acquisition Fund (added investment) Cabinet (30th May 2023, Ref. C-006-2023/24)	1,500
UPDATED General Fund Capital Budget 2023/24 (@ 30/06/23)	76,849

5.3 In addition, a further scheme to provide design, cost, and development options for the employment land released at North Weald under the Local Plan, was also approved by Cabinet on 30th May 2023 (C-005-2023/24) at an estimated cost of £500,000. At the time of reporting, the scheme has not been added to the Capital Programme, pending identification of the precise nature of the spending (whether revenue or capital), which affects the accounting treatment; but it should be emphasised that the spending commitment is fully funded, with any accounting implications entirely cost neutral).

5.4 There are three dominant areas of underspending/slippage on the General Fund Capital Programme at the Quarter 1 stage:

- **Qualis (£5.538 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 financial viability reassessments on some sites in the light of changing market factors; and
- **Commercial and Technical (£3.355 million forecast Underspend)** – the dominant factor driving the underspend relates to the new Waste Management Depot at North Weald Airfield (£2.137 million). The project is in the early stages of design with current spend mainly directed towards consultancy and fees. Construction of the new facility is now expected to commence in January 2024 and be completed by October 2024. The underspend will therefore be re-profiled into 2024/25; and
- **Corporate Services (£1.805 million Underspend)** - the most significant area of capital underspending relates to the ICT Strategy, which has a budget allocation of £3.807 million for 2023/24. The projected outturn is now £2.208 million, which if this materialises, would lead to an underspend of £1.719 million. The current ICT strategy is now under review, with major schemes related to Workplace Collaboration, Digitisation, and Application Strategy expected to be completed during the year, along with a new ICT Security System and a new Telephony System. Some projects, including the new Finance System, a cloud-based Information at Work System, and planned improvements to the Customer Portal have commenced but are unlikely to be completed this year, so will be re-profiled into 2024/25. A further four schemes (total value £384,000), including a new Bookings/CRM Portal (£187,000) and a Virtual Desktop Infrastructure (VDI) Solution (£160,000) have been delayed, and will be re-profiled to be complete in 2024/25.

6) Housing Revenue Account (HRA) Capital Programme

6.1 The Housing Revenue Account (HRA) Capital Programme for 2023/24 as at 30th June 2023 is summarised in the table below. A more detailed analysis – at a scheme level – is included in **Appendix C**. The updated Programme budget totals £70.731 million. Spending in the first 3 months was £1.116 million, with a forecast outturn of £52.202 million, which – if this materialises – would lead to an underspend of £18.529 million.

HRA Capital Programme 2023/24 (Quarter 1)					
Description	Budget 2023/24 (Updated)	Spending (@ 30 June 2023)	Remaining Budget (@ 30 June 2023)	Forecast Spending (31/03/24)	Variance (Under) / Over
	£000's	£000's	£000's	£000's	£000's
Housing Development	35,625	188	35,437	21,231	(14,394)
Capital Works	23,819	554	23,265	22,609	(1,210)
Other Housing Schemes	11,287	374	10,913	8,362	(2,925)
Total Expenditure	70,731	1,116	69,615	52,202	(18,529)
<i>Capital Financing:</i>					
Direct Revenue Contributions	1,364	0	1,364	1,364	0
Major Repairs Reserve	9,137	0	9,137	17,486	8,349
Capital Receipts	1,599	827	772	1,977	378
Other Contributions	1,267	289	978	3,106	1,839
Borrowing	57,364	0	57,364	28,269	(28,915)
Total Financing	70,731	1,116	69,615	52,202	(18,529)

6.2 An HRA Capital Programme budget of £35.019 million was approved by Council in February 2023. A net total of £35.712 million in unspent budgets have been rolled forward from 2022/23, resulting in an updated Programme budget of £70.731 million for the year.

6.3 There are three significant areas of underspending/slippage on the HRA Capital Programme at the Quarter 1 stage. Thus:

- **Housing Development (£14.394 million forecast Underspend)** – there are two elements to note:
 - **Housebuilding (£10.745 million Underspend)** – the programme has a total budget of £15.724 million for 2023/24. The forecast outturn is £7.765 million, which – if this materialises – would lead to an underspend of £7.956 million at year end. Most schemes have encountered planning issues and delays with expected starts now anticipated in the either the final quarter of 2023/24 or early 2024/25. However, two schemes – at Pentlow Way and Woollard Street – are progressing well, with completion now anticipated by year end; and
 - **Qualis Acquisitions (£6.435 million Underspend)** – the budget allocation for this scheme in 2023/24 was £19.435 million. Forecast spending is now £13.0 million, which – if this materialises – would lead to an underspend of £6.435 million. Negotiations are progressing with a view to Qualis purchasing some completed units at the Roundhills and Pyrles Lane development sites, although this may slip into 2024/25.

- **Other Housing Schemes (£2.925 million forecast Underspend)** – the Broadway Regeneration project is the dominant factor, which is driving the variance. It has a total budget of £2.728 million in 2023/24, of which only a very small proportion is expected to be spent (on fees) this financial year resulting in a forecast underspend of £2.628 million. A detailed review of the project has been undertaken and a report presented to Cabinet on 13th March 2023 (C-044-2022/23) approving an increase of the overall project budget to £6.0 million. Consultation with residents and leaseholders is due to commence during the year; followed by any necessary planning consents. The project is expected to complete by 2025/26; and
- **Capital Works (£1.210 million forecast Underspend)** – there is one significant underspend driving this variance related to Net Zero Carbon Works (£1.20 million). The Council secured funding from the Social Housing Decarbonisation Fund (SHDF) in February 2023 in partnership with E-on to improve energy efficiency in Council homes through various measures including cavity wall insulation. The match funded project aims to complete by September 2024; the unspent budget from this financial year will be re-profiled into 2024/25.

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 £28.915 million reduction in the need to borrow in 2023/24.

7) Wider Financial Performance & Risk

7.1 Introduction

7.1.1 This (quarterly) Budget Monitoring report has been purposely developed in recent years, through the incremental inclusion of emerging good practice in order to improve transparency and aid effective scrutiny and decision-making. This section of the report, represents a further expansion of that approach in considering the following:

- **Performance Indicators** – covering the Council's wider financial performance, including how effectively it collects its income and pays its bills, through setting, monitoring, and reporting on a selected range of Indicators.
- **Prudential Indicators** - it is now a requirement of the CIPFA Prudential Code (2021 Edition) that progress against the Prudential Indicators adopted in the Council's Capital Strategy is reported on a quarterly basis. It is good practice to report these alongside updates on the Capital Programme, providing Members with further insight on how the Council manages its capital expenditure, borrowing and commercial and service investments; and
- **HRA Local Indicators** – In accordance with generally accepted good practice across the wider social housing sector, the Council's adopted Capital Strategy also includes two further (optional) 'local indicators', tailored to the risk management requirements of the HRA Business Plan.

7.2 Performance Indicators

Accounts Payable (Payment of Invoices)

- 7.2.1 The prompt payment of invoices is an important objective for any business but – as a community leader and ‘place shaper’ – it is even more important that the Council leads by example; suppliers, including many small local businesses, are reliant on the cash flow generated by the services they provide to the Council; being viewed as ‘good to do business with’ also enhances the Council’s reputation. There are also negative cost implications associated with the late Payment of Invoices; it is often symptomatic of inefficient administration processes and penalties for late payment can also be triggered. The Council therefore records and monitors the payment of invoices using a 30-Day Indicator and also measures the time taken to pay invoices. Performance as at Quarter 1 is presented in the table below.

Payment of Invoices 2023/24								
Description	Quarter 1		Quarter 2		Quarter 3		Quarter 4	
	23/24	22/23	23/24	22/23	23/24	22/23	23/24	22/23
Invoices Paid in 30 Days (%)	88%	70%		76%		77%		81%
Average Days to Pay an Invoice	20	36		32		31		26

- 7.2.2 The table above clearly shows an improving trend in the Payment of Invoices over the last 15 months, which has been maintained in Quarter 1 this year.

- 7.2.3 Members should note that, due to current system limitations, it is not practical to record the date that invoices are physically received; the indicators above therefore measure from invoice date only, which means that – in practice – payment performance will be higher in many cases. Nevertheless, performance is measured on a ‘like-for-like’ basis, which allows performance to be tracked.

Accounts Receivable (Sundry Debt Collection)

- 7.2.4 It is also important that the Council efficiently collects all of the income that it is due. Failure to do that can be costly both in terms of process inefficiencies and the potential write-off of uncollectable debt.

- 7.2.5 General Fund income – to a large extent – comprises general Fees and Charges which are paid by the customer before the service is provided (e.g., Car Parking charges). However, some income sources are billed and collected through the Accounts Receivable (“Sundry Debts”) system. This includes periodic payments (e.g., Commercial Property Rents) or income collected in arrears (e.g., the recoupment of Bed & Breakfast payments incurred by the Homelessness service). The collection of Local Tax (Council Tax and Business Rates) – raised and collected through the “Academy” system – is considered separately below (see paragraphs 7.2.8 and 7.2.9).

- 7.2.6 The collection of Sundry Debts was, for many years, an individual service responsibility, although the system has – more recently – been consolidated into a single service function (within the Revenues service). The Council records and monitors the Collection of Sundry Debts using a 60-Day Indicator and also measures the age of outstanding debt. Performance as at Quarter 1 is presented in the table below.

Sundry Debt Collection 2023/24			
Description	Quarter 1		
	April	May	June
Average Age of Outstanding Sundry Debt (Days)	1,574 Days	1,568 Days	1,576 Days
Total Value of Debt Outstanding over 60 Days Old (£'s)	£3.313 Million	£3.783 Million	£3.347 Million

7.2.7 The implementation of the “ASH” Debtors system (which went live in August 2021, with data transferring in December 2021) proved to be a difficult exercise, which led to a number of data anomalies and a work backlog. The situation was further compounded by a shortfall in staff resources. Both factors conspired to the detriment of collection performance but, more recently, substantial progress is being made, with older cases being reviewed, remaining data anomalies addressed, and backlogs eliminated. The Sundry Debts function is now given a high priority and is better resourced (e.g., the latest available performance information – as at 31st August 2023 – shows that the Average Age of Outstanding Debt has declined to 1,461 days). A further progress update will be provided to Members in the Quarter 2 report.

Local Tax Collection

7.2.8 The prompt collection of Council Tax and Business Rates is essential if the Council is to maximise resources from its major funding sources for the benefit of protecting local services. Experience shows that the longer debts remain outstanding, the harder they are to collect, which ultimately leads to an increase in write-offs; this has a negative impact on the Council’s General Fund Reserve and reduces funds available to support Net Expenditure. The table below sets out the Collection Rates achieved for Council Tax and Business Rates in Quarter 1.

Local Tax Collection Rates 2023/24 (Quarter 1)		
	30th June 2023	30th June 2022
Council Tax collected (%)	27.18%	26.97%
Business Rates collected (%)	28.51%	28.95%

7.2.9 The table above shows a mixed picture, although it is too early in the financial year to draw any firm conclusions. It is a difficult financial backdrop generally and there has been a Business Rates Revaluation (which has increased bills by an average of 14%) effective from 2023/24. Council Tax collection performance is encouraging, especially in the light of significant fears that collection would be negatively impacted as the ‘cost of living crisis’ continues.

7.3 Prudential Indicators

7.3.1 The Council is required by regulation to have regard to the Prudential Code (the Code) when carrying out its duties under Part 1 of the Local Government Act 2003. The 2017 edition of the Code first introduced a requirement to produce and adopt a Capital Strategy, including a range of (previously established) capital-related “Prudential Indicators”. The updated 2021 edition of the Code revised and further strengthened – with effect from 2023/24 – the capital reporting obligations of the Council. This includes a new quarterly reporting requirement.

7.3.2 In compliance with the 2021 Code, and recommended good practice, this report now provides an updated position on the Prudential Indicators included in the Capital Strategy (2023/24 to 2025/26) adopted by the Council in February 2023 as follows:

- Capital Expenditure
- Capital Financing Requirement (CFR)
- Gross Debt and the Capital Financing Requirement
- Debt and the Authorised Limit and Operational Boundary
- Net Income from Commercial and Service Investments to Net Revenue Stream; and
- Proportion of Financing Costs to Net Revenue Stream.

Capital Expenditure

7.3.3 The Council has undertaken and is planning capital expenditure as summarised in the table below.

Description	2022/23 Actual	2023/24 Forecast (Q1)	2024/25 Budget	2025/26 Budget
	£000's	£000's	£000's	£000's
General Fund (GF)	3,949	31,731	19,773*	4,541*
Qualis Investments (GF)	8,000	34,472	22,100*	0*
Housing Revenue Account	15,875	52,202	43,964*	29,326*
TOTALS	27,824	118,405	85,837*	33,867*

*Capital Strategy budgets unchanged (to be updated in Quarter 3)

7.3.4 A detailed analysis of the capital projects included in the table above is presented in *Appendix B* (General Fund and Qualis Investments) and *Appendix C* (Housing Revenue Account).

Capital Financing Requirement (CFR)

7.3.5 The Council's cumulative outstanding debt is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure and reduces with Minimum (MRP) and capital receipts used to replace debt.

Description	2022/23 Actual	2023/24 Forecast (Q1)	2024/25 Budget	2025/26 Budget
	£000's	£000's	£000's	£000's
General Fund (including Qualis Investments)	159,088	215,799	243,588*	240,679*
Housing Revenue Account	154,475	187,537	202,142*	214,438*
TOTAL CFR	313,563	403,336	445,730*	455,117*

*Capital Strategy budgets unchanged (to be updated in Quarter 3)

7.3.6 The table above shows that there has been little change compared to the CFR budget estimate for 2023/24 included in the Capital Strategy (formulated in January 2023), with a Quarter 1 forecast (as at 30th June 2023) of £403.3 million (compared to the Capital Strategy estimate of £388.9 million).

Gross Debt and the Capital Financing Requirement

7.3.7 Statutory guidance requires debt to remain below the Capital Financing Requirement, except in the short term. The Council has complied and expects to continue to comply with this requirement in the medium term as is shown below.

Description	2022/23 Actual	2023/24 Forecast (Q1)	2024/25 Budget	2025/26 Budget	Actual Debt (30/06/23)
	£M's	£M's	£M's	£M's	£M's
Outstanding Debt (including leases)	281.6	336.3	219.0*	216.7*	286.8
Capital Financing Requirement (CFR)	313.6	403.3	445.7*	455.1*	N/A

*Capital Strategy budgets unchanged (to be updated in Quarter 3)

Debt and the Authorised Limit and Operational Boundary

7.3.8 The Council is legally obliged to set an affordable borrowing limit (also termed the "Authorised Limit" for external debt) each year. In line with statutory guidance, a lower "Operational Boundary" is also set as a warning level should debt approach the limit.

Description	Q1 2023/24 Maximum	30/06/23 Actual	Operational Boundary 2023/24	Authorised Limit 2023/24	Complied? (Yes/No)
	£000's	£000's	£000's	£000's	£000's
Borrowing	286,764	286,764	443,184	453,184	Yes
PFI and Finance Leases	0	0	0	0	Yes
Total Debt	286,764	286,764	443,184	453,184	Yes

7.3.9 The table above shows that the Council continues to operate well within its Authorised Limit and Operational Boundary.

Net Income from Commercial and Service Investments to Net Revenue Stream

7.3.10 The Council's income from commercial and service investments as a proportion of its net revenue stream has been and is expected to be as indicated below.

Description	2022/23 Actual	2023/24 Forecast (Q1)	2024/25 Budget	2025/26 Budget
	£000's	£000's	£000's	£000's
Total Net Income from Service and Commercial Investments	10,428	11,003	12,097*	12,434*
Proportion of Net Revenue Stream	66%	65%	72%*	72%*

*Capital Strategy budgets unchanged (to be updated in Quarter 3)

7.3.11 The 65% forecast for 2023/24 compares to an expectation of 69% in the Capital Strategy. This partly reflects reduced income expectations from Qualis loans, including reduced margins as a consequence of rising PWLB borrowing rates. It also reflects a series of reduced rental incentives on new Commercial Property leases (income from these leases will increase as full rentals become payable by tenants).

Proportion of Financing Costs to Net Revenue Stream

- 7.3.12 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as Financing Costs; the 'standard' CIPFA Prudential Indicator compares this to "Net Revenue Stream" (the amount funded from Council Tax, Business Rates, and general Government grants).
- 7.3.13 However, the standard definition of Net Revenue Stream does not adequately take account of the circumstances of Epping Forest District Council, which has had – for many years – a major income stream from Commercial Property and – more recently – an additional income stream from Qualis loan margins. Factoring in those two major sources of income produces a more meaningful Prudential Indicator, tailored to the specific circumstances of this Council. The 'local' Prudential Indicator is presented in the table below, alongside the standard CIPFA Indicator (for comparison purposes only).

General Fund Financing Costs	2022/23 Actual	2023/24 Forecast (Q1)	2024/25 Budget	2025/26 Budget
	£000's	£000's	£000's	£000's
Financing Costs	3,547	5,508	8,516*	9,048*
Proportion of Net Revenue Stream (Standard CIPFA Indicator)	22%	33%	50%*	52%*
Proportion of Net Revenue Stream (Local Indicator)	13%	19%	27%*	27%*

**Capital Strategy budgets unchanged (to be updated in Quarter 3)*

- 7.3.14 Unsurprisingly Financing Costs are beginning to increase slightly as a proportion of Net Revenue Stream, with both the 'standard' and 'local' forecasts for 2023/24 now 1% higher than assumed within the Capital Strategy (although the dampening effect of increasing interest receipts and robust Commercial Property income should be noted). This is an indicator, which will be closely monitored in the build up to developing the 2024/25 budget.

7.4 HRA Local Indicators

- 7.4.1 The requirement to borrow and the risk associated with HRA borrowing can be distinguished from that of the General Fund. The HRA is underpinned by a very large property portfolio (6,442 properties, with a Balance Sheet value of £806.892 million as at 31st March 2023). Accordingly, the different risk profile is reflected within the capital financing rules e.g., the Local Government Act 2003 established the requirement for councils to put aside resources (through making a "Minimum Revenue Provision") to repay debt in later years; it was (still is) a legal requirement that only applies to General Fund borrowing.
- 7.4.2 Nevertheless, HRA borrowing is not risk free; HRA capital investment plans must be just as prudent, affordable, and sustainable as General Fund capital investment plans. Two local indicators have therefore been developed, which are used to gauge, and provide assurance, around the Council's HRA borrowing plans.

Loan to Value

7.4.3 This indicator is widely used as a measure of default risk by lenders in Housing finance. It is determined by calculating the outstanding debt as a proportion of the total value of assets.

Description	2022/23 Actual	2023/24 Estimate	2023/24 Forecast (Q1)
	Ratio	Ratio	Ratio
Loan to Value	0.19	0.19	0.22
Target Maximum (LTV)	0.70	0.70	0.70

7.4.4 It can be seen from the table above that, based on current projections, HRA borrowing plans are well within acceptable Loan to Value limits.

HRA Interest Cover

7.4.5 This is a financing indicator and reflects how able the HRA is to meet interest costs from its Net Cost of Services.

Description	2022/23 Actual	2023/24 Estimate (Updated)	2023/24 Forecast (Q1)
	Ratio	Ratio	Ratio
HRA Interest Cover	1.02	1.25	1.17
Target Minimum (IC)	1.25	1.25	1.25

7.4.6 It can be seen from the table above that based on current projections, the HRA Interest cover ratio has fallen marginally below the target minimum set by the Council due to substantial major Void repair costs increasing the Net Cost of Service forecast. It is however an improvement on the outturn for 2022/23 (also impacted by higher Void costs).

7.4.7 The future costs associated with Voids is difficult to predict. However, a Stock Condition Survey is now being concluded and a more in-depth Asset Management Strategy is being developed, which will provide more detailed information on the current status of the Council's assets and any resultant major works. Such intelligence will assist in navigating this indicator moving forwards.

Options:

There are no matters for decision in this report. The Cabinet 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 Cabinet to remain aware of issues and the process to maintain a balanced budget.

Safer, Cleaner, Greener Implications:

There are no SCG implications.

Consultation Undertaken:

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

Background Papers:

Management Accounts 2023/24 (Month 3)

Risk Management

The report is primarily presented for information, although some risk management implications are contained in Section 7. Regular monitoring and reporting of the issues 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 2023/24

Quarter 1 Forecast

Epping Forest DC: General Fund Revenue Budget 2023/24							
@ 30 June 2023 (Month 3)							
General Fund							
Service Area	Activity	Full Year Budget £'s	Net Expenditure			Forecast £'s	Variance £'s
			Budget (M9) £'s	Actual £'s	Variance £'s		
Chief Executive	Chief Executive Support Services	550,030	137,508	146,444	8,937	550,466	436
	Corporate Activities	73,740	18,435	20,971	2,536	62,201	(11,539)
	Chief Executive Other Activities	31,500	7,875	-	(7,875)	31,500	-
	Sub-Total	655,270	163,818	167,415	3,598	644,167	(11,103)
Commercial & Technical Services	Car Parking	(548,140)	(137,035)	(128,358)	8,677	(469,047)	79,093
	C&T Community & Partnership	195,250	48,813	5,607	(43,206)	195,250	-
	Contracts & Technical Support Services	2,172,960	543,240	423,070	(120,171)	2,239,190	66,230
	Cost Centres - Contracts & Technical	3,554,670	888,668	784,832	(103,835)	3,626,893	72,223
	C&T Emergency Planning & Other	(1,830)	(458)	(833)	(376)	2,700	4,530
	Environmental Health	242,010	60,503	10,660	(49,842)	233,010	(9,000)
	Land Drainage/Sewerage	113,090	28,273	15,543	(12,730)	124,260	11,170
	Land & Property	(8,087,160)	(2,021,790)	(1,809,654)	212,136	(7,993,925)	93,235
	Leisure Facilities	(905,880)	(226,470)	20,666	247,136	(903,839)	2,041
	North Weald Centre	(515,340)	(128,835)	(396,706)	(267,871)	(619,343)	(104,003)
	Parks & Grounds	514,100	128,525	2,162	(126,363)	547,712	33,612
	Private Sector Housing	(112,170)	(28,043)	(40,377)	(12,335)	(162,170)	(50,000)
	C&T Regulatory Services	(233,910)	(58,478)	(47,066)	11,411	(232,280)	1,630
	Waste Management	5,672,670	1,418,168	917,529	(500,639)	5,592,284	(80,386)
	Sub-Total	2,060,320	515,080	(242,927)	(758,007)	2,180,695	120,375
Community & Wellbeing	Community, Health & Wellbeing	72,060	18,015	(85,654)	(103,669)	80,795	8,735
	Cost Centres - Community & Wellbeing	416,790	104,198	107,853	3,656	444,170	27,380
	Economic Projects Support Serv	215,050	53,763	23,917	(29,845)	98,165	(116,885)
	Homelessness	73,360	18,340	175,675	157,335	131,456	58,096
	Museum, Heritage & Culture	481,030	120,258	158,171	37,914	470,297	(10,733)
	Voluntary Sector Support	219,470	54,868	(3,320)	(58,188)	219,470	-
	Sub-Total	1,477,760	369,440	376,643	7,203	1,444,353	(33,407)
Corporate Services	Business Support	1,630,990	407,748	262,872	(144,875)	1,649,391	18,401
	Cost Centres - Corporate Support	307,500	76,875	91,172	14,297	344,921	37,421
	Elections	208,860	52,215	90,833	38,618	186,058	(22,802)
	Emergency Planning & Other	79,250	19,813	21,872	2,059	86,384	7,134
	ICT	3,625,730	906,433	1,635,441	729,008	3,575,681	(50,049)
	Insurance Premiums	719,750	179,938	17,186	(162,752)	719,750	-
	Corp Serv - Member Activities	370,400	92,600	88,217	(4,383)	370,290	(110)
	Other Support Services	1,886,170	471,543	403,160	(68,382)	1,834,705	(51,465)
	Strategy Support Services	219,360	54,840	58,701	3,861	225,060	5,700
	Sub-Total	9,048,010	2,262,003	2,669,453	407,450	8,992,240	(55,770)
Customer Services	Cost Centres - Customer Services	2,404,772	601,193	604,397	3,204	2,426,140	21,368
	Customer Support Services	1,671,920	417,980	391,675	(26,305)	1,676,365	4,445
	Housing Benefits	(1,175,090)	(293,773)	(65,695)	(28,078)	(818,808)	356,282
	Local Taxation	(771,660)	(192,915)	(64,685)	128,230	(784,800)	(13,140)
	Customer Services - Members Activities	27,800	6,950	12,610	5,660	27,800	-
	Sub-Total	2,157,742	539,436	878,302	338,867	2,526,697	368,955
Finance & Audit	Audit Support Services	304,850	76,213	300,140	223,928	300,140	(4,710)
	Finance Support Services	1,254,140	313,535	105,791	(207,744)	1,260,480	6,340
	Finance & Other Activities	509,630	127,408	-	(127,408)	509,630	-
	Sub-Total	2,068,620	517,155	405,931	(111,224)	2,070,250	1,630
Housing & Property	Accommodation	469,530	117,383	431,553	314,170	431,553	(37,977)
	Cost Centres - Housing & Property	468,550	117,138	468,550	351,413	468,550	-
	Facilities & Depot Management	525,530	131,383	543,475	412,093	543,475	17,945
	Housing & Property Support Services	382,010	95,503	380,132	284,630	380,132	(1,878)
	Sub-Total	1,845,620	461,405	1,823,710	1,362,305	1,823,710	(21,910)
Place	Place - Community & Partnership	34,940	8,735	(54,312)	(63,047)	35,414	474
	Cost Centres - Place	245,260	61,315	58,511	(2,804)	238,285	(6,975)
	Sub-Total	280,200	70,050	4,200	(65,850)	273,699	(6,501)
Planning & Development	Cost Centres - Planning Services	2,281,190	570,298	520,633	(49,664)	2,389,710	108,520
	Local Plan Implementation	807,810	201,953	(205,895)	(407,848)	901,787	93,977
	Planning & Development	(2,051,570)	(512,893)	(276,374)	236,518	(1,913,484)	138,086
	Planning Support Services	305,390	76,348	52,834	(23,514)	212,885	(92,505)
	Regulatory Services	(582,710)	(145,678)	(148,357)	(2,679)	(264,177)	318,533
	Sub-Total	760,110	190,028	(57,159)	(247,187)	1,326,721	566,611
Strategy, Delivery & Performance	Strategy - Other Activities	83,510	20,878	34,388	13,511	82,630	(880)
	Strategy, Delivery & Performance Support Services	737,318	184,330	112,836	(71,493)	669,592	(67,726)
	Sub-Total	820,828	205,207	147,224	(57,983)	752,222	(68,606)
General Fund Total		21,174,480	5,293,620	6,172,792	879,172	22,034,754	860,274
	Qualis Income	(2,851,520)	-	-	-	(2,582,598)	268,922
	HRA Recharges	(4,984,450)	-	-	-	(4,674,450)	310,000
	Financing						
	<i>Interest (exc. Qualis):</i>						
	Interest Receivable	(478,500)	-	-	-	(719,400)	(240,900)
	Interest Payable	2,807,130	-	-	-	3,674,299	867,169
	Minimum Revenue Provision	1,261,000	-	-	-	1,162,000	(99,000)
	Specific Contingency (Qualis)	712,880	-	-	-	268,922	(443,958)
General Fund (Net Expenditure)		17,641,020	5,293,620	6,172,792	879,172	19,163,527	1,522,507

General Fund Capital Programme 2023/24

Quarter 1 Forecast

General Fund Capital Programme 2023/24: Quarter 1 Forecast										
Scheme	2022/23 Budget Outturn (xtract)			2023/24 Budget			2023/24 Budget Progress (@ 30th June 2023 - Q1)			
	2022/23 Unspent / (Overspend) Balances	(Savings) / Overspends not of fwd	Balances Rolled Forward into 2023/24	2023/24 Budget Allocation	Q1 Changes	2023/24 Budget (Updated)	Actuals to Q1	Remaining Budget	Forecast Outturn 2023/24	Forecast (Uspend)/ O spend 2023/24
	£'s	£'s	£'s	£'s	£'s	£'s	£'s	£'s	£'s	£'s
Community & Wellbeing										
Joint Museum and Library Facility	770,000	(770,000)	-	-	-	-	-	-	-	-
Sub-Totals	770,000	(770,000)	-	-	-	-	-	-	-	-
Commercial & Technical										
Cartersfield Road	1,060,979	-	1,060,979	-	-	1,060,979	51,448	1,009,531	585,187	(475,792)
Investment Property Acquisition Fund	596,497	-	596,497	-	1,500,000	2,096,497	-	2,096,497	2,039,100	(57,397)
Princess of Wales PH - lease acquisition	(695,489)	695,489	-	-	-	-	-	-	-	-
EFDC Shopping Park	-	-	-	-	-	-	(38,603)	38,603	57,397	57,397
Centric Parade Redevelopment	-	-	-	-	-	-	-	-	-	-
CCTV Replacement Programme	69,375	(47,373)	22,000	25,000	-	47,000	-	47,000	25,000	(22,000)
CarPark CCTV Systems	13,080	(3,080)	10,000	25,000	-	35,000	-	35,000	25,000	(10,000)
Superfast Broadband (REFCUS)	350,000	-	350,000	-	-	350,000	-	350,000	350,000	-
Disabled Facilities Grants (REFCUS)	31,250	(31,250)	-	971,210	-	971,210	145,735	825,475	930,000	(41,210)
Home Assist Grants (REFCUS)	20,480	(20,480)	-	30,000	-	30,000	-	30,000	10,000	(20,000)
Civic Offices Café External Access	175,979	(175,979)	-	-	-	-	-	-	-	-
Highway Ranger Vehicle & Equipment	40,000	-	40,000	-	-	40,000	-	40,000	40,000	-
Highways - Pavement Widening Scheme	-	-	-	100,000	-	100,000	-	100,000	-	(100,000)
Grounds Maintenance	38,295	-	38,295	30,000	-	68,295	-	68,295	55,000	(13,295)
Highways (REFCUS)	97,564	(1,500)	96,064	-	-	96,064	-	96,064	96,064	-
H2 Taxiway (ex NWA Prep Phase 1)	156,112	-	156,112	-	-	156,112	19,870	136,242	25,000	(131,112)
NWA Employment Land Develop	-	-	-	-	-	-	-	-	-	-
NWA Vehicles & Equipment	(18,855)	18,855	-	-	-	-	-	-	-	-
NWA Aviation Development	-	-	-	-	-	-	-	-	-	-
NWA Waste Depot	-	-	-	4,167,000	-	4,167,000	-	4,167,000	2,000,000	(2,167,000)
Waste Vehicle Fleet Replacement	-	-	-	9,220,000	-	9,220,000	-	9,220,000	9,220,000	-
Vehicle Fleet Replacement & OHD Equipment	245,015	-	245,015	-	-	245,015	69,710	175,305	245,015	-
Leisure Centre Energy Saving Schemes	-	-	-	155,640	-	155,640	150,125	5,515	150,125	(5,515)
Epping Leisure Centre (Bakers Lane)	10,857,070	-	10,857,070	1,312,560	-	12,169,630	58,024	12,131,606	12,000,000	(169,630)
Sub-Totals	13,037,350	434,682	13,472,032	16,036,410	1,500,000	31,008,442	436,309	30,572,133	27,852,888	(3,155,554)
Corporate Services										
ICT General Schemes	170,483	-	170,483	95,000	-	263,483	2,958	260,525	177,706	(85,777)
ICT Strategy	2,841,192	-	2,841,192	1,086,000	-	3,927,192	120,224	3,806,968	2,208,372	(1,718,820)
Civic Offices Accommodation Project (ICT)	(1,341)	1,341	-	-	-	-	-	-	-	-
Sub-Totals	3,010,334	1,341	3,011,675	1,179,000	-	4,190,675	123,182	4,067,493	2,386,078	(1,804,597)
Customer Services										
Council Chamber Upgrade	147,649	-	147,649	-	-	147,649	-	147,649	-	(147,649)
Sub-Totals	147,649	-	147,649	-	-	147,649	-	147,649	-	(147,649)
Housing (Property Services)										
Oakwood Hill Depot Extension	(18,155)	18,155	-	-	-	-	-	-	-	-
Investment Properties (Planned Works)	187,577	(147,831)	39,846	250,000	(77,605)	212,241	-	212,241	212,241	-
202-220 Loughton HR - roof and H & S works	(147,831)	147,831	-	-	77,605	77,605	-	77,605	77,605	-
Operational Properties (Planned Works)	295,732	(18,433)	277,299	86,000	-	363,299	41,332	321,967	363,299	-
Sub-Totals	317,423	(278)	317,145	336,000	-	653,145	41,332	611,813	653,145	-
Place										
UK Prosperity Fund Projects	-	-	-	-	161,784	161,784	-	161,784	161,784	-
Climate & Environmental Projects	676,984	-	676,984	-	-	676,984	-	676,984	676,984	-
Sub-Totals	676,984	-	676,984	-	161,784	838,768	-	838,768	838,768	-
Qualls										
Regeneration Finance Loans	88,247,500	(88,247,500)	-	40,010,000	-	40,010,000	4,750,000	35,260,000	34,472,165	(5,537,835)
Sub-Totals	88,247,500	(88,247,500)	-	40,010,000	-	40,010,000	4,750,000	35,260,000	34,472,165	(5,537,835)
Total Expenditure	106,207,240	(88,581,755)	17,625,485	57,561,410	1,661,784	76,848,679	5,350,823	71,497,856	66,203,044	(10,645,635)
Capital Financing Analysis:										
Borrowing	105,989,088	(88,363,603)	17,625,485	55,582,920	1,500,000	74,708,405	5,078,139	69,630,266	64,295,839	(10,412,566)
Capital Grants	218,152	(218,152)	-	971,210	161,784	1,132,994	145,735	987,259	1,091,784	(41,210)
Capital Receipts	-	-	-	1,007,280	-	1,007,280	126,949	880,331	815,421	(191,859)
Total Financing	106,207,240	(88,581,755)	17,625,485	57,561,410	1,661,784	76,848,679	5,350,823	71,497,856	66,203,044	(10,645,635)

Housing Revenue Account Capital Programme 2023/24

Quarter 1 Forecast

HRA Capital Programme 2023/24: Quarter 1 Forecast										
Schemes	2022/23 Budget Outturn (Extract)			2023/24 Budget			2023/24 Budget Progress (@ 30 June 2023 - Q1)			
	2022/23 Unspent/ (Over)spent Balances	(Savings) / Overspends not c/fwd	Balances Rolled Forward Into 2023/24	2023/24 Budget Allocation	Q1 Changes	23/24 Budget (Updated)	Actuals to Q1	Remaining Budget	Forecast Outturn 2023/24	Forecast (Us)pend/(Os)pend 2023/24
	£'s	£'s	£'s	£'s	£'s	£'s	£'s	£'s	£'s	£'s
Housing Development Programme:										
Housebuilding	10,965,260	-	10,965,260	3,375,500	1,383,590	15,724,350	1,87,558	15,536,792	7,764,730	(7,959,620)
Qualls Acquisitions	10,461,190	-	10,461,190	8,973,500	-	19,434,690	-	19,434,690	13,000,000	(6,434,690)
Development Land Purchases	1,850,000	-	1,850,000	-	(1,383,590)	466,410	-	466,410	466,410	-
Sub-Totals	23,276,450	-	23,276,450	12,349,000	-	35,625,450	187,558	35,437,892	21,231,140	(14,394,310)
Capital Works:										
Heating	393,830	(144,870)	248,960	1,724,000	-	1,972,960	55,370	1,917,590	1,972,960	-
Windows, Door and Roofing	1,224,510	32,780	1,257,290	6,386,110	(2,137,270)	5,506,130	59,275	5,446,855	5,500,110	(6,020)
Compliance Planned Maintenance	272,800	(203,880)	68,920	1,725,000	(1,000,000)	793,920	31,202	762,718	793,920	-
Kitchens & Bathrooms (Inc void allocation)	1,990,160	-	1,990,160	4,786,000	-	6,776,160	182,182	6,593,978	6,776,160	-
Electrical	226,430	-	226,430	300,000	1,381,790	1,908,220	86,445	1,821,775	1,908,220	-
Net Zero Carbon Works	1,500,000	-	1,500,000	1,100,000	-	2,600,000	-	2,600,000	1,396,000	(1,204,000)
Environmental	266,980	(146,980)	120,000	1,118,530	-	1,238,530	50,318	1,188,212	1,238,530	-
Structural works	1,449,170	(58,430)	1,390,740	850,000	(644,520)	1,596,220	5,854	1,590,366	1,596,100	(120)
Disabled Adaptations	(20,750)	20,750	-	650,000	400,000	1,050,000	76,975	973,025	1,050,000	-
Asbestos Removal	166,630	(166,630)	-	280,800	-	280,800	6,706	274,094	280,800	-
Estate Improvements	45,870	-	45,870	50,000	-	95,870	-	95,870	95,870	-
Sub-Totals	7,515,630	(667,260)	6,848,370	18,970,440	(2,000,000)	23,818,810	554,327	23,264,483	22,608,670	(1,210,140)
Regeneration Projects:										
Limes Avenue and Copperfield	1,980,510	-	1,980,510	2,000,000	2,000,000	5,980,510	288,887	5,691,623	5,980,510	-
Broadway	2,728,070	-	2,728,070	-	-	2,728,070	-	2,728,070	100,000	(2,628,070)
Sub-Totals	4,708,580	-	4,708,580	2,000,000	2,000,000	8,708,580	288,887	8,419,693	6,080,510	(2,628,070)
Other Housing Schemes:										
Service Enhancements (General)	-	-	-	204,020	-	204,020	-	204,020	204,020	-
Housing Asset Management Project	188,780	-	188,780	540,000	-	728,780	85,247	643,533	431,610	(297,170)
Service Enhancements (HFFHH)	(31,620)	31,620	-	154,000	-	154,000	-	154,000	154,000	-
Door Replacement Programme (Leasehold)	311,670	(311,670)	-	233,540	-	233,540	-	233,540	233,540	-
Sheltered Block Refurbishments	330,000	-	330,000	100,000	-	430,000	-	430,000	430,000	-
Emergency Alarm Upgrades	360,000	-	360,000	-	-	360,000	-	360,000	360,000	-
Sheltered Housing Works	-	-	-	468,000	-	468,000	-	468,000	468,000	-
Sub-Totals	1,158,830	(280,050)	878,780	1,699,560	-	2,578,340	85,247	2,493,093	2,281,170	(297,170)
Vehicle Replacements	(36,270)	36,270	-	-	-	-	-	-	-	-
Total Expenditure	36,623,220	(911,040)	35,712,180	35,019,000	-	70,731,180	1,116,019	69,615,161	52,201,490	(18,529,690)
Capital Financing Analysis:										
Direct Revenue Contributions	-	-	-	1,282,000	82,000	1,364,000	-	1,364,000	1,364,000	-
Major Repairs Reserve	-	-	-	9,137,000	-	9,137,000	1,116,019	8,020,981	17,486,000	8,349,000
RTB Receipts	-	-	-	1,599,000	-	1,599,000	-	1,599,000	1,976,970	377,970
Grants	-	-	-	80,000	-	80,000	-	80,000	1,918,300	1,838,300
Other Contributions	-	-	-	1,187,000	-	1,187,000	-	1,187,000	1,187,000	-
Borrowing	36,623,220	(911,040)	35,712,180	21,734,000	(82,000)	57,364,180	-	57,364,180	28,269,220	(29,094,960)
Total Financing	36,623,220	(911,040)	35,712,180	35,019,000	-	70,731,180	1,116,019	69,615,161	52,201,490	(18,529,690)